

Review of TD's businesses

This review covers the operations and activities of the distinct and focused businesses that combine to form TD Bank Financial Group. Organized around our retail and wholesale customer bases, these businesses are responsible for developing strategies and goals in line with our corporate strategic priorities – and delivering results. We made progress on all fronts in 1997, with particularly strong growth in our wealth management and investment banking businesses.

TD Bank Financial Group in 1997

RETAIL BUSINESSES		WHOLESALE BUSINESSES	
Personal and Commercial Banking	Wealth Management Services	Investment Banking	Corporate Banking
<p>Retail Branch Banking</p> <p>Provides a range of financial services to 4 million households, small business and commercial clients through 904 branches in Canada.</p> <p>Alternate Retail Banking</p> <p>Provides electronic services through TD Access, with close to 1 million telephone banking registered customers, 100,000 computer banking accounts, 3 million debit cards and 2,038 Green Machines.</p> <p>Credit Card Services</p> <p>Provides a range of TD Visa products, with over 2 million accounts.</p> <p>Trust Services</p> <p>TD Trust, with assets under administration of \$4 billion, provides a range of trust and investment management services through TD branches.</p> <p>Insurance</p> <p>TD Life markets insurance products via direct mail and electronic channels.</p>	<p>Discount Brokerage</p> <p>Green Line Investor Services, Canada's largest, with over 30 offices across Canada, and in Hong Kong and London, 600,000 accounts and \$17 billion assets under administration.</p> <p>Waterhouse Investor Services, 4th largest in the U.S., with 102 branches, 775,000 accounts and US\$25 billion assets under administration.</p> <p>Pont Securities, Australia's leader, with 8 branches and 55,000 accounts.</p> <p>Full Service Investment Firm</p> <p>TD Evergreen, with 51 offices, 110,000 accounts and \$9 billion in assets under administration.</p> <p>Mutual Funds</p> <p>Green Line Family of No-Load Mutual Funds, #6 in Canada with \$13 billion assets in 33 funds.</p> <p>Investment Management</p> <p>TD Investments with \$21 billion assets under administration provides investment management to a wide range of institutional investors and corporations and is Canada's leader in quantitative management.</p>	<p>Corporate Finance</p> <p>Investment banking, and mergers and acquisition advisory services through offices across Canada and in New York.</p> <p>Foreign Exchange</p> <p>Foreign exchange trading and marketing through offices in Toronto, London, New York, Tokyo, Taipei, Singapore and Sydney.</p> <p>Equities</p> <p>Sales, trading and research for institutional clients through offices in Toronto, Montreal, New York and London; equities underwriting and distribution; equity derivatives.</p> <p>Fixed Income and Derivatives</p> <p>Provides fixed income, derivatives (including credit derivatives) and capital markets products through offices in Canada, New York, London, Singapore and Australia.</p> <p>Merchant Banking</p> <p>With a capital commitment of \$1 billion, provides equity and subordinated loans through TD Capital Group Ltd. and SCC Canada (a joint venture of TD Bank and Sirrom Capital Corporation of the U.S.)</p> <p>Equity Investing</p> <p>Holds TD's own equity portfolio.</p>	<p>Corporate Lending</p> <p>Credit and loan syndication services focused on the media and telecommunications, forestry, utilities and project finance, mining and health care industries through 14 offices in major global markets.</p> <p>Trade Finance and Correspondent Banking</p> <p>Serves corporate and commercial clients through offices across Canada and in Houston, London, Mexico City, Santiago, Singapore, Hong Kong and Jakarta.</p> <p>Cash Management and Payroll Services</p> <p>Electronic services for corporate and commercial clients in Canada and the U.S.</p>

□ the businesses of TD Securities, our integrated investment dealer

Basis of presentation:

Interest revenues and expenses are allocated to loan and deposit balances, and indirect expenses and associated revenues are allocated to business segments, using appropriate allocation formulas applied on a consistent basis. Residual unallocated amounts and the special charge for general credit loss provisions are reported in Other.

NET INCOME BY MAJOR BUSINESS SEGMENTS

(millions of dollars)	1997	1996
Retail		
Personal and commercial banking	\$ 466	\$ 329
Wealth management services	85	57
Total retail	551	386
Wholesale		
Investment banking	297	123
Corporate banking	347	388
Total wholesale	644	511
Retail and wholesale	1,195	897
Other	(107)	17
Total	\$ 1,088	\$ 914
Earned in:		
Canada	\$ 763	\$ 679
United States	222	165
Other international	103	70
Total	\$ 1,088	\$ 914

RETURN ON EQUITY BY MAJOR BUSINESS SEGMENTS

	1997	1996
Retail		
Personal and commercial banking	23%	16%
Wealth management services	10	42
Total retail	19	18
Wholesale		
Investment banking	36	15
Corporate banking	13	14
Total wholesale	19	14
Retail and wholesale	19	16
Total	17%	15%

TD SECURITIES – REVENUE

(millions of dollars)	1997	1996
Retail operations	\$ 704	\$ 297
Fixed income and derivative trading	196	82
Equities and structured finance	142	57
Underwriting	111	39
Money market and funding	86	85
Foreign exchange	73	75
Merchant banking	52	47
Advisory and placement fees	31	34
Other	94	52
Total	\$ 1,489	\$ 768

TD's retail businesses in 1997 – *Personal and Commercial Banking*

Continued economic growth in Canada coupled with low inflation and interest rates led to the return of consumer confidence in 1997 – which in turn contributed to strong growth in demand for mortgages and retail lending products as well as savings and investment products. In this buoyant environment, TD gained market share in all core areas of personal banking. This was in large part due to our successful pursuit of strategies to increase alternative distribution channels for customers while transforming our branches from transaction centres to sales, service and advice centres.

1997 HIGHLIGHTS

- revenues up 12%, net income up 42%
- market share gains in mortgages, personal lending, deposits, credit cards
- #1 ranking for personal customer service of major banks
- #1 ranking in mutual funds advice of major banks
- successful first year for TD Access PC Banking – over 100,000 accounts
- launched two new credit cards
- launched new TD Main\$street Banking products for small business
- increased industry focus in commercial bank
- reduced teller transactions by 6% through shift to electronic channels
- opened in-store branches

Retail branch banking

During 1997, we increased our focus on our distinct markets – personal, small business and mid-market commercial – and on sales, service, customer segmentation and relationship management. At the same time, we succeeded in reducing branch-based administration and transactions. The gains we achieved in market share and our leadership in customer service and branch based mutual funds advice demonstrate the success of these strategies. Specifically, we:

- expanded our Personal Banker program, with 625 relationship managers dedicated to meeting the complex financial needs of high value households;
- piloted new branch concepts, including supermarket-based branches, to explore opportunities to reach more customers personally;
- created a new division to focus on the particular needs of the mid-market commercial customer – generally businesses with sales of \$5 million to \$50 million, and borrowing needs of over \$250,000;
- tailored TD Main\$street Banking services for small business, now available through all TD branches. With more automated processes and simplified applications for customers, we made significant progress in small business loan approvals, increased lending, and achieved the highest overall satisfaction rating from business customers among the five largest banks according to a study by the Canadian Bankers Association. As well, we introduced two important new products for small businesses – the TD Venture Line of Credit Visa card and TD Businessline, a simple and cost competitive credit line delivered by way of overdraft.

Alternate retail banking

We worked on making it easier – and less expensive – for customers in 1997 by building greater convenience into our telephone, PC, Green Machine and card based delivery channels – and by offering an increasing range of banking products through these channels, which are grouped under the new brand name TD Access. Collectively, TD Access represents a strong and growing electronic bank which has enjoyed a huge rise in customer usage during the year. As well as making it easier for customers, we have also made it more financially attractive to use alternate channels – by lowering charges for most TD Access services.

The greatest growth was seen in TD Access Telephone Banking, which grew by over 40% – to close to 1 million registered customers, and TD Access PC Banking which registered over 100,000 accounts in its first year of operation. The increase in usage has helped reduce more expensive branch-based personal transactions by 6% year-over-year.

As well, we introduced further banking services to Waterhouse customers in the United States – offering residential mortgages and a no-fee Waterhouse credit card in addition to the established chequing and savings accounts.

Credit card services

Our credit card business enjoyed a year of exceptional growth in 1997, with record revenues, increased profitability and a substantial gain in market share. We introduced

OUTLOOK

We believe another good year lies ahead for retail customers of TD and for our retail banking businesses. To outperform the competition in 1998, we will continue to expand the Personal Banker program, accelerate relationship management for commercial customers, increase and improve the effectiveness of our training programs, pilot different branch models and further develop our outstanding alternate delivery channels.

PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	1997	1996
Net interest income (TEB)	\$ 2,095	\$ 1,862
Other income	733	673
Total revenue	2,828	2,535
Provision for credit losses	90	136
Non-interest expenses	1,911	1,820
Net income before taxes	827	579
Income taxes (TEB)	361	250
Net income	\$ 466	\$ 329
Selected volumes and ratios		
Average loans and customers' liability under acceptances (\$ billions)	\$ 53	\$ 49
Average deposits (\$ billions)	54	52
Full-time equivalent staff at October 31	15,482	15,562
Return on equity	23%	16%
Efficiency ratio	68%	72%

two new credit cards during the year: the TD Gold Select Visa card – Canada's first major no-fee Gold Visa card, which had a highly successful launch – and, just before year end, the no-fee TD Venture Line of Credit Visa card for small business.

Trust services

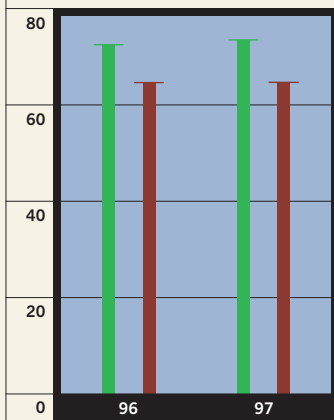
Revenues and income improved in our trust business in 1997, and we developed strategies to provide coordinated private banking, trust, estate planning and investment management services for high value customers. To this end, trust services are being transferred to Wealth Management Services in fiscal 1998.

