IASB Information Session

June 1, 2011

Background

- TD Bank Group[1]
  - Primarily a deposit taking institution
  - Focus on sustainable quality earnings
  - Listed on the TSX and NYSE
  - Top 10 North American Bank
    - 2nd largest in Canada
    - 6th largest in North America
  - AAA-rated by Moody's
- Objective today
  - Illustrate the benefits of a macro hedge accounting model centered around a risk management framework
  - Explain how a treasury risk management function identifies and manages risk exposures, and measures the effective execution of its mandate

1 – Materials presented reflect TD Bank Group's perspective and not necessarily that of other Canadian Financial Institutions. For additional information about TD Bank Group, refer to Appendix 1

Agenda

- Risk Management and Accounting
- Treasury's Role in Identification and Management of Risk
- Evaluation of Risk Mitigation Activities (i.e., Assessment and Measurement of Ineffectiveness)
- Controls over Risk Management Practices
- Summary

Risk Management and Accounting

- A risk management framework can form the foundation for a macro hedge accounting model
  - Use existing systems and infrastructure
    - Systems built to perform macro risk management
    - Effective in identifying and managing exposures, and measuring the effectiveness of its execution
  - Comprehensive
    - Focuses on core interest rate risk (including benchmark interest rates, prepayments and liquidity premiums) of assets and associated funding
  - Reflective of the substance
    - Reflects how management hedges its exposures
    - Unaffected by accounting concepts (e.g., cash flow vs. fair value hedge) and requirements (e.g., highly probable)
  - Compatible with core hedging principles
    - Performance should be assessed and ineffectiveness should be recorded
  - Financial statements would provide transparency as to the effectiveness of risk management actions undertaken

Alignment of accounting with a risk management framework would better reflect the economic substance of hedging activities.

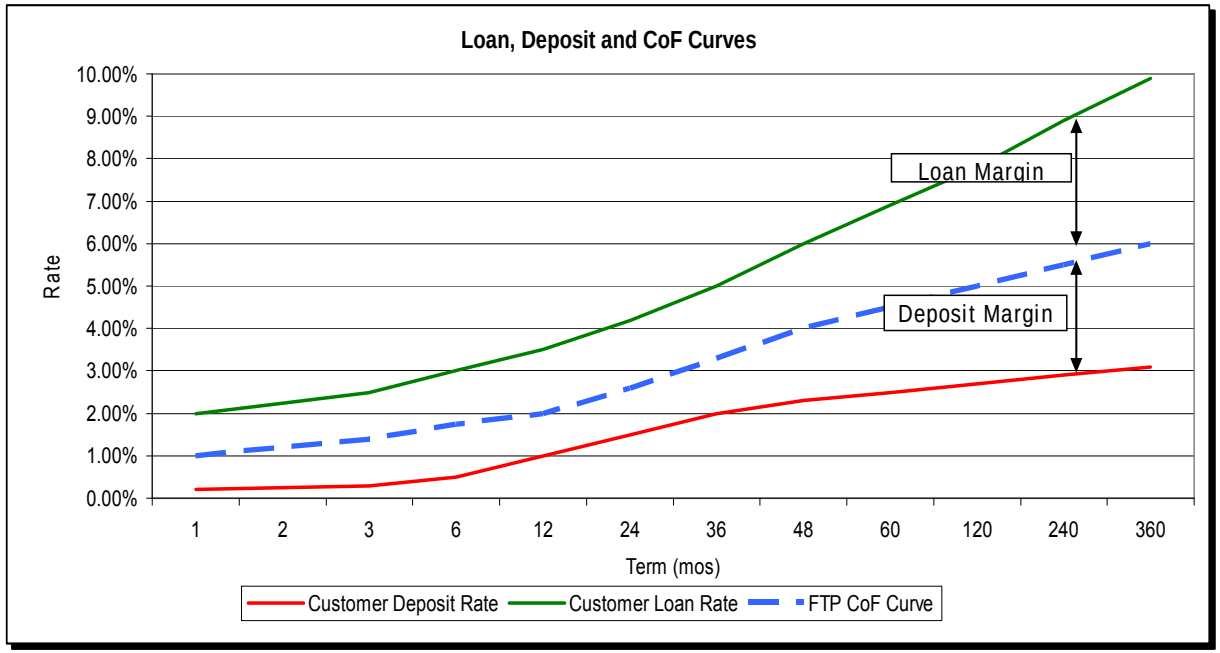
Treasury's Role in Identification and Management of Risk

- All products contain risk attributes
  - For example, the risks associated with a mortgage are interest rate risk, prepayment risk and credit risk
  - The extent of managing identified risks may belong to various departments based on the roles and responsibilities established by the lending institution
- Under the oversight of Risk Management, Treasury manages core interest rate risk related to retail banking
  - The Business unit is responsible for product pricing
  - The Credit department is responsible for managing credit risk
- Having a centralized department ensures a consistent and transparent allocation of profit
- TD's Treasury department acts as a central service provider to the various product areas
  - Not a profit center

Transfer Pricing

At the core of TD's approach to interest rate risk management is the Funds Transfer Pricing (FTP) framework. Key aspects of this model include:

- Business unit (BU) performance should be measured on a 'standalone' basis
- BU managers are only qualified and authorized to control and manage certain risks (i.e., pricing)
- Other risks, such as core interest rate risk, should be eliminated in measuring performance of a BU and this is achieved via transfer pricing



