



# Forward with Confidence

2023 Annual Report





See the TD Annual Report online by visiting [www.td.com/ar2023/](http://www.td.com/ar2023/)

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For information on TD's commitment to the community and our environment, visit [www.td.com/content/dam/tdcom/canada/about-td/pdf/esg/2022-esg-report.pdf](http://www.td.com/content/dam/tdcom/canada/about-td/pdf/esg/2022-esg-report.pdf)

\* 2023 Sustainability Report to be published in March 2024

# Our Strategy

Anchored in our proven business model, we are guided by our purpose to give our customers, communities and colleagues the opportunities and confidence to thrive in a changing world.



## Proven Business Model

Deliver consistent earnings growth, underpinned by a strong risk culture



## Purpose-Driven

Centre everything we do on our vision, purpose and shared commitments



## Forward-Focused

Shape the future of banking in the digital age

# Our Business

Every day, TD enriches the lives of those we serve, while delivering consistent earnings growth for our shareholders. We are accelerating our digital transformation and using our innovation ecosystem to shape the future of banking.



**95,000+**

TD colleagues



**6<sup>th</sup>**

largest bank in North America<sup>1</sup>



**~28 million**

customers served around the globe



**16.7 million**

active digital customers<sup>2</sup>



**> 3,500**

community organizations received support in 2023



**> \$157 million<sup>3</sup>**

contributed to communities in 2023

(as at October 31, 2023)

<sup>1</sup> By total assets, as at October 31, 2023. Source: Bloomberg.

<sup>2</sup> Active digital users are users who have logged in online or via their mobile device at least once in the last 90 days.

<sup>3</sup> Figures are disclosed in CAD Equivalent and include any donation commitments recognized as a legal obligation or a constructive obligation and expensed in 2023 before they were paid out. Figure does not include donations made through TD Friends of the Environment Foundation.



**Bharat Masrani**  
Group President and  
Chief Executive Officer

“At TD, we believe that banking serves a higher purpose. In times of significant change, our customers and clients turn to us to help them navigate complexity and achieve their financial goals.”

## A diversified business delivers for our stakeholders

In 2023, TD demonstrated the benefits of its diversified business model. Our ability to adapt and execute with speed and purpose allowed the Bank to drive progress and deliver for our stakeholders.

We grew our customer base and invested in new capabilities to make us even stronger and more competitive. We introduced leading customer-facing applications and enhanced execution excellence with new technology and agile work models. We remained focused on those we serve, extended our lead as Canada's largest digital bank, and surpassed 10 million customers at TD Bank, America's Most Convenient Bank. We also closed a strategic transaction and welcomed 1,700 TD Cowen colleagues to TD Securities. Across the Bank, our businesses are well-positioned to continue to serve our nearly 28 million customers and clients by delivering ease, value, and trusted advice.

Amid an increasingly challenging environment, the Bank reported fiscal 2023 earnings of \$10.8 billion (\$15.1 billion on an adjusted basis). While this was down 38 per cent compared to 2022 (two per cent on an adjusted basis) reflecting the decline in macroeconomic conditions and further credit normalization, our capital position remained strong. We ended the year with a Common Equity Tier 1 Ratio of 14.4 per cent, well above regulatory requirements.

Our performance and financial strength enabled TD to return value directly to shareholders. We paid a higher dividend in 2023 and initiated the repurchase of up to 90 million common shares, after completing our previously announced repurchase of 30 million shares. Our confidence in the earnings power of our franchise enabled us to declare a dividend increase of six per cent effective in the first quarter of fiscal 2024.

### Supporting customers through change

It would be an understatement to call 2023 a period of change. We saw inflation climb, and central banks rapidly raise interest rates in response. Households and businesses faced new challenges. Economies, though somewhat resilient, began to slow. Technology, including generative AI, disrupted at scale. Industries continued to transform to meet new demands and needs. We continued to adapt to help our customers navigate these fundamental changes to the environment.

At TD, we believe that banking serves a higher purpose. In times of significant change, our customers and clients turn to us to help them navigate complexity and achieve their financial goals. We take this responsibility seriously and work hard to earn the trust of those we serve every day. We are engines of economic progress, providing liquidity and credit to foster growth. We invest in communities, support those impacted by economic uncertainty, and help advance a more sustainable and inclusive future.

**The Canadian Personal Bank remains Canada's leading banking franchise,** and in 2023 we sharpened our focus to drive growth in key areas critical to future success. Our New-to-Canada program enabled thousands to establish themselves in a new country with access to tailored products and services. Our credit card portfolio delivered industry-leading offers to meet customers' unique needs, backed by relationships with top brands, including Aeroplan, Uber, Amazon, and Starbucks. In Real Estate Secured Lending, we grew share in a challenging market by offering proactive advice.

**The Canadian Business Bank combined increased industry specialization with a focus on customer experience to drive growth.** Leveraging the reach and scale of Canada's leading branch network, we deployed business bankers across the country and doubled the number of Senior Private Bankers co-located in our Commercial Banking centres, advancing our OneTD strategies. We added sector specialists, created a technology venture team, expanded our support for women entrepreneurs, and launched the Black Entrepreneur Credit Access Program. We supported small

business clients in advance of the upcoming Canada Emergency Business Account (CEBA) repayment deadline and drove record originations at TD Auto Finance.

**In Wealth Management and Insurance, we widened our leadership position and continued to disrupt the market.**

We remain Canada's largest institutional asset manager and operate the country's top-ranked digital brokerage platform. We launched TD Active Trader to offer our customers increased speed and flexibility. TD Insurance, Canada's number-one direct insurer, continued to reshape the market with innovative digital capabilities and offers, such as small business insurance. TD Insurance colleagues provided advice and assistance to communities devastated by wildfires and flooding.

With our growing competitive differentiation and deepening customer connections, TD emerged as Canada's most valuable brand in 2023.

**In the United States, TD Bank, America's Most Convenient Bank, continues to deliver on the promise of its human-centric brand.**

When the banking crisis hit the U.S. market in the spring, we offered our customers stability and assurance. We continue to be well-positioned across our Maine-to-Florida footprint, investing in new products and services to meet the needs of customers across one of the biggest banking markets in the world. For the seventh consecutive year, we ranked number one in Small Business Administration (SBA) lending in our footprint – and number two in SBA loans nationally. Notwithstanding the progress we have made in our U.S. business, it was disappointing that some shortcomings in our anti-money laundering control environment were identified during the year, which we are working hard to address, and I am confident that in time we will.

As announced earlier in the year, given the uncertainty of the approval timeline, we mutually agreed with First Horizon to terminate the previously announced transaction. Although this was a difficult decision – and one not taken lightly – it was the right one for the Bank under the circumstances.

**In Wholesale, TD Securities continues to advance our long-term growth strategy to build a fully integrated North American dealer with global reach.**

We significantly expanded the scope of our services and capabilities and are winning new mandates and new clients. With the addition of TD Cowen, we have added deep talent and complementary capabilities that will deliver greater value for clients and accelerate our growth strategy.

**Strengthened the best team in banking**

In 2023, we continued to invest in our colleagues to attract, retain and develop the best talent for today and tomorrow. TD's culture, backed by Shared Commitments that unify the efforts of our diverse workforce offers a significant advantage as we build, serve, and focus on the future. TD was recognized as a Best Workplace in both Canada and the United States by Great Place to Work. The Bank was also named a Top Company for Diversity by DiversityInc., Best Place to Work for Disability Inclusion, and one of Forbes' America's Best Employers for Diversity.

**Driving sustainable and inclusive growth**

The Bank's sustainability priorities are embedded in our business strategy. We bring significant expertise, resources, and financing to clients as they transition to meet heightened market expectations and seize the opportunities of a low carbon economy. Through products, services, and trusted advice, we are helping businesses contribute to a more sustainable future.

We also advanced our own efforts. This year, we launched a new Sustainable and Decarbonization Finance Target to support customers, clients, and the communities we serve by mobilizing \$500 billion by 2030 through financial activities and the Bank's own investments. In recognition of our leadership, we were proud to be listed on the Dow Jones Sustainability Index for the ninth consecutive year – the only North American-based bank included on this year's World Index.

Through the TD Ready Commitment, we are supporting the future prosperity of the communities in which we live and work, as we invest in programs that create opportunities for people to thrive in a changing world. We are making progress toward our \$1 billion 2030 target, with \$157 million contributed this year alone in support of community, non-profit, and other organizations.

**Looking forward with confidence**

The Bank enters 2024 from a position of strength, with proven resiliency, a powerful brand and a strong capital position.

A dynamic economic and operating environment will continue to shift in the year ahead. While an economic downturn has not yet materialized, inflation, rising rates and affordability challenges are already having an impact. TD is well-positioned to pivot, adapt, and deliver as circumstances change.

Our businesses are strong, and our customer relationships continue to grow and deepen. We attract and retain the best talent in the industry. Our disciplined financial management will allow us to enhance our performance and serve the evolving needs of our customers and clients. In addition, we will continue to invest in our risk and control environment and strengthen our capabilities, commensurate with a bank of our size and risk profile.

I want to thank our more than 95,000 TD bankers around the world for their commitment and dedication, our customers and clients for their trust, and our shareholders for their continued support as we build the Better Bank.



**Bharat Masrani**

Group President and Chief Executive Officer

## CHAIR OF THE BOARD'S MESSAGE



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

“The Bank's performance in a year of change and economic uncertainty demonstrated the advantages of its diversified businesses and conservative risk appetite.”

TD ended 2023 a strong, well-capitalized Bank, focused on delivering for our nearly 28 million customers and clients. The Bank's performance in a year of change and economic uncertainty demonstrated the advantages of its diversified businesses and conservative risk appetite.

TD's 2023 reported earnings of \$10.8 billion supported important investments in new capabilities, which will improve the Bank's control environment and our customers' experience. Our performance and strong capital position also enabled the Bank to pay consistent and higher dividends, and to initiate a significant share buy-back to return value directly to shareholders.

The Bank continued to contribute its philanthropy and expertise to support a more sustainable and inclusive future. Through the TD Ready Commitment, we invested more than \$157 million in 2023 in the communities in which we operate. TD also established a new sustainable and decarbonization finance target to mobilize \$500 billion by 2030 through financial activities and the Bank's own investments.

These outcomes were achieved through the dedication and commitment of TD's 95,000 colleagues. During a period of economic uncertainty, they remained focused on our customers and on the Bank's success and I thank them for their hard work.

The Board of Directors would like to thank our Group President and CEO for his continued stewardship of the Bank, and the Senior Executive Team for their leadership. The Board also extends its thanks to our customers for the opportunity to serve them, and to our shareholders for their ongoing confidence in the Bank.

As 2023 comes to a close, so does my tenure as Chair of the Board. It has been a privilege to serve TD and our shareholders as a director since 2008 and as Chair since 2011. It has also been very rewarding to work with my fellow directors and the Bank's management. I wish everyone at TD continued success for the future.

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

## THE BOARD OF DIRECTORS

The Board of Directors, as of November 30, 2023, is listed below. A full list of its committees and key committees' responsibilities can be found on page 16. Our Proxy Circular for the 2024 Annual Meeting will set out the director candidates proposed for election at the meeting, as well as additional information about each candidate, including education, other public board memberships, areas of expertise, TD Committee memberships, stock ownership and attendance at Board and Committee meetings.

**Cherie L. Brant**  
Partner, Borden  
Ladner Gervais LLP,  
Tyendinaga Mohawk  
Territory, Ontario

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

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

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

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

**Brian M. Levitt**  
Board Chair,  
The Toronto-  
Dominion Bank,  
Kingston, Ontario

**Alan N. MacGibbon**  
Corporate Director,  
and retired Managing  
Partner and Chief  
Executive, Deloitte  
LLP (Canada),  
Mississauga, Ontario

**John B. MacIntyre**  
Partner, Birch Hill  
Equity Partners,  
Toronto, Ontario

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

**Keith G. Martell**  
Corporate Director,  
and former President  
& Chief Executive  
Officer, First Nations  
Bank of Canada,  
Eagle Ridge,  
Saskatchewan

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

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

**S. Jane Rowe**  
Corporate Director,  
and former Vice  
Chair, Investments,  
Ontario Teachers'  
Pension Plan Board,  
Toronto, Ontario

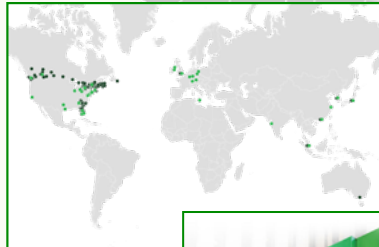
**Nancy G. Tower**  
Corporate Director,  
and former President  
& Chief Executive  
Officer, Tampa  
Electric Company,  
Halifax, Nova Scotia

**Ajay K. Virmani**  
Chief Executive  
Officer, Cargojet Inc.,  
Oakville, Ontario

**Mary A. Winston**  
Corporate Director,  
and former public-  
company Chief  
Financial Officer,  
Charlotte,  
North Carolina

# Proven Business Model

We are deeply committed to sustaining the trust of those we serve.



■ **Three core principles of our Risk Appetite**

We take risks required to build our business, but only if those risks:

**1 Fit our business strategy**

and can be understood and managed

**2 Do not expose the enterprise**

to any significant single loss events; we don't "bet the bank" on any single acquisition, business or product

**3 Do not risk harming the TD brand**

■ **We have diversification, scale, and a unique footprint**

**\$10.8 billion**

2023 Reported Earnings

**\$15.1 billion**

2023 Adjusted Earnings<sup>1</sup>

**2,239**

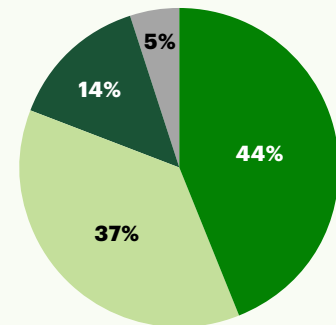
Retail locations in North America

**39**

Cities worldwide in which TD Securities operates

**778**

Cities across North America and 6 cities globally in which TD Wealth is located



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

- Canadian Personal & Commercial Banking
- U.S. Retail
- Wealth Management & Insurance
- Wholesale Banking

**95%** Retail<sup>\*</sup>  
**5%** Wholesale Banking

<sup>\*</sup>Retail = Canadian Personal & Commercial Banking, U.S. Retail, Wealth Management & Insurance

<sup>1</sup> Adjusted results are non-GAAP financial measures. Refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section in the 2023 Management's Discussion & Analysis (MD&A).

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

# 2023 Snapshot

Performance indicators focus effort, communicate our priorities, and benchmark our results against key elements of our proven business model.

**■ We have a strong balance sheet and capital position**

(Financial information as at October 31, 2023)

**\$2.0 trillion**

Assets

**\$1.2 trillion**

Deposits

**14.4%**

CET1 Ratio<sup>1</sup>

**130%**

Liquidity Coverage Ratio<sup>1</sup>

**1.88%**

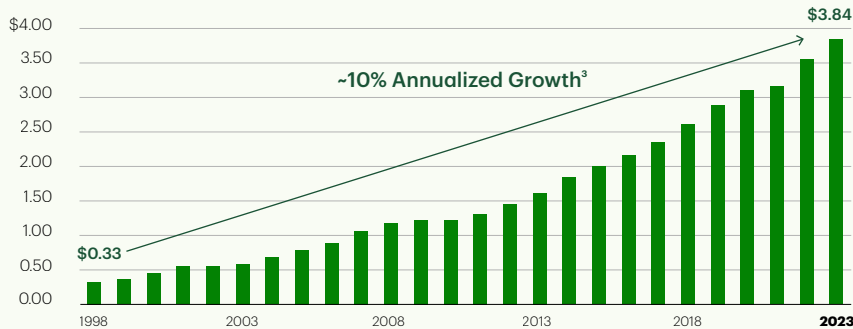
Return on Risk-Weighted Assets<sup>2</sup>



## TD Cowen adds strength and reach to TD Securities

This year, we welcomed more than 1,700 colleagues and expanded our offerings and reach through the acquisition of Cowen Inc. This is a significant step toward TD Securities' long-term growth strategy to be a fully integrated North American Investment Bank with global reach.

### DIVIDEND HISTORY



**167-year**

Continuous Dividend History

**4.6%**

2023 Dividend Yield<sup>2</sup>

**5.6%**

Total Shareholder Return<sup>2</sup>

(5-year CAGR<sup>4</sup>)

<sup>1</sup> These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements and Liquidity Adequacy Requirements guidelines.

<sup>2</sup> For additional information about this metric, refer to the Glossary in the 2023 MD&A.

<sup>3</sup> 25-year CAGR is the compound annual growth rate calculated from 1998 to 2023.

<sup>4</sup> 5-year CAGR is the compound annual growth rate calculated from 2018 to 2023.



# Championing our Brand

In a testament to the strength of our business and the goodwill of our brand, TD earned the #1 spot in Brand Finance's 2023 Canada 100 Report, which ranks the 100 most valuable brands in Canada. Throughout the communities we serve, the green TD shield shines bright.



▲ Marked the opening of TD Music Hall in Toronto's historic Massey Hall concert venue.



▲ Debuted the TD shield on the Toronto Blue Jays' iconic jersey.

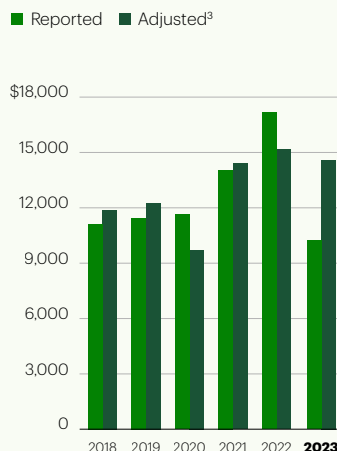


▲ Extended our sponsorship with TD Garden and the Boston Bruins through to 2025.

| PERFORMANCE INDICATORS <sup>1</sup>   | 2023 RESULTS <sup>1,3</sup> (on an adjusted basis)  |
|---|---|
| <ul style="list-style-type: none"> <li>• Deliver above-peer-average total shareholder return<sup>4,5</sup></li> <li>• Grow medium-term adjusted EPS by 7 to 10%<sup>3,4</sup></li> <li>• Grow revenue<sup>2</sup> faster than expenses</li> </ul> | <ul style="list-style-type: none"> <li>• -6.9% vs. Canadian peer average of -11.4%<sup>5</sup></li> <li>• -4.4% adjusted EPS growth<sup>3</sup></li> <li>• Revenue growth of 12.3% vs. expense growth of 12.6%</li> </ul> |

## NET INCOME

available to common shareholders  
(millions of Canadian dollars)

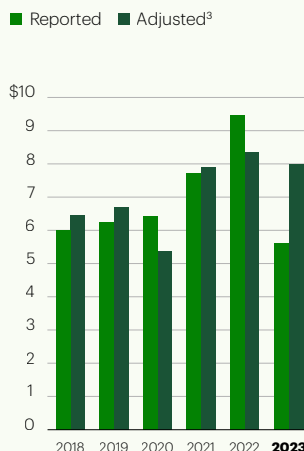


TD's 5-year CAGR

**-1.7%** Reported  
**4.2%** Adjusted<sup>3</sup>

## DILUTED EARNINGS PER SHARE (EPS)

(Canadian dollars)

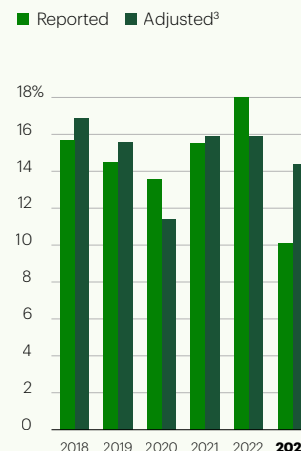


TD's 5-year CAGR

**-1.4%** Reported  
**4.3%** Adjusted<sup>3</sup>

## RETURN ON COMMON EQUITY<sup>4</sup>

(percent)



TD's 2023 ROE

**10.1%** Reported  
**14.4%** Adjusted<sup>3</sup>

<sup>1</sup> Performance indicators that include an earnings component are based on TD's full-year adjusted results (except as noted).

<sup>2</sup> Revenue is net of insurance claims and related expenses.

<sup>3</sup> Adjusted results are non-GAAP financial measures. Refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section in the 2023 MD&A.

<sup>4</sup> For additional information about this metric, refer to the Glossary in the 2023 MD&A.

<sup>5</sup> Canadian Peers – defined as the other four big banks (RY, BMO, BNS and CM). All Peers are based on fiscal 2023 results ended October 31, 2023, closing stock prices as of October 31, 2023 and dividends paid in calendar 2023 to October 31 per Bloomberg.



# Purpose-Driven

**Our customers are at the centre of everything we do: informing the products and services we offer, how we serve our communities and support our colleagues to help them deliver ease, value and trusted advice in the channel of their choice.**

## ■ Enhanced credit card lineup and benefits to meet evolving customer needs

Teamed up with **Uber** to deliver valuable discounts to eligible TD cardholders in Canada.



◀ Introduced **TD Clear**, a no-interest credit card that charges a simple monthly fee – the first of its kind in the U.S. market – and **TD FlexPay**, a credit card with increased payment flexibility and balance transfer offers.

## ■ Delivered faster for our customers

The Bank continued to maximize customer and colleague benefit and speed to market through the **Next Evolution of Work (NEW)**. NEW creates common capabilities, embeds agility and increases efficiency.

- NEW teams introduced an **Activation on First Use** feature, which enabled Canadian customers to forego calling a contact centre to activate their new credit card. The result was 130,000 fewer calls over a 90-day period for TD credit card holders.
- TD's **First Home Savings Account** program was launched nearly 40% faster than programs of a similar size and scale thanks to NEW ways of working and collaboration.

In the U.S., we launched **EasyApply** to create a more seamless experience for customers opening an account online.

## ■ Paved the way for New Canadians with unique banking services

Announced an exclusive two-year relationship with **CanadaVisa**, a leading online source of Canadian immigration information, to provide resources to help newcomers build financial acumen.

Introduced an **International Student Banking Package**, the first of its kind in Canada.

## ■ Announced new specialized offerings

Launched **TD Insurance for Business**, a direct-to-consumer service that offers insurance tailored to small business owners.

TD Asset Management and TD Epoch launched a **new global identity** that brings together their combined asset management capabilities to the global investing community.

- ▼ Launched **TD Active Trader**, a next-generation trading platform, designed for active traders. This powerful platform, built from the ground up, will deliver a truly legendary trading experience and revolutionize the way our clients invest.



## ■ Introduced new services to facilitate convenient access to banking

Added a **preferred language option** to our digital appointment booking tool to allow Canadian customers to select from among multiple languages when meeting with a Personal Banker.

Collaborated with the Canadian Administrator of Video Relay Services to launch a **dedicated phone line in Canada for customers who are Deaf and use sign language** to complete their remote banking needs.

Enhanced the **TD Insurance Mobile App** so customers can manage their insurance policies and claims digitally.

MoneyTalk launched a **Chinese-language webpage** and produced its first video conducted entirely in Mandarin to provide investment content to more clients.

## ■ Expanded our reach to help more customers get the support they need, where and when they need it

Launched **Private Banking Direct**, allowing clients in Canada to receive trusted advice from Private Bankers remotely, in the way clients prefer.

Opened our 25<sup>th</sup> **TD Insurance Auto Centre**, a one-stop solution for customers making car insurance claims.

TD Insurance Claims Advisors were on the ground supporting and advising customers across the country this year during severe **weather-related** events including those hardest hit by the Canadian wildfires.



◀ Opened five locations in **Charlotte, North Carolina**, including three community-centred stores in low-to-moderate income and majority-minority communities, with dedicated space for community leaders and organizations to come together to host job training, financial education workshops or non-profit events at no cost.

## ■ Helped customers navigate home ownership in a complex environment

Launched the **First Home Savings Account** to help buyers save for their first home.

Introduced **TD Mortgage Direct** offering fast and easy access to personalized advice from a Mortgage Specialist.

## New TD branch in Tsuut'ina Nation, Alberta is built around Indigenous Peoples

Fully staffed by colleagues from the Indigenous community, the Buffalo Run branch, located southwest of Calgary, is the first TD branch on First Nation land in Alberta.

The Bank collaborated with Tsuut'ina Nation and the Taza Development team to ensure that all details – from the materials used to the architectural forms of the building – reflect Tsuut'ina Nation's connection to the land and their respect for the environment.

Murals and artwork by artists from Tsuut'ina Nation are prominently displayed throughout the branch, and welcome signage is in both Tsuut'ina and English.



## Awards

Received the most awards of any financial institution in *MoneySense* magazine's 2023 Canada's Best Awards, including in the best no-fee, flat rate, and travel credit card categories.

**TD Auto Finance** received the highest score in the non-captive national – prime segment in the J.D. Power 2020-2023 U.S. Dealer Financing Satisfaction Studies of dealers' satisfaction with automotive finance providers.<sup>1</sup>

**TD AMCB** was #1 for the seventh consecutive year in total number of approved U.S. Small Business Administration (SBA) loans in our Maine-to-Florida footprint for the 2023 fiscal year, and the #2 SBA lender nationwide.

**TD Direct Investing** was recognized as the #1 online brokerage in Canada by *The Globe and Mail*.

**TD Securities** was recognized by *Environmental Finance* as Lead Manager of the Year, Social Bonds – Sovereign, for its work as joint lead manager for the Government of Canada's Ukraine Sovereignty Bond.

<sup>1</sup> Visit [jdpower.com/awards](https://www.jdpower.com/awards) for more details.

# Sustainability



**We maintain a long-standing commitment to environmental and social progress. It's core to who we are. Guided by our purpose, we strive to make a positive impact in the lives of our customers and colleagues, and in our communities and the broader economies that rely on us.**

## Environmental

- TD achieved our **\$100 billion low carbon target** ahead of our 2030 deadline and introduced a new Sustainable & Decarbonization Finance Target. Representing the next step in our effort to advance the low carbon economy and contribute to improving social outcomes, TD plans to mobilize \$500 billion by 2030 through lending, financing, underwriting, advisory services, insurance and the Bank's own investments.
- TD published a **Sustainable & Decarbonization Finance Target Methodology** document that outlines the Bank's approach to categorizing, assessing, and reporting on progress toward this new target.
- We continued to make progress against our **Climate Action Plan** and expanded our Scope 3 financed emissions footprint reporting to include seven carbon-intensive sectors and four Partnership for Carbon Accounting Financials asset classes. We also published an additional set of interim 2030 Scope 3 financed emissions targets for the Automotive Manufacturing and Aviation sectors and provided updates on our previously announced targets for Energy and Power Generation.
- TD Securities agreed to purchase 27,500 metric tons of **Direct Air Capture (DAC) carbon dioxide removal credits** over a four-year period from STRATOS, 1PointFive's first DAC plant currently under construction in Texas, subject to STRATOS becoming operational.
- TD Insurance initiated a **national education campaign** to help increase homeowners' resilience to basement flooding and invested in the Institute for Catastrophic Loss Reduction's Showcase Homes program to retrofit homes in Edmonton.
- TD Asset Management expanded its sustainability suite with the launch of the **TD North American Sustainability Bond Fund**, its first actively managed ESG-related fixed income product.



### A leader in sustainability

- TD was ranked among the **top sustainability companies in the Dow Jones Sustainability Index** for the ninth consecutive year – the only North American bank currently included in the World Index.
- TD was named **North America's Best Bank for Corporate Responsibility by Euromoney** for its demonstrated commitment to managing the environmental impact of operations, promoting workforce development and social mobility, and fostering diversity and inclusion.

## Social

- Building on our efforts to improve financial and economic inclusion for our customers, communities and colleagues, TD took another step in our journey, announcing **TD Pathways to Economic Inclusion**. This new social framework unifies and focuses our efforts in three areas where the Bank seeks to contribute to inclusive financial and economic outcomes: employment access, financial access and housing access.

### Employment access

- Together with AFOA Canada, TD announced the first 25 recipients of the **TD Scholarship for Indigenous Peoples**.
- TD collaborated with the **Executive Women's Forum** to help advance careers and create a better workplace for women in information security, information technology, risk management, and privacy.
- TD AMCB worked with The Honor Foundation to provide **career support to United States Navy SEALs** transitioning into civilian roles.

### Financial access

- Launched the **Black Entrepreneur Credit Access Program** in Canada to provide more equitable access to credit, wealth management, and specialized advice through a regionally based Black Customer Experience team.
- Launched **Offsite Account Opening** in Canada to offer customers greater flexibility when they open their account.

### Housing access

- TD AMCB announced a three-year, US\$2 billion voluntary **Community Reinvestment Act Agreement** in coordination with the New Jersey Citizen Action and the Housing & Community Development Network of New Jersey. The agreement includes commitments for investments in affordable housing, affordable mortgage lending, small business lending and other community development projects that will have a significant economic impact on low- and moderate-income communities and majority-minority communities throughout New Jersey.



- ◀ **Announced support for key housing and home ownership initiatives in Philadelphia, including a US\$2.5 million financial commitment to Local Initiatives Support Corporation's Non-profit Preservation Initiative and CONVERGENCE Philadelphia, a program with the Mortgage Bankers Association.**

## Governance



- TD continues to have **strong corporate governance practices** and our commitment to sustainability informs our strong risk management culture.
- Key areas of focus include: **risk management, corporate governance and integrity, human rights, data security and privacy.**
- We are also focused on building our enterprise resilience by embedding sustainability across our organization, integrating these considerations into our business strategy, risk management and decision-making. These dedicated ESG roles are coordinated through our **ESG Centre of Expertise and Target Operating Model.**

# The TD Ready Commitment

**At TD, we know that we can only thrive when the communities around us thrive, and that building a more sustainable and inclusive future is critical for our communities and our Bank. In 2023, we contributed more than \$157 million<sup>1</sup> to communities, in part through the TD Ready Commitment, which is a true embodiment of TD's purpose in action. Our TD Ready Commitment is targeting a total of \$1 billion by 2030 in community giving and colleague engagement in four areas: Financial Security, Vibrant Planet, Connected Communities and Better Health.**



TD pledged \$5 million over five years to the **Future Generations Foundation's Beyond Reconciliation Campaign** to deliver programs focused on culture, language, the restoration of land-based traditional knowledge, healing, reconciliation, education and employment to Indigenous Peoples, businesses, organizations and communities.

## TD Ready Challenge

The TD Ready Challenge is our annual North American initiative offering ten \$1 million grants to non-profit and community organizations that are developing innovative, impactful and measurable solutions for a changing world. In its sixth year, the 2023 TD Ready Challenge is seeking innovative solutions to help address systemic barriers to affordable housing across the continuum from transitional to permanent homes, and to help increase access to affordable and stable housing for those that need it most.



## TD Charitable Foundation

TD Charitable Foundation, the charitable giving arm of TD AMCB, announced its first-ever Mission Related Investment of US\$5 million to Innovate Capital Growth Fund (ICGF). ICGF is a new non-profit sponsored small business investment company that provides growth equity to minority and women-owned businesses with a focus on the Greater Philadelphia area.

<sup>1</sup> Figures include any donation commitments recognized as a legal obligation or a constructive obligation and expensed in 2023 before they were paid out. Figure does not include donations made through TD Friends of the Environment Foundation.

# Our Colleague Promise

**At TD, we're committed to helping our colleagues make a meaningful impact and develop their careers, within a caring environment.**

## ■ Caring for our colleagues by investing in their well-being

Enhanced **TD Time Away from Work** policies to offer colleagues paid time away from work for personal reasons, including religious or cultural holidays and personal or family well-being.

Introduced a **doula reimbursement benefit** for U.S. colleagues to support affordability and healthcare access.

Expanded **Wellness Account expenses in Canada** to include healers from the Indigenous community, non-traditional healers, charitable donations, and pet insurance.

Delivered our **first North American colleague movement challenge** through our Canadian and U.S. well-being apps, with more than 570 teams participating.

## ■ Staying competitive as an employer of choice

Unveiled a **new internal social collaboration platform** to support colleague engagement and productivity, enabling colleagues to collaborate, join communities and stay up to date on what's happening across the Bank.

## ■ Creating opportunities for professional growth and impact

Launched **FutureNow**, a learning program to provide colleagues with opportunities to develop future-focused capabilities, such as digital literacy and business acumen, to support TD's continued growth and deliver better outcomes for customers during times of change.

TD introduced a refreshed **Gender Identity and Expression** learning course to help provide welcoming and inclusive experiences for colleagues and customers.

Colleague engagement on **TD Thrive**, the Bank's self-directed learning platform, increased by 20% year-over-year.



▲ **Held the Bank's first TechCon, a four-day conference to support ongoing learning and technical skills development.**

## ■ Continuing to foster a diverse and inclusive workplace

To support the Bank's efforts to drive ongoing progress, TD introduced our refreshed, multi-year **Diversity and Inclusion (D&I)** strategy to activate leadership accountability, amplify TD's voice on D&I and measure performance.

This year, TD hired more than **100 Obsidi Academy graduates** to full-time positions. TD and the Black Professionals in Tech Network launched the Obsidi Academy to help Black-identifying individuals launch careers in technology.



## Awards

TD was recognized as one of **Canada's Top 100 Employers in 2023** by MediaCorp Canada Inc. for the 17<sup>th</sup> consecutive year.

TD was certified as a **Great Place to Work** in Canada and the U.S.

Forbes named TD AMCB one of **America's Best Employers for Diversity**, moving to number two out of 500 ranked companies.

TD was recognized for the seventh year in a row by the **Bloomberg Financial Services Gender-Equality Index** in 2023.

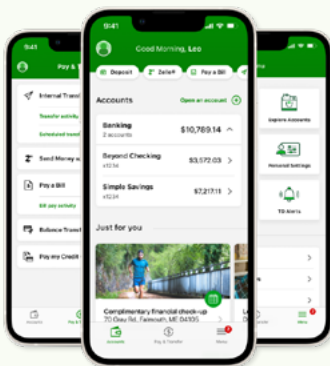
TD AMCB received a top score of 100 in the **2023 Disability Equality Index**, a national workplace disability inclusion assessment tool, for the ninth consecutive year.

# Forward-Focused

We're building additional capabilities, investing in new technology, and innovating to drive legendary customer and colleague experiences.

## Innovating to help customers stay on top of their finances

Following the Canadian introduction in 2022, TD added **deposit balance threshold alerts** to the U.S. mobile app, the first of several self-serve alerts that will further enhance customer convenience and experience.



▲ **Redesigned our Canadian and U.S. mobile banking apps** for easier access to the information customers need most.

## Delivering convenience for customers

Replaced more than **1,200 ATMs** throughout North America to modernize our machines and increase availability for our customers.

## Protecting customers with new and enhanced security capabilities

Introduced **card lock/unlock functionality** in the mobile banking apps to provide additional security for customers in Canada and the U.S.



Added **multi-factor authentication** for all in-branch and remote transactions in Canada for enhanced protection from fraud and identity theft.

## TD Invent: Shaping the future of banking

In 2023, the Bank launched **TD Invent**, an enterprise approach to innovation that supports its forward-focused business strategy. Three key areas of focus guide us as we create inclusive products and services that make sense for our customers, colleagues and communities:

- **Colleague Ideation** – A consistent and dynamic focus on harnessing the collective power of all TD colleagues to identify what matters the most. This year, we achieved record engagement with the submission of over 18,000 ideas to improve customer and colleague experiences.
- **Human-Centred Experiences** – A thoughtful approach to understanding customer and colleague needs that informs why and how we innovate.
- **Innovation Acceleration** – A proven, repeatable model that focuses on addressing tomorrow's banking expectations and enables us to explore, test and scale our solutions.

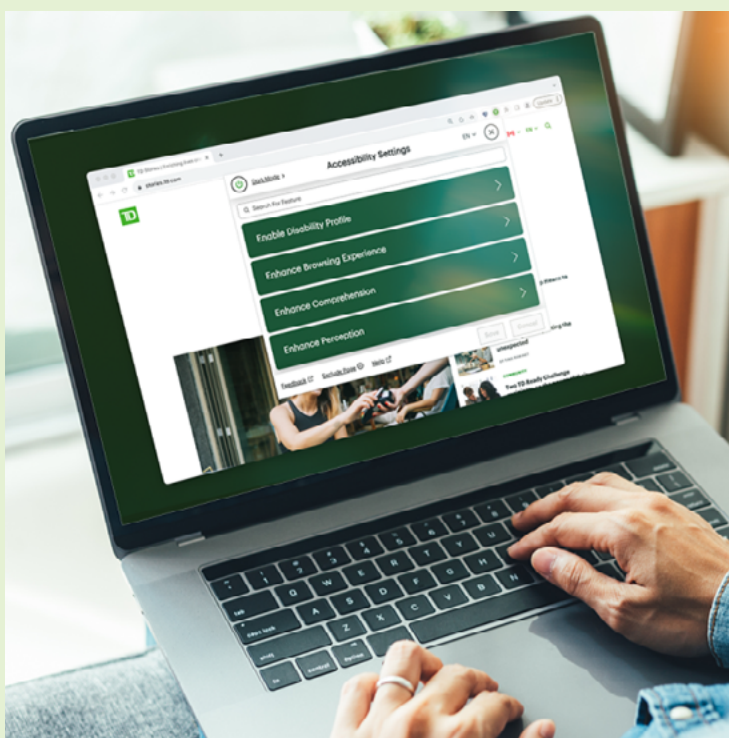


Introduced the **TD Invent Virtual Reality Co-op and Intern Pilot Program**, a personalized, immersive space for colleagues to onboard to the Bank and network with other participants and leaders, leading to higher engagement and colleague satisfaction scores.



## Inclusive Innovation in our DNA

In early 2023, TD launched an internal pilot of the TD Accessibility Adapter, a browser extension that allows users to personalize their online experience according to their accessibility preferences. Following impressive feedback from colleagues and disability inclusion leaders, the tool was launched to all 95,000 TD colleagues globally in June and to the Canadian and American public, at no cost, in September.



- ▲ Created by TD Invent, the TD Accessibility Adapter has changed what day one accommodation looks like at the Bank. By offering the tool to the public, we hope to support communities and organizations beyond the Bank to drive further inclusion in their online experiences.



Since its launch in 2019, nearly 85,000 submissions have been received through **TD Invent iD8**, a platform for TD colleagues to crowdsource ideas, share insights and provide feedback about how we can improve the customer and colleague experience at the Bank.

<sup>1</sup> Tied in 2023. For J.D. Power 2023 award information, visit [jdpower.com/awards](https://jdpower.com/awards).



## Awards

Named **Best Consumer Digital Bank in North America** for the third consecutive year by *Global Finance*.

Recognized by J.D. Power as **Highest in Customer Satisfaction** for our Canadian mobile banking app, earning top marks for speed and content.<sup>1</sup>

Layer 6 won the **ACM RecSys Challenge**, a leading global competition that benchmarks artificial intelligence capabilities among major tech companies and academic institutions.

The TD Equity Resource Hub was recognized by the Business Intelligence Group through the **2023 BIG Innovation Awards** for bringing new ideas to life in innovative ways.

# Board Committees

| COMMITTEE                      | MEMBERS <sup>1</sup>   | KEY RESPONSIBILITIES <sup>2</sup>  |
|--------------------------------|--|--|
| Corporate Governance Committee | <p><b>Brian M. Levitt</b><br/>(Chair)</p> <p><b>Amy W. Brinkley</b><br/><b>Karen E. Maidment</b><br/><b>Alan N. MacGibbon</b></p>  | <p><b>Responsible for corporate governance of the Bank:</b></p> <ul style="list-style-type: none"> <li>Identify individuals qualified to become Board members, 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 enterprise-wide complaints, 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).</li> <li>Oversee the evaluation of the Board and Committees.</li> </ul>  |
| Human Resources Committee      | <p><b>Karen E. Maidment</b><br/>(Chair)</p> <p><b>Amy W. Brinkley</b><br/><b>David E. Kepler</b><br/><b>Brian M. Levitt</b><br/><b>John B. MacIntyre</b><br/><b>Claude Mongeau</b></p>   | <p><b>Responsible for management's performance evaluation, compensation and succession planning:</b></p> <ul style="list-style-type: none"> <li>Discharge, and assist the Board of Directors in discharging, the responsibility of the Board relating to leadership, human capital management and compensation, as set out in this 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 of Directors 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> <li>Oversee a robust talent planning and development process, including review and approval of the succession plans for the senior officer positions and heads of control functions.</li> <li>Review and recommend the CEO succession plan to the Board of Directors for approval.</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.</li> <li>Oversee the strategy, design and management of the Bank's employee pension, retirement savings and benefit plans.</li> </ul> |
| Risk Committee                 | <p><b>Amy W. Brinkley</b><br/>(Chair)</p> <p><b>Cherie L. Brant</b><br/><b>Colleen A. Goggins</b><br/><b>David E. Kepler</b><br/><b>Karen E. Maidment</b><br/><b>Keith G. Martell</b><br/><b>Nancy G. Tower</b><br/><b>Ajay K. Virmani</b></p> | <p><b>Supervise 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.</li> <li>Provide a forum for analysis of an enterprise view of risk, including consideration of trends, and current and emerging risks.</li> </ul>  |
| Audit Committee                | <p><b>Alan N. MacGibbon</b><br/>(Chair)</p> <p><b>Brian C. Ferguson</b><br/><b>Keith G. Martell</b><br/><b>S. Jane Rowe</b><br/><b>Nancy G. Tower</b><br/><b>Mary A. Winston</b></p>   | <p><b>Supervise 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 control including internal control 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.</li> <li>Act as the Audit Committee for certain subsidiaries of the Bank that are federally regulated financial institutions.</li> </ul>   |

<sup>1</sup> Committee information as at October 31, 2023

<sup>2</sup> Committee responsibilities as at October 31, 2023

## ENHANCED DISCLOSURE TASK FORCE

The Enhanced Disclosure Task Force (EDTF) was established by the Financial Stability Board in 2012 to identify fundamental disclosure principles, recommendations, and leading practices to enhance risk disclosures of banks. The index below includes the recommendations (as published by the EDTF) and lists the location of the related EDTF disclosures presented in the 2023 Annual Report or the 2023 fourth

quarter Supplemental Financial Information (SFI), or Supplemental Regulatory Disclosures (SRD). Information on TD's website, SFI, and SRD is not and should not be considered incorporated herein by reference into the 2023 Annual Report, Management's Discussion and Analysis, or the Consolidated Financial Statements.

| Type of Risk  | Topic  | EDTF Disclosure  | Page   |        |                    |
|---|--|--|--|--------|--------------------|
|   |  |  | Annual Report                                | SFI    | SRD                |
| <b>General</b>  | <b>1</b>   | Present all related risk information together in any particular report.  | Refer to below for location of disclosures   |        |                    |
|   | <b>2</b>   | The bank's risk terminology and risk measures and present key parameter values used.   | 83-88, 92, 97, 99-101, 112-114               |        |                    |
|   | <b>3</b>   | Describe and discuss top and emerging risks.   | 76-82  |        |                    |
|   | <b>4</b>   | Outline plans to meet each new key regulatory ratio once applicable rules are finalized.   | 72, 109                                      |        |                    |
| <b>Risk Governance and Risk Management and Business Model</b> | <b>5</b>   | Summarize the bank's risk management organization, processes, and key functions.   | 84-87  |        |                    |
|   | <b>6</b>   | Description of the bank's risk culture and procedures applied to support the culture.  | 83-84  |        |                    |
|   | <b>7</b>   | Description of key risks that arise from the bank's business models and activities.  | 71, 83, 88-116                               |        |                    |
|   | <b>8</b>   | Description of stress testing within the bank's risk governance and capital frameworks.  | 70, 87, 95, 112                              |        |                    |
| <b>Capital Adequacy and Risk Weighted Assets</b>              | <b>9</b>   | Pillar 1 capital requirements and the impact for global systemically important banks.  | 67-69, 73, 219                               |        | 1-3, 6             |
|   | <b>10</b>  | Composition of capital and reconciliation of accounting balance sheet to the regulatory balance sheet.   | 67   |        | 1-3, 5             |
|   | <b>11</b>  | Flow statement of the movements in regulatory capital.   |  |        | 4                  |
|   | <b>12</b>  | Discussion of capital planning within a more general discussion of management's strategic planning.  | 68-70, 112                                   |        |                    |
|   | <b>13</b>  | Analysis of how RWA relate to business activities and related risks.   | 70-71  | 9-13   |                    |
|   | <b>14</b>  | Analysis of capital requirements for each method used for calculating RWA.   | 89-92, 94-95                                 |        | 13                 |
|   | <b>15</b>  | Tabulate credit risk in the banking book for Basel asset classes and major portfolios.   |  |        | 33-49, 57-61       |
|   | <b>16</b>  | Flow statement reconciling the movements of RWA by risk type.  |  |        | 16-17              |
| <b>17</b>   | Discussion of Basel III back-testing requirements. | 91, 95, 99   |  | 75-77  |                    |
| <b>Liquidity</b>  | <b>18</b>  | The bank's management of liquidity needs and liquidity reserves.   | 101-103, 105-106                             |        |                    |
| <b>Funding</b>  | <b>19</b>  | Encumbered and unencumbered assets in a table by balance sheet category.   | 104, 214                                     |        |                    |
|   | <b>20</b>  | Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.     | 109-111                                      |        |                    |
|   | <b>21</b>  | Discussion of the bank's funding sources and the bank's funding strategy.  | 106-109                                      |        |                    |
| <b>Market Risk</b>  | <b>22</b>  | Linkage of market risk measures for trading and non-trading portfolio and balance sheet.   | 93   |        |                    |
|   | <b>23</b>  | Breakdown of significant trading and non-trading market risk factors.  | 93, 96-97                                    |        |                    |
|   | <b>24</b>  | Significant market risk measurement model limitations and validation procedures.   | 94-97, 99                                    |        |                    |
|   | <b>25</b>  | Primary risk management techniques beyond reported risk measures and parameters.   | 94-97  |        |                    |
| <b>Credit Risk</b>  | <b>26</b>  | Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations. | 54-66, 88-92, 171-178, 187, 190-191, 217-218 | 21-36  | 1-5, 13, 16, 18-77 |
|   | <b>27</b>  | Description of the bank's policies for identifying impaired loans.   | 62, 147-148, 154, 177                        |        |                    |
|   | <b>28</b>  | Reconciliation of the opening and closing balances of impaired loans in the period and the allowance for loan losses.                              | 60, 174-176                                  | 25, 29 |                    |
|   | <b>29</b>  | Analysis of the bank's counterparty credit risks that arises from derivative transactions.   | 91, 159, 181-183, 187, 190-191               |        | 50-52, 62-66       |
|   | <b>30</b>  | Discussion of credit risk mitigation, including collateral held for all sources of credit risk.  | 91, 151, 159                                 |        |                    |
| <b>Other Risks</b>  | <b>31</b>  | Description of 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed.    | 97-100, 112-116                              |        |                    |
|   | <b>32</b>  | Discuss publicly known risk events related to other risks.   | 81-82, 212-213, 221                          |        |                    |

# 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, 2023, 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, 2023. This MD&A is dated November 29, 2023. 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 <https://www.sedarplus.ca/>, 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 ("2023 MD&A") in the Bank's 2023 Annual Report under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2024" 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 "2023 Accomplishments and Focus for 2024" for the Corporate segment, and in other statements regarding the Bank's objectives and priorities for 2024 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; regulatory oversight and compliance risk; the ability of the Bank to execute on long-term strategies, shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions and integration of acquisitions, the ability of the Bank to achieve its financial or strategic objectives with respect to its investments, business retention plans, and other strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank's technologies, systems and networks, those of the Bank's customers (including their own devices), and third parties providing services to the Bank; 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 parties; the impact of new and changes to, or application of, current laws, rules and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; environmental and social risk (including climate change); 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; the interconnectivity of Financial Institutions including existing and potential international debt crises; 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; the economic, financial, and other impacts of pandemics; 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 2023 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 and Subsequent Events" 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 2023 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2024" 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 "2023 Accomplishments and Focus for 2024" 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)                                    | 2023      | 2022      |
|---|-----------|-----------|
| <b>Results of operations</b>  |           |           |
| Total revenue – reported  | \$ 50,492 | \$ 49,032 |
| Total revenue – adjusted <sup>1</sup>   | 51,839    | 46,170    |
| Provision for (recovery of) credit losses   | 2,933     | 1,067     |
| Insurance claims and related expenses   | 3,705     | 2,900     |
| Non-interest expenses – reported  | 30,768    | 24,641    |
| Non-interest expenses – adjusted <sup>1</sup>   | 27,430    | 24,359    |
| Net income – reported   | 10,782    | 17,429    |
| Net income – adjusted <sup>1</sup>  | 15,143    | 15,425    |
| <b>Financial positions</b> (billions of Canadian dollars)                             |           |           |
| Total loans net of allowance for loan losses  | \$ 895.9  | \$ 831.0  |
| Total assets  | 1,957.0   | 1,917.5   |
| Total deposits  | 1,198.2   | 1,230.0   |
| Total equity  | 112.1     | 111.4     |
| Total risk-weighted assets <sup>2</sup>   | 571.2     | 517.0     |
| <b>Financial ratios</b>   |           |           |
| Return on common equity (ROE) – reported <sup>3</sup>                                 | 10.1%     | 18.0%     |
| Return on common equity – adjusted <sup>1</sup>                                       | 14.4      | 15.9      |
| Return on tangible common equity (ROTCE) <sup>1</sup>                                 | 13.6      | 24.3      |
| Return on tangible common equity – adjusted <sup>1</sup>                              | 18.9      | 21.2      |
| Efficiency ratio – reported <sup>3</sup>  | 60.9      | 50.3      |
| Efficiency ratio – adjusted <sup>1,3</sup>  | 52.9      | 52.8      |
| Provision for (recovery of) credit losses as a % of net average loans and acceptances | 0.34      | 0.14      |
| <b>Common share information – reported</b> (Canadian dollars)                         |           |           |
| Per share earnings  |           |           |
| Basic   | \$ 5.61   | \$ 9.48   |
| Diluted   | 5.60      | 9.47      |
| Dividends per share   | 3.84      | 3.56      |
| Book value per share <sup>3</sup>   | 56.58     | 55.00     |
| Closing share price <sup>4</sup>  | 77.46     | 87.19     |
| Shares outstanding (millions)   |           |           |
| Average basic   | 1,822.5   | 1,810.5   |
| Average diluted   | 1,824.4   | 1,813.6   |
| End of period   | 1,790.7   | 1,820.7   |
| Market capitalization (billions of Canadian dollars)                                  | \$ 138.7  | \$ 158.7  |
| Dividend yield <sup>3</sup>   | 4.6%      | 3.8%      |
| Dividend payout ratio <sup>3</sup>  | 68.3      | 37.5      |
| Price-earnings ratio <sup>3</sup>   | 13.8      | 9.2       |
| Total shareholder return (1 year) <sup>3</sup>  | (6.9)     | 0.9       |
| <b>Common share information – adjusted</b> (Canadian dollars) <sup>1,3</sup>          |           |           |
| Per share earnings  |           |           |
| Basic   | \$ 8.00   | \$ 8.38   |
| Diluted   | 7.99      | 8.36      |
| Dividend payout ratio   | 47.9%     | 42.5%     |
| Price-earnings ratio  | 9.7       | 10.4      |
| <b>Capital ratios<sup>2</sup></b>   |           |           |
| Common Equity Tier 1 Capital ratio  | 14.4%     | 16.2%     |
| Tier 1 Capital ratio  | 16.2      | 18.3      |
| Total Capital ratio   | 18.1      | 20.7      |
| Leverage ratio  | 4.4       | 4.9       |
| Total Loss Absorbing Capacity (TLAC) ratio  | 32.7      | 35.2      |
| TLAC Leverage ratio   | 8.9       | 9.4       |

<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 (CAR), 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 AND SUBSEQUENT EVENTS

### a) Restructuring Charges

The Bank undertook certain measures in the fourth quarter of 2023 to reduce its cost base and achieve greater efficiency. In connection with these measures, the Bank incurred \$363 million of restructuring charges which primarily relate to employee severance and other personnel-related costs, real estate optimization, and asset impairments. The Bank expects to incur additional restructuring charges of a similar magnitude in the first half of calendar 2024.

### b) Acquisition of Cowen Inc.

On March 1, 2023, the Bank completed the acquisition of Cowen Inc. ("Cowen"). The acquisition advances the Wholesale Banking segment's long-term growth strategy in the U.S. and adds complementary products and services to the Bank's existing businesses. The results of the acquired business have been consolidated by the Bank from the closing date and primarily reported in the Wholesale Banking segment. Consideration included \$1,500 million (US\$1,100 million) in cash for 100% of Cowen's common shares outstanding, \$253 million (US\$186 million) for the settlement of Cowen's Series A Preferred Stock, and \$205 million (US\$151 million) related to the replacement of share-based payment awards.

The acquisition was accounted for as a business combination under the purchase method. The purchase price allocation can be adjusted during the measurement period, which shall not exceed one year from the acquisition date, to reflect new information obtained about facts and circumstances. The acquisition contributed \$10,800 million (US\$7,933 million) of assets and \$9,884 million (US\$7,261 million) of liabilities. The excess of accounting consideration over the fair value of the tangible net assets acquired is allocated to other intangible assets of \$298 million (US\$219 million) net of taxes, and goodwill of \$744 million (US\$546 million).

### c) Termination of the Merger Agreement with First Horizon Corporation

On May 4, 2023, the Bank and First Horizon Corporation ("First Horizon" or "FHN") announced their mutual decision to terminate the previously announced merger agreement for the Bank to acquire First Horizon. Under the terms of the termination agreement, the Bank made a \$306 million (US\$225 million) cash payment to First Horizon on May 5, 2023. The termination payment was recognized in non-interest expenses in the third quarter of fiscal 2023 and was reported in the Corporate segment.

In connection with the transaction, the Bank had invested US\$494 million in non-voting First Horizon preferred stock. During the second quarter of fiscal 2023, the Bank recognized a valuation adjustment loss of \$199 million (US\$147 million) on this investment, recorded in other comprehensive income (OCI). On June 26, 2023, in accordance with the terms of the preferred share purchase agreement, the preferred stock converted into approximately 19.7 million common shares of First Horizon, resulting in the Bank recognizing a loss of \$166 million (US\$126 million) during the third quarter of fiscal 2023 in OCI based on First Horizon's common share price at the time of conversion.

The Bank had also implemented a strategy to mitigate the impact of interest rate volatility to capital on closing of the acquisition. The Bank determined that the fair value of First Horizon's fixed rate financial assets and liabilities and certain intangible assets would have been sensitive to interest rate changes. The fair value of net assets would have determined the amount of goodwill to be recognized on closing of the acquisition. Increases in goodwill and intangibles would have negatively impacted 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.

As a result of the de-designation, mark-to-market gains (losses) on these swaps were recognized in earnings, without any corresponding offset from the previously hedged investments. Such gains (losses) would have mitigated 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.

Prior to the termination of the merger agreement on May 4, 2023, for the year ended October 31, 2023, the Bank reported (\$1,386) million in non-interest income related to the mark-to-market on the swaps, and \$262 million in net interest income related to the basis adjustment amortization. In addition, for the year ended October 31, 2023, the Bank reported \$585 million in non-interest income related to the net interest earned on the swaps.

Following the announcement to terminate the merger agreement, the Bank discontinued this strategy and reinstated hedge accounting on the portfolio of fixed income investments using new swaps entered into at higher market rates. Income recognized from this strategy will reverse over time causing a decrease to net interest income. For the year ended October 31, 2023, the decrease to net interest income was (\$127) million, recorded in the Corporate segment.

The Bank had also implemented a strategy to mitigate FX risk on the expected USD cash consideration. Following the announcement to terminate the merger agreement, the Bank discontinued this strategy. Given the appreciation of the U.S. dollar during the life of the strategy, the Bank was in a net gain position on the date of hedge termination and cumulative net gains were recognized in accumulated other comprehensive income (AOCI).

### d) Implementation of the Canada Recovery Dividend and Change in Corporate Tax Rate

On December 15, 2022, Bill C-32, *Fall Economic Statement Implementation Act, 2022*, received Royal Assent. This bill enacted the Canada Recovery Dividend (CRD) and increased the Canadian federal tax rate for bank and life insurer groups by 1.5%.

The implementation of the CRD resulted in a provision for income taxes of \$553 million and a charge to OCI of \$239 million, recognized in the first quarter of 2023.

The increase in the Canadian federal tax rate of 1.5%, prorated for the first taxation year that ends after April 7, 2022, resulted in a provision for income taxes of \$82 million and a tax benefit of \$75 million in OCI related to fiscal 2022, recognized in the first quarter of 2023. The Bank also remeasured certain Canadian deferred tax assets and liabilities for the increase in tax rate, which resulted in an increase in net deferred tax assets of \$50 million, which is recorded in provision for income taxes.

### e) Stanford Litigation Settlement

In the US *Rotstain v. Trustmark National Bank, et al.* action, on February 24, 2023, the Bank reached a settlement in principle (the "settlement" or "agreement") relating to litigation involving the Stanford Financial Group (the "Stanford litigation"), pursuant to which the Bank agreed to pay US\$1.205 billion to the court-appointed receiver for the Stanford Receivership Estate. Under the terms of the agreement, TD has settled with the receiver, the Official Stanford Investors Committee, and other plaintiffs in the litigation and these parties have agreed to release and dismiss all current or future claims arising from or related to the Stanford matter. As a result of this agreement, the Bank recorded a provision of approximately \$1.6 billion pre-tax (\$1.2 billion after-tax) in the first quarter of 2023. The Bank recognized a foreign exchange loss of \$39 million (\$28 million after-tax) in the second quarter of 2023, reflecting the impact of the difference between the foreign exchange rate used for recording the provision (effective January 31, 2023) and the foreign exchange rate at the time the settlement was reached.

### f) Federal Deposit Insurance Corporation Special Assessment

On November 16, 2023, the Federal Deposit Insurance Corporation (FDIC) announced a final rule that implements a special assessment to recover the losses to the Deposit Insurance Fund arising from the protection of uninsured depositors during the U.S. bank failures in Spring 2023 (the "Special Assessment"). The Special Assessment is expected to result in the recognition of a provision of approximately US\$300 million pre-tax in the first quarter of the Bank's fiscal 2024.

## 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 27.5 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 and TD Cowen. TD also ranks among the world’s leading online financial services firms, with more than 16 million active online and mobile customers. TD had \$1.96 trillion in assets on October 31, 2023. The Toronto-Dominion Bank trades under the symbol “TD” on the Toronto and New York Stock Exchanges.

### ECONOMIC SUMMARY AND OUTLOOK

The global economy remains on track to slow in calendar 2023 and 2024, but to a lesser extent than anticipated in the previous quarter. Inflation has generally continued to cool across the G-7, and more central banks have taken a pause on interest rate hikes. Central bankers will remain vigilant on inflation and further rate hikes cannot be ruled out, but most are fine-tuning interest rate adjustments at this stage. The lagged impact of cumulative interest rate hikes is expected to be the primary influence dampening economic growth and returning inflation closer to the target ranges of the various regions by the end of calendar 2024.

The U.S. economy expanded by 4.9% annualized in the third calendar quarter of 2023. Underlying domestic demand grew at an impressive 3.5% pace, as consumer spending accelerated from a soft performance in the second calendar quarter. Government spending accelerated, driven by an uptick in federal defence spending. Housing activity also increased for the first time in over two years, reflecting lower mortgage rates earlier in the year. However, business investment weakened, after a stronger-than-expected performance in the first half of calendar 2023.

As of October, the U.S. job market was still tight with the unemployment rate still historically low at 3.9%. However, there are signs that demand for workers is cooling, as evidenced by both slower trend growth in payrolls and a slight increase in the unemployment rate over the prior six months. Although the downturn in total inflation has stalled in recent months due to higher energy costs, core inflation measures have continued to move lower. Underlying services prices continue to be a source of persistent price pressure. Given that inflation remains well above the U.S. Federal Reserve’s 2% target, the central bank remains highly attentive to upside risks.

TD Economics continues to believe there is a chance the federal funds rate may rise a further quarter point from its current range of 5.25-5.50% early in calendar 2024. The economic environment remains fluid. If the central bank sees evidence of further cooling in the labor market and is increasingly confident that inflation is headed towards its 2% target, it could opt to hold rates steady. Given the steep rise in interest rates over the past year, the trend towards tighter U.S. credit and financial conditions, and the likelihood of rolling periods of financial stress related to risk factors, the probability of a recession stateside remains elevated.

The Canadian economy has been affected by numerous temporary economic events, which have contributed to weakness in the economic activity data. Real GDP was nearly unchanged in the second calendar quarter of 2023, reflecting softer consumer spending and ongoing weakness in housing activity. Business investment was one bright spot, as investment in engineering structures and transportation equipment increased.

Despite signs of slowing in the Canadian economy, progress on inflation has stalled in recent months. The trend rate of job growth has slowed below that of the labour force, pushing the unemployment rate higher. TD Economics expects the unemployment rate to continue to move higher in the months ahead, contributing to prolonged weakness in consumer spending. Given the uncertainty surrounding the impact of substantial interest rate hikes on highly indebted Canadian households, the risk of recession also remains elevated in Canada.

The Bank of Canada has left the overnight interest rate unchanged at 5.00% since July. However, it has expressed concern about the persistence of underlying inflation. TD Economics does not expect further interest rate hikes, but the incoming economic data will determine whether more will be required in Canada to bring inflation down to the 2% target. The Canadian dollar is expected to hover in the 72 to 74 U.S. cent range over the next few quarters.

### 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 is comprised of 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 and IDA Agreement

On October 6, 2020, the Bank acquired an approximately 13.5% stake in The Charles Schwab Corporation (“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, at a price of US\$66.53 per share for proceeds of \$2.5 billion (US\$1.9 billion), which reduced the Bank’s ownership interest in Schwab to approximately 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.

The Bank accounts for its investment in Schwab using the equity method. 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, the acquisition and integration charges related to the Schwab transaction, and the Bank’s share of restructuring charges incurred by Schwab. The Bank’s share

of Schwab's earnings available to common shareholders is reported with a one-month lag. For further details, refer to Note 12 of the 2023 Consolidated Financial Statements.

On November 25, 2019, the Bank and Schwab signed an insured deposit account agreement (the "2019 Schwab IDA Agreement"), with an initial expiration date of July 1, 2031. Under the 2019 Schwab IDA Agreement, starting July 1, 2021, Schwab had the option to reduce the deposits by up to US\$10 billion per year (subject to certain limitations and adjustments), with a floor of US\$50 billion. In addition, Schwab requested some further operational flexibility to allow for the sweep deposit balances to fluctuate over time, under certain conditions and subject to certain limitations. Refer to the "Related Party Transactions" section in the 2023 MD&A for further details.

On May 4, 2023, the Bank and Schwab entered into an amended insured deposit account agreement (the "2023 Schwab IDA Agreement" or the "Schwab IDA Agreement"), which replaced the 2019 Schwab IDA Agreement. Pursuant to the 2023 Schwab IDA Agreement, the Bank continues to make sweep deposit accounts available to clients of Schwab. Schwab designates a portion of the deposits with the Bank as fixed-rate obligation amounts (FROA). Remaining deposits over the minimum level

of FROA are designated as floating-rate obligations. In comparison to the 2019 Schwab IDA Agreement, the 2023 Schwab IDA Agreement extends the initial expiration date by three years to July 1, 2034 and provides for lower deposit balances in its first six years, followed by higher balances in the later years. Specifically, until September 2025, the aggregate FROA will serve as the floor. Thereafter, the floor will be set at US\$60 billion. In addition, Schwab has the option to buy down up to \$6.8 billion (US\$5 billion) of FROA by paying the Bank certain fees in accordance with the 2023 Schwab IDA Agreement, subject to certain limits.

During the year ended October 31, 2023, Schwab exercised its option to buy down \$6.1 billion (US\$4.5 billion) of FROA and paid \$305 million (US\$227 million) in termination fees to the Bank in accordance with the 2023 Schwab IDA Agreement. The fees are intended to compensate the Bank for losses incurred this year from discontinuing certain hedging relationships, as well as for lost revenues. The net impact is recorded in net interest income.

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)  |  | <b>2023</b>      | 2022      |
| Net interest income   |  | <b>\$ 29,944</b> | \$ 27,353 |
| Non-interest income   |  | <b>20,548</b>    | 21,679    |
| Total revenue   |  | <b>50,492</b>    | 49,032    |
| Provision for credit losses   |  | <b>2,933</b>     | 1,067     |
| Insurance claims and related expenses   |  | <b>3,705</b>     | 2,900     |
| Non-interest expenses   |  | <b>30,768</b>    | 24,641    |
| <b>Income before income taxes and share of net income from investment in Schwab</b> |  | <b>13,086</b>    | 20,424    |
| Provision for (recovery of) income taxes  |  | <b>3,168</b>     | 3,986     |
| Share of net income from investment in Schwab                                       |  | <b>864</b>       | 991       |
| <b>Net income – reported</b>  |  | <b>10,782</b>    | 17,429    |
| Preferred dividends and distributions on other equity instruments                   |  | <b>563</b>       | 259       |
| <b>Net income available to common shareholders</b>                                  |  | <b>\$ 10,219</b> | \$ 17,170 |



The following table provides a reconciliation between the Bank's adjusted and reported results. For further details refer to the "Significant and Subsequent Events" or "Financial Results Overview" sections.

| TABLE 3  | <b>NON-GAAP FINANCIAL MEASURES – Reconciliation of Adjusted to Reported Net Income</b> |           |
|--|--|-----------|
| (millions of Canadian dollars)   | <b>2023</b>  | 2022      |
| <b>Operating results – adjusted</b>  |  |           |
| Net interest income <sup>6</sup>   | <b>\$ 30,394</b>   | \$ 27,307 |
| Non-interest income <sup>1,6</sup>   | <b>21,445</b>  | 18,863    |
| Total revenue  | <b>51,839</b>  | 46,170    |
| Provision for (recovery of) credit losses  | <b>2,933</b>   | 1,067     |
| Insurance claims and related expenses  | <b>3,705</b>   | 2,900     |
| Non-interest expenses <sup>2</sup>   | <b>27,430</b>  | 24,359    |
| <b>Income before income taxes and share of net income from investment in Schwab</b>      | <b>17,771</b>  | 17,844    |
| Provision for (recovery of) income taxes   | <b>3,701</b>   | 3,595     |
| Share of net income from investment in Schwab <sup>3</sup>                               | <b>1,073</b>   | 1,176     |
| <b>Net income – adjusted</b>   | <b>15,143</b>  | 15,425    |
| Preferred dividends and distributions on other equity instruments                        | <b>563</b>   | 259       |
| <b>Net income available to common shareholders – adjusted</b>                            | <b>14,580</b>  | 15,166    |
| <b>Pre-tax adjustments for items of note</b>   |  |           |
| Amortization of acquired intangibles <sup>4</sup>  | <b>(313)</b>   | (242)     |
| Acquisition and integration charges related to the Schwab transaction <sup>5</sup>       | <b>(149)</b>   | (111)     |
| Share of restructuring charges from investment in Schwab <sup>5</sup>                    | <b>(35)</b>  | –         |
| Restructuring charges <sup>2</sup>   | <b>(363)</b>   | –         |
| Acquisition and integration-related charges <sup>2</sup>                                 | <b>(434)</b>   | (18)      |
| Charges related to the terminated FHN acquisition <sup>2</sup>                           | <b>(344)</b>   | (96)      |
| Payment related to the termination of the FHN transaction <sup>2</sup>                   | <b>(306)</b>   | –         |
| Impact from the terminated FHN acquisition-related capital hedging strategy <sup>6</sup> | <b>(1,251)</b>   | 1,641     |
| Impact of retroactive tax legislation on payment card clearing services <sup>1</sup>     | <b>(57)</b>  | –         |
| Litigation (settlement)/recovery <sup>1,2</sup>  | <b>(1,642)</b>   | 224       |
| Gain on sale of Schwab shares <sup>1</sup>   | <b>–</b>   | 997       |
| <b>Less: Impact of income taxes</b>  |  |           |
| Amortization of acquired intangibles   | <b>(42)</b>  | (26)      |
| Acquisition and integration charges related to the Schwab transaction                    | <b>(25)</b>  | (16)      |
| Restructuring charges  | <b>(97)</b>  | –         |
| Acquisition and integration-related charges  | <b>(89)</b>  | (4)       |
| Charges related to the terminated FHN acquisition  | <b>(85)</b>  | (23)      |
| Impact from the terminated FHN acquisition-related capital hedging strategy              | <b>(308)</b>   | 405       |
| Impact of retroactive tax legislation on payment card clearing services                  | <b>(16)</b>  | –         |
| Litigation (settlement)/recovery   | <b>(456)</b>   | 55        |
| CRD and federal tax rate increase for fiscal 2022 <sup>7</sup>                           | <b>585</b>   | –         |
| <b>Total adjustments for items of note</b>   | <b>(4,361)</b>   | 2,004     |
| <b>Net income available to common shareholders – reported</b>                            | <b>\$ 10,219</b>   | \$ 17,170 |

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

- Stanford litigation settlement – 2023: \$39 million. This reflects the foreign exchange loss and is reported in the Corporate segment;
- Settlement of *TD Bank, N.A. v. Lloyd's Underwriter et al.*, in Canada pursuant to which the Bank recovered losses resulting from the previous resolution of proceedings in the U.S. related to an alleged Ponzi scheme perpetrated by Scott Rothstein – 2022: \$224 million, reported in the U.S. Retail segment;
- Impact of retroactive tax legislation on payment card clearing services – 2023: \$57 million, reported in the Corporate segment; and
- The Bank sold 28.4 million non-voting common shares of Schwab and recognized a gain on the sale – 2022: \$997 million, reported in the Corporate segment.

<sup>2</sup> Adjusted non-interest expenses exclude the following items of note:

- Amortization of acquired intangibles – 2023: \$193 million, 2022: \$106 million, reported in the Corporate segment;
- The Bank's own integration and acquisition costs related to the Schwab transaction – 2023: \$95 million, 2022: \$62 million, reported in the Corporate segment;
- Acquisition and integration-related charges – 2023: \$434 million, 2022: \$18 million, reported in the Wholesale Banking segment;
- Charges related to the terminated First Horizon acquisition – 2023: \$344 million, 2022: \$96 million, reported in the U.S. Retail segment;
- Payment related to the termination of the First Horizon transaction – 2023: \$306 million, reported in the Corporate segment;
- Stanford litigation settlement – 2023: \$1,603 million, reported in the Corporate segment; and
- Restructuring charges – 2023: \$363 million, reported in the Corporate segment.

<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 these items is reported in the Corporate segment:

- Amortization of Schwab-related acquired intangibles – 2023: \$120 million, 2022: \$136 million;
- The Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade – 2023: \$54 million, 2022: \$49 million; and
- The Bank's share of restructuring charges incurred by Schwab – 2023: \$35 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> Impact of charges related to the Schwab investment includes the following components, reported in the Corporate segment: i) the Bank's own integration and acquisition costs related to the Schwab transaction, ii) the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade on an after-tax basis, and iii) the Bank's share of restructuring charges incurred by Schwab on an after-tax basis. Refer to footnotes 2 and 3 for amounts.

<sup>6</sup> Prior to May 4, 2023, the impact shown covers periods before the termination of the First Horizon transaction and includes the following components, reported in the Corporate segment: i) mark-to-market gains (losses) on interest rate swaps recorded in non-interest income – 2023: (\$1,386) million, 2022: \$1,487 million, ii) basis adjustment amortization related to de-designated fair value hedge accounting relationships, recorded in net interest income – 2023: \$262 million, 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 – 2023: \$585 million, 2022: \$108 million. After the termination of the merger agreement, the residual impact of the strategy is reversed through net interest income – 2023: (\$127) million.

<sup>7</sup> CRD and impact from increase in the Canadian federal tax rate for fiscal 2022 recognized in 2023, reported in the Corporate segment.

| TABLE 4                                      |  | RECONCILIATION OF REPORTED TO ADJUSTED EARNINGS PER SHARE <sup>1</sup> |         |
|--|--|--|---------|
| (Canadian dollars)                           |  | 2023   | 2022    |
| <b>Basic earnings per share – reported</b>   |  | <b>\$ 5.61</b>   | \$ 9.48 |
| Adjustments for items of note                |  | 2.39   | (1.11)  |
| <b>Basic earnings per share – adjusted</b>   |  | <b>\$ 8.00</b>   | \$ 8.38 |
| <b>Diluted earnings per share – reported</b> |  | <b>\$ 5.60</b>   | \$ 9.47 |
| Adjustments for items of note                |  | 2.39   | (1.10)  |
| <b>Diluted earnings per share – adjusted</b> |  | <b>\$ 7.99</b>   | \$ 8.36 |

<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 |        |
|---|--|--|--------|
| (millions of Canadian dollars)                          |  | 2023   | 2022   |
| Schwab <sup>1</sup>                                     |  | <b>\$ 120</b>                                    | \$ 136 |
| Wholesale Banking related intangibles                   |  | 117  | 24     |
| Other   |  | 34   | 56     |
| <b>Included as items of note</b>                        |  | <b>271</b>                                       | 216    |
| Software and asset servicing rights                     |  | 365  | 385    |
| <b>Amortization of intangibles, net of income taxes</b> |  | <b>\$ 636</b>                                    | \$ 601 |

<sup>1</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 11% of Common Equity Tier 1 (CET1) Capital effective in the first quarter of 2023, compared with 10.5% in fiscal 2022.

| TABLE 6   |  | RETURN ON COMMON EQUITY |           |
|---|--|-------------------------|-----------|
| (millions of Canadian dollars, except as noted)               |  | 2023                    | 2022      |
| Average common equity   |  | <b>\$ 101,555</b>       | \$ 95,326 |
| <b>Net income available to common shareholders – reported</b> |  | <b>10,219</b>           | 17,170    |
| Items of note, net of income taxes                            |  | 4,361                   | (2,004)   |
| <b>Net income available to common shareholders – adjusted</b> |  | <b>\$ 14,580</b>        | \$ 15,166 |
| <b>Return on common equity – reported</b>                     |  | <b>10.1%</b>            | 18.0%     |
| <b>Return on common equity – adjusted</b>                     |  | <b>14.4</b>             | 15.9      |

### 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)   | 2023                             | 2022             |
| Average common equity   | \$ 101,555                       | \$ 95,326        |
| Average goodwill  | 17,919                           | 16,803           |
| Average imputed goodwill and intangibles on investments in Schwab   | 6,127                            | 6,515            |
| Average other acquired intangibles <sup>1</sup>   | 584                              | 492              |
| Average related deferred tax liabilities  | (154)                            | (172)            |
| <b>Average tangible common equity</b>   | <b>77,079</b>                    | <b>71,688</b>    |
| <b>Net income available to common shareholders – reported</b>   | <b>10,219</b>                    | <b>17,170</b>    |
| Amortization of acquired intangibles, net of income taxes   | 271                              | 216              |
| <b>Net income available to common shareholders adjusted for amortization of acquired intangibles, net of income taxes</b> | <b>10,490</b>                    | <b>17,386</b>    |
| Other items of note, net of income taxes  | 4,090                            | (2,220)          |
| <b>Net income available to common shareholders – adjusted</b>   | <b>\$ 14,580</b>                 | <b>\$ 15,166</b> |
| <b>Return on tangible common equity</b>   | <b>13.6%</b>                     | <b>24.3%</b>     |
| <b>Return on tangible common equity – adjusted</b>  | <b>18.9</b>                      | <b>21.2</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 |   |
|--|--|---|
| (millions of Canadian dollars, except as noted)                              | 2023 vs. 2022<br>Increase<br>(Decrease)                                    | 2022 vs. 2021<br>Increase<br>(Decrease) |
| <b>U.S. Retail Bank</b>  |  |   |
| Total revenue – reported   | \$ 657   | \$ 312                                  |
| Total revenue – adjusted <sup>1</sup>  | 657  | 311                                     |
| Non-interest expenses – reported   | 370  | 171                                     |
| Non-interest expenses – adjusted <sup>1</sup>                                | 351  | 166                                     |
| Net income – reported, after-tax   | 215  | 111                                     |
| Net income – adjusted, after-tax <sup>1</sup>                                | 229  | 114                                     |
| Share of net income from investment in Schwab and TD Ameritrade <sup>2</sup> | 51   | 15                                      |
| <b>U.S. Retail segment net income – reported, after-tax</b>                  | <b>266</b>   | <b>126</b>                              |
| <b>U.S. Retail segment net income – adjusted, after-tax<sup>1</sup></b>      | <b>280</b>   | <b>129</b>                              |
| <b>Earnings per share</b> (Canadian dollars)                                 |  |   |
| Basic – reported   | \$ 0.15  | \$ 0.07                                 |
| Basic – adjusted <sup>1</sup>  | 0.15   | 0.07                                    |
| Diluted – reported   | 0.15   | 0.07                                    |
| Diluted – adjusted <sup>1</sup>  | 0.15   | 0.07                                    |

<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.

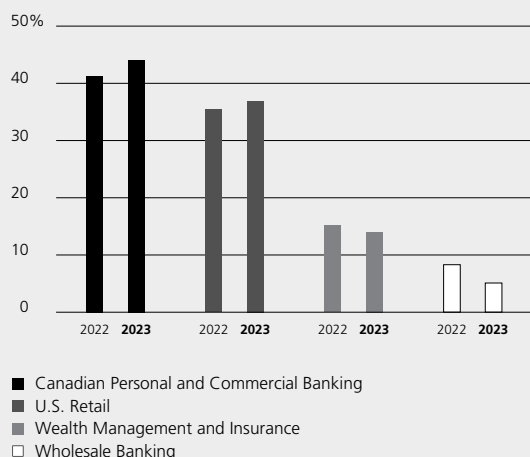
<sup>2</sup> Share of net income from investment in Schwab and TD Ameritrade and the foreign exchange impact are reported with a one-month lag.

|   |             |             |
|---|-------------|-------------|
| <b>Average foreign exchange rate (equivalent of CAD \$1.00)</b> | <b>2023</b> | <b>2022</b> |
| U.S. dollar   | 0.741       | 0.777       |

# Net Income

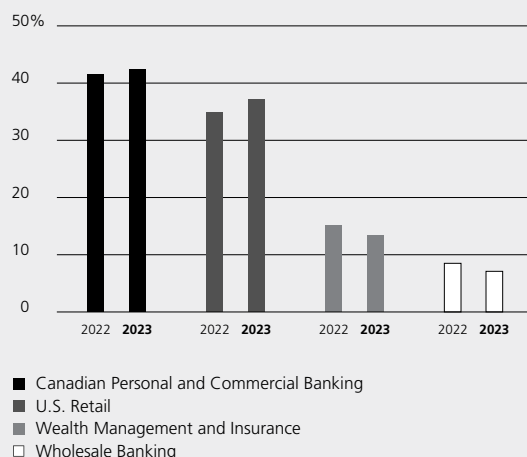
## NET INCOME – REPORTED<sup>1</sup> BY BUSINESS SEGMENT

(as a percentage of total net income)



## NET INCOME – ADJUSTED<sup>1,2</sup> BY BUSINESS SEGMENT

(as a percentage of total net income)



Reported net income for the year was \$10,782 million, a decrease of \$6,647 million, or 38%, compared with last year. The decrease reflects higher non-interest expenses, the impact of the terminated First Horizon acquisition-related capital hedging strategy, and higher PCL, partially offset by higher revenues. On an adjusted basis, net income for the year was \$15,143 million, a decrease of \$282 million, or 2%, compared with last year. The reported ROE for the year was 10.1%, compared with 18.0% last year. The adjusted ROE for the year was 14.4%, compared with 15.9% last year.

By segment, the decrease in reported net income reflects a decrease in the Corporate segment of \$5,920 million, a decrease in Wholesale Banking of \$555 million, a decrease in Wealth Management and Insurance of \$277 million, and a decrease in U.S. Retail of \$25 million, partially offset by an increase in Canadian Personal and Commercial Banking of \$130 million.

Reported diluted EPS for the year was \$5.60, a decrease of 41%, compared with \$9.47 last year. Adjusted diluted EPS for the year was \$7.99, a decrease of 4%, compared with \$8.36 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 \$50,492 million, an increase of \$1,460 million, or 3%, compared with last year. Adjusted revenue was \$51,839 million, an increase of \$5,669 million, or 12%, compared with last year.

#### NET INTEREST INCOME

Reported net interest income for the year was \$29,944 million, an increase of \$2,591 million, or 9%, compared with last year. The increase reflects margin growth in the personal and commercial banking businesses and the impact of foreign exchange translation, partially offset by lower net interest income in Wholesale Banking and lower sweep and other deposit volumes in U.S. Retail. Adjusted net interest income was \$30,394 million, an increase of \$3,087 million, or 11%.

By segment, the increase in reported net interest income reflects an increase in U.S. Retail of \$2,433 million, an increase in Canadian Personal and Commercial Banking of \$1,796 million, and an increase in Wealth Management and Insurance of \$111 million, partially offset by a decrease in Wholesale Banking of \$1,399 million and a decrease in the Corporate segment of \$350 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 5 basis points (bps) during the year to 1.74%, compared with 1.69% last year, driven by higher deposit margins reflecting rising interest rates. 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 \$20,548 million, a decrease of \$1,131 million, or 5%, compared with last year, primarily reflecting the impact of the terminated First Horizon acquisition-related capital hedging strategy and gain in the prior period on sale of Schwab shares. Adjusted non-interest income was \$21,445 million, an increase of \$2,582 million,

or 14%, primarily reflecting higher equity commissions, global transaction banking revenue, advisory fees, and equity underwriting fees in Wholesale Banking, including the acquisition of Cowen Inc., and an increase in the fair value of investments supporting claims liabilities which resulted in a similar increase in insurance claims, partially offset by lower fee-based revenue in the personal and commercial banking and wealth businesses.

By segment, the decrease in reported non-interest income reflects a decrease in the Corporate segment of \$3,345 million, a decrease in U.S. Retail of \$416 million, and a decrease in Canadian Personal and Commercial Banking of \$65 million, partially offset by an increase in Wholesale Banking of \$2,386 million and an increase in Wealth Management and Insurance of \$309 million.

#### NET INTEREST INCOME<sup>3</sup>

(millions of Canadian dollars)

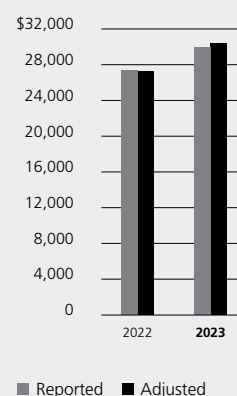


TABLE 9 NON-INTEREST INCOME

(millions of Canadian dollars, except as noted)

|  | 2023 vs. 2022    |                  |            |
|--|------------------|------------------|------------|
|  | 2023             | 2022             | % change   |
| <b>Investment and securities services</b>            |                  |                  |            |
| Broker dealer fees and commissions                   | \$ 1,263         | \$ 1,009         | 25         |
| Full-service brokerage and other securities services | 1,518            | 1,489            | 2          |
| Underwriting and advisory                            | 997              | 558              | 79         |
| Investment management fees                           | 636              | 651              | (2)        |
| Mutual fund management                               | 1,897            | 2,057            | (8)        |
| Trust fees   | 109              | 105              | 4          |
| <b>Total investment and securities services</b>      | <b>6,420</b>     | <b>5,869</b>     | <b>9</b>   |
| Credit fees  | 1,796            | 1,615            | 11         |
| Trading income (losses)                              | 2,417            | (257)            | 1,040      |
| Service charges                                      | 2,609            | 2,871            | (9)        |
| Card services  | 2,932            | 2,890            | 1          |
| Insurance revenue                                    | 5,671            | 5,380            | 5          |
| Other income (loss)                                  | (1,297)          | 3,311            | (139)      |
| <b>Total</b>   | <b>\$ 20,548</b> | <b>\$ 21,679</b> | <b>(5)</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.

| TABLE 10                                   | TRADING-RELATED REVENUE | For the years ended October 31 |                 |
|--|-------------------------|--------------------------------|-----------------|
|  |                         | 2023                           | 2022            |
| (millions of Canadian dollars)             |                         |                                |                 |
| Trading income (loss)                      |                         | \$ 2,417                       | \$ (257)        |
| Net interest income (loss) <sup>1</sup>    |                         | 435                            | 1,963           |
| Other <sup>2</sup>                         |                         | (672)                          | 690             |
| <b>Total</b>                               |                         | <b>\$ 2,180</b>                | <b>\$ 2,396</b> |
| Trading-related TEB adjustment             |                         | 180                            | 117             |
| <b>Total trading-related revenue (TEB)</b> |                         | <b>\$ 2,360</b>                | <b>\$ 2,513</b> |
| <b>By product</b>                          |                         |                                |                 |
| Interest rate and credit                   |                         | \$ 821                         | \$ 782          |
| Foreign exchange                           |                         | 860                            | 1,009           |
| Equity and other                           |                         | 679                            | 722             |
| <b>Total trading-related revenue (TEB)</b> |                         | <b>\$ 2,360</b>                | <b>\$ 2,513</b> |

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

<sup>2</sup> Includes income (loss) from securities designated at FVTPL that are managed within a trading portfolio of \$(548) million (2022 – \$518 million) reported in Other Income (Loss) on the 2023 Consolidated Financial Statements and other adjustments.