Financial review

Both net interest income (which increased by 13% to \$2,095 million) and other income (up 9% to \$733 million) contributed to the record level of net income, up 42% to \$466 million. The increase in net interest income reflected asset growth of 9%. Our insurance and credit card businesses were significant contributors to the improvement in other income. During the year we securitized \$2 billion of our residential mortgage portfolio, to enhance liquidity and ultimately improve our capital ratio; average mortgage assets increased by 10%, or 13% when including the securitized mortgages. Non-interest expenses rose by 5%, reflecting the investments we have been making in technology and in our branches in pursuit of our strategies. Despite this rise, the efficiency ratio improved to 68% from 72% in 1996 as revenue growth outpaced expense growth.

Ranked #1 in personal customer service for TD branches

Personal customer service (%)



■ TD Bank
■ Other four major banks

Source: Dialogue Canada

TD's retail businesses in 1997 – *Wealth Management Services*

Growth trends in the wealth management market for individual Canadians accelerated in 1997 – driven by economic growth, low inflation and low interest rates as well as the favourable demographics of the aging baby boomer population which is now actively investing for retirement. In this environment, we made gains in building each of our wealth management businesses in Canada in 1997 while further developing global opportunities in discount brokerage.

1997 HIGHLIGHTS

- revenues up 154%, net income up 50%
- successful launch of WebBroker internet trading at Green Line and Waterhouse
- agreed to acquire Kennedy, Cabot & Co., a major Californian discount broker
- became #1 discount broker in Australia with acquisition of Pont Securities and agreement to acquire Rivkin Croll Smith
- Waterhouse ranked #1 discount broker in U.S. by Wall Street Journal's Smart Money magazine
- expanded TD Evergreen and launched IQ internet service
- #1 again in mutual fund mystery shopping survey

Discount brokerage

Trading volumes, revenues and assets under management grew by 219%, 194%, and 59% respectively for our discount brokerage business, as we enhanced TD's position as the #1 discount broker in Canada, #4 in the U.S. and #3 worldwide with a number of strategic initiatives in 1997.

International development is a priority and we have been taking advantage of acquisition opportunities, as we believe our business model and leadership in technology position us to expand successfully on a global basis. To this end in 1997, we:

- agreed to acquire Kennedy, Cabot & Co., a leading discounter in the highly attractive California market, for \$214 million. This acquisition will add 15 branches to the Waterhouse network and expand our account base in the U.S. by 25%.
- expanded globally with the second quarter acquisition of Pont Securities, Australia's leading discount broker, for \$32 million – and with the subsequent agreement to acquire Rivkin Croll Smith for \$24 million – another significant Australian firm – which will be merged with Pont for a combined market share of 50%.
- opened a Green Line office in London – a market where discount brokerage has exceptional long-term growth opportunities.

While growing internationally, we expanded our North American businesses, achieving record trading volumes at both Green Line and Waterhouse. Waterhouse was singled out by the Wall Street Journal's Smart Money magazine as the #1 discount broker in the U.S. for the best combination of price, products and service. We also provided customers of Green Line and Waterhouse with enhanced low cost electronic options through WebBroker, our internet trading program. Customer response to this new delivery channel greatly exceeded expectations.

Full service investment firm

TD Evergreen maintained its position as Canada's fastest growing full service investment firm in 1997, adding 13 new offices for a total of 51 and 110 new salespeople for a total of 310. Assets under administration increased 58% to over \$9 billion and trading volumes and revenues were up by over 70%. As well – with the launch of TD Evergreen IQ (Investor Queries) in the fourth quarter – TD Evergreen became the first full service advisor in Canada to provide clients with direct on-line internet access to their account information.

Mutual funds

TD's Green Line Family of No-Load Mutual Funds maintained its position as the second largest fund group of Canada's major banks, achieving growth of 37% in assets under administration – which increased to \$13 billion – and 66% in net income. Our focus on strong fund performance contributed to the gains. As well, we maintained our sales leadership through our branch network. For the third year in a row, TD branches were ranked #1 among major financial institutions in customer service and advice for mutual funds – reflecting our emphasis on education.

OUTLOOK

Economic and demographic trends indicate continued strong growth in the wealth management market in Canada and in the discount brokerage market worldwide. We intend to seek out and take full advantage of further opportunities. In North America, we will continue the aggressive expansion of TD Evergreen, expand private investment and trust management services, develop direct sales channels for our mutual funds and integrate the acquisition of Kennedy, Cabot & Co. in California. Internationally, we will explore opportunities for entering new markets in discount brokerage while integrating Rivkin Croll Smith in Australia and moving toward local market trading in Hong Kong and London.

WEALTH MANAGEMENT SERVICES

(millions of dollars)	1997	1996
Net interest income (TEB)	\$ 137	\$ 58
Brokerage commissions and management fees	774	300
Total revenue	911	358
Provision for credit losses	3	-
Non-interest expenses	713	257
Net income before taxes	195	101
Income taxes (TEB)	110	44
Net income	\$ 85	\$ 57
Selected volumes and ratios		
Assets under administration at October 31 (\$ billions)		
Retail brokerage	\$ 54	\$ 34
Mutual funds	19	14
Institutional and other	25	14
Full-time equivalent staff at October 31	4,502	3,810
Return on equity	10%	42%
Efficiency ratio	78%	72%

Investment management

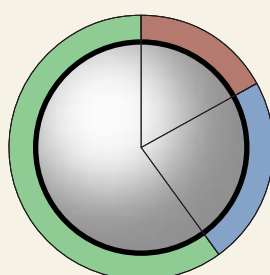
TD Investments, which serves pension funds as well as other institutional and private clients and TD's mutual funds, grew rapidly during the year as assets under administration increased by 90% – propelled by our leadership in quantitative (indexed) investment management.

Financial review

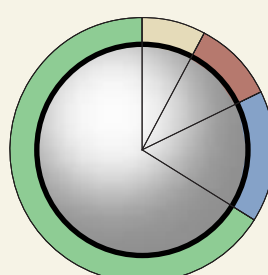
With record trading volumes in our brokerage businesses, the inclusion of results of Waterhouse and Pont, record mutual fund sales and the growth of TD Investments, revenues soared by 154% to \$911 million in 1997. Net income grew by 50% to \$85 million, despite the \$29 million acquisition cost for Pont and \$28 million goodwill amortization relating to Waterhouse. Adjusted for acquisition and goodwill costs, net income grew by 147%. The decline in return on equity to 10% in 1997 from 42% in 1996 is primarily due to these costs and the significant amount of capital allocated to support the goodwill that arose from the 1996 acquisition of Waterhouse.

Revenue by business line
(% contribution)

- Investment management
- Mutual funds
- Full service brokerage
- Discount brokerage



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97

TD's wholesale businesses in 1997 – *Investment Banking*

Strong capital markets in North America and favourable economic conditions for the major industry groups we serve created a highly positive environment in 1997. We took advantage of the buoyant markets to expand aggressively and build market share, doubling net income and establishing TD Securities solidly in the top five of Canada's securities dealers.

1997 HIGHLIGHTS

- revenues up 89%, net income up 140%
- major gains in fixed income market share in Canada
- #1 Canadian dealer and #9 worldwide in Eurobond business
- equities and derivatives revenues double
- led a record number of merchant banking, and mergers and acquisitions transactions

Corporate finance

Through our integrated approach with corporate banking and our distinct focus on key industry segments such as communications, mining, forestry and technology, we boosted revenues and made major gains in our mergers and acquisitions business, particularly in forestry and communications. As well, our industry focus is gaining recognition internationally: during the year, we were awarded the lead Canadian underwriting position in the global share offering of Telecom Italia S.p.A. – one of the largest equity offerings ever completed.

Equities

Our equities business made significant gains in 1997, particularly in institutional sales and trading – and we once again received the #1 ranking for growth momentum in the annual Brendan Wood International survey. We have been actively building our research capabilities, covering all major industry groups in Canada and expanding coverage in the United States and London. As well, our share of equity underwriting syndicates increased substantially in 1997, reflecting our strong investment banking coverage and recognition of our institutional and retail distribution capabilities.

Fixed income

We made impressive strides in our fixed income business in 1997 in all debt markets in Canada, the high yield market in New York and the international Eurobond market in London, where we became the first and only Canadian dealer to break into the top ten, worldwide. We were the most active dealer in Canadian, Australian and New Zealand dollar-denominated Eurobond issues – with major issues for the Canadian federal government, the World Bank, and the U.S. Federal National Mortgage Association (Fannie Mae). Our asset securitization, high yield and fixed income derivatives businesses also grew strongly in 1997.

Merchant banking

TD was once again one of the most active merchant banks in Canada in 1997, as TD Capital Group increased its portfolio to \$874 million in commitments. During the year, we broadened our reach and increased our participation in venture lending through the introduction of SCC Canada. A joint venture with Sirrom Capital Corporation of the U.S., SCC Canada provides venture loans to the small and mid-sized business market. Combined, our merchant banking businesses have a capital commitment of over \$1 billion and by year end we were closing transactions at the rate of one per week – for a total of 41 in 1997.

OUTLOOK

As economic growth continues in North America in 1998, we will continue to build aggressively – pursuing our successful strategies of industry specialization, focusing on the sources of capital, and integrated corporate and investment banking. In particular, we will pursue opportunities to expand the businesses we have established in the United States, develop new niches in Asian markets, further strengthen our research capabilities and work with TD's Wealth Management businesses to ensure competitive retail placement for our issuing clients.