Transfer pricing curves are used in the determination of costs to BU

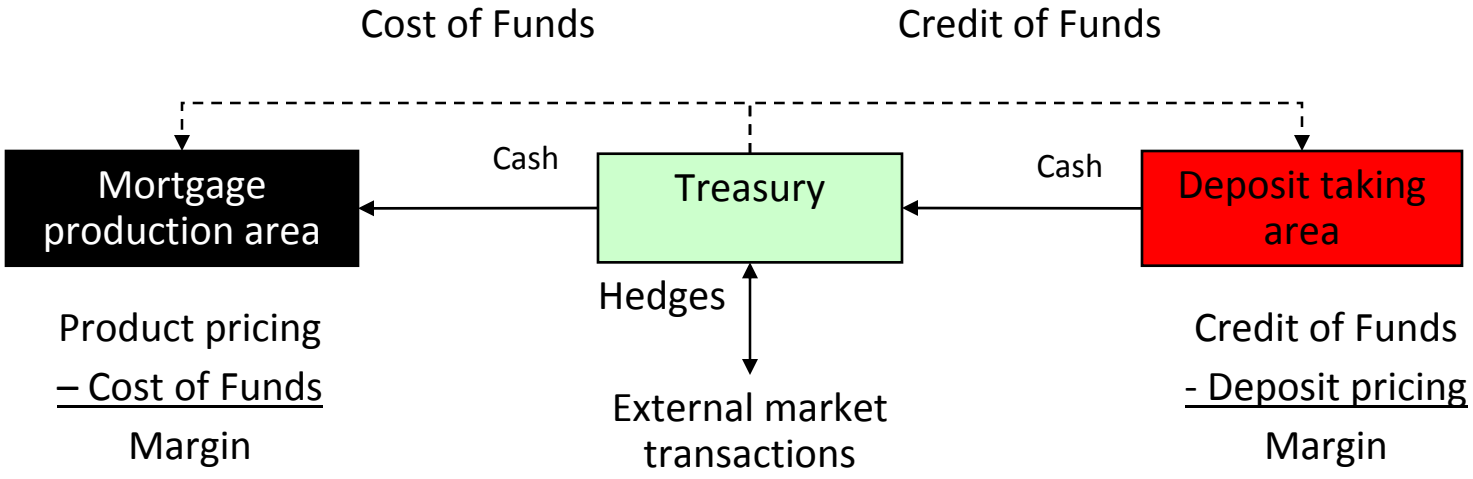
- Curves are used to determine an appropriate term matched transfer priced rates
- Curves are based on product attributes (primarily cash flow profile) and external market rates
- Gross margins transferred to the BU must cover credit and operating costs

The FTP is a transparent and reconciled system; all costs incurred to raise or invest funds are charged to the Business Unit.

Transfer Pricing

Under this framework, the FTP system becomes the key tool in understanding product/business profitability

- Treasury is responsible for eliminating risk through hedging activities
- Business lines are charged a fully hedged cost/credit of funds
- The “fully hedged" FTP model requires identification and transfer of embedded optionality to treasury (e.g., prepayment risk)
- Risks transferred to treasury through internal offsetting of risks across businesses and external hedging activities



Responsibilities are clearly defined:

- **Business units retain control and bear economic results from product pricing and operating costs;**
- **Treasury manages core interest rate risk, including the impact of market rates on embedded options**

Product Pricing and Identified Risks

TD Bank follows a building block approach to determine product pricing for both assets and liabilities.

Asset Pricing			Deposit Pricing			Group Responsible
Term Swap Rate	3.00%	A	Term Swap Rate	3.00%	A	**Determined and managed by Treasury**
Liquidity Premium	0.50%	B	Liquidity Premium	0.50%	B	
Cost to hedge prepayment risk	0.50%	C				
All in CoF	**4.00%**		**All in CroF**	**3.50%**		
Target Margin	1.00%	D	Target Margin	1.50%	D	**Determined and managed by Business**
Product Rate	**5.00%**		**Product Rate**	**2.00%**		

A - The benchmark interest rate - the main building block of the product rate which can be separately identified and measured. This rate is determined from the market and is highly observable

B - Liquidity Premium – the compensation required for committing funds for the contractual term of the product

C - The other items represent specific risks arising from the contractual terms of the product (i.e., prepayment risk)

D - Target margin is at the discretion of the business unit and drives product pricing

Treasury is responsible for identifying the core interest rate components of assets and their associated funding.

Hedging Limitations

Management will hedge core interest rate risk to the best of its abilities in line with its risk management objectives. When determining what components to hedge, the following limitations are considered:

- Availability of Hedging Instruments;
- Cost Considerations; and
- Materiality/Significance.

Asset Pricing		
Term Swap Rate	3.00%	A
Liquidity Premium	0.50%	B
Cost to hedge prepayment risk	0.50%	C
All in CoF	**4.00%**	
Target Margin	1.00%	D
Product Rate	**5.00%**	

B – Liquidity cannot be hedged through the use of derivatives. The transfer pricing framework aims to ensure that product pricing appropriately reflects the cost of liquidity given the organization's liquidity framework

C – Prepayment risk– For cost reasons, Treasury may replicate an option hedge with other instruments (e.g., swaps) through delta hedging. If the hedges are not re-balanced frequently, ineffectiveness could arise

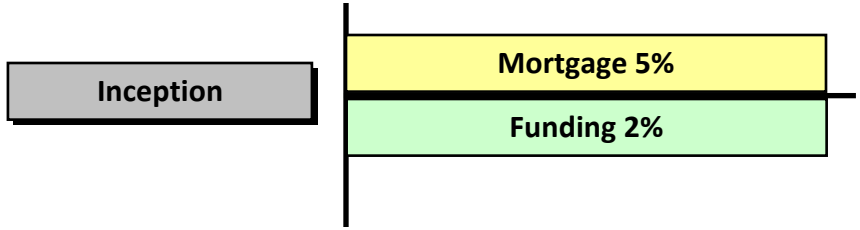
D – Target Margin – Margins are affected by operating costs and competitive pressures cannot be hedged but are actively managed by the business. These components are unrelated to core interest rate risk

Treasury is responsible for insulating margin from core interest rate risk.

If margins are impacted by non interest rate related items (e.g., product pricing changes driven by competitive pressures), no ineffectiveness should arise.