## FINANCIAL RESULTS OVERVIEW

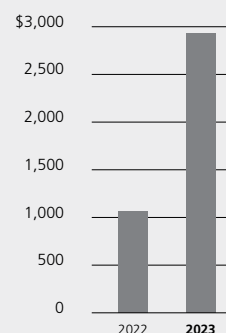
### Provision for Credit Losses

PCL for the year was \$2,933 million, an increase of \$1,866 million compared with last year. PCL – impaired was \$2,486 million, an increase of \$1,049 million, reflecting some normalization of credit performance. PCL – performing was \$447 million, compared with a recovery of \$370 million last year. This year's performing provisions were largely recorded in the Canadian Personal and Commercial Banking and Wholesale Banking segments, reflecting credit conditions and volume growth. Total PCL as an annualized percentage of credit volume was 0.34%.

By segment, PCL was higher in Canadian Personal and Commercial Banking by \$852 million, in U.S. Retail by \$593 million, in the Corporate segment by \$332 million, and in Wholesale Banking by \$89 million.

#### PROVISION FOR CREDIT LOSSES

(millions of Canadian dollars)



## FINANCIAL RESULTS OVERVIEW

# Expenses

### NON-INTEREST EXPENSES

Reported non-interest expenses for the year were \$30,768 million, an increase of \$6,127 million, or 25%, compared with last year, reflecting higher employee-related expenses, including the acquisition of Cowen Inc., the Stanford litigation settlement, and higher acquisition and integration-related charges, including charges related to the terminated First Horizon acquisition. On an adjusted basis, non-interest expenses were \$27,430 million, an increase of \$3,071 million, or 13%.

By segment, the increase in reported non-interest expenses reflects an increase in the Corporate segment of \$2,607 million, an increase in Wholesale Banking of \$1,727 million, an increase in U.S. Retail of \$1,271 million, an increase in Canadian Personal and Commercial Banking of \$524 million, and a decrease in Wealth Management and Insurance of \$2 million.

### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$3,705 million, an increase of \$805 million, or 28%, compared with last year, reflecting the impact of changes in the discount rate which resulted in a similar increase in the fair value of investments supporting claims liabilities reported in non-interest income, increased claims severity and more severe weather-related events.

### 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 60.9%, compared with 50.3% last year. The adjusted efficiency ratio was 52.9%, compared with 52.8% last year.

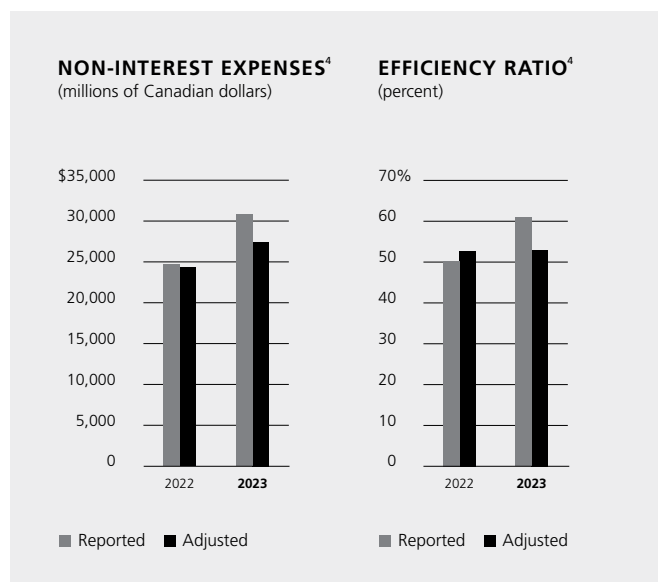


TABLE 11 NON-INTEREST EXPENSES AND EFFICIENCY RATIO

(millions of Canadian dollars, except as noted)

|  | 2023 vs. 2022    |                  |           |
|--|------------------|------------------|-----------|
|  | 2023             | 2022             | % change  |
| <b>Salaries and employee benefits</b>              |                  |                  |           |
| Salaries   | \$ 9,559         | \$ 8,093         | 18        |
| Incentive compensation                             | 4,065            | 3,303            | 23        |
| Pension and other employee benefits                | 2,129            | 1,998            | 7         |
| Total salaries and employee benefits               | 15,753           | 13,394           | 18        |
| <b>Occupancy</b>                                   |                  |                  |           |
| Depreciation and impairment losses                 | 987              | 925              | 7         |
| Rent and maintenance                               | 812              | 735              | 10        |
| Total occupancy                                    | 1,799            | 1,660            | 8         |
| <b>Technology and equipment</b>                    |                  |                  |           |
| Equipment, data processing and licenses            | 2,056            | 1,660            | 24        |
| Depreciation and impairment losses                 | 252              | 242              | 4         |
| Total technology and equipment                     | 2,308            | 1,902            | 21        |
| <b>Amortization of other intangibles</b>           | 672              | 599              | 12        |
| <b>Communication and marketing</b>                 | 1,452            | 1,355            | 7         |
| <b>Restructuring charges</b>                       | 363              | –                | 100       |
| <b>Brokerage-related and sub-advisory fees</b>     | 456              | 408              | 12        |
| <b>Professional, advisory and outside services</b> | 2,490            | 2,190            | 14        |
| <b>Other expenses</b>                              | 5,475            | 3,133            | 75        |
| <b>Total expenses</b>                              | <b>\$ 30,768</b> | <b>\$ 24,641</b> | <b>25</b> |
| Efficiency ratio – reported                        | 60.9%            | 50.3%            | 1,060 bps |
| Efficiency ratio – adjusted <sup>1</sup>           | 52.9             | 52.8             | 10        |

<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.

## Taxes

Reported total income and other taxes decreased by \$581 million, or 10.1%, compared with last year, reflecting a decrease in income tax expense of \$818 million, or 20.5%, partially offset by an increase in other taxes of \$237 million, or 13.2%. Adjusted total income and other taxes increased by \$343 million from last year, or 6.4%, reflecting an increase in income tax expense of \$106 million, or 2.9%, and an increase in other taxes of \$237 million, or 13.2%.

The Bank's reported effective income tax rate was 24.2% for 2023, compared with 19.5% last year. The year-over-year increase primarily reflects the implementation of the Canada Recovery Dividend and the 1.5% Canadian federal tax rate increase beginning in 2022, the impact of the terminated First Horizon transaction, and favourable tax impacts in the prior year associated with the sale of Schwab shares, earnings mix and the recognition of unused tax losses. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 24 of the 2023 Consolidated Financial Statements.

The Bank reported its investment in Schwab using the equity method of accounting. Schwab's tax expense (2023: \$279 million; 2022: \$319 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 2023 was 20.8%, compared with 20.1% last year. The year-over-year increase primarily reflects the increased tax rate arising from the 2022 Canadian Federal budget as well as the favourable impacts in the prior year associated with 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 |  | 2023            | 2022     |
|---|--|-----------------|----------|
| (millions of Canadian dollars, except as noted)   |  |                 |          |
| <b>Provision for income taxes – reported</b>  |  | <b>\$ 3,168</b> | \$ 3,986 |
| Total adjustments for items of note   |  | 533             | (391)    |
| <b>Provision for income taxes – adjusted</b>  |  | <b>3,701</b>    | 3,595    |
| <b>Other taxes</b>  |  |                 |          |
| Payroll   |  | 853             | 722      |
| Capital and premium   |  | 222             | 214      |
| GST, HST, and provincial sales <sup>1</sup>   |  | 719             | 625      |
| Municipal and business  |  | 236             | 232      |
| Total other taxes   |  | 2,030           | 1,793    |
| <b>Total taxes – adjusted</b>   |  | <b>\$ 5,731</b> | \$ 5,388 |
| <b>Effective income tax rate – reported</b>   |  | <b>24.2%</b>    | 19.5%    |
| <b>Effective income tax rate – adjusted</b>   |  | <b>20.8</b>     | 20.1     |

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

## Budgetary Tax Measures

The Canadian Federal budget presented on March 28, 2023 ("the Budget") proposed to introduce tax measures that could impact the Bank. On June 22, 2023, Bill C-47, *Budget Implementation Act, 2023, No. 1*, received Royal Assent. This bill enacted one of the proposed tax measures by amending the definition of a "financial service" such that payment card clearing services rendered by a payment card network operator are subject to GST/HST. The legislation was retrospective and resulted in a charge to non-interest income of \$57 million, recognized in the third quarter of 2023.

On August 4, 2023, draft legislative proposals were released for public comment relating to other Budget measures, including a 2% tax on the net value of share repurchases by public corporations in Canada and draft legislative proposals relating to the implementation of a global minimum tax initiated by the Organisation for Economic Co-operation and Development (Pillar Two). The proposal is that the Pillar Two rules will take effect for fiscal years that begin on or after December 31, 2023, which will be November 1, 2024 for the Bank. On November 21, 2023, the federal government issued its Fall Economic Statement in which it confirmed its intention to proceed with previously announced tax measures, including its proposal to deny the dividend received deduction in respect of dividends received by financial institutions on shares that are mark-to-market property, subject to a minor carve out for dividends on certain preferred shares. On November 28, 2023, the government introduced the *Fall Economic Statement Implementation Act, 2023*, which includes legislation regarding the dividend received deduction and the 2% tax on share repurchases. The Bank is participating actively in the public comment process regarding tax proposals that may impact the Bank and the broader Canadian economy.



## Quarterly Financial Information

### FOURTH QUARTER 2023 PERFORMANCE SUMMARY

Reported net income for the quarter was \$2,886 million, a decrease of \$3,785 million, or 57%, compared with the fourth quarter last year, primarily reflecting the gain from the impact of the terminated First Horizon acquisition-related capital hedging strategy, gain on sale of Schwab shares in the prior period, and higher non-interest expenses, partially offset by higher non-interest income. On an adjusted basis, net income for the quarter was \$3,505 million, a decrease of \$560 million, or 14%. Reported diluted EPS for the quarter was \$1.49, a decrease of 59%, compared with \$3.62 in the fourth quarter of last year. Adjusted diluted EPS for the quarter was \$1.83, a decrease of 16%, compared with \$2.18 in the fourth quarter of last year.

Reported revenue for the quarter was \$13,121 million, a decrease of \$2,442 million, or 16%, compared with the fourth quarter last year. Adjusted revenue for the quarter was \$13,185 million, an increase of \$938 million, or 8%, compared with the fourth quarter last year.

Reported net interest income for the quarter was \$7,494 million, a decrease of \$136 million, or 2%, compared with the fourth quarter last year, primarily reflecting lower net interest income in Wholesale Banking and lower deposit volumes in U.S. Retail, partially offset by margin growth in the personal and commercial banking businesses. Adjusted net interest income for the quarter was \$7,558 million, a decrease of \$69 million, or 1%. By segment, the decrease in reported net interest income reflects a decrease in Wholesale Banking of \$438 million, a decrease in Wealth Management and Insurance of \$11 million, a decrease in the Corporate segment of \$2 million, and a decrease in U.S. Retail of \$2 million, partially offset by an increase in Canadian Personal and Commercial Banking of \$317 million.

Reported non-interest income for the quarter was \$5,627 million, a decrease of \$2,306 million, or 29%, compared with the fourth quarter last year, primarily reflecting the gain from the impact of the terminated First Horizon acquisition-related capital hedging strategy and gain on sale of Schwab shares in the prior period. Adjusted non-interest income was \$5,627 million, an increase of \$1,007 million, or 22%, reflecting higher equity commissions, underwriting fees, and advisory fees in Wholesale Banking, including the acquisition of Cowen Inc., and higher revenue in insurance. By segment, the decrease in reported non-interest income reflects a decrease in the Corporate segment of \$3,265 million, a decrease in U.S. Retail of \$35 million, and a decrease in Canadian Personal and Commercial Banking of \$17 million, partially offset by an increase in Wholesale Banking of \$767 million and an increase in Wealth Management and Insurance of \$244 million.

PCL for the quarter was \$878 million, an increase of \$261 million compared with the fourth quarter last year. PCL – impaired was \$719 million, an increase of \$265 million, or 58%, reflecting some normalization of credit performance. PCL – performing was \$159 million, a decrease of \$4 million. The performing provisions this quarter were largely recorded in the Canadian Personal and Commercial Banking and Wholesale Banking segments, reflecting current credit conditions and volume growth. Total PCL for the quarter as an annualized percentage of credit volume was 0.39%.

By segment, PCL was higher by \$161 million in Canadian Personal & Commercial Banking, by \$64 million in U.S. Retail, by \$31 million in Wholesale Banking, and by \$5 million in the Corporate segment.

Insurance claims and related expenses were \$1,002 million, an increase of \$279 million, or 39%, compared with the fourth quarter last year, reflecting increased claims severity, more severe weather-related events, and the impact of changes in the discount rate which resulted in a similar increase in the fair value of investments supporting claims liabilities reported in non-interest income.

Reported non-interest expenses for the quarter were \$7,883 million, an increase of \$1,338 million, or 20%, compared with the fourth quarter last year reflecting higher employee-related expenses, including the acquisition of Cowen Inc., restructuring charges, and acquisition and integration-related charges related to the Cowen acquisition. Adjusted non-interest expenses for the quarter were \$7,243 million, an increase of \$813 million, or 13%, compared with the fourth quarter last year. By segment, the increase in reported non-interest expenses reflects an increase in Wholesale Banking of \$639 million, an increase in the Corporate segment of \$508 million, an increase in Canadian Personal and Commercial Banking of \$118 million, and an increase in U.S. Retail of \$90 million, partially offset by a decrease in Wealth Management and Insurance of \$17 million.

The Bank's reported effective tax rate was 18.7% for the quarter, compared with 16.9% in the same quarter last year. The year-over-year increase primarily reflects the increased tax rate arising from the 2022 Canadian Federal budget as well as the favourable tax impacts in the same quarter last year associated with the sale of Schwab shares, earnings mix and the recognition of unused tax losses.

The Bank's adjusted effective tax rate was 19.5% for the quarter, compared with 16.7% in the same quarter last year. The year-over-year increase primarily reflects the increased tax rate arising from the 2022 Canadian Federal budget as well as the favourable tax impacts in the same quarter last year associated with earnings mix and the recognition of unused tax losses.

### QUARTERLY TREND ANALYSIS

Subject to the impact of seasonal trends and items of note, the Bank's reported earnings were down 2% in 2023, reflecting a challenging macroeconomic environment. As the year progressed, the Bank's personal and commercial banking businesses benefited from higher deposit margins, reflecting a rising rate environment and higher market-related revenues, inclusive of TD Cowen, in the Wholesale Banking segment. Credit conditions continued to normalize throughout the year which resulted in higher PCLs. Expenses were higher, inclusive of TD Cowen, 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)

*For the three months ended*

|   | 2023            |                 |                 |                 | 2022            |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | Oct. 31         | Jul. 31         | Apr. 30         | Jan. 31         | Oct. 31         | Jul. 31         | Apr. 30         | Jan. 31         |
| Net interest income   | \$ 7,494        | \$ 7,289        | \$ 7,428        | \$ 7,733        | \$ 7,630        | \$ 7,044        | \$ 6,377        | \$ 6,302        |
| Non-interest income   | 5,627           | 5,490           | 4,938           | 4,493           | 7,933           | 3,881           | 4,886           | 4,979           |
| Total revenue   | 13,121          | 12,779          | 12,366          | 12,226          | 15,563          | 10,925          | 11,263          | 11,281          |
| Provision for (recovery of) credit losses                                   | 878             | 766             | 599             | 690             | 617             | 351             | 27              | 72              |
| Insurance claims and related expenses                                       | 1,002           | 923             | 804             | 976             | 723             | 829             | 592             | 756             |
| Non-interest expenses   | 7,883           | 7,582           | 6,987           | 8,316           | 6,545           | 6,096           | 6,033           | 5,967           |
| Provision for (recovery of) income taxes                                    | 628             | 727             | 866             | 947             | 1,297           | 703             | 1,002           | 984             |
| Share of net income from investment in Schwab                               | 156             | 182             | 241             | 285             | 290             | 268             | 202             | 231             |
| <b>Net income – reported</b>  | <b>2,886</b>    | <b>2,963</b>    | <b>3,351</b>    | <b>1,582</b>    | <b>6,671</b>    | <b>3,214</b>    | <b>3,811</b>    | <b>3,733</b>    |
| <b>Pre-tax adjustments for items of note<sup>1</sup></b>                    |                 |                 |                 |                 |                 |                 |                 |                 |
| Amortization of acquired intangibles  | 92              | 88              | 79              | 54              | 57              | 58              | 60              | 67              |
| Acquisition and integration charges related to the Schwab transaction       | 31              | 54              | 30              | 34              | 18              | 23              | 20              | 50              |
| Share of restructuring charges from investment in Schwab                    | 35              | –               | –               | –               | –               | –               | –               | –               |
| Restructuring charges   | 363             | –               | –               | –               | –               | –               | –               | –               |
| Acquisition and integration-related charges                                 | 197             | 143             | 73              | 21              | 18              | –               | –               | –               |
| Charges related to the terminated FHN acquisition                           | –               | 84              | 154             | 106             | 67              | 29              | –               | –               |
| Payment related to the termination of the FHN transaction                   | –               | 306             | –               | –               | –               | –               | –               | –               |
| Impact from the terminated FHN acquisition-related capital hedging strategy | 64              | 177             | 134             | 876             | (2,319)         | 678             | –               | –               |
| Impact of retroactive tax legislation on payment card clearing services     | –               | 57              | –               | –               | –               | –               | –               | –               |
| Litigation settlement/(recovery)  | –               | –               | 39              | 1,603           | –               | –               | (224)           | –               |
| Gain on sale of Schwab shares   | –               | –               | –               | –               | (997)           | –               | –               | –               |
| <b>Total pre-tax adjustments for items of note</b>                          | <b>782</b>      | <b>909</b>      | <b>509</b>      | <b>2,694</b>    | <b>(3,156)</b>  | <b>788</b>      | <b>(144)</b>    | <b>117</b>      |
| Less: Impact of income taxes <sup>1,2</sup>                                 | 163             | 141             | 108             | 121             | (550)           | 189             | (47)            | 17              |
| Net income – adjusted <sup>1</sup>  | 3,505           | 3,731           | 3,752           | 4,155           | 4,065           | 3,813           | 3,714           | 3,833           |
| Preferred dividends and distributions on other equity instruments           | 196             | 74              | 210             | 83              | 107             | 43              | 66              | 43              |
| <b>Net income available to common shareholders – adjusted<sup>1</sup></b>   | <b>\$ 3,309</b> | <b>\$ 3,657</b> | <b>\$ 3,542</b> | <b>\$ 4,072</b> | <b>\$ 3,958</b> | <b>\$ 3,770</b> | <b>\$ 3,648</b> | <b>\$ 3,790</b> |

(Canadian dollars, except as noted)

|   |              |              |              |             |              |              |              |              |
|---|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|
| <b>Basic earnings per share</b>                       |              |              |              |             |              |              |              |              |
| Reported  | \$ 1.49      | \$ 1.57      | \$ 1.72      | \$ 0.82     | \$ 3.62      | \$ 1.76      | \$ 2.08      | \$ 2.03      |
| Adjusted <sup>1</sup>                                 | 1.83         | 1.99         | 1.94         | 2.24        | 2.18         | 2.09         | 2.02         | 2.08         |
| <b>Diluted earnings per share</b>                     |              |              |              |             |              |              |              |              |
| Reported  | 1.49         | 1.57         | 1.72         | 0.82        | 3.62         | 1.75         | 2.07         | 2.02         |
| Adjusted <sup>1</sup>                                 | 1.83         | 1.99         | 1.94         | 2.23        | 2.18         | 2.09         | 2.02         | 2.08         |
| <b>Return on common equity – reported</b>             | <b>10.6%</b> | <b>11.2%</b> | <b>12.5%</b> | <b>5.9%</b> | <b>26.5%</b> | <b>13.5%</b> | <b>16.4%</b> | <b>15.3%</b> |
| <b>Return on common equity – adjusted<sup>1</sup></b> | <b>13.0</b>  | <b>14.1</b>  | <b>14.1</b>  | <b>16.1</b> | <b>16.0</b>  | <b>16.1</b>  | <b>15.9</b>  | <b>15.7</b>  |

(billions of Canadian dollars, except as noted)

|  |          |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Average total assets                         | \$ 1,911 | \$ 1,899 | \$ 1,946 | \$ 1,933 | \$ 1,893 | \$ 1,811 | \$ 1,778 | \$ 1,769 |
| Average interest-earning assets <sup>3</sup> | 1,715    | 1,716    | 1,728    | 1,715    | 1,677    | 1,609    | 1,595    | 1,593    |
| Net interest margin – reported               | 1.73%    | 1.69%    | 1.76%    | 1.79%    | 1.81%    | 1.74%    | 1.64%    | 1.57%    |
| Net interest margin – adjusted <sup>1</sup>  | 1.75     | 1.70     | 1.81     | 1.82     | 1.80     | 1.73     | 1.64     | 1.57     |

<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> Includes the CRD and impact from increase in the Canadian federal tax rate for fiscal 2022.

<sup>3</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.

## Business Focus

For management reporting purposes, 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.

**Canadian Personal and Commercial Banking** serves over 15 million customers in Canadian personal and business banking. Personal Banking provides a comprehensive suite of deposit, saving, payment and lending products and advice through a network of 1,062 branches, 3,438 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 through its network of commercial branches and specialized customer centers. Auto Finance, through its consumer channel, 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 over 10 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 from Maine to the Carolinas and Florida through a network of 1,177 stores, 2,705 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.

**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 clients in Canada through the direct investing, advice-based, and asset management businesses. Wealth Management also offers asset management products to institutional clients globally. 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 17,000 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 supported by a presence across North America, Europe, and Asia-Pacific.

**Corporate segment** is comprised of a number of service and control groups, including technology solutions, shared services, treasury and balance sheet management, marketing, human resources, finance, risk management, compliance, anti-money laundering, legal, real estate, and others. Certain costs relating to these functions are allocated to operating business segments. The basis of allocation and methodologies are reviewed periodically to align with management's evaluation of the Bank's business segments.

Results of each business segment reflect revenue, expenses, assets, and liabilities generated by the businesses in that segment. Where applicable, the Bank measures and evaluates the performance of each segment based on adjusted results and ROE, and for those segments the Bank indicates that the measure is adjusted. For further details, refer to Note 28 of the 2023 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 \$181 million (October 31, 2022 – \$149 million).

Share of net income from investment in Schwab is reported in the U.S. Retail segment. Amounts for amortization of acquired intangibles, the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade, and the Bank's share of Schwab's restructuring charges are recorded in the Corporate segment.

The "Key Priorities for 2024" 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            |                  |
|   | 2023                                     | 2022            | 2023            | 2022            | 2023                            | 2022            | 2023                           | 2022            | 2023                   | 2022            | 2023             | 2022             |
| Net interest income (loss)  | \$ 14,192                                | \$ 12,396       | \$ 12,037       | \$ 9,604        | \$ 1,056                        | \$ 945          | \$ 1,538                       | \$ 2,937        | \$ 1,121               | \$ 1,471        | \$ 29,944        | \$ 27,353        |
| Non-interest income (loss)  | 4,125                                    | 4,190           | 2,405           | 2,821           | 10,224                          | 9,915           | 4,280                          | 1,894           | (486)                  | 2,859           | 20,548           | 21,679           |
| Total revenue   | 18,317                                   | 16,586          | 14,442          | 12,425          | 11,280                          | 10,860          | 5,818                          | 4,831           | 635                    | 4,330           | 50,492           | 49,032           |
| Provision for (recovery of) credit losses – impaired                        | 1,013                                    | 639             | 965             | 522             | 1                               | –               | 16                             | 19              | 491                    | 257             | 2,486            | 1,437            |
| Provision for (recovery of) credit losses – performing                      | 330                                      | (148)           | (37)            | (187)           | –                               | 1               | 110                            | 18              | 44                     | (54)            | 447              | (370)            |
| Total provision for (recovery of) credit losses                             | 1,343                                    | 491             | 928             | 335             | 1                               | 1               | 126                            | 37              | 535                    | 203             | 2,933            | 1,067            |
| Insurance claims and related expenses                                       | –  | –               | –               | –               | 3,705                           | 2,900           | –                              | –               | –                      | –               | 3,705            | 2,900            |
| Non-interest expenses   | 7,700                                    | 7,176           | 8,191           | 6,920           | 4,709                           | 4,711           | 4,760                          | 3,033           | 5,408                  | 2,801           | 30,768           | 24,641           |
| Income (loss) before income taxes   | 9,274                                    | 8,919           | 5,323           | 5,170           | 2,865                           | 3,248           | 932                            | 1,761           | (5,308)                | 1,326           | 13,086           | 20,424           |
| Provision for (recovery of) income taxes                                    | 2,586                                    | 2,361           | 667             | 625             | 747                             | 853             | 162                            | 436             | (994)                  | (289)           | 3,168            | 3,986            |
| Share of net income from investment in Schwab                               | –  | –               | 939             | 1,075           | –                               | –               | –                              | –               | (75)                   | (84)            | 864              | 991              |
| <b>Net income (loss) – reported</b>   | <b>6,688</b>                             | <b>6,558</b>    | <b>5,595</b>    | <b>5,620</b>    | <b>2,118</b>                    | <b>2,395</b>    | <b>770</b>                     | <b>1,325</b>    | <b>(4,389)</b>         | <b>1,531</b>    | <b>10,782</b>    | <b>17,429</b>    |
| <b>Pre-tax adjustments for items of note</b>                                |  |                 |                 |                 |                                 |                 |                                |                 |                        |                 |                  |                  |
| Amortization of acquired intangibles  | –  | –               | –               | –               | –                               | –               | –                              | –               | 313                    | 242             | 313              | 242              |
| Acquisition and integration charges related to the Schwab transaction       | –  | –               | –               | –               | –                               | –               | –                              | –               | 149                    | 111             | 149              | 111              |
| Share of restructuring charges from investment in Schwab                    | –  | –               | –               | –               | –                               | –               | –                              | –               | 35                     | –               | 35               | –                |
| Restructuring charges   | –  | –               | –               | –               | –                               | –               | –                              | –               | 363                    | –               | 363              | –                |
| Acquisition and integration-related charges                                 | –  | –               | –               | –               | –                               | –               | 434                            | 18              | –                      | –               | 434              | 18               |
| Charges related to the terminated FHN acquisition                           | –  | –               | 344             | 96              | –                               | –               | –                              | –               | –                      | –               | 344              | 96               |
| Payment related to the termination of the FHN transaction                   | –  | –               | –               | –               | –                               | –               | –                              | –               | 306                    | –               | 306              | –                |
| Impact from the terminated FHN acquisition-related capital hedging strategy | –  | –               | –               | –               | –                               | –               | –                              | –               | 1,251                  | (1,641)         | 1,251            | (1,641)          |
| Impact of retroactive tax legislation on payment card clearing services     | –  | –               | –               | –               | –                               | –               | –                              | –               | 57                     | –               | 57               | –                |
| Litigation settlement/ (recovery)   | –  | –               | –               | (224)           | –                               | –               | –                              | –               | 1,642                  | –               | 1,642            | (224)            |
| Gain on sale of Schwab shares   | –  | –               | –               | –               | –                               | –               | –                              | –               | –                      | (997)           | –                | (997)            |
| <b>Total pre-tax adjustments for items of note</b>                          | <b>–</b>                                 | <b>–</b>        | <b>344</b>      | <b>(128)</b>    | <b>–</b>                        | <b>–</b>        | <b>434</b>                     | <b>18</b>       | <b>4,116</b>           | <b>(2,285)</b>  | <b>4,894</b>     | <b>(2,395)</b>   |
| Less: Impact of income taxes <sup>3</sup>                                   | –  | –               | 85              | (32)            | –                               | –               | 89                             | 4               | 359                    | (363)           | 533              | (391)            |
| <b>Net income (loss) – adjusted<sup>4</sup></b>                             | <b>\$ 6,688</b>                          | <b>\$ 6,558</b> | <b>\$ 5,854</b> | <b>\$ 5,524</b> | <b>\$ 2,118</b>                 | <b>\$ 2,395</b> | <b>\$ 1,115</b>                | <b>\$ 1,339</b> | <b>\$ (632)</b>        | <b>\$ (391)</b> | <b>\$ 15,143</b> | <b>\$ 15,425</b> |
| Average common equity <sup>5</sup>  | \$ 18,151                                | \$ 15,513       | \$ 41,139       | \$ 39,495       | \$ 5,468                        | \$ 5,123        | \$ 14,134                      | \$ 11,645       | \$ 22,663              | \$ 23,550       | \$ 101,555       | \$ 95,326        |
| Risk-weighted assets  | 168,514                                  | 145,583         | 236,351         | 223,827         | 17,249                          | 14,834          | 121,232                        | 119,793         | 27,815                 | 13,011          | 571,161          | 517,048          |

<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> Includes the CRD and impact from increase in the Canadian federal tax rate for fiscal 2022.

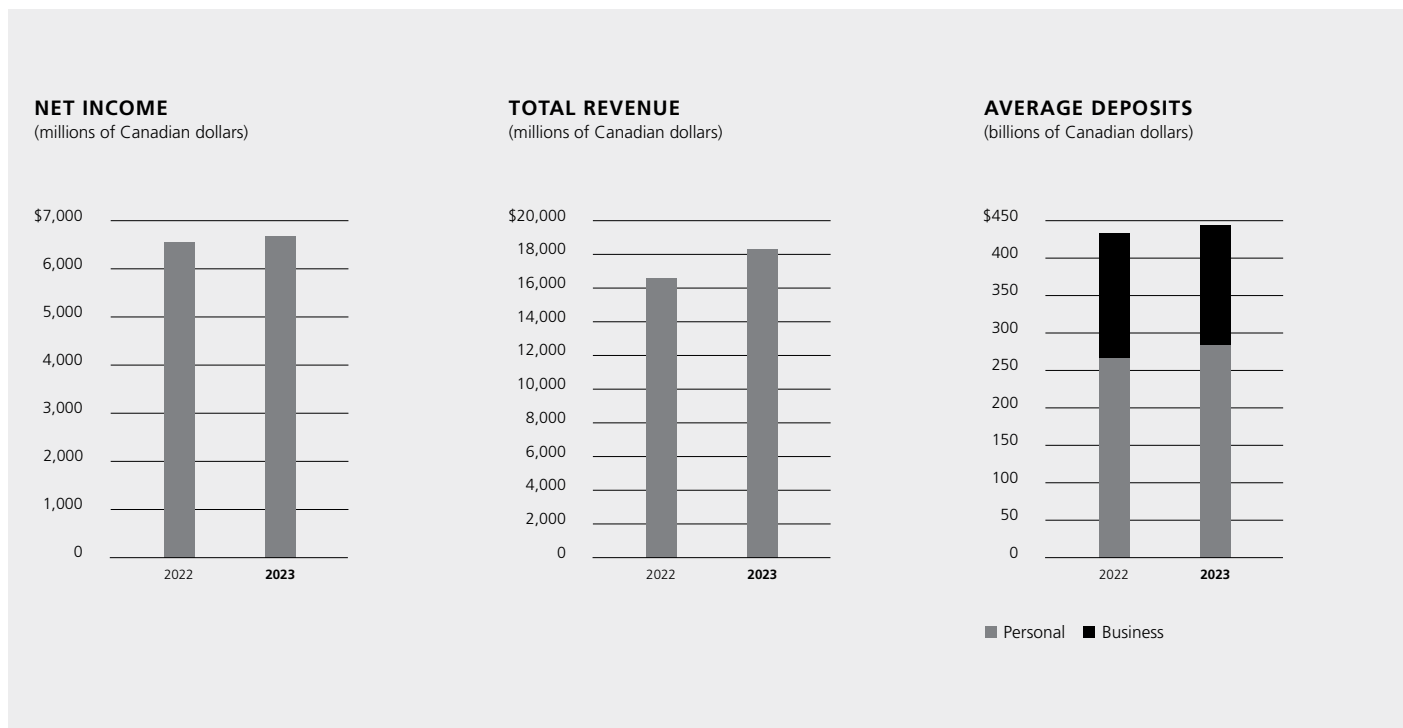
<sup>4</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>5</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 over 15 million customers in the Bank’s personal and commercial banking businesses in Canada.



| TABLE 15 REVENUE               |  | 2023             | 2022             |
|--------------------------------|--|------------------|------------------|
| (millions of Canadian dollars) |  |                  |                  |
| Personal banking               |  | \$ 12,705        | \$ 11,535        |
| Business banking               |  | 5,612            | 5,051            |
| <b>Total</b>                   |  | <b>\$ 18,317</b> | <b>\$ 16,586</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.
- Credit Cards and Payments – proprietary and co-branded credit cards, debit, digital money movement, and payment plans.
- Consumer Lending – diverse range of unsecured financing products for retail customers.

### Business Banking

- Commercial Banking – borrowing, deposit and cash management solutions for businesses across a range of industries, including real estate, agriculture, and via specialized financing options, including equipment finance.
- Small Business Banking – financial products and services for small businesses.
- 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 and credit unions, 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, commercial banking centers, and other specialized distribution channels, as well as by leveraging 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 2023  |
|---|--|
| Provide trusted advice to help our customers feel confident about their financial future                    | <ul style="list-style-type: none"> <li>• Net customer acquisition reached its highest level in Personal Banking since 2017 with record New to Canada acquisition, driven by strong banking packages tailored to meet new Canadians' needs, preferred language offerings in-branch, and strategic relationships such as CanadaVisa</li> <li>• Launched First Home Savings Account (FHSA) helping customers save for their first home</li> <li>• Launched TD Mortgage Direct allowing customers to connect with a specialist in minutes, driving business growth and an enhanced customer experience</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, increase frontline banker capacity and reduce customer friction</li> <li>• Continue to explore areas of specialization in Business Banking through additions to teams in the technology and innovation sector</li> <li>• TD Canada Trust was recognized as a Financial Service Excellence shared award winner for "Automated Telephone Banking Excellence"<sup>5</sup> and "Live Agent Telephone Banking"<sup>6</sup> among the Big 5 Banks<sup>7</sup> in the 2023 Ipsos Customer Service Index (CSI) study<sup>8</sup></li> <li>• TD Auto Finance ranked "Highest in Dealer Satisfaction among Non-Captive Non-Prime Lenders with Retail Credit" for the sixth year in a row in the J.D. Power 2023 Canada Dealer Financing Satisfaction Study<sup>9</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>10</sup> positions and gained momentum across the businesses: <ul style="list-style-type: none"> <li>– #1 market share in Personal Non-Term deposits</li> <li>– Highest year-over-year volume loan growth in real estate secured lending amongst peers<sup>11</sup></li> <li>– Record credit card spend, and organic loan growth driven by a diverse line-up and strong acquisition momentum</li> <li>– Record auto finance originations</li> </ul> </li> <li>• The Bank continued to execute on its One TD strategies, more than doubling the number of Senior Private Bankers co-located in our Commercial Banking Centers in the second half of the year</li> </ul>   |

<sup>5</sup> TD Canada Trust shared in the Automated Telephone Banking Excellence award in the 2023 Ipsos Study.

<sup>6</sup> TD Canada Trust shared in the Live Agent Telephone Banking award in the 2023 Ipsos Study.

<sup>7</sup> Big 5 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 2023 Financial Service Excellence Awards are based on ongoing quarterly Customer Service Index (CSI) survey results. Sample size for the total 2023 CSI program year ended with the September 2023 survey wave was 47,922 completed surveys yielding 71,297 financial institution ratings nationally.

<sup>9</sup> TD Auto Finance received the highest score in the retail non-captive segment (2018-2021), and the retail non-captive non-prime segment (2022-2023) in the J.D. Power Canada Dealer Financing Satisfaction Studies, which measure Canadian auto dealers' satisfaction with their auto finance providers. Visit [jdpower.com/awards](https://jdpower.com/awards) for more details.

<sup>10</sup> Market share ranking is based on most current data available from OSFI for Personal Non-term deposits as of August 2023.

<sup>11</sup> Based on absolute YTD spot volume growth in Q3 2023 Financial Disclosures from Big 5 Banks.

| BUSINESS STRATEGY  | BUSINESS HIGHLIGHTS IN 2023  |
|--|--|
| 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>– Leveraging Next Evolution of Work (NEW), an agile operating model, designed to reduce complexity, streamline decision making, improve customer experience, and reduce cycle times</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>– Our relationship with Amazon that enabled customers to redeem TD Rewards points through Amazon Shop with Points</li> <li>– Expanding TD's Loyalty ecosystem and providing additional value to customers through new relationships with Starbucks</li> </ul> </li> </ul>   |
| Innovate with purpose for our customers and colleagues, and shape the future of banking in the digital age | <ul style="list-style-type: none"> <li>• Recognized as Best Consumer Digital Bank for Canada and North America by Global Finance Magazine for the third consecutive year<sup>12</sup>:               <ul style="list-style-type: none"> <li>– Won an industry-leading 6 categories in North America, including Best Product Offerings, Best Bill Payment &amp; Presentment, Best Information Security and Fraud Management, Best in Lending, Best Innovation and Transformation 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>13</sup></li> <li>• The TD banking mobile app continued to rank #1 for average smartphone monthly active users in Canada according to data.ai for the tenth consecutive year<sup>14</sup></li> <li>• J.D. Power ranks TD #1 in Banking Mobile App customer satisfaction<sup>15</sup></li> <li>• Implemented almost a two-fold increase to the number of customer-facing mobile features by modernizing TD's technology foundations including the adoption of public cloud, and by leveraging the NEW operating model:               <ul style="list-style-type: none"> <li>– Features include the first phase of the redesigned mobile application with a simplified and modern customer interface and experience</li> </ul> </li> </ul> |
| Be recognized as an extraordinary place to work where diversity and inclusiveness are valued               | <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>– In Business Banking, the Women at TD – Power Leadership Development Circle continues to contribute to the advancement of talented women into executive positions</li> </ul> </li> <li>• Personal Banking continued the Sponsorship in Action Program for underrepresented groups to support career advancement, providing sponsorship opportunities from senior leaders, resulting in 66% of participants being promoted or moving laterally to further develop critical experiences</li> </ul>  |
| Contribute to the well-being of our communities  | <ul style="list-style-type: none"> <li>• TD opened the Buffalo Run branch celebrating two milestones: the first branch staffed entirely by colleagues from Indigenous communities, and the first in Alberta located on the Tsuut'ina Nation</li> <li>• To support diverse customer needs, branches can serve customers in over 80 languages and over 200 languages through phone translation services</li> <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> </ul>   |

<sup>12</sup> Global Finance World's Best Digital Bank 2023 Awards (October 17, 2023).

<sup>13</sup> ComScore MMX® Multi-Platform, Financial Services – Banking, Total audience, 3-month average ending September 2023, Canada, United States, France, and U.K.

<sup>14</sup> Data.ai- average monthly mobile active users for the 10-year period ending September 2023.

<sup>15</sup> Tied in 2023. For J.D. Power 2023 award information, visit [jdpower.com/awards](https://www.jdpower.com/awards).

## KEY PRIORITIES FOR 2024

- 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
- Leverage One TD to deepen customer relationships and provide customers with personalized advice that meets 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, Canadian Personal and Commercial 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

**TABLE 16** CANADIAN PERSONAL AND COMMERCIAL BANKING

| (millions of Canadian dollars, except as noted)        | 2023            | 2022            |
|--|-----------------|-----------------|
| Net interest income                                    | \$ 14,192       | \$ 12,396       |
| Non-interest income                                    | 4,125           | 4,190           |
| Total revenue  | 18,317          | 16,586          |
| Provision for (recovery of) credit losses – impaired   | 1,013           | 639             |
| Provision for (recovery of) credit losses – performing | 330             | (148)           |
| Total provision for (recovery of) credit losses        | 1,343           | 491             |
| Non-interest expenses                                  | 7,700           | 7,176           |
| Provision for (recovery of) income taxes               | 2,586           | 2,361           |
| <b>Net income</b>                                      | <b>\$ 6,688</b> | <b>\$ 6,558</b> |
| <b>Selected volumes and ratios</b>                     |                 |                 |
| Return on common equity <sup>1</sup>                   | 36.8%           | 42.3%           |
| Net interest margin (including on securitized assets)  | 2.77            | 2.56            |
| Efficiency ratio                                       | 42.0            | 43.3            |
| Number of Canadian Retail branches at period end       | 1,062           | 1,060           |
| Average number of full-time equivalent staff           | 28,961          | 28,478          |

<sup>1</sup> Capital allocated to the business segment was increased to 11% CET1 Capital effective the first quarter of fiscal 2023 compared with 10.5% in the prior year.

## REVIEW OF FINANCIAL PERFORMANCE

Canadian Personal and Commercial Banking net income for the year was \$6,688 million, an increase of \$130 million, or 2%, compared with last year, reflecting higher revenue, partially offset by higher PCL and non-interest expenses. ROE for the year was 36.8%, compared with 42.3% last year.

Revenue for the year was \$18,317 million, an increase of \$1,731 million, or 10%, compared with last year.

Net interest income was \$14,192 million, an increase of \$1,796 million, or 14%, reflecting higher margins and volume growth. Average loan volumes increased \$32 billion, or 6%, reflecting 5% growth in personal loans and 11% growth in business loans. Average deposit volumes increased \$9 billion, or 2%, reflecting 7% growth in personal deposits, partially offset by 5% decline in business deposits. Net interest margin was 2.77%, an increase of 21 bps from last year, primarily due to higher margins on deposits reflecting rising interest rates, partially offset by lower margins on loans.

Non-interest income was \$4,125 million, a decrease of \$65 million, or 2%, compared with last year, reflecting a prior years' adjustment and lower fee revenue.

PCL for the year was \$1,343 million, an increase of \$852 million, compared with last year. PCL – impaired was \$1,013 million, an increase of \$374 million, or 59%, reflecting some normalization of credit performance in the consumer lending portfolios and credit migration in the commercial lending portfolios. PCL – performing was \$330 million, compared with a recovery of \$148 million in the prior year. This year's performing provisions were largely recorded in the consumer lending portfolios, reflecting current credit conditions and volume growth. Total PCL as an annualized percentage of credit volume was 0.25%, an increase of 15 bps.

Non-interest expenses for the year were \$7,700 million, an increase of \$524 million, or 7%, compared with last year. The increase primarily reflects higher technology spend and higher employee-related expenses supporting business growth, and higher non-credit provisions.

The efficiency ratio for the year was 42.0%, compared with 43.3% last year.

## OPERATING ENVIRONMENT AND OUTLOOK

Slower growth is expected for Canada's economy for the second consecutive year in fiscal 2024 with recession risks remaining elevated. The lagged effects of this year's sharp interest rate hikes are expected to weigh on consumer and business spending, thus constraining overall revenue growth for Canadian Personal and Commercial Banking. Further growth in the number of customers in large part due to strongly rising immigration should provide ongoing support to revenue. However, this positive impact on revenues is expected to be counterbalanced by both a potential further adjustment in housing markets and interest-rate cuts. PCL is expected to increase, reflecting continued normalization of credit conditions and volume growth. Canadian Personal and Commercial Banking will continue to manage expenses prudently, investing in distribution capabilities to serve more customers and enhance their experience, and continuing to invest in technology and platforms to purposefully build for the future to meet evolving needs of customers, colleagues and communities. We believe TD's customer centric and digitally enabled Canadian Personal and Commercial Banking franchise is well-positioned to execute on its growth opportunities.



## 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 10 million customers in the Bank's U.S. personal and business banking operations, including wealth management. U.S. Retail includes an investment in Schwab.

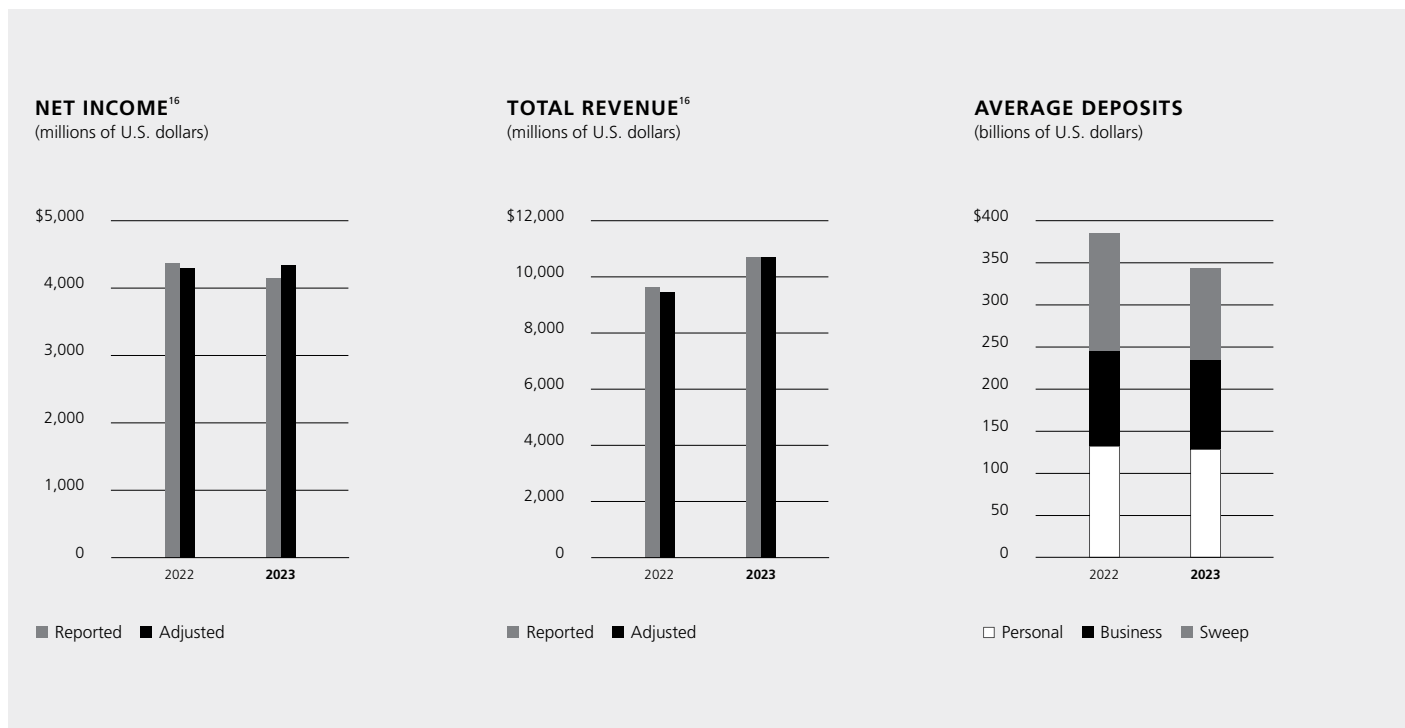


TABLE 17 REVENUE<sup>1</sup>

(millions of dollars)

|                    | Canadian dollars |                  | U.S. dollars     |                 |
|--------------------|------------------|------------------|------------------|-----------------|
|                    | 2023             | 2022             | 2023             | 2022            |
| Personal Banking   | \$ 7,359         | \$ 6,875         | \$ 5,457         | \$ 5,329        |
| Business Banking   | 4,221            | 3,972            | 3,130            | 3,078           |
| Wealth             | 625              | 517              | 463              | 401             |
| Other <sup>2</sup> | 2,237            | 1,061            | 1,659            | 824             |
| <b>Total</b>       | <b>\$ 14,442</b> | <b>\$ 12,425</b> | <b>\$ 10,709</b> | <b>\$ 9,632</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.

<sup>16</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.

## KEY PRODUCT GROUPS

### Personal Banking

- Personal Deposits – full suite of chequing, savings, and Certificates of Deposit 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, and real-time payment solutions for 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, a robo-advisory platform, and a multi-custodial securities-based collateral lending platform.
- Asset Management – comprised of Epoch Investment Partners Inc. and the U.S. arm of TD Asset Management's (TDAM's) investment business.

## 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, optimizing funding sources and costs, investing strategically while maintaining expense discipline, and managing risk prudently.

## STRATEGIC OBJECTIVES, ACCOMPLISHMENTS AND PRIORITIES

| BUSINESS STRATEGY                                 | BUSINESS HIGHLIGHTS IN 2023  |
|---|--|
| Transform Distribution                            | <ul style="list-style-type: none"> <li>• Entered Charlotte, North Carolina, a new market for our retail distribution network, and opened 6 stores in the low- and moderate-income areas in North Carolina and Florida to ensure more residents have neighbourhood access to a bank and financial services</li> <li>• Renovated 52 stores with refreshed exterior and interior as well as dedicated offices for financial advisors to amplify our branding, facilitate deeper conversations around advice, education, and financial literacy to meet customers' evolving needs, and maintained a focus on innovation</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>• Increased total mobile users by 8.5% year-over-year to 4.9 million, achieving 55.5% digital adoption, up 230 basis points year-over-year, coupled with digital self-service transactions comprising 81.7% of all financial transactions, up 170 basis points year-over-year</li> <li>• Continued to scale and optimize our digital marketing spend to drive new, high-quality account acquisition and modernize media buying data infrastructure</li> </ul> |
| Drive Leading Customer Acquisition and Engagement | <ul style="list-style-type: none"> <li>• Surpassed 10 million customers for our personal banking, business banking, and wealth business, powered by broad-based account growth in core franchise businesses and our commitment to customer satisfaction</li> <li>• Launched new deposit products, implemented pricing actions, and enhanced customer primacy to retain existing customers and add new customers</li> <li>• Expanded overdraft policy changes including real-time balance threshold and online overdraft grace period alerts to help customers better manage their financials, eliminated returned deposit items and certain fees for consumer savings accounts, and updated transaction processing to help avoid additional overdraft fees due to timing</li> <li>• TD Auto Finance ranked "Highest in Dealer Satisfaction among National Prime Credit Non-Captive Automotive Finance Lenders" for the fourth year in a row in the J.D. Power 2023 U.S. Dealer Financing Satisfaction Study<sup>17</sup></li> </ul>  |
| Scale & Evolve our Cards Franchise                | <ul style="list-style-type: none"> <li>• Launched TD Clear and TD FlexPay, two innovative new cards that offer compelling value propositions</li> <li>• Enhanced benefits to the popular TD Cash and Double Up credit cards</li> <li>• Leveraged a product suite that is resonating with customers to deepen relationships and to drive strong customer acquisition in our U.S. bankcard business</li> <li>• Renewed agreement with Visa in the U.S., supporting investment in our cards business to accelerate growth</li> <li>• Improved card servicing and digital capabilities through investments in infrastructure to enhance customer experience and power future growth</li> </ul>   |

<sup>17</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 2020-2023 U.S. Dealer Financing Satisfaction Studies of dealers' satisfaction with automotive finance providers. Visit [jdpower.com/awards](https://www.jdpower.com/awards) for more details.

| BUSINESS STRATEGY  | BUSINESS HIGHLIGHTS IN 2023   |
|--|---|
| Become a Top US Commercial Bank  | <ul style="list-style-type: none"> <li>Delivered strong year-over-year volume growth in business loans, specifically in the middle market and specialty lending areas, fueled by higher commercial loan line utilization, strong loan originations, and new customer growth</li> <li>Expanded certain business verticals in footprint and nationally and acquired new customers through strategic initiatives</li> <li>Implemented Small Business application enhancements that simplify the digital loan application experience for customers and made significant upgrades to our cash management capabilities</li> <li>Ranked #1 in its footprint by total number of approved U.S. Small Business Administration (SBA) loan units for the seventh consecutive year and ranked as the #2 national SBA lender<sup>18</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 55 advisors in 2023 to help build critical mass in attractive markets, deepening existing relationships and leveraging new opportunities from referrals</li> <li>Further strengthened One TD partnerships by integrating with retail and commercial partners: <ul style="list-style-type: none"> <li>Increased wealth advisor coverage and co-located advisors in retail stores to better serve customers, deepening relationships</li> <li>Renovated stores to better facilitate wealth advice conversations with customers</li> <li>Generated substantial number of referrals to wealth from commercial deposit relationships, providing solutions to commercial clients and retaining relationships within the Bank</li> </ul> </li> <li>Enhanced collateral lending experience by delivering self-service capabilities, enabling clients to request a draw on their line and similar requests without contacting their advisor</li> <li>Launched new capabilities to equip colleagues with tools for offering better advice and increasing sales effectiveness</li> </ul>   |
| Enable World Class Residential Mortgage Business                       | <ul style="list-style-type: none"> <li>Accelerated balance growth in mortgage and home equity, driven by origination of high credit quality loans and slower payment rates</li> <li>Delivered robust growth in mortgage and home equity originations to minority households across our footprint<sup>19</sup></li> </ul>  |
| Key Enablers of Business Strategy                                      | <ul style="list-style-type: none"> <li>Recognized for leadership in diversity and inclusion: <ul style="list-style-type: none"> <li>a top score of 100 in the 2023 Disability Equality Index for the ninth consecutive year</li> <li>one of America's Best Employers for Diversity by Forbes in 2023, moving up to the #2 spot, out of 500 companies ranked</li> <li>one of America's Best Employers for Veterans by Forbes for the third consecutive year</li> </ul> </li> <li>Announced a three-year, US\$2 billion voluntary Community Reinvestment Act Agreement in coordination with the New Jersey Citizen Action and Housing &amp; Community Development Network of New Jersey. The agreement includes commitments for investments in affordable housing, affordable mortgage lending, small business lending and other community development projects that will have a significant economic impact on low- and moderate-income communities and majority-minority communities throughout New Jersey</li> <li>Agreed to a 20-year extension of our agreement with Delaware North – keeping Boston's landmark arena name as "TD Garden" through 2045</li> <li>Continued improvements in operational efficiency to profitably scale our businesses</li> <li>Enhanced effectiveness and improved operational efficiency for store network optimization decisioning, deposit account acquisition, credit risk modelling, and escalation of customer complaints by adopting Artificial Intelligence capabilities to better understand customer behaviours and pain points, allowing us to deliver more tailored customer experience</li> </ul> |

#### KEY PRIORITIES FOR 2024

- Invest in our governance and controls infrastructure and enhance governance and risk management practices
- Transform our distribution network by modernizing stores to better serve local markets and facilitate deeper advice-based conversations and promoting specialization across store staffing
- Advance digital and mobile leadership by enhancing infrastructure capabilities and our marketing ecosystem
- Drive profitable deposit growth and enhance innovative product and payment capabilities to meet evolving customer needs
- Continue to scale our cards business by uplifting and unifying cards servicing infrastructure to enhance capabilities and customer service experience as well as introducing enhanced digital experiences
- Grow our commercial banking franchise by expanding middle market coverage within our footprint and better accommodating customers in adjacent markets, enhancing loan servicing infrastructure to enable future growth, and deepening collaboration with TD Securities to deliver a full suite of One TD products and services
- Continue to scale our financial advisor coverage across existing footprint to better serve our clients' investment and retirement needs, invest in wealth capabilities to deliver differentiated value proposition, and partner with retail and commercial businesses to deliver One TD
- Focus relentlessly on talent by engaging colleagues in our strategic ambitions
- Further streamline operations through automation, digitization and process simplification for our colleagues and customers, driving sustainable productivity
- Continue embedding ESG expertise to advance the development of products and services and contribute to the social and economic well-being of the communities TD serves

<sup>18</sup> U.S. Small Business Administration (SBA) loan units in its Maine-to-Florida footprint for the SBA's 2023 fiscal year.

<sup>19</sup> 2022 Home Mortgage Disclosure Act (HMDA) data published by the FFIEC.

| TABLE 18 U.S. RETAIL  |  |                 |          |
|---|--|-----------------|----------|
| (millions of dollars, except as noted)                              |  | 2023            | 2022     |
| <b>Canadian Dollars</b>   |  |                 |          |
| Net interest income   |  | \$ 12,037       | \$ 9,604 |
| Non-interest income – reported                                      |  | 2,405           | 2,821    |
| Non-interest income – adjusted <sup>1,2</sup>                       |  | 2,405           | 2,597    |
| Total revenue – reported  |  | 14,442          | 12,425   |
| Total revenue – adjusted <sup>1</sup>                               |  | 14,442          | 12,201   |
| Provision for (recovery of) credit losses – impaired                |  | 965             | 522      |
| Provision for (recovery of) credit losses – performing              |  | (37)            | (187)    |
| Total provision for (recovery of) credit losses                     |  | 928             | 335      |
| Non-interest expenses – reported                                    |  | 8,191           | 6,920    |
| Non-interest expenses – adjusted <sup>1,3</sup>                     |  | 7,847           | 6,824    |
| Provision for (recovery of) income taxes – reported                 |  | 667             | 625      |
| Provision for (recovery of) income taxes – adjusted <sup>1</sup>    |  | 752             | 593      |
| <b>U.S. Retail Bank net income – reported</b>                       |  | <b>4,656</b>    | 4,545    |
| <b>U.S. Retail Bank net income – adjusted<sup>1</sup></b>           |  | <b>4,915</b>    | 4,449    |
| Share of net income from investment in Schwab <sup>4,5</sup>        |  | 939             | 1,075    |
| <b>Net income – reported</b>  |  | <b>\$ 5,595</b> | \$ 5,620 |
| <b>Net income – adjusted<sup>1</sup></b>                            |  | <b>5,854</b>    | 5,524    |
| <b>U.S. Dollars</b>   |  |                 |          |
| Net interest income   |  | \$ 8,925        | \$ 7,437 |
| Non-interest income – reported                                      |  | 1,784           | 2,195    |
| Non-interest income – adjusted <sup>1,2</sup>                       |  | 1,784           | 2,018    |
| Total revenue – reported  |  | 10,709          | 9,632    |
| Total revenue – adjusted <sup>1</sup>                               |  | 10,709          | 9,455    |
| Provision for (recovery of) credit losses – impaired                |  | 715             | 404      |
| Provision for (recovery of) credit losses – performing              |  | (28)            | (150)    |
| Total provision for (recovery of) credit losses                     |  | 687             | 254      |
| Non-interest expenses – reported                                    |  | 6,071           | 5,364    |
| Non-interest expenses – adjusted <sup>1,3</sup>                     |  | 5,817           | 5,292    |
| Provision for (recovery of) income taxes – reported                 |  | 495             | 484      |
| Provision for (recovery of) income taxes – adjusted <sup>1</sup>    |  | 557             | 458      |
| <b>U.S. Retail Bank net income – reported</b>                       |  | <b>3,456</b>    | 3,530    |
| <b>U.S. Retail Bank net income – adjusted<sup>1</sup></b>           |  | <b>3,648</b>    | 3,451    |
| Share of net income from investment in Schwab <sup>4,5</sup>        |  | 695             | 840      |
| <b>Net income – reported</b>  |  | <b>\$ 4,151</b> | \$ 4,370 |
| <b>Net income – adjusted<sup>1</sup></b>                            |  | <b>4,343</b>    | 4,291    |
| <b>Selected volumes and ratios</b>                                  |  |                 |          |
| Return on common equity – reported <sup>6</sup>                     |  | 13.6%           | 14.2%    |
| Return on common equity – adjusted <sup>1,6</sup>                   |  | 14.2            | 14.0     |
| Net interest margin <sup>1,7</sup>                                  |  | 3.15            | 2.54     |
| Efficiency ratio – reported   |  | 56.7            | 55.7     |
| Efficiency ratio – adjusted <sup>1</sup>                            |  | 54.3            | 56.0     |
| Assets under administration (billions of U.S. dollars) <sup>8</sup> |  | \$ 37           | \$ 34    |
| Assets under management (billions of U.S. dollars) <sup>8</sup>     |  | 33              | 33       |
| Number of U.S. retail stores  |  | 1,177           | 1,160    |
| Average number of full-time equivalent staff                        |  | 28,242          | 25,745   |

<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 income excludes an insurance recovery related to litigation – 2022: \$224 million (US\$177 million) or \$169 million (US\$133 million) after-tax.

<sup>3</sup> Adjusted non-interest expenses exclude the charges related to the terminated First Horizon acquisition – 2023: \$344 million or US\$254 million (\$259 million or US\$192 million after-tax), 2022: \$96 million or US\$72 million (\$73 million or US\$54 million after-tax).

<sup>4</sup> The Bank's share of Schwab's earnings is reported with a one-month lag. Refer to Note 12 of the 2023 Consolidated Financial Statements for further details.

<sup>5</sup> The after-tax amounts for amortization of acquired intangibles, the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade, and the Bank's share of Schwab's restructuring charges are recorded in the Corporate segment.

<sup>6</sup> Capital allocated to the business segment was 11% CET1 effective the first quarter of fiscal 2023 compared with 10.5% in the prior year.

<sup>7</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>8</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 \$5,595 million (US\$4,151 million), a decrease of \$25 million (US\$219 million), or relatively flat (5% in U.S. dollars) compared with last year. On an adjusted basis, net income was \$5,854 million (US\$4,343 million), an increase of \$330 million (US\$52 million), or 6% (1% in U.S. dollars). The reported and adjusted ROE for the year was 13.6% and 14.2%, respectively, compared with 14.2% and 14.0%, respectively, 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 \$939 million (US\$695 million) a decrease of \$136 million (US\$145 million), or 13% (17% in U.S. dollars), reflecting lower bank deposit account fees and lower trading revenue as well as higher expenses, partially offset by higher net interest revenue, asset management and administration fees.

U.S. Retail Bank reported net income for the year was \$4,656 million (US\$3,456 million), an increase of \$111 million or 2% (a decrease of US\$74 million or 2%) compared with last year, reflecting higher revenue, partially offset by higher non-interest expenses including acquisition and integration-related charges for the terminated First Horizon transaction and higher PCL. U.S. Retail Bank adjusted net income was \$4,915 million (US\$3,648 million), an increase of \$466 million (US\$197 million), or 10% (6% in U.S. dollars), reflecting higher revenue, partially offset by higher non-interest expenses and higher PCL.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management businesses. Reported revenue for the year was US\$10,709 million, an increase of US\$1,077 million, or 11%, compared with last year. On an adjusted basis, revenue increased US\$1,254 million, or 13%. Net interest income of US\$8,925 million, increased US\$1,488 million, or 20%, driven by the benefit of higher deposit margins from the rising rate environment, partially offset by lower deposit volumes. Net interest margin was 3.15%, an increase of 61 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\$1,784 million, a decrease of US\$411 million, or 19%, compared with last year, reflecting lower overdraft fees and an insurance recovery related to litigation in the prior year. On an adjusted basis, non-interest income decreased US\$234 million, or 12%, primarily reflecting lower overdraft fees.

Average loan volumes increased US\$16 billion, or 10%, compared with last year. Personal loans increased 11%, reflecting good originations and slower payment rates across portfolios. Business loans increased 8%, reflecting good originations from new customer growth, higher commercial line utilization, and slower payment rates, partially offset by PPP loan forgiveness. Excluding PPP loans, business loans increased 10%. Average deposit volumes decreased US\$42 billion, or 11%, compared with last year, reflecting a 3% decrease in personal deposits, a 5% decrease in business deposits, and a 23% decrease in sweep deposits.

Assets under administration (AUA) were US\$37 billion as at October 31, 2023, an increase of US\$3 billion, or 9%, compared with last year, reflecting net asset growth. Assets under management (AUM) were US\$33 billion as at October 31, 2023, flat compared with last year.

PCL for the year was US\$687 million, an increase of US\$433 million compared with last year. PCL – impaired was US\$715 million, an increase of US\$311 million, or 77%, reflecting some normalization of credit performance. PCL – performing was a recovery of US\$28 million, compared with a recovery of US\$150 million in the prior year. 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 0.38%, or an increase of 22 bps.

Reported non-interest expenses for the year were US\$6,071 million, an increase of US\$707 million, or 13%, compared with last year, reflecting higher employee-related expenses, higher acquisition and integration-related charges for the terminated First Horizon transaction, higher FDIC assessment fees as a result of an increase to FDIC assessment rates effective January 1, 2023, and higher investments in the business. On an adjusted basis, excluding acquisition and integration-related charges for the terminated First Horizon transaction, non-interest expenses increased US\$525 million, or 10%.

The reported and adjusted efficiency ratios for the year were 56.7% and 54.3%, compared with 55.7% and 56.0%, respectively, last year.

## OPERATING ENVIRONMENT AND OUTLOOK

Fiscal 2024 is expected to be a challenging year across the entire U.S. banking industry, with potential rate cuts, an uncertain macroeconomic outlook, as well as elevated regulatory expectations and new regulatory requirements. We expect moderate revenue growth driven by loan volume growth, recovering personal and business deposit volumes, continued new customer acquisitions, and increased customer activity in certain areas. PCL is expected to increase over the course of next year, reflecting an ongoing credit normalization and volume growth. We will continue to optimize the balance sheet and execute on programs to generate productivity savings while enabling investments in governance and control, and strategic growth, maintaining our expense management discipline, and enhancing our profitability.

## THE CHARLES SCHWAB CORPORATION

Refer to Note 12 of the 2023 Consolidated Financial Statements for further information on Schwab.

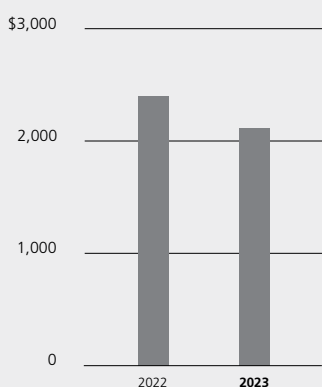
**BUSINESS SEGMENT ANALYSIS**

# Wealth Management and Insurance

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

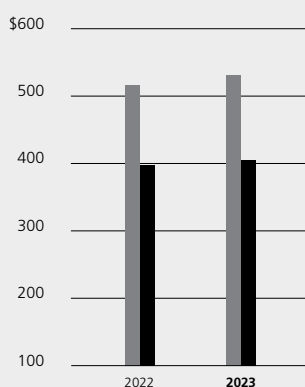
### NET INCOME

(millions of Canadian dollars)



### AUA/AUM<sup>20</sup>

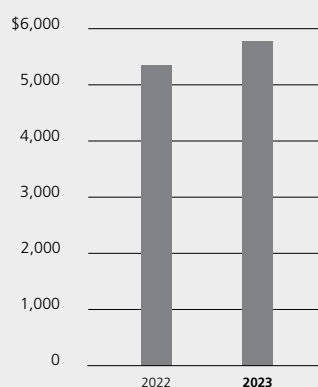
(billions of Canadian dollars)



■ AUA ■ AUM

### INSURANCE PREMIUMS

(millions of Canadian dollars)



**TABLE 19 REVENUE**

(millions of Canadian dollars)

|              | 2023             | 2022             |
|--------------|------------------|------------------|
| Wealth       | \$ 5,249         | \$ 5,624         |
| Insurance    | 6,031            | 5,236            |
| <b>Total</b> | <b>\$ 11,280</b> | <b>\$ 10,860</b> |

<sup>20</sup> Includes AUA administered by TD Investor Services, which is part of the Canadian Personal and Commercial Banking segment.

## 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, auto and small business 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 and Business 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.

## STRATEGIC OBJECTIVES, ACCOMPLISHMENTS AND PRIORITIES

| BUSINESS STRATEGY  | BUSINESS HIGHLIGHTS IN 2023  |
|--|--|
| Provide trusted advice to help our customers feel confident about their financial future           | <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, adding over 450 advice professionals year-over-year</li> <li>• Continued to build on TD Direct Investing's commitment to client education by introducing a personalized recommendation engine that will enable clients to select preferred topics and prompt tailored content</li> <li>• MoneyTalk launched a Chinese-language webpage and produced its first video conducted entirely in Mandarin to provide investment content to more clients</li> <li>• TD Asset Management received FundGrade A+ rating on 12 TDAM managed mutual funds and ETFs for outstanding performance in 2022<sup>21</sup></li> </ul>  |
| Deliver legendary customer experiences through customer-centric innovations and digital leadership | <ul style="list-style-type: none"> <li>• Continued to evolve distribution models to meet customer needs, resulting in record Legendary Experience Index (LEI) results: <ul style="list-style-type: none"> <li>– TD Direct Investing was recognized as the #1 Online Broker in the Globe and Mail's annual digital broker survey<sup>22</sup></li> <li>– Improved digital onboarding and self-serve capabilities, including enabling Direct Investing self-serve withdrawals in TFSA/RSP/RESP accounts, simplifying new account opening for existing customers and introducing Advice eSign capabilities</li> <li>– Implemented multiple enhancements to the TD Easy Trade app, enabling One-Click ETF Portfolios to make it easier to invest using ready-made portfolios</li> <li>– Continued to expand direct channels and enhance service offerings enabling new and existing clients to contact Financial Planning Direct representatives directly through the TD Mobile App</li> </ul> </li> <li>• TD Asset Management broadened its Alternative product shelf, launching the Greystone Alternative Plus Fund and the TD Alternative Commodities Pool, as well as three new ETFs</li> <li>• Launched TD Active Trader, offering a leading trading experience for advanced orders, complex options strategy execution and cutting-edge charting capabilities</li> <li>• TD Insurance expanded its network of one-stop claims Auto Centers, bringing our footprint to 25 locations nationally</li> <li>• Strengthened TD Insurance's digital capabilities by enhancing self-serve features, including online quote and bind, as well as coverage, billing and payment management online</li> </ul> |

<sup>21</sup> The FundGrade A+® rating is used with permission from Fundata Canada Inc., all rights reserved. Fundata is a leading provider of market and investment funds data to the Canadian financial services industry and business media. The Fund-Grade A+® rating identifies funds that have consistently demonstrated the best risk-adjusted returns throughout an entire calendar year. For more information on the rating system, please visit [www.Fundata.com/ProductsServices/FundGrade.aspx](http://www.Fundata.com/ProductsServices/FundGrade.aspx).

<sup>22</sup> 2023 Globe and Mail digital broker ranking: <https://www.theglobeandmail.com/investing/article-canadas-top-digital-broker-is-td-direct-investing-with-an-assist-from/>.

| BUSINESS STRATEGY   | BUSINESS HIGHLIGHTS IN 2023   |
|---|---|
| <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>23</sup></li> <li>– Largest Canadian institutional money manager and largest money manager in Canada for pension assets<sup>23</sup></li> <li>– #2 market share in mutual fund assets among the Big 5 Banks<sup>24,25</sup> and exceeded \$10 billion in ETF AUM</li> <li>– Gained market share in Advice, with TD Wealth Financial Planning growing the fastest among the Big 5 Banks<sup>25</sup> and TD Private Investment Advice ranking #1 among Big 5 Banks<sup>25</sup> in net new asset growth<sup>26</sup></li> <li>– #1 Direct Distribution personal lines insurer and leader in the affinity market in Canada<sup>27</sup></li> <li>– #3 personal lines insurer in Canada<sup>27</sup></li> </ul> </li> <li>• Launched TD Global Investment Solutions brand and website to leverage global expertise across TDAM and TD Epoch, extending presence in jurisdictions in APAC</li> <li>• Continued to work with partners to deliver One TD: <ul style="list-style-type: none"> <li>– Direct Investing continued to build strong relationships with Personal Banking partners through integration in training programs and enhanced reporting to drive improved client engagement</li> <li>– TDAM partnered with TD Securities to leverage their local presence, relationships and governance and control protocol to expand TDAM’s institutional distribution globally</li> <li>– Deepened customer relationships across the bank, by leveraging our market leading brand, to better protect TD Real Estate Secured Lending customers with TD home insurance</li> <li>– Leveraged our TD Insurance Private Client Advice offering to better protect high-net-worth TD Wealth customers</li> </ul> </li> </ul> |
| <p>Innovate with purpose to optimize processes and enable our colleagues to execute with speed and impact</p>                               | <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>• TD Wealth has begun its transition to the Next Evolution of Work (NEW) operating model to simplify the way we work through agile, customer-centric operating model changes</li> <li>• TD Insurance has completed its transition to the NEW operating model</li> <li>• As Direct Investing introduced targeted offers to increase client engagement and raise awareness of platform capabilities and launched a pilot for fully-paid lending capability, allowing clients to earn income on hard-to-borrow positions ahead of full launch set for fiscal 2024</li> </ul>  |
| <p>Be an extraordinary place to work where diversity and inclusiveness are valued, and contribute to the well-being of our communities</p>  | <ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>– TD Insurance continued its Plastic Bumper Cover Recycling Program within its Auto Centres as part of an effort to promote environmentally friendly practices</li> </ul> </li> <li>• TD Insurance was instrumental in developing and launching the TD Scholarship for Indigenous Peoples which aims to support successful recipients with financial assistance and also provides recipients with a corporate summer internship with TD</li> </ul>  |

#### KEY PRIORITIES FOR 2024

- Widen market leadership position in TD Direct Investing by enhancing platforms, features and functionalities valued by key customer segments
- Continue to focus on distribution expansion across our advice businesses and accelerate new business strategies to meet growing demand and serve the needs of unique client segments
- Extend institutional leadership position in asset management into retail and global markets, leveraging breadth and depth of capabilities
- 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 position our brand as a diverse and inclusive employer of choice, enabling colleagues to achieve their full potential
- TD Insurance will expand the small business insurance offering to more segments, leveraging digital capabilities and marketing to significantly grow the business

<sup>23</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 2023 and institutional money manager and pension assets money manager rankings as at June 2023.

<sup>24</sup> Metric from Investment Funds Institute of Canada for market share in mutual fund assets as at October 2023 when compared to the Big 5 Banks.

<sup>25</sup> The Big 5 Banks consist of Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.

<sup>26</sup> Market share ranking is based on most current data available from Investor Economics, a division of ISS Market Intelligence, for TD Wealth Financial Planning asset under administration (AUA) growth ranking from June 2022 to December 2022, TD Wealth Private Investment Advice net new assets as a % of beginning asset ranking from December 2022 to March 2023 and March 2023 to June 2023.

<sup>27</sup> Rankings based on data available from OSFI, Insurers, Insurance Bureau of Canada, and Provincial Regulators as at July 2023.



**TABLE 20 WEALTH MANAGEMENT AND INSURANCE**

| (millions of Canadian dollars, except as noted)                         | 2023            | 2022            |
|---|-----------------|-----------------|
| Net interest income   | \$ 1,056        | \$ 945          |
| Non-interest income   | 10,224          | 9,915           |
| Total revenue   | 11,280          | 10,860          |
| Provision for (recovery of) credit losses – impaired                    | 1               | –               |
| Provision for (recovery of) credit losses – performing                  | –               | 1               |
| Total provision for (recovery of) credit losses                         | 1               | 1               |
| Insurance claims and related expenses                                   | 3,705           | 2,900           |
| Non-interest expenses   | 4,709           | 4,711           |
| Provision for (recovery of) income taxes                                | 747             | 853             |
| <b>Net income</b>   | <b>\$ 2,118</b> | <b>\$ 2,395</b> |
| <b>Selected volumes and ratios</b>                                      |                 |                 |
| Return on common equity <sup>1</sup>                                    | 38.7%           | 46.7%           |
| Efficiency ratio  | 41.7            | 43.4            |
| Assets under administration (billions of Canadian dollars) <sup>2</sup> | \$ 531          | \$ 517          |
| Assets under management (billions of Canadian dollars)                  | 405             | 397             |
| Average number of full-time equivalent staff                            | 16,022          | 15,671          |

<sup>1</sup> Capital allocated to the business segment was increased to 11% CET1 Capital effective the first quarter of 2023 compared with 10.5% 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 \$2,118 million, a decrease of \$277 million, or 12%, compared with last year, reflecting higher insurance claims and related expenses and lower revenue in the wealth management business, partially offset by increased revenue in the insurance business. The ROE for the year was 38.7%, compared with 46.7% last year.

Revenue for the year was \$11,280 million, an increase of \$420 million, or 4%, compared with last year. Non-interest income was \$10,224 million, an increase of \$309 million, or 3%, reflecting higher insurance premiums and an increase in the fair value of investments supporting claims liabilities which resulted in a similar increase in insurance claims, partially offset by lower transaction and fee-based revenue in the wealth management business. Net interest income was \$1,056 million, an increase of \$111 million, or 12%, compared with last year, reflecting higher investment income in the insurance business, partially offset by lower deposit volumes in the wealth management business.

AUA were \$531 billion as at October 31, 2023, an increase of \$14 billion, or 3%, compared with last year, reflecting market appreciation and net asset growth. AUM were \$405 billion as at October 31, 2023, an increase of \$8 billion, or 2%, compared with last year, reflecting market appreciation, partially offset by mutual fund redemptions.

Insurance claims and related expenses were \$3,705 million, an increase of \$805 million, or 28%, compared with last year, reflecting the impact of changes in the discount rate which resulted in a similar increase in the fair value of investments supporting claims liabilities reported in non-interest income, increased claims severity and more severe weather-related events.

Non-interest expenses for the year were \$4,709 million, a decrease of \$2 million, compared with last year.

The efficiency ratio for the year was 41.7%, compared with 43.4% last year.

## OPERATING ENVIRONMENT AND OUTLOOK

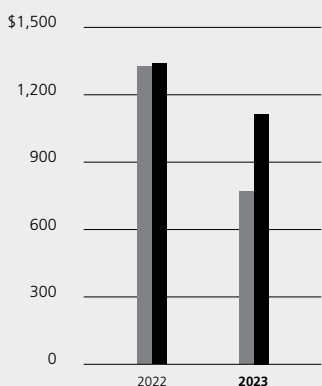
Expected slowdown in economic growth and potential continued market volatility in Canada and the U.S. may impact Wealth Management and Insurance results in fiscal 2024. Notwithstanding these headwinds, Wealth Management and Insurance's diversified businesses should be well-positioned to deliver against their strategic objectives. Our focus on our strategic priorities and investments in leading digital platforms should help offset headwinds from market volatility, pressure on fees from rising competition and increases in insurance claims due to severe weather events and claims severity. Our businesses will continue to deliver high-quality advice, educational content and innovative financial products to our customers while exercising disciplined expense management to help navigate the challenging environment.

## BUSINESS SEGMENT ANALYSIS

# Wholesale Banking

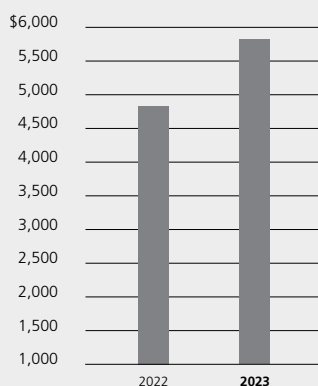
Operating under the brand name TD Securities, Wholesale Banking offers capital markets and corporate and investment banking services to corporate, government, and institutional clients in key global financial centres across North America, Europe and Asia-Pacific.

### NET INCOME<sup>28</sup> (millions of Canadian dollars)



■ Reported ■ Adjusted

### TOTAL REVENUE (millions of Canadian dollars)



### AVERAGE GROSS LENDING PORTFOLIO (billions of Canadian dollars)

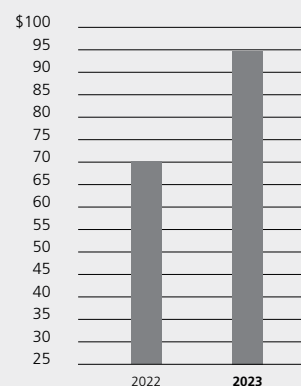


TABLE 2.1 REVENUE

(millions of Canadian dollars)

|                                  | 2023            | 2022            |
|----------------------------------|-----------------|-----------------|
| Global markets                   | \$ 3,265        | \$ 2,932        |
| Corporate and investment banking | 2,618           | 1,758           |
| Other                            | (65)            | 141             |
| <b>Total</b>                     | <b>\$ 5,818</b> | <b>\$ 4,831</b> |

## LINES OF BUSINESS

- Global Markets – sales, trading and research, debt and equity underwriting, client securitization, prime services, and trade execution services<sup>29</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>29</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>28</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>29</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 2023   |
|---|---|
| Continue to build an integrated North American Investment Bank with global reach                        | <ul style="list-style-type: none"> <li>• Completed acquisition of Cowen Inc., accelerating our U.S. dollar growth strategy by adding and expanding capabilities in U.S. equities and global research, increasing depth in key growth verticals such as Healthcare, and adding scale and high-quality talent</li> <li>• Continued to strengthen our position as ESG capital markets advisors as demonstrated by a number of marquee transactions and recognition including:               <ul style="list-style-type: none"> <li>– Joint Bookrunner on the Government of Canada’s \$500 million Ukraine Sovereignty Bond</li> <li>– Active Bookrunner and Co-Sustainability Structuring Agent on Bacardi Ltd’s inaugural Green Bond and Green Financing Framework, part of its US\$1.5 billion three-part offering and the first U.S. green bond issued in the alcoholic beverage sector</li> <li>– Sustainability Structuring Agent for Bell Canada’s sustainability-linked securitization (SLS), the first SLS executed at TD in a sole structuring role</li> <li>– Joint Bookrunner on Ontario Teachers’ Finance Trust’s \$1 billion 10-year Green Bond</li> <li>– TD Securities agreed to purchase 27,500 metric tons of Direct Air Capture (DAC) carbon dioxide removal credits over a four-year period from STRATOS, 1PointFive’s first DAC plant currently under construction, subject to STRATOS becoming operational</li> <li>– Named Lead Manager of the Year, Social Bonds – Sovereign by Environmental Finance’s 2023 Bond Awards</li> </ul> </li> <li>• Recognized as “Excellence in Trade (North America)” at the Trade, Treasury and Payments Awards 2023, presented by Trade Finance Global in cooperation with BAFT (Bankers Association for Finance and Trade)</li> <li>• Awarded Best FX Bank Data Management in the 2023 Euromoney FX Awards</li> <li>• Ranked #1 Base Metals Dealer in the 2023 Energy Risk Commodity Rankings</li> </ul> |
| In Canada, be a top-ranked Investment Bank  | <ul style="list-style-type: none"> <li>• Delivered on several marquee and strategic acquisitions and led notable transactions in the Canadian market:               <ul style="list-style-type: none"> <li>– Exclusive Financial Advisor to Shaw Communications on its \$26 billion sale to Rogers Communications, which represented the largest acquisition in Canadian telecom history</li> <li>– Financial Advisor to GIC, the Singapore sovereign wealth fund, and Dream Industrial REIT on their acquisition of Summit Industrial Income REIT</li> <li>– Financial Advisor to TC Energy on its minority interest sale in Columbia Gas and Columbia Gulf to Global Infrastructure Partners for \$5.3 billion. Active Bookrunner on a US\$5.6 billion Senior Unsecured Notes offering to recapitalize Columbia Pipeline entities following the merger and acquisition (M&amp;A) announcement</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>• Demonstrated the strength of our combined TD Securities and TD Cowen franchises in the U.S.:               <ul style="list-style-type: none"> <li>– Joint Bookrunner on a US\$300 million Follow-on Equity Offering for Revolution Medicines, representing TD Cowen’s sixth engagement with this issuer</li> <li>– Sole Financial Advisor on a US\$125 million Strategic Financing for Milestone Pharmaceuticals</li> <li>– Joint Bookrunner on ACELYRIN Inc.’s US\$621 million Initial Public Offering (IPO), the largest biotech IPO to date in calendar 2023, demonstrating our leadership in the healthcare sector and strength in equity capital markets execution</li> <li>– Exclusive Financial Advisor to Penelope Bourbon LLC on its sale to MGP Ingredients Inc. for US\$216 million</li> <li>– TD Cowen acted as Financial Advisor to Autovista on its sale to J.D. Power</li> <li>– Exclusive Financial Advisor to Basalt Infrastructure Partners on its acquisition of Fatbeam Holdings LLC, Basalt’s first fibre-based network investment in North America</li> <li>– Financial Advisor to The Williams Companies, Inc. on its acquisition of MountainWest Pipelines Holding Company from Southwest Gas Holdings Inc. for US\$1.5 billion</li> </ul> </li> <li>• Continued to operate as the market leader in electronic municipal bond trading<sup>30</sup>, launched a competitive new issue municipal bond business that is ranked #5 by deal count<sup>31</sup>, tripled daily transactions in investment grade corporate bonds compared to the prior year, and expanded trading capabilities in fixed income ETFs</li> <li>• Added 33 new clients in Corporate Cash Management</li> <li>• Continued to grow our Trade Finance business, adding 38 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>• Financial Advisor to France-based Vauban Infrastructure Partners on their acquisition of Trooli Ltd.</li> <li>• Active bookrunner on Vodafone Group PLC’s US\$1.2 billion debt securities offering</li> <li>• Joint bookrunner on Allied Irish Banks’ €750 million green bond issuance, TDS’ first deal with an Irish bank</li> <li>• Sole Lead Manager on the World Bank’s €100 million issuance of Digitally Native Notes, the first digital securities to use Euroclear’s new Digital Financial Market Infrastructure platform based on distributed ledger technology</li> <li>• Added equity capabilities with the acquisition of Cowen Inc.</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 TD segments:               <ul style="list-style-type: none"> <li>– Automation of foreign banknote inventory management, increasing customer accessibility to foreign cash across TD Canada Trust branches</li> <li>– Launched Secure Storage service, whereby TD customers can purchase precious metals with a new option to store them in a secure, insured facility</li> <li>– Achieved record-breaking Eid Mubarak Silver Round sales and launched the inaugural Canadian-sourced TD gold bar</li> </ul> </li> </ul>   |

<sup>30</sup> Source: Municipal Securities Rulemaking Board, as of October 31, 2023.