INVESTMENT BANKING

(millions of dollars)	1997	1996
Net interest income (TEB)	\$ 269	\$ 143
Trading, underwriting and advisory fees and investment securities gains	755	400
Total revenue	1,024	543
Provision for credit losses	1	–
Non-interest expenses	508	333
Net income before taxes	515	210
Income taxes (TEB)	218	87
Net income	\$ 297	\$ 123
Selected volumes and ratios		
Full-time equivalent staff at October 31	1,274	1,022
Return on equity	36%	15%
Efficiency ratio	50%	61%

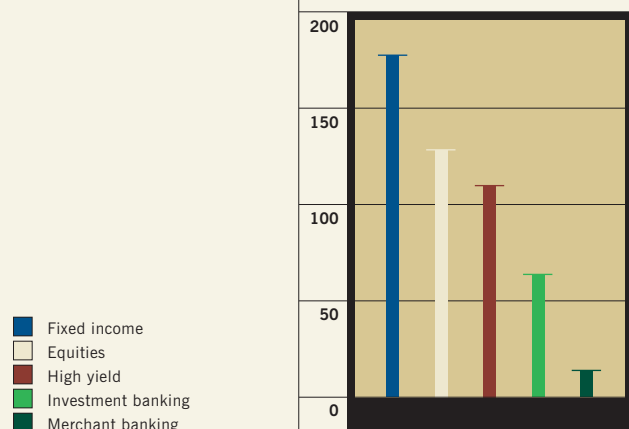
Financial review

Revenues climbed by 89% to \$1,024 million and net income more than doubled to \$297 million for the year. This was the result of \$200 million of special investment securities gains we realized in the fourth quarter as we took advantage of favourable market conditions and strong growth in our fixed income, underwriting, funding and equities business lines.

With revenue gains exceeding expense increases by a considerable margin, the efficiency ratio improved by 11 percentage points from 1996. After excluding the impact of the \$200 million securities gains, the efficiency ratio was 62%. Return on equity improved dramatically to 36% as the growth in net income was achieved with minimal additional capital allocations.

High growth businesses

(% revenue growth year over year)



TD's wholesale businesses in 1997 – *Corporate Banking*

Corporate clients continued the trend towards disintermediation in 1997 – accessing financing directly in capital markets rather than through banking intermediaries. This trend, combined with low interest rates and global competition for quality corporate credit placed further pressure on lending margins. In response, we built on our integrated corporate and investment banking approach and our industry specializations, built market share in loan syndications and increased our presence in key global markets on behalf of clients.

Corporate lending

To meet client needs and maximize returns in 1997, we worked closely with TD Securities, developing integrated corporate and investment banking solutions. Thus, while delivering corporate credit, which remains a core product for clients, we have assisted them in the process of disintermediation by providing them with other financing alternatives.

During the year, we strengthened our industry expertise on a global basis in the growth sectors of media and telecommunications, forest products, utilities and project finance, mining and health care. Our expertise in these areas has helped us manage credit risk effectively, as indicated by continuing improvements in our loan loss record. Managing risk and capital have become increasingly important in light of lower margins, higher regulatory capital requirements and capital taxes.

Of particular note in 1997 was the continued strength and growth of our loan syndication business – where TD was the #1 Canadian bank in 1997. As syndications spread the risk of a major corporate loan among a group of lenders, they enable us to meet client credit needs with a lower capital requirement while generating healthy fee income.

As well during 1997, we increased selected country risk limits to support our clients' global expansion activities.

Trade finance and correspondent banking

Our International Trade Services Group delivered solid growth in revenues and income in 1997, as Canadian businesses increased their importing and exporting activities. To serve customers better in global growth markets, we opened a new trade service office in London, a representative office in Jakarta, Indonesia and a full service branch in Mumbai, India. We also expanded our presence in Hong Kong, Singapore and Latin America. As well, we increased our focus on mid-market and small business customers in Canada – working with and through the retail branch system to help clients reduce risk as they enter global markets.

Cash management and payroll services

In 1997, TD continued as a leader in providing cash management services to our corporate customers. This leadership was confirmed by our #1 position in market share of all the major banks in electronic data interchange, and #2 in electronic funds transfer. During the year, we further enhanced service to clients with the development of Business Window for Windows – providing the corporate sector and commercial clients with direct access to a wide variety of transactions as well as account balances. We also successfully targeted the small business market with TD Access Business Telephone Banking, signing up 16,000 customers by year end and helping to accelerate this segment's shift to electronic transactions.

1997 HIGHLIGHTS

- #1 in loan syndications of Canadian banks
- credit quality up
- solid growth in trade finance
- a leading cash management bank in the institutional market in Canada
- #1 market share in electronic data interchange of all the major banks, #2 in electronic funds transfer

OUTLOOK

Although we anticipate further growth in global economies and global trade in 1998, we expect growth of demand for corporate credit to be moderate at best, given disintermediation – and we expect competitive pressures to continue. Our major challenge will be to meet client needs for credit and improve returns in the face of regulatory capital requirements. To this end, we aim to further develop our integrated approach with TD Securities while managing capital effectively and reducing risk further through the use of loan trading, syndications, derivatives and securitizations.

CORPORATE BANKING

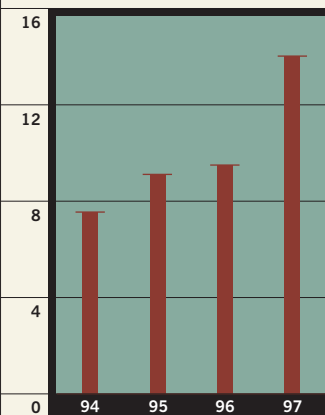
(millions of dollars)	1997	1996
Net interest income (TEB)	\$ 558	\$ 562
Credit and advisory fees and investment securities gains	272	248
Total revenue	830	810
Provision for credit losses	66	18
Non-interest expenses	190	165
Net income before taxes	574	627
Income taxes (TEB)	227	239
Net income	\$ 347	\$ 388
Selected volumes and ratios		
Average loans and customers' liability under acceptances (\$ billions)	26	24
Full-time equivalent staff at October 31	1,171	1,088
Return on equity	13%	14%
Efficiency ratio	23%	20%

Financial review

Syndications revenue reached a record high 14% of total corporate banking revenue as our emphasis on achieving a satisfactory risk-adjusted return on capital increased. Net interest income decreased by only \$4 million despite lower margins caused by intense competition. Credit losses increased by \$48 million with \$39 million of this increase resulting from an increase in general credit loss provisions. However, the credit quality of the portfolio improved during 1997 which should result in lower loan losses in the future. The efficiency ratio remained strong, in spite of compensation inflation and ongoing investment in overseas operations and technology. Net income was down from the record high of 1996 reflecting higher general credit loss provisions, the increase in operating expenses and a 1.4% increase in effective tax rates. Capital requirements were down by 6% from 1996 which partly offset the impact of lower net income on return on equity.

Underwriting and syndication

(as % of total revenue)



Business performance *Figures 1 – 4*

Overview

In 1997, TD earned \$1,088 million, up 19% from 1996 and 37% from 1995. This year's growth in net income arose from:

- a \$901 million increase in other income, more than half of which occurred in investment and securities services, primarily due to strong financial markets and the inclusion of Waterhouse for the first time in 1997; and
- a \$355 million increase in net interest income.

These major gains were partially offset by:

- a \$729 million increase in non-interest expenses, with Waterhouse being the largest single factor;
- a \$208 million increase in the provision for credit losses, which included a \$200 million special charge for general credit loss provisions; and
- a \$145 million increase in income taxes.

Figure 1

NET INTEREST RATE MARGIN (TEB)

(millions of dollars)	1997			1996			1995		
	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin
Canada	\$ 86,689	\$ 2,552	2.94%	\$ 74,882	\$ 2,303	3.08%	\$ 72,171	\$ 2,213	3.07%
United States	25,804	255	.99	18,179	219	1.20	15,766	208	1.32
Other international	14,404	176	1.22	9,740	81	.83	6,314	77	1.22
Total Bank	\$ 126,897	\$ 2,983	2.35%	\$ 102,801	\$ 2,603	2.53%	\$ 94,251	\$ 2,498	2.65%
Percentage increase (decrease) over previous year	23.4%	14.6%		9.1%	4.2%		8.8%	(2.4%)	

Net interest rate margin

Average earning assets grew 23% to \$126.9 billion. However, the growth in lower margin trading securities and securities purchased under resale agreements, the low interest rate environment and heightened

competition in consumer and business lending contributed to the 14 and 21 basis point declines in margin in Canada and the U.S. respectively.

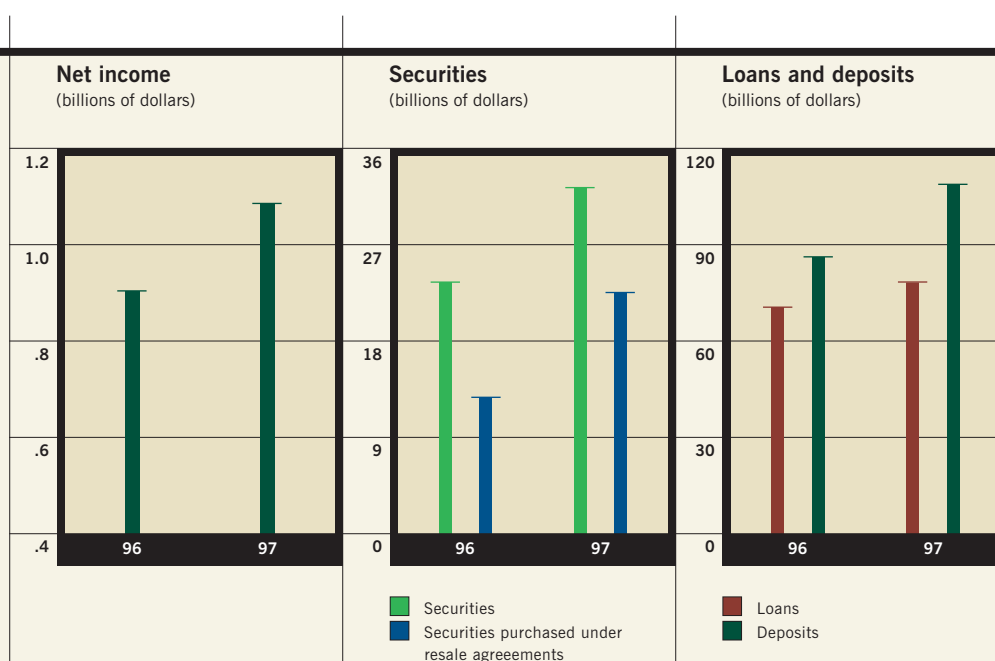


Figure 2

OTHER INCOME						
(millions of dollars)	1997	1996	1995	1994	1993	Five-year growth rate
Investment and securities services	\$ 952	\$ 440	\$ 267	\$ 230	\$ 149	60.1%
Credit fees	352	312	289	243	178	15.6
Net investment securities gains	329	103	92	32	(60)	100+
Trading income	270	186	150	129	119	26.2
Service charges	268	260	251	240	231	3.3
Card services	165	150	133	87	109	11.5
Other ¹	314	298	279	218	214	10.9
Total	\$ 2,650	\$ 1,749	\$ 1,461	\$ 1,179	\$ 940	25.3%
Percentage increase over previous year	51.5%	19.7%	23.9%	25.4%	9.8%	

¹ Other includes non-trading foreign exchange revenues, payroll and cash management services, property rental income, insurance and trust fees.