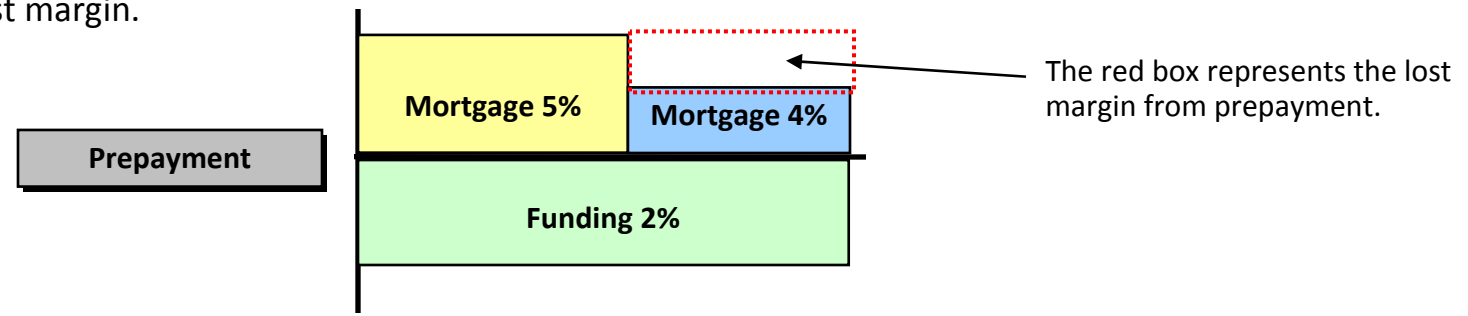
Prepayment Risk: Illustration of risk management objective

The following examples illustrates Treasury's hedging activities to ensure a locked in margin for a mortgage that is fully prepayable without penalty. This mortgage is funded through core deposits.



Objective: Ensure a locked-in margin of 3**%** is earned over the expected life of the asset.

Risk: As rates fall, a lending institution will be forced to its reduce mortgage rates. This will incent the customer to exercise their prepayment option and re-finance their mortgage at a lower rate. This will compress net interest margin.



Risk mitigation activity: An entity could manage this prepayment risk by entering into two derivatives at two different times:

- **A receive fix swaption** at the inception of the original mortgage. This would ensure that the lending institution could always receive the fixed rate it had at the outset.
- **A pay fix swap** at the time of prepayment. This would offset the exposure on float leg of the receive fix swaption and lock-in the difference between the fixed rates. This locked-in carry, combined with the mortgage rate, would maintain a flat margin.

This strategy is effective in maintaining the original margin.

Prepayment Risk: Illustration of risk management objective

The table below illustrates how the original management objective was met across different interest rate environments.

	Breakdown of Interest Rates				
Instrument	- 100 Bps	- 25 Bps	Flat	+ 25Bps	+ 100Bps
Asset	400	475	500	500	500
Deposit	200	200	200	200	200
Margin Before Hedges	200	275	300	300	300
Swaption - Rec Fix	400	400	**In a rates up environment:**		
Swaption - Pay Float	-LIBOR	-LIBOR	**Swaption not exercised**		
Swap- Rec Float	+LIBOR	+LIBOR			
Swap - Pay Fix	-300	-375	**Swap not entered into**		
Margin After Hedges	**300**	**300**	**300**	**300**	**300**

1

2

3

4

1 – The asset yield is dependant upon interest rates. Only when rates are down will the asset re-price.

2 – When rates increase, there is no requirement to exercise the swaption as margin is unaffected.

3 – When rates decrease, the swaption is exercised into a receive fix swap

4 – Decreases in asset pricing are driven primarily by the benchmark rate. As such, the lost margin from re-pricing will be replenished by locking the carry between the fixed legs of the hedges. This is possible as the timing of the swap and the asset re-pricing are matched.

The margin before hedging is dependant upon the interest rate environment whereas the margin after hedging is fixed.

As indicated above, the use of swaptions can effectively mitigate prepayment risk.

Demand Deposit Modeling

The risk management framework must consider all material economic risks to inform prudent hedging behaviour:

- Deposits represent approximately 70% of funding for TD Bank
- All financial institutions use demand deposits to invest in long term assets
  - Assumptions can be aggressive or conservative

Contractually, while deposits can be called at anytime by the depositor a significant portion of deposit balances remain uncalled for long periods of time. Therefore, in substance, a portion of demand deposits act as long term funding.

Risk managers use historical data and statistical analysis to identify two keys characteristics of demand deposits:

- Balance Permanence: Ability to invest funds for term with a high degree of confidence
- Rate Sensitivity: Impact of changes in wholesale rates on amount paid to customer

Risk management focuses on aligning assets with an appropriate funding source. The same logic is applied to demand deposits.

Asset Mix		
Deposit Characteristics	**Rate Sensitive**	**Non rate sensitive**
Permanent	Term Float	Term Fixed
Non Permanent	Short Term Float	Short Term Float

Modeling assumptions must be made in line with the risk management framework.

Evaluation of Risk Mitigation Activities

Treasury risk management reports are used to highlight macro exposures which inform hedging decisions. The primary reports used are:

- **The Fixed/Float balance sheet**
  - Identifies net fixed rate / floating rate assets and liabilities
  - Where net balances are present, a residual risk exposure would be identified
- **Financial Position (FP)**
  - Treasury's economic view of the balance sheet exposures
  - Highlights other key metrics or interest rate exposures that may not have been captured in the Fixed/Float balance sheet report (e.g., prepayment risk)
  - Useful for assessing long term risk exposures
- **GAP report**
  - Identifies the timing of re-pricing of the balance sheet, split by assets and funding
  - Highlights basis risk and short term risk exposures

Where portfolios are managed independently of each other and different risk management strategies and tolerances are applied, separate reports should be generated

Entities already have risk management reports and systems that can be used to identify and manage risk

Risk Management Report
Fixed/Float Balance Sheet

The primary purpose of this report is to ensure the banks exposure to short term re-pricing risk is minimized.