<sup>31</sup> Source: Bloomberg, Municipal Competitive Long-Term Issuance as of October 31, 2023.

| BUSINESS STRATEGY   | BUSINESS HIGHLIGHTS IN 2023  |
|---|--|
| 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>• Successfully transitioned USD London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR)</li> <li>• Launched TDSX Private Room, allowing TD to better serve both institutional and retail clients by adding capabilities to cross orders for U.S. shares in a secure, fully compliant, fully automated environment</li> <li>• Achieved a significant TD Cowen integration milestone in combining portions of our U.S. Institutional Equities and Convertibles businesses</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>• Raised \$2.3 million for children's charities through the annual Underwriting Hope campaign</li> <li>• Awarded 12 scholarships to diverse and intersectional candidates through the annual TDS Bridging the Gap Scholarship</li> <li>• Multiple leaders across TD Securities recognized by Women in Capital Markets awards</li> </ul>   |

#### KEY PRIORITIES FOR 2024

- Continue to integrate TD Cowen and leverage the strength of the combined TD Securities and TD Cowen platform to expand and deepen client relationships and deliver revenue synergies
- Continue to integrate and extend the TDS Automated Trading platform
- Continue to embed ESG capabilities throughout our business, leveraging TD Cowen's research expertise to support clients with their transition to a lower carbon economy
- Continue to invest in technology, drive innovation and analytical capabilities including:
  - Low latency and algorithmic trading in fixed income, foreign exchange, and equities
  - 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 and enhance capabilities for our clients
- Maintain our focus on prudent risk management, continuing to make risk and control enhancements, and drive returns through optimizing capital, balance sheet, and liquidity
- Continue to be an extraordinary place to work and attract top talent with a focus on partnership culture, inclusion and diversity

| TABLE 22  | WHOLESALE BANKING <sup>1</sup> |                 |          |
|---|--------------------------------|-----------------|----------|
| (millions of Canadian dollars, except as noted)                             |                                |                 |          |
|   |                                | <b>2023</b>     | 2022     |
| Net interest income (TEB)   |                                | <b>\$ 1,538</b> | \$ 2,937 |
| Non-interest income   |                                | <b>4,280</b>    | 1,894    |
| Total revenue   |                                | <b>5,818</b>    | 4,831    |
| Provision for (recovery of) credit losses – impaired                        |                                | <b>16</b>       | 19       |
| Provision for (recovery of) credit losses – performing                      |                                | <b>110</b>      | 18       |
| Total provision for (recovery of) credit losses                             |                                | <b>126</b>      | 37       |
| Non-interest expenses – reported  |                                | <b>4,760</b>    | 3,033    |
| Non-interest expenses – adjusted <sup>2,3</sup>                             |                                | <b>4,326</b>    | 3,015    |
| Provision for (recovery of) income taxes (TEB) – reported                   |                                | <b>162</b>      | 436      |
| Provision for (recovery of) income taxes (TEB) – adjusted <sup>2</sup>      |                                | <b>251</b>      | 440      |
| <b>Net income – reported</b>  |                                | <b>\$ 770</b>   | \$ 1,325 |
| <b>Net income – adjusted<sup>2</sup></b>                                    |                                | <b>1,115</b>    | 1,339    |
| <b>Selected volumes and ratios</b>  |                                |                 |          |
| Trading-related revenue (TEB) <sup>4</sup>                                  |                                | <b>\$ 2,360</b> | \$ 2,513 |
| Average gross lending portfolio (billions of Canadian dollars) <sup>5</sup> |                                | <b>94.7</b>     | 70.1     |
| Return on common equity – reported <sup>6</sup>                             |                                | <b>5.4%</b>     | 11.4%    |
| Return on common equity – adjusted <sup>2,6</sup>                           |                                | <b>7.9</b>      | 11.5     |
| Efficiency ratio – reported   |                                | <b>81.8</b>     | 62.8     |
| Efficiency ratio – adjusted <sup>2</sup>                                    |                                | <b>74.4</b>     | 62.4     |
| Average number of full-time equivalent staff                                |                                | <b>7,143</b>    | 5,088    |

<sup>1</sup> Wholesale Banking results for 2023 include the acquisition of Cowen Inc. effective March 1, 2023.

<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.

<sup>3</sup> Adjusted non-interest expenses exclude the acquisition and integration-related charges primarily for the Cowen acquisition – 2023: \$434 million (\$345 million after-tax), 2022: \$18 million (\$14 million after-tax).

<sup>4</sup> Includes net interest income TEB of \$615 million (2022 – \$2,080 million), and trading income (loss) of \$1,745 million (2022 – \$433 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>5</sup> Includes gross loans and bankers' acceptances (BA) relating to Wholesale Banking, excluding letters of credit, cash collateral, credit default swaps, and allowance for credit losses.

<sup>6</sup> Capital allocated to the business segment was increased to 11% CET1 Capital effective the first quarter of 2023 compared with 10.5% in the prior year.

#### REVIEW OF FINANCIAL PERFORMANCE

Wholesale Banking reported net income for the year was \$770 million, a decrease of \$555 million, or 42%, compared with the prior year, primarily reflecting higher non-interest expenses partially offset by higher revenues. On an adjusted basis, net income was \$1,115 million, a decrease of \$224 million, or 17%.

Revenue for the period, including the acquisition of Cowen Inc., was \$5,818 million, an increase of \$987 million, or 20%, compared with the prior year, primarily reflecting higher equity commissions, global transaction banking revenue, advisory fees, equity underwriting fees, and markdowns in certain loan underwriting commitments in the prior year, partially offset by lower trading-related and other revenue.

PCL was \$126 million, an increase of \$89 million compared with last year. PCL – impaired was \$16 million, a decrease of \$3 million and PCL – performing was \$110 million, an increase of \$92 million. The current year performing provisions largely reflect credit migration and volume growth.

Reported non-interest expenses were \$4,760 million, an increase of \$1,727 million, or 57%, compared with the prior year, primarily reflecting the acquisition of Cowen Inc. and acquisition and integration-related costs, continued investments in Wholesale Banking's U.S. dollar strategy, including the hiring of banking, sales and trading, and technology professionals, and the impact of foreign exchange translation. On an adjusted basis, excluding acquisition and integration-related costs, non-interest expenses were \$4,326 million, an increase of \$1,311 million, or 43%.

## OPERATING ENVIRONMENT AND OUTLOOK

The operating environment remains challenging, characterized by volatile markets, economic uncertainty, geo-political and ESG considerations, disruptive technologies, 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. The addition of TD Cowen to our business enhances TD Securities' capabilities and competitive position, adding to an increasingly diversified and client-focused business model that is expected to 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)  |           | 2023              | 2022            |
| <b>Net income (loss) – reported</b>   |           | <b>\$ (4,389)</b> | <b>\$ 1,531</b> |
| <b>Adjustments for items of note</b>  |           |                   |                 |
| Amortization of acquired intangibles  |           | 313               | 242             |
| Acquisition and integration charges related to the Schwab transaction       |           | 149               | 111             |
| Share of restructuring charges from investment in Schwab                    |           | 35                | –               |
| Restructuring charges   |           | 363               | –               |
| Payment related to the termination of the FHN transaction                   |           | 306               | –               |
| Impact from the terminated FHN acquisition-related capital hedging strategy |           | 1,251             | (1,641)         |
| Impact of retroactive tax legislation on payment card clearing services     |           | 57                | –               |
| Litigation (settlement)/recovery  |           | 1,642             | –               |
| Gain on sale of Schwab shares   |           | –                 | (997)           |
| <b>Less: impact of income taxes</b>   |           |                   |                 |
| CRD and federal tax rate increase for fiscal 2022                           |           | (585)             | –               |
| Other items of note   |           | 944               | (363)           |
| <b>Net income (loss) – adjusted<sup>1</sup></b>                             |           | <b>\$ (632)</b>   | <b>\$ (391)</b> |
| <b>Decomposition of items included in net income (loss) – adjusted</b>      |           |                   |                 |
| Net corporate expenses <sup>2</sup>   |           | \$ (942)          | \$ (712)        |
| Other   |           | 310               | 321             |
| <b>Net income (loss) – adjusted<sup>1</sup></b>                             |           | <b>\$ (632)</b>   | <b>\$ (391)</b> |
| <b>Selected volumes</b>   |           |                   |                 |
| Average number of full-time equivalent staff                                |           | 22,889            | 19,885          |

<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 loss for the year was \$4,389 million, compared with net income of \$1,531 million last year. The year-over-year decrease primarily reflects a net loss from the impact of the terminated First Horizon acquisition-related capital hedging strategy and the payment related to the termination of the transaction, the Stanford litigation settlement, gain on sale of Schwab shares in the prior year, the recognition of a provision for income taxes in connection with the CRD and increase in the Canadian federal tax rate for fiscal 2022, and restructuring charges. Net corporate expenses increased \$230 million compared to the prior year, mainly reflecting litigation expenses. The adjusted net loss for the year was \$632 million, compared with an adjusted net loss of \$391 million last year.

## 2023 ACCOMPLISHMENTS AND FOCUS FOR 2024

- In 2023, 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 2024, 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, technologies, and regulatory controls to enable the Bank's businesses to operate efficiently and effectively and in compliance with applicable regulatory requirements.

## Summary of 2022 Performance

### NET INCOME

Reported net income for the year was \$17,429 million, an increase of \$3,131 million, or 22%, compared with prior 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 prior year. The reported ROE for the year was 18.0%, compared with 15.5% prior year. The adjusted ROE for the year was 15.9%, compared with 15.9% prior year.

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

Reported revenue was \$49,032 million, an increase of \$6,339 million, or 15%, compared with prior year. Adjusted revenue was \$46,170 million, an increase of \$3,477 million, or 8%, compared with the prior 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 prior 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 PPP loan forgiveness. Adjusted net interest income was \$27,307 million, an increase of \$3,176 million, or 13%.

### NON-INTEREST INCOME

Reported non-interest income for the year was \$21,679 million, an increase of \$3,117 million, or 17%, compared with prior 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.

### 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 prior year. The current year performing release reflects improved credit conditions. Total PCL as an annualized percentage of credit volume was 0.14%.

### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$2,900 million, an increase of \$193 million, or 7%, compared with prior 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

Reported non-interest expenses for the year were \$24,641 million, an increase of \$1,565 million, or 7%, compared with prior 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%.

### PROVISION FOR INCOME TAXES

Reported total income and other taxes increased by \$534 million, or 10.2%, compared with prior 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 prior 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% prior 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.

### BALANCE SHEET

**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, debt securities at amortized cost (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 fair value through other comprehensive income (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.

**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.

**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 AOCI. The decrease in AOCI 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.

GROUP FINANCIAL CONDITION

# Balance Sheet Review

TABLE 24 CONDENSED CONSOLIDATED BALANCE SHEET ITEMS

(millions of Canadian dollars)

|   | As at               |                     |
|---|---------------------|---------------------|
|   | October 31<br>2023  | October 31<br>2022  |
| <b>Assets</b>   |                     |                     |
| Cash and Interest-bearing deposits with banks                         | \$ 105,069          | \$ 145,850          |
| Trading loans, securities, and other                                  | 152,090             | 143,726             |
| Non-trading financial assets at fair value through profit or loss     | 7,340               | 10,946              |
| Derivatives   | 87,382              | 103,873             |
| Financial assets designated at fair value through profit or loss      | 5,818               | 5,039               |
| Financial assets at fair value through other comprehensive income     | 69,865              | 69,675              |
| Debt securities at amortized cost, net of allowance for credit losses | 308,016             | 342,774             |
| Securities purchased under reverse repurchase agreements              | 204,333             | 160,167             |
| Loans, net of allowance for loan losses                               | 895,947             | 831,043             |
| Investment in Schwab  | 8,907               | 8,088               |
| Other   | 112,257             | 96,347              |
| <b>Total assets</b>   | <b>\$ 1,957,024</b> | <b>\$ 1,917,528</b> |
| <b>Liabilities</b>  |                     |                     |
| Trading deposits  | \$ 30,980           | \$ 23,805           |
| Derivatives   | 71,640              | 91,133              |
| Financial liabilities designated at fair value through profit or loss | 192,130             | 162,786             |
| Deposits  | 1,198,190           | 1,229,970           |
| Obligations related to securities sold under repurchase agreements    | 166,854             | 128,024             |
| Subordinated notes and debentures                                     | 9,620               | 11,290              |
| Other   | 175,503             | 159,137             |
| <b>Total liabilities</b>  | <b>1,844,917</b>    | <b>1,806,145</b>    |
| <b>Total equity</b>   | <b>112,107</b>      | <b>111,383</b>      |
| <b>Total liabilities and equity</b>                                   | <b>\$ 1,957,024</b> | <b>\$ 1,917,528</b> |

**Total assets** were \$1,957 billion as at October 31, 2023, an increase of \$39 billion, from October 31, 2022. The impact of foreign exchange translation from the depreciation in the Canadian dollar increased total assets by \$16 billion.

The increase in total assets reflects an increase in loans, net of allowances for loan losses of \$65 billion, securities purchased under reverse repurchase agreements of \$44 billion, other assets of \$16 billion, trading loans, securities, and other of \$8 billion, financial assets designated at fair value through profit or loss of \$1 billion and investment in Schwab of \$1 billion. The increase was partially offset by a decrease in cash and interest-bearing deposits with banks of \$41 billion, debt securities at amortized cost of \$35 billion, derivative assets of \$16 billion, and non-trading financial assets at fair value through profit or loss of \$4 billion.

**Cash and interest-bearing deposits with banks** decreased \$41 billion primarily reflecting cash management activities.

**Trading loans, securities, and other** increased \$8 billion primarily in equity securities, trading loans, the impact of Cowen acquisition and foreign exchange translation partially offset by commodities held for trading.

**Non-trading financial assets at fair value through profit or loss** decreased \$4 billion primarily reflecting maturities and sales.

**Derivative** assets decreased \$16 billion primarily reflecting changes in mark-to-market values of foreign exchange and interest rate contracts.

**Financial assets designated at fair value through profit or loss** increased \$1 billion primarily reflecting new issuances, partially offset by maturities.

**Debt securities at amortized cost, net of allowance for credit losses** decreased \$35 billion primarily reflecting maturities and sales of government securities, partially offset by new investments and the impact of foreign exchange translation.

**Securities purchased under reverse repurchase agreements** increased \$44 billion primarily reflecting an increase in volume.

**Loans, net of allowance for loan losses** increased \$65 billion reflecting volume growth in residential real estate secured lending, and business and government loans and the impact of foreign exchange translation.

**Investment in Schwab** increased \$1 billion primarily reflecting the impact of the Bank's share of Schwab's net income.

**Other** assets increased \$16 billion primarily reflecting increase in amounts receivable from brokers, dealers and clients due to higher volumes of pending trades, the acquired held for sale businesses, goodwill and intangibles as a result of the Cowen acquisition, deferred tax assets and accrued interest, partially offset by a decrease in customers' liabilities under acceptances and current income tax receivable.

**Total liabilities** were \$1,845 billion as at October 31, 2023, an increase of \$39 billion from October 31, 2022. The impact of foreign exchange translation from the depreciation in the Canadian dollar increased total liabilities by \$17 billion.

The increase in total liabilities reflects an increase in obligations related to securities sold under repurchase agreements of \$39 billion, financial liabilities designated at fair value through profit or loss of \$29 billion, other liabilities of \$17 billion and trading deposits of \$7 billion. The increase was partially offset by a decrease in deposits of \$32 billion, derivative liabilities of \$19 billion and subordinated notes and debentures \$2 billion.

**Trading deposits** increased \$7 billion primarily reflecting new issuances, partially offset by maturities.

**Derivative** liabilities decreased \$19 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 \$29 billion primarily reflecting new issuances and the impact of foreign exchange translation, partially offset by maturities.

**Deposits** decreased \$32 billion reflecting lower volumes in personal (including Schwab deposits) and bank deposits, partially offset by the impact of foreign exchange translation and higher volumes in business and government deposits.

**Obligations related to securities sold under repurchase agreements** increased \$39 billion primarily reflecting an increase in volume.

**Subordinated notes and debentures** decreased \$2 billion primarily reflecting redemptions.

**Other** liabilities increased \$17 billion primarily reflecting increase in amounts payable to brokers, dealers and clients due to higher volumes of pending trades, increase in liabilities related to structured entities, accounts payable, accrued expenses, and other items as a result of the Cowen acquisition, accrued interest, and increase in provision for the Stanford litigation settlement, partially offset by a decrease in acceptances.

**Equity** was \$112 billion as at October 31, 2023, an increase of \$1 billion from October 31, 2022. The increase reflects common shares issued with a 2% discount under the dividend reinvestment plan, net of share repurchases, and gains in accumulated other comprehensive income, partially offset by lower retained earnings. The increase in accumulated other comprehensive is primarily driven by the impact of foreign currency translation. The retained earnings decreased as the net income for the year is offset by the dividends paid and the premium on the repurchase of common shares.

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## GROUP FINANCIAL CONDITION

### Credit Portfolio Quality

#### AT A GLANCE OVERVIEW

- **Loans and acceptances, net of allowance for loan losses were \$914 billion, an increase of \$61 billion compared with last year.**
- **Impaired loans net of Stage 3 allowances were \$2,277 million, an increase of \$531 million compared with last year.**
- **Provision for credit losses was \$2,933 million, compared with \$1,067 million last year.**
- **Total allowance for credit losses including off-balance sheet positions increased by \$823 million to \$8,189 million.**

#### LOAN PORTFOLIO

The Bank increased its loans and acceptances net of allowance for loan losses by \$61 billion, or 7%, from the prior year, primarily reflecting volume growth in the real estate secured lending and business and government 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 30 of the 2023 Consolidated Financial Statements.

#### CONCENTRATION OF CREDIT RISK

The Bank's loan portfolio continued to be concentrated in Canadian and U.S. consumer lending, comprised of residential mortgages, consumer instalment and other personal loans, and credit card loans, representing 63% of total loans net of Stage 3 allowances, flat compared with 2022. During the year, these portfolios increased by \$40 billion, or 8%, and totalled \$576 billion at year end. Residential mortgages represented 35% of total loans net of Stage 3 allowances in 2023, up 1% from 2022. Consumer instalment and other personal loans, and credit card loans were 28% of total loans net of Stage 3 allowances in 2023, flat compared with 2022.

The Bank's business and government loan portfolio was 37% of total loans net of Stage 3 allowances, down 1% from 2022. 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 2023, representing 4% and 2% of net loans, respectively.

Geographically, the credit portfolio remained concentrated in Canada. In 2023, the percentage of loans net of Stage 3 allowances held in Canada was 66%, flat compared with 2022. The largest Canadian regional exposure was in Ontario, which represented 39% of total loans net of Stage 3 allowances for 2023, flat compared to the prior year.

The remaining credit portfolio was predominantly in the U.S., which represented 33% of loans net of Stage 3 allowances, up 1% from 2022. 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 Florida which represented 6%, 5%, and 3% of total loans net of Stage 3 allowances, respectively, and consistent with 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 \$374 billion in such debt securities of which \$374 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 \$2 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)

|   | As at              |   |                    |                    | Percentage of total |                    |
|---|--------------------|---|--------------------|--------------------|---------------------|--------------------|
|   | October 31<br>2023 | October 31<br>2022                                      | October 31<br>2023 | October 31<br>2022 | October 31<br>2023  | October 31<br>2022 |
|   | Gross loans        | Stage 3<br>allowances<br>for<br>loan losses<br>impaired | Net loans          | Net loans          |                     |                    |
| <b>Canada</b>                                     |                    |   |                    |                    |                     |                    |
| Residential mortgages                             | \$ 263,733         | \$ 24   | \$ 263,709         | \$ 246,185         | 28.7%               | 28.7%              |
| Consumer instalment and other personal            |                    |   |                    |                    |                     |                    |
| HELOC <sup>3</sup>                                | 117,618            | 31  | 117,587            | 113,319            | 12.8                | 13.2               |
| Indirect Auto                                     | 28,786             | 65  | 28,721             | 27,139             | 3.1                 | 3.2                |
| Other   | 18,587             | 39  | 18,548             | 18,418             | 2.0                 | 2.1                |
| Credit card                                       | 18,815             | 69  | 18,746             | 17,323             | 2.0                 | 2.0                |
| Total personal                                    | 447,539            | 228   | 447,311            | 422,384            | 48.6                | 49.2               |
| Real estate                                       |                    |   |                    |                    |                     |                    |
| Residential                                       | 27,784             | 2   | 27,782             | 27,138             | 3.0                 | 3.2                |
| Non-residential                                   | 24,849             | 29  | 24,820             | 22,512             | 2.7                 | 2.6                |
| Total real estate                                 | 52,633             | 31  | 52,602             | 49,650             | 5.7                 | 5.8                |
| Agriculture                                       | 9,893              | 1   | 9,892              | 9,221              | 1.1                 | 1.1                |
| Automotive  | 9,402              | 18  | 9,384              | 7,067              | 1.0                 | 0.8                |
| Financial   | 18,873             | –   | 18,873             | 18,018             | 2.1                 | 2.1                |
| Food, beverage, and tobacco                       | 3,078              | 19  | 3,059              | 3,012              | 0.3                 | 0.4                |
| Forestry  | 829                | –   | 829                | 635                | 0.1                 | 0.1                |
| Government, public sector entities, and education | 4,198              | 8   | 4,190              | 3,703              | 0.5                 | 0.4                |
| Health and social services                        | 9,871              | 49  | 9,822              | 9,114              | 1.1                 | 1.1                |
| Industrial construction and trade contractors     | 5,701              | 94  | 5,607              | 5,407              | 0.6                 | 0.6                |
| Metals and mining                                 | 2,415              | 15  | 2,400              | 2,182              | 0.3                 | 0.3                |
| Oil and gas                                       | 2,307              | 19  | 2,288              | 2,403              | 0.2                 | 0.3                |
| Power and utilities                               | 8,299              | –   | 8,299              | 6,275              | 0.9                 | 0.7                |
| Professional and other services                   | 5,744              | 28  | 5,716              | 5,217              | 0.6                 | 0.6                |
| Retail sector                                     | 4,613              | 49  | 4,564              | 4,216              | 0.5                 | 0.5                |
| Sundry manufacturing and wholesale                | 4,085              | 15  | 4,070              | 4,268              | 0.4                 | 0.5                |
| Telecommunications, cable, and media              | 4,294              | –   | 4,294              | 4,149              | 0.5                 | 0.5                |
| Transportation                                    | 3,606              | 4   | 3,602              | 3,427              | 0.4                 | 0.4                |
| Other   | 6,376              | 31  | 6,345              | 6,128              | 0.7                 | 0.7                |
| Total business and government                     | 156,217            | 381   | 155,836            | 144,092            | 17.0                | 16.9               |
| Total Canada                                      | \$ 603,756         | \$ 609  | \$ 603,147         | \$ 566,476         | 65.6%               | 66.1%              |

<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.

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

(millions of Canadian dollars, except as noted)

|   |                   |   | As at              |                    | Percentage of total |                    |
|---|-------------------|---|--------------------|--------------------|---------------------|--------------------|
|   |                   |   | October 31<br>2023 | October 31<br>2022 | October 31<br>2023  | October 31<br>2022 |
|   | Gross loans       | Stage 3 allowances for loan losses impaired | Net loans          | Net loans          |                     |                    |
| <b>United States</b>  |                   |   |                    |                    |                     |                    |
| Residential mortgages   | \$ 56,548         | \$ 33                                       | \$ 56,515          | \$ 47,611          | 6.1%                | 5.5%               |
| Consumer instalment and other personal  |                   |   |                    |                    |                     |                    |
| HELOC <sup>3</sup>  | 10,585            | 19  | 10,566             | 9,867              | 1.2                 | 1.2                |
| Indirect Auto   | 41,051            | 39  | 41,012             | 36,359             | 4.5                 | 4.3                |
| Other   | 901               | 4   | 897                | 862                | 0.1                 | 0.1                |
| Credit card   | 19,839            | 243   | 19,596             | 18,474             | 2.1                 | 2.2                |
| Total personal  | 128,924           | 338   | 128,586            | 113,173            | 14.0                | 13.3               |
| Real estate   |                   |   |                    |                    |                     |                    |
| Residential   | 11,958            | 2   | 11,956             | 10,668             | 1.2                 | 1.2                |
| Non-residential   | 28,537            | 23  | 28,514             | 25,637             | 3.0                 | 2.9                |
| Total real estate   | 40,495            | 25  | 40,470             | 36,305             | 4.2                 | 4.1                |
| Agriculture   | 1,173             | –   | 1,173              | 1,158              | 0.1                 | 0.1                |
| Automotive  | 10,843            | –   | 10,843             | 7,779              | 1.2                 | 0.9                |
| Financial   | 22,292            | –   | 22,292             | 22,480             | 2.4                 | 2.6                |
| Food, beverage, and tobacco   | 4,396             | –   | 4,396              | 3,643              | 0.5                 | 0.4                |
| Forestry  | 746               | –   | 746                | 519                | 0.1                 | 0.1                |
| Government, public sector entities, and education   | 17,018            | 1   | 17,017             | 15,829             | 1.8                 | 1.8                |
| Health and social services  | 16,205            | 5   | 16,200             | 15,703             | 1.8                 | 1.8                |
| Industrial construction and trade contractors   | 2,414             | 1   | 2,413              | 1,912              | 0.3                 | 0.2                |
| Metals and mining   | 1,854             | 1   | 1,853              | 1,862              | 0.2                 | 0.2                |
| Oil and gas   | 1,599             | 5   | 1,594              | 1,148              | 0.2                 | 0.1                |
| Power and utilities   | 7,831             | –   | 7,831              | 5,923              | 0.9                 | 0.7                |
| Professional and other services   | 17,526            | 8   | 17,518             | 14,689             | 1.9                 | 1.7                |
| Retail sector   | 6,320             | 2   | 6,318              | 5,496              | 0.7                 | 0.6                |
| Sundry manufacturing and wholesale  | 10,524            | 8   | 10,516             | 8,376              | 1.1                 | 1.0                |
| Telecommunications, cable, and media  | 9,190             | 15  | 9,175              | 9,106              | 1.0                 | 1.1                |
| Transportation  | 5,083             | –   | 5,083              | 5,277              | 0.6                 | 0.6                |
| Other   | 2,750             | 4   | 2,746              | 3,090              | 0.3                 | 0.4                |
| Total business and government   | 178,259           | 75  | 178,184            | 160,295            | 19.3                | 18.4               |
| Total United States   | 307,183           | 413   | 306,770            | 273,468            | 33.3                | 31.7               |
| <b>International</b>  |                   |   |                    |                    |                     |                    |
| Personal  | 19                | –   | 19                 | 23                 | –                   | –                  |
| Business and government   | 10,024            | –   | 10,024             | 18,722             | 1.1                 | 2.2                |
| Total international   | 10,043            | –   | 10,043             | 18,745             | 1.1                 | 2.2                |
| Total excluding other loans   | 920,982           | 1,022                                       | 919,960            | 858,689            | 100.0               | 100.0              |
| <b>Other loans</b>  |                   |   |                    |                    |                     |                    |
| Acquired credit-impaired loans <sup>4</sup>   | 91                | 6   | 85                 | 111                | –                   | –                  |
| Total other loans   | 91                | 6   | 85                 | 111                | –                   | –                  |
| <b>Total</b>  | <b>\$ 921,073</b> | <b>\$ 1,028</b>                             | <b>\$ 920,045</b>  | <b>\$ 858,800</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   |                   |   | 6,108              | 5,671              |                     |                    |
| <b>Total, net of allowance</b>  |                   |   | <b>\$ 913,937</b>  | <b>\$ 853,129</b>  |                     |                    |
| Percentage change over previous year – loans and acceptances, net of Stage 3 allowance for loan losses (impaired) |                   |   | 7.1%               | 14.7%              |                     |                    |
| Percentage change over previous year – loans and acceptances, net of allowance                                    |                   |   | 7.1                | 14.9               |                     |                    |

<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 FDIC covered loans and other ACI loans.

**TABLE 2 6 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<br>2023 | October 31<br>2022                                      | October 31<br>2023 | October 31<br>2022 | October 31<br>2023  | October 31<br>2022 |
|   | Gross loans        | Stage 3<br>allowances<br>for loan<br>losses<br>impaired | Net loans          | Net loans          |                     |                    |
| <b>Canada</b>   |                    |   |                    |                    |                     |                    |
| Atlantic provinces  | \$ 13,676          | \$ 14   | \$ 13,662          | \$ 13,398          | 1.5%                | 1.6%               |
| British Columbia <sup>3</sup>   | 96,048             | 38  | 96,010             | 89,018             | 10.4                | 10.4               |
| Ontario <sup>3</sup>  | 356,071            | 452   | 355,619            | 331,890            | 38.7                | 38.6               |
| Prairies <sup>3</sup>   | 88,477             | 60  | 88,417             | 85,862             | 9.6                 | 10.0               |
| Québec  | 49,484             | 45  | 49,439             | 46,308             | 5.4                 | 5.4                |
| Total Canada  | 603,756            | 609   | 603,147            | 566,476            | 65.6                | 66.0               |
| <b>United States</b>  |                    |   |                    |                    |                     |                    |
| Carolinas (North and South)   | 18,001             | 18  | 17,983             | 16,617             | 2.0                 | 1.9                |
| Florida   | 26,751             | 42  | 26,709             | 22,633             | 2.9                 | 2.6                |
| New England <sup>4</sup>  | 48,024             | 36  | 47,988             | 42,779             | 5.2                 | 5.0                |
| New Jersey  | 26,071             | 28  | 26,043             | 23,312             | 2.8                 | 2.7                |
| New York  | 56,904             | 83  | 56,821             | 52,201             | 6.2                 | 6.1                |
| Pennsylvania  | 18,747             | 16  | 18,731             | 17,035             | 2.0                 | 2.0                |
| Other <sup>5</sup>  | 112,685            | 190   | 112,495            | 98,891             | 12.2                | 11.5               |
| Total United States   | 307,183            | 413   | 306,770            | 273,468            | 33.3                | 31.8               |
| <b>International</b>  |                    |   |                    |                    |                     |                    |
| Europe  | 5,843              | –   | 5,843              | 6,208              | 0.6                 | 0.7                |
| Other   | 4,200              | –   | 4,200              | 12,537             | 0.5                 | 1.5                |
| Total international   | 10,043             | –   | 10,043             | 18,745             | 1.1                 | 2.2                |
| Total excluding other loans   | 920,982            | 1,022   | 919,960            | 858,689            | 100.0               | 100.0              |
| <b>Other loans</b>  | 91                 | 6   | 85                 | 111                | –                   | –                  |
| <b>Total</b>  | <b>\$ 921,073</b>  | <b>\$ 1,028</b>   | <b>\$ 920,045</b>  | <b>\$ 858,800</b>  | <b>100.0%</b>       | <b>100.0%</b>      |
| Stage 1 and Stage 2 allowances  |                    |   | 6,108              | 5,671              |                     |                    |
| <b>Total, net of allowance</b>  |                    |   | <b>\$ 913,937</b>  | <b>\$ 853,129</b>  |                     |                    |
| <b>Percentage change over previous year –<br/>loans and acceptances, net of Stage 3<br/>allowances for loan losses (impaired)</b> |                    |   | 2023               | 2022               |                     |                    |
| Canada  |                    |   | 6.5%               | 9.5%               |                     |                    |
| United States   |                    |   | 12.2               | 23.9               |                     |                    |
| International   |                    |   | (46.4)             | 82.7               |                     |                    |
| Other loans   |                    |   | (23.4)             | (24.0)             |                     |                    |
| <b>Total</b>  |                    |   | <b>7.1%</b>        | <b>14.9%</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>1,2</sup>**

(millions of Canadian dollars)

As at

|              | Residential Mortgages                        |                             | Home equity lines of credit                  |                             | Total real estate secured lending |  |
|--------------|--|-----------------------------|--|-----------------------------|-----------------------------------|--|
|              |  |                             |  |                             |                                   |  |
|              | Amortizing                                   |                             | Non-amortizing                               |                             | Total real estate secured lending |  |
|              | Total amortizing real estate secured lending |                             | Home equity lines of credit                  |                             |                                   |  |
|              | Residential Mortgages                        | Home equity lines of credit | Total amortizing real estate secured lending | Home equity lines of credit |                                   |  |
|              | October 31, 2023                             |                             |  |                             |                                   |  |
| <b>Total</b> | <b>\$ 263,733</b>                            | <b>\$ 86,943</b>            | <b>\$ 350,676</b>                            | <b>\$ 30,675</b>            | <b>\$ 381,351</b>                 |  |
|              | October 31, 2022                             |                             |  |                             |                                   |  |
| <b>Total</b> | <b>\$ 246,206</b>                            | <b>\$ 81,689</b>            | <b>\$ 327,895</b>                            | <b>\$ 31,657</b>            | <b>\$ 359,552</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> Amortizing includes loans where the fixed contractual payments are no longer sufficient to cover the interest based on the rates in effect at October 31, 2023.

**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, 2023      |              |                             |              |                      |             |                   |              |                  |              |                   |              |
| <b>Canada</b>                 |                       |              |                             |              |                      |             |                   |              |                  |              |                   |              |
| Atlantic provinces            | \$ 2,561              | 1.0%         | \$ 4,557                    | 1.7%         | \$ 181               | 0.2%        | \$ 1,938          | 1.6%         | \$ 2,742         | 0.7%         | \$ 6,495          | 1.7%         |
| British Columbia <sup>4</sup> | 8,642                 | 3.3          | 46,003                      | 17.4         | 920                  | 0.8         | 21,642            | 18.4         | 9,562            | 2.5          | 67,645            | 17.7         |
| Ontario <sup>4</sup>          | 22,559                | 8.6          | 118,882                     | 45.1         | 3,126                | 2.7         | 64,095            | 54.4         | 25,685           | 6.8          | 182,977           | 48.1         |
| Prairies <sup>4</sup>         | 18,621                | 7.1          | 20,385                      | 7.7          | 1,746                | 1.5         | 11,956            | 10.2         | 20,367           | 5.3          | 32,341            | 8.5          |
| Québec                        | 7,221                 | 2.7          | 14,302                      | 5.4          | 590                  | 0.5         | 11,424            | 9.7          | 7,811            | 2.0          | 25,726            | 6.7          |
| <b>Total Canada</b>           | <b>59,604</b>         | <b>22.7%</b> | <b>204,129</b>              | <b>77.3%</b> | <b>6,563</b>         | <b>5.7%</b> | <b>111,055</b>    | <b>94.3%</b> | <b>66,167</b>    | <b>17.3%</b> | <b>315,184</b>    | <b>82.7%</b> |
| United States                 | 1,439                 |              | 55,169                      |              | –                    |             | 10,591            |              | 1,439            |              | 65,760            |              |
| <b>Total</b>                  | <b>\$ 61,043</b>      |              | <b>\$ 259,298</b>           |              | <b>\$ 6,563</b>      |             | <b>\$ 121,646</b> |              | <b>\$ 67,606</b> |              | <b>\$ 380,944</b> |              |
|                               | 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> |              |

<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 2 9        | RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION <sup>1,2,3</sup> |               |                |                |                |                |                |              | As at         |
|------------------|--|---------------|----------------|----------------|----------------|----------------|----------------|--------------|---------------|
|                  | <=5 years  | >5 – 10 years | >10 – 15 years | >15 – 20 years | >20 – 25 years | >25 – 30 years | >30 – 35 years | >35 years    | Total         |
| October 31, 2023 |  |               |                |                |                |                |                |              |               |
| Canada           | 0.8%   | 2.7%          | 5.7%           | 14.1%          | 31.5%          | 24.6%          | 1.4%           | 19.2%        | 100.0%        |
| United States    | 5.3  | 1.4           | 3.8            | 7.8            | 10.6           | 69.5           | 1.1            | 0.5          | 100.0         |
| <b>Total</b>     | <b>1.6%</b>  | <b>2.5%</b>   | <b>5.3%</b>    | <b>13.0%</b>   | <b>27.8%</b>   | <b>32.6%</b>   | <b>1.4%</b>    | <b>15.8%</b> | <b>100.0%</b> |
| October 31, 2022 |  |               |                |                |                |                |                |              |               |
| Canada           | 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> |

<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.

<sup>3</sup> \$37.4 billion or 14% of the mortgage portfolio in Canada (October 31, 2022: \$39.6 billion or 16%) relates to mortgages in which the fixed contractual payments are no longer sufficient to cover the interest based on the rates in effect at October 31, 2023 and October 31, 2022, respectively.

| TABLE 3 0                     | UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired <sup>1,2,3</sup> |  |            |                       |  |            | For the 12 months ended |
|-------------------------------|--|--|------------|-----------------------|--|------------|-------------------------|
|                               | October 31, 2023   |  |            | October 31, 2022      |  |            |                         |
|                               | 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            | 69%  | 73%  | 70%        | 71%                   | 69%  | 70%        |                         |
| British Columbia <sup>6</sup> | 62   | 66   | 64         | 66                    | 63   | 65         |                         |
| Ontario <sup>6</sup>          | 65   | 68   | 66         | 66                    | 63   | 65         |                         |
| Prairies <sup>6</sup>         | 70   | 73   | 71         | 74                    | 71   | 73         |                         |
| Québec                        | 72   | 73   | 73         | 71                    | 71   | 71         |                         |
| Total Canada                  | 66   | 69   | 67         | 67                    | 65   | 66         |                         |
| United States                 | 74   | 62   | 71         | 71                    | 64   | 69         |                         |
| <b>Total</b>                  | <b>68%</b>   | <b>68%</b>                                 | <b>68%</b> | <b>68%</b>            | <b>65%</b>                                 | <b>67%</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 \$796 million, or 32%, compared with the prior year.

In Canada, impaired loans net of Stage 3 allowances increased by \$294 million, or 60% in 2023. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$376 million, an increase of \$81 million, or 27%, reflecting some further normalization of credit performance. Business and government impaired loans net of Stage 3 allowances were \$406 million, an increase of \$213 million, compared with \$193 million in the prior year, reflecting an increase in the commercial lending portfolios as new formations outpaced resolutions.

In the U.S., net impaired loans increased by \$237 million, or 19% in 2023. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$985 million, a decrease of \$5 million, or 1%, compared with the prior year. Business and government net impaired loans were \$510 million, an increase of \$242 million, compared with \$268 million in the prior year, reflecting an increase in the commercial lending portfolios as new formations outpaced resolutions, and the impact of foreign exchange.

Geographically, 34% of total net impaired loans were located in Canada and 66% in the U.S. The largest regional concentration of net impaired loans in Canada was in Ontario, representing 23% of total net impaired loans, compared with 15% in the prior year. The largest regional concentration of net impaired loans in the U.S. was in New York, representing 21% of total net impaired loans, compared with 18% in the prior year.

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

| (millions of Canadian dollars)                 | 2023            | 2022            |
|--|-----------------|-----------------|
| <b>Personal, Business and Government Loans</b> |                 |                 |
| Impaired loans as at beginning of period       | \$ 2,503        | \$ 2,411        |
| Classified as impaired during the period       | 5,885           | 4,339           |
| Transferred to performing during the period    | (931)           | (1,009)         |
| Net repayments                                 | (1,351)         | (1,418)         |
| Disposals of loans                             | –               | (1)             |
| Amounts written off                            | (2,846)         | (1,994)         |
| Exchange and other movements                   | 39              | 175             |
| <b>Impaired loans as at end of year</b>        | <b>\$ 3,299</b> | <b>\$ 2,503</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 3 2 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 |                    |
|---|----------------------------|---|--------------------------|--------------------------|---------------------|--------------------|
|   | October 31<br>2023         | October 31<br>2022                                      | October 31<br>2023       | October 31<br>2022       | October 31<br>2023  | October 31<br>2022 |
|   | Gross<br>impaired<br>loans | Stage 3<br>allowances<br>for loan<br>losses<br>impaired | Net<br>impaired<br>loans | Net<br>impaired<br>loans |                     |                    |
| <b>Canada</b>                                     |                            |   |                          |                          |                     |                    |
| Residential mortgages                             | \$ 186                     | \$ 24   | \$ 162                   | \$ 151                   | 7.1%                | 8.7%               |
| Consumer instalment and other personal            |                            |   |                          |                          |                     |                    |
| HELOC   | 148                        | 31  | 117                      | 67                       | 5.1                 | 3.8                |
| Indirect Auto                                     | 95                         | 65  | 30                       | 26                       | 1.4                 | 1.5                |
| Other   | 60                         | 39  | 21                       | 16                       | 0.9                 | 0.9                |
| Credit card <sup>5</sup>                          | 115                        | 69  | 46                       | 35                       | 2.0                 | 2.0                |
| Total personal                                    | 604                        | 228   | 376                      | 295                      | 16.5                | 16.9               |
| Real estate                                       |                            |   |                          |                          |                     |                    |
| Residential                                       | 8                          | 2   | 6                        | 2                        | 0.3                 | 0.1                |
| Non-residential                                   | 91                         | 29  | 62                       | 20                       | 2.7                 | 1.2                |
| Total real estate                                 | 99                         | 31  | 68                       | 22                       | 3.0                 | 1.3                |
| Agriculture                                       | 14                         | 1   | 13                       | 9                        | 0.5                 | 0.5                |
| Automotive  | 32                         | 18  | 14                       | 6                        | 0.6                 | 0.3                |
| Financial   | 3                          | –   | 3                        | –                        | 0.1                 | –                  |
| Food, beverage, and tobacco                       | 38                         | 19  | 19                       | 7                        | 0.8                 | 0.4                |
| Forestry  | 2                          | –   | 2                        | 1                        | 0.1                 | 0.1                |
| Government, public sector entities, and education | 12                         | 8   | 4                        | 4                        | 0.2                 | 0.2                |
| Health and social services                        | 151                        | 49  | 102                      | 32                       | 4.5                 | 1.8                |
| Industrial construction and trade contractors     | 106                        | 94  | 12                       | 8                        | 0.5                 | 0.5                |
| Metals and mining                                 | 30                         | 15  | 15                       | 19                       | 0.7                 | 1.1                |
| Oil and gas                                       | 20                         | 19  | 1                        | 11                       | –                   | 0.6                |
| Power and utilities                               | –                          | –   | –                        | –                        | –                   | –                  |
| Professional and other services                   | 52                         | 28  | 24                       | 17                       | 1.1                 | 1.0                |
| Retail sector                                     | 110                        | 49  | 61                       | 39                       | 2.7                 | 2.2                |
| Sundry manufacturing and wholesale                | 29                         | 15  | 14                       | 4                        | 0.6                 | 0.2                |
| Telecommunications, cable, and media              | 13                         | –   | 13                       | 3                        | 0.6                 | 0.2                |
| Transportation                                    | 20                         | 4   | 16                       | 5                        | 0.7                 | 0.3                |
| Other   | 56                         | 31  | 25                       | 6                        | 1.1                 | 0.3                |
| Total business and government                     | 787                        | 381   | 406                      | 193                      | 17.8                | 11.0               |
| Total Canada                                      | \$ 1,391                   | \$ 609  | \$ 782                   | \$ 488                   | 34.3%               | 27.9%              |

<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* 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 3 2 IMPAIRED LOANS NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES BY INDUSTRY SECTOR (continued)**<sup>1,2,3,4</sup>

(millions of Canadian dollars, except as noted)

|   |                            |   | As at                    |                          | Percentage of total |                    |
|---|----------------------------|---|--------------------------|--------------------------|---------------------|--------------------|
|   |                            |   | October 31<br>2023       | October 31<br>2022       | October 31<br>2023  | October 31<br>2022 |
|   | Gross<br>impaired<br>loans | Stage 3<br>allowances<br>for loan<br>losses<br>impaired | Net<br>impaired<br>loans | Net<br>impaired<br>loans |                     |                    |
| <b>United States</b>                              |                            |   |                          |                          |                     |                    |
| Residential mortgages                             | \$ 432                     | \$ 33   | \$ 399                   | \$ 433                   | 17.5%               | 24.8%              |
| Consumer instalment and other personal            |                            |   |                          |                          |                     |                    |
| HELOC   | 232                        | 19  | 213                      | 260                      | 9.4                 | 14.9               |
| Indirect Auto                                     | 254                        | 39  | 215                      | 187                      | 9.4                 | 10.7               |
| Other   | 6                          | 4   | 2                        | 3                        | 0.1                 | 0.2                |
| Credit card <sup>5</sup>                          | 399                        | 243   | 156                      | 107                      | 6.9                 | 6.1                |
| Total personal                                    | 1,323                      | 338   | 985                      | 990                      | 43.3                | 56.7               |
| Real estate                                       |                            |   |                          |                          |                     |                    |
| Residential                                       | 81                         | 2   | 79                       | 18                       | 3.5                 | 1.0                |
| Non-residential                                   | 226                        | 23  | 203                      | 44                       | 8.9                 | 2.5                |
| Total real estate                                 | 307                        | 25  | 282                      | 62                       | 12.4                | 3.5                |
| Agriculture                                       | 3                          | –   | 3                        | 1                        | 0.1                 | 0.1                |
| Automotive  | 3                          | –   | 3                        | 5                        | 0.1                 | 0.3                |
| Financial   | 1                          | –   | 1                        | 2                        | –                   | 0.1                |
| Food, beverage, and tobacco                       | 3                          | –   | 3                        | 4                        | 0.1                 | 0.2                |
| Forestry  | –                          | –   | –                        | –                        | –                   | –                  |
| Government, public sector entities, and education | 3                          | 1   | 2                        | 3                        | 0.1                 | 0.2                |
| Health and social services                        | 40                         | 5   | 35                       | 25                       | 1.6                 | 1.4                |
| Industrial construction and trade contractors     | 19                         | 1   | 18                       | 20                       | 0.8                 | 1.1                |
| Metals and mining                                 | 1                          | 1   | –                        | 3                        | –                   | 0.2                |
| Oil and gas                                       | 6                          | 5   | 1                        | 1                        | –                   | 0.1                |
| Power and utilities                               | –                          | –   | –                        | –                        | –                   | –                  |
| Professional and other services                   | 60                         | 8   | 52                       | 42                       | 2.3                 | 2.4                |
| Retail sector                                     | 29                         | 2   | 27                       | 42                       | 1.2                 | 2.4                |
| Sundry manufacturing and wholesale                | 56                         | 8   | 48                       | 38                       | 2.1                 | 2.2                |
| Telecommunications, cable, and media              | 33                         | 15  | 18                       | 5                        | 0.8                 | 0.3                |
| Transportation                                    | 6                          | –   | 6                        | 10                       | 0.3                 | 0.6                |
| Other   | 15                         | 4   | 11                       | 5                        | 0.5                 | 0.3                |
| Total business and government                     | 585                        | 75  | 510                      | 268                      | 22.4                | 15.4               |
| Total United States                               | 1,908                      | 413   | 1,495                    | 1,258                    | 65.7                | 72.1               |
| <b>International</b>                              | –                          | –   | –                        | –                        | –                   | –                  |
| <b>Total</b>                                      | <b>\$ 3,299</b>            | <b>\$ 1,022</b>   | <b>\$ 2,277</b>          | <b>\$ 1,746</b>          | <b>100.0%</b>       | <b>100.0%</b>      |
| <b>Net impaired loans as a % of common equity</b> |                            |   | <b>2.25%</b>             | <b>1.74%</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, debt securities classified as loans under IAS 39, *Financial Instruments: Recognition and Measurement* 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 3.3 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)

|   | <i>As at</i>                        |  |                               |                               | <i>Percentage of total</i> |                            |
|---|-------------------------------------|--|-------------------------------|-------------------------------|----------------------------|----------------------------|
|   | <b>October 31<br/>2023</b>          | <b>October 31<br/>2022</b>   | <b>October 31<br/>2023</b>    | <b>October 31<br/>2022</b>    | <b>October 31<br/>2023</b> | <b>October 31<br/>2022</b> |
|   | <b>Gross<br/>impaired<br/>loans</b> | <b>Stage 3<br/>allowances<br/>for loan<br/>losses<br/>impaired</b> | <b>Net impaired<br/>loans</b> | <b>Net impaired<br/>loans</b> |                            |                            |
| <b>Canada</b>                                 |                                     |  |                               |                               |                            |                            |
| Atlantic provinces                            | \$ 36                               | \$ 14  | \$ 22                         | \$ 11                         | 1.0%                       | 0.6%                       |
| British Columbia <sup>6</sup>                 | 97                                  | 38   | 59                            | 53                            | 2.5                        | 3.0                        |
| Ontario <sup>6</sup>                          | 985                                 | 452  | 533                           | 257                           | 23.4                       | 14.7                       |
| Prairies <sup>6</sup>                         | 188                                 | 60   | 128                           | 132                           | 5.6                        | 7.6                        |
| Québec  | 85                                  | 45   | 40                            | 35                            | 1.8                        | 2.0                        |
| Total Canada                                  | 1,391                               | 609  | 782                           | 488                           | 34.3                       | 27.9                       |
| <b>United States</b>                          |                                     |  |                               |                               |                            |                            |
| Carolinas (North and South)                   | 92                                  | 18   | 74                            | 71                            | 3.2                        | 4.1                        |
| Florida                                       | 248                                 | 42   | 206                           | 134                           | 9.1                        | 7.7                        |
| New England <sup>7</sup>                      | 213                                 | 36   | 177                           | 207                           | 7.8                        | 11.9                       |
| New Jersey                                    | 178                                 | 28   | 150                           | 159                           | 6.6                        | 9.1                        |
| New York                                      | 569                                 | 83   | 486                           | 322                           | 21.3                       | 18.4                       |
| Pennsylvania                                  | 72                                  | 16   | 56                            | 77                            | 2.5                        | 4.4                        |
| Other   | 536                                 | 190  | 346                           | 288                           | 15.2                       | 16.5                       |
| Total United States                           | 1,908                               | 413  | 1,495                         | 1,258                         | 65.7                       | 72.1                       |
| <b>Total</b>                                  | <b>\$ 3,299</b>                     | <b>\$ 1,022</b>  | <b>\$ 2,277</b>               | <b>\$ 1,746</b>               | <b>100.0%</b>              | <b>100.0%</b>              |
| <b>Net impaired loans as a % of net loans</b> |                                     |  | <b>0.25%</b>                  | <b>0.20%</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 \$8,189 million as at October 31, 2023, was comprised of Stage 3 allowance for impaired loans of \$1,036 million, Stage 2 allowance of \$4,000 million, and Stage 1 allowance of \$3,149 million, and allowance for debt securities of \$4 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 \$272 million, or 36%, 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, 2023, the performing allowance was \$7,149 million, up from \$6,599 million as at October 31, 2022. The increase this year largely reflected credit conditions, including some credit migration, volume growth, and the impact of foreign exchange. The allowance increase included \$60 million attributable to the partners' share of the U.S. strategic cards portfolios. The performing allowance for debt securities increased by \$1 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 quantitative and qualitative portfolio and loan level assessments of significant increase in credit risk. Refer to Note 3 of the Bank's 2023 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. Refer to Note 3 of the Bank's 2023 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 \$811 million, an increase of \$246 million, or 44%, compared to 2022 reflecting some normalization of credit performance. PCL – impaired related to business and government loans was \$199 million, an increase of \$102 million, compared to \$97 million in the prior year, largely reflecting credit migration.

In the U.S., PCL – impaired related to residential mortgages, consumer instalment and other personal loans, and credit card loans was \$1,279 million, an increase of \$536 million, or 72%, compared to 2022, largely related to some normalization of credit performance and the impact of foreign exchange. PCL – impaired related to business and government loans was \$197 million, an increase of \$160 million, compared to \$37 million in the prior year, largely reflecting credit migration and the impact of foreign exchange.

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.

| TABLE 3 4   |  | PROVISION FOR CREDIT LOSSES |                 |
|---|--|-----------------------------|-----------------|
| (millions of Canadian dollars)  |  | 2023                        | 2022            |
| <b>Provision for credit losses – Stage 3 (impaired)</b>                           |  |                             |                 |
| Canadian Personal and Commercial Banking  |  | \$ 1,013                    | \$ 639          |
| U.S. Retail   |  | 965                         | 522             |
| Wealth Management and Insurance   |  | 1                           | –               |
| Wholesale Banking   |  | 16                          | 19              |
| Corporate <sup>1</sup>  |  | 491                         | 257             |
| Total provision for credit losses – Stage 3                                       |  | 2,486                       | 1,437           |
| <b>Provision for credit losses – Stage 1 and Stage 2 (performing)<sup>2</sup></b> |  |                             |                 |
| Canadian Personal and Commercial Banking  |  | 330                         | (148)           |
| U.S. Retail   |  | (37)                        | (187)           |
| Wealth Management and Insurance   |  | –                           | 1               |
| Wholesale Banking   |  | 110                         | 18              |
| Corporate <sup>1</sup>  |  | 44                          | (54)            |
| Total provision for credit losses – Stage 1 and 2                                 |  | 447                         | (370)           |
| <b>Provision for credit losses</b>  |  | <b>\$ 2,933</b>             | <b>\$ 1,067</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 3 5   |  | PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTOR <sup>1,2</sup> |                    |                            |                    |
|---|--|---|--------------------|----------------------------|--------------------|
| (millions of Canadian dollars, except as noted)       |  | <i>For the years ended</i>                                    |                    | <i>Percentage of total</i> |                    |
|   |  | October 31<br>2023  | October 31<br>2022 | October 31<br>2023         | October 31<br>2022 |
| <b>Stage 3 provision for credit losses (impaired)</b> |  |   |                    |                            |                    |
| <b>Canada</b>   |  |   |                    |                            |                    |
| Residential mortgages                                 |  | \$ 9  | \$ (4)             | 0.4%                       | (0.3)%             |
| Consumer instalment and other personal                |  |   |                    |                            |                    |
| HELOC   |  | 8   | 12                 | 0.3                        | 0.8                |
| Indirect Auto   |  | 227   | 156                | 9.1                        | 10.9               |
| Other   |  | 188   | 128                | 7.6                        | 8.9                |
| Credit card   |  | 379   | 273                | 15.2                       | 19.0               |
| Total personal  |  | 811   | 565                | 32.6                       | 39.3               |
| Real estate   |  |   |                    |                            |                    |
| Residential   |  | 1   | –                  | –                          | –                  |
| Non-residential                                       |  | 12  | 16                 | 0.5                        | 1.1                |
| Total real estate                                     |  | 13  | 16                 | 0.5                        | 1.1                |
| Agriculture   |  | 1   | (1)                | –                          | (0.1)              |
| Automotive  |  | 14  | (2)                | 0.6                        | (0.1)              |
| Financial   |  | –   | –                  | –                          | –                  |
| Food, beverage, and tobacco                           |  | 16  | 1                  | 0.6                        | 0.1                |
| Forestry  |  | –   | –                  | –                          | –                  |
| Government, public sector entities, and education     |  | –   | –                  | –                          | –                  |
| Health and social services                            |  | 40  | 3                  | 1.6                        | 0.2                |
| Industrial construction and trade contractors         |  | 14  | 18                 | 0.6                        | 1.2                |
| Metals and mining                                     |  | –   | 9                  | –                          | 0.6                |
| Oil and gas   |  | (1)   | (2)                | –                          | (0.1)              |
| Power and utilities                                   |  | –   | –                  | –                          | –                  |
| Professional and other services                       |  | 19  | 24                 | 0.8                        | 1.7                |
| Retail sector   |  | 11  | 14                 | 0.4                        | 1.0                |
| Sundry manufacturing and wholesale                    |  | 8   | –                  | 0.3                        | –                  |
| Telecommunications, cable, and media                  |  | 4   | –                  | 0.2                        | –                  |
| Transportation  |  | 5   | 7                  | 0.2                        | 0.5                |
| Other   |  | 55  | 10                 | 2.2                        | 0.7                |
| Total business and government                         |  | 199   | 97                 | 8.0                        | 6.8                |
| Total Canada  |  | \$ 1,010  | \$ 662             | 40.6%                      | 46.1%              |

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

<sup>2</sup> Includes loans that are measured at FVOCI.

**TABLE 3 5 PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTOR (continued)<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

|   | For the years ended |                    | Percentage of total |                    |
|---|---------------------|--------------------|---------------------|--------------------|
|   | October 31<br>2023  | October 31<br>2022 | October 31<br>2023  | October 31<br>2022 |
| <b>United States</b>  |                     |                    |                     |                    |
| Residential mortgages                                       | \$ (2)              | \$ 10              | (0.1)%              | 0.7%               |
| Consumer instalment and other personal                      |                     |                    |                     |                    |
| HELOC   | (2)                 | (12)               | (0.1)               | (0.8)              |
| Indirect Auto   | 205                 | 69                 | 8.2                 | 4.8                |
| Other   | 222                 | 210                | 9.0                 | 14.6               |
| Credit card   | 856                 | 466                | 34.4                | 32.4               |
| Total personal  | 1,279               | 743                | 51.4                | 51.7               |
| Real estate   |                     |                    |                     |                    |
| Residential   | 2                   | –                  | 0.1                 | –                  |
| Non-residential   | 80                  | (5)                | 3.2                 | (0.3)              |
| Total real estate   | 82                  | (5)                | 3.3                 | (0.3)              |
| Agriculture   | –                   | –                  | –                   | –                  |
| Automotive  | 3                   | –                  | 0.1                 | –                  |
| Financial   | (2)                 | (1)                | (0.1)               | (0.1)              |
| Food, beverage, and tobacco                                 | –                   | (1)                | –                   | (0.1)              |
| Forestry  | –                   | 16                 | –                   | 1.1                |
| Government, public sector entities, and education           | –                   | –                  | –                   | –                  |
| Health and social services                                  | 5                   | 5                  | 0.2                 | 0.3                |
| Industrial construction and trade contractors               | 5                   | 4                  | 0.2                 | 0.3                |
| Metals and mining   | (1)                 | 1                  | –                   | 0.1                |
| Oil and gas   | –                   | (2)                | –                   | (0.1)              |
| Power and utilities   | –                   | –                  | –                   | –                  |
| Professional and other services                             | 16                  | (1)                | 0.6                 | (0.1)              |
| Retail sector   | 9                   | 3                  | 0.4                 | 0.2                |
| Sundry manufacturing and wholesale                          | 36                  | 3                  | 1.5                 | 0.2                |
| Telecommunications, cable, and media                        | 16                  | –                  | 0.6                 | –                  |
| Transportation  | 4                   | (2)                | 0.2                 | (0.1)              |
| Other   | 24                  | 17                 | 1.0                 | 1.1                |
| Total business and government                               | 197                 | 37                 | 8.0                 | 2.5                |
| Total United States   | 1,476               | 780                | 59.4                | 54.2               |
| International   | –                   | –                  | –                   | –                  |
| Total excluding other loans                                 | 2,486               | 1,442              | 100.0               | 100.3              |
| <b>Other loans</b>  |                     |                    |                     |                    |
| Debt securities at amortized cost and FVOCI                 | –                   | –                  | –                   | –                  |
| Acquired credit-impaired loans <sup>3</sup>                 | –                   | (5)                | –                   | (0.3)              |
| Total other loans   | –                   | (5)                | –                   | (0.3)              |
| <b>Total Stage 3 provision for credit losses (impaired)</b> | <b>\$ 2,486</b>     | <b>\$ 1,437</b>    | <b>100.0%</b>       | <b>100.0%</b>      |
| <b>Stage 1 and 2 provision for credit losses</b>            |                     |                    |                     |                    |
| Personal, business, and government                          | \$ 447              | \$ (364)           |                     |                    |
| Debt securities at amortized cost and FVOCI                 | –                   | (6)                |                     |                    |
| Total Stage 1 and 2 provision for credit losses             | 447                 | (370)              |                     |                    |
| <b>Total provision for credit losses</b>                    | <b>\$ 2,933</b>     | <b>\$ 1,067</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 3 6 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<br>2023  | October 31<br>2022 | October 31<br>2023  | October 31<br>2022 |
| <b>Canada</b>  |                     |                    |                     |                    |
| Atlantic provinces                                   | \$ 49               | \$ 38              | 1.7%                | 3.6%               |
| British Columbia <sup>4</sup>                        | 116                 | 92                 | 4.0                 | 8.6                |
| Ontario <sup>4</sup>                                 | 551                 | 288                | 18.8                | 27.0               |
| Prairies <sup>4</sup>                                | 203                 | 159                | 6.9                 | 14.9               |
| Québec   | 91                  | 85                 | 3.1                 | 8.0                |
| Total Canada   | 1,010               | 662                | 34.5                | 62.1               |
| <b>United States</b>                                 |                     |                    |                     |                    |
| Carolinas (North and South)                          | 68                  | 36                 | 2.3                 | 3.4                |
| Florida  | 173                 | 70                 | 5.9                 | 6.6                |
| New England <sup>5</sup>                             | 135                 | 92                 | 4.6                 | 8.6                |
| New Jersey   | 109                 | 73                 | 3.7                 | 6.8                |
| New York   | 262                 | 119                | 9.0                 | 11.2               |
| Pennsylvania   | 53                  | 32                 | 1.8                 | 3.0                |
| Other <sup>6</sup>                                   | 676                 | 358                | 23.0                | 33.5               |
| Total United States                                  | 1,476               | 780                | 50.3                | 73.1               |
| International  | –                   | –                  | –                   | –                  |
| Total excluding other loans                          | 2,486               | 1,442              | 84.8                | 135.2              |
| Other loans <sup>7</sup>                             | –                   | (5)                | –                   | (0.5)              |
| Total Stage 3 provision for credit losses (impaired) | 2,486               | 1,437              | 84.8                | 134.7              |
| Stage 1 and 2 provision for credit losses            | 447                 | (370)              | 15.2                | (34.7)             |
| <b>Total provision for credit losses</b>             | <b>\$ 2,933</b>     | <b>\$ 1,067</b>    | <b>100.0%</b>       | <b>100.0%</b>      |

|  | October 31<br>2023 | October 31<br>2022 |
|--|--------------------|--------------------|
| <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  | 0.46               | 0.34               |
| Business and government  | 0.12               | 0.07               |
| Total Canada   | 0.17               | 0.12               |
| <b>United States</b>   |                    |                    |
| Residential mortgages  | –                  | 0.02               |
| Credit card, consumer instalment and other personal  | 1.96               | 1.26               |
| Business and government  | 0.13               | 0.03               |
| Total United States  | 0.54               | 0.34               |
| <b>International</b>   |                    |                    |
| Total excluding other loans  | 0.28               | 0.18               |
| Other loans  | –                  | 100.00             |
| Total Stage 3 provision for credit losses (impaired)                                       | 0.28               | 0.18               |
| Stage 1 and 2 provision for credit losses  | 0.05               | (0.05)             |
| <b>Total provision for credit losses as a % of average net loans and acceptances</b>       | <b>0.34%</b>       | <b>0.14%</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)                         |                                    |                  |                  |                  |   |                 |                  |                  |   |                  |                 |                  | As at                       |
| Region   | Loans and commitments <sup>1</sup> |                  |                  |                  | Derivatives, repos, and securities lending <sup>2</sup> |                 |                  |                  | Trading and investment portfolio <sup>3</sup> |                  |                 |                  | Total Exposure <sup>4</sup> |
|  | Corporate                          | Sovereign        | Financial        | Total            | Corporate   | Sovereign       | Financial        | Total            | Corporate                                     | Sovereign        | Financial       | Total            |                             |
| October 31, 2023                                       |                                    |                  |                  |                  |   |                 |                  |                  |   |                  |                 |                  |                             |
| Europe   | \$ 7,577                           | \$ 7             | \$ 5,324         | \$ 12,908        | \$ 3,763  | \$ 1,945        | \$ 6,736         | \$ 12,444        | \$ 777  | \$ 25,015        | \$ 2,001        | \$ 27,793        | \$ 53,145                   |
| United Kingdom   | 8,928                              | 7,965            | 2,131            | 19,024           | 2,759   | 490             | 13,431           | 16,680           | 491   | 596              | 257             | 1,344            | 37,048                      |
| Asia   | 254                                | 20               | 2,167            | 2,441            | 262   | 706             | 2,640            | 3,608            | 325   | 10,728           | 830             | 11,883           | 17,932                      |
| Other <sup>5</sup>                                     | 233                                | 8                | 517              | 758              | 233   | 720             | 2,883            | 3,836            | 209   | 1,205            | 3,443           | 4,857            | 9,451                       |
| <b>Total</b>   | <b>\$ 16,992</b>                   | <b>\$ 8,000</b>  | <b>\$ 10,139</b> | <b>\$ 35,131</b> | <b>\$ 7,017</b>   | <b>\$ 3,861</b> | <b>\$ 25,690</b> | <b>\$ 36,568</b> | <b>\$ 1,802</b>                               | <b>\$ 37,544</b> | <b>\$ 6,531</b> | <b>\$ 45,877</b> | <b>\$ 117,576</b>           |
| 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>           |

<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 \$40.8 billion (October 31, 2022 – \$43.0 billion) of exposure to supranational entities.

<sup>5</sup> Other regional exposure largely attributable to Australia.

**GROUP FINANCIAL CONDITION**

# Capital Position

| TABLE 38  | <b>CAPITAL STRUCTURE AND RATIOS – Basel III</b> |            |
|---|---|------------|
| (millions of Canadian dollars, except as noted)   | <b>2023</b>                                     | 2022       |
| <b>Common Equity Tier 1 Capital</b>   |   |            |
| Common shares plus related contributed surplus  | \$ 25,522                                       | \$ 24,449  |
| Retained earnings   | 73,044  | 73,698     |
| Accumulated other comprehensive income  | 2,750   | 1,988      |
| <b>Common Equity Tier 1 Capital before regulatory adjustments</b>   | <b>101,316</b>                                  | 100,135    |
| <b>Common Equity Tier 1 Capital regulatory adjustments</b>  |   |            |
| Goodwill (net of related tax liability)   | (18,424)  | (17,498)   |
| Intangibles (net of related tax liability)  | (2,606)   | (2,100)    |
| Deferred tax assets excluding those arising from temporary differences  | (207)   | (83)       |
| Cash flow hedge reserve   | 5,571   | 5,783      |
| Shortfall of provisions to expected losses  | –   | –          |
| Gains and losses due to changes in own credit risk on fair valued liabilities   | (379)   | (502)      |
| Defined benefit pension fund net assets (net of related tax liability)  | (908)   | (1,038)    |
| Investment in own shares  | (21)  | (9)        |
| Non-significant investments in the capital of banking, financial, and insurance entities, net of eligible short positions (amount above 10% threshold)  | (1,976)   | (1,428)    |
| 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)  | –   | –          |
| Equity investments in funds subject to the fall-back approach   | (49)  | –          |
| Other deductions or regulatory adjustments to CET1 as determined by OSFI <sup>1</sup>   | –   | 411        |
| <b>Total regulatory adjustments to Common Equity Tier 1 Capital</b>   | <b>(18,999)</b>                                 | (16,464)   |
| <b>Common Equity Tier 1 Capital</b>   | <b>82,317</b>                                   | 83,671     |
| <b>Additional Tier 1 Capital instruments</b>  |   |            |
| Directly issued qualifying Additional Tier 1 instruments plus stock surplus   | 10,791  | 11,248     |
| <b>Additional Tier 1 Capital instruments before regulatory adjustments</b>  | <b>10,791</b>                                   | 11,248     |
| <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)  | (6)   | (124)      |
| 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>(356)</b>                                    | (474)      |
| <b>Additional Tier 1 Capital</b>  | <b>10,435</b>                                   | 10,774     |
| <b>Tier 1 Capital</b>   | <b>92,752</b>                                   | 94,445     |
| <b>Tier 2 Capital instruments and provisions</b>  |   |            |
| Directly issued qualifying Tier 2 instruments plus related stock surplus  | 9,424   | 11,090     |
| Collective allowances   | 1,964   | 2,018      |
| <b>Tier 2 Capital before regulatory adjustments</b>   | <b>11,388</b>                                   | 13,108     |
| <b>Tier 2 regulatory adjustments</b>  |   |            |
| Investment in own Tier 2 instruments  | –   | –          |
| Non-significant investments in the capital of banking, financial, and insurance entities, net of eligible short positions (amount above 10% threshold) <sup>2</sup>   | (196)   | (161)      |
| 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 | (136)   | (57)       |
| 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>(492)</b>                                    | (378)      |
| <b>Tier 2 Capital</b>   | <b>10,896</b>                                   | 12,730     |
| <b>Total Capital</b>  | <b>\$ 103,648</b>                               | \$ 107,175 |
| <b>Risk-weighted assets</b>   | <b>\$ 571,161</b>                               | \$ 517,048 |
| <b>Capital Ratios and Multiples</b>   |   |            |
| Common Equity Tier 1 Capital (as percentage of risk-weighted assets)  | 14.4%   | 16.2%      |
| Tier 1 Capital (as percentage of risk-weighted assets)  | 16.2  | 18.3       |
| Total Capital (as percentage of risk-weighted assets)   | 18.1  | 20.7       |
| Leverage ratio <sup>3</sup>   | 4.4   | 4.9        |

<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. Effective Q1, 2023, it is no longer applicable.

<sup>2</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>3</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.
- Manage capital levels, in order to:
  - insulate the Bank from unexpected loss events;
  - support and facilitate business growth and/or acquisitions consistent with the Bank's strategy and risk appetite; and
  - maintain stakeholder confidence in the Bank.
- 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. The Economic capital framework assesses all material risks of the Bank and determines the amount of risk-based capital required to cover unexpected losses from the Bank's business operations in a manner consistent with the Bank's capital management objectives. The Bank uses internal models for this assessment and the characteristics of these models are described in the "Managing Risk" section of this document.

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 (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 OSFI's implementation of the Basel III Capital Framework.

### OSFI's Capital Requirements under Basel III

OSFI's Capital Adequacy Requirements (CAR) and Leverage Requirements (LR) guidelines detail how the Basel III capital rules apply to Canadian banks.

The Domestic Stability Buffer (DSB) level was increased to 3% as of February 1, 2023. The 50 bps increase from the previous level of 2.5% reflected OSFI's assessment that systemic vulnerabilities remain elevated. In addition, OSFI increased the DSB range from 0 to 4%, instead of the previous 0 to 2.5% to allow the DSB to remain responsive to an uncertain environment.

On February 1, 2023, OSFI implemented revised capital rules that incorporate the Basel III reforms with adjustments to make them suitable for domestic implementation. These revised rules include revisions to the calculation of credit risk and operational risk requirements, and revisions to the LR Guideline to 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.

The table below summarizes OSFI's published regulatory minimum capital targets for the Bank effective October 31, 2023. The Bank is in compliance with these minimum capital targets.

### 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  | Pillar 1 & 2 Regulatory Target |
|---------------|---------|-----------------------------|--------------------------------------|---|------|--------------------------------|
| CET1          | 4.5%    | 2.5%                        | 1.0%                                 | 8.0%                                    | 3.0% | 11.0%                          |
| Tier 1        | 6.0     | 2.5                         | 1.0                                  | 9.5                                     | 3.0  | 12.5                           |
| Total Capital | 8.0     | 2.5                         | 1.0                                  | 11.5                                    | 3.0  | 14.5                           |
| Leverage      | 3.0     | n/a                         | 0.5                                  | 3.5                                     | n/a  | 3.5                            |
| TLAC          | 18.0    | 2.5                         | 1.0                                  | 21.5                                    | 3.0  | 24.5                           |
| TLAC Leverage | 6.75    | n/a                         | 0.50                                 | 7.25                                    | n/a  | 7.25                           |

<sup>1</sup> The higher of the D-SIB and G-SIB surcharge applies to risk weighted capital. The D-SIB surcharge is currently equivalent to the Bank's 1% G-SIB additional common equity requirement for risk weighted capital. 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%. OSFI's LR Guideline includes a requirement for D-SIBs to hold a leverage ratio buffer set at 50% of a D-SIB's higher loss absorbency risk-weighted requirements, effectively 0.50%. This buffer also applies to the TLAC Leverage ratio.

<sup>2</sup> The Bank's countercyclical buffer requirement is 0% as of October 31, 2023.

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. While most of these measures have been unwound, some continue to be in effect during the 2022 or 2023 reporting periods and are summarized below.

- On March 27, 2020, OSFI announced certain 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. The scaling factor remained at 25% in 2022, and was eliminated in 2023.
  - 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. As of September 14, 2023, the repayment deadline for eligible CEBA loan holders to qualify for partial loan forgiveness was extended to January 18, 2024.
- 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. The measure expired on April 1, 2023.

### 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 Internal Ratings-Based approaches 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 Minimum Capital Test for General Insurance and Life Insurance Capital Adequacy Test for Life and Health.

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.

As at October 31, 2023, the Bank's CET1, Tier 1, and Total Capital ratios were 14.4%, 16.2%, and 18.1%, respectively. The decrease in the Bank's CET1 Capital ratio from 16.2% as at October 31, 2022, was primarily attributable to RWA growth across various segments (including an increase in RWA as a result of the Cowen acquisition), the impact of the terminated First Horizon acquisition-related capital hedging strategy, the Stanford litigation settlement, common shares repurchased for cancellation, and an increase in the goodwill and intangibles deduction related to the Cowen acquisition. CET1 was also impacted by the CRD, foreign exchange hedging of the First Horizon purchase price, and the elimination of the scaling factor related to OSFI's transition arrangements for ECL provisioning. The impact of the foregoing items was partially offset by organic growth, and the issuance of common shares pursuant to the Bank's dividend reinvestment plan.

As at October 31, 2023, the Bank's leverage ratio was 4.4%. Compared with the Bank's leverage ratio of 4.9% at October 31, 2022, the decrease was attributable primarily to increased leverage exposures across various segments, largely driven by the expiration of the temporary exclusion of central bank reserves in determining leverage exposure, common shares repurchased for cancellation, and an increase in the goodwill and intangibles deduction related to the Cowen acquisition, partially offset by organic capital growth and the issuance of common shares pursuant to the Bank's dividend reinvestment plan.

#### Common Equity Tier 1 Capital

CET1 Capital was \$82.3 billion as at October 31, 2023. Earnings contributed the majority of CET1 Capital growth in the year. Capital management funding activities during the year included common share issuance of \$1.8 billion under the dividend reinvestment plan and from stock option exercises, offset by common shares repurchased of \$4.3 billion.

#### Tier 1 and Tier 2 Capital

Tier 1 Capital was \$92.8 billion as at October 31, 2023, consisting of CET1 Capital and Additional Tier 1 Capital of \$82.3 billion and \$10.4 billion, respectively. The Bank's Tier 1 Capital management activities during the year consisted of the redemption of one Tier 1-qualifying capital instrument as follows:

- On October 31, 2023, the bank redeemed all of its 16,000,000 outstanding Non-Cumulative 5-Year Rate Reset Class A First Preferred Shares, Series 20 (the "Series 20 Shares") at the price of \$25.00 per Series 20 Share for an aggregate total of approximately \$400 million.

Tier 2 Capital was \$10.9 billion as at October 31, 2023. Tier 2 Capital management activities during the year consisted of the redemption of on Tier 2-qualifying capital instrument as follows:

- On September 14, 2023, the bank redeemed all of its \$1.75 billion 3.589% Non-Viability Contingent Capital (NVCC) subordinated debentures due September 14, 2028 at a redemption price of 100 per cent of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date.

#### 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 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.

#### DIVIDENDS

On November 29, 2023, the Board approved a dividend in an amount of one dollar and two cents (\$1.02) per fully paid common share in the capital stock of the Bank for the quarter ending January 31, 2024, payable on and after January 31, 2024, to shareholders of record at the close of business on January 10, 2024.

At October 31, 2023, the quarterly dividend was \$0.96 per common share. Common share cash dividends declared and paid during the year totalled \$3.84 per share (2022 – \$3.56), representing a payout ratio of 48%, 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 20 of the 2023 Consolidated Financial Statements. As at October 31, 2023, 1,791 million common shares were outstanding (2022 – 1,821 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.

During the year ended October 31, 2023, under the dividend reinvestment plan, the Bank issued 3.7 million common shares from treasury with no discount and 16.8 million common shares with a 2% discount. 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.

#### NORMAL COURSE ISSUER BID

On June 21, 2023, the Bank announced that the TSX and OSFI approved the Bank's previously announced normal course issuer bid (NCIB) to repurchase for cancellation up to 30 million of its common shares (June NCIB).

On August 28, 2023, the Bank announced that the TSX and OSFI had approved the launch of a new NCIB to repurchase for cancellation up to 90 million of its common shares (August NCIB) upon completion of the repurchase for cancellation of 30 million of its common shares under the June NCIB. The June NCIB terminated on August 30, 2023 and the August NCIB commenced on August 31, 2023.

During the year ended October 31, 2023, the Bank repurchased 52 million common shares under the June NCIB and the August NCIB, at an average price of \$82.356 per share for a total amount of \$4.3 billion.

#### 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)   |                    | As at              |
|  | October 31<br>2023 | October 31<br>2022 |
| <b>Credit risk</b>   |                    |                    |
| <b>Retail</b>  |                    |                    |
| Residential secured  | \$ 53,611          | \$ 37,654          |
| Qualifying revolving retail  | 39,834             | 36,151             |
| Other retail   | 45,298             | 37,981             |
| <b>Non-retail</b>  |                    |                    |
| Corporate  | 211,479            | 195,775            |
| Sovereign  | 13,656             | 4,263              |
| Bank   | 14,080             | 11,436             |
| <b>Securitization exposures</b>  | 16,652             | 17,205             |
| <b>Subordinated debt, equity, and other capital instruments<sup>1</sup></b>  | 34,655             | 30,910             |
| <b>Other assets<sup>2</sup></b>  | 37,867             | n/a                |
| Exposures subject to standardized or Internal Ratings-Based (IRB) approaches | 467,132            | 371,375            |
| Adjustment to IRB RWA for scaling factor                                     | n/a                | 20,847             |
| Other assets not included in standardized or IRB approaches <sup>2</sup>     | n/a                | 38,118             |
| <b>Total credit risk</b>   | <b>467,132</b>     | <b>430,340</b>     |
| <b>Market risk</b>   | <b>16,952</b>      | <b>22,913</b>      |
| <b>Operational risk</b>  | <b>87,077</b>      | <b>63,795</b>      |
| <b>Total</b>   | <b>\$ 571,161</b>  | <b>\$ 517,048</b>  |

<sup>1</sup> Under Basel III, other capital instruments were included as part of Other assets.

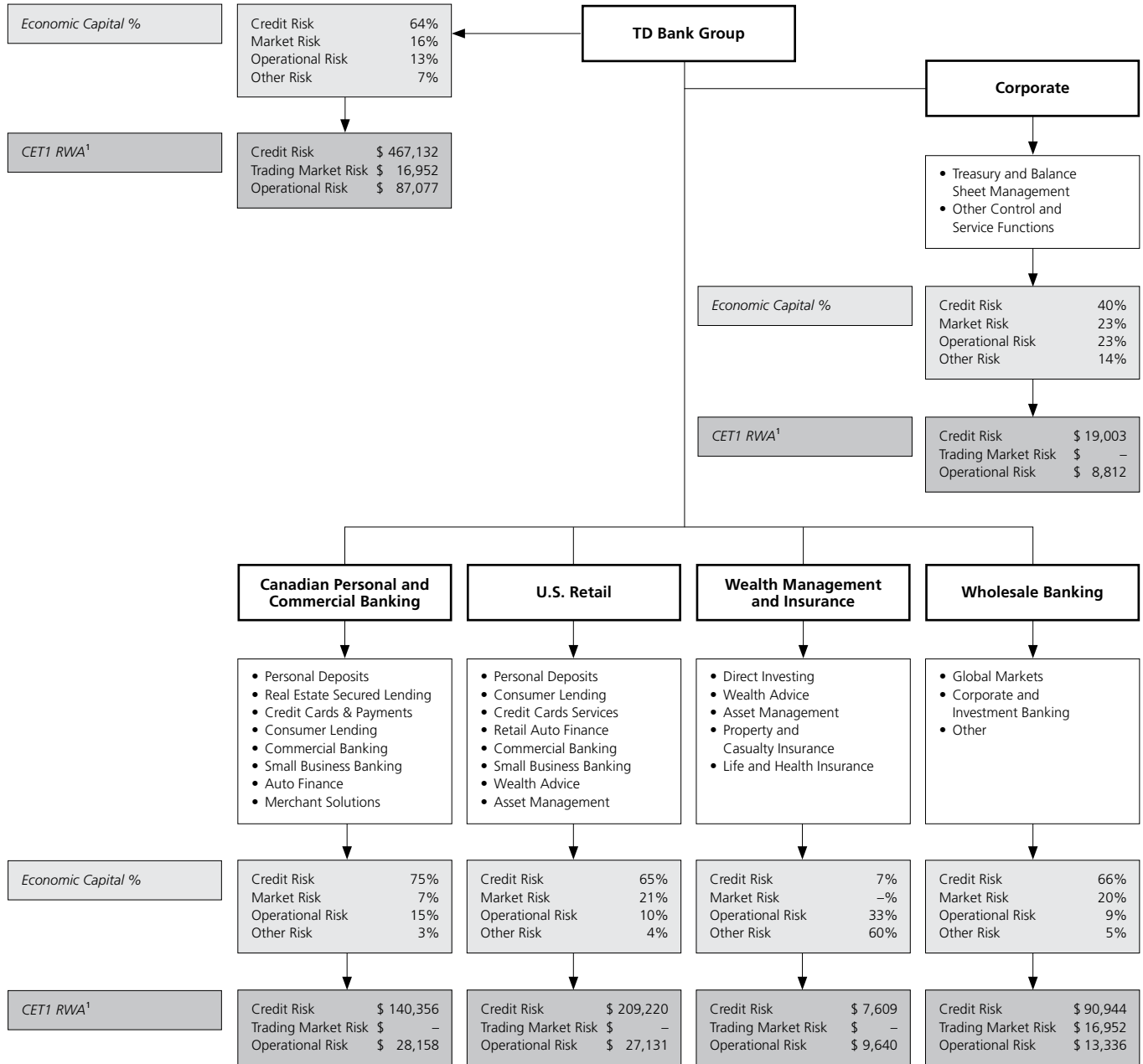
<sup>2</sup> Under Basel III, Other assets fall under the standardized approach. Under Basel III Reforms, other assets do not fall under either the Standardized or IRB approach.



**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, 2023. 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 | <b>EQUITY AND OTHER SECURITIES<sup>1</sup></b> |
|----------|--|

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

As at

|  | October 31, 2023       |                  | October 31, 2022       |           |
|--|------------------------|------------------|------------------------|-----------|
|  | Number of shares/units | Amount           | Number of shares/units | Amount    |
| <b>Common shares outstanding</b>                           | <b>1,791.4</b>         | <b>\$ 25,434</b> | 1,821.7                | \$ 24,363 |
| Treasury – common shares                                   | (0.7)                  | (64)             | (1.0)                  | (91)      |
| <b>Total common shares</b>                                 | <b>1,790.7</b>         | <b>\$ 25,370</b> | 1,820.7                | \$ 24,272 |
| <b>Stock options</b>                                       |                        |                  |                        |           |
| Vested   | 5.1                    |                  | 4.4                    |           |
| Non-vested   | 9.0                    |                  | 8.4                    |           |
| <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 <sup>2</sup>                                     | –                      | –                | 16.0                   | 400       |
| Series 22  | 14.0                   | 350              | 14.0                   | 350       |
| Series 24  | 18.0                   | 450              | 18.0                   | 450       |
| Series 27  | 0.8                    | 850              | 0.8                    | 850       |
| Series 28  | 0.8                    | 800              | 0.8                    | 800       |
|  | <b>143.6</b>           | <b>\$ 5,200</b>  | 159.6                  | \$ 5,600  |
| <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            | 1.5                    | 1,500     |
| Limited Recourse Capital Notes – Series 3 <sup>3,4</sup>   | 1.7                    | 2,403            | 1.7                    | 2,403     |
|  | <b>148.6</b>           | <b>\$ 10,853</b> | 164.6                  | \$ 11,253 |
| Treasury – preferred shares and other equity instruments   | (0.1)                  | (65)             | (0.1)                  | (7)       |
| <b>Total preferred shares and other equity instruments</b> | <b>148.5</b>           | <b>\$ 10,788</b> | 164.5                  | \$ 11,246 |

<sup>1</sup> For further details, including the conversion and exchange features, and distributions, refer to Note 20 of the Bank's 2023 Consolidated Financial Statements.