Other income

Other income grew by \$901 million in 1997. Most of this growth arose from:

- a \$512 million increase in investment and securities services, which includes TD's wealth management businesses and fee businesses within investment banking. The addition of Waterhouse Investor Services, Inc. at the end of 1996 contributed substantially to this increase, as did the Bank's full service investment firm, TD Evergreen, and its mutual funds business; and

- a \$226 and \$84 million increase in net investment securities gains and trading income respectively, due to favourable market conditions.

Despite increasing volumes of business, service charge revenue has increased only marginally. This is because TD, in its efforts to help make banking easier, has provided customers with new electronic banking options at a reduced level of service charges.

WEBBROKER

Both Green Line and Waterhouse made things easier for discount brokerage customers in 1997 with the introduction of WebBroker – a simple, convenient, low cost and highly successful internet trading program which has gained exceptional customer response. With WebBroker, we have set a new standard in our industry – Barron's magazine ranked Waterhouse's WebBroker as the #1 discount brokerage internet package in the U.S.

www.greenline.ca

www.waterhouse.com



Figure 3

NON-INTEREST EXPENSES AND EFFICIENCY RATIO						
(millions of dollars)	1997	1996	1995	1994	1993	Five-year growth rate
Salaries and staff benefits						
Salaries	\$ 1,686	\$ 1,337	\$ 1,210	\$ 1,116	\$ 968	13.6%
Staff benefits	140	115	95	105	93	11.6
Salaries and staff benefits total	1,826	1,452	1,305	1,221	1,061	13.4
Occupancy						
Rent	171	154	152	146	147	6.0
Depreciation	72	64	61	61	55	8.0
Other	70	65	70	69	64	3.2
Occupancy total	313	283	283	276	266	5.7
Equipment						
Rent	58	51	51	40	33	19.9
Depreciation	86	71	67	58	59	8.6
Other	126	115	98	81	71	11.4
Equipment total	270	237	216	179	163	11.9
Other						
Marketing and business development	188	134	113	99	90	21.3
Professional and advisory services	134	97	94	85	74	13.9
Communications	121	92	75	70	61	17.0
Capital and business taxes	110	93	87	76	76	8.2
Brokerage related fees	100	36	29	31	18	100+
Deposit insurance premiums	64	68	61	52	37	18.5
Postage	59	46	42	38	34	15.3
Travel and relocation	38	30	28	25	24	7.1
Other	160	86	80	57	121	23.0
Other total	974	682	609	533	535	18.7
Expenses before restructuring	3,383	2,654	2,413	2,209	2,025	13.8
Restructuring	-	-	-	-	140	-
Total	\$ 3,383	\$ 2,654	\$ 2,413	\$ 2,209	\$ 2,165	13.8%
Percentage increase	27.5%	10.0%	9.3%	2.0%	22.0%	
Efficiency ratio						
Net interest income (TEB)	\$ 2,983	\$ 2,603	\$ 2,498	\$ 2,560	\$ 2,384	
Other income	2,650	1,749	1,461	1,179	940	
Total revenue (TEB)	5,633	4,352	3,959	3,739	3,324	
Non-interest expenses	3,383	2,654	2,413	2,209	2,165	
Deduct (add) one-time costs or (credits) and goodwill ¹	57	-	29	(20)	198	
Adjusted expenses	\$ 3,326	\$ 2,654	\$ 2,384	\$ 2,229	\$ 1,967	
Efficiency ratio	60.0%	61.0%	61.0%	59.1%	65.1%	
Efficiency ratio – excluding goodwill and one-time costs	59.0%	61.0%	60.2%	59.6%	59.2%	

¹ One-time costs, credits and goodwill relate to the acquisition of new businesses.

Non-interest expenses

Non-interest expenses increased by \$729 million in 1997. The increase is primarily attributable to:

- the inclusion of Waterhouse in the 1997 financial results for the first time;
- performance related compensation tied to TD's strong growth in revenues;
- marketing expenditures, particularly in broadcast media and other forms of advertising;
- brokerage related fees, resulting from increased trading volumes;

- goodwill charges relating to Waterhouse; and
- investments in telephone, card and electronic banking services to help make banking easier and more convenient for customers.

After excluding the impact of the \$200 million increased security gains realized in the fourth quarter and excluding goodwill and one-time costs, the efficiency ratio was 61.2% compared to 61.0% in 1996.

Figure 4

TAXES					
(millions of dollars)	1997	1996	1995	1994	1993
Current income taxes	\$ 735	\$ 409	\$ 467	\$ 382	\$ 278
Other taxes					
Payroll taxes	82	78	73	72	65
Deposit insurance premiums	64	69	61	52	37
Capital taxes	83	67	62	53	54
GST and provincial sales taxes	74	67	59	55	52
Municipal and business taxes	68	62	65	61	59
Total other taxes	371	343	320	293	267
Total taxes	\$ 1,106	\$ 752	\$ 787	\$ 675	\$ 545
Canada	\$ 922	\$ 638	\$ 666	\$ 569	\$ 466
United States	166	114	119	82	64
Other international	18	-	2	24	15
Total taxes	\$ 1,106	\$ 752	\$ 787	\$ 675	\$ 545
Taxes as a % of net income before taxes	52.6%	42.9%	50.2%	49.3%	77.3%

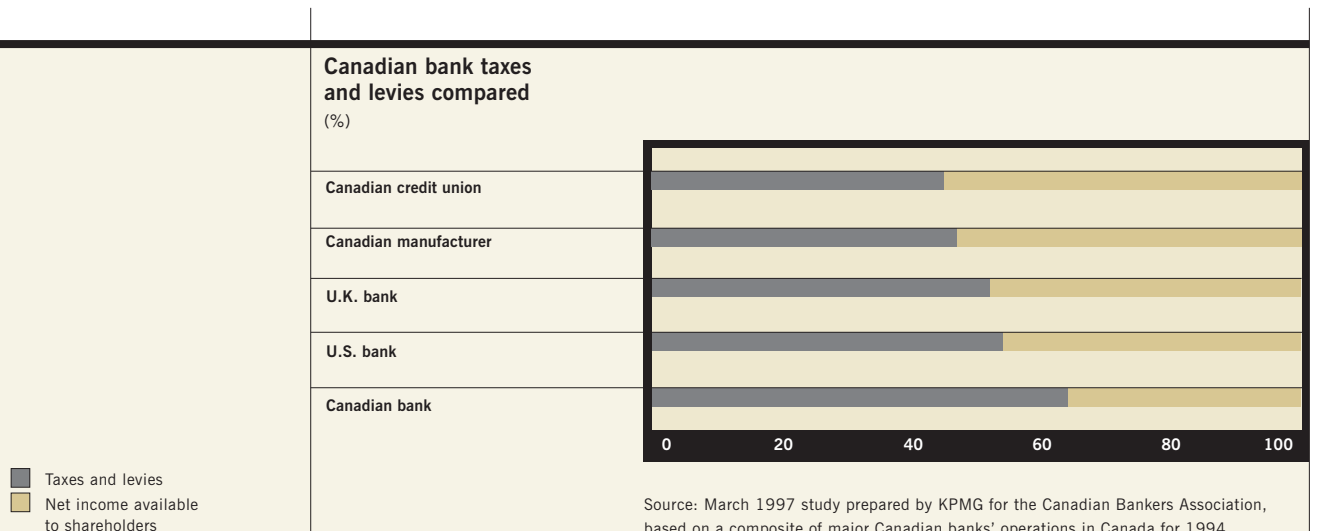
Taxes

Banks are one of the most heavily taxed business sectors in Canada. As shown in the graph below, if Canadian banks were taxed on their Canadian operations like credit unions or manufacturers are taxed, or like banks are taxed in the U.S. and U.K., they would have considerably more resources for initiatives such as new technology or for providing returns to investors.

As the industry's earnings, expenditures and capital grow, so do tax revenues collected by governments. Nevertheless, several governments increased bank capital taxes even further in 1997. Capital taxes already accounted for most of the disparities reflected in the graph below. These disparities have since increased and will increase further as various measures take full effect. During 1997 the federal government extended its temporary surtax on banks' capital for the second time. Ontario followed this lead by extending its own capital surtax for another year.

Furthermore, Ontario and Saskatchewan introduced other changes that significantly increased their effective capital tax rates on banks. The impact of these increases is evident in the capital tax expense figures shown above.

In addition, TD normally reports income earlier for tax purposes than it does for accounting. For example, loan loss provisions are not fully deductible at the time they are recorded. Similarly, tax is payable in Canada on unrealized gains and losses on most equity investments even though such gains and losses have not been realized and therefore, have not been reported in the financial statements. As a result, taxes currently payable exceed taxes provided in the income statement. At October 31, 1997 the cumulative amount of these advance payments of tax was \$264 million, most of which has been paid in Canada. Components of the deferred tax asset are shown in Note 14 to the consolidated financial statements.



Risk management

Overview

One of TD's key objectives is to be the best risk manager among major Canadian banks. This requires a well-established infrastructure to manage the major business risks to which TD is exposed. A fundamental principle is the involvement of qualified risk management professionals acting independently from the business units to establish a policy framework and define TD's risk limits.

Policies and strategies for managing each of the major financial risks are reviewed at least annually by a Risk Policy Committee, comprised of TD's senior executives. They are also reviewed by the Board of Directors. TD's risk management performance is monitored by the Audit Committee.

Credit risk

Credit risk is the risk that TD will incur a loss as a result of a counterparty's failure to meet its obligation. Direct loans, commitments to extend credit, settlement exposures, derivative transactions and securities inventories are all subject to credit risk.