XYZ Bank - Fixed / Float Balance Sheet - Notionals			
Assets	**Fixed**	**Float**	**Total**
Investments	25.0	10.0	35.0
Mortgage	29.8	10.2	40.0
Loans	5.0	5.0	10.0
Total Assets	**59.8**	**25.2**	**85.0**
Liabilities	**Fixed**	**Float**	**Total**
Deposits	(40.0)	(45.0)	(85.0)
Total Liabilities	**(40.0)**	**(45.0)**	**(85.0)**
Net Balance before hedges	**19.8**	**(19.8)**	**-**
Hedges	**Fixed**	**Float**	**Total**
Pay Fix	(20.0)	20.0	-
Receive Fix	-	-	-
Total Hedges	**(20.0)**	**20.0**	**-**
Net Balance after hedges	**(0.2)**	**0.2**	**(0.00)**

The portfolio is being funded by floating rate liabilities as noted by the net balance before hedges

- Portfolio is open to interest rate risk - overall margin changes with changes in the floating rate
- Eliminate risk through the use of a pay fix, receive float interest rate swap

The current accounting framework would permit the hedging of the balance sheet by :

1. Designating the Pay fixed, Receive float interest rate swap as a FV hedge of the fixed rate assets
    - Requires release of basis upon prepayment of the asset
2. Designating the Pay fixed, Receive float interest rate swap as a CF hedge of the floating rate deposits
    - Requires high degree of probability around amount and timing of future cash flows

Risk managers will hedge based on identified economic exposures and are indifferent to the classification of the type of hedge (FV vs. CF)

The fixed/float balance sheet is used to identify rate mismatches between assets and their associated funding.

Risk Management Report
Financial Position (FP)

The fixed/float balance sheet does not identify all risks. The FP highlights other risk (e.g., prepayment risk) by measuring $Duration and $Convexity based on various shock scenarios. The FP below focuses on the Fixed side of the balance sheet.

- $ Duration: The sensitivity of present value of the asset/liability to changes in interest rates (See Appendix 2)
- $ Convexity: The sensitivity of Duration of the asset/liability to changes in interest rates

Convexity is an indicator of optionality (prepayment risk)

XYZ Bank - FP - *Fixed* Book					Shock Scenarios PV Change	
Assets	**Notional**	**PV**	**$ Dur**	**$ Conv**	**+100Bps**	**-100Bps**
Investments	25.0	26.4	73.4	2.1	(0.72)	0.74
Mortgage	29.8	30.6	161.6	(20.4)	(1.72)	1.51
Loans	5.0	5.2	11.6	0.4	(0.11)	0.12
Total Assets		**62.2**	**246.6**	**(17.9)**	**(2.56)**	**2.38**
Liabilities	**Notional**	**PV**	**$ Dur**	**$ Conv**		
Deposits	(40.0)	(41.3)	(150.4)	(15.1)	1.43	(1.58)
Total Liabilities	**(40.0)**	**(41.3)**	**(150.4)**	**(15.1)**	**1.43**	**(1.58)**
Net Balance Before Hedges		**20.9**	**96.2**	**(33.0)**	**(1.13)**	**0.80**
Hedges	**Notional**	**PV**	**$ Dur**	**$ Conv**		
Receive Fix Swaption	24.8	1.4	10.9	30.7	(0.01)	0.26
Pay Fix Swap	(20.0)	(20.8)	(104.0)	(2.1)	1.03	(1.05)
Total Hedges	**4.8**	**(19.4)**	**(93.1)**	**28.6**	**1.02**	**(0.79)**
Net Balance After Hedges		**1.5**	**3.1**	**(4.4)**	**(0.11)**	**0.01**

Focusing on the mortgage line, the convexity balance is significant when compared to its notional. This is a strong indicator of prepayment risk. This risk could be hedged as previously illustrated in slides 10 & 11.

Net Balance Before Hedges indicate significant variability due to changes in core interest rates. This is an indicator of residual interest rate risk.

The Net Balance After Hedges indicate that the hedges significantly reduce the sensitivity to changes in core interest rates (resulting in significantly less margin volatility).

Note: Determination of magnitude of rate shock scenarios are based on frequency of re-balancing.

The Financial Position is used to minimize residual risk on the balance sheet. This is accomplished through ensuring changes in PV are insulated from rate shocks.

Risk Management Report
GAP Report

The "GAP"report is another important risk management tool that buckets assets and funding into re-pricing periods (e.g., months) based on their contractual terms. This example below focuses on the floating rate products present on the balance sheet. While the fixed/float balance sheet highlighted minimal risk, the GAP report below identifies a residual risk within floating rate products:

XYZ Bank - GAP Report - Notional Balances						
	Re-Pricing Period					
Assets	**M1**	**M2**	**M3**	**....**	**Total**	
Investments	10.0	-	-		10.0	
Mortgage	-	-	10.2		10.2	A
Loans	5.0	-	-		5.0	
Total Assets	**15.0**	**-**	**10.2**		**25.2**	
Liabilities					**0**	
Deposits	(45.0)	-	-		(45.0)	
Total Liabilities	**(45.0)**	**-**	**-**		**(45.0)**	
Hedges						
Receive Float	20.0	-	-		20.0	
Pay Float	-	-	-		-	
Total Hedges	**20.0**	**-**	**-**		**20.0**	
Net Balance Before Hedges	**(10.0)**	**-**	**10.2**		**0.2**	A
Additional Hedge						
Pay 3M Float	-	-	(10.2)		(10.2)	B
Receive 1M Float	10.2	-	-		10.2	B
Net Balance After Hedges	**0.2**	**-**	**-**		**0.2**	C

A - This report shows that the mortgages are re-pricing in Month 3 whereas the associated funding is re-pricing in Month 1. This re-pricing gap between the asset and the related funding is causing interest rate risk.

B – In this example, this risk can be hedged away through the use of a swap to pay 3 Month LIBOR and receive 1 Month LIBOR.

C - This would leave the Net Balance line flat and would eliminate the inherent basis risk.

All three reports discussed are needed and useful for managing interest rate risk as they each identify different exposures.

Evaluation of Risk Mitigation Activities – EaR

All financial institutions have risk management policies that define the entity's tolerance for earnings volatility to changes in interest rates. If the policy has been successfully executed, then income should be insulated from changes in interest rates within the pre-defined limit.

One quantitative test used is Earnings at Risk (EaR). EaR is the quantity by which net income is projected to change with a change in interest rates (including prepayment behaviour) . This test is akin to a cash flow test. This quantitative test can include or exclude hedges, highlighting their impact. Refer to Appendix 3 for an alternative quantitative test.