<sup>2</sup> On October 31, 2023, the Bank redeemed all of its 16 million outstanding Non-Cumulative 5-Year Rate Reset Class A First Preferred Shares NVCC, Series 20 ("Series 20 Preferred Shares"), at a redemption price of \$25.00 per Series 20 Preferred Share, for a total redemption cost of \$400 million.

<sup>3</sup> For Limited Recourse Capital Notes (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 U.S. dollar notional amount. Refer to the "Preferred Shares and Other Equity Instruments – Significant Terms and Conditions" table in Note 20 of the Bank's 2023 Consolidated Financial Statements for further details.

### 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 1.0 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 2.7 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. Capital revisions pertaining to the calculation of credit risk and operational risk were implemented on February 1, 2023. Revisions pertaining to market risk and credit valuation adjustment risk are effective November 1, 2023.

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 commenced 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.

On June 20, 2023, OSFI raised the DSB by 50 bps to 3.5% of total RWA, effective November 1, 2023. As a result, the regulatory capital target for CET1, Tier 1 Capital, and Total Capital will increase to 11.5%, 13%, and 15%, respectively.

On September 12, 2023 OSFI published the final Parental Stand-Alone (Solo) TLAC Framework for D-SIBs. The purpose of the Solo TLAC framework is to ensure a non-viable D-SIB has sufficient loss absorbing capacity on a stand-alone, or solo, legal entity basis to support its resolution. D-SIBs are required to maintain a minimum Solo TLAC ratio of 21.5%, effective November 1, 2023.

On October 20, 2023, OSFI released revisions to the Capital Adequacy Requirements Guideline. The update includes requirements to address risks associated with negatively amortizing mortgages, where payments are not sufficient to cover the interest portion of the loans, among other clarifications to the Guideline. This change is effective November 1, 2023.

## Global Systemically Important Banks Designation and Disclosures

The Financial Stability Board (FSB), in consultation with the BCBS and national authorities, identifies G-SIBs. The G-SIB assessment methodology 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 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.

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.

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## 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 2023 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 2023 Consolidated Financial Statements for further information.

### 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. As at October 31, 2023, there were

\$21.0 billion of securitized residential mortgage loans outstanding through significant unconsolidated SEs (October 31, 2022 – \$21.8 billion), and \$3.5 billion outstanding through non-SE third parties (October 31, 2022 – \$0.9 billion).

### 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, 2023, the Bank had \$1.5 billion of securitized credit card receivables outstanding (October 31, 2022 – \$1.7 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. As at October 31, 2023, the Bank had \$401 million of securitized business and government loans outstanding (October 31, 2022 – \$591 million), with carrying value of retained interests of \$3 million (October 31, 2022 – \$5 million).

### 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 \$13.3 billion as at October 31, 2023 (October 31, 2022 – \$10.8 billion). In addition, as at October 31, 2023, the Bank had committed to provide an additional \$1.9 billion in liquidity facilities that can be used to support future asset-backed commercial paper (ABCP) in the purchase of deal-specific assets (October 31, 2022 – \$2.1 billion).

**TABLE 41 EXPOSURE TO THIRD-PARTY ORIGINATED ASSETS SECURITIZED BY BANK-SPONSORED UNCONSOLIDATED CONDUITS**

(millions of Canadian dollars, except as noted)

|                             | October 31, 2023  |   | October 31, 2022  |   |
|-----------------------------|---|---|---|---|
|                             | 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  | \$ 8,221  | 2.4   | \$ 6,058  | 3.3   |
| Automobile loans and leases | 4,266   | 2.3   | 3,890   | 2.6   |
| Equipment leases            | 102   | 0.3   | 510   | 2.8   |
| Trade receivables           | 64  | 4.4   | 306   | 1.2   |
| Investment loans            | 609   | 2.0   | 81  | 4.4   |
| <b>Total exposure</b>       | <b>\$ 13,262</b>  | <b>2.3</b>  | <b>\$ 10,845</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, 2023, the Bank held \$2.2 billion of ABCP issued by Bank-sponsored multi-seller conduits within the Trading loans, securities, and other category on its 2023 Consolidated Balance Sheet (October 31, 2022 – \$1.8 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 \$4.7 billion as at October 31, 2023 (October 31, 2022 – \$3.1 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 26 of the 2023 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 26 of the 2023 Consolidated Financial Statements for further information.

## GROUP FINANCIAL CONDITION

### Related Party Transactions

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

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

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 22 of the 2023 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 SYM COR 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, 2023, other than as described in the following sections and in Note 12 of the 2023 Consolidated Financial Statements.

##### i) 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, 2023, 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**

On November 25, 2019, the Bank and Schwab signed the 2019 Schwab IDA Agreement, with an initial expiration date of July 1, 2031. Under the 2019 Schwab IDA Agreement, starting July 1, 2021, Schwab had the option to reduce the deposits by up to US\$10 billion per year (subject to certain limitations and adjustments), with a floor of US\$50 billion. In addition, Schwab requested some further operational flexibility to allow for the sweep deposit balances to fluctuate over time, under certain conditions and subject to certain limitations.

On May 4, 2023, the Bank and Schwab entered into the 2023 Schwab IDA Agreement, which replaced the 2019 Schwab IDA Agreement. Pursuant to the 2023 Schwab IDA Agreement, the Bank continues to make sweep deposit accounts available to clients of Schwab. Schwab designates a portion of the deposits with the Bank as FROA. Remaining deposits over the minimum level of FROA are designated as floating-rate obligations. In comparison to the 2019 Schwab IDA Agreement, the 2023 Schwab IDA Agreement extends the initial expiration date by three years to July 1, 2034 and provides for lower deposit balances in its first six years, followed by higher balances in the later years. Specifically, until September 2025, the aggregate FROA will serve as the floor. Thereafter, the floor will be set at US\$60 billion. In addition, Schwab has the option to buy down up to \$6.8 billion (US\$5 billion) of FROA by paying the Bank certain fees in accordance with the 2023 Schwab IDA Agreement, subject to certain limits.

During the year ended October 31, 2023, Schwab exercised its option to buy down \$6.1 billion (US\$4.5 billion) of FROA and paid \$305 million (US\$227 million) in termination fees to the Bank in accordance with the 2023 Schwab IDA Agreement. The fees are intended to compensate the Bank for losses incurred this year from discontinuing certain hedging

relationships, as well as for lost revenues. The net impact is recorded in net interest income.

As at October 31, 2023, deposits under the Schwab IDA Agreement were \$133 billion (US\$96 billion) (October 31, 2022 – \$174 billion (US\$128 billion)). The Bank paid fees, net of the termination fees received from Schwab, of \$932 million during the year ended October 31, 2023 (October 31, 2022 – \$1.7 billion) to Schwab related to sweep deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of \$147 billion for the year ended October 31, 2023 (October 31, 2022 – \$182 billion) and yields based on agreed upon market benchmarks, less the actual interest paid to clients of Schwab.

As at October 31, 2023, amounts receivable from Schwab were \$38 million (October 31, 2022 – \$31 million). As at October 31, 2023, amounts payable to Schwab were \$24 million (October 31, 2022 – \$152 million).

### *ii) TRANSACTIONS WITH SYMCMOR*

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, 2023, the Bank paid \$81 million (October 31, 2022 – \$77 million) for these services. As at October 31, 2023, the amount payable to Symcor was \$12 million (October 31, 2022 – \$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, 2023, and October 31, 2022.

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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 2023 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.

## 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 actioned 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, volatility in financial markets, and related market liquidity, funding costs, real estate prices, employment levels, consumer spending and debt levels, evolving consumer trends and related changes to business models, business investment and overall business sentiment, government policy including levels of government spending, monetary policy, fiscal policy (including tax policy and rate changes), exchange rates, sovereign debt risks.

#### **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, funding costs, 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 2023 included ongoing global tensions resulting in sanctions and countersanctions and related operational complexities, supply chain disruptions, 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, social unrest in the Middle East that have escalated due to the Israel/Hamas war, political and economic turmoil, threats of terrorism and ongoing protectionism measures due to a decline in global alignment.

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

Interest rates are expected to remain at elevated levels and potentially increase further as central banks continue their efforts to manage inflation to target levels. Elevated interest rates and other macroeconomic conditions could have adverse impacts on the Bank’s cost of funding, 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, all 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 elevated 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.

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

The Bank and its businesses are subject to extensive regulation and oversight by a number of different governments, regulators and self-regulatory organizations (collectively, “Bank regulators”) around the world. Regulatory and legislative changes and changes in Bank regulators’ expectations occur in all jurisdictions in which the Bank operates.

Bank regulators around the world have demonstrated an increased focus on capital and liquidity risk management; consumer protection; data control, use and security; conduct risk and internal risk and control frameworks across the three lines of defence; and money laundering, terrorist financing and economic sanctions risks and threats. There is heightened scrutiny by Bank 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 content and application of laws, rules and regulations affecting financial services firms may sometimes vary according to factors such as the size of the firm, the jurisdiction in which it is organized or operates, and other criteria. There can also be significant differences in the ways that similar regulatory initiatives affecting the financial services industry are implemented in Canada, the United States and other countries and regions in which the Bank does business. For example, when adopting rules that are intended to implement a global regulatory standard, a national regulator may introduce additional or more restrictive requirements. Furthermore, 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.

The Bank monitors and evaluates the potential impact of applicable regulatory developments (including enacted and proposed rules, standards, public enforcement actions, consent orders, 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 Bank 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. Also, it may be determined that the Bank has not adequately, completely or timely addressed regulatory developments or other regulatory actions, such as enforcement actions, to which it is subject, in a manner which meets Bank regulator expectations. The Bank has been subject to regulatory enforcement proceedings and has entered into settlement arrangements with Bank regulators, and the Bank may continue to face a greater number or wider scope of investigations, enforcement actions, and litigation. 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 and legislative changes and changes in expectations will continue to increase the Bank's compliance and operational risks and costs. In addition, legislative and regulatory initiatives could require the Bank to make significant modifications to its operations in the relevant countries or regions in order to comply with those requirements. This could result in increased costs as well as adversely affect the Bank's businesses and results of operations. Furthermore, 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.

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.

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

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; integrating recently acquired businesses (e.g., Cowen); projects to meet new regulatory requirements; building new platforms, technology, and omnichannel capabilities; and enhancements to existing technology. Risk can be elevated due to the size, scope, velocity, interdependency, and complexity of projects; limited timeframes to complete 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, ensures the transaction fits within the Bank's Risk Appetite, and closely monitors integration activities and performance post acquisition close. 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 2024", "2023 Accomplishments and Focus for 2024", "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, 2023, the Bank's reported investment in Schwab was approximately 12.4% of the outstanding voting and non-voting common shares of Schwab, and the Bank is not permitted to own more than 9.9% of the 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 may be affected by actions taken by Schwab, or if Schwab does not perform its obligations, pursuant to the Schwab IDA agreement (as further described in the "Related Party Transactions" section of this document). Further, 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, acquisition and integration activities or investments 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 that increase the risk of cyber-attacks. The rising likelihood of attacks on critical infrastructure and supply chains is due, in part, to the proliferation, sophistication and constant evolution of new technologies and attack methodologies used by threat actors, such as organized criminals, nation states, sociopolitical entities and other internal and external parties. The heightened risks are also a result of the Bank's size and scale of operations, geographic footprint, the complexity of its technology infrastructure, its increasing reliance on internet capabilities, cloud 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, 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 (such as 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 risk of potential attack, breach or disruption as the Bank has less immediate oversight and direct control over the third parties' technology infrastructure or information security.

Although the Bank has not experienced any material financial losses or non-financial harm relating to technology failure, cyber-attacks, data security or other breaches, the Bank may experience material loss or damage in the future as a result of 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, among others. Any of these attacks could result in fraud, disclosure/theft of data or 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 financial and non-financial loss and/or harm 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**

Model uncertainty remains due to emerging risks (including high inflation, rising interest rates and prolonged high interest rate environment), with model reliability impacted across some 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., in the case of IFRS 9 and stress testing models). 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 financial loss and 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 continued to see an increase in the volume of fraud attacks through 2023. Fraud attacks have transitioned back to traditional transaction level fraud, and away from attacking COVID-19 government related programs. Attempts to illicitly or misleadingly induce employees, customers, third-party service providers or other uses 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 2023 fiscal year increased as a result of several large dollar loss events, perpetrated against the Bank's deposit channels. Additionally TD, and the industry as a whole, has experienced an increase in attack levels. 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.

### **Insider Risk**

Insider risk is an increasing risk across all industries that can have significant impact to organizations, including the Bank. The Bank closely monitors the internal threat environment across all typologies (e.g. cyber, third parties, fraud, workplace violence/harassment, etc.) and continues to invest in TD's insider risk management program. Notwithstanding, the Bank continues to be exposed to adverse regulatory, financial, operational and reputational impacts as a result of insider events.

### **Third-Party Risk**

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 third parties with respect to continuity, reliability, and security, and their associated processes, people and facilities. As the financial services industry and its supply chains 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 from third parties could be subject to failures or disruptions impacting the delivery of services or products to the Bank. These failures or disruptions could be because of human error, natural disasters, utility or infrastructure disruptions, changes in the financial condition of such third parties, other general business and economic conditions which may impact such third parties, 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 financial losses that the Bank is unable to recover from such third parties, and expose the Bank to legal and regulatory risks, 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, rules 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, self-regulatory organizations 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 and non-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. See also the risks described under the heading 'Regulatory Oversight and Compliance Risk'.

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 in all of the jurisdictions in which the Bank operates.

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, operational resilience and consumer protection matters and risks, which 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, greenwashing, sustainable finance, financial and economic inclusion and ESG-related policies 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, public enforcement actions, consent orders and regulatory guidance, unanticipated new regulations or regulatory interpretations 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 have passed regulations with operational impacts related to shortening the Canadian trade settlement cycle from T+2 to T+1 to align with U.S. trade settlement and enhanced client reporting of fund expenses, amongst others. The Bank is taking steps to implement those regulations and is monitoring other regulatory initiatives, all of which, when implemented, could result in increased compliance costs that 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 OSFI's expanded mandate, new Supervisory Framework, and initiatives with respect to payments evolution and modernization, open banking, consumer protection, protection of customer data, technology and cyber security, climate risk management and disclosure, 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.

### *United States*

In July 2023, the U.S. banking regulators proposed regulations modifying U.S. capital rules to effectuate the Basel III standards (as well as other changes), with phased implementation targeted to begin in July 2025. The proposed rule is expected to increase capital requirements on large banks with more than US\$100 billion in total assets. The Federal Reserve estimates relative capital requirements would increase approximately 14% for the intermediate holding companies of foreign banking organizations. These changes would impact the Bank's intermediate holding company and subsidiaries but would not have a direct impact on the Bank's CET1 ratios, which are based on OFSI rules. The proposed rule would eliminate the Accumulated Other Comprehensive Income opt-out following a three-year transition period, which would require reflecting unrealized losses and gains from Available-for-sale securities in regulatory capital.

In addition, the Federal Reserve has, as part of a separate proposed rule on a G-SIB surcharge, proposed changes to the definition of the "cross-jurisdictional activity" risk-based indicator. The proposed change would include cross-jurisdictional derivatives exposures (which are currently excluded) in the calculation of cross-jurisdictional activity. The Federal Reserve estimates that this change in approach would substantially increase the reported value of cross-jurisdictional activity in the combined U.S. operations (CUSO) and intermediate holding companies of foreign banking organizations. Exceeding US\$75 billion in cross-jurisdictional activity would result in treatment as a "Category II" institution under the Federal Reserve's regulatory framework. The Federal Reserve expects seven large foreign banking organizations would move into Category II based on this change in approach, and it is likely that the Bank would be impacted.

These proposed rules are at an early stage of the rule-making process. There may be changes made to the proposal before the rules are finalized and it is unclear what the substance of the final rules, the timing on finalization of the rules, and the time frame for compliance, will be. It is likely that the Bank will incur operational, capital, liquidity and compliance costs resulting from the changes in these rules.

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 and unfair, deceptive, or abuse acts or practices. The U.S. banking regulators will likely pursue further changes to the regulation and supervision of banks in response to bank failures in Spring 2023 and have identified changes to liquidity, interest rate risk and incentive compensation as areas of focus. The ultimate outcome of these developments and their impact on the Bank remain uncertain.

#### *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.

#### **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. 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 or offer financial services at a loss to drive user growth or to support their other profitable businesses. These third parties can seek to acquire customer relationships, react quickly to changes in consumer behaviours, 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) practice and capabilities to augment the Bank's business decisions and risk management, improve customer experiences and drive operational efficiencies. This includes studying generative AI, which has garnered significant public attention and is already demonstrating the potential to further enhance customer experience and outcomes for the Bank; however, all forms of AI may not appropriately or sufficiently replicate certain outcomes or accurately predict future events or exposures.

While TD pursues a comprehensive enterprise innovation approach including colleague ideation, an incubator in TD Lab, acceleration activities in agile pods, a patent portfolio, a human centered design practice and certain relationships with Big Tech and Fin Tech, the Bank still may not be able to remain competitive and deliver differentiated value to its customers. In turn, this could adversely impact the Bank's earnings.

#### **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, harm, or reputational damage resulting from environmental factors, including climate change and nature loss (e.g., loss of biodiversity and deforestation).

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, heat waves, 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, changing societal demands and preferences, technologies, stakeholder expectations, and legal developments.

Social risk is the risk of financial loss, harm, or reputational damage resulting from social factors, including human rights (e.g., discrimination, Indigenous Peoples' rights, modern slavery, and human trafficking), the social impacts of climate change (e.g., poverty, health, and 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 rules and regulations both locally and internationally.

E&S risk is a transverse risk and implicates all of the Bank's Major Risk Categories. Drivers of E&S risk are often multi-faceted and can originate from the Bank's internal environment, including its operations, business activities, E&S-related targets, commitments and disclosure, products, clients, colleagues, or suppliers. Drivers of E&S risk can also originate from the Bank's external environment, including the communities in which the Bank operates, as well as second-order impacts of physical risks and the transition to a low-carbon economy.

E&S risks may have financial, reputational, and/or other implications for both the Bank and its stakeholders (including its customers, suppliers, and shareholders) over a range of timeframes. These risks may 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 targets or 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. Additionally, different stakeholder groups may have divergent views on E&S-related matters. This divergence increases the risk that any action, or inaction, will be perceived negatively by at least some stakeholders. In the U.S., there has been increased legislative activity by state governments that restricts the flow of capital and investment by financial institutions in state governmental entities, including anti-ESG initiatives that are designed to push back against corporate ESG policies. The Bank is monitoring these trends and assessing their potential impact in the context of TD's ESG-related practices and policies.

Failure to successfully manage E&S-related expectations across various divergent perspectives may negatively impact the Bank's reputation and financial results. "Greenwashing" and "social washing", where claims of E&S benefits are made in relation to products or services or corporate performance that are false, or which give a misleading impression, have accelerated in focus inside and outside the Bank, and public commitments, new products and disclosures can potentially expose financial institutions to the risk. Prosecution of greenwashing claims has occurred in jurisdictions in which the Bank operates, including Canada, the United States and Europe. The Bank continues to closely monitor trends in E&S-related litigation.

## **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. A single event involving a potential violation of law or regulation may give rise to numerous and overlapping investigations and proceedings by multiple federal, provincial, state or local agencies and officials in Canada, the United States or other jurisdictions. Furthermore, if another financial institution violates a law or regulation relating to a particular business activity or practice, this will often give rise to an investigation by regulators and other governmental agencies of the same or similar activity or practice by the Bank.

Actions currently pending against the Bank, or in which the Bank is otherwise involved, may result in judgments, settlements, fines, penalties, disgorgements, injunctions, increased exposure to litigation, business improvement orders, limitations or prohibitions from engaging in business activities, changes to the operation or management of 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 26 of the 2023 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 across geographies, industries, and emerging capabilities in a number of sectors including financial services. This competition is expected to continue as a result of shifts in employee preferences, tight labour market conditions, inflationary pressures and economic conditions, 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, which supports the succession planning process. The outcomes from the process inform plans at both the enterprise and business levels to retain, develop, or acquire talent and the plans 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 and could also result in significant losses if, to generate liquidity, the Bank has to sell assets that have suffered a decline in value. 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.

### ***Interconnectivity of Financial Institutions***

The financial services industry is highly interconnected in that a significant volume of transactions occur among the members of that industry. The interconnectivity of multiple financial institutions with particular central agents, exchanges and clearinghouses, and the increased centrality of these entities, increase the risk that a financial or operational failure at one institution or entity may cause an industry-wide failure that could materially impact our ability to conduct business. Any such failure, termination or constraint could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or result in financial loss or liability to our clients.

Additionally, the Bank routinely executes brokered deposit, securities, trading, derivative and foreign exchange transactions with counterparties in the financial services industry, including banks, investment banks, governments, central banks, insurance companies and other financial institutions. A rapid deterioration of such a counterparty, or of a significant market participant that is not a counterparty of the Bank, could lead to concerns about the creditworthiness of other borrowers or counterparties in related or dependent industries, and can lead to substantial or cascading disruption within the financial markets, and such conditions could cause the Bank to incur significant losses or other adverse impacts to the Bank's financial condition, including its liquidity. For example, the closures of Silicon Valley Bank and Signature Bank in March 2023 in the U.S. and their placement into receivership led to liquidity risk and concerns at many other financial institutions. In addition, there is no assurance that bank regulators or governmental authorities will provide support in the event of the failure or financial distress of other banks or financial institutions, or that they would do so in a timely fashion.

#### **Interbank Offered Rate (IBOR) Transition**

Various interest rates and other indices that are deemed to be "benchmarks" (including IBOR benchmarks such as the 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 (ARRs) have either concluded or have been continuing in various jurisdictions. Most notably, from June 30, 2023, all USD LIBOR tenors have either ceased or are published only on a synthetic basis for use in legacy contracts that have no other fallback solution, while the CDOR transition is still in progress. The ongoing 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. In Canada specifically, the expected discontinuation of the BA lending model, which is responsible for creating the BA investment securities that are sold to money market investors, might also have impacts to Bank's investment portfolios holdings and impact related earnings.

The Bank has significant contractual rights, obligations and exposures referenced to various benchmarks and the discontinuance of, or changes to, such 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 2023 Consolidated Financial Statements.

#### **Impact of Pandemics**

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.

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 cyber security threat behaviour; and protect the integrity and functionality of the Bank's systems, networks, and data as a larger number of employees may be required to work 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 pandemics, epidemics or outbreaks. 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 may change in the event of new pandemics, epidemics or outbreaks of an infectious disease. Changes in consumer behaviour may 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, and the results of the Bank's operations and financial condition, including making the Bank's longer-term business, balance sheet and budget planning more difficult or costly.

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 pandemics, epidemics or outbreaks 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.

Pandemics, epidemics or outbreaks of an infectious 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.

# Managing Risk

## EXECUTIVE SUMMARY

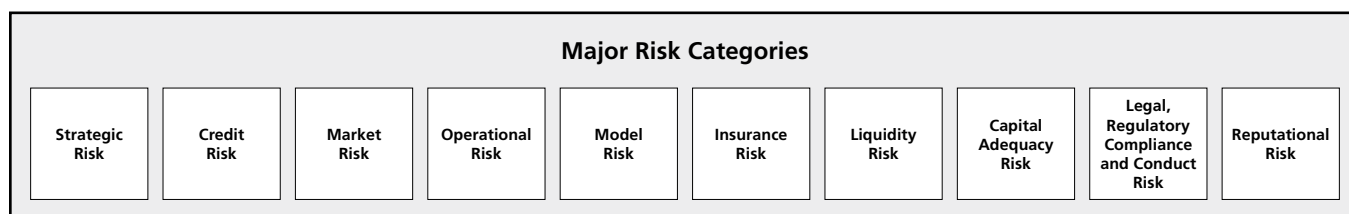
Growing profitability in financial results based on balanced revenue, expenses and capital growth services involves selectively taking and managing risks within the Bank's risk appetite. The Bank's goal is to earn a stable and sustainable rate of return for every dollar of risk it takes, while putting 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 assessment, control, measurement, monitoring, reporting, and disclosure of TD's risks. The Risk Inventory 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 setting the risk appetite, the Bank takes into account its vision, purpose, strategy, shared commitments, and capacity to bear risk under both normal and recessionary/stress 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:
  - Fit the business strategy, and can be understood and managed.
  - Do not expose the enterprise to any significant single loss events; TD does not 'bet the Bank' on any single acquisition, business, or product.
  - 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 including RAS and all RAS measures. 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 the attitudes and behaviours around taking and managing risk in the Bank and is guided by our Shared Commitments and the TD Culture Framework. Risk culture is one of the attributes that is integral to the Bank's overall organisational culture. The Risk Committee engages with the Chief Risk Officer (CRO) who leads a diverse team of risk professionals to drive a proactive risk culture. The central oversight for organisational culture at TD is led by Human Resources (HR) in partnership with Risk Management.

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, shared commitments, the Bank's Code of Conduct and Ethics and risk appetite. These governing objectives describe and drive the behaviours, decision making, and business practices 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 expected to challenge and escalate when they believe the Bank is operating outside of its desired risk culture or risk appetite.

Ethical behaviour, integrity and conduct are pillars of TD's culture and are key components 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. 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, Oversight Functions operate independently from segments, supported by an organizational structure that provides objective oversight and independent challenge. 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**

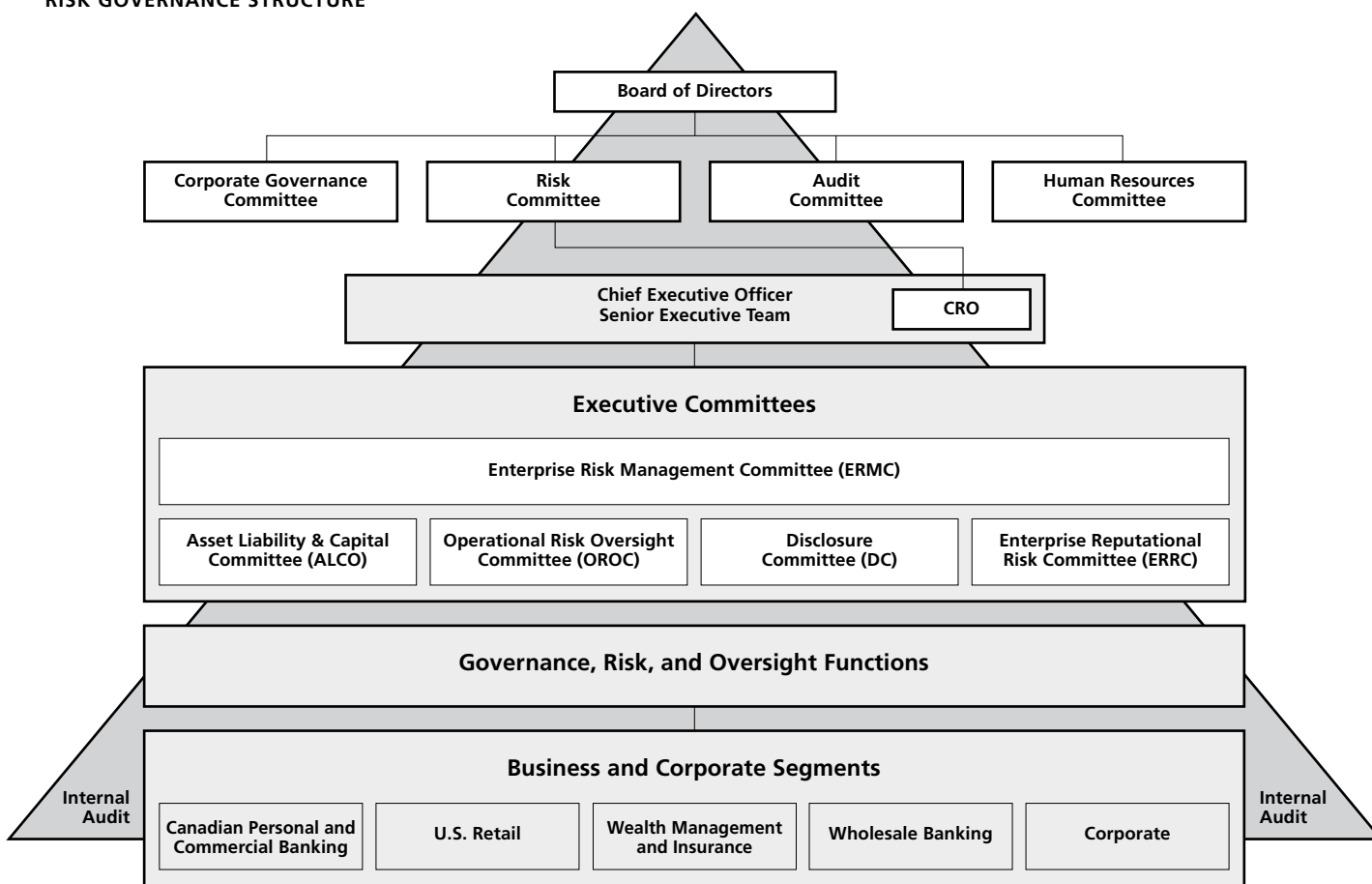
The Bank's risk governance structure emphasizes and balances strong independent oversight with clear ownership for risk across the Bank. Under the Bank's approach to risk governance, a "three lines of defence" model is employed, in which the first line of defence is the risk owner, the second line provides 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: Audit, Risk, HR, and Corporate Governance. The Board reviews and approves the Bank's RAS and related RAS 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, Regulatory Compliance, and Anti-Money Laundering/Terrorist Financing/Economic Sanctions/Anti-Bribery and Anti-Corruption.

### **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 Chief Finance Officer (CFO), the ALCO oversees directly and through its standing subcommittees (the Enterprise Capital Committee and Global Liquidity and Funding (GLF) Committee), 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, including tail risk i.e., low probability events that can result in extremely large quantifiable losses. 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; HR 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.

### **Global Compliance Department (Compliance)**

Compliance is an independent regulatory compliance risk and associated conduct risk management and oversight function for business conduct and market conduct laws, rules and regulations. Compliance is also responsible for the design and oversight of the Bank's Regulatory Compliance Management (RCM) program in accordance with the Enterprise RCM Framework and related standards and supports the provision of the Chief Compliance Officer's opinion to the Audit Committee as to whether the RCM controls are sufficiently robust in achieving compliance with applicable laws, rules and regulatory requirements enterprise-wide.

### **Global Anti-Money Laundering (GAML)**

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>   |
| <i>Identify and Control</i>        | <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>• Promote ongoing initiatives to raise the profile of risk considerations and understand key risks impacting the business.</li> <li>• Implement governance and control processes to promote risk awareness, clear risk ownership within the business, and personal accountability.</li> <li>• Design, implement, and maintain appropriate mitigating controls, and assess the design and operating effectiveness of those controls.</li> <li>• Establish controls to help ensure that activities are compliant 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>   |
| <i>Set Standards and Challenge</i> | <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; and</li> <li>– Aggregate and share results across business lines and control areas to identify similar events, patterns, or broad trends.</li> </ul> </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 the Bank’s RAS and policies.</li> <li>• Escalate risk issues in a timely manner.</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>   |
| <i>Independent Assurance</i>       | <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 of defence 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 an acceptable level of exposure, recognizing the need to protect and grow shareholder value to foster a sound strategic balance between risk mitigation and risk enablement within TD’s risk appetite.

- **Leadership Accountability** – Leaders are accountable to demonstrate, influence and drive the right risk behaviours and risk mindset with colleagues and stakeholders.

### 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, tail risks, and emerging risks from the changing environment. The Bank’s objective is to establish and maintain integrated risk identification and assessment processes that enhance the understanding of risk interdependencies, consider how risk types intersect, and support the identification of emerging 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 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. EWST methodologies and results are reviewed and challenged by line of business, finance and risk teams. Stress testing results are further reviewed by ERM and are also shared with the Board and regulators. 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 are designed to be consistent with regulatory stress testing frameworks and 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 2023 EWST program, the Bank developed and assessed scenarios that explored emerging risks such as inflation, rising interest rates, increased competition/market pressure on fees, Net Interest Margin compression reflecting higher funding costs, and elevated fraud and cyber security risk. The stress testing scenarios included, a plausible typical recession scenario calibrated to historical recessions in Canada and the U.S. and a low probability and highly severe stagflation scenario targeting TD-specific risks and vulnerabilities in support of the ICAAP. Supplemental analysis performed during 2023 explored the risk that non-bank financial institutions and/or other non-traditional competitors disrupt the consumer payment space and capital impacts due to Basel III Reforms (B3R) to support 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.- holding company and operating bank subsidiaries' capital planning process including execution of stress tests are conducted in accordance with the U.S. Dodd-Frank Act stress testing (DFAST) 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, improper implementation of chosen strategies, inability to implement chosen strategies, an inadequate response to disruption of the Bank's strategies, or exposure to 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 Chief Financial Officer, is charged with developing the Bank's long-term strategy and shorter-term strategic objectives and 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 such strategies are aligned with the Bank's long-term strategy and short-term strategic objectives and priorities, and are within the Bank's 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 segment or corporate function's 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.

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, 2023 and 2022.

### The Basel Framework

The objective of the Basel Framework is to improve the consistency of capital requirements internationally and establish minimum regulatory capital standards which adequately capture risks. The Basel Framework sets different risk-sensitive approaches for calculating credit, market, and operational RWA.

## 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

### 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 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 and segment levels. The plans include external market outlooks, long and short-term strategies, target metrics, key risks / mitigants, and alignment with the Bank's strategy and Risk Appetite.

Operating results are reviewed periodically 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, relative performance and competitive positioning assessments, initiative execution status, and key business risks. The frequency of 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.

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 requirements) 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, income, 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 credit centres are subject to ongoing Retail Risk Management review to assess the effectiveness of credit decisions and risk controls, as well as to 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 to aid in the Bank's effective management of risk. 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 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.

#### **Credit Risk and the Basel Framework**

The Bank uses the Basel IRB to calculate credit risk RWA for all material portfolios. Based on exposure class, in accordance with the OSFI CAR guidelines, either a foundation approach (Foundation Internal Ratings-Based (FIRB)) or advanced approach (Advanced Internal Ratings-Based (AIRB)) is applied.

The following risk parameters are used in credit risk RWA calculations and may be subject to prescribed floors in some cases:

- 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 of the Bank's exposure at the time of default, including certain off-balance sheet items.

The FIRB approach primarily uses internally derived PD, while other components such as LGD and EAD are prescribed. The AIRB approach uses internally derived PD, LGD, and EAD.

To continue to qualify to use the IRB approaches 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 IRB Approaches**

Banks that adopt the IRB approaches 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 2023 Consolidated Financial Statements. The Bank's credit risk exposures are divided into two main portfolios, retail and non-retail.

#### **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 HELOCs), 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. These parameters are also used in the calculation of regulatory capital, economic capital, and allowance for credit losses.

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 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 HELOCs, downturn LGD reflects the potential impact of a severe housing downturn. EAD estimates similarly reflect a downturn scenario.

The following table maps PD ranges to risk levels:

| Risk Assessment | PD Segment | PD Range       |
|-----------------|------------|----------------|
| Low Risk        | 1          | 0.00 to 0.15%  |
|                 | 2          | 0.16 to 0.41   |
| Normal Risk     | 3          | 0.42 to 1.10   |
|                 | 4          | 1.11 to 2.93   |
| Medium Risk     | 5          | 2.94 to 4.74   |
|                 | 6          | 4.75 to 7.59   |
| High Risk       | 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 IRB approaches, 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 benchmark the parameters.

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

### Facility Risk Rating and LGD

The FRR maps to LGD, with different models used based on industry and obligor size, and takes into account facility-specific characteristics such as collateral, seniority ranking of debt, loan structure, and borrower enterprise value.

Average LGD and the statistical uncertainty of LGD are estimated for each FRR grade. In some FRR models, the scarcity of historical default events requires the model to output a rank-ordering which is then mapped through expert judgment to the quantitative LGD scale.

Under the FIRB approach, LGDs are prescribed whereas 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 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

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 IRB approaches, borrowers are grouped into BRR grades where a PD is calibrated for each BRR grade. 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:

mitigation effects or other details, the EAD is set at the drawn amount plus (estimated UGD x undrawn) for AIRB exposure, or (prescribed UGD x undrawn) for FIRB exposures.

BRR and drawn ratio up to one-year prior to default are predictors for UGD under the AIRB approach. 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 under AIRB are set at the average calibrated level, by drawn ratio and/or BRR, plus an appropriate adjustment for statistical and model uncertainty.

UGDs under the FIRB approach are prescribed for relevant exposure classes.

### Credit Risk Exposures Subject to the Standardized Approach (SA)

Currently the SA to credit risk is used for new portfolios, which are in the process of transitioning to IRB approaches, or exempted portfolios which are either immaterial or expected to wind down. The Bank primarily applies SA to certain segments within both the Retail and Non-retail portfolios. Under the SA, the exposure amounts are multiplied by risk weights prescribed by OSFI, based on the OSFI Capital Adequacy Requirements (CAR) guidelines, 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 and central banks, public sector entities (PSEs), banks (regulated DTIs and securities firms), and corporates. The Bank applies SA to certain retail portfolios, including Real Estate Secured Lending (RESL), where the assigned risk weight is primarily based on the exposure's Loan-to-Value ratio and whether the exposure is categorized as income producing or general.

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

### Gross Credit Risk Exposure

Gross credit risk exposure, also referred to as EAD, is the total amount the Bank is exposed to at the time of default of a loan and is measured before counterparty-specific provisions or write-offs. Gross credit risk exposure does not reflect the effects of credit risk mitigation and includes both on-balance sheet and off-balance sheet exposures. On-balance

sheet exposures consist primarily of outstanding loans, acceptances, non-trading securities, derivatives, and certain other repo-style transactions. Off-balance sheet exposures consist primarily of undrawn commitments, guarantees, and certain other repo-style transactions.

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

|                                    | October 31, 2023 |                     |                     | October 31, 2022 |                     |                     |
|------------------------------------|------------------|---------------------|---------------------|------------------|---------------------|---------------------|
|                                    | Standardized     | IRB                 | Total               | Standardized     | IRB                 | Total               |
| <b>Retail</b>                      |                  |                     |                     |                  |                     |                     |
| Residential secured                | \$ 4,815         | \$ 515,152          | \$ 519,967          | \$ 4,989         | \$ 477,898          | \$ 482,887          |
| Qualifying revolving retail        | 810              | 169,183             | 169,993             | –                | 166,722             | 166,722             |
| Other retail                       | 3,368            | 99,253              | 102,621             | 3,232            | 92,925              | 96,157              |
| Total retail                       | 8,993            | 783,588             | 792,581             | 8,221            | 737,545             | 745,766             |
| <b>Non-retail</b>                  |                  |                     |                     |                  |                     |                     |
| Corporate                          | 3,496            | 654,369             | 657,865             | 2,205            | 695,746             | 697,951             |
| Sovereign                          | 116              | 527,423             | 527,539             | 1                | 507,533             | 507,534             |
| Bank                               | 5,272            | 171,180             | 176,452             | 646              | 150,333             | 150,979             |
| Total non-retail                   | 8,884            | 1,352,972           | 1,361,856           | 2,852            | 1,353,612           | 1,356,464           |
| <b>Gross credit risk exposures</b> | <b>\$ 17,877</b> | <b>\$ 2,136,560</b> | <b>\$ 2,154,437</b> | <b>\$ 11,073</b> | <b>\$ 2,091,157</b> | <b>\$ 2,102,230</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 standardized approach to calculate RWA on non-trading equity exposures. Under the standardized approach, a 250% risk weight is applied to equity holdings with the exception of speculative unlisted equities that receive a 400% risk weight. 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 from financial instruments held in trading portfolios 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, 2023, using the Internal Models Approach. Starting fiscal 2024, the Bank plans to comply with the revised Basel III market risk requirements using the Standardized 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 43  |                     | MARKET RISK LINKAGE TO THE BALANCE SHEET |                            |                   |                     |                        |                            |                   |  | As at   |
|---|---------------------|--|----------------------------|-------------------|---------------------|------------------------|----------------------------|-------------------|--|---|
| (millions of Canadian dollars)  |                     |  |                            |                   |                     |                        |                            |                   |  |   |
|   | October 31, 2023    |  |                            |                   | October 31, 2022    |                        |                            |                   | Non-trading<br>market risk – primary<br>risk sensitivity |   |
|   | Balance<br>sheet    | Trading<br>market risk                   | Non-trading<br>market risk | Other             | Balance<br>sheet    | Trading<br>market risk | Non-trading<br>market risk | Other             |  |   |
| <b>Assets subject to market risk</b>                                  |                     |  |                            |                   |                     |                        |                            |                   |  |   |
| Interest-bearing deposits with banks                                  | \$ 98,348           | \$ 327                                   | \$ 98,021                  | \$ –              | \$ 137,294          | \$ 422                 | \$ 136,872                 | \$ –              | –  | Interest rate                                 |
| Trading loans, securities, and other                                  | 152,090             | 151,011                                  | 1,079                      | –                 | 143,726             | 142,294                | 1,432                      | –                 | –  | Interest rate                                 |
| Non-trading financial assets at fair value through profit or loss     | 7,340               | –  | 7,340                      | –                 | 10,946              | –                      | 10,946                     | –                 | –  | Equity,<br>foreign exchange,<br>interest rate |
| Derivatives   | 87,382              | 81,526                                   | 5,856                      | –                 | 103,873             | 98,305                 | 5,568                      | –                 | –  | Equity,<br>foreign exchange,<br>interest rate |
| Financial assets designated at fair value through profit or loss      | 5,818               | –  | 5,818                      | –                 | 5,039               | –                      | 5,039                      | –                 | –  | Interest rate                                 |
| Financial assets at fair value through other comprehensive income     | 69,865              | –  | 69,865                     | –                 | 69,675              | –                      | 69,675                     | –                 | –  | Equity,<br>foreign exchange,<br>interest rate |
| Debt securities at amortized cost, net of allowance for credit losses | 308,016             | –  | 308,016                    | –                 | 342,774             | –                      | 342,774                    | –                 | –  | Foreign exchange,<br>interest rate            |
| Securities purchased under reverse repurchase agreements              | 204,333             | 9,649                                    | 194,684                    | –                 | 160,167             | 7,450                  | 152,717                    | –                 | –  | Interest rate                                 |
| Loans, net of allowance for loan losses                               | 895,947             | –  | 895,947                    | –                 | 831,043             | –                      | 831,043                    | –                 | –  | Interest rate                                 |
| Customers' liability under acceptances                                | 17,569              | –  | 17,569                     | –                 | 19,733              | –                      | 19,733                     | –                 | –  | Interest rate                                 |
| Investment in Schwab  | 8,907               | –  | 8,907                      | –                 | 8,088               | –                      | 8,088                      | –                 | –  | Equity  |
| Other assets <sup>1</sup>   | 3,451               | –  | 3,451                      | –                 | 3,414               | –                      | 3,414                      | –                 | –  | Interest rate                                 |
| Assets not exposed to market risk                                     | 97,958              | –  | –                          | 97,958            | 81,756              | –                      | –                          | 81,756            | –  |   |
| <b>Total Assets</b>   | <b>\$ 1,957,024</b> | <b>\$ 242,513</b>                        | <b>\$ 1,616,553</b>        | <b>\$ 97,958</b>  | <b>\$ 1,917,528</b> | <b>\$ 248,471</b>      | <b>\$ 1,587,301</b>        | <b>\$ 81,756</b>  | <b>\$ –</b>  |   |
| <b>Liabilities subject to market risk</b>                             |                     |  |                            |                   |                     |                        |                            |                   |  |   |
| Trading deposits  | \$ 30,980           | \$ 27,059                                | \$ 3,921                   | \$ –              | \$ 23,805           | \$ 22,962              | \$ 843                     | \$ –              | \$ –   | Equity, interest rate                         |
| Derivatives   | 71,640              | 70,382                                   | 1,258                      | –                 | 91,133              | 86,727                 | 4,406                      | –                 | –  | Equity,<br>foreign exchange,<br>interest rate |
| Securitization liabilities at fair value                              | 14,422              | 14,422                                   | –                          | –                 | 12,612              | 12,612                 | –                          | –                 | –  | Interest rate                                 |
| Financial liabilities designated at fair value through profit or loss | 192,130             | 2  | 192,128                    | –                 | 162,786             | 3                      | 162,783                    | –                 | –  | Interest rate                                 |
| Deposits  | 1,198,190           | –  | 1,198,190                  | –                 | 1,229,970           | –                      | 1,229,970                  | –                 | –  | Interest rate,<br>foreign exchange            |
| Acceptances   | 17,569              | –  | 17,569                     | –                 | 19,733              | –                      | 19,733                     | –                 | –  | Interest rate                                 |
| Obligations related to securities sold short                          | 44,661              | 43,993                                   | 668                        | –                 | 45,505              | 44,427                 | 1,078                      | –                 | –  | Interest rate                                 |
| Obligations related to securities sold under repurchase agreements    | 166,854             | 12,641                                   | 154,213                    | –                 | 128,024             | 9,509                  | 118,515                    | –                 | –  | Interest rate                                 |
| Securitization liabilities at amortized cost                          | 12,710              | –  | 12,710                     | –                 | 15,072              | –                      | 15,072                     | –                 | –  | Interest rate                                 |
| Subordinated notes and debentures                                     | 9,620               | –  | 9,620                      | –                 | 11,290              | –                      | 11,290                     | –                 | –  | Interest rate                                 |
| Other liabilities <sup>1</sup>  | 28,821              | –  | 28,821                     | –                 | 23,291              | –                      | 23,291                     | –                 | –  | Equity,<br>interest rate                      |
| Liabilities and Equity not exposed to market risk                     | 169,427             | –  | –                          | 169,427           | 154,307             | –                      | –                          | 154,307           | –  |   |
| <b>Total Liabilities and Equity</b>                                   | <b>\$ 1,957,024</b> | <b>\$ 168,499</b>                        | <b>\$ 1,619,098</b>        | <b>\$ 169,427</b> | <b>\$ 1,917,528</b> | <b>\$ 176,240</b>      | <b>\$ 1,586,981</b>        | <b>\$ 154,307</b> | <b>\$ –</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 review the market risk profile and trading results of the Bank's trading businesses. 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, 2023.

## HOW TD MANAGES MARKET RISK IN TRADING ACTIVITIES

Market risk plays a key part in the assessment of trading business strategies. The process for the Bank to launch new trading initiatives, or expand existing ones, involves an assessment of risk with respect to the Bank's risk appetite and business expertise and an assessment of the appropriate infrastructure required 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 structures, risk identification, risk measurement, and risk 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.

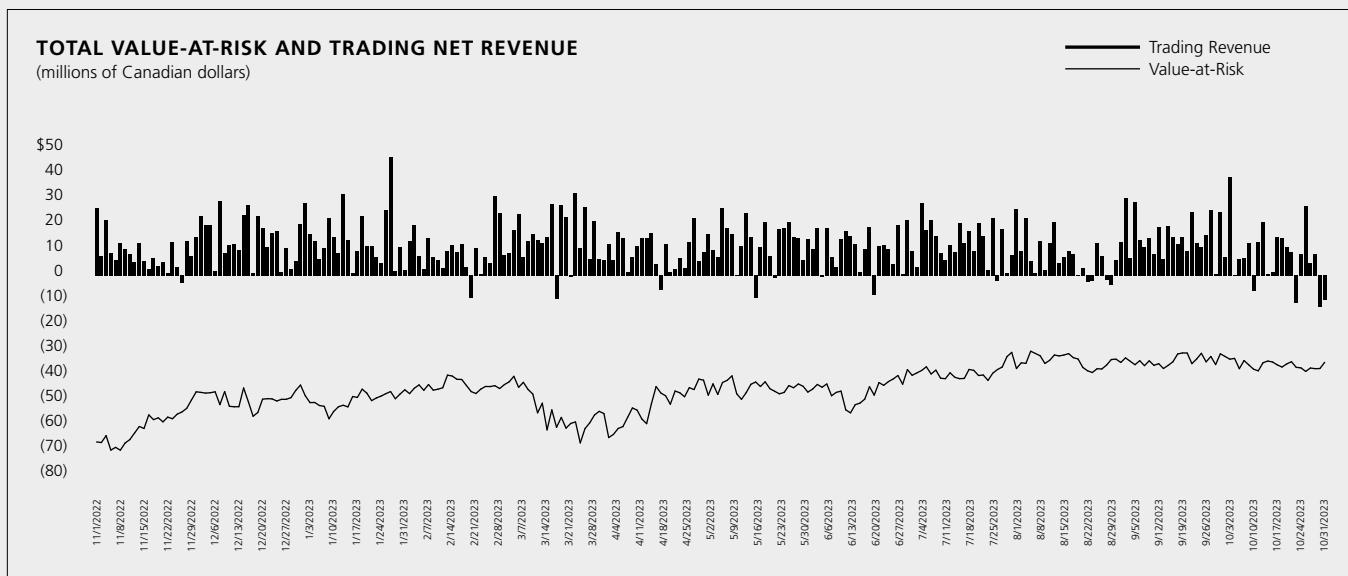
### Calculating VaR

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 to 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.

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, 2023, there were 18 days of trading losses and trading net revenue was positive for 93% 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 practices, and regulatory requirements. In 2023, 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, and sensitivities 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 as 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 2023, 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 regular basis.

### 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.

The following table presents the end of year, average, high, and low usage of TD's portfolio metrics.

|   | 2023         |              |                  |              | 2022    |         |         |        |
|---|--------------|--------------|------------------|--------------|---------|---------|---------|--------|
|   | As at        | Average      | High             | Low          | As at   | Average | High    | Low    |
| Interest rate risk                                | \$ 21.1      | \$ 24.9      | \$ 44.2          | \$ 12.2      | \$ 15.3 | \$ 21.2 | \$ 41.1 | \$ 9.8 |
| Credit spread risk                                | 31.5         | 31.6         | 41.9             | 22.5         | 35.6    | 23.0    | 41.0    | 8.0    |
| Equity risk                                       | 6.0          | 9.4          | 15.8             | 5.7          | 10.6    | 12.8    | 24.3    | 7.8    |
| Foreign exchange risk                             | 2.1          | 3.5          | 9.7              | 1.0          | 4.8     | 2.4     | 7.5     | 0.6    |
| Commodity risk                                    | 2.9          | 4.8          | 11.7             | 2.3          | 12.1    | 5.8     | 13.4    | 2.9    |
| Idiosyncratic debt specific risk                  | 28.4         | 33.2         | 57.2             | 20.3         | 60.0    | 36.8    | 60.9    | 17.8   |
| Diversification effect <sup>1</sup>               | (57.4)       | (62.6)       | n/m <sup>2</sup> | n/m          | (69.4)  | (56.8)  | n/m     | n/m    |
| <b>Total Value-at-Risk (one-day)</b>              | <b>34.6</b>  | <b>44.8</b>  | <b>69.6</b>      | <b>30.1</b>  | 69.0    | 45.2    | 76.0    | 21.8   |
| <b>Stressed Value-at-Risk (one-day)</b>           | <b>85.5</b>  | <b>55.8</b>  | <b>85.5</b>      | <b>41.5</b>  | 74.0    | 77.5    | 100.0   | 55.7   |
| <b>Incremental Risk Capital Charge (one-year)</b> | <b>162.0</b> | <b>151.4</b> | <b>195.8</b>     | <b>121.7</b> | 176.4   | 260.3   | 418.8   | 149.4  |

<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.

Market volatility subsided across most asset classes in 2023 however concerns persist related to ongoing geopolitical tensions, elevated inflationary pressure and further interest rate hikes in a prolonged high rate environment.

The Bank has managed market risk by maintaining stable risk exposures, with daily VaR remaining within approved limits during the year.

Average VaR was relatively stable year-over-year. Average Stressed VaR decreased year-over-year due to position changes in fixed income instruments, coupled with narrowing credit spreads.

Average IRC decreased year-over-year 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. Stress test are produced and reviewed regularly. 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.

### 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 45 STRUCTURAL INTEREST RATE SENSITIVITY MEASURES

(millions of Canadian dollars)

|                             | October 31, 2023 |            |            |                              |        |         | October 31, 2022 |                                |
|-----------------------------|------------------|------------|------------|------------------------------|--------|---------|------------------|--------------------------------|
|                             | EVE Sensitivity  |            |            | NII Sensitivity <sup>1</sup> |        |         | EVE Sensitivity  | NII Sensitivity <sup>1,2</sup> |
|                             | Canada           | U.S.       | Total      | Canada                       | U.S.   | Total   | Total            | Total                          |
| <b>Before-tax impact of</b> |                  |            |            |                              |        |         |                  |                                |
| 100 bps increase in rates   | \$ (462)         | \$ (1,749) | \$ (2,211) | \$ 502                       | \$ 418 | \$ 920  | \$ (1,496)       | \$ 1,213                       |
| 100 bps decrease in rates   | 368              | 1,231      | 1,599      | (530)                        | (569)  | (1,099) | 1,102            | (1,381)                        |

<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 transaction. Since these swaps were pre-existing hedges

which economically hedge the Bank's non-trading market risk, their inclusion had no impact on the year-over-year results. This strategy was discontinued following the announcement on May 4, 2023 by the Bank and First Horizon that they had entered into a mutual agreement to terminate the previously announced merger agreement.

As at October 31, 2023, an immediate and sustained 100 bps increase in interest rates would have had a negative impact to the Bank's EVE of \$2,211 million, an increase of \$715 million from last year, and a positive impact to the Bank's NII of \$920 million, a decrease of \$293 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 \$1,599 million, an increase of \$497 million from last year, and a negative impact to the Bank's NII of \$1,099 million, a decrease of \$282 million from last year. The year-over-year increase in both up and down shock EVE Sensitivity is due to an increase in the interest rate sensitivity of the Bank's investment portfolio in the U.S. Region, and the increased sensitivity of net assets funded by equity. The year-over-year decrease in both up and down shock NII is primarily due to deposit attrition, changes in deposit composition, and Treasury hedging activity. As at October 31, 2023, 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 executed foreign exchange hedges to mitigate the impact of foreign exchange

volatility to closing capital of the First Horizon acquisition. These hedges were unwound following the announcement on May 4, 2023 by the Bank and First Horizon that they had entered into a mutual agreement to terminate the previously announced merger agreement.

#### **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 non-trading equity risk from investment securities designated at FVOCI, equity-linked guaranteed investment certificate product offerings and 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, and changes in the Bank's share price can impact non-interest expenses. The Bank uses equity derivative instruments to manage its non-trading equity price risk.

#### **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;
- Weighted-average margin impact from changes in business and product mix;
- Changes in the basis between certain market indices;
- The lag in changing product prices in response to changes in market interest rates, including rate-sensitive deposit pricing;
- 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 2023, operational risk losses remained within the Bank's operational risk appetite. Refer to Note 26 of the 2023 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, change governance, 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 along with the Bank's internal loss data and risk outlook 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***

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 technology and cyber security risks to support adequate and proper day-to-day operations; and protect against unauthorized access to the Bank's technology, infrastructure, systems, information, and data. To enable this, the Bank actively monitors, manages, and continues to enhance its ability to mitigate these risks through enterprise-wide programs and industry-accepted cyber threat management practices to enable rapid detection and response.

The Bank's Platforms and Technology Risk and Compliance Committee provides senior executive oversight, direction and guidance regarding management of risks relating to cyber security, including cyber terrorism/activism, cyber fraud, cyber espionage, extortion, identity theft and data theft. This Committee endorses actions and makes recommendations to the CEO and the ERM as appropriate, including in some instances, supporting onward recommendations to the Risk Committee and the Board of Directors. 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 technology 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 and Delivery**

The Bank has established a disciplined approach to delivering change across the enterprise coordinated by the Enterprise Project Delivery Excellence and Enterprise Portfolio Management and Governance groups. 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 standardized delivery methodologies, 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 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 an advocacy and advisory program to advocate for strong fraud risk awareness and effective controls across the enterprise and a dedicated fraud risk appetite 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 III Standardized Approach (SA) which is based on a Business Indicator Component (BIC), a financial-statement-based proxy for operational risk and an Internal Loss Multiplier (ILM), which is based on average historical losses and the BIC. ILM is derived using operational risk losses, net of recoveries, over the previous ten years, and BIC is derived using financial information over the previous three years. The operational risk capital is the product of the BIC and the ILM.

## **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 the Bank's Risk Management Group.

The Bank's Audit Committee and the Bank's Corporate Governance Committee respectively act as the Audit and Conduct review committees 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 personal automobile and home insurance and small commercial insurance.

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 applies an established set of practices and protocols for 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 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 are reflective of the funding needs and reserve requirements driven by the liquidity risk profile of the Bank's assets and liabilities. 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.

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 4 6** SUMMARY OF LIQUID ASSETS BY TYPE AND CURRENCY<sup>1,2</sup>

(millions of Canadian dollars, except as noted)

As at

|   | Bank-owned liquid assets | Securities received as collateral from securities financing and derivative transactions | Total liquid assets | % of total  | Encumbered liquid assets | Unencumbered liquid assets |
|---|--------------------------|---|---------------------|-------------|--------------------------|----------------------------|
| October 31, 2023  |                          |   |                     |             |                          |                            |
| Cash and central bank reserves  | \$ 28,548                | \$ –  | \$ 28,548           | 3%          | \$ 506                   | \$ 28,042                  |
| Canadian government obligations   | 15,214                   | 94,000  | 109,214             | 13          | 67,457                   | 41,757                     |
| National Housing Act Mortgage-Backed Securities (NHA MBS)   | 38,760                   | –   | 38,760              | 4           | 1,043                    | 37,717                     |
| Obligations of provincial governments, public sector entities and multilateral development banks <sup>3</sup> | 40,697                   | 22,703  | 63,400              | 8           | 31,078                   | 32,322                     |
| Corporate issuer obligations  | 19,507                   | 4,815   | 24,322              | 3           | 4,512                    | 19,810                     |
| Equities  | 10,555                   | 2,288   | 12,843              | 1           | 8,890                    | 3,953                      |
| <b>Total Canadian dollar-denominated</b>  | <b>153,281</b>           | <b>123,806</b>  | <b>277,087</b>      | <b>32</b>   | <b>113,486</b>           | <b>163,601</b>             |
| Cash and central bank reserves  | 66,094                   | –   | 66,094              | 8           | 180                      | 65,914                     |
| U.S. government obligations   | 72,808                   | 64,449  | 137,257             | 16          | 63,688                   | 73,569                     |
| U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations                    | 80,047                   | 15,838  | 95,885              | 11          | 29,487                   | 66,398                     |
| Obligations of other sovereigns, public sector entities and multilateral development banks <sup>3</sup>       | 65,996                   | 54,321  | 120,317             | 13          | 56,652                   | 63,665                     |
| Corporate issuer obligations  | 84,853                   | 9,656   | 94,509              | 11          | 15,228                   | 79,281                     |
| Equities  | 38,501                   | 38,388  | 76,889              | 9           | 47,653                   | 29,236                     |
| <b>Total non-Canadian dollar-denominated</b>  | <b>408,299</b>           | <b>182,652</b>  | <b>590,951</b>      | <b>68</b>   | <b>212,888</b>           | <b>378,063</b>             |
| <b>Total</b>  | <b>\$ 561,580</b>        | <b>\$ 306,458</b>   | <b>\$ 868,038</b>   | <b>100%</b> | <b>\$ 326,374</b>        | <b>\$ 541,664</b>          |

October 31, 2022

|   |                   |                   |                   |             |                   |                   |
|---|-------------------|-------------------|-------------------|-------------|-------------------|-------------------|
| 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            |
| 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> |

<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 decreased by \$52 billion from October 31, 2022 largely as a result of lower deposit balances in the U.S. Retail segment. 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 4 7** SUMMARY OF UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES

(millions of Canadian dollars)

As at

|                                    | October 31 2023   | October 31 2022   |
|------------------------------------|-------------------|-------------------|
| The Toronto-Dominion Bank (Parent) | \$ 205,408        | \$ 207,177        |
| Bank subsidiaries                  | 291,915           | 330,063           |
| Foreign branches                   | 44,341            | 56,430            |
| <b>Total</b>                       | <b>\$ 541,664</b> | <b>\$ 593,670</b> |



The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the years ended October 31, 2023, and October 31, 2022, are summarized in the following table.

| TABLE 4 8 SUMMARY OF AVERAGE LIQUID ASSETS BY TYPE AND CURRENCY <sup>1,2</sup>                                |                          |   |                     |             |                          |                             |
|---|--------------------------|---|---------------------|-------------|--------------------------|-----------------------------|
| (millions of Canadian dollars, except as noted)   |                          |   |                     |             |                          | Average for the years ended |
|   | Bank-owned liquid assets | Securities received as collateral from securities financing and derivative transactions | Total liquid assets | % of Total  | Encumbered liquid assets | Unencumbered liquid assets  |
| October 31, 2023  |                          |   |                     |             |                          |                             |
| Cash and central bank reserves  | \$ 38,189                | \$ –  | \$ 38,189           | 5%          | \$ 511                   | \$ 37,678                   |
| Canadian government obligations   | 16,560                   | 86,037  | 102,597             | 12          | 63,754                   | 38,843                      |
| NHA MBS   | 37,020                   | 4   | 37,024              | 4           | 1,084                    | 35,940                      |
| Obligations of provincial governments, public sector entities and multilateral development banks <sup>3</sup> | 39,875                   | 23,775  | 63,650              | 7           | 33,623                   | 30,027                      |
| Corporate issuer obligations  | 14,336                   | 4,960   | 19,296              | 2           | 5,049                    | 14,247                      |
| Equities  | 13,086                   | 3,955   | 17,041              | 2           | 11,369                   | 5,672                       |
| <b>Total Canadian dollar-denominated</b>  | <b>159,066</b>           | <b>118,731</b>  | <b>277,797</b>      | <b>32</b>   | <b>115,390</b>           | <b>162,407</b>              |
| Cash and central bank reserves  | 73,732                   | –   | 73,732              | 8           | 255                      | 73,477                      |
| U.S. government obligations   | 79,949                   | 62,371  | 142,320             | 16          | 60,605                   | 81,715                      |
| U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations                    | 85,424                   | 10,373  | 95,797              | 11          | 24,174                   | 71,623                      |
| Obligations of other sovereigns, public sector entities and multilateral development banks <sup>3</sup>       | 66,204                   | 51,917  | 118,121             | 13          | 50,904                   | 67,217                      |
| Corporate issuer obligations  | 88,254                   | 7,796   | 96,050              | 11          | 13,544                   | 82,506                      |
| Equities  | 40,975                   | 36,025  | 77,000              | 9           | 42,119                   | 34,881                      |
| <b>Total non-Canadian dollar-denominated</b>  | <b>434,538</b>           | <b>168,482</b>  | <b>603,020</b>      | <b>68</b>   | <b>191,601</b>           | <b>411,419</b>              |
| <b>Total</b>  | <b>\$ 593,604</b>        | <b>\$ 287,213</b>   | <b>\$ 880,817</b>   | <b>100%</b> | <b>\$ 306,991</b>        | <b>\$ 573,826</b>           |
| October 31, 2022  |                          |   |                     |             |                          |                             |
| 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>           |

<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 4 9 SUMMARY OF AVERAGE UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES |                   |                             |
|---|-------------------|-----------------------------|
| (millions of Canadian dollars)  |                   | Average for the years ended |
|   | October 31 2023   | October 31 2022             |
| The Toronto-Dominion Bank (Parent)  | \$ 217,807        | \$ 191,634                  |
| Bank subsidiaries   | 308,892           | 361,933                     |
| Foreign branches  | 47,127            | 31,702                      |
| <b>Total</b>  | <b>\$ 573,826</b> | <b>\$ 585,269</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 50 ENCUMBERED AND UNENCUMBERED ASSETS**

(millions of Canadian dollars)

As at

|   | 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, 2023   |
| Cash and due from banks   | \$ 6,721            | \$ –   | \$ 6,721                | \$ –                               | \$ –               | \$ –                                 | \$ 6,721           |
| Interest-bearing deposits with banks                                  | 98,348              | –  | 98,348                  | 6,044                              | 122                | 89,142                               | 3,040              |
| Securities, trading loans, and other <sup>7</sup>                     | 543,129             | 434,093  | 977,222                 | 393,278                            | 14,669             | 534,072                              | 35,203             |
| Derivatives   | 87,382              | –  | 87,382                  | –                                  | –                  | –                                    | 87,382             |
| Securities purchased under reverse repurchase agreements <sup>8</sup> | 204,333             | (204,333)  | –                       | –                                  | –                  | –                                    | –                  |
| Loans, net of allowance for loan losses <sup>9</sup>                  | 895,947             | (14,442)   | 881,505                 | 60,623                             | 70,206             | 55,075                               | 695,601            |
| Customers' liabilities under acceptances                              | 17,569              | –  | 17,569                  | –                                  | –                  | –                                    | 17,569             |
| Other assets <sup>10</sup>  | 103,595             | –  | 103,595                 | 696                                | –                  | –                                    | 102,899            |
| <b>Total assets</b>   | <b>\$ 1,957,024</b> | <b>\$ 215,318</b>  | <b>\$ 2,172,342</b>     | <b>\$ 460,641</b>                  | <b>\$ 84,997</b>   | <b>\$ 678,289</b>                    | <b>\$ 948,415</b>  |
|   |                     |  |                         |                                    |                    |                                      | October 31, 2022   |
| <b>Total assets</b>   | <b>\$ 1,917,528</b> | <b>\$ 192,081</b>  | <b>\$ 2,109,609</b>     | <b>\$ 423,346</b>                  | <b>\$ 64,864</b>   | <b>\$ 710,237</b>                    | <b>\$ 911,162</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 5 1 CREDIT RATINGS<sup>1</sup>**

|                                       | <i>As at</i>            |                |               |                     |
|---------------------------------------|-------------------------|----------------|---------------|---------------------|
|                                       | <b>October 31, 2023</b> |                |               |                     |
|                                       | <b>Moody's</b>          | <b>S&amp;P</b> | <b>Fitch</b>  | <b>DBRS</b>         |
| Deposits/Counterparty <sup>2</sup>    | <b>Aa1</b>              | <b>AA-</b>     | <b>AA</b>     | <b>AA (high)</b>    |
| Legacy Senior Debt <sup>3</sup>       | <b>Aa2</b>              | <b>AA-</b>     | <b>AA</b>     | <b>AA (high)</b>    |
| Senior Debt <sup>4</sup>              | <b>A1</b>               | <b>A</b>       | <b>AA-</b>    | <b>AA</b>           |
| Covered Bonds                         | <b>Aaa</b>              | <b>-</b>       | <b>AAA</b>    | <b>AAA</b>          |
| Subordinated Debt                     | <b>A2</b>               | <b>A</b>       | <b>A</b>      | <b>AA (low)</b>     |
| Subordinated Debt – NVCC              | <b>A2 (hyb)</b>         | <b>A-</b>      | <b>A</b>      | <b>A</b>            |
| Preferred Shares – NVCC               | <b>Baa1 (hyb)</b>       | <b>BBB</b>     | <b>BBB+</b>   | <b>Pfd-2 (high)</b> |
| Limited Recourse Capital Notes – NVCC | <b>Baa1 (hyb)</b>       | <b>BBB</b>     | <b>BBB+</b>   | <b>A (low)</b>      |
| Short-Term Debt (Deposits)            | <b>P-1</b>              | <b>A-1+</b>    | <b>F1+</b>    | <b>R-1 (high)</b>   |
| Outlook                               | <b>Stable</b>           | <b>Stable</b>  | <b>Stable</b> | <b>Stable</b>       |

<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 5 2 ADDITIONAL COLLATERAL REQUIREMENTS FOR RATING DOWNGRADES<sup>1</sup>**

(millions of Canadian dollars)

|                       | <i>Average for the years ended</i> |                    |
|-----------------------|------------------------------------|--------------------|
|                       | <b>October 31<br/>2023</b>         | October 31<br>2022 |
| One-notch downgrade   | <b>\$ 124</b>                      | \$ 182             |
| Two-notch downgrade   | <b>192</b>                         | 290                |
| Three-notch downgrade | <b>913</b>                         | 1,129              |

<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 53 AVERAGE BASEL III LIQUIDITY COVERAGE RATIO <sup>1</sup>                                     |  |   |   |
|--|--|---|---|
|  |  | <i>Average for the three months ended</i>           |   |
|  |  | <b>October 31, 2023</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>                                 | \$ 325,142  |
| <b>Cash outflows</b>   |  |   |   |
| Retail deposits and deposits from small business customers, of which:                                |  | \$ 486,846  | \$ 32,105   |
| Stable deposits <sup>5</sup>   |  | 243,951   | 7,319   |
| Less stable deposits   |  | 242,895   | 24,786  |
| Unsecured wholesale funding, of which:   |  | 355,019   | 179,636   |
| Operational deposits (all counterparties) and deposits in networks of cooperative banks <sup>6</sup> |  | 128,996   | 30,399  |
| Non-operational deposits (all counterparties)  |  | 188,595   | 111,809   |
| Unsecured debt   |  | 37,428  | 37,428  |
| Secured wholesale funding  |  | n/a   | 32,978  |
| Additional requirements, of which:   |  | 331,185   | 93,945  |
| Outflows related to derivative exposures and other collateral requirements                           |  | 45,401  | 30,529  |
| Outflows related to loss of funding on debt products   |  | 12,666  | 12,666  |
| Credit and liquidity facilities  |  | 273,118   | 50,750  |
| Other contractual funding obligations  |  | 22,775  | 14,231  |
| Other contingent funding obligations <sup>7</sup>  |  | 775,320   | 11,974  |
| <b>Total cash outflows</b>   |  | <b>\$ n/a</b>                                       | <b>\$ 364,869</b>                                 |
| <b>Cash inflows</b>  |  |   |   |
| Secured lending  |  | \$ 230,377  | \$ 36,447   |
| Inflows from fully performing exposures  |  | 20,672  | 10,284  |
| Other cash inflows   |  | 67,824  | 67,824  |
| <b>Total cash inflows</b>  |  | <b>\$ 318,873</b>                                   | <b>\$ 114,555</b>                                 |
|  |  | <i>Average for the three months ended</i>           |   |
|  |  | <b>October 31 2023</b>                              | July 31 2023                                      |
|  |  | <b>Total weighted value</b>                         | Total weighted value                              |
| <b>Total high-quality liquid assets<sup>8</sup></b>  |  | <b>\$ 325,142</b>                                   | \$ 324,154  |
| <b>Total net cash outflows<sup>9</sup></b>   |  | <b>250,314</b>                                      | 244,398   |
| <b>Liquidity coverage ratio</b>  |  | <b>130%</b>   | 133%  |

<sup>1</sup> The LCR for the quarter ended October 31, 2023, 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 buy back 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 130% for the quarter ended October 31, 2023 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, 2023 was \$325 billion (July 31, 2023 – \$324 billion), with Level 1 assets representing 82% (July 31, 2023 – 83%). 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 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 5 4 NET STABLE FUNDING RATIO**

(millions of Canadian dollars, except as noted)

*As at*

|   | October 31, 2023                         |                       |                                    |                     |                                |
|---|--|-----------------------|------------------------------------|---------------------|--------------------------------|
|   | Unweighted value by residential maturity |                       |                                    |                     |                                |
|   | No maturity <sup>1</sup>                 | Less than<br>6 months | 6 months<br>to less than<br>1 year | More than<br>1 year | Weighted<br>value <sup>2</sup> |
| <b>Available Stable Funding Item</b>  |  |                       |                                    |                     |                                |
| Capital   | \$ 109,124                               | \$ n/a                | \$ n/a                             | \$ 9,190            | \$ 118,314                     |
| Regulatory capital  | 109,124                                  | n/a                   | n/a                                | 9,190               | 118,314                        |
| Other capital instruments   | n/a                                      | n/a                   | n/a                                | –                   | –                              |
| Retail deposits and deposits from small business customers:   | 449,857                                  | 64,384                | 31,253                             | 28,476              | 532,708                        |
| Stable deposits <sup>3</sup>  | 240,630                                  | 22,978                | 12,105                             | 13,526              | 275,454                        |
| Less stable deposits  | 209,227                                  | 41,406                | 19,148                             | 14,950              | 257,254                        |
| Wholesale funding:  | 242,225                                  | 349,052               | 119,586                            | 249,820             | 469,869                        |
| Operational deposits <sup>4</sup>   | 101,643                                  | 2,618                 | –                                  | –                   | 52,130                         |
| Other wholesale funding   | 140,582                                  | 346,434               | 119,586                            | 249,820             | 417,739                        |
| Liabilities with matching interdependent assets <sup>5</sup>  | –  | 1,980                 | 2,986                              | 19,034              | –                              |
| Other liabilities:  | 61,972                                   | n/a                   | n/a                                | 82,228              | 2,925                          |
| NSFR derivative liabilities   | n/a                                      | n/a                   | n/a                                | (2,410)             | –                              |
| All other liabilities and equity not included in the above categories   | 61,972                                   | 80,639                | 2,147                              | 1,852               | 2,925                          |
| <b>Total Available Stable Funding</b>   |  |                       |                                    |                     | <b>\$ 1,123,816</b>            |
| <b>Required Stable Funding Item</b>   |  |                       |                                    |                     |                                |
| Total NSFR high-quality liquid assets   | \$ n/a                                   | \$ n/a                | \$ n/a                             | \$ n/a              | \$ 62,148                      |
| Deposits held at other financial institutions for operational purposes  | –  | 1,053                 | –                                  | –                   | 527                            |
| Performing loans and securities   | 95,387                                   | 222,190               | 121,678                            | 688,544             | 754,644                        |
| Performing loans to financial institutions secured by Level 1 HQLA  | –  | 76,966                | 6,677                              | –                   | 11,281                         |
| Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions                               | –  | 44,036                | 11,361                             | 7,948               | 18,086                         |
| Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | 36,105                                   | 59,162                | 50,102                             | 291,349             | 338,287                        |
| With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk  | n/a                                      | 36,154                | 30,010                             | –                   | 32,927                         |
| Performing residential mortgages, of which:   | 30,645                                   | 31,488                | 48,634                             | 317,580             | 292,242                        |
| With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk <sup>6</sup>   | 30,645                                   | 31,488                | 48,634                             | 317,580             | 292,242                        |
| Securities that are not in default and do not qualify as HQLA, including exchange-traded equities   | 28,637                                   | 10,538                | 4,904                              | 71,667              | 94,748                         |
| Assets with matching interdependent liabilities <sup>5</sup>  | –  | 1,680                 | 3,183                              | 19,137              | –                              |
| Other assets:   | 70,609                                   | n/a                   | n/a                                | 134,891             | 115,003                        |
| Physical traded commodities, including gold   | 11,142                                   | n/a                   | n/a                                | n/a                 | 9,961                          |
| Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs   | –  | –                     | –                                  | 17,118              | 14,551                         |
| NSFR derivative assets  | n/a                                      | –                     | –                                  | 8,083               | 10,493                         |
| NSFR derivative liabilities before deduction of variation margin posted   | n/a                                      | –                     | –                                  | 23,191              | 1,160                          |
| All other assets not included in the above categories   | 59,467                                   | 74,796                | 2,520                              | 9,183               | 78,838                         |
| Off-balance sheet items   | n/a                                      | –                     | –                                  | 783,337             | 28,268                         |
| <b>Total Required Stable Funding</b>  |  |                       |                                    |                     | <b>\$ 960,590</b>              |
| <b>Net Stable Funding Ratio</b>   |  |                       |                                    |                     | <b>117%</b>                    |

*As at*

October 31, 2022

|                                |              |
|--------------------------------|--------------|
| Total Available Stable Funding | \$ 1,058,087 |
| Total Required Stable Funding  | 866,383      |
| Net Stable Funding Ratio       | 122%         |

<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 as at October 31, 2023 is 117% (October 31, 2022 – 122%), representing a surplus of \$163 billion, adhering to regulatory

requirements. Decreases are attributable to changes in our funding composition and lower deposit balance in the U.S. Bank.

## 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 base of personal and commercial, wealth, and Schwab sweep deposits (collectively, "P&C deposits") that make up approximately 70% (2022 – 70%) of the Bank's total funding.

**TABLE 55 SUMMARY OF DEPOSIT FUNDING**

|                                  | <i>As at</i>       |                     |
|----------------------------------|--------------------|---------------------|
|                                  | October 31<br>2023 | October 31<br>2022  |
| P&C deposits – Canadian          | \$ 529,078         | \$ 525,294          |
| P&C deposits – U.S. <sup>1</sup> | 446,355            | 493,223             |
| <b>Total</b>                     | <b>\$ 975,433</b>  | <b>\$ 1,018,517</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 HELOC (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 BA.

The following table summarizes the registered term funding and capital programs by geography, with the related program size as at October 31, 2023.

| Canada  | United States   | Europe   |
|---|---|--|
| Capital Securities Program (\$20 billion)<br>Canadian Senior Medium-Term Linked Notes Program (\$5 billion)<br>HELOC ABS Program (Genesis Trust II) (\$7 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)<br><br>UKLA Registered European Medium-Term Note Program (US\$40 billion) |

The following table presents a breakdown of the Bank's term debt by currency and funding type. Term funding as at October 31, 2023, was \$173.3 billion (October 31, 2022 – \$150.5 billion).

Note that Table 56: Long-Term Funding and Table 57: Wholesale Funding do not include any funding accessed via repurchase transactions or securities financing.

**TABLE 56 LONG-TERM FUNDING<sup>1</sup>**

|                                      | <i>As at</i>       |                    |
|--------------------------------------|--------------------|--------------------|
|                                      | October 31<br>2023 | October 31<br>2022 |
| <b>Long-term funding by currency</b> |                    |                    |
| Canadian dollar                      | 27%                | 31%                |
| U.S. dollar                          | 35                 | 43                 |
| Euro                                 | 27                 | 20                 |
| British pound                        | 5                  | 3                  |
| Other                                | 6                  | 3                  |
| <b>Total</b>                         | <b>100%</b>        | <b>100%</b>        |
| <b>Long-term funding by type</b>     |                    |                    |
| Senior unsecured medium-term notes   | 61%                | 67%                |
| Covered bonds                        | 31                 | 22                 |
| Mortgage securitization <sup>2</sup> | 7                  | 10                 |
| Term asset backed securities         | 1                  | 1                  |
| <b>Total</b>                         | <b>100%</b>        | <b>100%</b>        |

<sup>1</sup> The table includes funding issued to external investors only.

<sup>2</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, 2023, and October 31, 2022.

TABLE 57 WHOLESALE FUNDING<sup>1</sup>

(millions of Canadian dollars)

|  |                      |                  |                  |                       |                   |                      |                   | October 31        | October 31        |
|--|----------------------|------------------|------------------|-----------------------|-------------------|----------------------|-------------------|-------------------|-------------------|
|  |                      |                  |                  |                       |                   |                      |                   | 2023              | 2022              |
|  | Less than<br>1 month | 1 to 3<br>months | 3 to 6<br>months | 6 months<br>to 1 year | Up to 1<br>year   | Over 1 to<br>2 years | Over 2<br>years   | Total             | Total             |
| Deposits from banks <sup>2</sup>                       | \$ 30,016            | \$ 3,558         | \$ 3,279         | \$ 5,627              | \$ 42,480         | \$ 1                 | \$ –              | \$ 42,481         | \$ 31,833         |
| Bearer deposit notes                                   | 69                   | 81               | 463              | 1,191                 | 1,804             | –                    | –                 | 1,804             | 1,275             |
| Certificates of deposit                                | 13,463               | 17,259           | 27,241           | 55,259                | 113,222           | 254                  | –                 | 113,476           | 98,574            |
| Commercial paper                                       | 8,560                | 8,698            | 6,712            | 16,545                | 40,515            | –                    | –                 | 40,515            | 62,906            |
| Covered bonds  | –                    | –                | 6,324            | 4,266                 | 10,590            | 11,651               | 34,732            | 56,973            | 33,978            |
| Mortgage securitization <sup>3</sup>                   | 2                    | 1,024            | 700              | 3,381                 | 5,107             | 3,831                | 18,193            | 27,131            | 27,684            |
| Legacy senior unsecured medium-term notes <sup>4</sup> | –                    | –                | 1,010            | 1,935                 | 2,945             | 157                  | 60                | 3,162             | 13,631            |
| Senior unsecured medium-term notes <sup>5</sup>        | –                    | –                | 10,602           | 8,736                 | 19,338            | 19,795               | 58,392            | 97,525            | 84,956            |
| Subordinated notes and debentures <sup>6</sup>         | –                    | –                | –                | –                     | –                 | 196                  | 9,424             | 9,620             | 11,290            |
| Term asset backed securitization                       | –                    | –                | –                | 1,476                 | 1,476             | 302                  | 426               | 2,204             | 1,826             |
| Other <sup>7</sup>                                     | 34,039               | 1,923            | 3,833            | 1,828                 | 41,623            | 2,131                | 594               | 44,348            | 32,603            |
| <b>Total</b>   | <b>\$ 86,149</b>     | <b>\$ 32,543</b> | <b>\$ 60,164</b> | <b>\$ 100,244</b>     | <b>\$ 279,100</b> | <b>\$ 38,318</b>     | <b>\$ 121,821</b> | <b>\$ 439,239</b> | <b>\$ 400,556</b> |
| Of which:  |                      |                  |                  |                       |                   |                      |                   |                   |                   |
| Secured  | \$ 9,016             | \$ 1,024         | \$ 7,024         | \$ 9,123              | \$ 26,187         | \$ 15,785            | \$ 53,356         | \$ 95,328         | \$ 63,496         |
| Unsecured  | 77,133               | 31,519           | 53,140           | 91,121                | 252,913           | 22,533               | 68,465            | 343,911           | 337,060           |
| <b>Total</b>   | <b>\$ 86,149</b>     | <b>\$ 32,543</b> | <b>\$ 60,164</b> | <b>\$ 100,244</b>     | <b>\$ 279,100</b> | <b>\$ 38,318</b>     | <b>\$ 121,821</b> | <b>\$ 439,239</b> | <b>\$ 400,556</b> |

<sup>1</sup> Excludes BA, 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 mortgaged 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 \$5.7 billion of structured notes subject to conversion under the "bail-in" regime (October 31, 2022 – \$2.3 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 \$22.1 billion (October 31, 2022 – \$21.3 billion) and the remaining are non-term deposits.