TD's traditional products focus on the business of taking credit risk. The key objective in managing this risk is to ensure that TD is adequately compensated for the risks assumed and to limit the annual average losses on credit exposures of all types to .30% of net average loans, customers' liability under acceptances and securities purchased under resale agreements over a complete business cycle.

Risk Management Division, headed by the Deputy Chairman, establishes policies and procedures for the management of credit risk and is responsible for:

- guidelines to limit portfolio concentrations of credit exposure in relation to common equity by country, industry and affiliated group;
- approval of discretionary limits to approve credit lines accorded to officers throughout TD;
- control of all major credit decisions;
- formulation of standards for the measurement of credit exposure;
- approval of the application of score carding techniques in the adjudication of personal credit;
- approval of all policies pertaining to all products and services which have credit risk;
- establishing risk rating criteria for business accounts based on a ten-category rating system;

- an obligatory annual review of each loan being conducted under the direction of TD's senior risk management personnel, including a review of the risk rating on the account; and
- review of each classified business credit exposure at least quarterly. Classified credit exposures are those on which the risk of loss to TD is considered higher than its normal standards. When in management's opinion TD no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest of a loan, such a loan is classified as impaired. Specific provisions are established for impaired loans when it is felt that a loss will be incurred or when the estimated value based on discounting expected future cash flows is less than the recorded value. More details on impaired loans are provided in figure 14 of the Management discussion and analysis of operating performance and Note 1, subsections (e) and (f), and Note 3 of the Notes to consolidated financial statements.

All major credit policies and procedures are reviewed and approved annually by the Board of Directors.

General provisions are established on an annual basis to reflect the risk of credit loss inherent in the portfolio but which has not yet been specifically identified. During the fourth quarter of 1997, TD realized unusually large gains on the sale of investment securities and utilized \$200 million of these gains to increase its general provision for credit losses in response to a new policy issued by the Office of the Superintendent of Financial Institutions Canada (OSFI). The policy permits the inclusion of general allowances for credit losses as part of regulatory Tier 2 capital up to a maximum of .625% of TD's risk-weighted assets.

As at October 31, 1997 TD had a general allowance of \$402 million, up from \$159 at the end of 1996. This level of general allowance represents .39% of TD's risk-weighted assets.

A Risk Adjusted Return on Capital (RAROC) model is employed to assess the return on individual credit relationships in relation to the structure and maturity of the loan and creditworthiness of the borrower.

Provision for credit losses

The quality of TD's loan portfolio remained strong in 1997 as economic conditions improved. Excluding the \$200 million special increase in TD's general allowance for credit losses, the 1997 provision for credit losses was \$160 million, \$8 million above the 1996 provision and down \$20 million from 1995 (for more details on TD's provision for credit losses, reference can be made to Figure 16 – Provision for credit losses). This provision represents .16% of average loans, customers' liability under acceptances and securities purchased under resale agreements – the third consecutive year in which losses were less than our .30% target for losses over a complete business cycle.

Market risk

Through trading businesses, TD enters into transactions which expose it to market risk, which can be defined as the risk of loss resulting from changes in the values of financial instruments. Market risk includes exposure to interest rates, foreign exchange rates, and equity and commodity prices.

TD's Risk Management Division establishes policies and procedures for the management of all market risks. In addition, a Market Risk Committee has been established to provide a peer review of the market risks inherent in the Bank's trading businesses. This committee is co-chaired by the President of TD Securities Inc. and the Senior Vice President, Market Risk Policy, and includes members of senior management of TD Securities Inc. and Risk Management Division.

Based on the rapid changes occurring in TD's businesses, the market risk management process has evolved to become a strategic part of the business planning process. TD will commence new trading operations and expand existing trading businesses only if the infrastructure is in place to monitor, control and manage the market risk.

TD's trading revenue is generated through four principal activities:

Market-making: Servicing the needs of clients by making markets in a large number of traded products. TD profits from the spread between bid and ask prices. Market making tends to be a business in which profitability is driven by trading volumes.

Sales: Providing financial products to clients. This results in either price mark-ups or commissions. Similar to market-making, this activity's profitability is driven by volume.

Arbitrage: Taking positions in certain markets and offsetting that risk in other related markets. TD profits through knowledge of various markets and the interrelationship of those markets which allows it to exploit pricing anomalies.

Positioning: Taking certain positions in financial markets in anticipation of changes in those markets. This strategy is the riskiest of the four core activities. However, this is the least utilized strategy and is employed selectively.

Market risk positions are managed within established limits by each trading desk and business head. The Risk Management Division, which is independent from the trading functions, oversees the measurement and reporting of market risk. It is also responsible for the development of all policies related to market risk. These responsibilities include:

- the establishment of methodologies to measure and monitor established limits;
- the approval of new or additional trading limits;
- the approval of any major excess over trading limits;
- approval of all new trading products;
- independent testing of all trading models;
- the establishment of volatility and correlation parameters of market rates and prices for the estimation of market risk; and
- stress testing the portfolio to determine the effect of large unusual market moves.

All major market risk policies and procedures are reviewed and approved annually by the Board of Directors.

Trading limits are consistent with both the approved business plan for a particular business and TD's tolerance for the market risk associated with that business. The type of limit structure adopted depends on the individual business. The market risk limits for TD's various businesses include Value at Risk (VAR), notional limits, spread limits, yield curve shift limits, loss exposure limits and stop loss limits. Where VAR limits are applied, risk is expressed as the dollar amount that a one day change in the market value of a trading portfolio will not be exceeded more than 1% of the time. The Bank believes that the use of non-statistical measures and stop loss limits reduce the likelihood that trading losses will reach VAR limits.

If during the course of a trading day a trading desk determines that a limit will be breached, the trader is required to obtain pre-approval to carry the position. At the end of each day, reports reflecting TD's trading exposures are reviewed by the Risk Management Division and compared with the appropriate limits. If an excess has occurred, the trading desk will be required to bring its position within limits immediately,

unless an exception is granted. All large deviations from existing limits require the approval of the Risk Management Division.

The Bank for International Settlements has issued an amendment to the 1988 Capital Accord that sets out a framework for calculating the regulatory capital requirements for market risk. The market risks pertaining to this requirement include those associated with interest rate and foreign exchange trading. The amendment to the 1988 Capital Accord will take effect January 1, 1998. TD will be required to report its capital ratios to OSFI for credit and market risk on January 31, 1998 and at the end of each fiscal quarter thereafter. The Bank does not expect these changes to result in an increased regulatory capital requirement.

Asset liability management

When meeting the banking needs of clients, TD enters into transactions which expose it to market risk. TD's objective is to achieve stable earnings growth and to reduce the risk to earnings through active management of its asset and liability positions.

The Asset Liability Management (ALM) area within Risk Management Division measures and manages these banking business market risks. The Asset Liability Committee (ALCO) oversees the management of liquidity and interest rate risk and directs ALM in its activity. The ALCO is chaired by the President and Chief Executive Officer, and includes senior executives. The Foreign Currency Exposure Committee (FCEC) oversees and directs ALM in managing non-trading foreign exchange risk. The FCEC is chaired by the Deputy Chairman.

Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact margins, net interest income and the economic value of TD's assets, liabilities and shareholders' equity. To the extent that the repricing characteristics of assets differ from liabilities, net interest income will increase or decrease as a result of movements in underlying market interest rates.

ALCO manages interest rate risk through actively managing the repricing characteristics of its asset and liability positions. These positions are managed within limits that are specified in TD's interest rate risk management policies. These policies limit the potential negative impact that adverse changes in interest rates can have on current earnings and on the value of TD's interest sensitive assets and liabilities. The policies for interest rate risk management are reviewed and approved annually by the Board of Directors.

When deciding on interest rate risk positioning, ALCO considers, among other things, current economic forecasts, the expected direction of interest rates and the shape of the yield curve and market spreads between assets and liabilities of the same and different maturities. Changes in positions are usually accomplished through changes in TD's funding mix and/or asset maturity profile and/or through hedging with derivative products (primarily interest rate swaps, futures and options).

ALCO employs a wide range of interest rate risk measurement and analysis methods when assessing the impact of repositioning decisions. These methods include gap reporting, sensitivity analysis and simulation modeling. Gap reporting measures the expected repricing or maturity mismatch between assets, liabilities and off-balance sheet instruments within specified time periods across the entire maturity profile. Sensitivity analysis measures the impact of interest rate changes on current earnings and on the economic value of TD's interest sensitive assets and liabilities. Currently, sensitivity analysis includes assessing the impact of a 100 basis point (i.e. 1%) change in rates across the entire yield curve as well as analysis incorporating a much larger non-parallel shift in rates employing a two standard deviation movement over a three month time frame. Simulation modeling involves forecasting new and renewing business volumes against various future interest rate environments and calculating the impact on the future earnings and economic valuations as well as estimating TD's sensitivity to additional subsequent interest rate changes.

Of importance in the management and measurement of non-trading interest rate risk is the establishment of appropriate and accurate repricing characteristics for every asset and liability product offered to clients.

Many of the products offered to retail banking customers have options embedded in them, such as the option to pre-pay a mortgage before the contractual maturity date or the option to cash out certain term deposits before maturity. Estimation of how customers will use these options is required for the measurement of interest rate risk because changes in the use of these options can materially change the repricing characteristics of these products. As well, the use of these options can and does change significantly with various changes in rates. For example, a customer who holds an encashable term deposit may decide to hold it to maturity if rates do not change. However, if rates increase by 100 basis points (up 1%) then the customer may decide to cash out early and redeposit the funds at a higher rate. Estimation of expected customer behaviour under various future interest rate scenarios incorporates analysis of behaviour during previous interest rate cycles and current demographics. This leads to the continual updating of customer behaviour assumptions in the Bank's interest rate risk measurement models and systems.

In 1996, TD increased its Canadian currency interest rate risk position moderately to take advantage of the decline in Canadian rates. During 1997 the Bank maintained a fairly constant position in order to continue to take advantage of the positively sloping yield curve (whereby longer term assets funded by shorter term deposits have earned a larger interest margin). The positive contribution from this position somewhat offsets the reduced returns on core deposits and shareholders' equity caused by lower market interest rates.