XYZ Bank - EaR Test							
					Rate Shock Scenarios		
	Fixed		Float		Base LIBOR	LIBOR + 100	LIBOR - 100
Assets	**Notional**	**Rate**	**Notional**	**Rate**	**Inc**	**Inc**	**Inc**
Investment	25.0	4.00%	10.0	LIBOR	1.30	1.40	1.20
Mortgages	29.8	5.00%	10.2	LIBOR	1.80	1.90	1.69
Loans	5.0	3.75%	5.0	LIBOR	0.34	0.39	0.29
Total Assets	**59.8**		**25.2**		**3.43**	**3.69**	**3.18**
Liabilities	**Notional**	**Rate**	**Notional**	**Rate**	**Exp**	**Exp**	**Exp**
Deposits	(40.0)	1.00%	(45.0)	LIBOR - 50	(1.53)	(1.98)	(1.08)
Total Liabilities	**(40.0)**		**(45.0)**		**(1.53)**	**(1.98)**	**(1.08)**
Total Before Hedges	**19.8**		**(19.8)**		**1.91** A	**1.71** B	**2.11**
Hedges	**Notional**	**Rate**	**Notional**	**Rate**	**Hedge**	**Hedge**	**Hedge**
Pay Fix	(20.0)	3.00%	-	LIBOR	(0.60) C	(0.60) C	(0.60)
Receive Float	-		20.0	LIBOR	0.60	0.81	0.39
Total Hedges	**(20.0)**	**3.00%**	**20.0**	**LIBOR**	-	**0.21**	**(0.21)**
Net Balance After Hedges	**(0.2)**		**0.2**		**1.91**	**1.92**	**1.90**

A – 100bps increase in rates results in a 20bps increase in margin

B – 100bps decrease in rates results in a 20 bps decrease in margin

The perfect hedge would perfectly offset these changes and result in a fixed margin of $1.91

C – The actual hedges do not perfectly fix the margin at $1.91 and thus ineffectiveness of $0.01 would arise

The target vs. actual result could quantify the amount of ineffectiveness to be recorded in the income statement.

Controls and Governance

Numerous controls are in place to ensure the risk management objectives have been achieved.

Control Level	Control Description
Board Level	**Risk Committee Oversight** **Risk Mandates & Policies** **EVaR & EaR Limits**
Treasury Level	**Asset / Liability Committee** **Financial Position, GAP Report, Fixed / Float Balance Sheet, EaR** **Assumption Review** **Model Vetting** **Internal Audit**
System Controls	**Data Integrity / Governance** **Software Development Standard** **Internal Reconciliations**

All of the above listed controls are auditable and can be traced from the Board Level to record level detail.

Macro Hedge Accounting Model

We support a macro hedge accounting model that is aligned with an entity's risk management framework

- Uses existing risk management systems
- Reflects how management identifies and manages risk
  1. **Framework should include <u>all</u> relevant risk exposures**
     - ❑ Reasonable assumption on underlying term of deposits
  2. **Apply a margin hedge model for macro hedging**
     - ❑ Lock-in variability in margin cash flows
  3. **Align the assessment and measurement of ineffectiveness with risk management tolerance levels**
     - ❑ Ineffective strategies should impact earnings
     - ❑ Aligned with one of the IASB Board's core principles of hedge accounting

Prudent risk management should be encouraged and the financial statements should reflect the economic results of risk management's activities

Summary

Risk management practices focus on macro risk management

- Risks inherent in products are separately identified and measured
  - Treasury risk management focuses on core interest rate risk
  - All relevant risk exposures (e.g., demand deposits) should be included in a risk-aligned accounting framework
  - Risks outside of Treasury that are not hedged do not impact hedging performance
- Treasury has existing systems that:
  - Identify and measure core interest rate risk; and
  - Assess the effectiveness of hedging activities
- The risk management framework is subject to a robust control environment

An existing risk management framework can be the foundation for a macro hedge accounting model

Appendix 1*

* The information provided in Appendix 1 relates to Q1 2011, which is the period from November 1, 2010 to January 31, 2011. For Q2, 2011 results, please refer to www.td.com

Background information on TD Bank Group

Appendix 1

- Overview of TD
- TD Framework
- Treasury Framework

Key Takeaways
Simple Strategy, Consistent Focus

North America

- Top 10 Bank in North America[1]
- One of the few banks in the world rated Aaa by Moody's
- Leverage platform and brand for growth
- Strong employment brand

Retail Earnings Focus

- Leader in customer service and convenience
- About 80% of adjusted earnings from retail [2,3]
- Strong organic growth engine
- Better return for risk undertaken[4]

Franchise Businesses

- Repeatable and growing earnings stream
- Focus on customer-driven products
- Operating a franchise dealer of the future
- Consistently reinvest in our competitive advantages