Excluding the Wholesale Banking residential mortgage trading business, the Bank's total 2023 mortgage-backed securities issued to external investors was \$1.3 billion (2022 – \$1.7 billion) and other asset-backed securities issued was \$0.4 billion (2022 – \$0.3 billion). The Bank

also issued \$27.6 billion of unsecured medium-term notes (2022 – \$44.6 billion) and \$26.1 billion of covered bonds (2022 – \$17.5 billion) during the year ended October 31, 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's objective is to fund its assets appropriately 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 5 8 REMAINING CONTRACTUAL MATURITY**

(millions of Canadian dollars)

As at

|  | October 31, 2023  |                   |                   |                  |                    |                   |                   |                   |                      |                     |
|--|-------------------|-------------------|-------------------|------------------|--------------------|-------------------|-------------------|-------------------|----------------------|---------------------|
|  | 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  | \$ 6,721          | \$ –              | \$ –              | \$ –             | \$ –               | \$ –              | \$ –              | \$ –              | \$ –                 | \$ 6,721            |
| Interest-bearing deposits with banks   | 51,021            | 559               | –                 | –                | –                  | –                 | –                 | –                 | 46,768               | 98,348              |
| Trading loans, securities, and other <sup>1</sup>  | 4,328             | 6,329             | 5,170             | 3,008            | 4,569              | 13,226            | 27,298            | 25,677            | 62,485               | 152,090             |
| Non-trading financial assets at fair value through profit or loss                          | –                 | –                 | 354               | 1,538            | 199                | 1,664             | 828               | 1,351             | 1,406                | 7,340               |
| Derivatives  | 10,145            | 10,437            | 5,246             | 4,244            | 3,255              | 11,724            | 25,910            | 16,421            | –                    | 87,382              |
| Financial assets designated at fair value through profit or loss                           | 374               | 496               | 375               | 695              | 324                | 838               | 1,470             | 1,246             | –                    | 5,818               |
| Financial assets at fair value through other comprehensive income                          | 745               | 2,190             | 1,200             | 5,085            | 2,223              | 9,117             | 15,946            | 29,845            | 3,514                | 69,865              |
| Debt securities at amortized cost, net of allowance for credit losses                      | 1,221             | 4,020             | 4,073             | 16,218           | 3,480              | 22,339            | 116,165           | 140,502           | (2)                  | 308,016             |
| Securities purchased under reverse repurchase agreements <sup>2</sup>                      | 96,372            | 23,939            | 25,127            | 5,082            | 4,148              | 3,539             | 1,083             | 43,281            | 1,762                | 204,333             |
| <b>Loans</b>   |                   |                   |                   |                  |                    |                   |                   |                   |                      |                     |
| Residential mortgages  | 1,603             | 2,616             | 5,860             | 10,575           | 14,181             | 57,254            | 168,475           | 59,733            | 44                   | 320,341             |
| Consumer instalment and other personal   | 894               | 1,580             | 2,334             | 3,830            | 5,974              | 27,166            | 85,487            | 34,183            | 56,106               | 217,554             |
| Credit card  | –                 | –                 | –                 | –                | –                  | –                 | –                 | –                 | 38,660               | 38,660              |
| Business and government  | 37,656            | 10,058            | 13,850            | 14,886           | 16,964             | 42,460            | 96,952            | 67,190            | 26,512               | 326,528             |
| <b>Total loans</b>   | <b>40,153</b>     | <b>14,254</b>     | <b>22,044</b>     | <b>29,291</b>    | <b>37,119</b>      | <b>126,880</b>    | <b>350,914</b>    | <b>161,106</b>    | <b>121,322</b>       | <b>903,083</b>      |
| Allowance for loan losses  | –                 | –                 | –                 | –                | –                  | –                 | –                 | –                 | (7,136)              | (7,136)             |
| <b>Loans, net of allowance for loan losses</b>   | <b>40,153</b>     | <b>14,254</b>     | <b>22,044</b>     | <b>29,291</b>    | <b>37,119</b>      | <b>126,880</b>    | <b>350,914</b>    | <b>161,106</b>    | <b>114,186</b>       | <b>895,947</b>      |
| Customers' liability under acceptances   | 14,804            | 2,760             | 5                 | –                | –                  | –                 | –                 | –                 | –                    | 17,569              |
| Investment in Schwab   | –                 | –                 | –                 | –                | –                  | –                 | –                 | –                 | 8,907                | 8,907               |
| Goodwill <sup>3</sup>  | –                 | –                 | –                 | –                | –                  | –                 | –                 | –                 | 18,602               | 18,602              |
| Other intangibles <sup>3</sup>   | –                 | –                 | –                 | –                | –                  | –                 | –                 | –                 | 2,771                | 2,771               |
| Land, buildings, equipment, other depreciable assets, and right-of-use assets <sup>3</sup> | –                 | 8                 | 6                 | 8                | 14                 | 79                | 573               | 3,153             | 5,593                | 9,434               |
| Deferred tax assets  | –                 | –                 | –                 | –                | –                  | –                 | –                 | –                 | 3,960                | 3,960               |
| Amounts receivable from brokers, dealers, and clients                                      | 30,181            | –                 | –                 | –                | –                  | –                 | –                 | –                 | 235                  | 30,416              |
| Other assets   | 5,282             | 1,877             | 5,627             | 215              | 202                | 155               | 157               | 64                | 15,926               | 29,505              |
| <b>Total assets</b>  | <b>\$ 261,347</b> | <b>\$ 66,869</b>  | <b>\$ 69,227</b>  | <b>\$ 65,384</b> | <b>\$ 55,533</b>   | <b>\$ 189,561</b> | <b>\$ 540,344</b> | <b>\$ 422,646</b> | <b>\$ 286,113</b>    | <b>\$ 1,957,024</b> |
| <b>Liabilities</b>   |                   |                   |                   |                  |                    |                   |                   |                   |                      |                     |
| Trading deposits   | \$ 1,272          | \$ 1,684          | \$ 5,278          | \$ 4,029         | \$ 4,153           | \$ 6,510          | \$ 6,712          | \$ 1,342          | \$ –                 | \$ 30,980           |
| Derivatives  | 9,068             | 9,236             | 4,560             | 3,875            | 2,559              | 8,345             | 16,589            | 17,408            | –                    | 71,640              |
| Securitization liabilities at fair value   | 2                 | 498               | 345               | 1,215            | 391                | 1,651             | 6,945             | 3,375             | –                    | 14,422              |
| Financial liabilities designated at fair value through profit or loss                      | 48,197            | 30,477            | 37,961            | 42,792           | 32,473             | 112               | –                 | –                 | 118                  | 192,130             |
| <b>Deposits<sup>4,5</sup></b>  |                   |                   |                   |                  |                    |                   |                   |                   |                      |                     |
| Personal   | 6,044             | 19,095            | 22,387            | 14,164           | 19,525             | 17,268            | 20,328            | 51                | 507,734              | 626,596             |
| Banks  | 19,608            | 68                | 29                | –                | –                  | –                 | 4                 | 1                 | 11,515               | 31,225              |
| Business and government  | 25,663            | 16,407            | 24,487            | 11,819           | 9,658              | 33,723            | 74,300            | 19,652            | 324,660              | 540,369             |
| <b>Total deposits</b>  | <b>51,315</b>     | <b>35,570</b>     | <b>46,903</b>     | <b>25,983</b>    | <b>29,183</b>      | <b>50,991</b>     | <b>94,632</b>     | <b>19,704</b>     | <b>843,909</b>       | <b>1,198,190</b>    |
| Acceptances  | 14,804            | 2,760             | 5                 | –                | –                  | –                 | –                 | –                 | –                    | 17,569              |
| Obligations related to securities sold short <sup>1</sup>                                  | 135               | 1,566             | 1,336             | 1,603            | 1,309              | 5,471             | 19,991            | 11,971            | 1,279                | 44,661              |
| Obligations related to securities sold under repurchase agreements <sup>2</sup>            | 95,102            | 10,225            | 7,255             | 1,185            | 1,335              | 6,083             | 746               | 43,089            | 1,834                | 166,854             |
| Securitization liabilities at amortized cost   | –                 | 526               | 355               | 1,073            | 703                | 2,180             | 4,956             | 2,917             | –                    | 12,710              |
| Amounts payable to brokers, dealers, and clients   | 30,248            | –                 | –                 | –                | –                  | –                 | –                 | –                 | 624                  | 30,872              |
| Insurance-related liabilities  | 328               | 408               | 437               | 344              | 329                | 928               | 1,369             | 613               | 2,849                | 7,605               |
| Other liabilities  | 11,943            | 9,845             | 7,995             | 1,294            | 1,198              | 918               | 1,980             | 4,226             | 8,265                | 47,664              |
| Subordinated notes and debentures  | –                 | –                 | –                 | –                | –                  | 196               | –                 | 9,424             | –                    | 9,620               |
| <b>Equity</b>  | <b>–</b>          | <b>–</b>          | <b>–</b>          | <b>–</b>         | <b>–</b>           | <b>–</b>          | <b>–</b>          | <b>–</b>          | <b>112,107</b>       | <b>112,107</b>      |
| <b>Total liabilities and equity</b>  | <b>\$ 262,414</b> | <b>\$ 102,795</b> | <b>\$ 112,430</b> | <b>\$ 83,393</b> | <b>\$ 73,633</b>   | <b>\$ 83,385</b>  | <b>\$ 153,920</b> | <b>\$ 114,069</b> | <b>\$ 970,985</b>    | <b>\$ 1,957,024</b> |
| <b>Off-balance sheet commitments</b>   |                   |                   |                   |                  |                    |                   |                   |                   |                      |                     |
| Credit and liquidity commitments <sup>6,7</sup>  | \$ 22,242         | \$ 24,178         | \$ 26,399         | \$ 21,450        | \$ 22,088          | \$ 47,826         | \$ 166,891        | \$ 5,265          | \$ 1,487             | \$ 337,826          |
| Other commitments <sup>8</sup>   | 109               | 279               | 214               | 197              | 204                | 889               | 1,364             | 424               | 73                   | 3,753               |
| Unconsolidated structured entity commitments   | –                 | 836               | 3                 | 239              | 95                 | 729               | –                 | –                 | –                    | 1,902               |
| <b>Total off-balance sheet commitments</b>   | <b>\$ 22,351</b>  | <b>\$ 25,293</b>  | <b>\$ 26,616</b>  | <b>\$ 21,886</b> | <b>\$ 22,387</b>   | <b>\$ 49,444</b>  | <b>\$ 168,255</b> | <b>\$ 5,689</b>   | <b>\$ 1,560</b>      | <b>\$ 343,481</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 \$57 billion of covered bonds with remaining contractual maturities of \$6 billion in 'over 3 months to 6 months', \$3 billion in 'over 6 months to 9 months', \$1 billion in 'over 9 months to 1 year', \$12 billion in 'over 1 to 2 years', \$31 billion in 'over 2 to 5 years', and \$4 billion in 'over 5 years'.

<sup>6</sup> Includes \$573 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 5 8 REMAINING CONTRACTUAL MATURITY (continued)**

(millions of Canadian dollars)

*As at*

|  | October 31, 2022     |                  |                  |                  |                       |                      |                      |                   |                         |                     |
|--|----------------------|------------------|------------------|------------------|-----------------------|----------------------|----------------------|-------------------|-------------------------|---------------------|
|  | Less than<br>1 month | 1 to 3<br>months | 3 to 6<br>months | 6 to 9<br>months | 9 months<br>to 1 year | Over 1 to<br>2 years | Over 2 to<br>5 years | Over<br>5 years   | No specific<br>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)             |
| <b>Loans, net of allowance for loan losses</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>120,038</b>          | <b>831,043</b>      |
| 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, other depreciable assets, and right-of-use 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>  | <b>–</b>             | <b>–</b>         | <b>–</b>         | <b>–</b>         | <b>–</b>              | <b>–</b>             | <b>–</b>             | <b>–</b>          | <b>111,383</b>          | <b>111,383</b>      |
| <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               | 204              | –                     | 1,233                | 510                  | –                 | –                       | 2,091               |
| <b>Total off-balance sheet commitments</b>   | <b>\$ 19,336</b>     | <b>\$ 22,828</b> | <b>\$ 22,731</b> | <b>\$ 19,764</b> | <b>\$ 18,265</b>      | <b>\$ 43,139</b>     | <b>\$ 142,525</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 'over 1 month 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', \$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.

## 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 Capital Adequacy Risk Management Policy. The Risk Committee reviews and approves the Capital Adequacy Risk Management Framework. The CRO and the CFO 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 Capital Adequacy Risk Management Policy, and sets additional capital targets and minimum requirements, including the allocation of capital limits to business segments, to support ongoing compliance with the Capital Adequacy Risk Management Policy. The ALCO also reviews the ongoing adherence to established capital targets in support of the effective and prudent management of the Bank's capital position and maintenance of adequate capital.

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. Capital targets are established to provide a sufficient buffer so that the Bank is able to continuously meet these minimum capital requirements. The purpose of these capital targets is to reduce the risk of a breach of minimum capital requirements, due to unexpected events, allowing management the opportunity to react to declining capital levels before minimum capital requirements are breached.

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 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 evolving regulatory expectations, as well as 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, Enterprise Conduct Risk Management, and Regulatory Risk are designated and accountable for RCM oversight and 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 designed to help achieve and maintain the Bank's compliance with the applicable laws and regulations. Senior management of the Compliance Department and Enterprise Conduct Risk Management also report regularly to the Corporate Governance Committee, which oversees conduct risk management in the Bank, 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,

and in its capacity as the Bank's conduct review committee, related party transactions for the Bank and certain of its Canadian subsidiaries that are federally-regulated financial institutions. In addition, senior management of Regulatory Risk has established periodic reporting to the Board and regular reporting to the Risk Committee.

## **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 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 Regulatory Change Standard for Oversight Functions to do the same; and it supports the 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.

Enterprise Conduct Risk Management is an oversight function that works with key enterprise and segment stakeholders to mitigate conduct risk across the organization. It works in partnership with Compliance, 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

*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's internal environment, including its operations, business activities, E&S-related targets, commitments and disclosure, products, clients, colleagues, or suppliers. Drivers of E&S risk can also originate from the Bank's external environment, including the communities in which the Bank operates as well as second-order impacts of physical risks and the transition to a low-carbon economy.

### WHO MANAGES ENVIRONMENTAL AND SOCIAL RISK

E&S risk and the Bank's sustainability strategy are managed within a governance structure that balances broad engagement across the organization with 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 regular 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, comprised of senior executives from TD's business and corporate segments, provides oversight of ESG and related strategy development.

The Senior Vice President, Sustainability and Corporate Citizenship holds senior executive accountability for the Bank's sustainability strategy and engages leaders across the Bank to execute on the strategy. In particular, the Enterprise Sustainable Finance and Enterprise Decarbonization teams were established to support business opportunities, and execute on achieving the Bank's net zero target.

The Senior Vice President, ESG Risk Management, holds senior executive accountability for E&S risk management and leads the Environmental & Social Risk Management (ESRM) team, the ESG Credit Risk team, and the ESG Central Office. The ESRM team establishes E&S risk frameworks, policies, processes, governance and reporting structures to help segments identify, assess, mitigate, monitor and report on E&S risks, including climate risk. The ESG Credit Risk team develops and manages E&S risk tools and programs for the Bank's retail and non-retail lending activities, at both the borrower and the portfolio levels. The ESG Central Office leads the development and continued evolution of the Bank's ESG/Climate Target Operating Model (TOM) and related implementation plan.

The ESG Financial Reporting team within the Chief Accountant's Department was established to grow internal capabilities to facilitate the integration of sustainability-related financial reporting requirements into the Bank's financial disclosures.

Internal policies and procedures require business and corporate segments to consider the applicability and assessment of E&S risk in current and new business activity. Internal policies also require business unit governance and business processes to incorporate an assessment of E&S risk and apply an appropriate level of governance and oversight consistent with their business procedures.

### HOW TD MANAGES ENVIRONMENTAL AND SOCIAL RISK

The Bank follows a disciplined approach to manage significant and/or material E&S risks which may have a present or future impact on the Bank's competitive position, brand, or long-term shareholder value creation. The Bank is focused on considering current and potential future E&S risks – including climate change and social risks – in the strategies it executes, as appropriate, by enabling informed decision-making based on internal capabilities, industry practices, legal and regulatory obligations, and shareholder expectations, as they continue to evolve.

The Bank manages E&S risk through the Enterprise E&S Risk Framework which sets the framework for how TD manages E&S risk. This Framework is reinforced by risk-specific policies including the Enterprise E&S Risk Policy which outlines the requirements and expectations for the effective management of E&S risk at the Bank.

The Bank has policies and procedures which outline how E&S risk is identified and managed within the Bank's non-retail lending portfolio. The Bank has also been a signatory of the Equator Principles (EP) since 2007 and has embedded the EP into its E&S risk process for applicable project financing transactions. The EP are a voluntary set of minimum due diligence standards to help financial institutions determine, assess, manage, and report on E&S risks with respect to in-scope project financing. EP signatories choose to voluntarily adopt and apply the EP as part of their due diligence processes to help support responsible risk decision-making.

The Bank continues to assess the impacts associated with material changes made to TD products, services, projects, and initiatives by incorporating an E&S risk assessment into the Bank's Change Risk Management process. 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 the incremental impact of climate change.

The Bank's E&S metrics, targets and performance are publicly reported within its annual Sustainability Report and its annual Climate Action Plan (CAP): Report on Progress and Update on the Task Force on Climate-Related Financial Disclosures (TCFD). Key performance measures are reported in alignment with the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the FSB's 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. This includes physical risks arising from the consequences of a changing climate, as well as transition risks arising from the process of shifting to a low-carbon economy. In its 2022 CAP Report, the Bank highlighted the progress on its CAP, as well as its efforts to assess and report climate-related risks and opportunities. The Bank continues to work towards building its expertise and capabilities for managing climate-related risks and opportunities.

The Bank continues to evolve its ESG/Climate TOM to support its work to implement TD's CAP and to manage climate risks through dedicated work streams, including an enterprise climate risk strategy and scenario analysis program. The ESG/Climate TOM outlines the Bank's strategy establishing Scope 3 financed emissions baselines and related reduction targets, advancing climate risk identification and measurement processes, and developing the Bank's enterprise climate data strategy.

The Bank is developing methodologies and approaches, including building related tools and capabilities for climate risk measurement. One such tool is Climate Scenario Analysis, a key risk measurement tool that will help the Bank better understand the impacts of climate-related risks. Climate scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. While scenarios are not designed to deliver precise outcomes or forecasts, they provide a way for the Bank to consider potential risk implications under various climate change pathways. The Bank's continued participation in scenario analysis pilots supports the development of tools and capabilities regarding climate data and climate-related risk modelling. Developing these capabilities supports the Bank's understanding of the transition and physical risks of climate change, which will help inform the Bank's approach to further integrate climate-related risk management activities across the enterprise.

The Bank continues to refresh and enhance the scope of its Climate Risk Heatmap, supported by an Industry Risk Review process, to support physical and transition climate risk identification and assessment and to refine its understanding of the industry sector and geographic location sensitivities that climate risk may have on the Bank and its assets, clients, and communities in which it operates. The Heatmap was initially developed in 2021 by leveraging the Bank's climate-related risk inventory and includes risk definitions to facilitate internal reporting of climate risk exposures and trends.

The Bank contributes to public consultations on emerging climate issues, including disclosure frameworks proposed by regulators and standard setters. The Bank also engages with environmental and community NGOs, industry associations, rating agencies, Indigenous communities and responsible investment organizations.

TD also participates in various North American working groups, and as a member of the Partnership for Carbon Accounting Financials, helps to develop and refine calculation methodologies for emerging climate metrics. In 2020, the Bank announced a target to achieve net-zero greenhouse gas (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 Initiative's 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.

The Bank continues its membership in the Risk Management Association Climate Risk Consortium, which focuses on bringing financial institutions together to advance the awareness of and address the risks relevant to climate change, by developing frameworks, and recommendations for governance, disclosure, and risk management principles.

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 2022, the Bank disclosed emissions associated with the Bank's financing portfolio for two carbon-intensive sectors (Energy and Power Generation) and set NZBA-aligned interim (2030) Scope 3 financed emissions targets for these sectors. In March 2023, the Bank expanded its Scope 3 financed emissions footprint and set interim (2030) targets for two additional sectors – Automotive Manufacturing and Aviation.

In March 2023, the Bank set a new \$500 billion Sustainable & Decarbonization Finance Target to support key environmental, decarbonization, and social activities by 2030. A prior target set in 2017 of \$100 billion in low-carbon lending, financing, asset management and internal corporate programs by 2030 was achieved in 2022. This new target represents the next step in the Bank's efforts to help support its customers and clients in the transition to a low-carbon economy and help contribute to improving social outcomes. The eligible environmental, decarbonization and social activities are focused on supporting progress toward key sustainability objectives of TD such as climate change mitigation and adaptation and economic inclusion.

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, 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 could result in TD amending or restating its baselines, calculated results or targets, and may result in the Bank withdrawing from or modifying its membership in certain groups or associations. Limitations on the availability and reliability of data may also impact the Bank's ability to assess and evaluate E&S risks. These limitations are expected to

improve over time as the Bank continues to advance its data capabilities by working with internal and external subject matter experts, leading to more robust and reliable E&S risk monitoring, analysis, and reporting. 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.

### **TD Asset Management (TDAM)**

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 six principles of responsible investing which include the incorporation of financially material ESG issues into investment analysis and decision-making processes, and active ownership or stewardship practices, as well as promoting acceptance and effective implementation of the principles. TDAM has a dedicated ESG Research and Engagement team that supports TDAM's Sustainable Investing approach, which includes incorporating material ESG issues into certain investment processes, as applicable, and its active ownership policies and practices (e.g. proxy voting and engagement). TDAM monitors regulatory developments and assesses the impact of emerging ESG regulatory rules and guidance to ensure its Sustainable Investing approach and ESG related policies and procedures continue to be aligned with regulatory requirements.

### **TD Securities (TDS)**

In 2020, TDS created a dedicated ESG Solutions group, which focuses on delivering integrated ESG solutions, primarily including activities within sustainable finance such as arranging sustainability-linked loans, underwriting green, social, sustainability, and sustainability linked (GSSS) bonds and ESG advisory services through TDS' investment banking offerings. With the acquisition of TD Cowen in 2023, TDS has added an equity research platform to support its client's sustainability efforts.

### **TD Insurance (TDI)**

Since 2014, 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 key activities: addressing flood risk, resilience, and homeowner education. Climate risk considerations are embedded within TDI's General Insurance Catastrophe and Reinsurance Policy, and as part of its RAS, in 2022 TDI began considering the impact of climate-related risks in the design of products and in assessment of pricing, reserving and reinsurance protection purchase, and evaluates potential impacts and recommends mitigation with respect to climate-related insurance losses through a newly established TDI Climate Risk Appetite Task Force. That same year, TDI began work with OSFI and the Bank of Canada to conduct the first national flood systemic risk assessment relating to mortgages and insurance coverage. TDI is providing data to support the analysis, which is expected to lead to a greater understanding of climate risks facing Canadians, in support of mitigation efforts.

### **Regulatory and Standard Setter Developments Concerning E&S Risk (Including Climate)**

On March 7, 2023, OSFI issued Guideline B-15: Climate Risk Management (Guideline B-15), which sets out OSFI's expectations related to the management and disclosure of climate-related risks and opportunities. Components of Guideline B-15 are initially effective for D-SIBs for fiscal year-end 2024, and annual disclosures are required to be made publicly available no later than 180 days after fiscal year-end. The Bank has completed its initial assessment of Guideline B-15 and is working towards implementing the requirements.

On June 26, 2023, the International Sustainability Standards Board (ISSB) under the IFRS Foundation, issued its first two sustainability standards, IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 sets out the disclosure requirements for financially material information about sustainability-related risks and opportunities to meet investor information needs, and IFRS S2 specifically sets the disclosure requirement for Climate-related risks and opportunities. ISSB recommends an effective date for annual reporting periods beginning on or after January 1, 2024, and this is subject to Canadian jurisdiction's endorsement. Early application is permitted on or before the date of initial application of IFRS S1 and IFRS S2. The International Organization of Securities Commissions (IOSCO) has officially endorsed IFRS S1 and IFRS S2 on July 23, 2023 and is now calling its member jurisdictions to consider ways they may adopt or apply the ISSB standards. The Bank is currently assessing the impact of adopting these standards.

### 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 (UNGPR). The Bank and its applicable subsidiaries also publish reports pursuant to modern slavery legislation to which they are subject. The Bank's current modern slavery reporting can be found here: <https://www.td.com/ca/en/about-td/for-investors/policies-and-references>.

In 2022, the Bank implemented changes to address the Canadian federal Financial Consumer Protection Framework. The framework aims to promote responsible conduct across Canadian banks and protect financial services customers, including components related to promoting transparency for customers to help them make informed decisions and provisions related to fair and equitable dealings.

The Bank's Supplier Code of Conduct also reflects its commitment to respect human rights. The Bank requires all new suppliers and suppliers with contracts that were renewed or amended after November 2019 to attest that they operate in accordance with the expectations described in the Bank's Supplier Code of Conduct, which includes the protection of human rights. In addition, the Bank's North American Supplier Diversity Program seeks to promote a level playing field and encourage the inclusion of women, Indigenous Peoples, Black, minority and 2SLGBTQ+ communities, people with disabilities, veterans, refugee entrepreneurs and other diverse suppliers 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.

### Social Framework

In 2023, the Bank established TD Pathways to Economic Inclusion, a new social framework which focuses the Bank's efforts on three areas where the Bank believes it has the knowledge and resources to make a meaningful impact: employment access, financial access, and housing access. The framework will sustain and build upon the Bank's longstanding commitment to improve financial and economic inclusion, focus the Bank's efforts to further embed social factors into the Bank's businesses, build on an area that has long been a priority for the Bank – diversity and inclusion – and strengthen the Bank's commitment to help open doors for all members of the communities it serves.

Since 2005, diversity and inclusion (D&I) has been embedded in the Bank's business strategy and framework. The Bank's lines of business have documented strategies and plans that align with and support the enterprise D&I strategy. Teams dedicated to Indigenous Banking, Black Customer Experience, Women in Enterprise and the 2SLGBTQ+ community work closely with internal business partners to help provide a comprehensive approach to serving customers from these diverse communities.

The Bank is devoted to advancing its diversity and inclusion strategy to build a more inclusive and diverse culture at the Bank. The Bank's third-party racial equity assessment on its U.S. and Canadian employment policies has been completed. It is in the process of reviewing key insights and recommendations and working towards publication.

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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 2023 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 2023 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 2023 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 2023 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;
- Features that modify elements of the time value of money; and
- Sustainability-linked features.

## 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 PD and LGD estimates 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 2023 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 elevated economic uncertainty, 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, CDOR cessation may also have an impact on the fair value of products that reference or use valuation models with CDOR 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 AOCL. 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 OCI 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 restructuring 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 ARR, and how it is managing the transition.

The global benchmark rate reform initiative to transition from IBOR benchmarks (such as CDOR to ARR) 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 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. In Canada specifically, the expected discontinuation of the Bankers' Acceptance (BA) lending model, which is responsible for creating the BA investment securities that are sold to money market investors, might also have impacts to the Bank's investment portfolio holdings and impact related earnings. 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.

Following previous announcements by various regulators, the publication has ceased for all sterling, Japanese yen, Swiss franc and euro London Interbank Offered Rate (LIBOR) settings, as well as the one-week and two-month USD LIBOR settings effective December 31, 2021. From June 30, 2023, all remaining USD LIBOR tenors have either ceased or are published only on a synthetic basis for the use in legacy contracts that have no other fallback solution. Six-month and twelve-month CDOR tenors ceased to be published effective May 17, 2021, while the remaining tenors of CDOR (one-month, two-month, and three-month) will cease following a final publication on June 28, 2024. In July 2023, the Canadian Alternative Reference Rate working group introduced a "no new CDOR or Banker's Acceptance loan" milestone date of November 1, 2023 to facilitate a tapered transition for the loan market by reducing the volume of loans that need to be remediated ahead of CDOR's cessation.

The Bank has incorporated these developments into its benchmark rate reform plan. To ensure an orderly transition, the Bank continues to monitor developments and incorporate global working groups' and regulators' best practice guidance on transition activities. These activities include, but are not limited to, making available new products referencing ARR, preparing to cease the issuance of the residual CDOR-based financial instruments, transitioning legacy contracts by incorporating appropriate fallback language and preparing for overall operational readiness. The Bank continues to make progress on its CDOR transition plan.

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## ACCOUNTING STANDARDS AND POLICIES

# Current and Future Changes in Accounting Policies

### CURRENT CHANGES IN ACCOUNTING POLICIES

The following amendments to an accounting standard have been adopted by the Bank for the fiscal year ended October 31, 2023.

#### **Amendments to IAS 12 – Income Taxes**

On May 23, 2023, the IASB issued *International Tax Reform – Pillar Two Model Rules*, which amends IAS 12, *Income Taxes*. The amendments provide a temporary mandatory exception from the requirements to recognize and disclose information about deferred taxes related to the implementation of Pillar Two model rules. The Bank has applied the temporary mandatory exception in jurisdictions in which the rules have been substantively enacted, which is effective immediately and is retrospective. The Bank has assessed that the retrospective application has no current impact on the Bank's consolidated results as at October 31, 2023.

Effective for reporting periods beginning on or after November 1, 2023, additional disclosure of current tax expense (recovery) and other information related to Pillar Two income tax exposures are required.

### 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* (IFRS 4), 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 Bank will apply the standard retrospectively with restatement of comparatives, where it will recognize the cumulative effect of adopting the standard as an adjustment to the opening retained earnings balance as of November 1, 2022.

The Bank will transition to IFRS 17 by primarily applying the full retrospective approach. This approach results in the measurement of insurance contracts as if IFRS 17 had always applied to them. Under IFRS 17, the measurement of insurance contracts includes a risk adjustment, which represents the compensation the Bank requires for bearing the uncertainty related to non-financial risk in its fulfilment of insurance contracts. The risk adjustment replaces the provision for adverse deviation under IFRS 4 and is expected to result in a lower valuation of insurance liabilities. When onerous contract groups are identified, the expected losses related to those contract groups shall be recorded in income. This results in an earlier recognition of losses compared to IFRS 4.

The Bank estimates a decrease to insurance-related liabilities and an increase to retained earnings of approximately \$0.1 billion after-tax at November 1, 2022.

IFRS 17 requires cash flows to be measured at their present value using a discount factor that is reflective of the characteristics of the liability, the discount factor is no longer tied to the yield of the securities supporting insurance reserves. In adopting IFRS 17, the Bank will apply transitional guidance to reclassify certain securities supporting insurance reserves from financial assets designated at FVTPL to FVOCI and vice versa to minimize accounting mismatches arising from the application of the new discount factor under IFRS 17. The reclassification will be retrospectively applied on November 1, 2023 and will result in the movement of cumulative unrealized losses between accumulated other comprehensive income and retained earnings.

The Bank's adoption of IFRS 17 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.

## 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, 2023. 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, 2023.

### 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, 2023, 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, 2023. 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, 2023.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year and quarter ended October 31, 2023, 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 2023 Consolidated

Financial Statements, prepared in accordance with IFRS as issued by the IASB.

TABLE 59 SELECT ANNUAL INFORMATION

| (millions of Canadian dollars, except as noted) | 2023      | 2022      | 2021      |
|---|-----------|-----------|-----------|
| Total revenue                                   | \$ 50,492 | \$ 49,032 | \$ 42,693 |
| Net income available to common shareholders     | 10,219    | 17,170    | 14,049    |
| Basic earnings per share                        | 5.61      | 9.48      | 7.73      |
| Diluted earnings per share                      | 5.60      | 9.47      | 7.72      |
| Dividends declared per common share             | 3.84      | 3.56      | 3.16      |
| Total Assets (billions of Canadian dollars)     | 1,957.0   | 1,917.5   | 1,728.7   |
| Deposits (billions of Canadian dollars)         | 1,198.2   | 1,230.0   | 1,125.1   |

**TABLE 60 INVESTMENT PORTFOLIO – Securities Maturity Schedule<sup>1,2</sup>**

(millions of Canadian dollars)

As at

|  | Remaining terms to maturities <sup>3</sup> |                        |                         |                          |               |                           | Total     | Total     |
|--|--|------------------------|-------------------------|--------------------------|---------------|---------------------------|-----------|-----------|
|  | Within 1 year                              | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 10 years | Over 10 years | With no specific maturity |           |           |
| <b>Securities at fair value through other comprehensive income</b>       |  |                        |                         |                          |               |                           |           |           |
| <b>Government and government-related securities</b>                      |  |                        |                         |                          |               |                           |           |           |
| Canadian government debt   |  |                        |                         |                          |               |                           |           |           |
| <i>Federal</i>   |  |                        |                         |                          |               |                           |           |           |
| Fair value   | \$ 1,704                                   | \$ 4,507               | \$ 1,367                | \$ 10,356                | \$ 276        | \$ –                      | \$ 18,210 | \$ 16,368 |
| Amortized cost   | 1,701                                      | 4,493                  | 1,363                   | 10,403                   | 374           | –                         | 18,334    | 16,420    |
| Yield  | 1.09%                                      | 1.03%                  | 2.72%                   | 2.91%                    | 2.74%         | –%                        | 2.26%     | 1.89%     |
| <i>Provinces</i>   |  |                        |                         |                          |               |                           |           |           |
| Fair value   | 1,447                                      | 3,426                  | 3,808                   | 10,947                   | 312           | –                         | 19,940    | 20,240    |
| Amortized cost   | 1,450                                      | 3,419                  | 3,802                   | 10,972                   | 310           | –                         | 19,953    | 20,279    |
| Yield  | 2.89%                                      | 2.43%                  | 2.68%                   | 2.49%                    | 3.71%         | –%                        | 2.56%     | 2.19%     |
| U.S. federal government debt   |  |                        |                         |                          |               |                           |           |           |
| Fair value   | 1,393                                      | 2,244                  | 690                     | 349                      | –             | –                         | 4,676     | 4,459     |
| Amortized cost   | 1,422                                      | 2,258                  | 691                     | 367                      | –             | –                         | 4,738     | 4,557     |
| Yield  | 2.10%                                      | 1.58%                  | 2.58%                   | 1.80%                    | –%            | –%                        | 1.90%     | 1.93%     |
| U.S. states, municipalities, and agencies                                |  |                        |                         |                          |               |                           |           |           |
| Fair value   | 3,120                                      | 291                    | 6                       | 539                      | 2,370         | –                         | 6,326     | 7,100     |
| Amortized cost   | 3,132                                      | 305                    | 6                       | 542                      | 2,537         | –                         | 6,522     | 7,298     |
| Yield  | 0.49%                                      | 2.57%                  | 4.40%                   | 1.92%                    | 4.57%         | –%                        | 2.30%     | 1.74%     |
| Other OECD government-guaranteed debt                                    |  |                        |                         |                          |               |                           |           |           |
| Fair value   | 163  | 1,090                  | 170                     | 75                       | –             | –                         | 1,498     | 1,682     |
| Amortized cost   | 163  | 1,113                  | 169                     | 76                       | –             | –                         | 1,521     | 1,715     |
| Yield  | 0.36%                                      | 1.72%                  | 1.83%                   | 1.87%                    | –%            | –%                        | 1.59%     | 1.80%     |
| Canadian mortgage-backed securities                                      |  |                        |                         |                          |               |                           |           |           |
| Fair value   | –  | 521                    | 1,756                   | –                        | –             | –                         | 2,277     | 1,033     |
| Amortized cost   | –  | 530                    | 1,783                   | –                        | –             | –                         | 2,313     | 1,035     |
| Yield  | –%   | –%                     | 4.22%                   | –%                       | –%            | –%                        | 3.25%     | 3.76%     |
| <b>Other debt securities</b>   |  |                        |                         |                          |               |                           |           |           |
| Asset-backed securities  |  |                        |                         |                          |               |                           |           |           |
| Fair value   | 1,946                                      | 272                    | –                       | 166                      | 1,730         | –                         | 4,114     | 4,440     |
| Amortized cost   | 1,947                                      | 278                    | –                       | 172                      | 1,749         | –                         | 4,146     | 4,511     |
| Yield  | 1.88%                                      | 2.54%                  | –%                      | 6.15%                    | 6.19%         | –%                        | 3.92%     | 3.87%     |
| Non-agency CMO <sup>4</sup>  |  |                        |                         |                          |               |                           |           |           |
| Fair value   | –  | –                      | –                       | –                        | –             | –                         | –         | –         |
| Amortized cost   | –  | –                      | –                       | –                        | –             | –                         | –         | –         |
| Yield  | –%   | –%                     | –%                      | –%                       | –%            | –%                        | –%        | –%        |
| Corporate and other debt   |  |                        |                         |                          |               |                           |           |           |
| Fair value   | 1,241                                      | 2,532                  | 2,105                   | 1,753                    | 1,259         | –                         | 8,890     | 8,681     |
| Amortized cost   | 1,247                                      | 2,570                  | 2,112                   | 1,746                    | 1,269         | 1                         | 8,945     | 8,820     |
| Yield  | 2.93%                                      | 3.33%                  | 3.03%                   | 4.20%                    | 6.09%         | –%                        | 3.76%     | 3.50%     |
| <b>Equity securities</b>   |  |                        |                         |                          |               |                           |           |           |
| Common shares  |  |                        |                         |                          |               |                           |           |           |
| Fair value   | –  | –                      | –                       | –                        | –             | 3,170                     | 3,170     | 2,221     |
| Amortized cost   | –  | –                      | –                       | –                        | –             | 3,190                     | 3,190     | 2,191     |
| Yield  | –%   | –%                     | –%                      | –%                       | –%            | 4.07%                     | 4.07%     | 0.65%     |
| Preferred shares   |  |                        |                         |                          |               |                           |           |           |
| Fair value   | –  | –                      | –                       | –                        | –             | 343                       | 343       | 1,098     |
| Amortized cost   | –  | –                      | –                       | –                        | –             | 567                       | 567       | 1,100     |
| Yield  | –%   | –%                     | –%                      | –%                       | –%            | 3.02%                     | 3.02%     | 1.69%     |
| <b>Total securities at fair value through other comprehensive income</b> |  |                        |                         |                          |               |                           |           |           |
| Fair value   | \$ 11,014                                  | \$ 14,883              | \$ 9,902                | \$ 24,185                | \$ 5,947      | \$ 3,513                  | \$ 69,444 | \$ 67,322 |
| Amortized cost   | 11,062                                     | 14,966                 | 9,926                   | 24,278                   | 6,239         | 3,758                     | 70,229    | 67,926    |
| Yield  | 1.62%                                      | 1.90%                  | 3.01%                   | 2.79%                    | 5.18%         | 3.91%                     | 2.72%     | 2.29%     |

<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, 2023 and October 31, 2022.

<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 60 INVESTMENT PORTFOLIO – Securities Maturity Schedule** (continued)<sup>1,2</sup>

(millions of Canadian dollars)

As at

|   | Remaining terms to maturities <sup>3</sup> |                           |                               |                                |                  |  | Total<br>October 31<br>2023 | Total<br>October 31<br>2022 |
|---|--|---------------------------|-------------------------------|--------------------------------|------------------|--|-----------------------------|-----------------------------|
|   | Within<br>1 year                           | Over 1 year<br>to 3 years | Over<br>3 years to<br>5 years | Over<br>5 years to<br>10 years | Over<br>10 years | With no<br>specific<br>maturity <sup>3</sup> |                             |                             |
| <b>Debt securities at amortized cost</b>            |  |                           |                               |                                |                  |  |                             |                             |
| <b>Government and government-related securities</b> |  |                           |                               |                                |                  |  |                             |                             |
| Canadian government debt                            |  |                           |                               |                                |                  |  |                             |                             |
| <i>Federal</i>                                      |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | \$ 927                                     | \$ 6,554                  | \$ 14,140                     | \$ 2,079                       | \$ 1,198         | \$ –   | \$ 24,898                   | \$ 19,634                   |
| Amortized cost                                      | 920  | 6,728                     | 14,330                        | 2,098                          | 1,268            | –  | 25,344                      | 19,753                      |
| Yield   | 3.58%                                      | 1.48%                     | 4.10%                         | 2.71%                          | 0.04%            | –%   | 3.07%                       | 0.97%                       |
| <i>Provinces</i>                                    |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 758  | 2,411                     | 3,091                         | 11,018                         | 13               | –  | 17,291                      | 16,422                      |
| Amortized cost                                      | 762  | 2,462                     | 3,146                         | 11,091                         | 13               | –  | 17,474                      | 16,654                      |
| Yield   | 2.32%                                      | 1.31%                     | 2.32%                         | 2.49%                          | –%               | –%   | 2.28%                       | 2.17%                       |
| U.S. federal government and agencies debt           |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 16,032                                     | 8,222                     | 24,741                        | 4,580                          | 11,811           | –  | 65,386                      | 79,012                      |
| Amortized cost                                      | 16,466                                     | 9,055                     | 26,328                        | 4,812                          | 11,752           | –  | 68,413                      | 84,129                      |
| Yield   | 0.69%                                      | 1.14%                     | 1.04%                         | 1.50%                          | 2.14%            | –%   | 1.19%                       | 1.09%                       |
| U.S. states, municipalities, and agencies           |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 2,312                                      | 6,374                     | 4,040                         | 27,719                         | 33,159           | –  | 73,604                      | 84,553                      |
| Amortized cost                                      | 2,345                                      | 6,557                     | 4,469                         | 29,611                         | 34,822           | –  | 77,804                      | 88,254                      |
| Yield   | 2.55%                                      | 2.41%                     | 1.54%                         | 1.87%                          | 5.78%            | –%   | 3.67%                       | 2.74%                       |
| Other OECD government-guaranteed debt               |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 7,201                                      | 18,610                    | 11,052                        | 2,918                          | –                | –  | 39,781                      | 45,072                      |
| Amortized cost                                      | 6,931                                      | 19,870                    | 11,431                        | 3,037                          | –                | –  | 41,269                      | 47,572                      |
| Yield   | 1.05%                                      | 1.11%                     | 1.60%                         | 2.73%                          | –%               | –%   | 1.36%                       | 1.10%                       |
| <b>Other debt securities</b>                        |  |                           |                               |                                |                  |  |                             |                             |
| Asset-backed securities                             |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 25   | 4,893                     | 9,851                         | 6,822                          | 17,028           | –  | 38,619                      | 47,731                      |
| Amortized cost                                      | 25   | 5,046                     | 10,352                        | 7,057                          | 17,408           | –  | 39,888                      | 49,893                      |
| Yield   | 5.06%                                      | 1.53%                     | 2.45%                         | 4.97%                          | 5.94%            | –%   | 4.30%                       | 3.12%                       |
| Non-agency CMO                                      |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | –  | –                         | –                             | 195                            | 15,584           | –  | 15,779                      | 16,186                      |
| Amortized cost                                      | –  | –                         | –                             | 209                            | 16,582           | –  | 16,791                      | 17,242                      |
| Yield   | –%   | –%                        | –%                            | 2.97%                          | 3.01%            | –%   | 3.01%                       | 2.92%                       |
| Canadian issuers                                    |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 40   | 1,599                     | 1,501                         | 1,201                          | –                | –  | 4,341                       | 3,871                       |
| Amortized cost                                      | 39   | 1,736                     | 1,571                         | 1,206                          | –                | –  | 4,552                       | 4,296                       |
| Yield   | 0.90%                                      | 2.08%                     | 2.23%                         | 2.66%                          | –%               | –%   | 2.28%                       | 2.10%                       |
| Other issuers                                       |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | 1,489                                      | 4,455                     | 6,160                         | 3,407                          | –                | –  | 15,511                      | 13,955                      |
| Amortized cost                                      | 1,507                                      | 4,696                     | 6,490                         | 3,788                          | –                | –  | 16,481                      | 14,981                      |
| Yield   | 3.41%                                      | 2.62%                     | 2.70%                         | 2.95%                          | –%               | –%   | 2.80%                       | 1.99%                       |
| <b>Total debt securities at amortized cost</b>      |  |                           |                               |                                |                  |  |                             |                             |
| Fair value  | \$ 28,784                                  | \$ 53,118                 | \$ 74,576                     | \$ 59,939                      | \$ 78,793        | \$ –   | \$ 295,210                  | \$ 326,436                  |
| Amortized cost                                      | 28,995                                     | 56,150                    | 78,117                        | 62,909                         | 81,845           | –  | 308,016                     | 342,774                     |
| Yield   | 1.20%                                      | 1.51%                     | 2.11%                         | 2.45%                          | 4.64%            | –%   | 2.66%                       | 2.00%                       |

<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, 2023 and October 31, 2022.

<sup>3</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**TABLE 61 LOAN PORTFOLIO – Maturity Schedule**

(millions of Canadian dollars)

As at

|   | Remaining term-to-maturity |                      |                             |                  | Total<br>October 31<br>2023 | Total<br>October 31<br>2022 |
|---|----------------------------|----------------------|-----------------------------|------------------|-----------------------------|-----------------------------|
|   | Within<br>1 year           | Over 1 to<br>5 years | Over 5 years<br>to 15 years | Over<br>15 years |                             |                             |
| <b>Canada</b>   |                            |                      |                             |                  |                             |                             |
| Residential mortgages                                 | \$ 33,723                  | \$ 227,604           | \$ 2,406                    | \$ –             | \$ 263,733                  | \$ 246,206                  |
| Consumer instalment and other personal                |                            |                      |                             |                  |                             |                             |
| HELOC   | 47,190                     | 70,358               | 70                          | –                | 117,618                     | 113,346                     |
| Indirect Auto   | 756                        | 14,494               | 13,536                      | –                | 28,786                      | 27,187                      |
| Other   | 17,104                     | 651                  | 832                         | –                | 18,587                      | 18,448                      |
| Credit card   | 18,815                     | –                    | –                           | –                | 18,815                      | 17,375                      |
| Total personal  | 117,588                    | 313,107              | 16,844                      | –                | 447,539                     | 422,562                     |
| Real estate   |                            |                      |                             |                  |                             |                             |
| Residential   | 13,003                     | 10,646               | 4,135                       | –                | 27,784                      | 27,139                      |
| Non-residential                                       | 12,629                     | 9,146                | 3,074                       | –                | 24,849                      | 22,529                      |
| Total real estate                                     | 25,632                     | 19,792               | 7,209                       | –                | 52,633                      | 49,668                      |
| Total business and government (including real estate) | 96,138                     | 50,778               | 9,260                       | 41               | 156,217                     | 144,400                     |
| Total loans – Canada                                  | 213,726                    | 363,885              | 26,104                      | 41               | 603,756                     | 566,962                     |
| <b>United States</b>                                  |                            |                      |                             |                  |                             |                             |
| Residential mortgages                                 | 1,111                      | 664                  | 1,923                       | 52,850           | 56,548                      | 47,646                      |
| Consumer instalment and other personal                |                            |                      |                             |                  |                             |                             |
| HELOC   | 8,255                      | 88                   | 755                         | 1,487            | 10,585                      | 9,887                       |
| Indirect Auto   | 413                        | 23,088               | 17,550                      | –                | 41,051                      | 36,385                      |
| Other   | 282                        | 616                  | 3                           | –                | 901                         | 865                         |
| Credit card   | 19,839                     | –                    | –                           | –                | 19,839                      | 18,629                      |
| Total personal  | 29,900                     | 24,456               | 20,231                      | 54,337           | 128,924                     | 113,412                     |
| Real estate   |                            |                      |                             |                  |                             |                             |
| Residential   | 2,007                      | 4,897                | 4,666                       | 388              | 11,958                      | 10,669                      |
| Non-residential                                       | 4,871                      | 15,964               | 6,735                       | 967              | 28,537                      | 25,641                      |
| Total real estate                                     | 6,878                      | 20,861               | 11,401                      | 1,355            | 40,495                      | 36,310                      |
| Total business and government (including real estate) | 44,144                     | 85,459               | 40,632                      | 8,024            | 178,259                     | 160,327                     |
| Total loans – United States                           | 74,044                     | 109,915              | 60,863                      | 62,361           | 307,183                     | 273,739                     |
| <b>Other International</b>                            |                            |                      |                             |                  |                             |                             |
| Personal  | 19                         | –                    | –                           | –                | 19                          | 23                          |
| Business and government                               | 6,181                      | 2,291                | 1,552                       | –                | 10,024                      | 18,722                      |
| Total loans – Other international                     | 6,200                      | 2,291                | 1,552                       | –                | 10,043                      | 18,745                      |
| <b>Other loans</b>                                    |                            |                      |                             |                  |                             |                             |
| Debt securities classified as loans                   | –                          | –                    | –                           | –                | –                           | –                           |
| Acquired credit-impaired loans                        | 2                          | 12                   | 52                          | 25               | 91                          | 115                         |
| Total other loans                                     | 2                          | 12                   | 52                          | 25               | 91                          | 115                         |
| <b>Total loans</b>                                    | <b>\$ 293,972</b>          | <b>\$ 476,103</b>    | <b>\$ 88,571</b>            | <b>\$ 62,427</b> | <b>\$ 921,073</b>           | <b>\$ 859,561</b>           |

**TABLE 62 LOAN PORTFOLIO – Rate Sensitivity**

(millions of Canadian dollars)

As at

|               | October 31, 2023     |                       |                  | October 31, 2022     |                       |                  |
|---------------|----------------------|-----------------------|------------------|----------------------|-----------------------|------------------|
|               | Over 1 to<br>5 years | Over 5 to<br>15 years | Over<br>15 years | Over 1 to<br>5 years | Over 5 to<br>15 years | Over<br>15 years |
| Fixed rate    | \$ 290,973           | \$ 69,964             | \$ 44,764        | \$ 267,434           | \$ 68,874             | \$ 40,340        |
| Variable rate | 185,130              | 18,607                | 17,663           | 178,983              | 21,004                | 11,504           |
| <b>Total</b>  | <b>\$ 476,103</b>    | <b>\$ 88,571</b>      | <b>\$ 62,427</b> | <b>\$ 446,417</b>    | <b>\$ 89,878</b>      | <b>\$ 51,844</b> |

**TABLE 63 ALLOWANCE FOR LOAN LOSSES**

(millions of Canadian dollars, except as noted)

|   | 2023            | 2022     |
|---|-----------------|----------|
| <b>Allowance for loan losses – Balance at beginning of year</b> | <b>\$ 6,432</b> | \$ 6,390 |
| <b>Provision for credit losses</b>                              | <b>2,933</b>    | 1,073    |
| <b>Write-offs</b>   |                 |          |
| <b>Canada</b>   |                 |          |
| Residential mortgages   | 6               | 7        |
| Consumer instalment and other personal                          |                 |          |
| HELOC   | 5               | 5        |
| Indirect Auto   | 293             | 216      |
| Other   | 225             | 175      |
| Credit card   | 457             | 373      |
| Total personal  | 986             | 776      |
| Real estate   |                 |          |
| Residential   | 2               | 2        |
| Non-residential   | 1               | 1        |
| Total real estate   | 3               | 3        |
| Total business and government (including real estate)           | 128             | 57       |
| Total Canada  | 1,114           | 833      |
| <b>United States</b>  |                 |          |
| Residential mortgages   | 4               | 26       |
| Consumer instalment and other personal                          |                 |          |
| HELOC   | 5               | 3        |
| Indirect Auto   | 325             | 210      |
| Other   | 251             | 237      |
| Credit card   | 968             | 602      |
| Total personal  | 1,553           | 1,078    |
| Real estate   |                 |          |
| Residential   | 2               | 4        |
| Non-residential   | 61              | 3        |
| Total real estate   | 63              | 7        |
| Total business and government (including real estate)           | 179             | 83       |
| Total United States   | 1,732           | 1,161    |
| <b>Other International</b>                                      |                 |          |
| Personal  | –               | –        |
| Business and government   | –               | –        |
| Total other international                                       | –               | –        |
| <b>Other loans</b>  |                 |          |
| Debt securities classified as loans                             | –               | –        |
| Acquired credit-impaired loans <sup>1,2</sup>                   | –               | –        |
| <b>Total other loans</b>  | –               | –        |
| <b>Total write-offs against portfolio</b>                       | <b>2,846</b>    | 1,994    |
| <b>Recoveries</b>   |                 |          |
| <b>Canada</b>   |                 |          |
| Residential mortgages   | –               | 1        |
| Consumer instalment and other personal                          |                 |          |
| HELOC   | 2               | 1        |
| Indirect Auto   | 82              | 70       |
| Other   | 45              | 49       |
| Credit card   | 95              | 103      |
| Total personal  | 224             | 224      |
| Real estate   |                 |          |
| Residential   | –               | –        |
| Non-residential   | –               | –        |
| Total real estate   | –               | –        |
| Total business and government (including real estate)           | 19              | 18       |
| Total Canada  | \$ 243          | \$ 242   |

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

<sup>2</sup> Other adjustments are required as a result of the accounting for FDIC covered loans.

| TABLE 6.3 ALLOWANCE FOR LOAN LOSSES (continued)                        |  | 2023     | 2022     |
|--|--|----------|----------|
| (millions of Canadian dollars, except as noted)                        |  |          |          |
| <b>United States</b>   |  |          |          |
| Residential mortgages  |  | \$ 3     | \$ 30    |
| Consumer instalment and other personal                                 |  |          |          |
| HELOC  |  | 4        | 6        |
| Indirect Auto  |  | 134      | 140      |
| Other  |  | 31       | 27       |
| Credit card  |  | 193      | 188      |
| Total personal   |  | 365      | 391      |
| Real estate  |  |          |          |
| Residential  |  | 1        | 1        |
| Non-residential  |  | 1        | 2        |
| Total real estate  |  | 2        | 3        |
| Total business and government (including real estate)                  |  | 26       | 31       |
| Total United States  |  | 391      | 422      |
| <b>Other International</b>   |  |          |          |
| Personal   |  | -        | -        |
| Business and government  |  | -        | -        |
| Total other international  |  | -        | -        |
| <b>Other loans</b>   |  |          |          |
| Debt securities classified as loans                                    |  | -        | -        |
| Acquired credit-impaired loans <sup>1,2</sup>                          |  | 1        | 3        |
| Total other loans  |  | 1        | 3        |
| Total recoveries on portfolio  |  | 635      | 667      |
| Net write-offs   |  | (2,211)  | (1,327)  |
| Disposals  |  | -        | -        |
| Foreign exchange and other adjustments                                 |  | 100      | 371      |
| Total allowance for loan losses, including off-balance sheet positions |  | 7,254    | 6,507    |
| Less: Change in allowance for off-balance sheet positions <sup>3</sup> |  | 118      | 75       |
| Total allowance for loan losses, at end of period                      |  | \$ 7,136 | \$ 6,432 |
| Ratio of net write-offs in the period to average loans outstanding     |  | 0.25%    | 0.17%    |

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

<sup>2</sup> Other adjustments are required as a result of the accounting for FDIC covered loans.

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



TABLE 6 4 AVERAGE DEPOSITS

(millions of Canadian dollars, except as noted)

For the years ended

|   | October 31, 2023    |                        |                   | October 31, 2022    |                        |                   |
|---|---------------------|------------------------|-------------------|---------------------|------------------------|-------------------|
|   | 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              | \$ 21,354           | \$ –                   | –%                | \$ 25,255           | \$ –                   | –%                |
| Interest-bearing demand deposits                  | 84,808              | 4,231                  | 4.99              | 121,980             | 1,656                  | 1.36              |
| Notice deposits                                   | 320,061             | 2,325                  | 0.73              | 324,452             | 626                    | 0.19              |
| Term deposits                                     | 335,069             | 14,049                 | 4.19              | 251,574             | 4,194                  | 1.67              |
| Total deposits booked in Canada                   | 761,292             | 20,605                 | 2.71              | 723,261             | 6,476                  | 0.90              |
| <b>Deposits booked in the United States</b>       |                     |                        |                   |                     |                        |                   |
| Non-interest-bearing demand deposits              | 12,611              | –                      | –                 | 13,268              | –                      | –                 |
| Interest-bearing demand deposits                  | 27,067              | 953                    | 3.52              | 24,911              | 189                    | 0.76              |
| Notice deposits                                   | 406,534             | 7,869                  | 1.94              | 460,438             | 1,769                  | 0.38              |
| Term deposits                                     | 119,670             | 5,760                  | 4.81              | 63,943              | 850                    | 1.33              |
| Total deposits booked in the United States        | 565,882             | 14,582                 | 2.58              | 562,560             | 2,808                  | 0.50              |
| <b>Deposits booked in the other international</b> |                     |                        |                   |                     |                        |                   |
| Non-interest-bearing demand deposits              | 24                  | –                      | –                 | 13                  | –                      | –                 |
| Interest-bearing demand deposits                  | 32                  | 3                      | 9.38              | 17                  | –                      | –                 |
| Notice deposits                                   | –                   | –                      | –                 | –                   | –                      | –                 |
| Term deposits                                     | 79,229              | 3,161                  | 3.99              | 48,778              | 464                    | 0.95              |
| Total deposits booked in other international      | 79,285              | 3,164                  | 3.99              | 48,808              | 464                    | 0.95              |
| <b>Total average deposits</b>                     | <b>\$ 1,406,459</b> | <b>\$ 38,351</b>       | <b>2.73%</b>      | <b>\$ 1,334,629</b> | <b>\$ 9,748</b>        | <b>0.73%</b>      |

<sup>1</sup> As at October 31, 2023, deposits by foreign depositors in TD's Canadian bank offices amounted to \$187 billion (October 31, 2022 – \$191 billion).

TABLE 6 5 DEPOSITS – Denominations of \$100,000 or greater<sup>1</sup>

(millions of Canadian dollars)

As at

|                            | Remaining term-to-maturity |                      |                       |                   | Total             |
|----------------------------|----------------------------|----------------------|-----------------------|-------------------|-------------------|
|                            | Within 3 months            | 3 months to 6 months | 6 months to 12 months | Over 12 months    |                   |
| October 31, 2023           |                            |                      |                       |                   |                   |
| Canada                     | \$ 72,295                  | \$ 37,289            | \$ 51,887             | \$ 148,244        | \$ 309,715        |
| United States <sup>2</sup> | 48,481                     | 24,335               | 36,868                | 3,939             | 113,623           |
| Other international        | 32,895                     | 18,287               | 37,304                | 142               | 88,628            |
| <b>Total</b>               | <b>\$ 153,671</b>          | <b>\$ 79,911</b>     | <b>\$ 126,059</b>     | <b>\$ 152,325</b> | <b>\$ 511,966</b> |
| 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> |

<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 \$44.9 billion in 'within 3 months', \$21.2 billion in 'over 3 months to 6 months', \$34.8 billion in 'over 6 months to 12 months', and \$3.3 billion in 'over 12 months' (October 31, 2022 – \$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', \$2.5 billion in 'over 12 months').

**TABLE 6.6 NET INTEREST INCOME ON AVERAGE INTEREST-EARNING BALANCES<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

|   | 2023                |                       |              | 2022                |                       |              |
|---|---------------------|-----------------------|--------------|---------------------|-----------------------|--------------|
|   | 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  | \$ 40,932           | \$ 2,417              | 5.90%        | \$ 58,596           | \$ 771                | 1.32%        |
| U.S.  | 58,220              | 2,433                 | 4.18         | 73,017              | 775                   | 1.06         |
| <b>Securities</b>   |                     |                       |              |                     |                       |              |
| <b>Trading</b>  |                     |                       |              |                     |                       |              |
| Canada  | 79,415              | 3,209                 | 4.04         | 77,356              | 2,335                 | 3.02         |
| U.S.  | 24,377              | 1,006                 | 4.13         | 18,434              | 473                   | 2.57         |
| <b>Non-trading</b>  |                     |                       |              |                     |                       |              |
| Canada  | 109,955             | 5,452                 | 4.96         | 89,771              | 1,822                 | 2.03         |
| U.S.  | 268,597             | 9,988                 | 3.72         | 281,605             | 4,061                 | 1.44         |
| <b>Securities purchased under reverse repurchase agreements</b>                     |                     |                       |              |                     |                       |              |
| Canada  | 84,646              | 3,869                 | 4.57         | 78,279              | 978                   | 1.25         |
| U.S.  | 61,839              | 3,630                 | 5.87         | 39,469              | 572                   | 1.45         |
| <b>Loans</b>  |                     |                       |              |                     |                       |              |
| <b>Residential mortgages<sup>4</sup></b>  |                     |                       |              |                     |                       |              |
| Canada  | 266,016             | 10,882                | 4.09         | 251,474             | 6,123                 | 2.43         |
| U.S.  | 51,329              | 1,802                 | 3.51         | 41,804              | 1,337                 | 3.20         |
| <b>Consumer instalment and other personal</b>                                       |                     |                       |              |                     |                       |              |
| Canada  | 158,980             | 6,244                 | 3.93         | 153,224             | 5,810                 | 3.79         |
| U.S.  | 47,692              | 2,405                 | 5.04         | 42,609              | 1,512                 | 3.55         |
| <b>Credit card</b>  |                     |                       |              |                     |                       |              |
| Canada  | 18,683              | 2,393                 | 12.81        | 16,496              | 2,013                 | 12.20        |
| U.S.  | 18,226              | 3,384                 | 18.57        | 16,171              | 2,518                 | 15.57        |
| <b>Business and government<sup>4</sup></b>  |                     |                       |              |                     |                       |              |
| Canada  | 151,034             | 8,152                 | 5.40         | 125,023             | 3,781                 | 3.02         |
| U.S.  | 156,970             | 8,985                 | 5.72         | 133,112             | 4,556                 | 3.42         |
| <b>International<sup>5</sup></b>  |                     |                       |              |                     |                       |              |
|   | 121,324             | 4,423                 | 3.65         | 122,013             | 1,595                 | 1.31         |
| <b>Total interest-earning assets<sup>6</sup></b>                                    | <b>1,718,235</b>    | <b>80,674</b>         | <b>4.70</b>  | <b>1,618,453</b>    | <b>41,032</b>         | <b>2.54</b>  |
| <b>Interest-bearing liabilities</b>   |                     |                       |              |                     |                       |              |
| <b>Deposits</b>   |                     |                       |              |                     |                       |              |
| <b>Personal<sup>7</sup></b>   |                     |                       |              |                     |                       |              |
| Canada  | 314,227             | 4,852                 | 1.54         | 304,118             | 1,213                 | 0.40         |
| U.S.  | 283,287             | 6,335                 | 2.24         | 320,091             | 1,404                 | 0.44         |
| <b>Banks<sup>8,9</sup></b>  |                     |                       |              |                     |                       |              |
| Canada  | 19,939              | 1,098                 | 5.51         | 21,055              | 234                   | 1.11         |
| U.S.  | 25,486              | 942                   | 3.70         | 3,303               | 78                    | 2.36         |
| <b>Business and government<sup>8,9</sup></b>  |                     |                       |              |                     |                       |              |
| Canada  | 360,857             | 14,655                | 4.06         | 323,658             | 5,029                 | 1.55         |
| U.S.  | 175,719             | 7,305                 | 4.16         | 151,580             | 1,326                 | 0.87         |
| <b>Subordinated notes and debentures</b>  |                     |                       |              |                     |                       |              |
|   | 11,112              | 436                   | 3.92         | 11,296              | 397                   | 3.51         |
| <b>Obligations related to securities sold short and under repurchase agreements</b> |                     |                       |              |                     |                       |              |
| Canada  | 83,935              | 3,662                 | 4.36         | 87,872              | 1,401                 | 1.59         |
| U.S.  | 78,421              | 4,408                 | 5.62         | 55,171              | 837                   | 1.52         |
| <b>Securitization liabilities<sup>10</sup></b>                                      |                     |                       |              |                     |                       |              |
|   | 27,629              | 915                   | 3.31         | 28,235              | 573                   | 2.03         |
| <b>Other liabilities</b>  |                     |                       |              |                     |                       |              |
| Canada  | 3,796               | 126                   | 3.32         | 4,348               | 91                    | 2.09         |
| U.S.  | 17,162              | 817                   | 4.76         | 7,972               | 163                   | 2.04         |
| <b>International<sup>8,9</sup></b>  |                     |                       |              |                     |                       |              |
|   | 127,126             | 5,179                 | 4.07         | 105,942             | 933                   | 0.88         |
| <b>Total interest-bearing liabilities<sup>6</sup></b>                               | <b>1,528,696</b>    | <b>50,730</b>         | <b>3.32</b>  | <b>1,424,641</b>    | <b>13,679</b>         | <b>0.96</b>  |
| <b>Total interest-earning assets, net interest income, and net interest margin</b>  | <b>\$ 1,718,235</b> | <b>\$ 29,944</b>      | <b>1.74%</b> | <b>\$ 1,618,453</b> | <b>\$ 27,353</b>      | <b>1.69%</b> |
| <b>Add: non-interest earning assets</b>   | <b>203,948</b>      | <b>–</b>              | <b>–</b>     | <b>194,576</b>      | <b>–</b>              | <b>–</b>     |
| <b>Total assets, net interest income and margin</b>                                 | <b>\$ 1,922,183</b> | <b>\$ 29,944</b>      | <b>1.56%</b> | <b>\$ 1,813,029</b> | <b>\$ 27,353</b>      | <b>1.51%</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 \$15 billion (2022 – \$12 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 \$0.9 billion (2022 – \$1.7 billion).

<sup>8</sup> Includes average trading deposits with a fair value of \$26 billion (2022 – \$20 billion).

<sup>9</sup> Includes average deposits designated at FVTPL of \$188 billion (2022 – \$137 billion).

<sup>10</sup> Includes average securitization liabilities at fair value of \$13 billion (2022 – \$13 billion) and average securitization liabilities at amortized cost of \$14 billion (2022 – \$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 6 7 ANALYSIS OF CHANGE IN NET INTEREST INCOME <sup>1,2</sup>                  |  | 2023 vs. 2022                         |                 |                 |
|---|--|---------------------------------------|-----------------|-----------------|
| (millions of Canadian dollars)  |  | Increase (decrease) due to changes in |                 |                 |
|   |  | Average<br>volume                     | Average<br>rate | Net change      |
| <b>Interest-earning assets</b>  |  |                                       |                 |                 |
| <b>Interest-bearing deposits with banks</b>   |  |                                       |                 |                 |
| Canada  |  | \$ (232)                              | \$ 1,878        | \$ 1,646        |
| U.S.  |  | (157)                                 | 1,815           | 1,658           |
| <b>Securities</b>   |  |                                       |                 |                 |
| Trading   |  |                                       |                 |                 |
| Canada  |  | 62                                    | 812             | 874             |
| U.S.  |  | 152                                   | 381             | 533             |
| Non-trading   |  |                                       |                 |                 |
| Canada  |  | 410                                   | 3,220           | 3,630           |
| U.S.  |  | (188)                                 | 6,115           | 5,927           |
| <b>Securities purchased under reverse repurchase agreements</b>                     |  |                                       |                 |                 |
| Canada  |  | 80                                    | 2,811           | 2,891           |
| U.S.  |  | 324                                   | 2,734           | 3,058           |
| <b>Loans</b>  |  |                                       |                 |                 |
| Residential mortgages   |  |                                       |                 |                 |
| Canada  |  | 354                                   | 4,405           | 4,759           |
| U.S.  |  | 305                                   | 160             | 465             |
| Consumer instalment and other personal  |  |                                       |                 |                 |
| Canada  |  | 218                                   | 216             | 434             |
| U.S.  |  | 181                                   | 712             | 893             |
| Credit card   |  |                                       |                 |                 |
| Canada  |  | 267                                   | 113             | 380             |
| U.S.  |  | 320                                   | 546             | 866             |
| Business and government   |  |                                       |                 |                 |
| Canada  |  | 787                                   | 3,584           | 4,371           |
| U.S.  |  | 817                                   | 3,612           | 4,429           |
| <b>International</b>  |  |                                       |                 |                 |
| <b>Total interest income</b>  |  | <b>3,784</b>                          | <b>35,858</b>   | <b>39,642</b>   |
| <b>Interest-bearing liabilities</b>   |  |                                       |                 |                 |
| <b>Deposits</b>   |  |                                       |                 |                 |
| Personal  |  |                                       |                 |                 |
| Canada  |  | 40                                    | 3,599           | 3,639           |
| U.S.  |  | (161)                                 | 5,092           | 4,931           |
| Banks   |  |                                       |                 |                 |
| Canada  |  | (12)                                  | 876             | 864             |
| U.S.  |  | 525                                   | 339             | 864             |
| Business and government   |  |                                       |                 |                 |
| Canada  |  | 578                                   | 9,048           | 9,626           |
| U.S.  |  | 211                                   | 5,768           | 5,979           |
| <b>Subordinated notes and debentures</b>  |  |                                       |                 |                 |
| <b>Obligations related to securities sold short and under repurchase agreements</b> |  |                                       |                 |                 |
| Canada  |  | (63)                                  | 2,324           | 2,261           |
| U.S.  |  | 353                                   | 3,218           | 3,571           |
| <b>Securitization liabilities</b>   |  |                                       |                 |                 |
| <b>Other liabilities</b>  |  |                                       |                 |                 |
| Canada  |  | (11)                                  | 46              | 35              |
| U.S.  |  | 188                                   | 466             | 654             |
| <b>International</b>  |  |                                       |                 |                 |
| <b>Total interest expense</b>   |  | <b>1,847</b>                          | <b>35,204</b>   | <b>37,051</b>   |
| <b>Net interest income</b>  |  | <b>\$ 1,937</b>                       | <b>\$ 654</b>   | <b>\$ 2,591</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.

# 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.

**Carrying Value:** The value at which an asset or liability is carried at on the Consolidated Balance Sheet.

**Collateralized Mortgage Obligation (CMO):** They are collateralized debt obligations consisting of mortgage-backed securities that are separated and issued as different classes of mortgage pass-through securities with different terms, interest rates, and risks. CMOs by private issuers are collectively referred to as non-agency CMOs.

**Common Equity Tier 1 (CET1) Capital:** This is a primary Basel III capital measure comprised mainly of common equity, retained earnings and qualifying non-controlling interest in subsidiaries. Regulatory deductions made to arrive at the CET1 Capital include goodwill and intangibles, unconsolidated investments in banking, financial, and insurance entities, deferred tax assets, defined benefit pension fund assets, and shortfalls in allowances.

**Common Equity Tier 1 (CET1) Capital Ratio:** CET1 Capital ratio represents the predominant measure of capital adequacy under Basel III and equals CET1 Capital divided by RWA.

**Compound Annual Growth Rate (CAGR):** A measure of growth over multiple time periods from the initial investment value to the ending investment value assuming that the investment has been compounding over the time period.

**Credit Valuation Adjustment (CVA):** CVA represents 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.

**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 receivership (failed banks).

**Forward Contracts:** Over-the-counter contracts between two parties that obligate 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.

**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.

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**FINANCIAL RESULTS**

# Consolidated Financial Statements

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## 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, 2023, 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, 2023, 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, 2023, in addition to auditing the Bank's Consolidated Financial Statements as of the same date. Their reports, which expressed unqualified opinions, 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**  
Group Head and  
Chief Financial Officer

Toronto, Canada  
November 29, 2023

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Directors of The Toronto-Dominion Bank

#### **Opinion**

We have audited the consolidated financial statements of The Toronto-Dominion Bank and its subsidiaries (TD), which comprise the Consolidated Balance Sheets as at October 31, 2023 and 2022, and the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, and Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TD as at October 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TD in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended October 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### **Allowance for credit losses**

##### *Key audit matter*

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 \$8,189 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.

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.

##### *How our audit addressed the key audit matter*

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.

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.

#### **Fair value measurement of derivatives**

##### *Key audit matter*

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 \$87,382 million and derivative liabilities of \$71,640 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. The



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.

#### *How our audit addressed the key audit matter*

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.

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, where available. 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.

#### **Measurement of provision for uncertain tax positions**

##### *Key audit matter*

TD describes its significant accounting judgments, estimates, and assumptions in relation to income taxes in Note 3 and Note 24 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 provision.

Auditing TD's provision for uncertain tax positions involved the application of judgment and is based on interpretation of tax legislation and jurisprudence.

#### *How our audit addressed the key audit matter*

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.

#### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the 2023 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the 2023 Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing TD's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate TD or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing TD's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause TD to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within TD to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Helen Mitchell.

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
November 29, 2023

## 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, 2023 and 2022, 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, 2023 and 2022, its consolidated 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, 2023, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 29, 2023, 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.

#### *Allowance for credit losses*

##### *Description of the Matter*

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 \$8,189 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.

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.

#### *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 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.

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.

#### **Fair value measurement of derivatives**

##### *Description of the Matter*

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 \$87,382 million and derivative liabilities of \$71,640 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.

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.

#### *How We Addressed the Matter in Our Audit*

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.

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, where available. 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.

#### **Measurement of provision for uncertain tax positions**

##### *Description of the Matter*

TD describes its significant accounting judgments, estimates, and assumptions in relation to income taxes in Note 3 and Note 24 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 provision.

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.

*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 29, 2023

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**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, 2023, 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, 2023, 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 Sheets of TD as of October 31, 2023 and 2022, 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 29, 2023, 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.

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
November 29, 2023

# Consolidated Balance Sheet

| (As at and in millions of Canadian dollars)   | October 31<br>2023  | October 31<br>2022  |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| <b>Cash and due from banks</b>  | <b>\$ 6,721</b>     | <b>\$ 8,556</b>     |
| <b>Interest-bearing deposits with banks</b>   | <b>98,348</b>       | <b>137,294</b>      |
|   | <b>105,069</b>      | <b>145,850</b>      |
| Trading loans, securities, and other (Note 5)   | 152,090             | 143,726             |
| Non-trading financial assets at fair value through profit or loss (Note 5)                | 7,340               | 10,946              |
| Derivatives (Notes 5, 11)   | 87,382              | 103,873             |
| Financial assets designated at fair value through profit or loss (Notes 5, 7)             | 5,818               | 5,039               |
| Financial assets at fair value through other comprehensive income (Note 5)                | 69,865              | 69,675              |
|   | <b>322,495</b>      | <b>333,259</b>      |
| <b>Debt securities at amortized cost, net of allowance for credit losses (Notes 5, 7)</b> | <b>308,016</b>      | <b>342,774</b>      |
| <b>Securities purchased under reverse repurchase agreements (Note 6)</b>                  | <b>204,333</b>      | <b>160,167</b>      |
| <b>Loans (Notes 5, 8)</b>   |                     |                     |
| Residential mortgages   | 320,341             | 293,924             |
| Consumer instalment and other personal  | 217,554             | 206,152             |
| Credit card   | 38,660              | 36,010              |
| Business and government   | 326,528             | 301,389             |
|   | <b>903,083</b>      | <b>837,475</b>      |
| Allowance for loan losses (Note 8)  | (7,136)             | (6,432)             |
| Loans, net of allowance for loan losses   | 895,947             | 831,043             |
| <b>Other</b>  |                     |                     |
| Customers' liability under acceptances (Note 8)   | 17,569              | 19,733              |
| Investment in Schwab (Note 12)  | 8,907               | 8,088               |
| Goodwill (Note 14)  | 18,602              | 17,656              |
| Other intangibles (Note 14)   | 2,771               | 2,303               |
| Land, buildings, equipment, other depreciable assets, and right-of-use assets (Note 15)   | 9,434               | 9,400               |
| Deferred tax assets (Note 24)   | 3,960               | 2,193               |
| Amounts receivable from brokers, dealers, and clients                                     | 30,416              | 19,760              |
| Other assets (Note 16)  | 29,505              | 25,302              |
|   | <b>121,164</b>      | <b>104,435</b>      |
| <b>Total assets</b>   | <b>\$ 1,957,024</b> | <b>\$ 1,917,528</b> |
| <b>LIABILITIES</b>  |                     |                     |
| Trading deposits (Notes 5, 17)  | \$ 30,980           | \$ 23,805           |
| Derivatives (Notes 5, 11)   | 71,640              | 91,133              |
| Securitization liabilities at fair value (Notes 5, 9)                                     | 14,422              | 12,612              |
| Financial liabilities designated at fair value through profit or loss (Notes 5, 17)       | 192,130             | 162,786             |
|   | <b>309,172</b>      | <b>290,336</b>      |
| <b>Deposits (Notes 5, 17)</b>   |                     |                     |
| Personal  | 626,596             | 660,838             |
| Banks   | 31,225              | 38,263              |
| Business and government   | 540,369             | 530,869             |
|   | <b>1,198,190</b>    | <b>1,229,970</b>    |
| <b>Other</b>  |                     |                     |
| Acceptances (Note 8)  | 17,569              | 19,733              |
| Obligations related to securities sold short (Note 5)                                     | 44,661              | 45,505              |
| Obligations related to securities sold under repurchase agreements (Note 6)               | 166,854             | 128,024             |
| Securitization liabilities at amortized cost (Notes 5, 9)                                 | 12,710              | 15,072              |
| Amounts payable to brokers, dealers, and clients  | 30,872              | 25,195              |
| Insurance-related liabilities (Note 21)   | 7,605               | 7,468               |
| Other liabilities (Note 18)   | 47,664              | 33,552              |
|   | <b>327,935</b>      | <b>274,549</b>      |
| <b>Subordinated notes and debentures (Notes 5, 19)</b>                                    | <b>9,620</b>        | <b>11,290</b>       |
| <b>Total liabilities</b>  | <b>1,844,917</b>    | <b>1,806,145</b>    |
| <b>EQUITY</b>   |                     |                     |
| <b>Shareholders' Equity</b>   |                     |                     |
| Common shares (Note 20)   | 25,434              | 24,363              |
| Preferred shares and other equity instruments (Note 20)                                   | 10,853              | 11,253              |
| Treasury – common shares (Note 20)  | (64)                | (91)                |
| Treasury – preferred shares and other equity instruments (Note 20)                        | (65)                | (7)                 |
| Contributed surplus   | 155                 | 179                 |
| Retained earnings   | 73,044              | 73,698              |
| Accumulated other comprehensive income (loss)   | 2,750               | 1,988               |
|   | <b>112,107</b>      | <b>111,383</b>      |
| <b>Total equity</b>   | <b>112,107</b>      | <b>111,383</b>      |
| <b>Total liabilities and equity</b>   | <b>\$ 1,957,024</b> | <b>\$ 1,917,528</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)

For the years ended October 31

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>Interest income<sup>1</sup> (Note 29)</b>  |                  |                  |
| Loans   | \$ 44,518        | \$ 27,721        |
| Reverse repurchase agreements   | 9,520            | 1,945            |
| Securities  |                  |                  |
| Interest  | 19,029           | 7,928            |
| Dividends   | 2,289            | 1,822            |
| Deposits with banks   | 5,318            | 1,616            |
|   | <b>80,674</b>    | <b>41,032</b>    |
| <b>Interest expense (Note 29)</b>   |                  |                  |
| Deposits  | 38,351           | 9,748            |
| Securitization liabilities  | 915              | 573              |
| Subordinated notes and debentures   | 436              | 397              |
| Repurchase agreements and short sales   | 10,083           | 2,706            |
| Other   | 945              | 255              |
|   | <b>50,730</b>    | <b>13,679</b>    |
| <b>Net interest income</b>  | <b>29,944</b>    | <b>27,353</b>    |
| <b>Non-interest income</b>  |                  |                  |
| Investment and securities services  | 6,420            | 5,869            |
| Credit fees   | 1,796            | 1,615            |
| Trading income (loss)   | 2,417            | (257)            |
| Service charges   | 2,609            | 2,871            |
| Card services   | 2,932            | 2,890            |
| Insurance revenue (Note 21)   | 5,671            | 5,380            |
| Other income (loss) (Notes 12, 13)  | (1,297)          | 3,311            |
|   | <b>20,548</b>    | <b>21,679</b>    |
| <b>Total revenue</b>  | <b>50,492</b>    | <b>49,032</b>    |
| <b>Provision for (recovery of) credit losses (Note 8)</b>                           | <b>2,933</b>     | <b>1,067</b>     |
| <b>Insurance claims and related expenses (Note 21)</b>                              | <b>3,705</b>     | <b>2,900</b>     |
| <b>Non-interest expenses</b>  |                  |                  |
| Salaries and employee benefits  | 15,753           | 13,394           |
| Occupancy, including depreciation   | 1,799            | 1,660            |
| Technology and equipment, including depreciation                                    | 2,308            | 1,902            |
| Amortization of other intangibles   | 672              | 599              |
| Communication and marketing   | 1,452            | 1,355            |
| Restructuring charges (Note 26)   | 363              | –                |
| Brokerage-related and sub-advisory fees   | 456              | 408              |
| Professional, advisory and outside services   | 2,490            | 2,190            |
| Other (Notes 13, 26)  | 5,475            | 3,133            |
|   | <b>30,768</b>    | <b>24,641</b>    |
| <b>Income before income taxes and share of net income from investment in Schwab</b> | <b>13,086</b>    | <b>20,424</b>    |
| <b>Provision for (recovery of) income taxes (Note 24)</b>                           | <b>3,168</b>     | <b>3,986</b>     |
| <b>Share of net income from investment in Schwab (Note 12)</b>                      | <b>864</b>       | <b>991</b>       |
| <b>Net income</b>   | <b>10,782</b>    | <b>17,429</b>    |
| <b>Preferred dividends and distributions on other equity instruments</b>            | <b>563</b>       | <b>259</b>       |
| <b>Net income available to common shareholders</b>                                  | <b>\$ 10,219</b> | <b>\$ 17,170</b> |
| <b>Earnings per share (Canadian dollars) (Note 25)</b>                              |                  |                  |
| Basic   | \$ 5.61          | \$ 9.48          |
| Diluted   | 5.60             | 9.47             |
| <b>Dividends per common share (Canadian dollars)</b>                                | <b>3.84</b>      | <b>3.56</b>      |

<sup>1</sup> Includes \$72,403 million for the year ended October 31, 2023 (October 31, 2022 – \$37,105 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)

For the years ended October 31

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>Net income</b>   | <b>\$ 10,782</b> | <b>\$ 17,429</b> |
| <b>Other comprehensive income (loss)</b>  |                  |                  |
| <i>Items that will be subsequently reclassified to net income</i>   |                  |                  |
| <b>Net change in unrealized gain/(loss) on financial assets at fair value through other comprehensive income</b>                              |                  |                  |
| Change in unrealized gain/(loss)  | 96               | (1,343)          |
| Reclassification to earnings of net loss/(gain)   | (9)              | 2                |
| Changes in allowance for credit losses recognized in earnings   | -                | (5)              |
| Income taxes relating to:   |                  |                  |
| Change in unrealized gain/(loss)  | (32)             | 360              |
| Reclassification to earnings of net loss/(gain)   | 8                | -                |
|   | <b>63</b>        | <b>(986)</b>     |
| <b>Net change in unrealized foreign currency translation gain/(loss) on investments in foreign operations, net of hedging activities</b>      |                  |                  |
| Unrealized gain/(loss)  | 2,233            | 9,230            |
| Reclassification to earnings of net loss/(gain)   | 11               | 50               |
| Net gain/(loss) on hedges   | (1,821)          | (3,271)          |
| Reclassification to earnings of net loss/(gain) on hedges   | (15)             | (68)             |
| Income taxes relating to:   |                  |                  |
| Net gain/(loss) on hedges   | 217              | 859              |
| Reclassification to earnings of net loss/(gain) on hedges   | 4                | 18               |
|   | <b>629</b>       | <b>6,818</b>     |
| <b>Net change in gain/(loss) on derivatives designated as cash flow hedges</b>  |                  |                  |
| Change in gain/(loss)   | (78)             | (6,179)          |
| Reclassification to earnings of loss/(gain)   | 238              | (4,100)          |
| Income taxes relating to:   |                  |                  |
| Change in gain/(loss)   | 137              | 1,660            |
| Reclassification to earnings of loss/(gain)   | (52)             | 972              |
|   | <b>245</b>       | <b>(7,647)</b>   |
| <b>Share of other comprehensive income (loss) from investment in Schwab</b>   | <b>91</b>        | <b>(3,200)</b>   |
| <i>Items that will not be subsequently reclassified to net income</i>   |                  |                  |
| <b>Remeasurement gain/(loss) on employee benefit plans</b>  |                  |                  |
| Gain/(loss)   | (95)             | 1,105            |
| Income taxes  | 9                | (290)            |
|   | <b>(86)</b>      | <b>815</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)  | (204)            | (214)            |
| Income taxes  | 54               | 56               |
|   | <b>(150)</b>     | <b>(158)</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)   | (158)            | 87               |
| Income taxes  | 42               | (23)             |
|   | <b>(116)</b>     | <b>64</b>        |
| <b>Total other comprehensive income (loss)</b>  | <b>676</b>       | <b>(4,294)</b>   |
| <b>Total comprehensive income (loss)</b>  | <b>\$ 11,458</b> | <b>\$ 13,135</b> |
| Attributable to:  |                  |                  |
| Common shareholders   | <b>\$ 10,895</b> | <b>\$ 12,876</b> |
| Preferred shareholders and other equity instrument holders  | <b>563</b>       | <b>259</b>       |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

(millions of Canadian dollars)

For the years ended October 31

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>Common shares (Note 20)</b>   |                   |                   |
| Balance at beginning of year   | \$ 24,363         | \$ 23,066         |
| Proceeds from shares issued on exercise of stock options   | 83                | 120               |
| Shares issued as a result of dividend reinvestment plan  | 1,720             | 1,442             |
| Purchase of shares for cancellation and other  | (732)             | (265)             |
| Balance at end of year   | 25,434            | 24,363            |
| <b>Preferred shares and other equity instruments (Note 20)</b>   |                   |                   |
| Balance at beginning of year   | 11,253            | 5,700             |
| Issue of shares and other equity instruments   | –                 | 5,553             |
| Redemption of shares and other equity instruments  | (400)             | –                 |
| Balance at end of year   | 10,853            | 11,253            |
| <b>Treasury – common shares (Note 20)</b>  |                   |                   |
| Balance at beginning of year   | (91)              | (152)             |
| Purchase of shares   | (7,959)           | (10,852)          |
| Sale of shares   | 7,986             | 10,913            |
| Balance at end of year   | (64)              | (91)              |
| <b>Treasury – preferred shares and other equity instruments (Note 20)</b>  |                   |                   |
| Balance at beginning of year   | (7)               | (10)              |
| Purchase of shares and other equity instruments  | (590)             | (255)             |
| Sale of shares and other equity instruments  | 532               | 258               |
| Balance at end of year   | (65)              | (7)               |
| <b>Contributed surplus</b>   |                   |                   |
| Balance at beginning of year   | 179               | 173               |
| Net premium (discount) on sale of treasury instruments   | (21)              | (3)               |
| Issuance of stock options, net of options exercised  | 27                | 18                |
| Other  | (30)              | (9)               |
| Balance at end of year   | 155               | 179               |
| <b>Retained earnings</b>   |                   |                   |
| Balance at beginning of year   | 73,698            | 63,944            |
| Net income attributable to equity instrument holders   | 10,782            | 17,429            |
| Common dividends   | (6,982)           | (6,442)           |
| Preferred dividends and distributions on other equity instruments  | (563)             | (259)             |
| Share and other equity instrument issue expenses   | –                 | (24)              |
| Net premium on repurchase of common shares and redemption of preferred shares and other equity instruments (Note 20)                           | (3,553)           | (1,930)           |
| Remeasurement gain/(loss) on employee benefit plans  | (86)              | 815               |
| Realized gain/(loss) on equity securities designated at fair value through other comprehensive income  | (252)             | 165               |
| Balance at end of year   | 73,044            | 73,698            |
| <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   | (476)             | 510               |
| Other comprehensive income (loss)  | 63                | (981)             |
| Allowance for credit losses  | –                 | (5)               |
| Balance at end of year   | (413)             | (476)             |
| <i>Net unrealized gain/(loss) on equity securities designated at fair value through other comprehensive income:</i>                            |                   |                   |
| Balance at beginning of year   | 23                | 181               |
| Other comprehensive income (loss)  | (402)             | 7                 |
| Reclassification of loss/(gain) to retained earnings   | 252               | (165)             |
| Balance at end of year   | (127)             | 23                |
| <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   | 78                | 14                |
| Other comprehensive income (loss)  | (116)             | 64                |
| Balance at end of year   | (38)              | 78                |
| <i>Net unrealized foreign currency translation gain/(loss) on investments in foreign operations, net of hedging activities:</i>                |                   |                   |
| Balance at beginning of year   | 12,048            | 5,230             |
| Other comprehensive income (loss)  | 629               | 6,818             |
| Balance at end of year   | 12,677            | 12,048            |
| <i>Net gain/(loss) on derivatives designated as cash flow hedges:</i>  |                   |                   |
| Balance at beginning of year   | (5,717)           | 1,930             |
| Other comprehensive income (loss)  | 245               | (7,647)           |
| Balance at end of year   | (5,472)           | (5,717)           |
| <i>Share of accumulated other comprehensive income (loss) from Investment in Schwab</i>  | (3,877)           | (3,968)           |
| <b>Total accumulated other comprehensive income</b>  | 2,750             | 1,988             |
| <b>Total equity</b>  | <b>\$ 112,107</b> | <b>\$ 111,383</b> |

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

|  | 2023            | 2022            |
|--|-----------------|-----------------|
| <b>Cash flows from (used in) operating activities</b>  |                 |                 |
| Net income   | \$ 10,782       | \$ 17,429       |
| Adjustments to determine net cash flows from (used in) operating activities                            |                 |                 |
| Provision for (recovery of) credit losses (Note 8)   | 2,933           | 1,067           |
| Depreciation (Note 15)   | 1,239           | 1,167           |
| Amortization of other intangibles (Note 14)  | 672             | 599             |
| Net securities loss/(gain) (Note 7)  | 48              | (60)            |
| Share of net income from investment in Schwab (Note 12)  | (864)           | (991)           |
| Gain on sale of Schwab shares (Note 12)  | –               | (997)           |
| Deferred taxes (Note 24)   | (1,256)         | 502             |
| Changes in operating assets and liabilities  |                 |                 |
| Interest receivable and payable (Notes 16, 18)   | 812             | (412)           |
| Securities sold under repurchase agreements  | 36,832          | (16,073)        |
| Securities purchased under reverse repurchase agreements   | (41,873)        | 7,117           |
| Securities sold short  | (2,722)         | 3,121           |
| Trading loans, securities, and other   | (5,332)         | 3,864           |
| Loans net of securitization and sales  | (67,766)        | (109,463)       |
| Deposits   | (25,487)        | 105,759         |
| Derivatives  | (2,341)         | (15,435)        |
| Non-trading financial assets at fair value through profit or loss                                      | 3,897           | (1,556)         |
| Financial assets and liabilities designated at fair value through profit or loss                       | 28,565          | 48,323          |
| Securitization liabilities   | (552)           | (1,083)         |
| Current taxes  | 1,228           | (4,100)         |
| Brokers, dealers, and clients amounts receivable and payable   | (5,128)         | 8,799           |
| Other, including unrealized foreign currency translation loss/(gain)                                   | 1,011           | (8,628)         |
| Net cash from (used in) operating activities   | (65,302)        | 38,949          |
| <b>Cash flows from (used in) financing activities</b>  |                 |                 |
| Redemption or repurchase of subordinated notes and debentures (Note 19)                                | (1,716)         | 6               |
| Common shares issued, net  | 74              | 108             |
| Repurchase of common shares  | (4,285)         | (2,195)         |
| Preferred shares and other equity instruments issued, net  | –               | 5,529           |
| Redemption of preferred shares and other equity instruments  | (400)           | (1,000)         |
| Sale of treasury shares and other equity instruments (Note 20)   | 8,497           | 11,168          |
| Purchase of treasury shares and other equity instruments (Note 20)                                     | (8,549)         | (11,107)        |
| Dividends paid on shares and distributions paid on other equity instruments                            | (5,825)         | (6,665)         |
| Repayment of lease liabilities   | (643)           | (663)           |
| Net cash from (used in) financing activities   | (12,847)        | (4,819)         |
| <b>Cash flows from (used in) investing activities</b>  |                 |                 |
| Interest-bearing deposits with banks   | 41,446          | 30,455          |
| Activities in financial assets at fair value through other comprehensive income                        |                 |                 |
| Purchases  | (24,336)        | (31,135)        |
| Proceeds from maturities   | 17,893          | 33,158          |
| Proceeds from sales  | 5,838           | 6,723           |
| Activities in debt securities at amortized cost  |                 |                 |
| Purchases  | (26,987)        | (149,560)       |
| Proceeds from maturities   | 52,819          | 68,719          |
| Proceeds from sales  | 12,021          | 8,720           |
| Net purchases of land, buildings, equipment, other depreciable assets, and other intangibles (Note 15) | (1,844)         | (1,454)         |
| Net cash acquired from (paid for) divestitures and acquisitions (Note 13)                              | (624)           | 2,479           |
| Net cash from (used in) investing activities   | 76,226          | (31,895)        |
| Effect of exchange rate changes on cash and due from banks   | 88              | 390             |
| <b>Net increase (decrease) in cash and due from banks</b>  | <b>(1,835)</b>  | <b>2,625</b>    |
| Cash and due from banks at beginning of year   | 8,556           | 5,931           |
| <b>Cash and due from banks at end of year</b>  | <b>\$ 6,721</b> | <b>\$ 8,556</b> |
| <b>Supplementary disclosure of cash flows from operating activities</b>                                |                 |                 |
| Amount of income taxes paid (refunded) during the year   | \$ 3,036        | \$ 4,404        |
| Amount of interest paid during the year  | 48,179          | 12,523          |
| Amount of interest received during the year  | 76,646          | 37,642          |
| Amount of dividends received during the year   | 2,247           | 1,792           |

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 29, 2023.