An immediate and sustained 100 basis point (or 1%) increase in rates as at October 31, 1997 would have decreased the economic value of shareholders' equity by \$158 million (versus \$146 and \$98 million at October 31, 1996 and 1995 respectively). The same 100 basis point increase would have decreased income after tax by \$15 million (versus \$9 and \$26 million in 1996 and 1995 respectively).

Foreign exchange risk

Foreign exchange risk is measured by the extent to which changes in foreign currency rates affect the value of the assets, liabilities and shareholders' equity that are denominated in foreign currencies. Foreign exchange risk arises when foreign currency assets are greater or less than the liabilities in that currency. This situation creates a foreign currency open position. All major foreign exchange risk policies and procedures are reviewed and approved annually by the Board of Directors.

In order to manage foreign exchange risk, foreign currency open positions are minimized and the ratio of foreign currency investments in TD subsidiaries to total foreign currency assets is maintained at a level that is close to the total Bank's common equity to assets ratio. TD does not actively speculate in foreign exchange and has established specific foreign exchange risk management policies.

Liquidity risk

The objective of sound and prudential liquidity management is to ensure that funds will be available at all times to honour all cash outflow obligations as they become due. Liquidity risk is the risk of default that could occur if TD does not have sufficient funds available to meet all its cash outflow obligations as they come due. The management of liquidity risk is the responsibility of ALCO. To minimize liquidity risk, it ensures that core and long-term deposits are maintained at a very high proportion of total deposits relative to that represented by wholesale demand, notice and short-term deposits.

TD also maintains liquid assets in both Canadian and foreign currencies at prudential levels to ensure that cash can quickly be made available to honour its obligations. The Bank has specific policies regarding required liquid asset coverage of short-term wholesale deposits. As well, TD's prudent funding management recognizes the impact of large single depositors and ensures that there is no reliance on one customer or small group of customers. Liquidity management also recognizes the impact of potential cash outflows arising from irrevocable commitments to fund new assets or from customers' liability under acceptances falling into bank loans.

As at October 31, 1997, TD's liquidity was supported by \$8.6 billion and US\$3.7 billion in highly liquid Canadian and U.S. assets respectively (compared to \$10.9 billion and US\$4.2 billion respectively at October 31, 1996). These assets include Canadian and U.S. government bonds and treasury bills, deposits with the Bank of Canada, top investment grade customers' liability under acceptances and commercial paper.

In the event of a liquidity crisis, contingency plans are in place to ensure TD continues to honour all cash outflow obligations.

TD's liquidity management policies are reviewed and approved annually by the Board of Directors.

Operational risk

Operational risk is managed through strong internal controls, which include regular internal audits by TD's Audit Division.

Operational risk is the risk of loss resulting from errors or fraud. These risks are mitigated through:

- internal controls designed to prevent employees from performing incompatible functions, safeguard assets, ensure that transactions are recorded correctly and financial statements are accurately prepared and verify that TD is in compliance with regulations;
- TD's Audit Division which performs regular audits to ensure that internal controls are functioning adequately and that correct accounting procedures are being followed;
- trained and competent personnel;
- systems supported by competent and well-trained professionals; and
- continual upgrades of TD's systems and procedures.

The Year 2000 computer problem poses a major challenge to all businesses. The problem arises because most existing computer systems cannot accurately interpret dates beyond 1999. If left unchanged many systems will either fail or provide incorrect results. Given the seriousness of this issue and the potential impact it could have on operations and customer service, TD started working on a solution in 1995. A plan and the necessary resources are in place to ensure that there will be no disruption in the Bank's services and systems as a result of the Year 2000 computer problem.

In the event of a disruption of service, contingency plans are in place to ensure business operations will continue.

Capital management *Figures 5 – 6*

Figure 5

CAPITAL STRUCTURE AND RATIOS AT YEAR END			
(millions of dollars)	1997	1996 ¹	1995
Tier 1 capital			
Retained earnings	\$ 5,460	\$ 4,840	\$ 4,636
Common shares	1,297	1,305	882
Qualifying preferred shares	546	534	535
Less: unamortized goodwill	522	522	–
Total Tier 1 capital	6,781	6,157	6,053
Tier 2 capital			
Subordinated notes	3,391	2,685	2,404
General allowance for credit losses	402	–	–
Less: amortization of subordinated notes	107	59	29
Total Tier 2 capital	3,686	2,626	2,375
Other deductions	13	–	–
Total capital	\$ 10,454	\$ 8,783	\$ 8,428
Capital ratios			
To total assets			
Common shareholders' equity	4.1%	4.9%	5.1%
Total shareholders' equity	4.5	5.3	5.6
To risk-weighted assets			
Net common shareholders' equity	6.1	6.2	6.7
Tier 1 capital	6.6	6.8	7.4
Tier 2 capital	3.6	2.9	2.9
Total capital	10.2	9.7	10.3
Assets to capital multiple ²	16.5	15.0	13.8
U.S. basis			
Tier 1 capital	6.4%	6.6%	7.2%
Total capital	9.8	9.6	10.1

¹ Includes the November 1, 1996 issuance of a \$350 million subordinated note.

² Total assets plus off-balance sheet credit instruments such as letters of credit and guarantees less investments in associated corporations and goodwill divided by total capital.

Capital structure and ratios

Capital management controls the acquisition, maintenance and retirement of capital. The objectives are to provide sufficient capital to maintain the confidence of investors and depositors while providing a satisfactory return to common shareholders, who provide the vast majority of the capital. Adequate capital is critical to the continuing operations of TD, as evidenced by the fact that under the Bank Act, most capital decision-making is reserved for the Board of Directors.

Management of TD's capital includes the following specific objectives:

- to be an adequately capitalized financial institution as defined by relevant regulatory authorities and as compared to its peer group;
- to maintain strong ratings;
- to achieve the lowest overall cost of capital consistent with preserving the appropriate mix of capital elements;
- to ensure that sufficient and appropriate capital is either at hand or readily available at reasonable cost to facilitate expansion and provide sufficient protection against unexpected events; and
- to provide a satisfactory return to common shareholders.

The \$1.7 billion increase in total capital in 1997 resulted from:

- earnings after dividends of \$722 million;
- an increase of \$658 million in subordinated notes; and
- a \$402 million inclusion of TD's general allowance for credit losses, now permitted by the Office of the Superintendent of Financial Institutions Canada (OSFI).

Capital ratios provide measures of financial strength and flexibility. OSFI measures the capital adequacy of Canadian banks in accordance with its instructions for determining risk-adjusted capital and risk-weighted assets and off-balance sheet exposures. The risk-based approach is based on the Bank for International Settlements' agreed framework for achieving a more consistent measurement of capital adequacy and standards for banks engaged in international business. This approach does not take into account TD's unrealized pre-tax gains on security and real estate investments. These were estimated at \$674 million and \$310 million, respectively, at October 31, 1997.

TD management regards the ratio of net common shareholders' equity to risk-weighted assets as the most important benchmark of capital adequacy since it excludes preferred shares which are sometimes regarded as not possessing the same capital quality as common equity. In addition, the ratio deducts intangible assets, principally goodwill, which are also deducted from Tier 1 capital, in order to facilitate comparison among Canadian banks.

While TD's ratio of net common shareholders' equity to risk-weighted assets has been affected by the deduction of \$522 million in goodwill, the year-end ratio of 6.1% is comparable to or better than the other major Canadian banks.

TD has made arrangements to increase Tier 1 capital by \$350 million through a preferred share issue of a newly incorporated subsidiary. It is anticipated that regulatory approval will be received in the first quarter of fiscal 1998. Had the regulatory approval occurred as at October 31, 1997, the Bank's Tier 1 and total capital ratios would have been 6.9% and 10.5% respectively.

Regulatory environment

OSFI has expressed a preference that Tier 1 capital and total capital ratios of Canadian banks return to their 1995 levels of 7% and 10% respectively. The Bank is expected to make continued progress in meeting these levels in fiscal 1998.

Figure 6

RISK-WEIGHTED ASSETS AT YEAR END						
(millions of dollars)	1997		1996		1995	
	Balance	Risk-weighted balance	Balance	Risk-weighted balance	Balance	Risk-weighted balance
Balance sheet assets						
Cash resources	\$ 7,587	\$ 1,414	\$ 5,216	\$ 862	\$ 4,351	\$ 765
Securities purchased under resale agreements	23,321	7	13,063	2	6,363	—
Securities	33,422	17,949	24,224	10,785	22,128	8,557
Loans	79,702	46,745	72,391	46,568	66,295	42,125
Customers' liability under acceptances	7,036	7,036	6,411	6,411	6,297	6,297
Other assets	12,784	4,922	8,992	3,524	9,911	2,962
Total balance sheet assets	\$ 163,852	78,073	\$ 130,297	68,152	\$ 115,345	60,706
Credit instruments						
Guarantees and standby letters of credit		7,139		5,807		5,455
Documentary and commercial letters of credit		160		108		57
Note issuance facilities/revolving underwriting facilities		59		58		126
Commitments to extend credit		14,689		13,593		12,590
Total credit instruments		22,047		19,566		18,228
Derivative instruments						
Interest rate contracts						
Forward rate agreements		3		10		15
Swaps		1,156		965		795
Options purchased		118		104		175
Total interest rate contracts		1,277		1,079		985
Foreign exchange contracts						
Forward contracts		1,104		993		1,623
Swaps		135		150		113
Cross-currency interest rate swaps		696		289		333
Options purchased		78		83		100
Total foreign exchange contracts		2,013		1,515		2,169
Other contracts		385		84		46
Impact of netting agreements		(910)		—		—
Total derivative instruments		2,765		2,678		3,200
Total risk-weighted assets		\$ 102,885		\$ 90,396		\$ 82,134

Risk-weighted assets

With the growth in total assets of \$33.6 billion in 1997 and \$15 billion in 1996, TD's risk-weighted assets increased by \$12.5 billion in 1997 and \$8.3 billion in 1996. The 1997 increase is primarily due to increased securities holdings that resulted from expanded activity in trading portfolios.