Risk Discipline

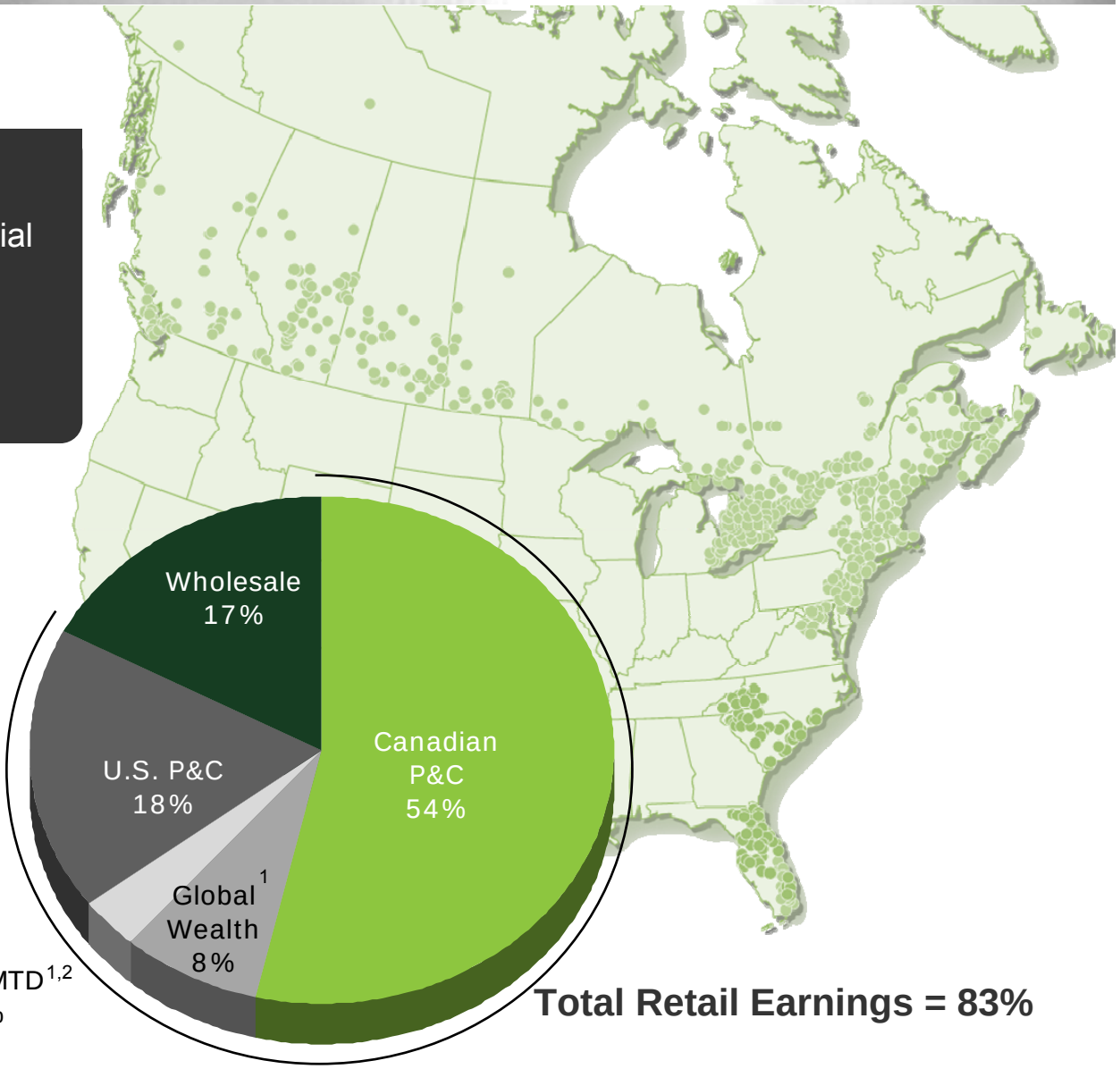
- Only take risks we understand
- Systematically eliminate tail risk
- Robust capital and liquidity management
- Culture and policies aligned with risk philosophy

1. See slide # 25.
2. Based on Q1 2011 adjusted earnings. For the purpose of calculating contribution by each business segment, adjusted earnings from the Corporate segment is excluded. The Bank's financial results prepared in accordance with GAAP are referred to as "reported" results. The Bank also utilizes non-GAAP financial measures referred to as "adjusted" results (i.e., reported results excluding "items of note", net of income taxes) to assess each of its businesses and measure overall Bank performance. Adjusted net income, adjusted earnings per share (EPS) and related terms used in this presentation are not defined terms under GAAP and may not be comparable to similar terms used by other issuers. See p.5 of the First Quarter 2011 Report to Shareholders (td.com/investor) for further explanation, a list of the items of note and a reconciliation of adjusted earnings to reported basis (GAAP) results.
3. Retail includes Canadian Personal and Commercial Banking, Wealth Management, and U.S. Personal and Commercial Banking segments.
4. Based on Q1/11 return on risk-weighted assets, calculated as adjusted net income available to common shareholders divided by average RWA. See note #2 for definition of adjusted results.

Who We Are

Our Businesses

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



1. See footnote #2 on slide #23 for definition of adjusted earnings.
2. "Global Wealth" and "TD Ameritrade" make up the Wealth Management business segment.
3. TD had a reported investment in TD Ameritrade of 45.57% as at January 31, 2011.