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 2023 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, *Financial Instruments* (IFRS 9), IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and IFRS 7, *Financial Instruments: Disclosures* (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, *Insurance Contracts* (IFRS 4) and IFRS 16, *Leases* (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 their 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 2023 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 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 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.

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, software intangibles, and other intangibles. Intangible assets are initially recognized at cost, or at fair value if acquired through a business combination, and are amortized over their estimated useful lives (4 to 15 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. In respect of internally generated software, development costs are capitalized only if the costs can be measured reliably, the asset is technically feasible, future economic benefits are probable, and the Bank intends to and has sufficient resources to complete development of the asset. Research costs are expensed as incurred.

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 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 remeasurement 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 remeasurement 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, other depreciable assets, and right-of-use 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;
- Features that modify elements of the time value of money; and
- Sustainability-linked features.

## **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, 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 PD and LGD estimates 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 elevated economic uncertainty, 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, Canadian Dollar Offered Rate (CDOR) cessation may also have an impact on the fair value of products that reference or use valuation models with CDOR 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 OCI 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 restructuring 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 21.

## 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 ARR, and how it is managing the transition.

The global benchmark rate reform initiative to transition from IBOR benchmarks (such as CDOR to ARR) 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 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. In Canada specifically, the expected discontinuation of the Bankers' Acceptance (BA) lending model, which is responsible for creating the BA investment securities that are sold to money market investors, might also have impacts to the Bank's investment portfolio holdings and impact related earnings. 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.

Following previous announcements by various regulators, the publication has ceased for all sterling, Japanese yen, Swiss franc and euro London Interbank Offered Rate (LIBOR) settings, as well as the one-week and two-month USD LIBOR settings effective December 31, 2021. From June 30, 2023, all remaining USD LIBOR tenors have either ceased or are published only on a synthetic basis for the use in legacy contracts that have no other fallback solution. Six-month and twelve-month CDOR tenors ceased to be published effective May 17, 2021, while the remaining tenors of CDOR (one-month, two-month, and three-month) will cease following a final publication on June 28, 2024. In July 2023, the Canadian Alternative Reference Rate working group introduced a "no new CDOR or Banker's Acceptance loan" milestone date of November 1, 2023 to facilitate a tapered transition for the loan market by reducing the volume of loans that need to be remediated ahead of CDOR's cessation.

The Bank has incorporated these developments into its benchmark rate reform plan. To ensure an orderly transition, the Bank continues to monitor developments and incorporate global working groups' and regulators'

best practice guidance on transition activities. These activities include, but are not limited to, making available new products referencing ARRs, preparing to cease the issuance of the residual CDOR-based financial instruments, transitioning legacy contracts by incorporating appropriate fallback language and preparing for overall operational readiness. The Bank continues to make progress on its CDOR transition plan.

The Bank's exposure to non-derivative financial assets, non-derivative financial liabilities, derivative notional amounts and off-balance sheet commitments referencing USD LIBOR is no longer material to its financial statements as at October 31, 2023 (October 31, 2022 – \$89 billion, \$604 million, \$4,387 billion and \$71 billion, respectively). 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)                    | As at              |                    |
|---|--------------------|--------------------|
|   | October 31<br>2023 | October 31<br>2022 |
| Non-derivative financial assets <sup>3</sup>      | \$ 17,236          | \$ 10,927          |
| Non-derivative financial liabilities <sup>4</sup> | 11,892             | 12,689             |
| Derivative notional amounts                       | 2,644,854          | 3,066,690          |
| Off-balance sheet commitments <sup>5</sup>        | 63,628             | 48,838             |

<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, 2023, the carrying amount of demand deposits with no specific maturity was \$7 billion (October 31, 2022 – \$8 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, 2023, non-derivative financial assets were \$17 billion, of which \$9 billion relates to Loans and \$6 billion relates to Debt securities at amortized cost. 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.

<sup>4</sup> As at October 31, 2023, non-derivative financial liabilities were \$12 billion, of which \$7 billion relates to Subordinated notes and debentures. As at October 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. Off-balance sheet commitments include drawn amounts of BA borrowings.

## NOTE 4 CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

### CURRENT CHANGES IN ACCOUNTING POLICIES

The following amendments to an accounting standard have been adopted by the Bank for the fiscal year ended October 31, 2023.

#### Amendments to IAS 12 – Income Taxes

On May 23, 2023, the IASB issued *International Tax Reform – Pillar Two Model Rules*, which amends IAS 12, *Income Taxes*. The amendments provide a temporary mandatory exception from the requirements to recognize and disclose information about deferred taxes related to the implementation of Pillar Two model rules. The Bank has applied the temporary mandatory exception in jurisdictions in which the rules have been substantively enacted, which is effective immediately and is retrospective. The Bank has assessed that the retrospective application has no current impact on the Bank's consolidated results as at October 31, 2023.

Effective for reporting periods beginning on or after November 1, 2023, additional disclosure of current tax expense (recovery) and other information related to Pillar Two income tax exposures are required.

### 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* (IFRS 4), 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 Bank will apply the standard retrospectively with restatement of comparatives, where it will recognize the cumulative effect of adopting the standard as an adjustment to the opening retained earnings balance as of November 1, 2022.

The Bank will transition to IFRS 17 by primarily applying the full retrospective approach. This approach results in the measurement of insurance contracts as if IFRS 17 had always applied to them. Under IFRS 17, the measurement of insurance contracts includes a risk adjustment, which represents the compensation the Bank requires for bearing the uncertainty related to non-financial risk in its fulfilment of insurance contracts. The risk adjustment replaces the provision for adverse deviation under IFRS 4 and is expected to result in a lower valuation of insurance liabilities. When onerous contract groups are identified, the expected losses related to those contract groups shall be recorded in income. This results in an earlier recognition of losses compared to IFRS 4.

The Bank estimates a decrease to insurance-related liabilities and an increase to retained earnings of approximately \$0.1 billion after-tax at November 1, 2022.

IFRS 17 requires cash flows to be measured at their present value using a discount factor that is reflective of the characteristics of the liability, the discount factor is no longer tied to the yield of the securities supporting insurance reserves. In adopting IFRS 17, the Bank will apply transitional guidance to reclassify certain securities supporting insurance reserves from financial assets designated at FVTPL to FVOCI and vice versa to minimize accounting mismatches arising from the application of the new discount factor under IFRS 17. The reclassification will be retrospectively applied on November 1, 2023 and will result in the movement of cumulative unrealized losses between accumulated other comprehensive income and retained earnings.

The Bank's adoption of IFRS 17 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.

|        |                                |
|--------|--------------------------------|
| NOTE 5 | <b>FAIR VALUE MEASUREMENTS</b> |
|--------|--------------------------------|

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 determined by quoted prices in active markets, reference to recent transaction prices, or third-party vendor prices. In cases where external and independent prices are not readily available, alternate techniques utilizing the risk metrics and unique characteristics of the security are used to support a prudent valuation until acceptable external pricing becomes available.

The fair value of Canadian residential mortgage-backed securities (MBS) is based on third-party vendor prices, reference to recent transaction prices, or valuation techniques that utilize observable inputs such as benchmark government bond prices, government bond yield curves, quoted yield spreads and prepayment rate assumptions related to the underlying collateral.

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. For U.S. agency MBS pricing, brokers or third-party vendors may use a pool-specific valuation model to value these securities, using observable market inputs.

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 external and independent prices are not readily available, alternate techniques based on the risk

metrics and unique characteristics of the security are used to support a prudent valuation until acceptable external pricing becomes available.

**Other Debt Securities**

The fair value of corporate and other debt securities is based on broker quotes, third-party vendor prices, or alternate techniques utilizing the risk metrics and unique characteristics of the security used to support a prudent valuation until acceptable external pricing becomes available. Asset-backed securities are primarily fair valued using third-party vendor prices, including those generated by issue-specific valuation models using observable market inputs.

**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 the counterparty in a derivative transaction may not be able to fulfil its obligations under the transaction to the Bank. In determining CVA, the Bank takes into account master netting agreements and collateral, and considers the creditworthiness of the counterparty, using market observed or proxy credit spreads, in assessing potential future amounts owed to 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.

#### **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)

|   | As at            |              |                  |              |
|---|------------------|--------------|------------------|--------------|
|   | October 31, 2023 |              | October 31, 2022 |              |
|   | Carrying value   | Fair value   | Carrying value   | Fair value   |
| <b>FINANCIAL ASSETS</b>   |                  |              |                  |              |
| Debt securities at amortized cost, net of allowance for credit losses       |                  |              |                  |              |
| Government and government-related securities                                | \$ 232,093       | \$ 222,699   | \$ 256,362       | \$ 244,523   |
| Other debt securities   | 75,923           | 72,511       | 86,412           | 81,913       |
| Total debt securities at amortized cost, net of allowance for credit losses | 308,016          | 295,210      | 342,774          | 326,436      |
| Total loans, net of allowance for loan losses                               | 895,947          | 877,763      | 831,043          | 810,912      |
| Total financial assets not carried at fair value                            | \$ 1,203,963     | \$ 1,172,973 | \$ 1,173,817     | \$ 1,137,348 |
| <b>FINANCIAL LIABILITIES</b>  |                  |              |                  |              |
| Deposits  | \$ 1,198,190     | \$ 1,188,585 | \$ 1,229,970     | \$ 1,218,552 |
| Securitization liabilities at amortized cost                                | 12,710           | 12,035       | 15,072           | 14,366       |
| Subordinated notes and debentures   | 9,620            | 9,389        | 11,290           | 10,853       |
| Total financial liabilities not carried at fair value                       | \$ 1,220,520     | \$ 1,210,009 | \$ 1,256,332     | \$ 1,243,771 |

<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, 2023 and October 31, 2022, 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)

|   | As at            |              |            |              |                  |              |            |              |
|---|------------------|--------------|------------|--------------|------------------|--------------|------------|--------------|
|   | October 31, 2023 |              |            |              | October 31, 2022 |              |            |              |
|   | 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                                | \$ –             | \$ 222,699   | \$ –       | \$ 222,699   | \$ –             | \$ 244,513   | \$ 10      | \$ 244,523   |
| Other debt securities   | –                | 72,510       | 1          | 72,511       | –                | 81,912       | 1          | 81,913       |
| Total debt securities at amortized cost, net of allowance for credit losses | –                | 295,209      | 1          | 295,210      | –                | 326,425      | 11         | 326,436      |
| Total loans, net of allowance for loan losses                               | –                | 284,280      | 593,483    | 877,763      | –                | 261,618      | 549,294    | 810,912      |
| Total assets with fair value disclosures                                    | \$ –             | \$ 579,489   | \$ 593,484 | \$ 1,172,973 | \$ –             | \$ 588,043   | \$ 549,305 | \$ 1,137,348 |
| <b>LIABILITIES</b>  |                  |              |            |              |                  |              |            |              |
| Deposits  | \$ –             | \$ 1,188,585 | \$ –       | \$ 1,188,585 | \$ –             | \$ 1,218,552 | \$ –       | \$ 1,218,552 |
| Securitization liabilities at amortized cost                                | –                | 12,035       | –          | 12,035       | –                | 14,366       | –          | 14,366       |
| Subordinated notes and debentures   | –                | 9,389        | –          | 9,389        | –                | 10,853       | –          | 10,853       |
| Total liabilities with fair value disclosures                               | \$ –             | \$ 1,210,009 | \$ –       | \$ 1,210,009 | \$ –             | \$ 1,243,771 | \$ –       | \$ 1,243,771 |

<sup>1</sup> This table excludes financial assets and liabilities where the carrying value approximates their 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, 2023 and October 31, 2022.

#### Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value on a Recurring Basis

|  | As at            |               |              |                |                  |                |              |                |
|--|------------------|---------------|--------------|----------------|------------------|----------------|--------------|----------------|
|  | October 31, 2023 |               |              |                | October 31, 2022 |                |              |                |
|  | 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  | \$ 72            | \$ 9,073      | \$ –         | \$ 9,145       | \$ 620           | \$ 9,042       | \$ –         | \$ 9,662       |
| Provinces  | –                | 7,445         | –            | 7,445          | –                | 7,706          | –            | 7,706          |
| U.S. federal, state, municipal governments, and agencies debt            | 2                | 24,325        | 67           | 24,394         | 2                | 23,466         | –            | 23,468         |
| Other OECD government-guaranteed debt                                    | –                | 8,811         | –            | 8,811          | –                | 8,341          | –            | 8,341          |
| Mortgage-backed securities   | –                | 1,698         | –            | 1,698          | –                | 2,109          | –            | 2,109          |
| <b>Other debt securities</b>   |                  |               |              |                |                  |                |              |                |
| Canadian issuers   | –                | 6,067         | 5            | 6,072          | –                | 6,604          | –            | 6,604          |
| Other issuers  | –                | 14,553        | 60           | 14,613         | –                | 12,344         | 49           | 12,393         |
| <b>Equity securities</b>   | <b>54,186</b>    | <b>41</b>     | <b>10</b>    | <b>54,237</b>  | <b>44,424</b>    | <b>32</b>      | <b>–</b>     | <b>44,456</b>  |
| <b>Trading loans</b>   | <b>–</b>         | <b>17,261</b> | <b>–</b>     | <b>17,261</b>  | <b>–</b>         | <b>11,749</b>  | <b>–</b>     | <b>11,749</b>  |
| <b>Commodities</b>   | <b>7,620</b>     | <b>791</b>    | <b>–</b>     | <b>8,411</b>   | <b>16,084</b>    | <b>1,149</b>   | <b>–</b>     | <b>17,233</b>  |
| <b>Retained interests</b>  | <b>–</b>         | <b>3</b>      | <b>–</b>     | <b>3</b>       | <b>–</b>         | <b>5</b>       | <b>–</b>     | <b>5</b>       |
|  | <b>61,880</b>    | <b>90,068</b> | <b>142</b>   | <b>152,090</b> | <b>61,130</b>    | <b>82,547</b>  | <b>49</b>    | <b>143,726</b> |
| <b>Non-trading financial assets at fair value through profit or loss</b> |                  |               |              |                |                  |                |              |                |
| Securities   | 269              | 2,596         | 980          | 3,845          | 228              | 6,608          | 845          | 7,681          |
| Loans  | –                | 3,495         | –            | 3,495          | –                | 3,265          | –            | 3,265          |
|  | <b>269</b>       | <b>6,091</b>  | <b>980</b>   | <b>7,340</b>   | <b>228</b>       | <b>9,873</b>   | <b>845</b>   | <b>10,946</b>  |
| <b>Derivatives</b>   |                  |               |              |                |                  |                |              |                |
| Interest rate contracts  | 17               | 22,893        | –            | 22,910         | 167              | 23,699         | –            | 23,866         |
| Foreign exchange contracts   | 26               | 57,380        | 7            | 57,413         | 35               | 72,006         | 5            | 72,046         |
| Credit contracts   | –                | 54            | –            | 54             | –                | 56             | –            | 56             |
| Equity contracts   | 58               | 4,839         | –            | 4,897          | 4                | 4,303          | –            | 4,307          |
| Commodity contracts  | 306              | 1,787         | 15           | 2,108          | 634              | 2,919          | 45           | 3,598          |
|  | <b>407</b>       | <b>86,953</b> | <b>22</b>    | <b>87,382</b>  | <b>840</b>       | <b>102,983</b> | <b>50</b>    | <b>103,873</b> |
| <b>Financial assets designated at fair value through profit or loss</b>  |                  |               |              |                |                  |                |              |                |
| Securities <sup>1</sup>  | –                | 5,818         | –            | 5,818          | –                | 5,039          | –            | 5,039          |
|  | <b>–</b>         | <b>5,818</b>  | <b>–</b>     | <b>5,818</b>   | <b>–</b>         | <b>5,039</b>   | <b>–</b>     | <b>5,039</b>   |
| <b>Financial assets at fair value through other comprehensive income</b> |                  |               |              |                |                  |                |              |                |
| <b>Government and government-related securities</b>                      |                  |               |              |                |                  |                |              |                |
| Canadian government debt   |                  |               |              |                |                  |                |              |                |
| Federal  | –                | 18,210        | –            | 18,210         | –                | 16,368         | –            | 16,368         |
| Provinces  | –                | 19,940        | –            | 19,940         | –                | 20,240         | –            | 20,240         |
| U.S. federal, state, municipal governments, and agencies debt            | –                | 11,002        | –            | 11,002         | –                | 11,559         | –            | 11,559         |
| Other OECD government-guaranteed debt                                    | –                | 1,498         | –            | 1,498          | –                | 1,682          | –            | 1,682          |
| Mortgage-backed securities   | –                | 2,277         | –            | 2,277          | –                | 1,033          | –            | 1,033          |
| <b>Other debt securities</b>   |                  |               |              |                |                  |                |              |                |
| Asset-backed securities  | –                | 4,114         | –            | 4,114          | –                | 4,440          | –            | 4,440          |
| Corporate and other debt   | –                | 8,863         | 27           | 8,890          | –                | 8,621          | 60           | 8,681          |
| <b>Equity securities</b>   | <b>1,133</b>     | <b>3</b>      | <b>2,377</b> | <b>3,513</b>   | <b>840</b>       | <b>2</b>       | <b>2,477</b> | <b>3,319</b>   |
| <b>Loans</b>   | <b>–</b>         | <b>421</b>    | <b>–</b>     | <b>421</b>     | <b>–</b>         | <b>2,353</b>   | <b>–</b>     | <b>2,353</b>   |
|  | <b>1,133</b>     | <b>66,328</b> | <b>2,404</b> | <b>69,865</b>  | <b>840</b>       | <b>66,298</b>  | <b>2,537</b> | <b>69,675</b>  |
| <b>Securities purchased under reverse repurchase agreements</b>          |                  |               |              |                |                  |                |              |                |
|  | <b>–</b>         | <b>9,649</b>  | <b>–</b>     | <b>9,649</b>   | <b>–</b>         | <b>7,450</b>   | <b>–</b>     | <b>7,450</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).

**Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value on a Recurring Basis (continued)**

(millions of Canadian dollars)

|  | As at            |           |         |           |                  |           |         |           |
|--|------------------|-----------|---------|-----------|------------------|-----------|---------|-----------|
|  | October 31, 2023 |           |         |           | October 31, 2022 |           |         |           |
|  | Level 1          | Level 2   | Level 3 | Total     | Level 1          | Level 2   | Level 3 | Total     |
| <b>FINANCIAL LIABILITIES</b>   |                  |           |         |           |                  |           |         |           |
| <b>Trading deposits</b>  | \$ –             | \$ 29,995 | \$ 985  | \$ 30,980 | \$ –             | \$ 23,389 | \$ 416  | \$ 23,805 |
| <b>Derivatives</b>   |                  |           |         |           |                  |           |         |           |
| Interest rate contracts  | 16               | 21,064    | 126     | 21,206    | 112              | 19,010    | 156     | 19,278    |
| Foreign exchange contracts   | 19               | 44,841    | 13      | 44,873    | 23               | 62,378    | 1       | 62,402    |
| Credit contracts   | –                | 172       | –       | 172       | –                | 152       | –       | 152       |
| Equity contracts   | 7                | 3,251     | 21      | 3,279     | –                | 5,804     | 59      | 5,863     |
| Commodity contracts  | 248              | 1,846     | 16      | 2,110     | 234              | 3,186     | 18      | 3,438     |
|  | 290              | 71,174    | 176     | 71,640    | 369              | 90,530    | 234     | 91,133    |
| <b>Securitization liabilities at fair value</b>                              | –                | 14,422    | –       | 14,422    | –                | 12,612    | –       | 12,612    |
| <b>Financial liabilities designated at fair value through profit or loss</b> | –                | 192,108   | 22      | 192,130   | –                | 162,742   | 44      | 162,786   |
| <b>Obligations related to securities sold short<sup>1</sup></b>              | 1,329            | 43,332    | –       | 44,661    | 2,909            | 42,596    | –       | 45,505    |
| <b>Obligations related to securities sold under repurchase agreements</b>    | –                | 12,641    | –       | 12,641    | –                | 9,509     | –       | 9,509     |

<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, 2023, there were no significant transfers between Level 1 and Level 2. During the year ended October 31, 2022, the Bank transferred \$383 million of FVOCI U.S. government debt from Level 1 to Level 2.

**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 years ended October 31, 2023 and October 31, 2022.

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, 2023 and October 31, 2022.

**(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, 2023 and October 31, 2022.

## Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities

(millions of Canadian dollars)

|  | Fair value as at November 1 2022 | Total realized and unrealized gains (losses) |                                | Purchases/ Issuances | Movements <sup>4</sup> | Transfers    |                | Fair value as at October 31 2023 | 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> |                      |                        | Into Level 3 | Out of Level 3 |                                  |  |
| <b>FINANCIAL ASSETS</b>  |                                  |  |                                |                      |                        |              |                |                                  |  |
| <b>Trading loans, securities, and other</b>                              |                                  |  |                                |                      |                        |              |                |                                  |  |
| Government and government-related securities                             | \$ –                             | \$ –   | \$ –                           | \$ 33                | \$ –                   | \$ 34        | \$ –           | \$ 67                            | \$ –   |
| Other debt securities  | 49                               | 7  | –                              | 111                  | (145)                  | 95           | (52)           | 65                               | 1  |
| Equity securities  | –                                | (2)  | –                              | 41                   | (29)                   | –            | –              | 10                               | 2  |
|  | 49                               | 5  | –                              | 185                  | (174)                  | 129          | (52)           | 142                              | 3  |
| <b>Non-trading financial assets at fair value through profit or loss</b> |                                  |  |                                |                      |                        |              |                |                                  |  |
| Securities   | 845                              | 4  | –                              | 187                  | (56)                   | –            | –              | 980                              | (17)   |
| Loans  | –                                | –  | –                              | –                    | –                      | –            | –              | –                                | –  |
|  | 845                              | 4  | –                              | 187                  | (56)                   | –            | –              | 980                              | (17)   |
| <b>Financial assets at fair value through other comprehensive income</b> |                                  |  |                                |                      |                        |              |                |                                  |  |
| Other debt securities  | 60                               | –  | (6)                            | 22                   | (28)                   | –            | (21)           | 27                               | –  |
| Equity securities  | 2,477                            | –  | (565)                          | 2,473                | (2,008)                | –            | –              | 2,377                            | (382)  |
|  | \$ 2,537                         | \$ –   | \$ (571)                       | \$ 2,495             | \$ (2,036)             | \$ –         | \$ (21)        | \$ 2,404                         | \$ (382)   |
| <b>FINANCIAL LIABILITIES</b>   |                                  |  |                                |                      |                        |              |                |                                  |  |
| Trading deposits <sup>6</sup>  | \$ (416)                         | \$ (57)                                      | \$ –                           | \$ (539)             | \$ 30                  | \$ (15)      | \$ 12          | \$ (985)                         | \$ (43)  |
| <b>Derivatives<sup>7</sup></b>   |                                  |  |                                |                      |                        |              |                |                                  |  |
| Interest rate contracts  | (156)                            | (47)   | –                              | –                    | 77                     | –            | –              | (126)                            | 25   |
| Foreign exchange contracts   | 4                                | (2)  | –                              | –                    | (1)                    | (8)          | 1              | (6)                              | 2  |
| Equity contracts   | (59)                             | 35   | –                              | 26                   | (17)                   | (1)          | (5)            | (21)                             | 24   |
| Commodity contracts  | 27                               | 24   | –                              | –                    | (52)                   | –            | –              | (1)                              | (1)  |
|  | (184)                            | 10   | –                              | 26                   | 7                      | (9)          | (4)            | (154)                            | 50   |
| Financial liabilities designated at fair value through profit or loss    | (44)                             | (89)   | –                              | (486)                | 597                    | –            | –              | (22)                             | (89)   |
| Obligations related to securities sold short                             | –                                | –  | –                              | –                    | –                      | –            | –              | –                                | –  |

<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 \$22 million (October 31, 2022/November 1, 2022 – \$50 million; November 1, 2021 – \$47 million) and derivative liabilities of \$176 million (October 31, 2022/November 1, 2022 – \$234 million; November 1, 2021 – \$179 million), which have been netted in this table for presentation purposes only.

**Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities** (continued)

(millions of Canadian dollars)

|  | Fair value as at November 1 2021 | Total realized and unrealized gains (losses) |                                | Purchases/ Issuances | Movements <sup>4</sup> |              | 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> |                      | Sales/ Settlements     | Into Level 3 | Out of Level 3 |          |                                  |  |
| <b>FINANCIAL ASSETS</b>  |                                  |  |                                |                      |                        |              |                |          |                                  |  |
| <b>Trading loans, securities, and other</b>                                  |                                  |  |                                |                      |                        |              |                |          |                                  |  |
| Government and government-related securities                                 | \$ –                             | \$ –   | \$ –                           | \$ –                 | \$ –                   | \$ –         | \$ –           | \$ –     | \$ –                             | \$ –   |
| 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>   |                                  |  |                                |                      |                        |              |                |          |                                  |  |
| <b>Trading deposits<sup>6</sup></b>  |                                  |  |                                |                      |                        |              |                |          |                                  |  |
|  | \$ (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)                            | –  |
| <b>Obligations related to securities sold short</b>                          |                                  |  |                                |                      |                        |              |                |          |                                  |  |
|  | (9)                              | –  | –                              | –                    | 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 \$22 million (October 31, 2022/November 1, 2022 – \$50 million; November 1, 2021 – \$47 million) and derivative liabilities of \$176 million (October 31, 2022/November 1, 2022 – \$234 million; November 1, 2021 – \$179 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.

### 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. 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

|  |                      |   |                              |             |                  |             |        | <i>As at</i> |
|--|----------------------|---|------------------------------|-------------|------------------|-------------|--------|--------------|
|  |                      |   | October 31, 2023             |             | October 31, 2022 |             |        |              |
|  | 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                     | 99                           | 100         | n/a <sup>1</sup> | n/a         | points |              |
| <b>Other debt securities</b>   | Market comparable    | Bond price equivalent                     | –                            | 103         | –                | 102         | points |              |
| <b>Equity securities<sup>2</sup></b>   | Market comparable    | New issue price                           | 100                          | 100         | 100              | 100         | %      |              |
|  | Discounted cash flow | Discount rate                             | –                            | –           | –                | –           | %      |              |
|  | Market comparable    | Price equivalent                          | n/a                          | n/a         | 128              | 145         | %      |              |
| <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           | 9                | 9           | %      |              |
|  | EBITDA multiple      | Earnings multiple                         | –                            | 20.0        | –                | 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                 | 1                            | 2           | –                | 3           | %      |              |
|  | Option model         | Funding ratio                             | 75                           | 75          | 65               | 75          | %      |              |
| <b>Foreign exchange contracts</b>  | Option model         | Currency-specific volatility              | 5                            | 14          | 8                | 17          | %      |              |
| <b>Equity contracts</b>  | Option model         | Price correlation                         | 55                           | 86          | –                | 95          | %      |              |
|  |                      | Quanto correlation                        | –                            | 68          | –                | 68          | %      |              |
|  |                      | Dividend yield                            | –                            | 7           | –                | 7           | %      |              |
|  |                      | Equity volatility                         | 14                           | 41          | 13               | 76          | %      |              |
| <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         | n/a              | n/a         | %      |              |
|  |                      | Quanto correlation                        | –                            | 68          | n/a              | n/a         | %      |              |
|  |                      | Dividend yield                            | –                            | 4           | –                | 5           | %      |              |
|  |                      | Equity volatility                         | 14                           | 20          | 99               | 99          | %      |              |
|  |                      | Swaption model                            | Currency-specific volatility | 50          | 503              | 55          | 821    | %            |
| <b>Financial liabilities designated at fair value through profit or loss</b> | Option model         | Funding ratio                             | 4                            | 70          | 6                | 65          | %      |              |
| <b>Obligations related to securities sold short</b>                          | Market comparable    | Bond Price Equivalent                     | n/a                          | n/a         | n/a              | n/a         | points |              |
|  | Market comparable    | New issue price                           | 100                          | 100         | n/a              | n/a         | %      |              |

<sup>1</sup> Not applicable.

<sup>2</sup> Common shares exclude the fair value of Federal Reserve stock and Federal Home Loan Bank (FHLB) stock of \$2.2 billion (October 31, 2022 – \$1.7 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 mortgage spreads and unobservable inflation curve. 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)

|  | As at                     |                           |                           |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | October 31, 2023          |                           | October 31, 2022          |                           |
|  | Impact to net assets      |                           | Impact to net assets      |                           |
|  | Decrease in<br>fair value | Increase in<br>fair value | Decrease in<br>fair value | Increase in<br>fair value |
| <b>FINANCIAL ASSETS</b>  |                           |                           |                           |                           |
| <b>Trading loans, securities, and other</b>                                  |                           |                           |                           |                           |
| Securities   | \$ 10                     | \$ 2                      | \$ –                      | \$ –                      |
| <b>Non-trading financial assets at fair value through profit or loss</b>     |                           |                           |                           |                           |
| Securities   | 133                       | 49                        | 115                       | 42                        |
| <b>Financial assets at fair value through other comprehensive income</b>     |                           |                           |                           |                           |
| Equity securities  | 163                       | 13                        | 22                        | 8                         |
| <b>FINANCIAL LIABILITIES</b>   |                           |                           |                           |                           |
| <b>Trading deposits</b>  |                           |                           |                           |                           |
|  | –                         | –                         | 1                         | 1                         |
| <b>Derivatives</b>   |                           |                           |                           |                           |
| Interest rate contracts  | 25                        | 16                        | 15                        | 21                        |
| Equity contracts   | 2                         | 1                         | 2                         | 2                         |
|  | 27                        | 17                        | 17                        | 23                        |
| <b>Financial liabilities designated at fair value through profit or loss</b> |                           |                           |                           |                           |
|  | 5                         | 5                         | 7                         | 7                         |
| <b>Total</b>   | <b>\$ 338</b>             | <b>\$ 86</b>              | <b>\$ 162</b>             | <b>\$ 81</b>              |

For the years ended October 31, 2023 and 2022, 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 were immaterial.

### (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 \$7,974 million as at October 31, 2023 (October 31, 2022 – \$5,014 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 \$2,897 million less than its fair value as at October 31, 2023 (October 31, 2022 – \$288 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 presented 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)

As at

October 31, 2023

|  | 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 or similar arrangement that are not offset in the Consolidated Balance Sheet <sup>1,2</sup> |                   |                  |
|--|--|--|---|--|-------------------|------------------|
|  |  |  |   | Amounts subject to an enforceable master netting agreement   | Collateral        | Net Amount       |
| <b>Financial Assets</b>  |  |  |   |  |                   |                  |
| Derivatives  | \$ 93,867  | \$ 6,485   | \$ 87,382   | \$ 47,300  | \$ 13,526         | \$ 26,556        |
| Securities purchased under reverse repurchase agreements           | 232,211  | 27,878   | 204,333   | 12,291   | 188,510           | 3,532            |
| <b>Total</b>   | <b>326,078</b>   | <b>34,363</b>  | <b>291,715</b>  | <b>59,591</b>  | <b>202,036</b>    | <b>30,088</b>    |
| <b>Financial Liabilities</b>                                       |  |  |   |  |                   |                  |
| Derivatives  | 78,125   | 6,485  | 71,640  | 47,300   | 14,279            | 10,061           |
| Obligations related to securities sold under repurchase agreements | 194,732  | 27,878   | 166,854   | 12,291   | 153,090           | 1,473            |
| <b>Total</b>   | <b>\$ 272,857</b>  | <b>\$ 34,363</b>   | <b>\$ 238,494</b>   | <b>\$ 59,591</b>   | <b>\$ 167,369</b> | <b>\$ 11,534</b> |

October 31, 2022

|  |                   |                  |                   |                  |                   |                 |
|--|-------------------|------------------|-------------------|------------------|-------------------|-----------------|
| <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> |

<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<br>2023 | October 31<br>2022 |
|--|--|------------------------------|-------------------------------|--------------------------------|------------------|---------------------------------|--------------------|--------------------|
|  | Within<br>1 year                           | Over 1<br>year to<br>3 years | Over 3<br>years to<br>5 years | Over 5<br>years to<br>10 years | Over 10<br>years | With no<br>specific<br>maturity | Total              | Total              |
| <b>Trading securities</b>  |  |                              |                               |                                |                  |                                 |                    |                    |
| <b>Government and government-related securities</b>                            |  |                              |                               |                                |                  |                                 |                    |                    |
| Canadian government debt   |  |                              |                               |                                |                  |                                 |                    |                    |
| Federal  | \$ 2,275                                   | \$ 2,427                     | \$ 2,008                      | \$ 1,414                       | \$ 1,021         | \$ –                            | \$ 9,145           | \$ 9,662           |
| Provinces  | 1,245                                      | 1,673                        | 791                           | 1,492                          | 2,244            | –                               | 7,445              | 7,706              |
| U.S. federal, state, municipal governments,<br>and agencies debt               | 6,843                                      | 4,606                        | 3,493                         | 3,521                          | 5,931            | –                               | 24,394             | 23,468             |
| Other OECD government-guaranteed debt  | 6,920                                      | 829                          | 515                           | 335                            | 212              | –                               | 8,811              | 8,341              |
| Mortgage-backed securities   |  |                              |                               |                                |                  |                                 |                    |                    |
| Residential  | 485  | 727                          | 267                           | 5                              | –                | –                               | 1,484              | 1,886              |
| Commercial   | 45   | 41                           | 64                            | 64                             | –                | –                               | 214                | 223                |
|  | 17,813                                     | 10,303                       | 7,138                         | 6,831                          | 9,408            | –                               | 51,493             | 51,286             |
| <b>Other debt securities</b>   |  |                              |                               |                                |                  |                                 |                    |                    |
| Canadian issuers   | 895  | 2,174                        | 1,120                         | 1,110                          | 773              | –                               | 6,072              | 6,604              |
| Other issuers  | 3,023                                      | 5,996                        | 3,445                         | 1,788                          | 359              | 2                               | 14,613             | 12,393             |
|  | 3,918                                      | 8,170                        | 4,565                         | 2,898                          | 1,132            | 2                               | 20,685             | 18,997             |
| <b>Equity securities</b>   |  |                              |                               |                                |                  |                                 |                    |                    |
| Common shares  | –  | –                            | –                             | –                              | –                | 54,204                          | 54,204             | 44,423             |
| Preferred shares   | –  | –                            | –                             | –                              | –                | 33                              | 33                 | 33                 |
|  | –  | –                            | –                             | –                              | –                | 54,237                          | 54,237             | 44,456             |
| <b>Retained interests</b>  | –  | 1                            | 2                             | –                              | –                | –                               | 3                  | 5                  |
| <b>Total trading securities</b>  | <b>\$ 21,731</b>                           | <b>\$ 18,474</b>             | <b>\$ 11,705</b>              | <b>\$ 9,729</b>                | <b>\$ 10,540</b> | <b>\$ 54,239</b>                | <b>\$126,418</b>   | <b>\$114,744</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,<br>and agencies debt               | \$ 10                                      | \$ –                         | \$ –                          | \$ –                           | \$ 278           | \$ –                            | \$ 288             | \$ 287             |
|  | 10   | –                            | –                             | –                              | 278              | –                               | 288                | 287                |
| <b>Other debt securities</b>   |  |                              |                               |                                |                  |                                 |                    |                    |
| Canadian issuers   | –  | 42                           | 201                           | 23                             | –                | 484                             | 750                | 710                |
| Asset-backed securities  | –  | 557                          | 564                           | 657                            | 107              | –                               | 1,885              | 5,900              |
| Other issuers  | 1  | –                            | –                             | –                              | –                | 47                              | 48                 | 35                 |
|  | 1  | 599                          | 765                           | 680                            | 107              | 531                             | 2,683              | 6,645              |
| <b>Equity securities</b>   |  |                              |                               |                                |                  |                                 |                    |                    |
| Common shares  | –  | –                            | –                             | –                              | –                | 816                             | 816                | 698                |
| Preferred shares   | –  | –                            | –                             | –                              | –                | 58                              | 58                 | 51                 |
|  | –  | –                            | –                             | –                              | –                | 874                             | 874                | 749                |
| <b>Total non-trading financial assets at fair value through profit or loss</b> | <b>\$ 11</b>                               | <b>\$ 599</b>                | <b>\$ 765</b>                 | <b>\$ 680</b>                  | <b>\$ 385</b>    | <b>\$ 1,405</b>                 | <b>\$ 3,845</b>    | <b>\$ 7,681</b>    |
| <b>Financial assets designated at fair value through profit or loss</b>        |  |                              |                               |                                |                  |                                 |                    |                    |
| <b>Government and government-related securities</b>                            |  |                              |                               |                                |                  |                                 |                    |                    |
| Canadian government debt   |  |                              |                               |                                |                  |                                 |                    |                    |
| Federal  | \$ 484                                     | \$ –                         | \$ –                          | \$ –                           | \$ –             | \$ –                            | \$ 484             | \$ 203             |
| Provinces  | 934  | 8                            | –                             | 874                            | –                | 1                               | 1,817              | 1,636              |
| U.S. federal, state, municipal governments,<br>and agencies debt               | –  | 8                            | –                             | –                              | –                | –                               | 8                  | 8                  |
| Other OECD government-guaranteed debt  | 279  | 77                           | 55                            | –                              | –                | –                               | 411                | 575                |
|  | 1,697                                      | 93                           | 55                            | 874                            | –                | 1                               | 2,720              | 2,422              |
| <b>Other debt securities</b>   |  |                              |                               |                                |                  |                                 |                    |                    |
| Canadian issuers   | 539  | 1,045                        | 626                           | 367                            | –                | –                               | 2,577              | 2,335              |
| Other issuers  | 27   | 347                          | 143                           | 4                              | –                | –                               | 521                | 282                |
|  | 566  | 1,392                        | 769                           | 371                            | –                | –                               | 3,098              | 2,617              |
| <b>Total financial assets designated at fair value through profit or loss</b>  | <b>\$ 2,263</b>                            | <b>\$ 1,485</b>              | <b>\$ 824</b>                 | <b>\$ 1,245</b>                | <b>\$ –</b>      | <b>\$ 1</b>                     | <b>\$ 5,818</b>    | <b>\$ 5,039</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<br>2023                         |                              |                               |                                |                  |                                 | October 31<br>2022 | As at<br>October 31<br>2022 |
|--|--|------------------------------|-------------------------------|--------------------------------|------------------|---------------------------------|--------------------|-----------------------------|
|  | Remaining terms to maturities <sup>1</sup> |                              |                               |                                |                  |                                 |                    |                             |
|  | Within<br>1 year                           | Over 1<br>year to<br>3 years | Over 3<br>years to<br>5 years | Over 5<br>years to<br>10 years | Over 10<br>years | With no<br>specific<br>maturity | Total              | Total                       |
| <b>Securities at fair value through other comprehensive income</b>                 |  |                              |                               |                                |                  |                                 |                    |                             |
| <b>Government and government-related securities</b>                                |  |                              |                               |                                |                  |                                 |                    |                             |
| Canadian government debt   |  |                              |                               |                                |                  |                                 |                    |                             |
| Federal  | \$ 1,704                                   | \$ 4,507                     | \$ 1,367                      | \$ 10,356                      | \$ 276           | \$ –                            | \$ 18,210          | \$ 16,368                   |
| Provinces  | 1,447                                      | 3,426                        | 3,808                         | 10,947                         | 312              | –                               | 19,940             | 20,240                      |
| U.S. federal, state, municipal governments, and agencies debt                      | 4,513                                      | 2,535                        | 696                           | 888                            | 2,370            | –                               | 11,002             | 11,559                      |
| Other OECD government-guaranteed debt  | 163  | 1,090                        | 170                           | 75                             | –                | –                               | 1,498              | 1,682                       |
| Mortgage-backed securities   | –  | 521                          | 1,756                         | –                              | –                | –                               | 2,277              | 1,033                       |
|  | <b>7,827</b>                               | <b>12,079</b>                | <b>7,797</b>                  | <b>22,266</b>                  | <b>2,958</b>     | <b>–</b>                        | <b>52,927</b>      | <b>50,882</b>               |
| <b>Other debt securities</b>   |  |                              |                               |                                |                  |                                 |                    |                             |
| Asset-backed securities  | 1,946                                      | 272                          | –                             | 166                            | 1,730            | –                               | 4,114              | 4,440                       |
| Corporate and other debt   | 1,241                                      | 2,532                        | 2,105                         | 1,753                          | 1,259            | –                               | 8,890              | 8,681                       |
|  | <b>3,187</b>                               | <b>2,804</b>                 | <b>2,105</b>                  | <b>1,919</b>                   | <b>2,989</b>     | <b>–</b>                        | <b>13,004</b>      | <b>13,121</b>               |
| <b>Equity securities</b>   |  |                              |                               |                                |                  |                                 |                    |                             |
| Common shares  | –  | –                            | –                             | –                              | –                | 3,170                           | 3,170              | 2,221                       |
| Preferred shares   | –  | –                            | –                             | –                              | –                | 343                             | 343                | 1,098                       |
|  | <b>–</b>                                   | <b>–</b>                     | <b>–</b>                      | <b>–</b>                       | <b>–</b>         | <b>3,513</b>                    | <b>3,513</b>       | <b>3,319</b>                |
| <b>Total securities at fair value through other comprehensive income</b>           | <b>\$ 11,014</b>                           | <b>\$ 14,883</b>             | <b>\$ 9,902</b>               | <b>\$ 24,185</b>               | <b>\$ 5,947</b>  | <b>\$ 3,513</b>                 | <b>\$ 69,444</b>   | <b>\$ 67,322</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  | \$ 920                                     | \$ 6,728                     | \$ 14,330                     | \$ 2,098                       | \$ 1,268         | \$ –                            | \$ 25,344          | \$ 19,753                   |
| Provinces  | 762  | 2,462                        | 3,146                         | 11,091                         | 13               | –                               | 17,474             | 16,654                      |
| U.S. federal, state, municipal governments, and agencies debt                      | 18,811                                     | 15,612                       | 30,797                        | 34,423                         | 46,574           | –                               | 146,217            | 172,383                     |
| Other OECD government-guaranteed debt  | 6,931                                      | 19,870                       | 11,431                        | 3,037                          | –                | –                               | 41,269             | 47,572                      |
|  | <b>27,424</b>                              | <b>44,672</b>                | <b>59,704</b>                 | <b>50,649</b>                  | <b>47,855</b>    | <b>–</b>                        | <b>230,304</b>     | <b>256,362</b>              |
| <b>Other debt securities</b>   |  |                              |                               |                                |                  |                                 |                    |                             |
| Asset-backed securities  | 25   | 5,046                        | 10,352                        | 7,057                          | 17,408           | –                               | 39,888             | 49,893                      |
| Non-agency collateralized mortgage obligation portfolio                            | –  | –                            | –                             | 209                            | 16,582           | –                               | 16,791             | 17,242                      |
| Canadian issuers   | 39   | 1,736                        | 1,571                         | 1,206                          | –                | –                               | 4,552              | 4,296                       |
| Other issuers  | 1,507                                      | 4,696                        | 6,490                         | 3,788                          | –                | –                               | 16,481             | 14,981                      |
|  | <b>1,571</b>                               | <b>11,478</b>                | <b>18,413</b>                 | <b>12,260</b>                  | <b>33,990</b>    | <b>–</b>                        | <b>77,712</b>      | <b>86,412</b>               |
| <b>Total debt securities at amortized cost, net of allowance for credit losses</b> | <b>28,995</b>                              | <b>56,150</b>                | <b>78,117</b>                 | <b>62,909</b>                  | <b>81,845</b>    | <b>–</b>                        | <b>308,016</b>     | <b>342,774</b>              |
| <b>Total securities</b>  | <b>\$ 64,014</b>                           | <b>\$ 91,591</b>             | <b>\$ 101,313</b>             | <b>\$ 98,748</b>               | <b>\$ 98,717</b> | <b>\$ 59,158</b>                | <b>\$ 513,541</b>  | <b>\$ 537,560</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, 2023 and October 31, 2022.

**Unrealized Securities Gains (Losses) for Securities at Fair Value Through Other Comprehensive Income**

|  | October 31, 2023                        |                              |                                 |                  | October 31, 2022                        |                              |                                 |                  |
|--|---|------------------------------|---------------------------------|------------------|---|------------------------------|---------------------------------|------------------|
|  | Cost/<br>amortized<br>cost <sup>1</sup> | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>(losses) | Fair<br>value    | Cost/<br>amortized<br>cost <sup>1</sup> | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>(losses) | Fair<br>value    |
| <b>Government and government-related securities</b>                      |   |                              |                                 |                  |   |                              |                                 |                  |
| Canadian government debt   |   |                              |                                 |                  |   |                              |                                 |                  |
| Federal  | \$ 18,335                               | \$ 45                        | \$ (170)                        | \$ 18,210        | \$ 16,420                               | \$ 69                        | \$ (121)                        | \$ 16,368        |
| Provinces  | 19,953                                  | 105                          | (118)                           | 19,940           | 20,279                                  | 99                           | (138)                           | 20,240           |
| U.S. federal, state, municipal governments, and agencies debt            | 11,260                                  | 17                           | (275)                           | 11,002           | 11,855                                  | 22                           | (318)                           | 11,559           |
| Other OECD government-guaranteed debt                                    | 1,521                                   | 1                            | (24)                            | 1,498            | 1,715                                   | 1                            | (34)                            | 1,682            |
| Mortgage-backed securities   | 2,313                                   | –                            | (36)                            | 2,277            | 1,035                                   | 1                            | (3)                             | 1,033            |
|  | <b>53,382</b>                           | <b>168</b>                   | <b>(623)</b>                    | <b>52,927</b>    | <b>51,304</b>                           | <b>192</b>                   | <b>(614)</b>                    | <b>50,882</b>    |
| <b>Other debt securities</b>   |   |                              |                                 |                  |   |                              |                                 |                  |
| Asset-backed securities  | 4,146                                   | –                            | (32)                            | 4,114            | 4,511                                   | –                            | (71)                            | 4,440            |
| Corporate and other debt   | 8,946                                   | 43                           | (99)                            | 8,890            | 8,820                                   | 23                           | (162)                           | 8,681            |
|  | <b>13,092</b>                           | <b>43</b>                    | <b>(131)</b>                    | <b>13,004</b>    | <b>13,331</b>                           | <b>23</b>                    | <b>(233)</b>                    | <b>13,121</b>    |
| <b>Total debt securities</b>   | <b>66,474</b>                           | <b>211</b>                   | <b>(754)</b>                    | <b>65,931</b>    | <b>64,635</b>                           | <b>215</b>                   | <b>(847)</b>                    | <b>64,003</b>    |
| <b>Equity securities</b>   |   |                              |                                 |                  |   |                              |                                 |                  |
| Common shares  | 3,191                                   | 95                           | (116)                           | 3,170            | 2,191                                   | 63                           | (33)                            | 2,221            |
| Preferred shares   | 566                                     | 1                            | (224)                           | 343              | 1,100                                   | 71                           | (73)                            | 1,098            |
|  | <b>3,757</b>                            | <b>96</b>                    | <b>(340)</b>                    | <b>3,513</b>     | <b>3,291</b>                            | <b>134</b>                   | <b>(106)</b>                    | <b>3,319</b>     |
| <b>Total securities at fair value through other comprehensive income</b> | <b>\$ 70,231</b>                        | <b>\$ 307</b>                | <b>\$ (1,094)</b>               | <b>\$ 69,444</b> | <b>\$ 67,926</b>                        | <b>\$ 349</b>                | <b>\$ (953)</b>                 | <b>\$ 67,322</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, 2023 and October 31, 2022.

**Equity Securities Designated at Fair Value Through Other Comprehensive Income**

|                  | As at            |                   | For the years ended |                                   |
|------------------|------------------|-------------------|---------------------|-----------------------------------|
|                  | October 31, 2023 | October 31, 2022  | October 31, 2023    | October 31, 2022                  |
|                  |                  | <b>Fair value</b> |                     | <b>Dividend income recognized</b> |
| Common shares    | \$ 3,170         | \$ 2,221          | \$ 476              | \$ 171                            |
| Preferred shares | 343              | 1,098             | 136                 | 42                                |
| <b>Total</b>     | <b>\$ 3,513</b>  | <b>\$ 3,319</b>   | <b>\$ 612</b>       | <b>\$ 213</b>                     |

The Bank disposed of certain equity securities in line with the Bank's investment strategy and disposed of FHLB stocks in accordance with FHLB member stockholding requirements, as follows:

**Equity Securities Net Realized Gains (Losses)**

|                                 | For the years ended |                  |
|---------------------------------|---------------------|------------------|
|                                 | October 31, 2023    | October 31, 2022 |
| Equity Securities               |                     |                  |
| Fair value                      | \$ 230              | \$ 2,345         |
| Cumulative realized gain/(loss) | (18)                | 224              |
| FHLB Stock                      |                     |                  |
| Fair value                      | 1,575               | 48               |
| Cumulative realized gain/(loss) | –                   | –                |

**(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, 2023 and October 31, 2022, which are included in Other income (loss) on the Consolidated Statement of Income.

**Debt Securities Net Realized Gains (Losses)**

|  | For the years ended |                  |
|--|---------------------|------------------|
|  | October 31, 2023    | October 31, 2022 |
| Debt securities at amortized cost                                | \$ (57)             | \$ 62            |
| Debt securities at fair value through other comprehensive income | 9                   | (2)              |
| <b>Total</b>   | <b>\$ (48)</b>      | <b>\$ 60</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 2023 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, 2023  |               |             |                   | October 31, 2022  |               |             |                   |
|---|-------------------|---------------|-------------|-------------------|-------------------|---------------|-------------|-------------------|
|   | Stage 1           | Stage 2       | Stage 3     | Total             | Stage 1           | Stage 2       | Stage 3     | Total             |
| <b>Debt securities<sup>1</sup></b>                                      |                   |               |             |                   |                   |               |             |                   |
| Investment grade  | \$ 373,317        | \$ –          | \$ n/a      | \$ 373,317        | \$ 404,620        | \$ –          | \$ n/a      | \$ 404,620        |
| Non-investment grade  | 519               | –             | n/a         | 519               | 1,964             | 155           | n/a         | 2,119             |
| Watch and classified  | n/a               | 113           | n/a         | 113               | n/a               | 39            | n/a         | 39                |
| Default   | n/a               | n/a           | –           | –                 | n/a               | n/a           | –           | –                 |
| <b>Total debt securities</b>  | <b>373,836</b>    | <b>113</b>    | <b>–</b>    | <b>373,949</b>    | <b>406,584</b>    | <b>194</b>    | <b>–</b>    | <b>406,778</b>    |
| <b>Allowance for credit losses on debt securities at amortized cost</b> | <b>2</b>          | <b>–</b>      | <b>–</b>    | <b>2</b>          | <b>1</b>          | <b>–</b>      | <b>–</b>    | <b>1</b>          |
| <b>Total debt securities, net of allowance</b>                          | <b>\$ 373,834</b> | <b>\$ 113</b> | <b>\$ –</b> | <b>\$ 373,947</b> | <b>\$ 406,583</b> | <b>\$ 194</b> | <b>\$ –</b> | <b>\$ 406,777</b> |

<sup>1</sup> Includes debt securities backed by government-guaranteed loans of \$104 million (October 31, 2022 – \$192 million), which are reported in Non-investment grade or a lower risk rating based on the issuer's credit risk.

As at October 31, 2023, total debt securities, net of allowance, in the table above, include debt securities measured at amortized cost, net of allowance, of \$308,016 million (October 31, 2022 – \$342,774 million), and debt securities measured at FVOCI of \$65,931 million (October 31, 2022 – \$64,003 million).

The difference between probability-weighted ECLs and base ECLs on debt securities at FVOCI and at amortized cost as at both October 31, 2023 and October 31, 2022, 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, 2023 and October 31, 2022.

#### Loans and Acceptances

(millions of Canadian dollars)

|  | As at October 31  |                   |
|--|-------------------|-------------------|
|  | 2023              | 2022              |
| Residential mortgages                                | \$ 320,341        | \$ 293,924        |
| Consumer instalment and other personal               | 217,554           | 206,152           |
| Credit card  | 38,660            | 36,010            |
| Business and government                              | 326,528           | 301,389           |
|  | <b>903,083</b>    | <b>837,475</b>    |
| Customers' liability under acceptances               | 17,569            | 19,733            |
| Loans at FVOCI (Note 5)                              | 421               | 2,353             |
| <b>Total loans and acceptances</b>                   | <b>921,073</b>    | <b>859,561</b>    |
| <b>Total allowance for loan losses</b>               | <b>7,136</b>      | <b>6,432</b>      |
| <b>Total loans and acceptances, net of allowance</b> | <b>\$ 913,937</b> | <b>\$ 853,129</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  |                   |
|--|-------------------|-------------------|
|  | 2023              | 2022              |
| Loans at amortized cost                        | \$ 326,528        | \$ 301,389        |
| Customers' liability under acceptances         | 17,569            | 19,733            |
| Loans at FVOCI (Note 5)                        | 421               | 2,353             |
| <b>Loans and acceptances</b>                   | <b>344,518</b>    | <b>323,475</b>    |
| <b>Allowance for loan losses</b>               | <b>2,990</b>      | <b>2,739</b>      |
| <b>Loans and acceptances, net of allowance</b> | <b>\$ 341,528</b> | <b>\$ 320,736</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 2023 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, 2023  |                  |                 |                   | October 31, 2022  |                  |                 |                   |
|--|-------------------|------------------|-----------------|-------------------|-------------------|------------------|-----------------|-------------------|
|  | 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   | \$ 225,596        | \$ 46            | \$ n/a          | \$ 225,642        | \$ 208,450        | \$ 59            | \$ n/a          | \$ 208,509        |
| Normal Risk  | 70,423            | 11,324           | n/a             | 81,747            | 67,280            | 6,767            | n/a             | 74,047            |
| Medium Risk  | 110               | 9,581            | n/a             | 9,691             | 418               | 8,132            | n/a             | 8,550             |
| High Risk  | 10                | 2,573            | 325             | 2,908             | 10                | 2,096            | 350             | 2,456             |
| Default  | n/a               | n/a              | 353             | 353               | n/a               | n/a              | 362             | 362               |
| <b>Total loans</b>   | <b>296,139</b>    | <b>23,524</b>    | <b>678</b>      | <b>320,341</b>    | <b>276,158</b>    | <b>17,054</b>    | <b>712</b>      | <b>293,924</b>    |
| <b>Allowance for loan losses</b>                                 | <b>154</b>        | <b>192</b>       | <b>57</b>       | <b>403</b>        | <b>127</b>        | <b>140</b>       | <b>56</b>       | <b>323</b>        |
| <b>Loans, net of allowance</b>                                   | <b>295,985</b>    | <b>23,332</b>    | <b>621</b>      | <b>319,938</b>    | <b>276,031</b>    | <b>16,914</b>    | <b>656</b>      | <b>293,601</b>    |
| <b>Consumer instalment and other personal<sup>4</sup></b>        |                   |                  |                 |                   |                   |                  |                 |                   |
| Low Risk   | 100,102           | 2,278            | n/a             | 102,380           | 92,653            | 2,127            | n/a             | 94,780            |
| Normal Risk  | 60,613            | 13,410           | n/a             | 74,023            | 61,508            | 13,799           | n/a             | 75,307            |
| Medium Risk  | 24,705            | 5,816            | n/a             | 30,521            | 21,990            | 6,350            | n/a             | 28,340            |
| High Risk  | 4,122             | 5,700            | 323             | 10,145            | 2,202             | 4,793            | 335             | 7,330             |
| Default  | n/a               | n/a              | 485             | 485               | n/a               | n/a              | 395             | 395               |
| <b>Total loans</b>   | <b>189,542</b>    | <b>27,204</b>    | <b>808</b>      | <b>217,554</b>    | <b>178,353</b>    | <b>27,069</b>    | <b>730</b>      | <b>206,152</b>    |
| <b>Allowance for loan losses</b>                                 | <b>653</b>        | <b>959</b>       | <b>197</b>      | <b>1,809</b>      | <b>619</b>        | <b>850</b>       | <b>154</b>      | <b>1,623</b>      |
| <b>Loans, net of allowance</b>                                   | <b>188,889</b>    | <b>26,245</b>    | <b>611</b>      | <b>215,745</b>    | <b>177,734</b>    | <b>26,219</b>    | <b>576</b>      | <b>204,529</b>    |
| <b>Credit card</b>   |                   |                  |                 |                   |                   |                  |                 |                   |
| Low Risk   | 6,499             | 12               | n/a             | 6,511             | 6,532             | 11               | n/a             | 6,543             |
| Normal Risk  | 11,171            | 134              | n/a             | 11,305            | 10,760            | 137              | n/a             | 10,897            |
| Medium Risk  | 12,311            | 1,163            | n/a             | 13,474            | 10,794            | 1,184            | n/a             | 11,978            |
| High Risk  | 2,567             | 4,289            | 401             | 7,257             | 2,590             | 3,653            | 265             | 6,508             |
| Default  | n/a               | n/a              | 113             | 113               | n/a               | n/a              | 84              | 84                |
| <b>Total loans</b>   | <b>32,548</b>     | <b>5,598</b>     | <b>514</b>      | <b>38,660</b>     | <b>30,676</b>     | <b>4,985</b>     | <b>349</b>      | <b>36,010</b>     |
| <b>Allowance for loan losses</b>                                 | <b>709</b>        | <b>913</b>       | <b>312</b>      | <b>1,934</b>      | <b>685</b>        | <b>855</b>       | <b>207</b>      | <b>1,747</b>      |
| <b>Loans, net of allowance</b>                                   | <b>31,839</b>     | <b>4,685</b>     | <b>202</b>      | <b>36,726</b>     | <b>29,991</b>     | <b>4,130</b>     | <b>142</b>      | <b>34,263</b>     |
| <b>Business and government<sup>1,2,3,5</sup></b>                 |                   |                  |                 |                   |                   |                  |                 |                   |
| Investment grade or Low/Normal Risk                              | 159,477           | 101              | n/a             | 159,578           | 144,994           | 596              | n/a             | 145,590           |
| Non-investment grade or Medium Risk                              | 161,651           | 10,278           | n/a             | 171,929           | 156,749           | 10,057           | n/a             | 166,806           |
| Watch and classified or High Risk                                | 604               | 11,017           | 75              | 11,696            | 507               | 9,745            | 83              | 10,335            |
| Default  | n/a               | n/a              | 1,315           | 1,315             | n/a               | n/a              | 744             | 744               |
| <b>Total loans and acceptances</b>                               | <b>321,732</b>    | <b>21,396</b>    | <b>1,390</b>    | <b>344,518</b>    | <b>302,250</b>    | <b>20,398</b>    | <b>827</b>      | <b>323,475</b>    |
| <b>Allowance for loan losses</b>                                 | <b>1,157</b>      | <b>1,371</b>     | <b>462</b>      | <b>2,990</b>      | <b>1,091</b>      | <b>1,304</b>     | <b>344</b>      | <b>2,739</b>      |
| <b>Loans and acceptances, net of allowance</b>                   | <b>320,575</b>    | <b>20,025</b>    | <b>928</b>      | <b>341,528</b>    | <b>301,159</b>    | <b>19,094</b>    | <b>483</b>      | <b>320,736</b>    |
| <b>Total loans and acceptances<sup>6</sup></b>                   | <b>839,961</b>    | <b>77,722</b>    | <b>3,390</b>    | <b>921,073</b>    | <b>787,437</b>    | <b>69,506</b>    | <b>2,618</b>    | <b>859,561</b>    |
| <b>Total allowance for loan losses<sup>5,7</sup></b>             | <b>2,673</b>      | <b>3,435</b>     | <b>1,028</b>    | <b>7,136</b>      | <b>2,522</b>      | <b>3,149</b>     | <b>761</b>      | <b>6,432</b>      |
| <b>Total loans and acceptances, net of allowance<sup>6</sup></b> | <b>\$ 837,288</b> | <b>\$ 74,287</b> | <b>\$ 2,362</b> | <b>\$ 913,937</b> | <b>\$ 784,915</b> | <b>\$ 66,357</b> | <b>\$ 1,857</b> | <b>\$ 853,129</b> |

<sup>1</sup> Includes impaired loans with a balance of \$271 million (October 31, 2022 – \$110 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 \$17 billion (October 31, 2022 – \$12 billion) and \$3 billion (October 31, 2022 – \$3 billion), respectively.

<sup>3</sup> Includes insured mortgages of \$74 billion (October 31, 2022 – \$77 billion).

<sup>4</sup> Includes Canadian government-insured real estate personal loans of \$7 billion (October 31, 2022 – \$9 billion).

<sup>5</sup> Includes loans guaranteed by government agencies of \$26 billion (October 31, 2022 – \$28 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 \$91 million (October 31, 2022 – \$115 million) and a related allowance for loan losses of \$6 million (October 31, 2022 – \$4 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, 2022 – nil).

**Loans and Acceptances by Risk Ratings (continued) – Off-Balance Sheet Credit Instruments<sup>1</sup>**

(millions of Canadian dollars)

|   | October 31, 2023  |                  |              |                   | October 31, 2022  |                  |               |                   |
|---|-------------------|------------------|--------------|-------------------|-------------------|------------------|---------------|-------------------|
|   | Stage 1           | Stage 2          | Stage 3      | Total             | Stage 1           | Stage 2          | Stage 3       | Total             |
|   |                   |                  |              |                   |                   |                  |               |                   |
| <b>Retail Exposures<sup>2</sup></b>                                 |                   |                  |              |                   |                   |                  |               |                   |
| Low Risk  | \$ 254,231        | \$ 1,093         | \$ n/a       | \$ 255,324        | \$ 240,203        | \$ 1,174         | \$ n/a        | \$ 241,377        |
| Normal Risk   | 91,474            | 1,112            | n/a          | 92,586            | 87,113            | 1,178            | n/a           | 88,291            |
| Medium Risk   | 19,774            | 1,079            | n/a          | 20,853            | 21,914            | 1,015            | n/a           | 22,929            |
| High Risk   | 1,209             | 1,198            | –            | 2,407             | 1,272             | 1,374            | –             | 2,646             |
| Default   | n/a               | n/a              | –            | –                 | n/a               | n/a              | –             | –                 |
| <b>Non-Retail Exposures<sup>3</sup></b>                             |                   |                  |              |                   |                   |                  |               |                   |
| Investment grade  | 264,029           | –                | n/a          | 264,029           | 229,592           | –                | n/a           | 229,592           |
| Non-investment grade  | 98,068            | 4,396            | n/a          | 102,464           | 84,301            | 3,642            | n/a           | 87,943            |
| Watch and classified  | 218               | 4,158            | –            | 4,376             | 237               | 4,265            | –             | 4,502             |
| Default   | n/a               | n/a              | 107          | 107               | n/a               | n/a              | 116           | 116               |
| <b>Total off-balance sheet credit instruments</b>                   | <b>729,003</b>    | <b>13,036</b>    | <b>107</b>   | <b>742,146</b>    | <b>664,632</b>    | <b>12,648</b>    | <b>116</b>    | <b>677,396</b>    |
| <b>Allowance for off-balance sheet credit instruments</b>           | <b>476</b>        | <b>565</b>       | <b>8</b>     | <b>1,049</b>      | <b>433</b>        | <b>495</b>       | <b>3</b>      | <b>931</b>        |
| <b>Total off-balance sheet credit instruments, net of allowance</b> | <b>\$ 728,527</b> | <b>\$ 12,471</b> | <b>\$ 99</b> | <b>\$ 741,097</b> | <b>\$ 664,199</b> | <b>\$ 12,153</b> | <b>\$ 113</b> | <b>\$ 676,465</b> |

<sup>1</sup> Exclude mortgage commitments.

<sup>2</sup> Includes \$369 billion (October 31, 2022 – \$352 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 \$62 billion (October 31, 2022 – \$51 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, 2023 and October 31, 2022.

**Impaired Loans<sup>1</sup>**

(millions of Canadian dollars)

|  | October 31, 2023                      |                 |                                     |                              | October 31, 2022                      |                 |                                     |                              |
|--|---------------------------------------|-----------------|-------------------------------------|------------------------------|---------------------------------------|-----------------|-------------------------------------|------------------------------|
|  | 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                  | \$ 665                                | \$ 618          | \$ 57                               | \$ 618                       | \$ 688                                | \$ 640          | \$ 56                               | \$ 656                       |
| Consumer instalment and other personal | 849                                   | 795             | 197                                 | 735                          | 736                                   | 713             | 154                                 | 733                          |
| Credit card                            | 514                                   | 514             | 312                                 | 425                          | 349                                   | 349             | 207                                 | 277                          |
| Business and government                | 1,473                                 | 1,372           | 456                                 | 1,034                        | 849                                   | 801             | 340                                 | 775                          |
| <b>Total</b>                           | <b>\$ 3,501</b>                       | <b>\$ 3,299</b> | <b>\$ 1,022</b>                     | <b>\$ 2,812</b>              | <b>\$ 2,622</b>                       | <b>\$ 2,503</b> | <b>\$ 757</b>                       | <b>\$ 2,441</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, 2023 and October 31, 2022, 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 |
|---|------------------------------|-----------------------------|-------------------------------|--|------------------------|---------------------------------------|-----------------------------|-------------------------------|--|------------------------|
|   |                              |                             |                               |  |                        | <i>For the years ended October 31</i> |                             |                               |  |                        |
|   | <b>2023</b>                  |                             |                               |  |                        | <b>2022</b>                           |                             |                               |  |                        |
| Residential mortgages   | \$ 323                       | \$ 85                       | \$ (7)                        | \$ 2   | \$ 403                 | \$ 261                                | \$ 56                       | \$ (2)                        | \$ 8   | \$ 323                 |
| Consumer instalment and other personal  | 1,704                        | 988                         | (806)                         | 9  | 1,895                  | 1,649                                 | 549                         | (553)                         | 59   | 1,704                  |
| Credit card   | 2,352                        | 1,327                       | (1,137)                       | 35   | 2,577                  | 2,314                                 | 582                         | (684)                         | 140  | 2,352                  |
| Business and government   | 2,984                        | 533                         | (261)                         | 54   | 3,310                  | 3,022                                 | (114)                       | (88)                          | 164  | 2,984                  |
| <b>Total allowance for loan losses, including off-balance sheet instruments</b> | <b>7,363</b>                 | <b>2,933</b>                | <b>(2,211)</b>                | <b>100</b>   | <b>8,185</b>           | <b>7,246</b>                          | <b>1,073</b>                | <b>(1,327)</b>                | <b>371</b>   | <b>7,363</b>           |
| Debt securities at amortized cost   | 1                            | -                           | -                             | 1  | 2                      | 2                                     | (1)                         | -                             | -  | 1                      |
| Debt securities at FVOCI  | 2                            | -                           | -                             | -  | 2                      | 7                                     | (5)                         | -                             | -  | 2                      |
| <b>Total allowance for credit losses on debt securities</b>                     | <b>3</b>                     | <b>-</b>                    | <b>-</b>                      | <b>1</b>   | <b>4</b>               | <b>9</b>                              | <b>(6)</b>                  | <b>-</b>                      | <b>-</b>   | <b>3</b>               |
| <b>Total allowance for credit losses</b>  | <b>\$ 7,366</b>              | <b>\$ 2,933</b>             | <b>\$ (2,211)</b>             | <b>\$ 101</b>                                      | <b>\$ 8,189</b>        | <b>\$ 7,255</b>                       | <b>\$ 1,067</b>             | <b>\$ (1,327)</b>             | <b>\$ 371</b>                                      | <b>\$ 7,366</b>        |
| Comprising:   |                              |                             |                               |  |                        |                                       |                             |                               |  |                        |
| Allowance for credit losses on loans at amortized cost                          | \$ 6,432                     |                             |                               |  | \$ 7,136               | \$ 6,390                              |                             |                               |  | \$ 6,432               |
| Allowance for credit losses on loans at FVOCI                                   | -                            |                             |                               |  | -                      | -                                     |                             |                               |  | -                      |
| <b>Allowance for loan losses</b>  | <b>6,432</b>                 |                             |                               |  | <b>7,136</b>           | <b>6,390</b>                          |                             |                               |  | <b>6,432</b>           |
| <b>Allowance for off-balance sheet instruments</b>                              | <b>931</b>                   |                             |                               |  | <b>1,049</b>           | <b>856</b>                            |                             |                               |  | <b>931</b>             |
| <b>Allowance for credit losses on debt securities</b>                           | <b>3</b>                     |                             |                               |  | <b>4</b>               | <b>9</b>                              |                             |                               |  | <b>3</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, 2023 and October 31, 2022.

#### Allowance for Loan Losses by Stage

(millions of Canadian dollars)

For the years ended October 31

|   | 2023    |          |                      |          | 2022    |          |                      |          |
|---|---------|----------|----------------------|----------|---------|----------|----------------------|----------|
|   | 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  | \$ 127  | \$ 140   | \$ 56                | \$ 323   | \$ 35   | \$ 175   | \$ 51                | \$ 261   |
| Provision for credit losses   |         |          |                      |          |         |          |                      |          |
| Transfer to Stage 1 <sup>2</sup>  | 123     | (120)    | (3)                  | –        | 109     | (106)    | (3)                  | –        |
| Transfer to Stage 2   | (30)    | 47       | (17)                 | –        | (23)    | 34       | (11)                 | –        |
| Transfer to Stage 3   | (2)     | (23)     | 25                   | –        | (2)     | (15)     | 17                   | –        |
| Net remeasurement due to transfers into stage <sup>3</sup>                          | (23)    | 18       | –                    | (5)      | (18)    | 13       | 1                    | (4)      |
| New originations or purchases <sup>4</sup>  | 49      | n/a      | n/a                  | 49       | 40      | n/a      | n/a                  | 40       |
| Net repayments <sup>5</sup>   | (4)     | (3)      | –                    | (7)      | (4)     | (4)      | –                    | (8)      |
| Derecognition of financial assets (excluding disposals and write-offs) <sup>6</sup> | (9)     | (23)     | (14)                 | (46)     | (7)     | (19)     | (28)                 | (54)     |
| Changes to risk, parameters, and models <sup>7</sup>                                | (78)    | 156      | 16                   | 94       | (7)     | 59       | 30                   | 82       |
| Disposals   | –       | –        | –                    | –        | –       | –        | –                    | –        |
| Write-offs  | –       | –        | (10)                 | (10)     | –       | –        | (33)                 | (33)     |
| Recoveries  | –       | –        | 3                    | 3        | –       | –        | 31                   | 31       |
| Foreign exchange and other adjustments  | 1       | –        | 1                    | 2        | 4       | 3        | 1                    | 8        |
| Balance at end of period  | \$ 154  | \$ 192   | \$ 57                | \$ 403   | \$ 127  | \$ 140   | \$ 56                | \$ 323   |
| <b>Consumer Instalment and Other Personal</b>                                       |         |          |                      |          |         |          |                      |          |
| Balance, including off-balance sheet instruments, at beginning of period            | \$ 654  | \$ 896   | \$ 154               | \$ 1,704 | \$ 550  | \$ 960   | \$ 139               | \$ 1,649 |
| Provision for credit losses   |         |          |                      |          |         |          |                      |          |
| Transfer to Stage 1 <sup>2</sup>  | 594     | (589)    | (5)                  | –        | 613     | (603)    | (10)                 | –        |
| Transfer to Stage 2   | (207)   | 276      | (69)                 | –        | (188)   | 248      | (60)                 | –        |
| Transfer to Stage 3   | (9)     | (197)    | 206                  | –        | (9)     | (203)    | 212                  | –        |
| Net remeasurement due to transfers into stage <sup>3</sup>                          | (208)   | 223      | 9                    | 24       | (167)   | 178      | 8                    | 19       |
| New originations or purchases <sup>4</sup>  | 415     | n/a      | n/a                  | 415      | 330     | n/a      | n/a                  | 330      |
| Net repayments <sup>5</sup>   | (63)    | (81)     | (12)                 | (156)    | (74)    | (78)     | (13)                 | (165)    |
| Derecognition of financial assets (excluding disposals and write-offs) <sup>6</sup> | (76)    | (97)     | (51)                 | (224)    | (93)    | (167)    | (52)                 | (312)    |
| Changes to risk, parameters, and models <sup>7</sup>                                | (416)   | 575      | 770                  | 929      | (329)   | 528      | 478                  | 677      |
| Disposals   | –       | –        | –                    | –        | –       | –        | –                    | –        |
| Write-offs  | –       | –        | (1,104)              | (1,104)  | –       | –        | (846)                | (846)    |
| Recoveries  | –       | –        | 298                  | 298      | –       | –        | 293                  | 293      |
| Foreign exchange and other adjustments  | 4       | 4        | 1                    | 9        | 21      | 33       | 5                    | 59       |
| Balance, including off-balance sheet instruments, at end of period                  | 688     | 1,010    | 197                  | 1,895    | 654     | 896      | 154                  | 1,704    |
| Less: Allowance for off-balance sheet instruments <sup>8</sup>                      | 35      | 51       | –                    | 86       | 35      | 46       | –                    | 81       |
| Balance at end of period  | \$ 653  | \$ 959   | \$ 197               | \$ 1,809 | \$ 619  | \$ 850   | \$ 154               | \$ 1,623 |
| <b>Credit Card<sup>9</sup></b>  |         |          |                      |          |         |          |                      |          |
| Balance, including off-balance sheet instruments, at beginning of period            | \$ 954  | \$ 1,191 | \$ 207               | \$ 2,352 | \$ 878  | \$ 1,298 | \$ 138               | \$ 2,314 |
| Provision for credit losses   |         |          |                      |          |         |          |                      |          |
| Transfer to Stage 1 <sup>2</sup>  | 1,134   | (1,108)  | (26)                 | –        | 1,208   | (1,189)  | (19)                 | –        |
| Transfer to Stage 2   | (317)   | 375      | (58)                 | –        | (310)   | 350      | (40)                 | –        |
| Transfer to Stage 3   | (19)    | (715)    | 734                  | –        | (19)    | (623)    | 642                  | –        |
| Net remeasurement due to transfers into stage <sup>3</sup>                          | (513)   | 476      | 21                   | (16)     | (367)   | 474      | 19                   | 126      |
| New originations or purchases <sup>4</sup>  | 194     | n/a      | n/a                  | 194      | 207     | n/a      | n/a                  | 207      |
| Net repayments <sup>5</sup>   | 74      | 7        | 57                   | 138      | 2       | 4        | 26                   | 32       |
| Derecognition of financial assets (excluding disposals and write-offs) <sup>6</sup> | (43)    | (75)     | (264)                | (382)    | (56)    | (118)    | (171)                | (345)    |
| Changes to risk, parameters, and models <sup>7</sup>                                | (489)   | 1,111    | 771                  | 1,393    | (647)   | 927      | 282                  | 562      |
| Disposals   | –       | –        | –                    | –        | –       | –        | –                    | –        |
| Write-offs  | –       | –        | (1,425)              | (1,425)  | –       | –        | (975)                | (975)    |
| Recoveries  | –       | –        | 288                  | 288      | –       | –        | 291                  | 291      |
| Foreign exchange and other adjustments  | 13      | 15       | 7                    | 35       | 58      | 68       | 14                   | 140      |
| Balance, including off-balance sheet instruments, at end of period                  | 988     | 1,277    | 312                  | 2,577    | 954     | 1,191    | 207                  | 2,352    |
| Less: Allowance for off-balance sheet instruments <sup>8</sup>                      | 279     | 364      | –                    | 643      | 269     | 336      | –                    | 605      |
| Balance at end of period  | \$ 709  | \$ 913   | \$ 312               | \$ 1,934 | \$ 685  | \$ 855   | \$ 207               | \$ 1,747 |

<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)

For the years ended October 31

|   | 2023            |                 |                      |                 | 2022            |                 |                      |                 |
|---|-----------------|-----------------|----------------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|   | 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            | \$ 1,220        | \$ 1,417        | \$ 347               | \$ 2,984        | \$ 1,186        | \$ 1,526        | \$ 310               | \$ 3,022        |
| Provision for credit losses   |                 |                 |                      |                 |                 |                 |                      |                 |
| Transfer to Stage 1 <sup>3</sup>  | 346             | (344)           | (2)                  | –               | 359             | (352)           | (7)                  | –               |
| Transfer to Stage 2   | (570)           | 583             | (13)                 | –               | (409)           | 423             | (14)                 | –               |
| Transfer to Stage 3   | (11)            | (208)           | 219                  | –               | (7)             | (99)            | 106                  | –               |
| Net remeasurement due to transfers into stage <sup>3</sup>                          | (102)           | 115             | 2                    | 15              | (83)            | 93              | –                    | 10              |
| New originations or purchases <sup>3</sup>  | 1,258           | n/a             | n/a                  | 1,258           | 1,098           | n/a             | n/a                  | 1,098           |
| Net repayments <sup>3</sup>   | 41              | (76)            | (100)                | (135)           | 20              | (33)            | (49)                 | (62)            |
| Derecognition of financial assets (excluding disposals and write-offs) <sup>3</sup> | (715)           | (587)           | (398)                | (1,700)         | (773)           | (624)           | (386)                | (1,783)         |
| Changes to risk, parameters, and models <sup>3</sup>                                | (178)           | 585             | 688                  | 1,095           | (250)           | 394             | 479                  | 623             |
| Disposals   | –               | –               | –                    | –               | –               | –               | –                    | –               |
| Write-offs  | –               | –               | (307)                | (307)           | –               | –               | (140)                | (140)           |
| Recoveries  | –               | –               | 46                   | 46              | –               | –               | 52                   | 52              |
| Foreign exchange and other adjustments  | 30              | 36              | (12)                 | 54              | 79              | 89              | (4)                  | 164             |
| Balance, including off-balance sheet instruments, at end of period                  | 1,319           | 1,521           | 470                  | 3,310           | 1,220           | 1,417           | 347                  | 2,984           |
| Less: Allowance for off-balance sheet instruments <sup>4</sup>                      | 162             | 150             | 8                    | 320             | 129             | 113             | 3                    | 245             |
| Balance at end of period  | 1,157           | 1,371           | 462                  | 2,990           | 1,091           | 1,304           | 344                  | 2,739           |
| <b>Total Allowance, including off-balance sheet instruments, at end of period</b>   | <b>3,149</b>    | <b>4,000</b>    | <b>1,036</b>         | <b>8,185</b>    | <b>2,955</b>    | <b>3,644</b>    | <b>764</b>           | <b>7,363</b>    |
| <b>Less: Total Allowance for off-balance sheet instruments<sup>4</sup></b>          | <b>476</b>      | <b>565</b>      | <b>8</b>             | <b>1,049</b>    | <b>433</b>      | <b>495</b>      | <b>3</b>             | <b>931</b>      |
| <b>Total Allowance for Loan Losses at end of period</b>                             | <b>\$ 2,673</b> | <b>\$ 3,435</b> | <b>\$ 1,028</b>      | <b>\$ 7,136</b> | <b>\$ 2,522</b> | <b>\$ 3,149</b> | <b>\$ 761</b>        | <b>\$ 6,432</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, 2023. 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. Restrictive monetary policy is contributing to elevated economic uncertainty and is likely to lead to a near-term deceleration in economic growth and a modest increase in the unemployment rate.