When risk assessments are made, balance sheet and off-balance sheet exposures are reviewed collectively. The variety of methods used to monitor and control the various financial risks to which TD is exposed are outlined in the introduction to the risk management section of the Management discussion and analysis of operating performance.

Supplementary information *Figures 7 – 19*

Figure 7									
CONSOLIDATED STATEMENT OF INCOME (TEB)									
(millions of dollars)									
	Canada		United States		Other international		Total		
	1997	1996	1997	1996	1997	1996	1997	1996	1995
Net interest income	\$ 2,391	\$ 2,167	\$ 255	\$ 219	\$ 176	\$ 81	\$ 2,822	\$ 2,467	\$ 2,378
Taxable equivalent adjustment	161	136	–	–	–	–	161	136	120
Net interest income (TEB)	2,552	2,303	255	219	176	81	2,983	2,603	2,498
Provision for credit losses	362	125	(5)	30	3	(3)	360	152	180
Net interest income after credit loss provision (TEB)	2,190	2,178	260	189	173	84	2,623	2,451	2,318
Other income	1,885	1,438	660	228	105	83	2,650	1,749	1,461
Net interest and other income (TEB)	4,075	3,616	920	417	278	167	5,273	4,200	3,779
Non-interest expenses	2,686	2,414	536	142	161	98	3,383	2,654	2,413
Net income before provision for income taxes (TEB)	1,389	1,202	384	275	117	69	1,890	1,546	1,366
Imputed income taxes on grossed-up income	626	523	162	110	14	(1)	802	632	572
Net income	\$ 763	\$ 679	\$ 222	\$ 165	\$ 103	\$ 70	\$ 1,088	\$ 914	\$ 794
Percentage contribution to consolidated net income	70.1%	74.3%	20.4%	18.0%	9.5%	7.7%	100%	100%	100%

Figure 8			
EARNINGS PER COMMON SHARE ANALYSIS			
	1997	1996	1995
Prior year's earnings per common share	\$ 2.95	\$ 2.51	\$ 2.14
Increase (decrease)			
Net interest income (TEB) – asset growth	2.04	.83	.80
– margin	(.77)	(.41)	(.67)
Provision for credit losses	(.69)	.09	.55
Other income	3.02	1.01	.60
Non-interest expenses	(2.44)	(.88)	(.68)
Income taxes (TEB)	(.57)	(.22)	(.24)
Preferred dividends	–	.02	.01
Current year's earnings per common share	\$ 3.54	\$ 2.95	\$ 2.51
Number of common shares (millions) – at year-end	296.9	302.7	301.4
– average	298.7	298.6	301.3

Figure 9

AVERAGE BALANCES AND INTEREST RATES (TEB)									
(millions of dollars)	1997			1996			1995		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Deposits with banks	\$ 4,957	\$ 225	4.54%	\$ 3,914	\$ 200	5.12%	\$ 3,306	\$ 148	4.46%
Securities purchased under resale agreements	18,230	747	4.10	8,592	469	5.45	4,262	245	5.75
Securities									
Investment	12,251	685	5.59	11,638	601	5.17	13,794	779	5.65
Trading	14,896	767	5.15	10,314	621	6.02	5,535	353	6.39
Total securities	27,147	1,452	5.35	21,952	1,222	5.57	19,329	1,132	5.86
Loans									
Residential mortgages	30,110	2,160	7.17	27,331	2,195	8.03	25,830	2,179	8.44
Consumer instalment and other personal	5,953	421	7.07	5,391	466	8.65	4,914	470	9.56
Credit card	4,907	428	8.72	4,024	434	10.78	3,761	434	11.54
Business and government	35,593	2,554	7.18	31,597	2,472	7.82	32,849	2,778	8.46
Total loans	76,563	5,563	7.27	68,343	5,567	8.15	67,354	5,861	8.70
Total earning assets	126,897	7,987	6.29	102,801	7,458	7.26	94,251	7,386	7.84
Customers' liability under acceptances	7,141	-	-	6,247	-	-	5,997	-	-
Other assets	12,359	-	-	7,981	-	-	9,720	-	-
Total assets	\$ 146,397	\$ 7,987	5.46%	\$ 117,029	\$ 7,458	6.37%	\$ 109,968	\$ 7,386	6.72%
Liabilities									
Deposits									
Banks	\$ 13,332	\$ 619	4.65%	\$ 10,924	\$ 592	5.42%	\$ 12,057	\$ 704	5.84%
Personal	40,113	1,336	3.33	40,204	1,881	4.68	39,657	2,069	5.22
Business and government	45,438	1,937	4.26	30,763	1,485	4.83	28,379	1,513	5.33
Total deposits	98,883	3,892	3.94	81,891	3,958	4.83	80,093	4,286	5.35
Subordinated notes	3,170	192	6.06	2,420	157	6.49	2,561	170	6.63
Securities sold short or under repurchase agreements	21,278	903	4.24	13,241	719	5.43	6,840	403	5.89
Other interest bearing liabilities	218	17	7.82	264	21	8.07	311	29	9.35
Total interest bearing liabilities	123,549	5,004	4.06	97,816	4,855	4.96	89,805	4,888	5.44
Acceptances	7,141	-	-	6,247	-	-	5,997	-	-
Other liabilities	8,708	-	-	6,587	-	-	8,194	-	-
Equity – preferred	541	-	-	558	-	-	619	-	-
– common	6,458	-	-	5,821	-	-	5,353	-	-
Total liabilities	\$ 146,397	\$ 5,004	3.42%	\$ 117,029	\$ 4,855	4.15%	\$ 109,968	\$ 4,888	4.45%
Total net interest income		\$ 2,983	2.04%		\$ 2,603	2.22%		\$ 2,498	2.27%

Figure 10

ANALYSIS OF CHANGE IN NET INTEREST INCOME (TEB)						
(millions of dollars)	1997 vs. 1996			1996 vs. 1995		
	Favourable (unfavourable) due to change in			Favourable (unfavourable) due to change in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Total earning assets	\$ 1,560	\$ (1,031)	\$ 529	\$ 557	\$ (485)	\$ 72
Total interest bearing liabilities	(1,316)	1,167	(149)	(453)	486	33
Net interest income	\$ 244	\$ 136	\$ 380	\$ 104	\$ 1	\$ 105

Figure 11

LOANS AND CUSTOMERS' LIABILITY UNDER ACCEPTANCES AT YEAR END

(millions of dollars)

By sector	Canada		United States		Other international		Total		
	1997	1996	1997	1996	1997	1996	1997	1996	1995
	Residential mortgages	\$ 30,442	\$ 28,624	\$ -	\$ -	\$ -	\$ -	\$ 30,442	\$ 28,624
Consumer instalment and other personal	9,563	7,791	1,768	786	16	10	11,347	8,587	7,088
Credit card	2,389	2,145	-	-	-	-	2,389	2,145	2,059
Total residential and personal	42,394	38,560	1,768	786	16	10	44,178	39,356	35,474
Real estate development									
Commercial and industrial	1,974	2,133	226	539	5	36	2,205	2,708	3,415
Residential	1,153	1,192	11	47	-	-	1,164	1,239	1,258
Retail	583	598	15	104	24	13	622	715	766
Total real estate	3,710	3,923	252	690	29	49	3,991	4,662	5,439
Communication	922	518	2,359	2,333	1,992	1,633	5,273	4,484	3,995
Financial	2,016	1,860	908	989	2,026	773	4,950	3,622	3,199
Utilities	288	204	1,890	1,566	1,779	1,063	3,957	2,833	2,373
Cable television	454	549	1,285	1,795	119	116	1,858	2,460	2,370
Food, beverage and tobacco	1,729	1,854	42	141	254	260	2,025	2,255	2,128
Forestry	1,427	1,202	545	492	149	247	2,121	1,941	1,872
Oil and gas	1,860	1,190	548	522	400	173	2,808	1,885	1,864
Metals and mining	999	1,050	204	238	258	364	1,461	1,652	1,409
Health and social services	930	769	873	627	130	5	1,933	1,401	1,379
Agriculture	1,507	1,304	14	15	10	2	1,531	1,321	1,335
Chemical	770	730	300	338	234	215	1,304	1,283	1,082
Automotive	1,286	860	191	117	59	137	1,536	1,114	1,020
Transportation	676	771	135	78	60	252	871	1,101	598
Apparel and textile	592	578	49	208	8	23	649	809	802
Retail	550	598	88	45	10	31	648	674	719
Construction	432	567	84	60	39	27	555	654	621
Appliance and electrical	158	301	115	171	105	51	378	523	695
Government	254	439	4	33	-	-	258	472	870
Hotels	243	284	-	-	-	-	243	284	303
All other loans	3,077	2,473	481	912	652	631	4,210	4,016	3,045
Total business and government	23,880	22,024	10,367	11,370	8,313	6,052	42,560	39,446	37,118
Total¹	\$ 66,274	\$ 60,584	\$ 12,135	\$ 12,156	\$ 8,329	\$ 6,062	\$ 86,738	\$ 78,802	\$ 72,592
Percentage growth	9.4%	4.8%	(.2)%	9.3%	37.4%	65.4%	10.1%	8.6%	2.3%
By location of ultimate risk									
							1997	1996	1995
							% mix	% mix	% mix
Canada									
Atlantic	\$ 2,277	\$ 2,178	\$ 2,128				2.6	2.8	2.9
Québec	5,549	5,534	5,526				6.4	7.0	7.6
Ontario	38,392	35,607	31,144				44.3	45.2	42.9
Prairies	10,500	8,940	9,015				12.1	11.3	12.4
British Columbia	9,212	8,329	7,362				10.6	10.6	10.1
Total Canada	65,930	60,588	55,175				76.0	76.9	75.9
United States	11,504	10,091	13,685				13.2	12.8	18.9
Other international									
United Kingdom	2,839	4,056	1,294				3.3	5.1	1.8
Europe – other	759	540	336				.9	.7	.5
Australia and New Zealand	2,486	1,971	830				2.9	2.5	1.2
Japan	308	105	207				.3	.1	.3
Asia – other	1,572	603	597				1.8	.8	.8
Latin America and Caribbean	1,200	607	453				1.4	.8	.6
Other	140	241	15				.2	.3	-
Total other international	9,304	8,123	3,732				10.8	10.3	5.2
Total	\$ 86,738	\$ 78,802	\$ 72,592				100.0	100.0	100.0
Percentage growth over previous year									
Canada	8.8%	9.8%	.2%						
U.S. and other international	14.2	4.6	9.6						
Total	10.1%	8.6%	2.3%						

¹ There were no material loans restructured or renegotiated against which provisions have been established. The Bank does not have sovereign risk loans against which provisions have been established.