TD Bank Group
A Top 10 Bank in North America

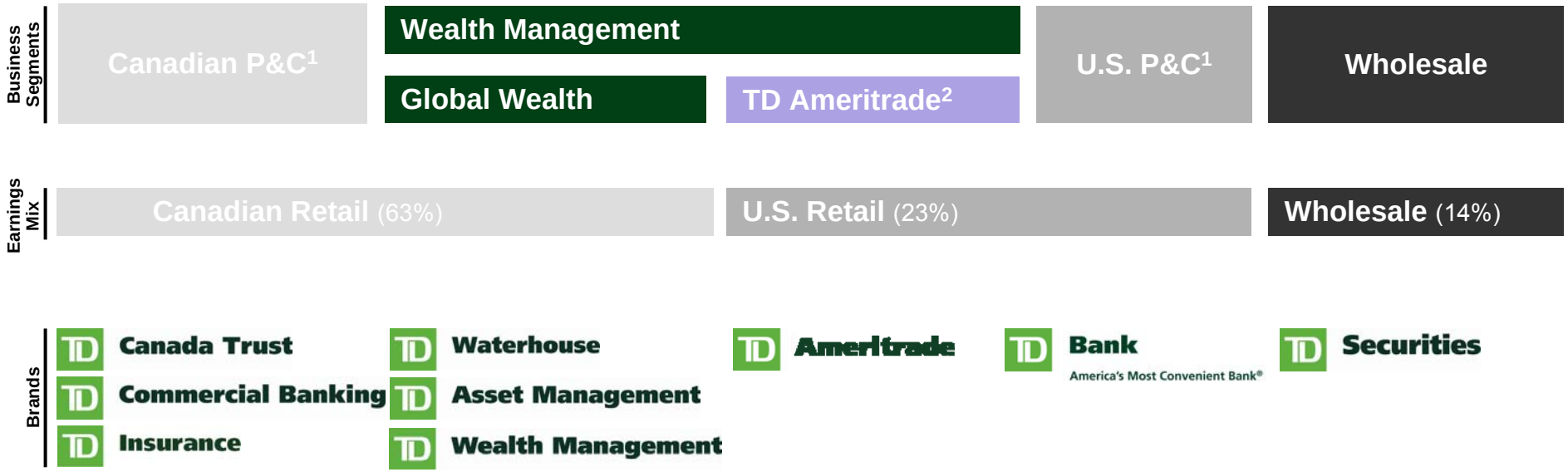
Appendix 1

Q1 2011[1] (In $U.S. Billions)[2]	TD	Compared to: Canadian Peers[8]	Compared to: North American Peers[9]
Total Assets	$615.5	2nd	6th
Total North American Deposits	$437.8	1st	5th
Market Cap[3]	$66.0	2nd	6th
Adj. Net Income[4] (Trailing 4 Quarters)	$5.4	2nd	6th
Adj. Retail Earnings[5] (Trailing 4 Quarters)	$5.1	1st	3rd
Tier 1 Capital Ratio	12.7%	4th	5th
Avg. # of Full-Time Equivalent Staff[6]	~73,500	1st	5th
Moody's Rating[7]	Aaa	n/a	n/a

1. Q1 2011 is the period from November 1, 2010 to January 31, 2011.
2. Balance sheet metrics are converted to U.S. dollars at an exchange rate of 0.9985 USD/CAD (as at January 31, 2011).
3. As at January 31, 2011.
4. Based on adjusted results. Reported Net Income was US$4.9B.
5. Based on adjusted results and retail earnings.
6. Average number of full-time equivalent staff for Q1/11.
7. For long term debt (deposits) of The Toronto-Dominion Bank, as at January 31, 2011.
8. Canadian Peers – includes other big 4 banks (RY, BMO, BNS and CM) adjusted on a comparable basis to exclude identified non-underlying items. Based on Q4/10 results ended October 31, 2010. [RY – Royal Bank of Canada; BMO – Bank of Montreal; CNS – Bank of Nova Scotia; and CM – CIBC]
9. North American Peers includes Canadian Peers and U.S. Peers. U.S. Peers – including Money Center Banks (C, BAC, JPM) and Top 3 Super-Regional Banks (WFC, PNC, USB). Adjusted on a comparable basis to exclude identified non-underlying items. For U.S. Peers, based on their Q4/10 results ended December 31, 2010.

Key Businesses
At a Glance

Appendix 1



1. "P&C" refers to Personal and Commercial Banking.
2. TD had a reported investment in TD Ameritrade of 45.57% as at January 31, 2011.

North American Balance Sheet
Key metrics and frameworks

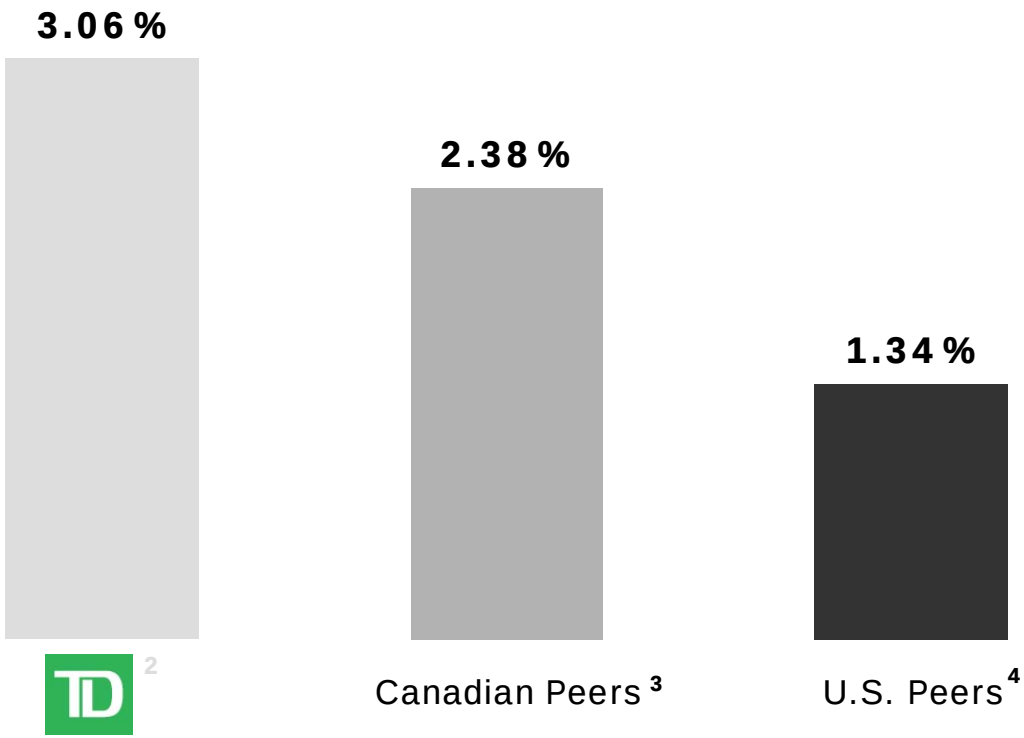
Appendix 1

Q1, 2011 (in USD billions)	Canada[1]	US
Relevant assets		
Average loans - personal	158.6	25.0
Average loans and acceptances - business	32.7	41.7
Relevant liabilities		
Average deposits		
Personal	134.4	51.3
Business	58.9	46.1
TD AMTD insured deposit accounts	0.0	45.8
RWA (billions)	67.9	87.9
Retail branches	1,129	1,280
Accounting frameworks	Canadian GAAP IFRS[2]	U.S. GAAP
Regulatory frameworks	OSFI[3] CSA[4] IIROC[6]	Fed Reserve SEC[5] OCC[7]

1. Where applicable, amounts are translated into USD using the period-end foreign exchange rate of the Bank
2. International Financial Reporting Standards will be effective for the interim and annual periods beginning in the first quarter of 2012
3. Office of the Superintendent of Financial Institutions Canada
4. Canadian Securities Administrators
5. U.S. Securities and Exchange Commission
6. Investment Industry Regulatory Organization of Canada
7. Office of the Comptroller of the Currency

Strong Focus on Risk-Return

Return on Risk-Weighted Assets[1]



Better return for risk undertaken

1. Adjusted on a comparable basis to exclude identified non-underlying items. Return on risk-weighted assets is adjusted net income available to common shareholders divided by average RWA.
2. TD based on Q1/11 adjusted results, as defined on slide #23.
3. Canadian Peers – other big 4 banks (RY, BMO, BNS, and CM). Based on Q1/11 results ended on January 31, 2011.
4. U.S. Peers – including Money Center Banks (C, BAC, JPM) and Top 3 Super-Regional Banks (WFC, PNC, USB). Adjusted on a comparable basis to exclude identified non-underlying items. Based on Q4/10 results ending December 31, 2010.