**Macroeconomic Variables**

|  | As at                                |                                      |                                      |                                      |                                      |                                      |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|  | October 31, 2023                     |                                      |                                      |                                      |                                      |                                      |
|  | Base Forecast                        |                                      | Upside Scenario                      |                                      | Downside Scenario                    |                                      |
|  | Average Q4 2023-Q3 2024 <sup>1</sup> | Remaining 4-year period <sup>1</sup> | Average Q4 2023-Q3 2024 <sup>1</sup> | Remaining 4-year period <sup>1</sup> | Average Q4 2023-Q3 2024 <sup>1</sup> | Remaining 4-year period <sup>1</sup> |
| Unemployment rate                            |                                      |                                      |                                      |                                      |                                      |                                      |
| Canada                                       | 6.2%                                 | 6.2%                                 | 5.6%                                 | 5.8%                                 | 7.0%                                 | 7.1%                                 |
| United States                                | 4.0                                  | 4.1                                  | 3.7                                  | 3.9                                  | 5.0                                  | 5.2                                  |
| Real GDP                                     |                                      |                                      |                                      |                                      |                                      |                                      |
| Canada                                       | 0.7                                  | 1.7                                  | 0.9                                  | 1.7                                  | (0.8)                                | 1.9                                  |
| United States                                | 1.5                                  | 1.7                                  | 2.2                                  | 1.8                                  | (0.1)                                | 2.0                                  |
| Home prices                                  |                                      |                                      |                                      |                                      |                                      |                                      |
| Canada (average existing price) <sup>2</sup> | 0.1                                  | 3.7                                  | 3.1                                  | 3.0                                  | (9.7)                                | 6.7                                  |
| United States (CoreLogic HPI) <sup>3</sup>   | 2.5                                  | 1.6                                  | 3.5                                  | 2.1                                  | (8.1)                                | 4.8                                  |
| Central bank policy interest rate            |                                      |                                      |                                      |                                      |                                      |                                      |
| Canada                                       | 4.63                                 | 2.39                                 | 5.00                                 | 2.45                                 | 3.75                                 | 1.88                                 |
| United States                                | 5.25                                 | 2.94                                 | 5.50                                 | 2.95                                 | 4.25                                 | 2.38                                 |
| U.S. 10-year treasury yield                  | 3.89                                 | 3.22                                 | 4.21                                 | 3.32                                 | 3.46                                 | 3.17                                 |
| U.S. 10-year BBB spread (%-pts)              | 2.18                                 | 1.81                                 | 1.94                                 | 1.78                                 | 2.67                                 | 2.05                                 |
| Exchange rate (U.S. dollar/Canadian dollar)  | \$ 0.72                              | \$ 0.79                              | \$ 0.77                              | \$ 0.81                              | \$ 0.71                              | \$ 0.74                              |

<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.

**Macroeconomic Variables** (continued)

|  | 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                              |

<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, 2023 | October 31, 2022 |
| Probability-weighted ECLs                       | \$ 7,149         | \$ 6,599         |
| Base ECLs                                       | 6,658            | 6,095            |
| Difference – in amount                          | \$ 491           | \$ 504           |
| Difference – in percentage                      | 7.4%             | 8.3%             |

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, 2023 | October 31, 2022 |
| Probability-weighted ECLs  | \$ 7,149         | \$ 6,599         |
| All performing loans and off-balance sheet instruments using 12-month ECLs | 5,295            | 4,819            |
| Incremental lifetime ECLs impact   | \$ 1,854         | \$ 1,780         |

**(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 \$59 million as at October 31, 2023 (October 31, 2022 – \$51 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, 2023 |               |                 | October 31, 2022 |               |                 |
|  | 31-60 days       | 61-89 days    | Total           | 31-60 days       | 61-89 days    | Total           |
| Residential mortgages                  | \$ 286           | \$ 81         | \$ 367          | \$ 230           | \$ 69         | \$ 299          |
| Consumer instalment and other personal | 870              | 287           | 1,157           | 668              | 204           | 872             |
| Credit card                            | 359              | 242           | 601             | 271              | 172           | 443             |
| Business and government                | 264              | 103           | 367             | 654              | 162           | 816             |
| <b>Total</b>                           | <b>\$ 1,779</b>  | <b>\$ 713</b> | <b>\$ 2,492</b> | <b>\$ 1,823</b>  | <b>\$ 607</b> | <b>\$ 2,430</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, 2023, was \$389 million (October 31, 2022 – \$296 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, 2023 was \$144 million (October 31, 2022 – \$686 million).

## (k) COLLATERAL

As at October 31, 2023, the collateral held against total gross impaired loans represents 77% (October 31, 2022 – 78%) 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 commingled 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, 2023 and October 31, 2022.

### Financial Assets Not Qualifying for Derecognition Treatment as Part of the Bank's Securitization Programs

(millions of Canadian dollars)

|   | October 31, 2023 |                  | October 31, 2022 |                 |
|---|------------------|------------------|------------------|-----------------|
|   | Fair value       | Carrying amount  | Fair value       | Carrying amount |
| <b>Nature of transaction</b>  |                  |                  |                  |                 |
| Securitization of residential mortgage loans                              | \$ 23,835        | \$ 24,433        | \$ 22,043        | \$ 22,684       |
| Other financial assets transferred related to securitization <sup>1</sup> | 3,554            | 3,571            | 5,199            | 5,285           |
| <b>Total</b>  | <b>27,389</b>    | <b>28,004</b>    | 27,242           | 27,969          |
| <b>Associated liabilities<sup>2</sup></b>                                 | <b>\$ 26,457</b> | <b>\$ 27,131</b> | \$ 26,978        | \$ 27,684       |

<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 \$13 billion as at October 31, 2023 (October 31, 2022 – \$15 billion), and securitization liabilities carried at fair value of \$14 billion as at October 31, 2023 (October 31, 2022 – \$13 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, 2023 and October 31, 2022.

### Other Financial Assets Not Qualifying for Derecognition

(millions of Canadian dollars)

|  | As at            |                 |
|--|------------------|-----------------|
|  | October 31 2023  | October 31 2022 |
| <b>Carrying amount of assets</b>                             |                  |                 |
| <i>Nature of transaction</i>                                 |                  |                 |
| Repurchase agreements <sup>1,2</sup>                         | \$ 27,782        | \$ 26,281       |
| Securities lending agreements                                | 40,333           | 45,667          |
| <b>Total</b>   | <b>68,115</b>    | 71,948          |
| <b>Carrying amount of associated liabilities<sup>2</sup></b> | <b>\$ 28,037</b> | \$ 26,785       |

<sup>1</sup> Includes \$3.6 billion, as at October 31, 2023 (October 31, 2022 – \$3.5 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, 2023, the fair value of retained interests was \$3 million (October 31, 2022 – \$5 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.

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, 2023, the carrying value of these servicing rights was \$92 million (October 31, 2022 – \$103 million) and the fair value was \$150 million (October 31, 2022 – \$155 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, 2023 was (\$40) million (October 31, 2022 – (\$68) million).

|         |                     |
|---------|---------------------|
| NOTE 10 | STRUCTURED ENTITIES |
|---------|---------------------|

The Bank uses structured entities for a variety of purposes including: (1) to facilitate the transfer of specified risks to clients; (2) as financing vehicles for itself or for clients; or (3) to segregate assets on behalf of investors. The Bank is typically restricted from accessing the assets of the structured entity under the relevant arrangements.

The Bank is involved with structured entities that it sponsors, as well as entities sponsored by third parties. Factors assessed when determining if the Bank is the sponsor of a structured entity include whether the Bank is the predominant user of the entity; whether the entity's branding or marketing identity is linked with the Bank; and whether the Bank provides an implicit or explicit guarantee of the entity's performance to investors or other third parties. The Bank is not considered to be the sponsor of a structured entity if it only provides arm's-length services to the entity, for example, by acting as administrator, distributor, custodian, 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.

##### ***Securizations***

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. Securizations 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 through the provision of first loss protection, 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. 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 certain types 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").

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 programs of government-sponsored structured entities, including the CMHC, a Crown corporation of the Government of Canada, and similar U.S. government-sponsored entities. CMHC guarantees both NHA MBS and CMB which are 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 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 mainly 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, 2023  |                             |                 |                   | October 31, 2022  |                             |                 |                   |
|--|-------------------|-----------------------------|-----------------|-------------------|-------------------|-----------------------------|-----------------|-------------------|
|  | Securizations     | Investment funds and trusts | Other           | Total             | Securizations     | Investment funds and trusts | Other           | Total             |
| <b>FINANCIAL ASSETS</b>  |                   |                             |                 |                   |                   |                             |                 |                   |
| Trading loans, securities, and other   | \$ 7,190          | \$ 930                      | \$ –            | \$ 8,120          | \$ 10,046         | \$ 976                      | \$ –            | \$ 11,022         |
| Non-trading financial assets at fair value through profit or loss                        | 2,163             | 738                         | 107             | 3,008             | 6,167             | 806                         | 51              | 7,024             |
| Derivatives <sup>1</sup>   | –                 | 401                         | –               | 401               | –                 | 608                         | –               | 608               |
| Financial assets designated at fair value through profit or loss                         | –                 | 268                         | –               | 268               | –                 | 18                          | –               | 18                |
| Financial assets at fair value through other comprehensive income                        | 25,956            | 3,714                       | 7               | 29,677            | 23,795            | 3,667                       | –               | 27,462            |
| Debt securities at amortized cost, net of allowance for credit losses                    | 134,503           | 1,153                       | –               | 135,656           | 155,178           | 568                         | –               | 155,746           |
| Loans  | 4,560             | 4                           | –               | 4,564             | 4,550             | 4                           | –               | 4,554             |
| Other  | 5                 | 107                         | 4,657           | 4,769             | 5                 | –                           | 3,488           | 3,493             |
| <b>Total assets</b>  | <b>174,377</b>    | <b>7,315</b>                | <b>4,771</b>    | <b>186,463</b>    | <b>199,741</b>    | <b>6,647</b>                | <b>3,539</b>    | <b>209,927</b>    |
| <b>FINANCIAL LIABILITIES</b>   |                   |                             |                 |                   |                   |                             |                 |                   |
| Deposits   | –                 | –                           | 839             | 839               | –                 | –                           | –               | –                 |
| Derivatives <sup>1</sup>   | –                 | 50                          | –               | 50                | –                 | 270                         | –               | 270               |
| Obligations related to securities sold short   | 4,126             | 333                         | –               | 4,459             | 2,172             | 332                         | –               | 2,504             |
| <b>Total liabilities</b>   | <b>4,126</b>      | <b>383</b>                  | <b>839</b>      | <b>5,348</b>      | <b>2,172</b>      | <b>602</b>                  | <b>–</b>        | <b>2,774</b>      |
| Off-balance sheet exposure <sup>2</sup>  | 19,904            | 3,965                       | 2,294           | 26,163            | 16,083            | 4,983                       | 1,972           | 23,038            |
| <b>Maximum exposure to loss from involvement with unconsolidated structured entities</b> | <b>\$ 190,155</b> | <b>\$ 10,897</b>            | <b>\$ 6,226</b> | <b>\$ 207,278</b> | <b>\$ 213,652</b> | <b>\$ 11,028</b>            | <b>\$ 5,511</b> | <b>\$ 230,191</b> |
| <b>Size of sponsored unconsolidated structured entities<sup>3</sup></b>                  | <b>\$ 14,032</b>  | <b>\$ 33,744</b>            | <b>\$ 39</b>    | <b>\$ 47,815</b>  | <b>\$ 11,515</b>  | <b>\$ 33,800</b>            | <b>\$ –</b>     | <b>\$ 45,315</b>  |

<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 \$2.1 billion (October 31, 2022 – \$2.3 billion) from its involvement with these asset management entities for the year ended October 31, 2023, of which \$1.9 billion (October 31, 2022 – \$2.0 billion) was received directly from these entities. The total AUM in these entities as at October 31, 2023 was \$253.1 billion (October 31, 2022 – \$251.7 billion). Any assets transferred by the Bank during the period are commingled 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, 2023                    |                  | October 31, 2022                    |                  |
|--|-------------------------------------|------------------|-------------------------------------|------------------|
|  | 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                                    | \$ 464                              | \$ 88            | \$ 359                              | \$ 57            |
| Swaps  | 16,041                              | 12,667           | 17,535                              | 11,200           |
| Options written  | –                                   | 2,204            | –                                   | 1,941            |
| Options purchased  | 2,265                               | –                | 1,840                               | –                |
| Total interest rate contracts                              | 18,770                              | 14,959           | 19,734                              | 13,198           |
| Foreign exchange contracts <sup>1</sup>                    |                                     |                  |                                     |                  |
| Forward contracts  | 1,968                               | 1,836            | 1,455                               | 3,625            |
| Swaps  | 20,123                              | 17,806           | 32,931                              | 28,794           |
| Cross-currency interest rate swaps                         | 28,902                              | 22,990           | 30,242                              | 25,841           |
| Options written  | –                                   | 619              | –                                   | 610              |
| Options purchased  | 503                                 | –                | 531                                 | –                |
| Total foreign exchange contracts                           | 51,496                              | 43,251           | 65,159                              | 58,870           |
| Credit derivative contracts                                |                                     |                  |                                     |                  |
| Credit default swaps – protection purchased                | 11                                  | 122              | 8                                   | 66               |
| Credit default swaps – protection sold                     | 42                                  | 5                | 45                                  | 7                |
| Total credit derivative contracts                          | 53                                  | 127              | 53                                  | 73               |
| Other contracts  |                                     |                  |                                     |                  |
| Equity contracts   | 4,350                               | 2,846            | 3,140                               | 4,702            |
| Commodity contracts  | 2,108                               | 2,110            | 3,599                               | 3,439            |
| Total other contracts                                      | 6,458                               | 4,956            | 6,739                               | 8,141            |
| <b>Fair value – trading</b>                                | <b>76,777</b>                       | <b>63,293</b>    | <b>91,685</b>                       | <b>80,282</b>    |
| <b>Derivatives held or issued for non-trading purposes</b> |                                     |                  |                                     |                  |
| Interest rate contracts                                    |                                     |                  |                                     |                  |
| Forward rate agreements                                    | 2                                   | 1                | 4                                   | –                |
| Swaps  | 4,131                               | 6,246            | 4,126                               | 6,080            |
| Options written  | –                                   | –                | –                                   | –                |
| Options purchased  | 7                                   | –                | 2                                   | –                |
| Total interest rate contracts                              | 4,140                               | 6,247            | 4,132                               | 6,080            |
| Foreign exchange contracts                                 |                                     |                  |                                     |                  |
| Forward contracts  | 821                                 | 503              | 2,559                               | 202              |
| Swaps  | 31                                  | 3                | 16                                  | 10               |
| Cross-currency interest rate swaps                         | 5,065                               | 1,116            | 4,315                               | 3,320            |
| Total foreign exchange contracts                           | 5,917                               | 1,622            | 6,890                               | 3,532            |
| Credit derivative contracts                                |                                     |                  |                                     |                  |
| Credit default swaps – protection purchased                | 1                                   | 45               | 3                                   | 78               |
| Total credit derivative contracts                          | 1                                   | 45               | 3                                   | 78               |
| Other contracts  |                                     |                  |                                     |                  |
| Equity contracts   | 547                                 | 433              | 1,163                               | 1,161            |
| Total other contracts                                      | 547                                 | 433              | 1,163                               | 1,161            |
| <b>Fair value – non-trading</b>                            | <b>10,605</b>                       | <b>8,347</b>     | <b>12,188</b>                       | <b>10,851</b>    |
| <b>Total fair value</b>                                    | <b>\$ 87,382</b>                    | <b>\$ 71,640</b> | <b>\$ 103,873</b>                   | <b>\$ 91,133</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, 2023 and October 31, 2022.

### Fair Value of Non-Trading Derivatives<sup>1</sup>

(millions of Canadian dollars)

As at

|  | October 31, 2023                                |                 |                |   |                  |   |                 |                |   |                  |
|--|---|-----------------|----------------|---|------------------|---|-----------------|----------------|---|------------------|
|  | Derivative Assets                               |                 |                |   |                  | Derivative Liabilities                          |                 |                |   |                  |
|  | Derivatives in qualifying hedging relationships |                 |                | Derivatives not in qualifying hedging relationships | Total            | Derivatives in qualifying hedging relationships |                 |                | Derivatives not in qualifying hedging relationships | Total            |
|  | Fair value                                      | Cash flow       | Net investment |   |                  | Fair value                                      | Cash flow       | Net investment |   |                  |
| <b>Derivatives held or issued for non-trading purposes</b> |   |                 |                |   |                  |   |                 |                |   |                  |
| Interest rate contracts                                    | \$ 2,049  | \$ 33           | \$ –           | \$ 2,058  | \$ 4,140         | \$ 1,195  | \$ 2,629        | \$ –           | \$ 2,423  | \$ 6,247         |
| Foreign exchange contracts                                 | –   | 5,754           | –              | 163   | 5,917            | –   | 1,597           | –              | 25  | 1,622            |
| Credit derivative contracts                                | –   | –               | –              | 1   | 1                | –   | –               | –              | 45  | 45               |
| Other contracts  | –   | 434             | –              | 113   | 547              | –   | 190             | –              | 243   | 433              |
| <b>Fair value – non-trading</b>                            | <b>\$ 2,049</b>                                 | <b>\$ 6,221</b> | <b>\$ –</b>    | <b>\$ 2,335</b>                                     | <b>\$ 10,605</b> | <b>\$ 1,195</b>                                 | <b>\$ 4,416</b> | <b>\$ –</b>    | <b>\$ 2,736</b>                                     | <b>\$ 8,347</b>  |
| October 31, 2022   |   |                 |                |   |                  |   |                 |                |   |                  |
| <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> |

<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

|   | 2023  |   |                       |                                   |   |  |
|---|---|---|-----------------------|-----------------------------------|---|--|
|   | 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>   |   |   |                       |                                   |   |  |
| <i>Interest rate risk</i>   |   |   |                       |                                   |   |  |
| Debt securities at amortized cost                                 | \$ (4,408)  | \$ 4,381  | \$ (27)               | \$ 105,672                        | \$ (18,332)   | \$ (3,378)   |
| Financial assets at fair value through other comprehensive income | (785)   | 807   | 22                    | 43,249                            | (4,230)   | (68)   |
| Loans   | (798)   | 800   | 2                     | 54,482                            | (2,322)   | 9  |
| <b>Total assets</b>   | <b>(5,991)</b>  | <b>5,988</b>  | <b>(3)</b>            | <b>203,403</b>                    | <b>(24,884)</b>   | <b>(3,437)</b>   |
| <b>Liabilities</b>  |   |   |                       |                                   |   |  |
| <i>Interest rate risk</i>   |   |   |                       |                                   |   |  |
| Deposits  | 1,383   | (1,417)   | (34)                  | 118,308                           | (8,641)   | (102)  |
| Securitization liabilities at amortized cost                      | 76  | (79)  | (3)                   | 2,124                             | (65)  | –  |
| Subordinated notes and debentures                                 | 7   | (7)   | –                     | 1,026                             | (101)   | (32)   |
| <b>Total liabilities</b>  | <b>1,466</b>  | <b>(1,503)</b>  | <b>(37)</b>           | <b>121,458</b>                    | <b>(8,807)</b>  | <b>(134)</b>   |
| <b>Total</b>  | <b>\$ (4,525)</b>   | <b>\$ 4,485</b>   | <b>\$ (40)</b>        |                                   |   |  |
| 2022  |   |   |                       |                                   |   |  |
| <b>Assets</b>   |   |   |                       |                                   |   |  |
| <i>Interest rate risk</i>   |   |   |                       |                                   |   |  |
| 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>  |   |   |                       |                                   |   |  |
| <i>Interest rate risk</i>   |   |   |                       |                                   |   |  |
| 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>          |                                   |   |  |

<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

|  | 2023  |   |                       |  |   |  |
|--|---|---|-----------------------|--|---|--|
|  | 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>        | \$ 1,260  | \$ (1,261)  | \$ (1)                | \$ (3,528)   | \$ (3,069)  | \$ (459)   |
| Foreign exchange risk <sup>4,5,6</sup> | (4,417)   | 4,414   | (3)                   | 3,824  | 3,168   | 656  |
| Equity price risk                      | 374   | (374)   | –                     | (374)  | (337)   | (37)   |
| <b>Total cash flow hedges</b>          | <b>\$ (2,783)</b>   | <b>\$ 2,779</b>   | <b>\$ (4)</b>         | <b>\$ (78)</b>   | <b>\$ (238)</b>   | <b>\$ 160</b>  |
| <b>Net investment hedges</b>           | <b>\$ 1,821</b>   | <b>\$ (1,821)</b>   | <b>\$ –</b>           | <b>\$ (1,821)</b>  | <b>\$ 15</b>  | <b>\$ (1,836)</b>  |
|  |   |   |                       |  |   | 2022   |
| <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>  |

<sup>1</sup> Effects on OCI are presented on a pre-tax basis.

<sup>2</sup> During the years ended October 31, 2023 and October 31, 2022, 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

|                               | 2023   |  |  |  |   |
|-------------------------------|--|--|--|--|---|
|                               | 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            | \$ (5,982)   | \$ (459)   | \$ (6,441)   | \$ (3,463)   | \$ (2,978)  |
| Foreign exchange risk         | (1,747)  | 656  | (1,091)  | (1,091)  | –   |
| Equity price risk             | 16   | (37)   | (21)   | (21)   | –   |
| <b>Total cash flow hedges</b> | <b>\$ (7,713)</b>  | <b>\$ 160</b>                                    | <b>\$ (7,553)</b>  | <b>\$ (4,575)</b>  | <b>\$ (2,978)</b>   |
| <b>Net investment hedges</b>  |  |  |  |  |   |
| Foreign translation risk      | \$ (4,516)   | \$ (1,836)                                       | \$ (6,352)   | \$ (6,352)   | \$ –  |
|                               |  |  |  |  | 2022  |
| <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)   | \$ –  |

<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)

|  |                                |                          |                     |                      |                              |                      | As at                |                    |
|--|--------------------------------|--------------------------|---------------------|----------------------|------------------------------|----------------------|----------------------|--------------------|
|  |                                |                          |                     |                      |                              |                      | October 31<br>2023   | October 31<br>2022 |
|  | Over-the-Counter <sup>1</sup>  |                          |                     | Trading              |                              |                      |                      |                    |
|  | Clearing<br>house <sup>2</sup> | Non<br>clearing<br>house | Exchange-<br>traded | Total                | Non-<br>trading <sup>3</sup> | Total                | Total                |                    |
| <b>Notional</b>                                |                                |                          |                     |                      |                              |                      |                      |                    |
| <b>Interest rate contracts</b>                 |                                |                          |                     |                      |                              |                      |                      |                    |
| Futures  | \$ –                           | \$ –                     | \$ 1,377,932        | \$ 1,377,932         | \$ –                         | \$ 1,377,932         | \$ 1,191,392         |                    |
| Forward rate agreements                        | 608,369                        | 19,585                   | –                   | 627,954              | 462                          | 628,416              | 536,831              |                    |
| Swaps  | 14,410,944                     | 368,038                  | –                   | 14,778,982           | 2,195,575                    | 16,974,557           | 16,530,539           |                    |
| Options written                                | –                              | 97,396                   | 14,280              | 111,676              | 58                           | 111,734              | 196,960              |                    |
| Options purchased                              | –                              | 118,737                  | 17,650              | 136,387              | 4,050                        | 140,437              | 209,225              |                    |
| Total interest rate contracts                  | 15,019,313                     | 603,756                  | 1,409,862           | 17,032,931           | 2,200,145                    | 19,233,076           | 18,664,947           |                    |
| <b>Foreign exchange contracts</b>              |                                |                          |                     |                      |                              |                      |                      |                    |
| Forward contracts                              | 22                             | 207,914                  | –                   | 207,936              | 23,665                       | 231,601              | 264,309              |                    |
| Swaps  | 570                            | 2,016,703                | –                   | 2,017,273            | 4,059                        | 2,021,332            | 1,915,885            |                    |
| Cross-currency interest rate swaps             | –                              | 1,315,669                | –                   | 1,315,669            | 133,190                      | 1,448,859            | 1,204,209            |                    |
| Options written                                | –                              | 51,176                   | 40                  | 51,216               | –                            | 51,216               | 35,585               |                    |
| Options purchased                              | –                              | 36,958                   | 1                   | 36,959               | –                            | 36,959               | 26,569               |                    |
| Total foreign exchange contracts               | 592                            | 3,628,420                | 41                  | 3,629,053            | 160,914                      | 3,789,967            | 3,446,557            |                    |
| <b>Credit derivative contracts</b>             |                                |                          |                     |                      |                              |                      |                      |                    |
| Credit default swaps – protection<br>purchased | 9,595                          | 370                      | –                   | 9,965                | 2,191                        | 12,156               | 13,204               |                    |
| Credit default swaps – protection sold         | 2,348                          | 187                      | –                   | 2,535                | –                            | 2,535                | 3,054                |                    |
| Total credit derivative contracts              | 11,943                         | 557                      | –                   | 12,500               | 2,191                        | 14,691               | 16,258               |                    |
| <b>Other contracts</b>                         |                                |                          |                     |                      |                              |                      |                      |                    |
| Equity contracts                               | –                              | 84,190                   | 104,819             | 189,009              | 32,256                       | 221,265              | 191,474              |                    |
| Commodity contracts                            | 166                            | 73,909                   | 90,095              | 164,170              | –                            | 164,170              | 135,157              |                    |
| Total other contracts                          | 166                            | 158,099                  | 194,914             | 353,179              | 32,256                       | 385,435              | 326,631              |                    |
| <b>Total</b>                                   | <b>\$ 15,032,014</b>           | <b>\$ 4,390,832</b>      | <b>\$ 1,604,817</b> | <b>\$ 21,027,663</b> | <b>\$ 2,395,506</b>          | <b>\$ 23,423,169</b> | <b>\$ 22,454,393</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 \$1,970 billion of OTC derivatives that are transacted with clearing houses (October 31, 2022 – \$1,772 billion) and \$426 billion of OTC derivatives that are transacted with non-clearing houses (October 31, 2022 – \$352 billion). There were no exchange-traded derivatives both as at October 31, 2023 and October 31, 2022.

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)

|   | As at   |                        |                             |   |                     |
|---|---|------------------------|-----------------------------|---|---------------------|
|   | October 31, 2023                                |                        |                             |   |                     |
|   | Derivatives in qualifying hedging relationships |                        |                             | Derivatives not in qualifying hedging relationships |                     |
| Derivatives held or issued for hedging (non-trading) purposes | Fair value                                      | Cash flow <sup>1</sup> | Net Investment <sup>1</sup> | relationships                                       | Total               |
| Interest rate contracts                                       | \$ 372,214                                      | \$ 298,328             | \$ –                        | \$ 1,529,603  | \$ 2,200,145        |
| Foreign exchange contracts                                    | –   | 144,485                | –                           | 16,429  | 160,914             |
| Credit derivative contracts                                   | –   | –                      | –                           | 2,191   | 2,191               |
| Other contracts   | –   | 2,241                  | –                           | 30,015  | 32,256              |
| <b>Total notional non-trading</b>                             | <b>\$ 372,214</b>                               | <b>\$ 445,054</b>      | <b>\$ –</b>                 | <b>\$ 1,578,238</b>                                 | <b>\$ 2,395,506</b> |

|                                   | October 31, 2022  |                   |             |                     |                     |
|-----------------------------------|-------------------|-------------------|-------------|---------------------|---------------------|
| 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>\$ 1,378,659</b> | <b>\$ 2,124,738</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 2023      |                        |                     |                      | October 31 2022      |
| Notional Principal                          | Within 1 year        | Over 1 year to 5 years | Over 5 years        | Total                | Total                |
| <b>Interest rate contracts</b>              |                      |                        |                     |                      |                      |
| Futures                                     | \$ 1,216,853         | \$ 161,079             | \$ –                | \$ 1,377,932         | \$ 1,191,392         |
| Forward rate agreements                     | 587,097              | 37,685                 | 3,634               | 628,416              | 536,831              |
| Swaps                                       | 5,709,984            | 7,805,585              | 3,458,988           | 16,974,557           | 16,530,539           |
| Options written                             | 57,925               | 49,922                 | 3,887               | 111,734              | 196,960              |
| Options purchased                           | 68,909               | 63,906                 | 7,622               | 140,437              | 209,225              |
| Total interest rate contracts               | 7,640,768            | 8,118,177              | 3,474,131           | 19,233,076           | 18,664,947           |
| <b>Foreign exchange contracts</b>           |                      |                        |                     |                      |                      |
| Futures                                     | –                    | –                      | –                   | –                    | –                    |
| Forward contracts                           | 212,749              | 16,914                 | 1,938               | 231,601              | 264,309              |
| Swaps                                       | 1,970,612            | 49,521                 | 1,199               | 2,021,332            | 1,915,885            |
| Cross-currency interest rate swaps          | 303,435              | 838,950                | 306,474             | 1,448,859            | 1,204,209            |
| Options written                             | 47,078               | 4,138                  | –                   | 51,216               | 35,585               |
| Options purchased                           | 32,091               | 4,868                  | –                   | 36,959               | 26,569               |
| Total foreign exchange contracts            | 2,565,965            | 914,391                | 309,611             | 3,789,967            | 3,446,557            |
| <b>Credit derivative contracts</b>          |                      |                        |                     |                      |                      |
| Credit default swaps – protection purchased | 1,455                | 5,077                  | 5,624               | 12,156               | 13,204               |
| Credit default swaps – protection sold      | 222                  | 1,441                  | 872                 | 2,535                | 3,054                |
| Total credit derivative contracts           | 1,677                | 6,518                  | 6,496               | 14,691               | 16,258               |
| <b>Other contracts</b>                      |                      |                        |                     |                      |                      |
| Equity contracts                            | 147,064              | 73,149                 | 1,052               | 221,265              | 191,474              |
| Commodity contracts                         | 134,842              | 28,483                 | 845                 | 164,170              | 135,157              |
| Total other contracts                       | 281,906              | 101,632                | 1,897               | 385,435              | 326,631              |
| <b>Total</b>                                | <b>\$ 10,490,316</b> | <b>\$ 9,140,718</b>    | <b>\$ 3,792,135</b> | <b>\$ 23,423,169</b> | <b>\$ 22,454,393</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)

|   | October 31<br>2023 |                           |                   |                   | As at<br>October 31<br>2022 |
|---|--------------------|---------------------------|-------------------|-------------------|-----------------------------|
|   | Within<br>1 year   | Over 1 year<br>to 5 years | Over 5<br>years   | Total             | Total                       |
| <b>Notional</b>                               |                    |                           |                   |                   |                             |
| <b>Interest rate risk</b>                     |                    |                           |                   |                   |                             |
| <b>Interest rate swaps</b>                    |                    |                           |                   |                   |                             |
| <b>Notional – pay fixed</b>                   | \$ 14,849          | \$ 107,972                | \$ 115,651        | \$ 238,472        | \$ 175,561                  |
| Average fixed interest rate %                 | 3.90               | 3.31                      | 2.22              |                   |                             |
| <b>Notional – received fixed</b>              | 95,965             | 140,720                   | 17,113            | 253,798           | 291,098                     |
| Average fixed interest rate %                 | 4.05               | 2.86                      | 3.34              |                   |                             |
| <b>Total notional – interest rate risk</b>    | <b>110,814</b>     | <b>248,692</b>            | <b>132,764</b>    | <b>492,270</b>    | <b>466,659</b>              |
| <b>Foreign exchange risk<sup>1</sup></b>      |                    |                           |                   |                   |                             |
| <b>Forward contracts</b>                      |                    |                           |                   |                   |                             |
| Notional – USD/CAD                            | 1,396              | 6,622                     | 49                | 8,067             | 6,653                       |
| Average FX forward rate                       | 1.33               | 1.30                      | 1.34              |                   |                             |
| Notional – EUR/CAD                            | 3,636              | 10,240                    | 788               | 14,664            | 13,637                      |
| Average FX forward rate                       | 1.65               | 1.57                      | 1.55              |                   |                             |
| Notional – other                              | 86                 | 86                        | –                 | 172               | 162                         |
| <b>Cross-currency swaps<sup>2,3</sup></b>     |                    |                           |                   |                   |                             |
| Notional – USD/CAD                            | 9,094              | 34,833                    | 7,570             | 51,497            | 53,029                      |
| Average FX rate                               | 1.31               | 1.31                      | 1.28              |                   |                             |
| Notional – EUR/CAD                            | 8,120              | 29,527                    | 9,971             | 47,618            | 31,731                      |
| Average FX rate                               | 1.50               | 1.43                      | 1.42              |                   |                             |
| Notional – GBP/CAD                            | –                  | 5,391                     | 332               | 5,723             | 4,215                       |
| Average FX rate                               |                    | 1.65                      | 1.71              |                   |                             |
| Notional – other currency pairs <sup>4</sup>  | 3,062              | 12,696                    | 986               | 16,744            | 14,561                      |
| <b>Total notional – foreign exchange risk</b> | <b>25,394</b>      | <b>99,395</b>             | <b>19,696</b>     | <b>144,485</b>    | <b>123,988</b>              |
| <b>Equity Price Risk</b>                      |                    |                           |                   |                   |                             |
| Notional – equity contracts                   | 2,241              | –                         | –                 | 2,241             | 1,793                       |
| <b>Total notional</b>                         | <b>\$ 138,449</b>  | <b>\$ 348,087</b>         | <b>\$ 152,460</b> | <b>\$ 638,996</b> | <b>\$ 592,440</b>           |

<sup>1</sup> Foreign currency denominated deposit liabilities are also used to hedge foreign exchange risk. Includes \$67.2 billion (October 31, 2022 – \$30.5 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 \$178.3 billion as at October 31, 2023 (October 31, 2022 – \$153.6 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 no longer have exposure to USD LIBOR, but continue to have exposure to CDOR benchmark rates. As a result of IBOR reform, CDOR 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 all remaining benchmark rates still subject to ARR transition. As the new ARRs will 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.

As at October 31, 2023, the Bank has transitioned all derivative instruments designated in qualifying hedge accounting relationships referencing USD LIBOR to an ARR and it no longer has exposure to any residual USD LIBOR derivative notional amounts (October 31, 2022 – \$148 billion).

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>

|                                   | As at  |                   |
|-----------------------------------|--|-------------------|
|                                   | October 31, 2023   | October 31, 2022  |
| (millions of Canadian dollars)    |  |                   |
|                                   | <b>Hedging derivatives maturing after June 28, 2024 (for CDOR)</b> |                   |
| <b>Notional</b>                   |  |                   |
| <b>Interest rate risk</b>         |  |                   |
| Interest rate swaps               | \$ 137,624   | \$ 135,732        |
| <b>Foreign exchange risk</b>      |  |                   |
| Interest rate swaps               | 70,929   | 54,810            |
| Cross-currency swaps <sup>2</sup> | 75,127   | 56,335            |
| <b>Total</b>                      | <b>\$ 283,680</b>  | <b>\$ 246,877</b> |

<sup>1</sup> CDOR transitioning to Canadian Overnight Repo Rate Average.

<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

|   | October 31, 2023         |                          |                      | October 31, 2022         |                          |                      |
|---|--------------------------|--------------------------|----------------------|--------------------------|--------------------------|----------------------|
|   | Current replacement cost | Credit equivalent amount | Risk-weighted amount | Current replacement cost | Credit equivalent amount | Risk-weighted amount |
| (millions of Canadian dollars)            |                          |                          |                      |                          |                          |                      |
| <b>Interest rate contracts</b>            |                          |                          |                      |                          |                          |                      |
| Forward rate agreements                   | \$ 32                    | \$ 141                   | \$ 70                | \$ 21                    | \$ 90                    | \$ 30                |
| Swaps                                     | 6,436                    | 13,423                   | 1,142                | 7,328                    | 14,424                   | 920                  |
| Options written                           | 3                        | 92                       | 27                   | 4                        | 84                       | 18                   |
| Options purchased                         | 27                       | 140                      | 39                   | 20                       | 101                      | 40                   |
| Total interest rate contracts             | 6,498                    | 13,796                   | 1,278                | 7,373                    | 14,699                   | 1,008                |
| <b>Foreign exchange contracts</b>         |                          |                          |                      |                          |                          |                      |
| Forward contracts                         | 1,514                    | 4,732                    | 968                  | 1,467                    | 4,446                    | 695                  |
| Swaps                                     | 4,184                    | 19,252                   | 2,863                | 5,583                    | 19,930                   | 2,265                |
| Cross-currency interest rate swaps        | 5,668                    | 18,249                   | 1,767                | 6,372                    | 18,019                   | 1,599                |
| Options written                           | 27                       | 306                      | 71                   | 35                       | 349                      | 183                  |
| Options purchased                         | 64                       | 252                      | 93                   | 102                      | 271                      | 135                  |
| Total foreign exchange contracts          | 11,457                   | 42,791                   | 5,762                | 13,559                   | 43,015                   | 4,877                |
| <b>Other contracts</b>                    |                          |                          |                      |                          |                          |                      |
| Credit derivatives                        | 4                        | 278                      | 50                   | 1                        | 449                      | 83                   |
| Equity contracts                          | 762                      | 8,147                    | 2,577                | 513                      | 7,456                    | 1,662                |
| Commodity contracts                       | 829                      | 4,980                    | 1,102                | 1,104                    | 5,101                    | 1,055                |
| Total other contracts                     | 1,595                    | 13,405                   | 3,729                | 1,618                    | 13,006                   | 2,800                |
| <b>Total derivatives</b>                  | <b>19,550</b>            | <b>69,992</b>            | <b>10,769</b>        | <b>22,550</b>            | <b>70,720</b>            | <b>8,685</b>         |
| Qualifying Central Counterparty Contracts | 6,494                    | 27,211                   | 969                  | 7,468                    | 28,230                   | 941                  |
| <b>Total</b>                              | <b>\$ 26,044</b>         | <b>\$ 97,203</b>         | <b>\$ 11,738</b>     | <b>\$ 30,018</b>         | <b>\$ 98,950</b>         | <b>\$ 9,626</b>      |



## Current Replacement Cost of Derivatives

(millions of Canadian dollars, except as noted)

| By sector                             |                     |                    |                            |                    |                                  |                    | As at              |                    |
|---------------------------------------|---------------------|--------------------|----------------------------|--------------------|----------------------------------|--------------------|--------------------|--------------------|
|                                       | Canada <sup>1</sup> |                    | United States <sup>1</sup> |                    | Other international <sup>1</sup> |                    | Total              |                    |
|                                       | October 31<br>2023  | October 31<br>2022 | October 31<br>2023         | October 31<br>2022 | October 31<br>2023               | October 31<br>2022 | October 31<br>2023 | October 31<br>2022 |
| Financial                             | \$ 5,132            | \$ 5,636           | \$ 23                      | \$ 19              | \$ 234                           | \$ 551             | \$ 5,389           | \$ 6,206           |
| Government                            | 5,441               | 6,185              | 189                        | 66                 | 4,455                            | 5,388              | 10,085             | 11,639             |
| Other                                 | 1,508               | 1,940              | 654                        | 737                | 1,913                            | 2,028              | 4,075              | 4,705              |
| <b>Total current replacement cost</b> | <b>\$ 12,081</b>    | <b>\$ 13,761</b>   | <b>\$ 866</b>              | <b>\$ 822</b>      | <b>\$ 6,602</b>                  | <b>\$ 7,967</b>    | <b>\$ 19,549</b>   | <b>\$ 22,550</b>   |

| By location of risk                   | October 31<br>2023 | October 31<br>2022 | October 31<br>2023<br>% mix | October 31<br>2022<br>% mix |
|---------------------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
|                                       | Canada             | \$ 3,720           | \$ 4,411                    | 19.0%                       |
| United States                         | 7,108              | 8,036              | 36.4                        | 35.6                        |
| Other international                   |                    |                    |                             |                             |
| United Kingdom                        | 883                | 1,224              | 4.5                         | 5.4                         |
| Europe – other                        | 3,164              | 4,257              | 16.2                        | 18.9                        |
| Other                                 | 4,674              | 4,622              | 23.9                        | 20.5                        |
| Total Other international             | 8,721              | 10,103             | 44.6                        | 44.8                        |
| <b>Total current replacement cost</b> | <b>\$ 19,549</b>   | <b>\$ 22,550</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, 2023, the aggregate net liability position of those contracts would require: (1) the posting of collateral or other acceptable remedy totalling \$407 million (October 31, 2022 – \$392 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, 2022 – 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, 2023, the fair value of all derivative instruments with credit risk related contingent features in a net liability position was \$16 billion (October 31, 2022 – \$19 billion). The Bank has posted \$16 billion (October 31, 2022 – \$18 billion) of collateral for this exposure in the normal course of business. As at October 31, 2023, the impact of a one-notch downgrade in the Bank's credit rating would require the Bank to post an additional \$147 million (October 31, 2022 – \$174 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 \$223 million (October 31, 2022 – \$269 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). 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, 2023, the Bank's reported investment in Schwab was approximately 12.4% (October 31, 2022 – 12.1%), consisting of 9.8% of the outstanding voting common shares and the remainder in non-voting common shares of Schwab with a fair value of \$16 billion (US\$12 billion) (October 31, 2022 – \$24 billion (US\$18 billion)) based on the closing price of US\$52.04 (October 31, 2022 – US\$79.67) 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.

The carrying value of the Bank's investment in Schwab of \$8.9 billion as at October 31, 2023 (October 31, 2022 – \$8.1 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 \$864 million during the year ended October 31, 2023 (October 31, 2022 – \$991 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) | As at                |                      |
|--------------------------------|----------------------|----------------------|
|                                | September 30<br>2023 | September 30<br>2022 |
| Total assets                   | \$ 644,139           | \$ 797,759           |
| Total liabilities              | 592,923              | 746,596              |

| (millions of Canadian dollars)                    | For the years ended September 30 |           |
|---|----------------------------------|-----------|
|   | 2023                             | 2022      |
| Total net revenues                                | \$ 26,811                        | \$ 25,533 |
| Total net income available to common stockholders | 7,483                            | 8,014     |
| Total other comprehensive income (loss)           | 3,247                            | (31,223)  |
| Total comprehensive income (loss)                 | 10,730                           | (23,209)  |

#### Insured Deposit Account ("IDA") Agreement

On November 25, 2019, the Bank and Schwab signed an insured deposit account agreement (the "2019 Schwab IDA Agreement"), with an initial expiration date of July 1, 2031. Under the 2019 Schwab IDA Agreement, starting July 1, 2021, Schwab had the option to reduce the deposits by up to US\$10 billion per year (subject to certain limitations and adjustments), with a floor of US\$50 billion. In addition, Schwab requested some further operational flexibility to allow for the sweep deposit balances to fluctuate over time, under certain conditions and subject to certain limitations.

On May 4, 2023, the Bank and Schwab entered into an amended insured deposit account agreement (the "2023 Schwab IDA Agreement"), which replaced the 2019 Schwab IDA Agreement. Pursuant to the 2023 Schwab IDA Agreement, the Bank continues to make sweep deposit accounts available to clients of Schwab. Schwab designates a portion of the deposits with the Bank as fixed-rate obligation amounts (FROA). Remaining deposits over the minimum level of FROA are designated as floating-rate obligations. In comparison to the 2019 Schwab IDA Agreement, the 2023 Schwab IDA Agreement extends the initial expiration date by three years to July 1, 2034 and provides for lower deposit balances in its first six years, followed by higher balances in the later years. Specifically, until September 2025, the aggregate FROA will serve as the floor. Thereafter, the floor will be set at US\$60 billion. In addition, Schwab has the option to buy down up to \$6.8 billion (US\$5 billion) of FROA by paying the Bank certain fees in accordance with the 2023 Schwab IDA Agreement, subject to certain limits.

During the year ended October 31, 2023, Schwab exercised its option to buy down \$6.1 billion (US\$4.5 billion) of FROA and paid \$305 million (US\$227 million) in termination fees to the Bank in accordance with the 2023 Schwab IDA Agreement. The fees are intended to compensate the Bank for losses incurred this year from discontinuing certain hedging relationships, as well as for lost revenues. The net impact is recorded in net interest income.

#### 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, 2023, or October 31, 2022. The carrying amount of the Bank's investment in other associates and joint ventures as at October 31, 2023 was \$4.2 billion (October 31, 2022 – \$3.8 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 TRANSACTIONS

#### (a) Acquisition of Cowen Inc.

On March 1, 2023, the Bank completed the acquisition of Cowen. The acquisition advances the Wholesale Banking segment's long-term growth strategy in the U.S. and adds complementary products and services to the Bank's existing businesses. The results of the acquired business have been consolidated by the Bank from the closing date and primarily reported in the Wholesale Banking segment. Consideration included \$1,500 million (US\$1,100 million) in cash for 100% of Cowen's common shares outstanding, \$253 million (US\$186 million) for the settlement of Cowen's Series A Preferred Stock, and \$205 million (US\$151 million) related to the replacement of share-based payment awards.

The acquisition was accounted for as a business combination under the purchase method. The purchase price allocation can be adjusted during the measurement period, which shall not exceed one year from the acquisition date, to reflect new information obtained about

facts and circumstances. The acquisition contributed \$10,800 million (US\$7,933 million) of assets and \$9,884 million (US\$7,261 million) of liabilities. The excess of accounting consideration over the fair value of the tangible net assets acquired is allocated to other intangible assets of \$298 million (US\$219 million) net of taxes, and goodwill of \$744 million (US\$546 million). Goodwill is not deductible for tax purposes.

Since the acquisition date, the contribution of Cowen to the Bank's revenue and net income was not significant, nor would it have been significant if the acquisition had occurred as of November 1, 2022.

The Bank plans to dispose of certain non-core businesses that were acquired in connection with the Cowen acquisition. These non-core businesses are disposal groups which meet the criteria to be classified as held for sale and are measured at the lower of their carrying amount and fair value less costs to sell. The assets and liabilities of these disposal groups are recorded in Other assets and Other liabilities, respectively, on

the Consolidated Balance Sheet. During the year ended October 31, 2023, the Bank disposed of a reinsurance subsidiary that was classified as held for sale. As at October 31, 2023, assets of \$1,958 million and liabilities of \$1,291 million were classified as held for sale.

#### **(b) Termination of the Merger Agreement with First Horizon Corporation**

On May 4, 2023, the Bank and First Horizon Corporation (“First Horizon”) announced their mutual decision to terminate the previously announced merger agreement for the Bank to acquire First Horizon. Under the terms of the termination agreement, the Bank made a \$306 million (US\$225 million) cash payment to First Horizon on May 5, 2023. The termination payment was recognized in non-interest expenses in the third quarter of fiscal 2023 and was reported in the Corporate segment.

In connection with the transaction, the Bank had invested US\$494 million in non-voting First Horizon preferred stock. During the second quarter of fiscal 2023, the Bank recognized a valuation adjustment loss of \$199 million (US\$147 million) on this investment, recorded in OCI. On June 26, 2023, in accordance with the terms of the preferred share purchase agreement, the preferred stock converted into approximately 19.7 million common shares of First Horizon, resulting in the Bank recognizing a loss of \$166 million (US\$126 million) during the third quarter of fiscal 2023 in OCI based on First Horizon’s common share price at the time of conversion. Upon conversion, the losses recognized to date, including the impact of foreign exchange, were reclassified directly to retained earnings. The Bank has elected to record subsequent fair value changes on the common shares in OCI.

The Bank had also implemented a strategy to mitigate the impact of interest rate volatility to capital on closing of the acquisition. The Bank determined that the fair value of First Horizon’s fixed rate financial assets

and liabilities and certain intangible assets would have been sensitive to interest rate changes. The fair value of net assets would have determined the amount of goodwill to be recognized on closing of the acquisition. Increases in goodwill and intangibles would have negatively impacted 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.

As a result of the de-designation, mark-to-market gains (losses) on these swaps were recognized in earnings, without any corresponding offset from the previously hedged investments. Such gains (losses) would have mitigated 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.

Prior to the termination of the merger agreement on May 4, 2023, for the year ended October 31, 2023, the Bank reported (\$1,386) million (October 31, 2022 – \$1,487 million) in non-interest income related to the mark-to-market on the swaps, and \$262 million (October 31, 2022 – \$154 million) in net interest income related to the basis adjustment amortization. In addition, for the year ended October 31, 2023, the Bank reported \$585 million (October 31, 2022 – \$121 million) in non-interest income related to the net interest earned on the swaps.

Following the announcement to terminate the merger agreement, the Bank discontinued this strategy and reinstated hedge accounting on the portfolio of fixed income investments using new swaps entered into at higher market rates. The impact from the higher swap rates and the basis adjustment amortization discussed above is reported in net interest income.

|                |                                       |
|----------------|---------------------------------------|
| <b>NOTE 14</b> | <b>GOODWILL AND OTHER INTANGIBLES</b> |
|----------------|---------------------------------------|

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). As at the date of the last impairment test, the amount of capital not directly attributable to the CGUs and held within the Corporate segment was approximately \$25.2 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 4.1% (2022 – 2.0% to 3.9%).

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<br>Personal and<br>Commercial<br>Banking | U.S.<br>Retail <sup>1</sup> | Wealth<br>Management<br>and Insurance | Wholesale<br>Banking | Total            |
|---|---|-----------------------------|---------------------------------------|----------------------|------------------|
| Carrying amount of goodwill as at November 1, 2021                    | \$ 900  | \$ 13,134                   | \$ 1,924                              | \$ 274               | \$ 16,232        |
| Additions (disposals)   | –   | –                           | –                                     | –                    | –                |
| Foreign currency translation adjustments and other                    | 2   | 1,329                       | 80                                    | 13                   | 1,424            |
| Carrying amount of goodwill as at October 31, 2022 <sup>2</sup>       | \$ 902  | \$ 14,463                   | \$ 2,004                              | \$ 287               | \$ 17,656        |
| Additions (disposals)   | –   | –                           | –                                     | 744                  | 744              |
| Foreign currency translation adjustments and other                    | –   | 259                         | 16                                    | (73)                 | 202              |
| <b>Carrying amount of goodwill as at October 31, 2023<sup>2</sup></b> | <b>\$ 902</b>                                     | <b>\$ 14,722</b>            | <b>\$ 2,020</b>                       | <b>\$ 958</b>        | <b>\$ 18,602</b> |

## Pre-tax discount rates

|             |                |                  |                 |             |
|-------------|----------------|------------------|-----------------|-------------|
| 2022        | 9.7%           | 9.7–10.0%        | 9.6–11.0%       | 13.3%       |
| <b>2023</b> | <b>9.7–9.9</b> | <b>10.0–11.3</b> | <b>9.6–11.0</b> | <b>13.9</b> |

<sup>1</sup> Goodwill predominantly relates to U.S. personal and commercial banking.

<sup>2</sup> Accumulated impairment as at October 31, 2023 and October 31, 2022 was nil.

## OTHER INTANGIBLES

The following table presents details of other intangibles as at October 31, 2023 and October 31, 2022.

### Other Intangibles

(millions of Canadian dollars)

|   | Core deposit<br>intangibles | Credit card<br>related<br>intangibles | Internally<br>generated<br>software | Other<br>software | Other<br>intangibles | Total           |
|---|-----------------------------|---------------------------------------|-------------------------------------|-------------------|----------------------|-----------------|
| <b>Cost</b>   |                             |                                       |                                     |                   |                      |                 |
| As at November 1, 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             |
| As at October 31, 2022  | \$ 2,664                    | \$ 848                                | \$ 2,918                            | \$ 233            | \$ 1,165             | \$ 7,828        |
| Additions   | –                           | –                                     | 846                                 | 52                | 395                  | 1,293           |
| Disposals   | –                           | –                                     | (1)                                 | (2)               | –                    | (3)             |
| Fully amortized intangibles                                     | –                           | –                                     | (582)                               | (37)              | –                    | (619)           |
| Foreign currency translation adjustments and other <sup>1</sup> | 48                          | 2                                     | (78)                                | (10)              | (4)                  | (42)            |
| <b>As at October 31, 2023</b>                                   | <b>\$ 2,712</b>             | <b>\$ 850</b>                         | <b>\$ 3,103</b>                     | <b>\$ 236</b>     | <b>\$ 1,556</b>      | <b>\$ 8,457</b> |
| <b>Amortization and impairment</b>                              |                             |                                       |                                     |                   |                      |                 |
| As at November 1, 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             |
| As at October 31, 2022  | \$ 2,662                    | \$ 771                                | \$ 1,256                            | \$ 153            | \$ 683               | \$ 5,525        |
| Disposals   | –                           | –                                     | –                                   | –                 | –                    | –               |
| Impairment losses (reversals)                                   | –                           | –                                     | –                                   | –                 | –                    | –               |
| Amortization charge for the year                                | 2                           | 11                                    | 443                                 | 36                | 180                  | 672             |
| Fully amortized intangibles                                     | –                           | –                                     | (582)                               | (37)              | –                    | (619)           |
| Foreign currency translation adjustments and other <sup>1</sup> | 48                          | 3                                     | 10                                  | 11                | 36                   | 108             |
| <b>As at October 31, 2023</b>                                   | <b>\$ 2,712</b>             | <b>\$ 785</b>                         | <b>\$ 1,127</b>                     | <b>\$ 163</b>     | <b>\$ 899</b>        | <b>\$ 5,686</b> |
| <b>Net Book Value:</b>  |                             |                                       |                                     |                   |                      |                 |
| As at October 31, 2022  | \$ 2                        | \$ 77                                 | \$ 1,662                            | \$ 80             | \$ 482               | \$ 2,303        |
| <b>As at October 31, 2023</b>                                   | <b>–</b>                    | <b>65</b>                             | <b>1,976</b>                        | <b>73</b>         | <b>657</b>           | <b>2,771</b>    |

<sup>1</sup> Includes amounts related to restructuring. Refer to Note 26 for further details.

**NOTE 15 LAND, BUILDINGS, EQUIPMENT, OTHER DEPRECIABLE ASSETS, AND RIGHT-OF-USE ASSETS**

The following table presents details of the Bank's land, buildings, equipment, and other depreciable assets as at October 31, 2023 and October 31, 2022.

**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, 2021  | \$ 876        | \$ 2,354        | \$ 818             | \$ 1,342  | \$ 3,157               | \$ 8,547        |
| Additions   | 1             | 136             | 168                | 152   | 316                    | 773             |
| Disposals <sup>1</sup>  | (1)           | (44)            | (18)               | (23)  | (8)                    | (94)            |
| Fully depreciated assets  | –             | (28)            | (167)              | (114)   | (178)                  | (487)           |
| Foreign currency translation adjustments and other <sup>2</sup> | 73            | 146             | 16                 | 58  | 174                    | 467             |
| As at October 31, 2022  | 949           | 2,564           | 817                | 1,415   | 3,461                  | 9,206           |
| Additions   | 1             | 172             | 227                | 244   | 401                    | 1,045           |
| Disposals <sup>1</sup>  | (13)          | (11)            | (15)               | (53)  | (21)                   | (113)           |
| Fully depreciated assets  | –             | (18)            | (109)              | (112)   | (199)                  | (438)           |
| Foreign currency translation adjustments and other <sup>2</sup> | (18)          | (152)           | (3)                | 17  | 37                     | (119)           |
| <b>As at October 31, 2023</b>                                   | <b>\$ 919</b> | <b>\$ 2,555</b> | <b>\$ 917</b>      | <b>\$ 1,511</b>                                   | <b>\$ 3,679</b>        | <b>\$ 9,581</b> |
| <b>Accumulated depreciation and impairment losses</b>           |               |                 |                    |   |                        |                 |
| As at November 1, 2021  | \$ –          | \$ 907          | \$ 375             | \$ 721  | \$ 1,533               | \$ 3,536        |
| Depreciation charge for the year                                | –             | 80              | 160                | 151   | 256                    | 647             |
| Disposals <sup>1</sup>  | –             | (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>2</sup> | –             | 61              | 8                  | 50  | 96                     | 215             |
| As at October 31, 2022  | –             | 983             | 365                | 785   | 1,702                  | 3,835           |
| Depreciation charge for the year                                | –             | 84              | 175                | 152   | 274                    | 685             |
| Disposals <sup>1</sup>  | –             | (8)             | (15)               | (53)  | (20)                   | (96)            |
| Impairment losses   | –             | 1               | 1                  | 5   | 4                      | 11              |
| Fully depreciated assets  | –             | (18)            | (109)              | (112)   | (199)                  | (438)           |
| Foreign currency translation adjustments and other <sup>2</sup> | –             | (50)            | 1                  | 10  | 31                     | (8)             |
| <b>As at October 31, 2023</b>                                   | <b>\$ –</b>   | <b>\$ 992</b>   | <b>\$ 418</b>      | <b>\$ 787</b>                                     | <b>\$ 1,792</b>        | <b>\$ 3,989</b> |
| <b>Net Book Value Excluding Right-of-Use Assets:</b>            |               |                 |                    |   |                        |                 |
| As at October 31, 2022  | \$ 949        | \$ 1,581        | \$ 452             | \$ 630  | \$ 1,759               | \$ 5,371        |
| <b>As at October 31, 2023</b>                                   | <b>919</b>    | <b>1,563</b>    | <b>499</b>         | <b>724</b>  | <b>1,887</b>           | <b>5,592</b>    |

<sup>1</sup> Cash received from disposals was \$57 million for the year ended October 31, 2023 (October 31, 2022 – \$30 million).

<sup>2</sup> Includes amounts related to restructuring and adjustments to reclassify held-for-sale items to other assets. Refer to Note 26 for further details.

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 26 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, 2021   | \$ 780        | \$ 3,336        | \$ 54              | \$ 4,170        |
| 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             |
| As at October 31, 2022   | \$ 777        | \$ 3,208        | \$ 44              | \$ 4,029        |
| Additions  | 5             | 238             | –                  | 243             |
| Depreciation   | (91)          | (439)           | (13)               | (543)           |
| Reassessments, modifications, and variable lease payment adjustments | 6             | 70              | –                  | 76              |
| Terminations and impairment  | –             | –               | –                  | –               |
| Foreign currency translation adjustments and other                   | 12            | 24              | 1                  | 37              |
| <b>As at October 31, 2023</b>  | <b>\$ 709</b> | <b>\$ 3,101</b> | <b>\$ 32</b>       | <b>\$ 3,842</b> |

## Total Land, Buildings, Equipment, Other Depreciable Assets, and Right-of-Use 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, 2022        | \$ 1,726     | \$ 4,789     | \$ 496             | \$ 630  | \$ 1,759               | \$ 9,400     |
| <b>As at October 31, 2023</b> | <b>1,628</b> | <b>4,664</b> | <b>531</b>         | <b>724</b>  | <b>1,887</b>           | <b>9,434</b> |

## NOTE 16 OTHER ASSETS

### Other Assets

(millions of Canadian dollars)

|  | October 31 2023  | October 31 2022  |
|--|------------------|------------------|
| Accounts receivable and other items <sup>1</sup> | \$ 13,893        | \$ 10,769        |
| Accrued interest                                 | 5,504            | 3,765            |
| Current income tax receivable                    | 4,814            | 6,031            |
| Defined benefit asset (Note 23)                  | 1,254            | 1,406            |
| Insurance-related assets, excluding investments  | 2,197            | 2,008            |
| Prepaid expenses                                 | 1,843            | 1,323            |
| <b>Total</b>                                     | <b>\$ 29,505</b> | <b>\$ 25,302</b> |

<sup>1</sup> Includes assets related to disposal groups classified as held-for-sale in connection with the Cowen acquisition. Refer to Note 13 for further details.

## 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, 2023 was \$512 billion (October 31, 2022 – \$436 billion).

### Deposits

(millions of Canadian dollars)

|   | By Type           |                   |                   |                   |                   |                  | By Country          |                     | October 31 2023 | October 31 2022 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|---------------------|---------------------|-----------------|-----------------|
|   | Demand            | Notice            | Term <sup>1</sup> | Canada            | United States     | International    | Total               | Total               |                 |                 |
| Personal  | \$ 16,268         | \$ 491,466        | \$ 118,862        | \$ 321,737        | \$ 304,859        | \$ –             | \$ 626,596          | \$ 660,838          |                 |                 |
| Banks   | 11,205            | 310               | 19,710            | 19,120            | 10,002            | 2,103            | 31,225              | 38,263              |                 |                 |
| Business and government <sup>2</sup>                            | 131,167           | 193,493           | 215,709           | 376,857           | 159,779           | 3,733            | 540,369             | 530,869             |                 |                 |
|   | <b>158,640</b>    | <b>685,269</b>    | <b>354,281</b>    | <b>717,714</b>    | <b>474,640</b>    | <b>5,836</b>     | <b>1,198,190</b>    | <b>1,229,970</b>    |                 |                 |
| Trading   | –                 | –                 | 30,980            | 21,794            | 2,715             | 6,471            | 30,980              | 23,805              |                 |                 |
| Designated at fair value through profit or loss <sup>3</sup>    | –                 | –                 | 191,988           | 34,356            | 81,268            | 76,364           | 191,988             | 162,645             |                 |                 |
| <b>Total</b>  | <b>\$ 158,640</b> | <b>\$ 685,269</b> | <b>\$ 577,249</b> | <b>\$ 773,864</b> | <b>\$ 558,623</b> | <b>\$ 88,671</b> | <b>\$ 1,421,158</b> | <b>\$ 1,416,420</b> |                 |                 |
| <b>Non-interest-bearing deposits included above<sup>4</sup></b> |                   |                   |                   |                   |                   |                  |                     |                     |                 |                 |
| Canada  |                   |                   |                   |                   |                   |                  | \$ 61,581           | \$ 76,551           |                 |                 |
| United States   |                   |                   |                   |                   |                   |                  | 76,376              | 91,152              |                 |                 |
| International   |                   |                   |                   |                   |                   |                  | 23                  | 23                  |                 |                 |
| <b>Interest-bearing deposits included above<sup>4</sup></b>     |                   |                   |                   |                   |                   |                  |                     |                     |                 |                 |
| Canada  |                   |                   |                   |                   |                   |                  | 712,283             | 686,518             |                 |                 |
| United States <sup>5</sup>                                      |                   |                   |                   |                   |                   |                  | 482,247             | 493,617             |                 |                 |
| International   |                   |                   |                   |                   |                   |                  | 88,648              | 68,559              |                 |                 |
| <b>Total<sup>2,6</sup></b>                                      |                   |                   |                   |                   |                   |                  | <b>\$ 1,421,158</b> | <b>\$ 1,416,420</b> |                 |                 |

<sup>1</sup> Includes \$103.3 billion (October 31, 2022 – \$89.4 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 \$57 billion relating to covered bondholders (October 31, 2022 – \$34 billion).

<sup>3</sup> Financial liabilities designated at FVTPL on the Consolidated Balance Sheet also includes \$142.3 million (October 31, 2022 – \$140.5 million) of loan commitments and financial guarantees designated at FVTPL.

<sup>4</sup> The geographical splits of the deposits are based on the point of origin of the deposits.

<sup>5</sup> Includes \$13.9 billion (October 31, 2022 – \$9.5 billion) of U.S. federal funds deposited and \$9.0 billion (October 31, 2022 – nil) of deposits and advances with the FHLB.

<sup>6</sup> Includes deposits of \$779.9 billion (October 31, 2022 – \$814.9 billion) denominated in U.S. dollars and \$115 billion (October 31, 2022 – \$84.4 billion) denominated in other foreign currencies.

### Term Deposits by Remaining Term-to-Maturity

(millions of Canadian dollars)

|   |                   |                              |                               |                               |                               |                  | October 31<br>2023 | October 31<br>2022 |
|---|-------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------|--------------------|--------------------|
|   | Within<br>1 year  | Over<br>1 year to<br>2 years | Over<br>2 years to<br>3 years | Over<br>3 years to<br>4 years | Over<br>4 years to<br>5 years | Over<br>5 years  | Total              | Total              |
| Personal  | \$ 81,215         | \$ 17,268                    | \$ 10,131                     | \$ 5,742                      | \$ 4,455                      | \$ 51            | \$ 118,862         | \$ 69,661          |
| Banks   | 19,705            | –                            | –                             | –                             | 4                             | 1                | 19,710             | 22,676             |
| Business and government                         | 88,034            | 33,723                       | 32,026                        | 25,716                        | 16,558                        | 19,652           | 215,709            | 190,136            |
| Trading   | 16,416            | 6,510                        | 3,118                         | 1,502                         | 2,092                         | 1,342            | 30,980             | 23,805             |
| Designated at fair value through profit or loss | 191,876           | 112                          | –                             | –                             | –                             | –                | 191,988            | 162,645            |
| <b>Total</b>                                    | <b>\$ 397,246</b> | <b>\$ 57,613</b>             | <b>\$ 45,275</b>              | <b>\$ 32,960</b>              | <b>\$ 23,109</b>              | <b>\$ 21,046</b> | <b>\$ 577,249</b>  | <b>\$ 468,923</b>  |

### Term Deposits due within a Year

(millions of Canadian dollars)

|   |                    |                                 |                                  | October 31<br>2023 | October 31<br>2022 |
|---|--------------------|---------------------------------|----------------------------------|--------------------|--------------------|
|   | Within<br>3 months | Over 3<br>months to<br>6 months | Over 6<br>months to<br>12 months | Total              | Total              |
| Personal  | \$ 25,139          | \$ 22,387                       | \$ 33,689                        | \$ 81,215          | \$ 43,791          |
| Banks   | 19,676             | 29                              | –                                | 19,705             | 22,670             |
| Business and government                         | 42,070             | 24,487                          | 21,477                           | 88,034             | 87,517             |
| Trading   | 2,956              | 5,278                           | 8,182                            | 16,416             | 14,153             |
| Designated at fair value through profit or loss | 78,652             | 37,959                          | 75,265                           | 191,876            | 161,745            |
| <b>Total</b>                                    | <b>\$ 168,493</b>  | <b>\$ 90,140</b>                | <b>\$ 138,613</b>                | <b>\$ 397,246</b>  | <b>\$ 329,876</b>  |

NOTE 18

### OTHER LIABILITIES

#### Other Liabilities

(millions of Canadian dollars)

|  | October 31<br>2023 | October 31<br>2022 |
|--|--------------------|--------------------|
| Accounts payable, accrued expenses, and other items <sup>1</sup> | \$ 8,408           | \$ 5,040           |
| Accrued interest   | 4,421              | 1,870              |
| Accrued salaries and employee benefits                           | 4,993              | 4,100              |
| Cheques and other items in transit                               | 2,241              | 2,116              |
| Current income tax payable                                       | 162                | 151                |
| Deferred tax liabilities   | 204                | 236                |
| Defined benefit liability (Note 23)                              | 1,244              | 1,286              |
| Lease liabilities <sup>2</sup>                                   | 5,050              | 5,313              |
| Liabilities related to structured entities                       | 17,520             | 12,120             |
| Provisions (Note 26)   | 3,421              | 1,320              |
| <b>Total</b>   | <b>\$ 47,664</b>   | <b>\$ 33,552</b>   |

<sup>1</sup> Includes liabilities related to disposal groups classified as held-for-sale in connection with the Cowen acquisition. Refer to Note 13 for further details.

<sup>2</sup> Refer to Note 26 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)

As at

| Maturity date                   | Interest rate (%)    | Reset spread (%)   | Earliest par redemption date | October 31 2023 | October 31 2022  |
|---------------------------------|----------------------|--------------------|------------------------------|-----------------|------------------|
| May 26, 2025                    | 9.150                | n/a                | –                            | \$ 196          | \$ 200           |
| September 14, 2028 <sup>1</sup> | 3.589 <sup>2,3</sup> | 1.060 <sup>2</sup> | September 14, 2023           | –               | 1,750            |
| July 25, 2029 <sup>1</sup>      | 3.224 <sup>2</sup>   | 1.250 <sup>2</sup> | July 25, 2024                | 1,513           | 1,505            |
| April 22, 2030 <sup>1</sup>     | 3.105 <sup>2</sup>   | 2.160 <sup>2</sup> | April 22, 2025               | 3,005           | 3,001            |
| March 4, 2031 <sup>1</sup>      | 4.859 <sup>2</sup>   | 3.490 <sup>2</sup> | March 4, 2026                | 1,246           | 1,247            |
| September 15, 2031 <sup>1</sup> | 3.625 <sup>4</sup>   | 2.205 <sup>4</sup> | September 15, 2026           | 2,018           | 1,940            |
| January 26, 2032 <sup>1</sup>   | 3.060 <sup>2</sup>   | 1.330 <sup>2</sup> | January 26, 2027             | 1,642           | 1,647            |
| <b>Total</b>                    |                      |                    |                              | <b>\$ 9,620</b> | <b>\$ 11,290</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 20 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 BA rate (as such term is defined in the applicable offering document) plus the reset spread noted.

<sup>3</sup> On September 14, 2023, the Bank redeemed all of its outstanding \$1.75 billion 3.589% medium-term notes due September 14, 2028, at a redemption price of 100 per cent of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date.

<sup>4</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, 2023 primarily relates to the redemption of 3.589% medium-term notes by the Bank on September 14, 2023, foreign exchange translation and the basis adjustment for fair value hedges.

**NOTE 20 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, 2023 and October 31, 2022.

### 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, 2023 |                  | October 31, 2022 |                  |
|---|------------------|------------------|------------------|------------------|
|   | Number of shares | Amount           | Number of shares | Amount           |
| <b>Common Shares</b>  |                  |                  |                  |                  |
| Balance as at beginning of year   | 1,821.7          | \$ 24,363        | 1,823.9          | \$ 23,066        |
| Proceeds from shares issued on exercise of stock options                                    | 1.2              | 83               | 1.8              | 120              |
| Shares issued as a result of dividend reinvestment plan                                     | 20.5             | 1,720            | 17.0             | 1,442            |
| Purchase of shares for cancellation and other   | (52.0)           | (732)            | (21.0)           | (265)            |
| <b>Balance as at end of year – common shares</b>  | <b>1,791.4</b>   | <b>\$ 25,434</b> | <b>1,821.7</b>   | <b>\$ 24,363</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 <sup>1</sup>  | –                | –                | 16.0             | 400              |
| Series 22   | 14.0             | 350              | 14.0             | 350              |
| Series 24   | 18.0             | 450              | 18.0             | 450              |
| Series 27   | 0.8              | 850              | 0.8              | 850              |
| Series 28   | 0.8              | 800              | 0.8              | 800              |
|   | <b>143.6</b>     | <b>\$ 5,200</b>  | <b>159.6</b>     | <b>\$ 5,600</b>  |
| <b>Other Equity Instruments<sup>2</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            | 1.5              | 1,500            |
| Limited Recourse Capital Notes – Series 3 <sup>3</sup>                                      | 1.7              | 2,403            | 1.7              | 2,403            |
|   | <b>5.0</b>       | <b>5,653</b>     | <b>5.0</b>       | <b>5,653</b>     |
| <b>Balance as at end of year – preferred shares and other equity instruments</b>            | <b>148.6</b>     | <b>\$ 10,853</b> | <b>164.6</b>     | <b>\$ 11,253</b> |
| <b>Treasury – common shares<sup>4</sup></b>   |                  |                  |                  |                  |
| Balance as at beginning of year   | 1.0              | \$ (91)          | 1.9              | \$ (152)         |
| Purchase of shares  | 94.9             | (7,959)          | 116.6            | (10,852)         |
| Sale of shares  | (95.2)           | 7,986            | (117.5)          | 10,913           |
| <b>Balance as at end of year – treasury – common shares</b>                                 | <b>0.7</b>       | <b>\$ (64)</b>   | <b>1.0</b>       | <b>\$ (91)</b>   |
| <b>Treasury – preferred shares and other equity instruments<sup>4</sup></b>                 |                  |                  |                  |                  |
| Balance as at beginning of year   | 0.1              | \$ (7)           | 0.1              | \$ (10)          |
| Purchase of shares and other equity instruments   | 3.7              | (590)            | 3.0              | (255)            |
| Sale of shares and other equity instruments   | (3.7)            | 532              | (3.0)            | 258              |
| <b>Balance as at end of year – treasury – preferred shares and other equity instruments</b> | <b>0.1</b>       | <b>\$ (65)</b>   | <b>0.1</b>       | <b>\$ (7)</b>    |

<sup>1</sup> On October 31, 2023, the Bank redeemed all of its 16 million outstanding Non-Cumulative 5-Year Rate Reset Class A First Preferred Shares NVCC, Series 20 (“Series 20 Preferred Shares”), at a redemption price of \$25.00 per Series 20 Preferred Share, for a total redemption cost of \$400 million.

<sup>2</sup> For LRCNs, the number of shares represents the number of notes issued.

<sup>3</sup> For LRCNs – Series 3, the amount represents the Canadian dollar equivalent of the U.S. dollar notional amount. Refer to “Preferred Shares and Other Equity Instruments – Significant Terms and Conditions” table for further details.

<sup>4</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                               | July 14, 2017     | 6.301                         | Quarterly                       | 3.01                          | October 31, 2027                                | Series 17                       |
| Series 18 <sup>3</sup>                  | March 14, 2018    | 5.747                         | Quarterly                       | 2.70                          | April 30, 2028                                  | Series 19                       |
| 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>4,5</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 April 18, 2023, the Bank announced that none of its 14 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 18 ("Series 18 Shares") would be converted on April 30, 2023 into Non-Cumulative Floating Rate Preferred Shares

NVCC, Series 19 ("Series 19 Shares"). As had been previously announced on March 31, 2023, the dividend rate for the Series 18 Shares for the 5-year period from and including April 30, 2023 to but excluding April 30, 2028, if declared, is payable at a per annum rate of 5.747%.

<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 U.S. 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 U.S. 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 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 1.0 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 2.7 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.

### DIVIDENDS

On November 29, 2023, the Board approved a dividend in an amount of one dollar and two cents (\$1.02) per fully paid common share in the capital stock of the Bank for the quarter ending January 31, 2024, payable on and after January 31, 2024, to shareholders of record at the close of business on January 10, 2024.

### 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.

During the year ended October 31, 2023, under the dividend reinvestment plan, the Bank issued 3.7 million common shares from treasury with no discount and 16.8 million common shares with a 2% discount. 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.

### NORMAL COURSE ISSUER BID

On June 21, 2023, the Bank announced that the Toronto Stock Exchange (TSX) and OSFI approved the Bank's previously announced normal course issuer bid (NCIB) to repurchase for cancellation up to 30 million of its common shares (June NCIB).

On August 28, 2023, the Bank announced that the TSX and OSFI had approved the launch of a new NCIB to repurchase for cancellation up to 90 million of its common shares (August NCIB) upon completion of the repurchase for cancellation of 30 million of its common shares under the June NCIB. The June NCIB terminated on August 30, 2023 and the August NCIB commenced on August 31, 2023.

During the year ended October 31, 2023, the Bank repurchased 52 million common shares under the June NCIB and the August NCIB, at an average price of \$82.356 per share for a total amount of \$4.3 billion.

**NOTE 21 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

|  | 2023            | 2022            |
|--|-----------------|-----------------|
| <b>Insurance Revenue</b>                     |                 |                 |
| Earned Premiums                              |                 |                 |
| Gross  | \$ 6,041        | \$ 5,740        |
| Reinsurance ceded                            | 753             | 713             |
| Net earned premiums                          | 5,288           | 5,027           |
| Fee income and other revenue <sup>1</sup>    | 383             | 353             |
| <b>Insurance Revenue</b>                     | <b>5,671</b>    | <b>5,380</b>    |
| <b>Insurance Claims and Related Expenses</b> |                 |                 |
| Gross  | 3,953           | 3,094           |
| Reinsurance ceded                            | 248             | 194             |
| <b>Insurance Claims and Related Expenses</b> | <b>\$ 3,705</b> | <b>\$ 2,900</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 2023 were \$94 million (2022 – \$97 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, 2023 |                                      |                 | October 31, 2022 |                                      |          |
|---|------------------|--------------------------------------|-----------------|------------------|--------------------------------------|----------|
|   | Gross            | Reinsurance/<br>Other<br>recoverable | Net             | Gross            | Reinsurance/<br>Other<br>recoverable | Net      |
| <b>Balance as at beginning of year</b>                            | <b>\$ 4,879</b>  | <b>\$ 193</b>                        | <b>\$ 4,686</b> | \$ 5,096         | \$ 217                               | \$ 4,879 |
| Claims costs for current accident year                            | 3,807            | –                                    | 3,807           | 3,292            | 50                                   | 3,242    |
| Prior accident years claims development (favourable) unfavourable | (458)            | 45                                   | (503)           | (446)            | 44                                   | (490)    |
| Increase (decrease) due to changes in assumptions:                |                  |                                      |                 |                  |                                      |          |
| Discount rate   | (15)             | 2                                    | (17)            | (340)            | (5)                                  | (335)    |
| Provision for adverse deviation                                   | (39)             | (3)                                  | (36)            | (35)             | –                                    | (35)     |
| <b>Claims and related expenses</b>                                | <b>3,295</b>     | <b>44</b>                            | <b>3,251</b>    | 2,471            | 89                                   | 2,382    |
| Claims paid during the year for:                                  |                  |                                      |                 |                  |                                      |          |
| Current accident year   | (1,799)          | –                                    | (1,799)         | (1,449)          | –                                    | (1,449)  |
| Prior accident years  | (1,550)          | (103)                                | (1,447)         | (1,218)          | (92)                                 | (1,126)  |
|   | (3,349)          | (103)                                | (3,246)         | (2,667)          | (92)                                 | (2,575)  |
| Increase (decrease) in reinsurance/other recoverables             | (1)              | (1)                                  | –               | (21)             | (21)                                 | –        |
| <b>Balance as at end of year</b>                                  | <b>\$ 4,824</b>  | <b>\$ 133</b>                        | <b>\$ 4,691</b> | \$ 4,879         | \$ 193                               | \$ 4,686 |

## (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, 2023 |              |                 | October 31, 2022 |             |          |
|--|------------------|--------------|-----------------|------------------|-------------|----------|
|  | Gross            | Reinsurance  | Net             | Gross            | Reinsurance | Net      |
| <b>Balance as at beginning of year</b> | <b>\$ 2,484</b>  | <b>\$ 31</b> | <b>\$ 2,453</b> | \$ 2,343         | \$ 25       | \$ 2,318 |
| Written premiums                       | 4,936            | 181          | 4,755           | 4,517            | 171         | 4,346    |
| Earned premiums                        | (4,669)          | (183)        | (4,486)         | (4,376)          | (165)       | (4,211)  |
| <b>Balance as at end of year</b>       | <b>\$ 2,751</b>  | <b>\$ 29</b> | <b>\$ 2,722</b> | \$ 2,484         | \$ 31       | \$ 2,453 |

## (c) Movements in other insurance liabilities

Other insurance liabilities were \$30 million as at October 31, 2023 (October 31, 2022 – \$105 million). The decrease of \$75 million (2022 – decrease of \$132 million) was mainly driven by actuarial assumption changes 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           |
|---|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2014<br>and prior | 2015            | 2016            | 2017            | 2018            | 2019            | 2020            | 2021            | 2022            | 2023            |                 |
| <b>Net ultimate claims cost at end of accident year</b> | <b>\$ 6,077</b>   | <b>\$ 2,409</b> | <b>\$ 2,438</b> | <b>\$ 2,425</b> | <b>\$ 2,631</b> | <b>\$ 2,727</b> | <b>\$ 2,646</b> | <b>\$ 2,529</b> | <b>\$ 3,242</b> | <b>\$ 3,807</b> |                 |
| <b>Revised estimates</b>                                |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| One year later  | 5,902             | 2,367           | 2,421           | 2,307           | 2,615           | 2,684           | 2,499           | 2,367           | 3,150           |                 |                 |
| Two years later   | 5,696             | 2,310           | 2,334           | 2,258           | 2,573           | 2,654           | 2,412           | 2,258           |                 |                 |                 |
| Three years later                                       | 5,452             | 2,234           | 2,264           | 2,201           | 2,522           | 2,575           | 2,284           |                 |                 |                 |                 |
| Four years later  | 5,279             | 2,162           | 2,200           | 2,151           | 2,465           | 2,498           |                 |                 |                 |                 |                 |
| Five years later  | 5,077             | 2,115           | 2,159           | 2,108           | 2,408           |                 |                 |                 |                 |                 |                 |
| Six years later   | 4,981             | 2,100           | 2,143           | 2,086           |                 |                 |                 |                 |                 |                 |                 |
| Seven years later                                       | 4,974             | 2,086           | 2,134           |                 |                 |                 |                 |                 |                 |                 |                 |
| Eight years later                                       | 4,943             | 2,085           |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Nine years later  | 4,931             |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Current estimates of cumulative claims</b>           | <b>4,931</b>      | <b>2,085</b>    | <b>2,134</b>    | <b>2,086</b>    | <b>2,408</b>    | <b>2,498</b>    | <b>2,284</b>    | <b>2,258</b>    | <b>3,150</b>    | <b>3,807</b>    |                 |
| Cumulative payments to date                             | (4,784)           | (2,015)         | (2,035)         | (1,967)         | (2,194)         | (2,143)         | (1,847)         | (1,691)         | (2,201)         | (1,799)         |                 |
| Net undiscounted provision for unpaid claims            | 147               | 70              | 99              | 119             | 214             | 355             | 437             | 567             | 949             | 2,008           | \$ 4,965        |
| Effect of discounting                                   |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 | (630)           |
| Provision for adverse deviation                         |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 | 356             |
| <b>Net provision for unpaid claims</b>                  |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 | <b>\$ 4,691</b> |

## SENSITIVITY TO INSURANCE RISK

A variety of assumptions are made related to the future level of claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as when actuarial liabilities are determined. Such assumptions require a significant amount of professional judgment. The insurance claims provision is sensitive to certain assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Actual experience may differ from the assumptions made by the Bank.

For property and casualty insurance, the main assumption underlying the claims liability estimates is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim, and claim numbers based on the observed development of earlier years and expected loss ratios.

Claims liabilities estimates are based on various quantitative and qualitative factors including the discount rate, the risk adjustment, 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, 2023                                |                  | October 31, 2022                                |                  |
|---|---|------------------|---|------------------|
|   | 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                          | \$ 96   | \$ 72            | \$ 101  | \$ 75            |
| Decrease in assumption                          | (102)   | (77)             | (107)   | (79)             |
| Margin for adverse deviation                    |   |                  |   |                  |
| Increase in assumption                          | (44)  | (33)             | (44)  | (33)             |
| Decrease in assumption                          | 44  | 33               | 44  | 33               |
| <b>Impact of a 5% change in key assumptions</b> |   |                  |   |                  |
| Frequency of claims                             |   |                  |   |                  |
| Increase in assumption                          | \$ (58)   | \$ (44)          | \$ (64)   | \$ (47)          |
| Decrease in assumption                          | 58  | 44               | 64  | 47               |
| Severity of claims                              |   |                  |   |                  |
| Increase in assumption                          | (219)   | (165)            | (222)   | (165)            |
| Decrease in assumption                          | 219   | 165              | 222   | 165              |

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 the annual Finance expense study.

A sensitivity analysis for possible movements in the life and health insurance business assumptions was performed and the impact is not significant to the Bank's Consolidated Financial Statements.

### CONCENTRATION OF INSURANCE RISK

Concentration risk is the risk resulting from large exposures to similar risks that are positively correlated.

Risk associated with automobile, residential and other products may vary in relation to the geographical area of the risk insured. Exposure to concentrations of insurance risk, by type of risk, is mitigated by ceding these risks through reinsurance contracts, as well as careful selection and implementation of underwriting strategies, which is in turn largely achieved through diversification by line of business and geographical areas. For automobile insurance, legislation is in place at a provincial level

and this creates differences in the benefits provided among the provinces.

As at October 31, 2023, for the property and casualty insurance business, 67.3% of net written premiums were derived from automobile policies (October 31, 2022 – 68.1%) followed by residential with 32.4% (October 31, 2022 – 31.6%). The distribution by provinces show that business is mostly concentrated in Ontario with 50.8% of net written premiums (October 31, 2022 – 51.2%). The Western provinces represented 31.5% (October 31, 2022 – 31.7%), followed by the Atlantic provinces with 10.9% (October 31, 2022 – 10.8%), and Québec at 6.8% (October 31, 2022 – 6.3%).

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 22 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. The outstanding options expire on various dates to December 12, 2032. 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, 2023 and October 31, 2022.

