

Changes in accounting policies and estimates

Canadian GAAP

We did not adopt any new significant accounting policies during the quarter.

Future adoption of International Financial Reporting Standards (IFRS)

Our comparative transition year for reporting under IFRS began on November 1, 2010. On page 60 of our 2010 Annual Report, we provided an overview of the key steps and activities we have undertaken since 2008 that enabled this transition to occur. We have substantially completed the modifications to our policies, processes, and systems that we identified as being necessary in order to report our financial results under IFRS beginning in fiscal 2012, with fiscal 2011 comparatives.

We continue to regularly update our Audit Committee and Board of Directors regarding our transition progress, potential transition impacts and expected ongoing financial and business impacts. We also keep them apprised of IFRS accounting and related regulatory developments. For personnel involved in the conversion process and for those who have on-going financial reporting responsibilities, we continue to provide education and training sessions to address specifically identified needs.

Impact of adopting International Financial Reporting Standards

Our adoption of IFRS on November 1, 2011 will be impacted by our IFRS 1 elections and by our ongoing policy choices. IFRS 1 sets out the procedures that we must follow when we prepare our consolidated financial statements for the first time in accordance with IFRS. We expect to make IFRS 1 elections in connection with the following: classification of financial instruments, employee benefits, business combinations, insurance contracts, and cumulative translation adjustments. Information about these IFRS elections and our preliminary choices are described on page 60 of our 2010 Annual Report.

The IFRS 1 elections include some of the key areas that we expect will cause the most significant transition impacts which are: employee benefits, cumulative translation adjustments, securitization and variable interest entities (also referred to as derecognition and consolidation) and goodwill. On pages 60 and 61 of our 2010 Annual Report, we describe the differences in our accounting policies for these items between IFRS and Canadian GAAP and the financial statement line items that will be impacted. We also expect that our significant accounting policies under IFRS will be the same as our current policies under Canadian GAAP. The following is an update to our 2010 Annual Report related to the impacts on our opening IFRS balance sheet that have been identified to date:

Employee benefits

We expect to elect the IFRS option to recognize all cumulative actuarial gains and losses calculated under Canadian GAAP directly to Retained earnings. Information regarding our cumulative actuarial gains and losses as at October 31, 2010 is presented in Note 20 to our 2010 Annual Consolidated Financial Statements. As a result of this policy choice, our current estimated reduction in Shareholders' equity and Tier 1 capital is approximately \$1.4 billion.

Securitization

Under IFRS, the approach to derecognizing financial assets is significantly different than the approach under Canadian GAAP. We have determined that most of our securitizations will not qualify for derecognition under International Accounting Standard (IAS) 39, resulting in the associated assets and liabilities being recognized on our consolidated balance sheet and the gains previously recognized will be included as a transition adjustment, which will reduce Retained earnings. As a result of this change, our current estimate is that our Shareholders' equity and our Tier 1 capital will decrease by approximately \$500 million and \$400 million, respectively.

Special Purpose Entities (Variable Interest Entities under Canadian GAAP)

Under IFRS, consolidation of an entity is determined on the basis of control, which is broader than the concepts of voting control and exposure to variable interests that are applied under Canadian GAAP. Our current determination is that as a result of this policy change, we will consolidate certain entities and deconsolidate others. Our current estimate is that our Shareholders' equity and our Tier 1 capital will decrease by approximately \$350 million and \$300 million, respectively.

Goodwill

We are required to perform an impairment testing of goodwill upon transition to IFRS and we have substantially completed this test as at November 1, 2010 at the cash generating unit (CGU) level which, in some cases, is lower than that of reporting units under Canadian GAAP. The impairment test for goodwill compares the fair value of a CGU to its carrying value. To the extent that the fair value is below the carrying value, the deficiency is considered to be evidence of impairment. We performed impairment testing on 10 CGUs, the results of which indicated that goodwill of our U.S. Banking CGU was impaired; accordingly, a

goodwill impairment of approximately \$1.26 billion, net of taxes, will reduce Retained earnings on our opening IFRS balance sheet but it will have no impact on our Tier 1 capital ratio.

Capital management

Per OSFI's Capital Adequacy Guidelines, financial institutions can elect to phase-in the impact of converting to IFRS on their regulatory capital reporting. We expect to make use of this election and phase-in the IFRS conversion impact on a straight-line basis over a five quarter period starting with our first quarter in 2012.

This phase-in is expected to reduce the impact of converting to IFRS on our Tier 1 capital by \$2 billion, from \$2.45 billion to \$450 million, for the first quarter in 2012.

The following table shows the expected impact, based on current estimates, to our Shareholders' equity and Tier 1 capital over the phase-in period.

(C\$ millions)	Reduction to Shareholders' Equity (1)	Reduction to Tier 1 Capital at Transition (2)	Estimated Impact with Phase-in (subject to change) (3)				
			As at				
			January 31 2012	April 30 2012	July 31 2012	October 31 2012	January 31 2013
Employee Benefits	\$ 1,400	\$ 1,400	\$ 250	\$ 550	\$ 800	\$ 1,100	\$ 1,400
Securitization	500	400	100	150	250	300	400
Special Purpose Entities	350	300	50	100	200	250	300
Goodwill	1,260	–	–	–	–	–	–
Other transition impacts	140	350	50	150	200	300	350
Total	\$ 3,650	\$ 2,450	\$ 450	\$ 950	\$ 1,450	\$ 1,950	\$ 2,450

(1) Under IFRS, Total Equity is comprised of Equity attributable to shareholders and Non-controlling interest in subsidiaries. The impact reflected in this column relates to Equity attributable to shareholders.

(2) The phase-in calculation will be based on the IFRS – Canadian GAAP differences in effect at November 1, 2011, which are not determinable at this time. For illustrative purposes, this table demonstrates the Tier 1 capital phase-in impact based on the November 1, 2010 transition adjustment amounts.

(3) All Tier 1 capital amounts shown are under Basel II. We anticipate that the January 31, 2013 impact will be determined under Base III which, as indicated in the Regulatory environment section, is still being formulated.

We will continue to monitor developments in IFRS; accordingly, the estimates noted above may change. Significant developments may impact our IFRS 1 preliminary elections, the areas we expect to be most impacted by adopting IFRS, our capital positions and our accounting policies, including our election for accounting for interests in joint ventures given the revised standard issued by the IASB in May 2011 (IFRS 11, Joint Arrangements).

Discontinued operations

Our net loss for this quarter from discontinued operations will be \$391 million under IFRS as compared to \$1,658 million under Canadian GAAP, primarily due to the goodwill transition adjustment discussed earlier.