Features of Canadian and U.S. Mortgage Products

Appendix 1

	Canada	U.S.
Term	■ Terms usually 5 years or less, renewable at maturity	■ 30 year term most common
Amortization	■ Further policy tightening with new regulations on insured mortgages reducing maximum amortization from 35 to 30 years and maximum loan to value to 85% on refinance transactions effective March 18, 2011	■ Amortization usually 30 years, can be up to 50 years
Insurance	■ Mortgage insurance mandatory if LTV over 80%, covers full loan amount	■ Mortgage insurance often used to cover portion of LTV over 80%
Prepayment	■ Partial prepayment options (15-20% annual prepayment privileges)	■ Fully prepayable
Prepayment penalties	■ Make whole prepayment penalties or better, if applicable	■ No penalties

TD's Risk Management Framework

- Risk management framework
  - Comprehensive and proactive
  - Governance structure emphasizes and balances strong central oversight and control of risk with clear accountability for, and ownership of, risk within each business unit
- The Bank's Risk appetite Statement
  - 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
    3. Do no risk harming the TD Brand
- Liquidity risk appetite
  - Target a 90 day survival horizon under severe operating conditions caused by a combination of a bank-specific and market-wide stress scenarios
- Interest Rate Risk Board limits
  - Impact of 1% rate shock on:
    - Value of equity
    - Net interest income earned in the next 12 months
    - The duration of equity and non-maturity deposits

Treasury Framework

- Treasury
  - Measures and manages the market risks of our non-trading banking activities
    - Interest rate risk
    - Foreign exchange risk
  - Preserve **economic value** in any interest rate environment

1. Interest Rate Risk

- Objective
  - **Protect margins** booked at the time of **inception** to generate more stable NII over time
  - Eliminate cash flow mismatches ensuring predictable NII

2. Foreign Exchange Risk

- Objective
  - Minimize the impact of adverse changes in FX rates on our reported net income, shareholder's equity and capital ratios

Appendix 2

$Duration

$Duration measures the dollar change in a financial instrument's present value due to a change in the market interest rate. For example:

Bond Assumptions:

Par Value	100
Rate	5%
Term	5 Years
Discount Rate	5%

A	B	C	D=(1+C)^-A	E=D*B	F	=(1+F)^-A	G
Time	**CF**	**Discount Rate**	**Discount Factor**	**Discount Value**	**Shocked Discount Rate**	**Shocked Discount Factor**	**Shocked Discount Value**
1	5	5.0%	0.95	4.76	5.1%	0.95	4.76
2	5	5.0%	0.91	4.54	5.1%	0.91	4.53
3	5	5.0%	0.86	4.32	5.1%	0.86	4.31
4	5	5.0%	0.82	4.11	5.1%	0.82	4.10
5	105	5.0%	0.78	82.27	5.1%	0.78	81.88
			Total	**100**		**Total**	**99.57**

Change in Discount Value	0.43	H=E-G
Duration	4.32	I = H/(F-C)/E
$ Duration	431.75	J = I * ∑E

$Convexity measures the dollar change in a financial instrument's $duration due to a change in the market interest rate.

Appendix 3

Evaluation of Risk Mitigation Activities – EVaR

An alternative quantitative test used by Financial Institutions, depending upon their risk management framework, is Economic Value-At-Risk (EVaR). EVaR is the change in present value of the aggregated portfolio due to an adverse +/- 100bps rate shock. This test ensures that the change in present value of future cash flows are immune to changes in the discount rate.

XYZ Bank - EVaR Test							
	Fixed		Float		LIBOR Rate		
					Base	LIBOR + 100	LIBOR -100
Assets	**Notional**	**Rate**	**Notional**	**Rate**	**PV**	**PV+100**	**PV-100**
Investment	25.0	4.00%	10.0	LIBOR	36.4	35.7	37.1
Mortgages	29.8	5.00%	10.2	LIBOR	40.8	39.1	42.3
Loans	5.0	3.75%	5.0	LIBOR	10.2	10.1	10.3
Total Assets	**59.8**		**25.2**		**87.4**	**84.9**	**89.8**
Liabilities	**Notional**	**Rate**	**Notional**	**Rate**			
Deposits	(40.0)	1.00%	(45.0)	LIBOR - 50	(86.3)	(84.9)	(87.9)
Total Liabilities	**(40.0)**		**(45.0)**		**(86.3)**	**(84.9)**	**(87.9)**
Total Before Hedges	**19.8**		**(19.8)**		**1.1**	**(0.0)**	**1.9**
Hedges	**Notional**	**Rate**	**Notional**	**Rate**			
Pay Fix	(20.0)	3.00%			(20.0)	(19.0)	(21.1)
Receive Fix			20.0	LIBOR	20.0	20.0	20.0
Total Hedges	**(20.0)**	**3.00%**	**20.0**	**LIBOR**	-	**1.0**	**(1.1)**
Total Balance After Hedges	**(0.2)**		**0.2**		**1.1**	**1.0**	**0.8**

In this example, the PV changed by $1 per 100bps shock before hedging and only $0.1 after hedging.

The Total Balance After Hedges indicate that the hedges significantly reduce the sensitivity to changes in core interest rates (resulting in significantly less margin volatility).

This test measures sensitivity and is more akin to a fair value test. However it is not considered an exit price – no intent to sell assets/liabilities.

The EVaR test above shows that the PV of earnings is not 100% insulated to changes in rates. By stabilizing the cash value of margin, this creates some PV volatility. However, if both metrics are important to the entity, the risk management objective would reflect both measures and set limits for both tests.