### Stock Option Activity

(millions of shares and Canadian dollars)

|  | 2023             |                                 | 2022             |                                 |
|--|------------------|---------------------------------|------------------|---------------------------------|
|  | Number of shares | Weighted-average exercise price | Number of shares | Weighted-average exercise price |
| Number outstanding, beginning of year  | 12.8             | \$ 72.05                        | 12.2             | \$ 65.36                        |
| Granted                                | 2.5              | 90.55                           | 2.5              | 95.33                           |
| Exercised                              | (1.2)            | 58.32                           | (1.8)            | 57.65                           |
| Forfeited/expired                      | –                | 79.27                           | (0.1)            | 80.75                           |
| <b>Number outstanding, end of year</b> | <b>14.1</b>      | <b>\$ 76.58</b>                 | <b>12.8</b>      | <b>\$ 72.05</b>                 |
| Exercisable, end of year               | 5.1              | \$ 64.18                        | 4.4              | \$ 60.16                        |
| Available for grant                    | 7.4              |                                 | 9.9              |                                 |

The weighted-average share price for the options exercised in 2023 was \$85.53 (2022 – \$95.47).

The following table summarizes information relating to stock options outstanding and exercisable as at October 31, 2023.

#### Range of Exercise Prices

(millions of shares and Canadian dollars)

|                   | Options outstanding          |   |                                 | Options exercisable          |                                 |
|-------------------|------------------------------|---|---------------------------------|------------------------------|---------------------------------|
|                   | Number of shares outstanding | Weighted-average remaining contractual life (years) | Weighted-average exercise price | Number of shares exercisable | Weighted-average exercise price |
| \$47.59 – \$53.15 | 1.6                          | 1.4   | 52.13                           | 1.6                          | 52.13                           |
| \$65.75 – \$69.39 | 2.5                          | 4.3   | 68.13                           | 2.5                          | 68.13                           |
| \$71.88 – \$72.84 | 5.1                          | 6.0   | 72.40                           | 1.1                          | 72.64                           |
| \$90.55           | 2.5                          | 9.0   | 90.55                           | –                            | –                               |
| \$95.33           | 2.4                          | 8.0   | 95.33                           | –                            | –                               |

For the year ended October 31, 2023, the Bank recognized compensation expense for stock option awards of \$35.1 million (October 31, 2022 – \$30.5 million). For the year ended October 31, 2023, 2.5 million (October 31, 2022 – 2.5 million) options were granted by the Bank at a weighted-average fair value of \$14.70 per option (2022 – \$12.41 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, 2023 and October 31, 2022.

#### Assumptions Used for Estimating the Fair Value of Options

| (in Canadian dollars, except as noted) | 2023     | 2022     |
|--|----------|----------|
| Risk-free interest rate                | 2.87%    | 1.47%    |
| Option contractual life                | 10 years | 10 years |
| Expected volatility                    | 18.43%   | 17.89%   |
| Expected dividend yield                | 3.69%    | 3.66%    |
| Exercise price/share price             | \$ 90.55 | \$ 95.33 |

The risk-free interest rate is based on Government of Canada benchmark bond yields as at the grant date. Expected volatility is calculated based on the historical average daily volatility and expected dividend yield is based on dividend payouts in the last fiscal year. These assumptions are measured over a period corresponding to the option contractual life.

#### OTHER SHARE-BASED COMPENSATION PLANS

The Bank operates restricted share unit and performance share unit plans which are offered to certain employees of the Bank. Under these plans, participants are awarded share units equivalent to the Bank's common shares that generally vest over three years. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units. At the maturity date, the participant receives cash representing the value of the share units. The final number of performance share units will 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, 2023, the Bank awarded 9.1 million of such share units at a weighted-average price of \$88.75 (2022 – 6.9 million units at a weighted-average price of \$95.07). The number of such share units outstanding under these plans as at October 31, 2023 was 25.8 million (October 31, 2022 – 21.6 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, 2023, the Bank awarded 0.2 million deferred share units at a weighted-average price of \$89.88 (2022 – 0.2 million units at a weighted-average price of \$94.80). As at October 31, 2023, 7.0 million deferred share units were outstanding (October 31, 2022 – 6.8 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, 2023, the Bank recognized compensation expense for these plans of \$870 million (2022 – \$657 million). This expense includes losses from derivatives used to manage the volatility of share-based compensation of \$337 million (2022 – \$111 million gains). The carrying amount of the liability relating to these plans, based on the closing share price, was \$2.4 billion at October 31, 2023 (October 31, 2022 – \$2.3 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, 2023, the Bank's contributions totalled \$89 million (2022 – \$85 million) and were expensed as salaries and employee benefits. As at October 31, 2023, an aggregate of 24 million (October 31, 2022 – 23 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.

**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 2023 and 2022 contributions were made in accordance with the actuarial valuation reports for funding purposes as at October 31, 2022 and October 31, 2021, respectively. Valuations for funding purposes are being prepared as of October 31, 2023 for the Society and no later than October 31, 2025 for the TDPP DB.

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)

|                                      | Society <sup>1</sup> |             |               |                 | TDPP DB <sup>2</sup> |             |               |                 |
|--------------------------------------|----------------------|-------------|---------------|-----------------|----------------------|-------------|---------------|-----------------|
|                                      | Target range         | % of total  | Fair value    |                 | Target range         | % of total  | Fair value    |                 |
|                                      |                      |             | Quoted        | Unquoted        |                      |             | Quoted        | Unquoted        |
| <b>As at October 31, 2023</b>        |                      |             |               |                 |                      |             |               |                 |
| Debt                                 | 60-90%               | 74%         | \$ –          | \$ 4,513        | 55-75%               | 72%         | \$ –          | \$ 2,549        |
| Equity                               | 0-21                 | 4           | 72            | 153             | 0-30                 | 7           | 79            | 166             |
| Alternative investments <sup>2</sup> | 0-29                 | 22          | –             | 1,351           | 5-38                 | 21          | –             | 734             |
| Other <sup>3</sup>                   | n/a                  | n/a         | –             | (668)           | n/a                  | n/a         | –             | (729)           |
| <b>Total</b>                         |                      | <b>100%</b> | <b>\$ 72</b>  | <b>\$ 5,349</b> |                      | <b>100%</b> | <b>\$ 79</b>  | <b>\$ 2,720</b> |
| <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> |

<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 small 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 Insurance Pension Plan**

As a result of the acquisition of Meloche Monnex 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.

##### **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.

##### **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 Contributions 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 |               |
|---|--------------------------------|---------------|
|   | 2023                           | 2022          |
| Defined contribution pension plans <sup>1</sup> | \$ 250                         | \$ 195        |
| Government pension plans <sup>2</sup>           | 502                            | 412           |
| <b>Total</b>                                    | <b>\$ 752</b>                  | <b>\$ 607</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 plans for the years ended October 31, 2023 and October 31, 2022. 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 plans <sup>2</sup> |              |
|--|-------------------------|---------------|---|--------------|----------------------------------|--------------|
|  | 2023                    | 2022          | 2023  | 2022         | 2023                             | 2022         |
| <b>Change in projected benefit obligation</b>  |                         |               |   |              |                                  |              |
| Projected benefit obligation at beginning of year  | \$ 6,763                | \$ 8,788      | \$ 372  | \$ 466       | \$ 2,339                         | \$ 2,930     |
| Obligations included due to the TD Auto Finance (Canada) plan merger <sup>3</sup>                | –                       | –             | –   | –            | –                                | 43           |
| Service cost – benefits earned   | 247                     | 417           | 6   | 8            | 17                               | 24           |
| Interest cost on projected benefit obligation  | 353                     | 252           | 19  | 13           | 122                              | 76           |
| Remeasurement (gain) loss – financial  | (487)                   | (2,610)       | (9)   | (105)        | (97)                             | (770)        |
| Remeasurement (gain) loss – demographic  | –                       | 25            | (18)  | 6            | –                                | (9)          |
| Remeasurement (gain) loss – experience   | 151                     | 194           | 2   | (1)          | 11                               | 37           |
| Members' contributions   | 113                     | 108           | –   | –            | –                                | –            |
| Benefits paid  | (307)                   | (411)         | (20)  | (15)         | (149)                            | (147)        |
| Change in foreign currency exchange rate   | –                       | –             | –   | –            | 21                               | 155          |
| <b>Projected benefit obligation as at October 31</b>   | <b>6,833</b>            | <b>6,763</b>  | <b>352</b>  | <b>372</b>   | <b>2,264</b>                     | <b>2,339</b> |
| Wholly or partially funded projected benefit obligation  | 6,833                   | 6,763         | –   | –            | 1,711                            | 1,768        |
| Unfunded projected benefit obligation  | –                       | –             | 352   | 372          | 553                              | 571          |
| <b>Total projected benefit obligation as at October 31</b>                                       | <b>6,833</b>            | <b>6,763</b>  | <b>352</b>  | <b>372</b>   | <b>2,264</b>                     | <b>2,339</b> |
| <b>Change in plan assets</b>   |                         |               |   |              |                                  |              |
| Plan assets at fair value at beginning of year   | 8,481                   | 9,342         | –   | –            | 1,894                            | 2,335        |
| Assets included due to the TD Auto Finance (Canada) plan merger <sup>3</sup>                     | –                       | –             | –   | –            | –                                | 48           |
| Interest income on plan assets   | 453                     | 276           | –   | –            | 99                               | 58           |
| Remeasurement gain (loss) – return on plan assets less interest income                           | (698)                   | (1,200)       | –   | –            | (76)                             | (609)        |
| Members' contributions   | 113                     | 108           | –   | –            | –                                | –            |
| Employer's contributions   | 187                     | 375           | 20  | 15           | 33                               | 49           |
| Benefits paid  | (307)                   | (411)         | (20)  | (15)         | (149)                            | (147)        |
| Change in foreign currency exchange rate   | –                       | –             | –   | –            | 21                               | 163          |
| Defined benefit administrative expenses  | (9)                     | (9)           | –   | –            | (6)                              | (3)          |
| <b>Plan assets at fair value as at October 31</b>  | <b>8,220</b>            | <b>8,481</b>  | <b>–</b>  | <b>–</b>     | <b>1,816</b>                     | <b>1,894</b> |
| Excess (deficit) of plan assets at fair value over projected benefit obligation                  | 1,387                   | 1,718         | (352)   | (372)        | (448)                            | (445)        |
| Effect of asset limitation and minimum funding requirement                                       | (195)                   | (384)         | –   | –            | (53)                             | (61)         |
| <b>Net defined benefit asset (liability)</b>   | <b>1,192</b>            | <b>1,334</b>  | <b>(352)</b>  | <b>(372)</b> | <b>(501)</b>                     | <b>(506)</b> |
| Recorded in  |                         |               |   |              |                                  |              |
| Other assets in the Bank's Consolidated Balance Sheet  | 1,192                   | 1,334         | –   | –            | 62                               | 72           |
| Other liabilities in the Bank's Consolidated Balance Sheet                                       | –                       | –             | (352)   | (372)        | (563)                            | (578)        |
| <b>Net defined benefit asset (liability)</b>   | <b>1,192</b>            | <b>1,334</b>  | <b>(352)</b>  | <b>(372)</b> | <b>(501)</b>                     | <b>(506)</b> |
| <b>Annual expense</b>  |                         |               |   |              |                                  |              |
| Net employee benefits expense includes the following:  |                         |               |   |              |                                  |              |
| Service cost – benefits earned   | 247                     | 417           | 6   | 8            | 17                               | 24           |
| Net interest cost (income) on net defined benefit liability (asset)                              | (100)                   | (24)          | 19  | 13           | 23                               | 18           |
| Interest cost on asset limitation and minimum funding requirement                                | 21                      | –             | –   | –            | 4                                | –            |
| Defined benefit administrative expenses  | 10                      | 9             | –   | –            | 5                                | 4            |
| <b>Total</b>   | <b>\$ 178</b>           | <b>\$ 402</b> | <b>\$ 25</b>  | <b>\$ 21</b> | <b>\$ 49</b>                     | <b>\$ 46</b> |
| <b>Actuarial assumptions used to determine the annual expense</b>                                |                         |               |   |              |                                  |              |
| Weighted-average discount rate for projected benefit obligation                                  | 5.44%                   | 3.50%         | 5.45%   | 3.43%        | 5.56%                            | 3.08%        |
| Weighted-average rate of compensation increase   | 2.88%                   | 2.46%         | 3.25%   | 2.80%        | 1.42%                            | 1.22%        |
| Assumed life expectancy at age 65, in years  |                         |               |   |              |                                  |              |
| Male aged 65   | 23.2                    | 23.5          | 23.2  | 23.5         | 21.9                             | 21.9         |
| Female aged 65   | 24.3                    | 24.2          | 24.3  | 24.2         | 23.4                             | 23.3         |
| Male aged 45   | 24.1                    | 24.4          | 24.1  | 24.4         | 22.6                             | 22.6         |
| Female aged 45   | 25.2                    | 25.1          | 25.2  | 25.1         | 24.2                             | 24.1         |
| <b>Actuarial assumptions used to determine the projected benefit obligation as at October 31</b> |                         |               |   |              |                                  |              |
| Weighted-average discount rate for projected benefit obligation                                  | 5.66%                   | 5.44%         | 5.71%   | 5.45%        | 5.95%                            | 5.56%        |
| Weighted-average rate of compensation increase   | 2.78%                   | 2.88%         | 3.05%   | 3.25%        | 1.35%                            | 1.42%        |
| Assumed life expectancy at age 65, in years  |                         |               |   |              |                                  |              |
| Male aged 65   | 23.2                    | 23.2          | 23.2  | 23.2         | 21.9                             | 21.9         |
| Female aged 65   | 24.3                    | 24.3          | 24.3  | 24.3         | 23.4                             | 23.4         |
| Male aged 45   | 24.1                    | 24.1          | 24.1  | 24.1         | 22.6                             | 22.6         |
| Female aged 45   | 25.2                    | 25.2          | 25.2  | 25.2         | 24.3                             | 24.2         |

<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 3.24%. The rate is assumed to decrease gradually to 0.89% by the year 2040 and remain at that level thereafter (2022 – 2.99% grading to 1.08% by the year 2040 and remain at that level thereafter).

<sup>2</sup> Includes Canada Trust defined benefit pension plan, TD Banknorth defined benefit pension plan, TD Auto Finance defined benefit pension plan, TD Insurance defined benefit pension plan, and supplemental executive 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

|  | As at              |                    |
|--|--------------------|--------------------|
|  | October 31<br>2023 | October 31<br>2022 |
| <b>Other assets</b>                            |                    |                    |
| Principal defined benefit pension plans        | \$ 1,192           | \$ 1,334           |
| Other defined benefit pension plans            | 62                 | 72                 |
| <b>Total</b>                                   | <b>1,254</b>       | <b>1,406</b>       |
| <b>Other liabilities</b>                       |                    |                    |
| Principal post-retirement defined benefit plan | 352                | 372                |
| Other defined benefit pension plans            | 563                | 578                |
| Other employee benefit plans <sup>1</sup>      | 329                | 336                |
| <b>Total</b>                                   | <b>1,244</b>       | <b>1,286</b>       |
| <b>Net amount recognized</b>                   | <b>\$ 10</b>       | <b>\$ 120</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 defined benefit pension plans.

#### Amounts Recognized in Other Comprehensive Income for Remeasurement of Defined Benefit Plans<sup>1,2</sup>

|  | Principal pension plans               |               | Principal post-retirement benefit plan |               | Other pension plans |              |
|--|---------------------------------------|---------------|--|---------------|---------------------|--------------|
|  | <i>For the years ended October 31</i> |               |  |               |                     |              |
|  | 2023                                  | 2022          | 2023                                   | 2022          | 2023                | 2022         |
| Remeasurement gains (losses) – financial                                     | \$ 487                                | \$ 2,610      | \$ 9                                   | \$ 105        | \$ 97               | \$ 770       |
| Remeasurement gains (losses) – demographic                                   | –                                     | (25)          | 18                                     | (6)           | –                   | 9            |
| Remeasurement gains (losses) – experience                                    | (151)                                 | (194)         | (2)                                    | 1             | (11)                | (37)         |
| Remeasurement gains (losses) – return on plan assets<br>less interest income | (697)                                 | (1,200)       | –                                      | –             | (77)                | (608)        |
| Changes in asset limitation and minimum funding requirement                  | 210                                   | (384)         | –                                      | –             | 12                  | (49)         |
| <b>Total</b>   | <b>\$ (151)</b>                       | <b>\$ 807</b> | <b>\$ 25</b>                           | <b>\$ 100</b> | <b>\$ 21</b>        | <b>\$ 85</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 \$10 million (2022 – \$113 million).

#### (f) CASH FLOWS

During the year ended October 31, 2024, the Bank expects to contribute nil to its principal defined benefit pension plans, \$20 million to its principal post-retirement defined benefit plan, and \$62 million to its other defined

benefit pension 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

|   | Principal pension plans |               |                 | Principal post-retirement benefit plan |  | Other pension plans |  |
|---|-------------------------|---------------|-----------------|--|--|---------------------|--|
|   |                         |               |                 |  |  |                     |  |
| <b>Benefit payments expected to be paid in:</b> |                         |               |                 |  |  |                     |  |
| 2024  | \$ 355                  | \$ 20         | \$ 161          |  |  |                     |  |
| 2025  | 374                     | 21            | 164             |  |  |                     |  |
| 2026  | 397                     | 22            | 167             |  |  |                     |  |
| 2027  | 418                     | 23            | 169             |  |  |                     |  |
| 2028  | 441                     | 24            | 170             |  |  |                     |  |
| 2029-2033                                       | 2,479                   | 129           | 843             |  |  |                     |  |
| <b>Total</b>                                    | <b>\$ 4,464</b>         | <b>\$ 239</b> | <b>\$ 1,674</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 plans |                 |
|------------------|-------------------------|-----------------|--|---------------|---------------------|-----------------|
|                  | 2023                    | 2022            | 2023                                   | 2022          | 2023                | 2022            |
| Active members   | \$ 4,459                | \$ 4,427        | \$ 135                                 | \$ 143        | \$ 448              | \$ 451          |
| Deferred members | 452                     | 466             | –                                      | –             | 362                 | 371             |
| Retired members  | 1,922                   | 1,870           | 217                                    | 229           | 1,454               | 1,517           |
| <b>Total</b>     | <b>\$ 6,833</b>         | <b>\$ 6,763</b> | <b>\$ 352</b>                          | <b>\$ 372</b> | <b>\$ 2,264</b>     | <b>\$ 2,339</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 plans |           |
|----------------------------------|-------------------------|-----------|--|-----------|---------------------|-----------|
|                                  | 2023                    | 2022      | 2023                                   | 2022      | 2023                | 2022      |
| <b>Weighted-average duration</b> | <b>13</b>               | <b>14</b> | <b>12</b>                              | <b>12</b> | <b>10</b>           | <b>11</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 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, 2023               |  |                     |
|  | Obligation Increase (Decrease) |  |                     |
|  | Principal pension plans        | Principal post-retirement benefit plan | Other pension plans |
| <b>Impact of an absolute change in significant actuarial assumptions</b> |                                |  |                     |
| Discount rate  |                                |  |                     |
| 1% decrease in assumption  | \$ 953                         | \$ 44                                  | \$ 250              |
| 1% increase in assumption  | (794)                          | (36)                                   | (209)               |
| Rates of compensation increase   |                                |  |                     |
| 1% decrease in assumption  | (192)                          | – <sup>1</sup>                         | (16)                |
| 1% increase in assumption  | 175                            | – <sup>1</sup>                         | 19                  |
| Life expectancy  |                                |  |                     |
| 1 year decrease in assumption  | (114)                          | (8)                                    | (67)                |
| 1 year increase in assumption  | 110                            | 8                                      | 65                  |
| Health care cost initial trend rate                                      |                                |  |                     |
| 1% decrease in assumption  | n/a                            | (6)                                    | n/a                 |
| 1% increase in assumption  | n/a                            | 7                                      | n/a                 |

<sup>1</sup> An absolute change in this assumption is immaterial.

The provision for (recovery of) income taxes is comprised of the following:

### Provision for (Recovery of) Income Taxes

| (millions of Canadian dollars)   | For the years ended October 31 |                |
|--|--------------------------------|----------------|
|  | 2023                           | 2022           |
| <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  | \$ 3,244                       | \$ 3,793       |
| Adjustments in respect of prior years and other <sup>1</sup>   | 1,180                          | (309)          |
| <b>Total current income taxes</b>  | <b>4,424</b>                   | <b>3,484</b>   |
| <b>Deferred income taxes</b>   |                                |                |
| Provision for (recovery of) deferred income taxes related to the origination and reversal of temporary differences | (606)                          | 213            |
| Effect of changes in tax rates   | (74)                           | 43             |
| Adjustments in respect of prior years and other  | (576)                          | 246            |
| <b>Total deferred income taxes</b>   | <b>(1,256)</b>                 | <b>502</b>     |
| <b>Total provision for (recovery of) income taxes – Consolidated Statement of Income</b>                           | <b>3,168</b>                   | <b>3,986</b>   |
| <b>Provision for (recovery of) income taxes – Statement of Other Comprehensive Income</b>                          |                                |                |
| Current income taxes   | 65                             | (3,189)        |
| Deferred income taxes  | (452)                          | (423)          |
| <b>Total provision for (recovery of) income taxes – Statement of Other Comprehensive Income</b>                    | <b>(387)</b>                   | <b>(3,612)</b> |
| <b>Income taxes – other items including business combinations and other adjustments</b>                            |                                |                |
| Current income taxes   | (188)                          | 31             |
| Deferred income taxes  | (91)                           | (15)           |
|  | (279)                          | 16             |
| <b>Total provision for (recovery of) income taxes</b>  | <b>2,502</b>                   | <b>390</b>     |
| <b>Current income taxes</b>  |                                |                |
| Federal  | 2,099                          | (129)          |
| Provincial   | 1,380                          | (36)           |
| Foreign  | 822                            | 491            |
|  | 4,301                          | 326            |
| <b>Deferred income taxes</b>   |                                |                |
| Federal  | (766)                          | 395            |
| Provincial   | (453)                          | 263            |
| Foreign  | (580)                          | (594)          |
|  | (1,799)                        | 64             |
| <b>Total provision for (recovery of) income taxes</b>  | <b>\$ 2,502</b>                | <b>\$ 390</b>  |

<sup>1</sup> Includes the \$585 million impact to provision for income taxes as discussed in the Implementation of the Canada Recovery Dividend and Change in Corporate Tax Rate section below.

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)                 | 2023            |              | 2022            |              |
|---|-----------------|--------------|-----------------|--------------|
| Income taxes at Canadian statutory income tax rate              | \$ 3,631        | 27.7%        | \$ 5,363        | 26.3%        |
| Increase (decrease) resulting from:                             |                 |              |                 |              |
| Dividends received  | (109)           | (0.8)        | (123)           | (0.6)        |
| Rate differentials on international operations                  | (952)           | (7.3)        | (1,117)         | (5.5)        |
| Other – net <sup>1</sup>  | 598             | 4.6          | (137)           | (0.7)        |
| <b>Provision for income taxes and effective income tax rate</b> | <b>\$ 3,168</b> | <b>24.2%</b> | <b>\$ 3,986</b> | <b>19.5%</b> |

<sup>1</sup> Includes the \$585 million impact to provision for income taxes as discussed in the Implementation of the Canada Recovery Dividend and Change in Corporate Tax Rate section below.

### Implementation of the Canada Recovery Dividend and Change in Corporate Tax Rate

On December 15, 2022, Bill C-32, *Fall Economic Statement Implementation Act, 2022*, received Royal Assent. This bill enacted the Canada Recovery Dividend (CRD) and increased the Canadian federal tax rate for bank and life insurer groups by 1.5%.

The implementation of the CRD resulted in a provision for income taxes of \$553 million and a charge to OCI of \$239 million, recognized in the first quarter of 2023.

The increase in the Canadian federal tax rate of 1.5%, prorated for the first taxation year that ends after April 7, 2022, resulted in a provision for income taxes of \$82 million and a tax benefit of \$75 million in OCI related to fiscal 2022, recognized in the first quarter of 2023. The Bank also remeasured certain Canadian deferred tax assets and liabilities for the increase in tax rate, which resulted in an increase in net deferred tax assets of \$50 million, which is recorded in provision for income taxes.

### Other Tax Matters

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, 2023, the CRA reassessed the Bank for \$15 million

of additional income tax and interest in respect of its 2018 taxation year, the RQA reassessed the Bank for \$17 million of additional income tax and interest in respect of its 2016 and 2017 taxation years, and the ATRA reassessed the Bank for \$17 million of additional income tax and interest in respect of its 2017 and 2018 taxation years. As at October 31, 2023, the CRA has reassessed the Bank for \$1,661 million for the years 2011 to 2018, the RQA has reassessed the Bank for \$51 million for the years 2011 to 2017, and the ATRA has reassessed the Bank for \$71 million

for the years 2011 to 2018. In total, the Bank has been reassessed for \$1,783 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 filed a Notice of Appeal with the Tax Court of Canada on March 21, 2023.

Deferred tax assets and liabilities comprise of the following:

### Deferred Tax Assets and Liabilities

(millions of Canadian dollars)

|   | October 31<br>2023 | As at<br>October 31<br>2022 |
|---|--------------------|-----------------------------|
| <b>Deferred tax assets</b>  |                    |                             |
| Allowance for credit losses   | \$ 1,466           | \$ 1,339                    |
| Trading loans   | 30                 | 28                          |
| Employee benefits   | 867                | 757                         |
| Losses available for carry forward  | 127                | 62                          |
| Tax credits   | 46                 | 41                          |
| Land, buildings, equipment, other depreciable assets, and right-of-use assets | 471                | 280                         |
| Securities  | 314                | –                           |
| Other <sup>1</sup>  | 1,015              | 257                         |
| <b>Total deferred tax assets</b>  | <b>4,336</b>       | <b>2,764</b>                |
| <b>Deferred tax liabilities</b>   |                    |                             |
| Securities  | –                  | 195                         |
| Pensions  | 158                | 184                         |
| Deferred (income) expense   | 238                | 227                         |
| Intangibles   | 10                 | 47                          |
| Goodwill  | 174                | 154                         |
| <b>Total deferred tax liabilities</b>   | <b>580</b>         | <b>807</b>                  |
| <b>Net deferred tax assets</b>  | <b>3,756</b>       | <b>1,957</b>                |
| <b>Reflected on the Consolidated Balance Sheet as follows:</b>                |                    |                             |
| Deferred tax assets   | 3,960              | 2,193                       |
| Deferred tax liabilities <sup>2</sup>   | 204                | 236                         |
| <b>Net deferred tax assets</b>  | <b>\$ 3,756</b>    | <b>\$ 1,957</b>             |

<sup>1</sup> Includes the deferred tax impact of the Stanford litigation provision. Refer to Note 26 for further details.

<sup>2</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 \$663 million as at October 31, 2023 (October 31, 2022 – \$594 million), of which \$11 million (October 31, 2022 – \$9 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, 2023. The total amount of these temporary differences was \$88 billion as at October 31, 2023 (October 31, 2022 – \$75 billion).

The movement in the net deferred tax asset for the years ended October 31, 2023 and October 31, 2022, was as follows:

### Deferred Income Tax Expense (Recovery)

(millions of Canadian dollars)

|   | 2023                                   |                                  |                                       |                   | For the years ended October 31<br>2022 |                                  |                                       |              |
|---|--|----------------------------------|---------------------------------------|-------------------|--|----------------------------------|---------------------------------------|--------------|
|   | Consolidated<br>statement of<br>income | Other<br>comprehensive<br>income | Business<br>combinations<br>and other | Total             | Consolidated<br>statement of<br>income | Other<br>comprehensive<br>income | Business<br>combinations<br>and other | Total        |
| <b>Deferred income tax expense<br/>(recovery)</b>                                   |  |                                  |                                       |                   |  |                                  |                                       |              |
| Allowance for credit losses   | \$ (127)                               | \$ –                             | \$ –                                  | \$ (127)          | \$ 32                                  | \$ –                             | \$ –                                  | \$ 32        |
| Trading loans   | (2)                                    | –                                | –                                     | (2)               | 7                                      | –                                | –                                     | 7            |
| Employee benefits   | (9)                                    | 12                               | (113)                                 | (110)             | 55                                     | 51                               | –                                     | 106          |
| Losses available for carry forward  | (53)                                   | –                                | (12)                                  | (65)              | 7                                      | –                                | –                                     | 7            |
| Tax credits   | (5)                                    | –                                | –                                     | (5)               | (6)                                    | –                                | –                                     | (6)          |
| Land, buildings, equipment,<br>other depreciable assets,<br>and right-of-use assets | (194)                                  | –                                | 3                                     | (191)             | (134)                                  | –                                | –                                     | (134)        |
| Other deferred tax assets   | (704)                                  | –                                | (54)                                  | (758)             | (12)                                   | –                                | (15)                                  | (27)         |
| Securities  | (66)                                   | (443)                            | –                                     | (509)             | 251                                    | (713)                            | –                                     | (462)        |
| Pensions  | (5)                                    | (21)                             | –                                     | (26)              | (130)                                  | 239                              | –                                     | 109          |
| Deferred (income) expense   | 11                                     | –                                | –                                     | 11                | 179                                    | –                                | –                                     | 179          |
| Intangibles   | (122)                                  | –                                | 85                                    | (37)              | 229                                    | –                                | –                                     | 229          |
| Goodwill  | 20                                     | –                                | –                                     | 20                | 24                                     | –                                | –                                     | 24           |
| <b>Total deferred income tax<br/>expense (recovery)</b>                             | <b>\$ (1,256)</b>                      | <b>\$ (452)</b>                  | <b>\$ (91)</b>                        | <b>\$ (1,799)</b> | <b>\$ 502</b>                          | <b>\$ (423)</b>                  | <b>\$ (15)</b>                        | <b>\$ 64</b> |

**NOTE 2 5 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, 2023 and October 31, 2022.

**Basic and Diluted Earnings Per Share**

(millions of Canadian dollars, except as noted)

|   | For the years ended October 31 |                |
|---|--------------------------------|----------------|
|   | 2023                           | 2022           |
| <b>Basic earnings per share</b>   |                                |                |
| Net income attributable to common shareholders                                      | \$ 10,219                      | \$ 17,170      |
| Weighted-average number of common shares outstanding (millions)                     | 1,822.5                        | 1,810.5        |
| <b>Basic earnings per share (Canadian dollars)</b>                                  | <b>\$ 5.61</b>                 | <b>\$ 9.48</b> |
| <b>Diluted earnings per share</b>   |                                |                |
| Net income attributable to common shareholders                                      | \$ 10,219                      | \$ 17,170      |
| Net income available to common shareholders including impact of dilutive securities | 10,219                         | 17,170         |
| Weighted-average number of common shares outstanding (millions)                     | 1,822.5                        | 1,810.5        |
| Effect of dilutive securities   |                                |                |
| Stock options potentially exercisable (millions) <sup>1</sup>                       | 1.9                            | 3.1            |
| Weighted-average number of common shares outstanding – diluted (millions)           | 1,824.4                        | 1,813.6        |
| <b>Diluted earnings per share (Canadian dollars)<sup>1</sup></b>                    | <b>\$ 5.60</b>                 | <b>\$ 9.47</b> |

<sup>1</sup> For the year ended October 31, 2023, the computation of diluted earnings per share excluded average options outstanding of 4.6 million with an exercise price of \$93.09 as the option price was greater than the average market price of the Bank's common shares. 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.

**NOTE 2 6 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 | Total           |
|---|---------------|----------------------|-----------------|
| Balance as at November 1, 2022  | \$ 7          | \$ 382               | \$ 389          |
| Additions   | 363           | 1,928                | 2,291           |
| Amounts used  | (174)         | (171)                | (345)           |
| Release of unused amounts   | –             | (78)                 | (78)            |
| Foreign currency translation adjustments and other  | (4)           | 119                  | 115             |
| <b>Balance as at October 31, 2023, before allowance for credit losses for off-balance sheet instruments</b> | <b>\$ 192</b> | <b>\$ 2,180</b>      | <b>\$ 2,372</b> |
| Add: Allowance for credit losses for off-balance sheet instruments <sup>1</sup>                             |               |                      | 1,049           |
| <b>Balance as at October 31, 2023</b>   |               |                      | <b>\$ 3,421</b> |

<sup>1</sup> Refer to Note 8 for further details.

**Restructuring** – The Bank undertook certain measures in the fourth quarter of 2023 to reduce its cost base and achieve greater efficiency. In connection with these measures, the Bank incurred \$363 million of restructuring charges in the fourth quarter of 2023. The restructuring costs primarily relate to: (i) employee severance and other personnel-related costs recorded as provisions, (ii) real estate optimization mainly recorded as a reduction to land and buildings (refer to Note 15), and (iii) asset impairments on internally generated software (refer to Note 14).

**(b) LEGAL AND REGULATORY MATTERS**

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, in respect of our businesses and compliance programs. 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, 2023, the Bank's RPL is from zero to approximately \$1.44 billion (October 31, 2022 – from zero to approximately \$1.26 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.

The Bank has been responding to formal and informal inquiries from regulatory authorities and law enforcement concerning its Bank Secrecy Act/anti-money laundering compliance program, both generally and in connection with specific clients, counterparties, or incidents in the U.S., including in connection with an investigation by the United States Department of Justice. The Bank is cooperating with such authorities and is pursuing efforts to enhance its Bank Secrecy Act/anti-money laundering compliance program. While the ultimate outcomes of these inquiries and investigations are unknown at this time, the Bank anticipates monetary and/or non-monetary penalties to be imposed.

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 Mr. Stanford 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.

On November 7, 2017, the Court issued a decision denying plaintiffs' motion to certify a class of investors in SIBL issued certificates of deposit. 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 1, 2019, a 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 February 24, 2023, the Bank reached a settlement in principle pursuant to which the Bank has agreed to pay US\$1.205 billion to the U.S. Receiver to resolve all claims against the Bank arising from or related to Stanford, including the claims asserted in the *Rotstain et al. v. Trustmark National Bank et al.* and *Smith et al. v. Independent Bank* actions. As a result of this agreement, the Bank recorded a provision of approximately \$1.6 billion pre-tax (\$1.2 billion after-tax) in the first quarter of 2023. Under the terms of the agreement, all involved parties have agreed to a bar order dismissing and releasing all current or future claims arising from or related to Stanford.

On March 7, 2023, the parties finalized their settlement agreement, and on March 8, 2023, the plaintiffs filed a motion to approve the settlement in the multi-district litigation court in the Northern District of Texas. On March 14, 2023, that Court preliminarily found that the terms of the settlement agreement are adequate, fair, reasonable, and equitable. On August 8, 2023, the Court granted the plaintiffs' motion to approve the settlement and issued the bar order.

On August 22, 2023, R. Allen Stanford filed an appeal of the order approving the settlement. The U.S. Receiver moved to dismiss the appeal as frivolous on August 29, 2023. On September 18, 2023, the U.S. Court of Appeals for the Fifth Circuit dismissed the appeal. On November 7, 2023, the Supreme Court of the United States granted R. Allen Stanford's petition to extend the time to file a petition for a writ of certiorari from December 17, 2023, to February 15, 2024. On November 8, 2023, the U.S. Receiver requested that the Supreme Court of the United States vacate the November 7, 2023, order and enter an order denying the requested extension of time. The bar order and settlement approval remain subject to further appellate review.

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 SIBL. 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 and the hearing of the appeal took place on April 20-21, 2022. There is no appeal in the *Dynasty Furniture* action.

On November 17, 2022, the Court of Appeal for Ontario issued a unanimous written decision which dismissed the appeal and affirmed the trial decision. On January 16, 2023, the Joint Liquidators filed an application for leave to appeal to the Supreme Court of Canada. On July 20, 2023, the Supreme Court of Canada dismissed an application for leave to appeal by the Joint Liquidators. As a result, the Canadian proceeding has now ended.

**Customer Class Actions** – The Bank, along with several other Canadian financial institutions, is a defendant in a number of matters brought by customers 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

|  | As at              |                    |
|--|--------------------|--------------------|
|  | October 31<br>2023 | October 31<br>2022 |
| (millions of Canadian dollars)                             |                    |                    |
| <b>Financial and performance standby letters of credit</b> | <b>\$ 39,310</b>   | \$ 35,675          |
| <b>Documentary and commercial letters of credit</b>        | <b>167</b>         | 193                |
| <b>Commitments to extend credit<sup>1</sup></b>            |                    |                    |
| Original term-to-maturity of one year or less              | <b>69,686</b>      | 56,700             |
| Original term-to-maturity of more than one year            | <b>230,565</b>     | 199,588            |
| <b>Total</b>   | <b>\$ 339,728</b>  | \$ 292,156         |

<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, 2023, the Bank is committed to fund \$554 million (October 31, 2022 – \$502 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 \$45 million for 2024, \$102 million for 2025, \$191 million for 2026, \$364 million for 2027, \$347 million for 2028, \$5,871 million for 2029 and thereafter. Total lease payments, including \$10 million (October 31, 2022 – \$9 million) paid for short-term and low-value asset leases, for the year ended October 31, 2023, were \$780 million (October 31, 2022 – \$798 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

|  | As at              |                    |
|--|--------------------|--------------------|
|  | October 31<br>2023 | October 31<br>2022 |
| (millions of Canadian dollars)                                     |                    |                    |
| <b>Sources of pledged assets and collateral</b>                    |                    |                    |
| Bank assets  |                    |                    |
| Interest-bearing deposits with banks                               | <b>\$ 6,166</b>    | \$ 8,916           |
| Loans  | <b>130,829</b>     | 95,961             |
| Securities   | <b>219,282</b>     | 107,916            |
| Other assets   | <b>696</b>         | 1,032              |
|  | <b>356,973</b>     | 213,825            |
| Third-party assets <sup>1</sup>                                    |                    |                    |
| Collateral received and available for sale or repledging           | <b>432,212</b>     | 369,414            |
| Less: Collateral not repledged                                     | <b>(130,472)</b>   | (95,029)           |
|  | <b>301,740</b>     | 274,385            |
|  | <b>658,713</b>     | 488,210            |
| <b>Uses of pledged assets and collateral<sup>2</sup></b>           |                    |                    |
| Derivatives  | <b>14,696</b>      | 19,815             |
| Obligations related to securities sold under repurchase agreements | <b>192,394</b>     | 153,069            |
| Securities borrowing and lending                                   | <b>119,077</b>     | 131,068            |
| Obligations related to securities sold short                       | <b>39,439</b>      | 41,555             |
| Securitization   | <b>29,135</b>      | 28,278             |
| Covered bond   | <b>55,719</b>      | 36,425             |
| Clearing systems, payment systems, and depositories                | <b>11,863</b>      | 11,201             |
| Foreign governments and central banks                              | <b>109,878</b>     | 934                |
| Other  | <b>86,512</b>      | 65,865             |
| <b>Total</b>   | <b>\$ 658,713</b>  | \$ 488,210         |

<sup>1</sup> Includes collateral received from reverse repurchase agreements, securities borrowing, margin loans, and other client activity.

<sup>2</sup> Includes \$52.3 billion of on-balance sheet assets that the Bank has pledged and that the counterparty can subsequently repledge as at October 31, 2023 (October 31, 2022 – \$56.1 billion).

NOTE 27

## 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, 2023, \$105 million (October 31, 2022 – \$112 million) of related party loans were outstanding from key management personnel, their close family members, and their related entities. This amount also includes balances from certain retired key management personnel.

## COMPENSATION

The remuneration of key management personnel was as follows:

| Compensation<br>(millions of Canadian dollars) | For the years ended October 31 |              |
|--|--------------------------------|--------------|
|  | 2023                           | 2022         |
| Short-term employee benefits                   | \$ 33                          | \$ 40        |
| Post-employment benefits                       | 1                              | 1            |
| Share-based payments                           | 38                             | 40           |
| <b>Total</b>                                   | <b>\$ 72</b>                   | <b>\$ 81</b> |

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 22 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 SYM COR 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, 2023, other than as described in the following sections and in Note 12.

### i) TRANSACTIONS WITH SCHWAB

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

#### Insured Deposit Account Agreement

On November 25, 2019, the Bank and Schwab signed the 2019 Schwab IDA Agreement, with an initial expiration date of July 1, 2031. Under the 2019 Schwab IDA Agreement, starting July 1, 2021, Schwab had the option to reduce the deposits by up to US\$10 billion per year (subject to certain limitations and adjustments), with a floor of US\$50 billion. In addition, Schwab requested some further operational flexibility to allow for the sweep deposit balances to fluctuate over time, under certain conditions and subject to certain limitations.

On May 4, 2023, the Bank and Schwab entered into the 2023 Schwab IDA Agreement, which replaced the 2019 Schwab IDA Agreement. Pursuant to the 2023 Schwab IDA Agreement, the Bank continues to make sweep deposit accounts available to clients of Schwab. Schwab designates a portion of the deposits with the Bank as FROA. Remaining deposits over the minimum level of FROA are designated as floating-rate obligations. In comparison to the 2019 Schwab IDA Agreement, the 2023 Schwab IDA Agreement extends the initial expiration date by three years to July 1, 2034 and provides for lower deposit balances in its first six years, followed by higher balances in the later years. Specifically, until September 2025, the aggregate FROA will serve as the floor. Thereafter, the floor will be set at US\$60 billion. In addition, Schwab has the option to buy down up to \$6.8 billion (US\$5 billion) of FROA by paying the Bank certain fees in accordance with the 2023 Schwab IDA Agreement, subject to certain limits.

During the year ended October 31, 2023, Schwab exercised its option to buy down \$6.1 billion (US\$4.5 billion) of FROA and paid \$305 million (US\$227 million) in termination fees to the Bank in accordance with the 2023 Schwab IDA Agreement. The fees are intended to compensate the Bank for losses incurred this year from discontinuing certain hedging relationships, as well as for lost revenues. The net impact is recorded in net interest income.

As at October 31, 2023, deposits under the Schwab IDA Agreement were \$133 billion (US\$96 billion) (October 31, 2022 – \$174 billion (US\$128 billion)). The Bank paid fees, net of the termination fees received from Schwab, of \$932 million during the year ended October 31, 2023 (October 31, 2022 – \$1.7 billion) to Schwab related to sweep deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of \$147 billion for the year ended October 31, 2023 (October 31, 2022 – \$182 billion) and yields based on agreed upon market benchmarks, less the actual interest paid to clients of Schwab.

As at October 31, 2023, amounts receivable from Schwab were \$38 million (October 31, 2022 – \$31 million). As at October 31, 2023, amounts payable to Schwab were \$24 million (October 31, 2022 – \$152 million).

### ii) TRANSACTIONS WITH SYM COR

The Bank has one-third ownership in Symcor, a Canadian provider of business process outsourcing services offering a diverse portfolio of integrated solutions in item processing, statement processing and production, and cash management services. The Bank accounts for Symcor's results using the equity method of accounting. During the year ended October 31, 2023, the Bank paid \$81 million (October 31, 2022 – \$77 million) for these services. As at October 31, 2023, the amount payable to Symcor was \$12 million (October 31, 2022 – \$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, 2023, and October 31, 2022.

## NOTE 28 SEGMENTED INFORMATION

For management reporting purposes, 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.

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, 2023 and October 31, 2022.

## Results by Business Segment<sup>1</sup>

(millions of Canadian dollars)

|   | <i>For the years ended October 31</i>                       |                        |  |  |                              |                  |
|---|---|------------------------|--|--|------------------------------|------------------|
|   | <b>2023</b>   |                        |  |  |                              |                  |
|   | <b>Canadian<br/>Personal and<br/>Commercial<br/>Banking</b> | <b>U.S.<br/>Retail</b> | <b>Wealth<br/>Management<br/>and Insurance</b> | <b>Wholesale<br/>Banking<sup>2</sup></b> | <b>Corporate<sup>2</sup></b> | <b>Total</b>     |
| Net interest income (loss)  | \$ 14,192   | \$ 12,037              | \$ 1,056                                       | \$ 1,538                                 | \$ 1,121                     | \$ 29,944        |
| Non-interest income (loss)  | 4,125   | 2,405                  | 10,224   | 4,280                                    | (486)                        | 20,548           |
| Total revenue   | 18,317  | 14,442                 | 11,280   | 5,818                                    | 635                          | 50,492           |
| Provision for (recovery of) credit losses   | 1,343   | 928                    | 1  | 126                                      | 535                          | 2,933            |
| Insurance claims and related expenses   | –   | –                      | 3,705  | –  | –                            | 3,705            |
| Non-interest expenses   | 7,700   | 8,191                  | 4,709  | 4,760                                    | 5,408                        | 30,768           |
| Income (loss) before income taxes and share of net income from investment in Schwab | 9,274   | 5,323                  | 2,865  | 932                                      | (5,308)                      | 13,086           |
| Provision for (recovery of) income taxes  | 2,586   | 667                    | 747  | 162                                      | (994)                        | 3,168            |
| Share of net income from investment in Schwab <sup>3,4</sup>                        | –   | 939                    | –  | –  | (75)                         | 864              |
| <b>Net income (loss)</b>  | <b>\$ 6,688</b>   | <b>\$ 5,595</b>        | <b>\$ 2,118</b>                                | <b>\$ 770</b>                            | <b>\$ (4,389)</b>            | <b>\$ 10,782</b> |
|   |   |                        |  |  |                              | 2022             |
| 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           |
| Total revenue   | 16,586  | 12,425                 | 10,860   | 4,831                                    | 4,330                        | 49,032           |
| 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           |
| Income (loss) before income taxes and share of net income from investment in Schwab | 8,919   | 5,170                  | 3,248  | 1,761                                    | 1,326                        | 20,424           |
| 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> |

<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, the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade, and the Bank's share of Schwab's restructuring charges 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)

|                     | <b>Canadian<br/>Personal and<br/>Commercial<br/>Banking</b> | <b>U.S. Retail</b> | <b>Wealth<br/>Management<br/>and Insurance</b> | <b>Wholesale<br/>Banking</b> | <b>Corporate</b>  | <b>Total</b>                  |
|---------------------|---|--------------------|--|------------------------------|-------------------|-------------------------------|
|                     |   |                    |  |                              |                   | <i>As at October 31, 2023</i> |
| <b>Total assets</b> | <b>\$ 560,303</b>   | <b>\$ 561,189</b>  | <b>\$ 23,574</b>                               | <b>\$ 673,398</b>            | <b>\$ 138,560</b> | <b>\$ 1,957,024</b>           |
|                     |   |                    |  |                              |                   | <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>           |

## 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 |                     |
|--------------------------------|---------------------|---------------------|
|                                | October 31          | As at<br>October 31 |
|                                | 2023                | 2023                |
|                                | Total revenue       | Total assets        |
| Canada                         | \$ 32,514           | \$ 1,045,532        |
| United States                  | 17,754              | 763,332             |
| Other international            | 224                 | 148,160             |
| <b>Total</b>                   | <b>\$ 50,492</b>    | <b>\$ 1,957,024</b> |
|                                | 2022                | 2022                |
| Canada                         | \$ 29,244           | \$ 1,014,344        |
| United States                  | 18,442              | 760,700             |
| Other international            | 1,346               | 142,484             |
| <b>Total</b>                   | <b>\$ 49,032</b>    | <b>\$ 1,917,528</b> |

## NOTE 29 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 |                  |
|---|--------------------------------|------------------|
|   | 2023                           | 2022             |
| Measured at amortized cost <sup>1</sup>           | \$ 69,088                      | \$ 35,982        |
| Measured at FVOCI – Debt instruments <sup>1</sup> | 3,315                          | 1,123            |
|   | <b>72,403</b>                  | 37,105           |
| Measured or designated at FVTPL                   | 7,980                          | 3,707            |
| Measured at FVOCI – Equity instruments            | 291                            | 220              |
| <b>Total</b>                                      | <b>\$ 80,674</b>               | <b>\$ 41,032</b> |

<sup>1</sup> Interest income is calculated using EIRM.

### Interest Expense

| (millions of Canadian dollars)            | For the years ended October 31 |                  |
|---|--------------------------------|------------------|
|   | 2023                           | 2022             |
| Measured at amortized cost <sup>1,2</sup> | \$ 41,059                      | \$ 11,478        |
| Measured or designated at FVTPL           | 9,671                          | 2,201            |
| <b>Total</b>                              | <b>\$ 50,730</b>               | <b>\$ 13,679</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, 2023 of \$135 million (October 31, 2022 – \$135 million).

## NOTE 30 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)

|                     | <i>As at</i>   |                    |                                   |                    |  |                    |
|---------------------|--|--------------------|-----------------------------------|--------------------|--|--------------------|
|                     | Loans and customers' liability<br>under acceptances <sup>1,2</sup> |                    | Credit Instruments <sup>3,4</sup> |                    | Derivative financial<br>instruments <sup>5,6</sup> |                    |
|                     | October 31<br>2023   | October 31<br>2022 | October 31<br>2023                | October 31<br>2022 | October 31<br>2023                                 | October 31<br>2022 |
| Canada              | 66%  | 66%                | 30%                               | 32%                | 26%  | 22%                |
| United States       | 33   | 32                 | 65                                | 64                 | 33   | 33                 |
| United Kingdom      | –  | –                  | 2                                 | 1                  | 9  | 11                 |
| Europe – other      | –  | –                  | 2                                 | 2                  | 21   | 21                 |
| Other international | 1  | 2                  | 1                                 | 1                  | 11   | 13                 |
| <b>Total</b>        | <b>100%</b>  | <b>100%</b>        | <b>100%</b>                       | <b>100%</b>        | <b>100%</b>  | <b>100%</b>        |
|                     | <b>\$ 913,937</b>  | <b>\$ 853,129</b>  | <b>\$ 339,728</b>                 | <b>\$ 292,156</b>  | <b>\$ 82,761</b>                                   | <b>\$ 96,795</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, 2023 was real estate 10% (October 31, 2022 – 10%).

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> As at October 31, 2023, the Bank had commitments and contingent liability contracts in the amount of \$340 billion (October 31, 2022 – \$292 billion). Included are commitments to extend credit totalling \$300 billion (October 31, 2022 – \$256 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, 2023: financial institutions 17% (October 31, 2022 – 22%); power and utilities 10% (October 31, 2022 – 10%); government, public sector entities and education 8% (October 31, 2022 – 4%); automotive 8% (October 31, 2022 – 8%); professional

and other services 7% (October 31, 2022 – 8%); sundry manufacturing and wholesale 7% (October 31, 2022 – 7%); non-residential real estate 6% (October 31, 2022 – 7%).

<sup>5</sup> As at October 31, 2023, the current replacement cost of derivative financial instruments, excluding the impact of master netting agreements and collateral, amounted to \$83 billion (October 31, 2022 – \$97 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 60% of the total as at October 31, 2023 (October 31, 2022 – 63%). The second largest concentration was with governments, which accounted for 32% of the total as at October 31, 2023 (October 31, 2022 – 30%). 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<br>2023  | October 31<br>2022  |
| Cash and due from banks  | \$ 6,721            | \$ 8,556            |
| Interest-bearing deposits with banks                             | 98,348              | 137,294             |
| Securities <sup>1</sup>  |                     |                     |
| Financial assets designated at fair value through profit or loss |                     |                     |
| Government and government-insured securities                     | 2,720               | 2,422               |
| Other debt securities  | 3,098               | 2,617               |
| Trading  |                     |                     |
| Government and government-insured securities                     | 51,493              | 51,285              |
| Other debt securities  | 20,685              | 18,997              |
| Retained interest  | 3                   | 5                   |
| Non-trading securities at fair value through profit or loss      |                     |                     |
| Government and government-insured securities                     | 288                 | 287                 |
| Other debt securities  | 2,683               | 6,644               |
| Securities at fair value through other comprehensive income      |                     |                     |
| Government and government-insured securities                     | 52,927              | 50,882              |
| Other debt securities  | 13,004              | 13,121              |
| Debt securities at amortized cost                                |                     |                     |
| Government and government-insured securities                     | 230,304             | 256,362             |
| Other debt securities  | 77,712              | 86,412              |
| Securities purchased under reverse purchase agreements           | 204,333             | 160,167             |
| Derivatives <sup>2</sup>   | 87,382              | 103,873             |
| Loans  |                     |                     |
| Residential mortgages  | 319,938             | 293,601             |
| Consumer instalment and other personal                           | 215,745             | 204,529             |
| Credit card  | 36,726              | 34,263              |
| Business and government  | 323,538             | 298,650             |
| Trading loans  | 17,261              | 11,749              |
| Non-trading loans at fair value through profit or loss           | 3,495               | 3,265               |
| Loans at fair value through other comprehensive income           | 421                 | 2,353               |
| Customers' liability under acceptances                           | 17,569              | 19,733              |
| Amounts receivable from brokers, dealers, and clients            | 30,416              | 19,760              |
| Other assets   | 12,504              | 8,461               |
| <b>Total assets</b>  | <b>1,829,314</b>    | <b>1,795,288</b>    |
| Credit instruments <sup>3</sup>                                  | 339,728             | 292,156             |
| Unconditionally cancellable commitments to extend credit         | 430,163             | 403,477             |
| <b>Total credit exposure</b>                                     | <b>\$ 2,599,205</b> | <b>\$ 2,490,921</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 26 for further details.

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 Internal Ratings-Based approaches 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 Minimum Capital Test for General Insurance and Life Insurance Capital Adequacy Test for Life and Health.

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.

Canadian banks designated as domestic systemically important bank (D-SIBs) are required to comply with OSFI's minimum targets for risk-based and leverage ratios. The minimum targets include a D-SIB surcharge and Domestic Stability Buffer (DSB) for CET1, Tier 1, Total Capital and risk-based Total Loss Absorbing Capacity (TLAC) ratios. The DSB level was increased to 3% as of February 1, 2023, which sets these minimum target ratios at 11%, 12.5%, 14.5% and 24.5%, respectively. Also on February 1, 2023, OSFI announced revisions to the Leverage Requirements Guideline to introduce a requirement for D-SIBs to hold a leverage ratio buffer of 0.50% in addition to the existing minimum requirement. This sets the minimum targets for leverage and TLAC leverage ratios at 3.5% and 7.25%, respectively.

OSFI announced that the DSB level will be set at 3.5%, effective November 1, 2023. The minimum target will increase commensurately to applicable ratios.

The Bank complied with all minimum risk-based and leverage ratios requirements set by OSFI in the 2023 fiscal year.

The following table summarizes the Bank's regulatory capital position as at October 31, 2023 and October 31, 2022.

### Regulatory Capital Position

|   | As at              |                    |
|---|--------------------|--------------------|
|   | October 31<br>2023 | October 31<br>2022 |
| <i>(millions of Canadian dollars, except as noted)</i>                |                    |                    |
| <b>Capital</b>  |                    |                    |
| Common Equity Tier 1 Capital  | <b>\$ 82,317</b>   | \$ 83,671          |
| Tier 1 Capital  | <b>92,752</b>      | 94,445             |
| Total Capital   | <b>103,648</b>     | 107,175            |
| <b>Risk-weighted assets used in the calculation of capital ratios</b> | <b>571,161</b>     | 517,048            |
| <b>Capital and leverage ratios</b>                                    |                    |                    |
| Common Equity Tier 1 Capital ratio                                    | <b>14.4%</b>       | 16.2%              |
| Tier 1 Capital ratio  | <b>16.2</b>        | 18.3               |
| Total Capital ratio   | <b>18.1</b>        | 20.7               |
| Leverage ratio  | <b>4.4</b>         | 4.9                |
| TLAC Ratio  | <b>32.7</b>        | 35.2               |
| TLAC Leverage Ratio   | <b>8.9</b>         | 9.4                |

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

**SIGNIFICANT SUBSIDIARIES<sup>1</sup>**

(millions of Canadian dollars)

|   | Address of Head<br>or Principal Office <sup>2</sup> | October 31, 2023<br>Carrying value of shares<br>owned by the Bank <sup>3</sup> |
|---|---|--|
| <b>North America</b>                          |   |  |
| Meloche Monnex Inc.                           | Montreal, Québec                                    | <b>\$ 2,350</b>  |
| 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                                    | <b>8,114</b>   |
| 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                                    | <b>4,027</b>   |
| TD Group US Holdings LLC                      | Wilmington, Delaware                                | <b>78,167</b>  |
| Toronto Dominion Holdings (U.S.A.), Inc.      | New York, New York                                  |  |
| Cowen Inc.                                    | New York, New York                                  |  |
| Cowen Structured Holdings LLC                 | New York, New York                                  |  |
| Cowen Structured Holdings Inc.                | New York, New York                                  |  |
| ATM Execution LLC                             | New York, New York                                  |  |
| RCG LV Pearl, LLC                             | New York, New York                                  |  |
| Cowen Financial Products LLC                  | New York, New York                                  |  |
| Cowen Holdings, Inc.                          | New York, New York                                  |  |
| Cowen and Company, LLC                        | New York, New York                                  |  |
| Cowen CV Acquisition LLC                      | New York, New York                                  |  |
| Cowen Execution Holdco LLC                    | New York, New York                                  |  |
| Westminster Research Associates LLC           | New York, New York                                  |  |
| RCG Insurance Company                         | 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.                    | Mt. Laurel, New Jersey                              |  |
| TD Private Client Wealth LLC                  | New York, New York                                  |  |
| TD Public Finance LLC                         | New York, New York                                  |  |
| TD Wealth Management Services Inc.            | Mt. Laurel, New Jersey                              |  |
| TD Investment Services Inc.                   | Toronto, Ontario                                    | <b>47</b>  |
| TD Life Insurance Company                     | Toronto, Ontario                                    | <b>268</b>   |
| TD Mortgage Corporation                       | Toronto, Ontario                                    | <b>12,447</b>  |
| TD Pacific Mortgage Corporation               | Vancouver, British Columbia                         |  |
| The Canada Trust Company                      | Toronto, Ontario                                    |  |
| TD Securities Inc.                            | Toronto, Ontario                                    | <b>2,855</b>   |
| TD Vermillion Holdings Limited                | Toronto, Ontario                                    | <b>29,891</b>  |
| TD Financial International Ltd.               | Hamilton, Bermuda                                   |  |
| TD Reinsurance (Barbados) Inc.                | St. James, Barbados                                 |  |

<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.

<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.

**SIGNIFICANT SUBSIDIARIES<sup>1</sup>** (continued)

(millions of Canadian dollars)

|   |  | October 31, 2023  |
|---|--|---|
| International   | Address of Head or Principal Office <sup>2</sup>   | Carrying value of shares owned by the Bank <sup>3</sup> |
| Cowen Malta Holdings Limited<br>Cowen Insurance Company Ltd   | Birkkara, Malta<br>Birkkara, Malta   | \$ 27   |
| Ramius Enterprise Luxembourg Holdco S.à.r.l.<br>Cowen Reinsurance S.A.  | Luxembourg, Luxembourg<br>Luxembourg, Luxembourg   | 227   |
| TD Ireland Unlimited Company<br>TD Global Finance Unlimited Company   | Dublin, Ireland<br>Dublin, Ireland   | 2,741   |
| TD Securities (Japan) Co. Ltd.  | Tokyo, Japan   | 11  |
| Toronto Dominion Australia Limited  | Sydney, Australia  | 97  |
| TD Bank Europe Limited  | London, England  | 1,187   |
| Toronto Dominion International Pte. Ltd.<br>Cowen International Limited<br>Cowen Execution Services Limited<br>Cowen Asia Limited<br>Cowen and Company (Asia) Limited | Singapore, Singapore<br>London, England<br>London, England<br>Central, Hong Kong<br>Central, Hong Kong | 123   |
| Toronto Dominion (South East Asia) Limited  | Singapore, Singapore   | 1,440   |

<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.

<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, 2023, the net assets of subsidiaries subject to regulatory or CAR was approximately \$103 billion (October 31, 2022 – \$97 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 26.

NOTE 33

**SUBSEQUENT EVENTS****FEDERAL DEPOSIT INSURANCE CORPORATION SPECIAL ASSESSMENT**

On November 16, 2023, the Federal Deposit Insurance Corporation announced a final rule that implements a special assessment to recover the losses to the Deposit Insurance Fund arising from the protection of

uninsured depositors during the U.S. bank failures in Spring 2023 (the "Special Assessment"). The Special Assessment is expected to result in the recognition of a provision of approximately US\$300 million pre-tax in the first quarter of the Bank's fiscal 2024.

# Ten-year Statistical Review – IFRS

## Condensed Consolidated Balance Sheet

| (millions of Canadian dollars)  | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014              |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| <b>ASSETS</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                   |
| Cash resources and other  | \$ 105,069          | \$ 145,850          | \$ 165,893          | \$ 170,594          | \$ 30,446           | \$ 35,455           | \$ 55,156           | \$ 57,621           | \$ 45,637           | \$ 46,554         |
| Trading loans, securities, and other <sup>1</sup>                     | 227,773             | 218,440             | 231,220             | 256,342             | 261,144             | 262,115             | 254,361             | 211,111             | 188,317             | 168,926           |
| Non-trading financial assets at fair value through profit or loss     | 7,340               | 10,946              | 9,390               | 8,548               | 6,503               | 4,015               | n/a                 | n/a                 | n/a                 | n/a               |
| Derivatives   | 87,382              | 103,873             | 54,427              | 54,242              | 48,894              | 56,996              | 56,195              | 72,242              | 69,438              | 55,796            |
| Debt securities at amortized cost, net of allowance for credit losses | 308,016             | 342,774             | 268,939             | 227,679             | 130,497             | 107,171             | n/a                 | n/a                 | n/a                 | n/a               |
| Held-to-maturity securities   | n/a                 | n/a                 | n/a                 | n/a                 | n/a                 | n/a                 | 71,363              | 84,395              | 74,450              | 56,977            |
| Securities purchased under reverse repurchase agreements              | 204,333             | 160,167             | 167,284             | 169,162             | 165,935             | 127,379             | 134,429             | 86,052              | 97,364              | 82,556            |
| Loans, net of allowance for loan losses                               | 895,947             | 831,043             | 722,622             | 717,523             | 684,608             | 646,393             | 612,591             | 585,656             | 544,341             | 478,909           |
| Other   | 121,164             | 104,435             | 108,897             | 111,775             | 87,263              | 95,379              | 94,900              | 79,890              | 84,826              | 70,793            |
| <b>Total assets</b>   | <b>\$ 1,957,024</b> | <b>\$ 1,917,528</b> | <b>\$ 1,728,672</b> | <b>\$ 1,715,865</b> | <b>\$ 1,415,290</b> | <b>\$ 1,334,903</b> | <b>\$ 1,278,995</b> | <b>\$ 1,176,967</b> | <b>\$ 1,104,373</b> | <b>\$ 960,511</b> |
| <b>LIABILITIES</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                   |
| Trading deposits  | \$ 30,980           | \$ 23,805           | \$ 22,891           | \$ 19,177           | \$ 26,885           | \$ 114,704          | \$ 79,940           | \$ 79,786           | \$ 74,759           | \$ 59,334         |
| Derivatives   | 71,640              | 91,133              | 57,122              | 53,203              | 50,051              | 48,270              | 51,214              | 65,425              | 57,218              | 51,209            |
| Financial liabilities designated at fair value through profit or loss | 192,130             | 162,786             | 113,988             | 59,665              | 105,131             | 16                  | 8                   | 190                 | 1,415               | 3,250             |
| Deposits  | 1,198,190           | 1,229,970           | 1,125,125           | 1,135,333           | 886,977             | 851,439             | 832,824             | 773,660             | 695,576             | 600,716           |
| Other   | 342,357             | 287,161             | 298,498             | 341,511             | 247,820             | 231,694             | 230,291             | 172,801             | 199,740             | 181,986           |
| Subordinated notes and debentures                                     | 9,620               | 11,290              | 11,230              | 11,477              | 10,725              | 8,740               | 9,528               | 10,891              | 8,637               | 7,785             |
| <b>Total liabilities</b>  | <b>1,844,917</b>    | <b>1,806,145</b>    | <b>1,628,854</b>    | <b>1,620,366</b>    | <b>1,327,589</b>    | <b>1,254,863</b>    | <b>1,203,805</b>    | <b>1,102,753</b>    | <b>1,037,345</b>    | <b>904,280</b>    |
| <b>EQUITY</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                   |
| <b>Shareholders' Equity</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                   |
| Common shares   | 25,434              | 24,363              | 23,066              | 22,487              | 21,713              | 21,221              | 20,931              | 20,711              | 20,294              | 19,811            |
| Preferred shares and other equity instruments                         | 10,853              | 11,253              | 5,700               | 5,650               | 5,800               | 5,000               | 4,750               | 4,400               | 2,700               | 2,200             |
| Treasury shares and other equity instruments                          | (129)               | (98)                | (162)               | (41)                | (47)                | (151)               | (183)               | (36)                | (52)                | (55)              |
| Contributed surplus   | 155                 | 179                 | 173                 | 121                 | 157                 | 193                 | 214                 | 203                 | 214                 | 205               |
| Retained earnings   | 73,044              | 73,698              | 63,944              | 53,845              | 49,497              | 46,145              | 40,489              | 35,452              | 32,053              | 27,585            |
| Accumulated other comprehensive income (loss)                         | 2,750               | 1,988               | 7,097               | 13,437              | 10,581              | 6,639               | 8,006               | 11,834              | 10,209              | 4,936             |
|   | 112,107             | 111,383             | 99,818              | 95,499              | 87,701              | 79,047              | 74,207              | 72,564              | 65,418              | 54,682            |
| Non-controlling interests in subsidiaries                             | –                   | –                   | –                   | –                   | –                   | 993                 | 983                 | 1,650               | 1,610               | 1,549             |
| <b>Total equity</b>   | <b>112,107</b>      | <b>111,383</b>      | <b>99,818</b>       | <b>95,499</b>       | <b>87,701</b>       | <b>80,040</b>       | <b>75,190</b>       | <b>74,214</b>       | <b>67,028</b>       | <b>56,231</b>     |
| <b>Total liabilities and equity</b>                                   | <b>\$ 1,957,024</b> | <b>\$ 1,917,528</b> | <b>\$ 1,728,672</b> | <b>\$ 1,715,865</b> | <b>\$ 1,415,290</b> | <b>\$ 1,334,903</b> | <b>\$ 1,278,995</b> | <b>\$ 1,176,967</b> | <b>\$ 1,104,373</b> | <b>\$ 960,511</b> |

<sup>1</sup> Includes financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale securities under IAS 39).



# Ten-year Statistical Review – IFRS (continued)

## Condensed Consolidated Statement of Income – Reported

| (millions of Canadian dollars)  | 2023             | 2022      | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      |
|---|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net interest income   | \$ 29,944        | \$ 27,353 | \$ 24,131 | \$ 24,497 | \$ 23,821 | \$ 22,239 | \$ 20,847 | \$ 19,923 | \$ 18,724 | \$ 17,584 |
| Non-interest income   | 20,548           | 21,679    | 18,562    | 19,149    | 17,244    | 16,653    | 15,355    | 14,392    | 12,702    | 12,377    |
| <b>Total revenue</b>  | <b>50,492</b>    | 49,032    | 42,693    | 43,646    | 41,065    | 38,892    | 36,202    | 34,315    | 31,426    | 29,961    |
| Provision for (recovery of) credit losses   | 2,933            | 1,067     | (224)     | 7,242     | 3,029     | 2,480     | 2,216     | 2,330     | 1,683     | 1,557     |
| Insurance claims and related expenses   | 3,705            | 2,900     | 2,707     | 2,886     | 2,787     | 2,444     | 2,246     | 2,462     | 2,500     | 2,833     |
| Non-interest expenses   | 30,768           | 24,641    | 23,076    | 21,604    | 22,020    | 20,195    | 19,419    | 18,877    | 18,073    | 16,496    |
| <b>Income before income taxes and share of net income from investment in Schwab and TD Ameritrade</b> | <b>13,086</b>    | 20,424    | 17,134    | 11,914    | 13,229    | 13,773    | 12,321    | 10,646    | 9,170     | 9,075     |
| Provision for (recovery of) income taxes  | 3,168            | 3,986     | 3,621     | 1,152     | 2,735     | 3,182     | 2,253     | 2,143     | 1,523     | 1,512     |
| Share of net income from investment in Schwab and TD Ameritrade                                       | 864              | 991       | 785       | 1,133     | 1,192     | 743       | 449       | 433       | 377       | 320       |
| <b>Net income</b>   | <b>10,782</b>    | 17,429    | 14,298    | 11,895    | 11,686    | 11,334    | 10,517    | 8,936     | 8,024     | 7,883     |
| Preferred dividends and distributions on other equity instruments                                     | 563              | 259       | 249       | 267       | 252       | 214       | 193       | 141       | 99        | 143       |
| <b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>      | <b>\$ 10,219</b> | \$ 17,170 | \$ 14,049 | \$ 11,628 | \$ 11,434 | \$ 11,120 | \$ 10,324 | \$ 8,795  | \$ 7,925  | \$ 7,740  |
| Attributable to:  |                  |           |           |           |           |           |           |           |           |           |
| Common shareholders   | \$ 10,219        | \$ 17,170 | \$ 14,049 | \$ 11,628 | \$ 11,416 | \$ 11,048 | \$ 10,203 | \$ 8,680  | \$ 7,813  | \$ 7,633  |
| Non-controlling interests in subsidiaries   | –                | –         | –         | –         | 18        | 72        | 121       | 115       | 112       | 107       |

## Condensed Consolidated Statement of Changes in Equity – Reported

| (millions of Canadian dollars)                | 2023              | 2022       | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      |
|---|-------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Shareholders' Equity</b>                   |                   |            |           |           |           |           |           |           |           |           |
| Common shares                                 | \$ 25,434         | \$ 24,363  | \$ 23,066 | \$ 22,487 | \$ 21,713 | \$ 21,221 | \$ 20,931 | \$ 20,711 | \$ 20,294 | \$ 19,811 |
| Preferred shares and other equity instruments | 10,853            | 11,253     | 5,700     | 5,650     | 5,800     | 5,000     | 4,750     | 4,400     | 2,700     | 2,200     |
| Treasury shares and other equity instruments  | (129)             | (98)       | (162)     | (41)      | (47)      | (151)     | (183)     | (36)      | (52)      | (55)      |
| Contributed surplus                           | 155               | 179        | 173       | 121       | 157       | 193       | 214       | 203       | 214       | 205       |
| Retained earnings                             | 73,044            | 73,698     | 63,944    | 53,845    | 49,497    | 46,145    | 40,489    | 35,452    | 32,053    | 27,585    |
| Accumulated other comprehensive income (loss) | 2,750             | 1,988      | 7,097     | 13,437    | 10,581    | 6,639     | 8,006     | 11,834    | 10,209    | 4,936     |
| <b>Total</b>                                  | <b>112,107</b>    | 111,383    | 99,818    | 95,499    | 87,701    | 79,047    | 74,207    | 72,564    | 65,418    | 54,682    |
| Non-controlling interests in subsidiaries     | –                 | –          | –         | –         | –         | 993       | 983       | 1,650     | 1,610     | 1,549     |
| <b>Total equity</b>                           | <b>\$ 112,107</b> | \$ 111,383 | \$ 99,818 | \$ 95,499 | \$ 87,701 | \$ 80,040 | \$ 75,190 | \$ 74,214 | \$ 67,028 | \$ 56,231 |

# Ten-year Statistical Review

## Other Statistics – IFRS Reported

|   | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015      | 2014       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|
| <b>Per common shares</b>  |            |            |            |            |            |            |            |            |           |            |
| 1 Basic earnings  | \$ 5.61    | \$ 9.48    | \$ 7.73    | \$ 6.43    | \$ 6.26    | \$ 6.02    | \$ 5.51    | \$ 4.68    | \$ 4.22   | \$ 4.15    |
| 2 Diluted earnings  | 5.60       | 9.47       | 7.72       | 6.43       | 6.25       | 6.01       | 5.50       | 4.67       | 4.21      | 4.14       |
| 3 Dividends   | 3.84       | 3.56       | 3.16       | 3.11       | 2.89       | 2.61       | 2.35       | 2.16       | 2.00      | 1.84       |
| 4 Book value  | 56.58      | 55.00      | 51.66      | 49.49      | 45.20      | 40.50      | 37.76      | 36.71      | 33.81     | 28.45      |
| 5 Closing market price  | 77.46      | 87.19      | 89.84      | 58.78      | 75.21      | 73.03      | 73.34      | 60.86      | 53.68     | 55.47      |
| 6 Closing market price to book value  | 1.37       | 1.59       | 1.74       | 1.19       | 1.66       | 1.80       | 1.94       | 1.66       | 1.59      | 1.95       |
| 7 Closing market price appreciation   | (11.20)%   | (3.0)%     | 52.8%      | (21.8)%    | 3.0%       | (0.4)%     | 20.5%      | 13.4%      | (3.2)%    | 16.0%      |
| 8 Total shareholder return (1-year)   | (6.90)     | 0.9        | 58.9       | (17.9)     | 7.1        | 3.1        | 24.8       | 17.9       | 0.4       | 20.1       |
| <b>Performance ratios</b>   |            |            |            |            |            |            |            |            |           |            |
| 9 Return on common equity   | 10.1%      | 18.0%      | 15.5%      | 13.6%      | 14.5%      | 15.7%      | 14.9%      | 13.3%      | 13.4%     | 15.4%      |
| 10 Return on Common Equity Tier 1 Capital risk-weighted assets <sup>1,2</sup>             | 1.88       | 3.53       | 3.02       | 2.41       | 2.55       | 2.56       | 2.46       | 2.21       | 2.20      | 2.45       |
| 11 Efficiency ratio   | 60.9       | 50.3       | 54.1       | 49.5       | 53.6       | 51.9       | 53.6       | 55.0       | 57.5      | 55.1       |
| 12 Net interest margin  | 1.74       | 1.69       | 1.56       | 1.72       | 1.95       | 1.95       | 1.96       | 2.01       | 2.05      | 2.18       |
| 13 Dividend payout ratio  | 68.3       | 37.5       | 40.9       | 48.3       | 46.1       | 43.3       | 42.6       | 46.1       | 47.4      | 44.3       |
| 14 Dividend yield   | 4.6        | 3.8        | 3.9        | 4.8        | 3.9        | 3.5        | 3.6        | 3.9        | 3.7       | 3.5        |
| 15 Price-earnings ratio   | 13.8       | 9.2        | 11.6       | 9.2        | 12.0       | 12.2       | 13.3       | 13.0       | 12.8      | 13.4       |
| <b>Asset quality</b>  |            |            |            |            |            |            |            |            |           |            |
| 16 Net impaired loans as a % of net loans and acceptances <sup>3,4</sup>                  | 0.25%      | 0.20%      | 0.24%      | 0.32%      | 0.33%      | 0.37%      | 0.38%      | 0.46%      | 0.48%     | 0.46%      |
| 17 Net impaired loans as a % of common equity <sup>3,4</sup>                              | 2.25       | 1.74       | 1.89       | 2.59       | 2.81       | 3.33       | 3.45       | 4.09       | 4.24      | 4.28       |
| 18 Provision for credit losses as a % of net average loans and acceptances <sup>3,4</sup> | 0.34       | 0.14       | (0.03)     | 1.00       | 0.45       | 0.39       | 0.37       | 0.41       | 0.34      | 0.34       |
| <b>Capital ratios<sup>1</sup></b>   |            |            |            |            |            |            |            |            |           |            |
| 19 Common Equity Tier 1 Capital ratio <sup>2,5</sup>                                      | 14.4%      | 16.2%      | 15.2%      | 13.1%      | 12.1%      | 12.0%      | 10.7%      | 10.4%      | 9.9%      | 9.4%       |
| 20 Tier 1 Capital ratio <sup>1,2</sup>  | 16.2       | 18.3       | 16.5       | 14.4       | 13.5       | 13.7       | 12.3       | 12.2       | 11.3      | 10.9       |
| 21 Total Capital ratio <sup>1,2</sup>   | 18.1       | 20.7       | 19.1       | 16.7       | 16.3       | 16.2       | 14.9       | 15.2       | 14.0      | 13.4       |
| <b>Other</b>  |            |            |            |            |            |            |            |            |           |            |
| 22 Common equity to total assets  | 5.2        | 5.2        | 5.4        | 5.2        | 5.8        | 5.5        | 5.4        | 5.8        | 5.7       | 5.5        |
| 23 Number of common shares outstanding (millions)   | 1,790.7    | 1,820.7    | 1,822.0    | 1,815.6    | 1,811.9    | 1,828.3    | 1,839.6    | 1,857.2    | 1,855.1   | 1,844.6    |
| 24 Market capitalization (millions of Canadian dollars)                                   | \$ 138,706 | \$ 158,743 | \$ 163,686 | \$ 106,719 | \$ 136,274 | \$ 133,519 | \$ 134,915 | \$ 113,028 | \$ 99,584 | \$ 102,322 |
| 25 Average number of full-time equivalent staff   | 103,257    | 94,867     | 89,464     | 89,598     | 89,031     | 84,383     | 83,160     | 81,233     | 81,483    | 81,137     |
| 26 Number of retail outlets <sup>6</sup>  | 2,293      | 2,274      | 2,260      | 2,358      | 2,380      | 2,411      | 2,446      | 2,476      | 2,514     | 2,534      |
| 27 Number of retail brokerage offices   | 85         | 85         | 86         | 87         | 113        | 109        | 109        | 111        | 108       | 111        |
| 28 Number of automated banking machines   | 6,149      | 6,100      | 6,089      | 6,233      | 6,302      | 5,587      | 5,322      | 5,263      | 5,171     | 4,833      |

<sup>1</sup> These measures have been included in this document in accordance with the Office of the Superintendent of Financial Institutions Canada's Capital Adequacy Requirements. Amounts are calculated in accordance with the Basel III regulatory framework and are presented based on the "all-in" methodology.

<sup>2</sup> Effective fiscal 2014, the CVA has been implemented based on a phase-in approach until the first quarter of 2019. Effective the third quarter of 2014, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 57%, 65% and 77%, respectively. For fiscal 2015 and 2016, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 64%, 71%, and 77%, respectively. For fiscal 2017, the corresponding scalars were 72%, 77%, and 81%, respectively, for fiscal 2018, were 80%, 83%, and 86%, respectively, and effective fiscal 2019, the corresponding scalars are all 100%. Prior to the second quarter of 2018, the RWA as it relates to the regulatory floor was calculated based on the Basel I risk weights which are the same for all capital ratios.

<sup>3</sup> Includes customers' liability under acceptances.

<sup>4</sup> Excludes acquired credit-impaired loans, and prior to November 1, 2017, certain debt securities classified as loans (DSCL). DSCL are now classified as debt securities at amortized cost under IFRS 9.

<sup>5</sup> The Bank reports the measures, CET1 and CET1 Capital ratio, in accordance with the "all-in" methodology.

<sup>6</sup> Includes retail bank outlets, private client centre branches, and estate and trust branches.

# Shareholder and Investor Information

## MARKET LISTINGS

The common shares of The Toronto-Dominion Bank are listed for trading on the Toronto Stock Exchange and the New York Stock Exchange under the symbol "TD". The Toronto-Dominion Bank listed preferred shares are listed on the Toronto Stock Exchange.

Further information regarding the Bank's listed securities, including ticker symbols and CUSIP numbers, is available on our website at [www.td.com](http://www.td.com) under Investor Relations/Share Information or by calling TD Shareholder Relations at 1-866-756-8936 or 416-944-6367 or by e-mailing [tdshinfo@td.com](mailto:tdshinfo@td.com).

## AUDITORS FOR FISCAL 2023

Ernst & Young LLP

## DIVIDENDS

**Direct dividend depositing:** Registered shareholders may have their dividends deposited directly to any bank account in Canada or the U.S. For this service, please contact the Bank's transfer agent at the address below. Beneficial shareholders should contact their intermediary.

**U.S. dollar dividends:** For registered shareholders, dividend payments sent to U.S. addresses or made directly to U.S. bank accounts will be made in U.S. funds unless a shareholder otherwise instructs the Bank's transfer agent. Registered shareholders whose dividends are sent to non-U.S. addresses can also request dividend payments in U.S. funds by contacting the Bank's transfer agent. Dividends will be exchanged into U.S. funds at the Bank of Canada

daily average exchange rate published at 16:30 (Eastern) on the fifth business day after the record date, or as otherwise advised by the Bank. Beneficial shareholders should contact their intermediary.

Dividend information is available at [www.td.com](http://www.td.com) under Investor Relations/Share Information.

Dividends, including the amounts and dates, are subject to declaration by the Board of Directors of the Bank.

## DIVIDEND REINVESTMENT PLAN

For information regarding the Bank's dividend reinvestment plan, please contact our transfer agent or visit our website at [www.td.com](http://www.td.com) under Investor Relations/Share Information/Dividends.

| IF YOU  | AND YOUR INQUIRY RELATES TO  | PLEASE CONTACT  |
|---|--|---|
| Are a <b>registered shareholder</b> (your name appears on your TD share certificate)  | Missing dividends, lost share certificates, estate questions, address changes to the share register, dividend bank account changes, the dividend reinvestment plan, eliminating duplicate mailings of shareholder materials or stopping (or resuming) receiving annual and quarterly reports | <b>Transfer Agent:</b><br>TSX Trust Company<br>301-100 Adelaide Street West<br>Toronto, ON M5H 4H1<br>1-800-387-0825 (Canada and U.S. only)<br>or 416-682-3860<br>Facsimile: 1-888-249-6189<br><a href="mailto:shareholderinquiries@tmx.com">shareholderinquiries@tmx.com</a> or<br><a href="http://www.tsxtrust.com">http://www.tsxtrust.com</a>   |
| Hold your TD shares through the <b>Direct Registration System in the United States</b>  | Missing dividends, lost share certificates, estate questions, address changes to the share register, eliminating duplicate mailings of shareholder materials or stopping (or resuming) receiving annual and quarterly reports  | <b>Co-Transfer Agent and Registrar:</b><br>Computershare Trust Company, N.A.<br>P.O. Box 43006<br>Providence, RI 02940-3006<br>or<br>Computershare Trust Company, N.A. 150 Royall Street<br>Canton, MA 02021<br>1-866-233-4836<br>TDD for hearing impaired: 1-800-231-5469<br>Shareholders outside of U.S.: 201-680-6578<br>TDD shareholders outside of U.S.: 201-680-6610<br>Email inquiries: <a href="mailto:web.queries@computershare.com">web.queries@computershare.com</a><br><a href="http://www.computershare.com/investor">www.computershare.com/investor</a><br><a href="http://www.computershare.com/investoror">www.computershare.com/investoror</a> |
| <b>Beneficially own</b> TD shares that are held in the name of an intermediary, such as a bank, a trust company, a securities broker or other nominee | Your TD shares, including questions regarding the dividend reinvestment plan and mailings of shareholder materials   | <b>Your intermediary</b>  |

## TD SHAREHOLDER RELATIONS

For all other shareholder inquiries, please contact TD Shareholder Relations at 416-944-6367 or 1-866-756-8936 or e-mail [tdshinfo@td.com](mailto:tdshinfo@td.com). Please note that by leaving us an e-mail or voicemail message you are providing your consent for us to forward your inquiry to the appropriate party for response.

Shareholders may communicate directly with the independent directors through the Chair of the Board, by writing to:

Chair of the Board  
The Toronto-Dominion Bank  
P.O. Box 1  
Toronto-Dominion Centre  
Toronto, Ontario M5K 1A2

or you may send an e-mail c/o TD Shareholder Relations at [tdshinfo@td.com](mailto:tdshinfo@td.com). E-mails addressed to the Chair received from shareholders and expressing an interest to communicate directly with the independent directors via the Chair will be provided to Mr. Levitt.

## HEAD OFFICE

The Toronto-Dominion Bank  
P.O. Box 1  
Toronto-Dominion Centre  
Toronto, Ontario M5K 1A2

Product and service information 24 hours a day, seven days a week:

**In Canada** contact TD Canada Trust  
1-866-222-3456

**In the U.S.** contact TD Bank,  
America's Most Convenient Bank®  
1-888-751-9000

**French:** 1-800-895-4463

**Cantonese/Mandarin:** 1-800-387-2828

**Telephone device for the hearing impaired (TTY):**  
1-800-361-1180

**Website:** In Canada: [www.td.com](http://www.td.com)

In the U.S.: [www.tdbank.com](http://www.tdbank.com)

E-mail: [customer.service@td.com](mailto:customer.service@td.com)

(Canada only; U.S. customers can e-mail customer service via [www.tdbank.com](http://www.tdbank.com))

## ANNUAL MEETING

Thursday, April 18, 2024, 9:30 a.m. (Eastern)  
Record Date for Notice & Voting: February 20, 2024

## SUBORDINATED NOTES SERVICES

### Trustee for subordinated notes:

Computershare Trust Company of Canada  
Attention: Manager,  
Corporate Trust Services  
100 University Avenue, 11th Floor  
Toronto, Ontario M5J 2Y1

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