Figure 12

REAL ESTATE DEVELOPMENT LOANS AND CUSTOMERS' LIABILITY UNDER ACCEPTANCES

(millions of dollars)	1997				1996			
	Total	Impaired		Net impaired as a % of total	Total	Impaired		Net impaired as a % of total
		Gross	Net			Gross	Net	
Domestic								
Commercial/industrial	\$ 1,974	\$ 52	\$ 23	1.2	\$ 2,133	\$ 159	\$ 68	3.2
Residential	1,153	28	17	1.5	1,192	43	9	.8
Retail	583	2	2	.3	598	11	6	1.0
Total domestic	3,710	82	42	1.1	3,923	213	83	2.1
United States								
Commercial/industrial	226	19	19	8.4	539	169	149	27.6
Residential	11	-	-	-	47	-	-	-
Retail	15	3	2	13.3	104	13	11	10.6
Total United States	252	22	21	8.3	690	182	160	23.2
Other international								
Commercial/industrial	5	-	-	-	36	1	-	-
Residential	-	-	-	-	-	-	-	-
Retail	24	-	-	-	13	-	-	-
Total other international	29	-	-	-	49	1	-	-
Total U.S. and other international	281	22	21	7.5	739	183	160	21.7
Total	\$ 3,991	\$ 104	\$ 63	1.6	\$ 4,662	\$ 396	\$ 243	5.2

Figure 13

LOANS TO SMALL AND MID-SIZED BUSINESS CUSTOMERS

(millions of dollars)	Loans authorized			Amount outstanding		
	1997	1996	1995	1997	1996	1995
	1997	1996	1995	1997	1996	1995
Loan amount						
<i>(thousands of dollars)</i>						
0 - 24	\$ 288	\$ 267	\$ 251	\$ 186	\$ 179	\$ 220
25 - 49	438	415	404	296	285	282
50 - 99	930	915	882	630	627	613
100 - 249	2,301	2,200	2,174	1,538	1,491	1,511
250 - 499	2,134	2,094	2,024	1,339	1,327	1,343
500 - 999	2,533	2,372	2,270	1,379	1,307	1,328
1,000 - 4,999	7,134	6,617	6,347	3,268	3,132	3,278
Total¹	\$ 15,758	\$ 14,880	\$ 14,352	\$ 8,636	\$ 8,348	\$ 8,575

¹ Personal loans used for business purposes are not included in these totals.

NEW TD VISA CARDS

Two new TD Visa cards were introduced during the year to meet the needs of different customer segments. TD Gold Select Visa card is Canada's first major no-fee Gold Visa card, and features a broad range of benefits including travel discounts. The TD Venture Line of Credit Visa card was designed specifically as a cost effective and useful product for the small business customer and features no annual, set-up or administrative fees, a competitive interest rate of prime plus 4% and a credit limit of up to \$50,000.



Figure 14

IMPAIRED LOANS LESS ALLOWANCE FOR CREDIT LOSSES AT YEAR END

(millions of dollars)									
By sector	Canada		United States		Other international		Total		
	1997	1996	1997	1996	1997	1996	1997	1996	1995
Residential mortgages	\$ 36	\$ 52	\$ -	\$ -	\$ -	\$ -	\$ 36	\$ 52	\$ 43
Consumer instalment and other personal	35	35	-	-	-	-	35	35	36
Credit card	(15)	(12)	-	-	-	-	(15)	(12)	(12)
Total residential and personal	56	75	-	-	-	-	56	75	67
Real estate development									
Commercial and industrial	23	68	19	149	-	-	42	217	347
Residential	17	9	-	-	-	-	17	9	82
Retail	2	6	2	11	-	-	4	17	35
Total real estate	42	83	21	160	-	-	63	243	464
Communication	6	9	(1)	2	-	-	5	11	152
Financial	(4)	2	9	-	-	-	5	2	10
Utilities	-	-	23	16	-	-	23	16	4
Forestry	78	42	-	1	-	-	78	43	12
Oil and gas	(2)	1	-	-	-	-	(2)	1	4
Metals and mining	-	1	-	-	-	-	-	1	5
Food, beverage and tobacco	21	6	-	-	-	-	21	6	7
Health and social services	4	2	-	-	-	-	4	2	33
Agriculture	2	3	-	-	-	-	2	3	8
Chemical	-	13	-	-	-	-	-	13	4
Automotive	6	3	-	-	-	-	6	3	4
Apparel and textile	3	6	-	-	-	-	3	6	7
Retail	5	8	-	-	-	-	5	8	3
Appliance and electrical	20	15	-	-	-	-	20	15	22
Construction	5	1	-	-	-	-	5	1	4
Transportation	4	7	-	-	-	-	4	7	9
Hotels	9	7	-	-	-	-	9	7	17
All other loans	16	19	-	21	-	-	16	40	27
Total business and government	215	228	52	200	-	-	267	428	796
Total net impaired loans before general provisions	\$ 271	\$ 303	\$ 52	\$ 200	\$ -	\$ -	\$ 323	\$ 503	\$ 863
Less: general provisions							402	159	159
Total net impaired loans							\$ (79)	\$ 344	\$ 704
Net impaired loans as a % of common equity							(1.2)%	5.6%	12.8%

By location	1997	1996	1995	1997 % mix	1996 % mix	1995 % mix
Canada						
Atlantic	\$ 4	\$ 5	\$ 10	1.2	1.0	1.2
Québec	54	60	94	16.7	11.9	10.9
Ontario	196	219	403	60.7	43.5	46.7
Prairies	11	12	10	3.4	2.4	1.2
British Columbia	6	7	1	1.9	1.4	.1
Total Canada	271	303	518	83.9	60.2	60.1
United States	52	200	342	16.1	39.8	39.6
Other international						
United Kingdom	-	-	3	-	-	.3
Total other international	-	-	3	-	-	.3
Total net impaired loans before general provisions	323	503	863	100.0	100.0	100.0
Less: general provisions	402	159	159			
Total net impaired loans	\$ (79)	\$ 344	\$ 704			
Net impaired loans as a % of net loans¹	(.1)%	.4%	.9%			

¹ Includes customers' liability under acceptances and securities purchased under resale agreements.

Figure 15

IMPACT ON NET INTEREST INCOME DUE TO IMPAIRED LOANS

(millions of dollars)	1997	1996	1995
Reduction in net interest income due to impaired loans	\$ 64	\$ 79	\$ 137
Recoveries	(13)	(44)	(81)
Net reduction	\$ 51	\$ 35	\$ 56

Figure 16

PROVISION FOR CREDIT LOSSES

(millions of dollars)									
By sector	Canada		United States		Other international		Total		
	1997	1996	1997	1996	1997	1996	1997	1996	1995
Residential mortgages	\$ 6	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 9
Consumer instalment and other personal	27	21	-	-	-	-	27	21	18
Credit card	58	60	-	-	-	-	58	60	66
Total residential and personal	91	87	-	-	-	-	91	87	93
Real estate development									
Commercial and industrial	(51)	15	(29)	9	-	(1)	(80)	23	52
Residential	(6)	(17)	-	1	-	-	(6)	(16)	20
Retail	1	5	6	10	-	-	7	15	82
Total real estate	(56)	3	(23)	20	-	(1)	(79)	22	154
Communication	(4)	(5)	10	2	1	(2)	7	(5)	48
Financial	-	-	1	-	1	-	2	-	(4)
Utilities	-	-	3	7	1	-	4	7	(2)
Cable television	-	-	1	-	-	-	1	-	(1)
Food, beverage and tobacco	(10)	-	-	-	-	-	(10)	-	8
Forestry	126	19	1	1	-	-	127	20	(110)
Metals and mining	-	(7)	-	(2)	-	-	-	(9)	(2)
Health and social services	-	2	-	6	-	-	-	8	1
Agriculture	1	-	-	-	-	-	1	-	2
Chemical	(3)	5	-	-	-	-	(3)	5	5
Automotive	2	-	-	-	-	-	2	-	4
Apparel and textile	5	(3)	-	(1)	-	-	5	(4)	(1)
Retail	7	9	-	-	-	-	7	9	(12)
Appliance and electrical	-	(1)	-	-	-	-	-	(1)	1
Construction	3	1	-	-	-	-	3	1	-
Transportation	2	6	-	(1)	-	-	2	5	2
Hotels	(3)	-	-	-	-	-	(3)	-	(5)
All other	3	9	-	(2)	-	-	3	7	(1)
Total business and government	73	38	(7)	30	3	(3)	69	65	87
Total before special general provision	\$ 164	\$ 125	\$ (7)	\$ 30	\$ 3	\$ (3)	\$ 160	\$ 152	\$ 180
Special general provision							200	-	-
Total							\$ 360	\$ 152	\$ 180
By location	1997	1996	1995	1997	1996	1995	% mix	% mix	% mix
Canada									
Atlantic	\$ -	\$ 2	\$ 1	-	1.3	.5			
Québec	(17)	3	30	(4.7)	2.0	16.7			
Ontario	189	75	136	52.5	49.3	75.5			
Prairies	(3)	8	3	(.8)	5.3	1.7			
British Columbia	(5)	37	(4)	(1.4)	24.3	(2.2)			
Total Canada	164	125	166	45.6	82.2	92.2			
United States	(7)	30	31	(1.9)	19.7	17.2			
Other international									
United Kingdom	1	(3)	(6)	.2	(1.9)	(3.3)			
Australia	2	-	(11)	.5	-	(6.1)			
Total other international	3	(3)	(17)	.7	(1.9)	(9.4)			
Special general provision	200	-	-	55.6	-	-			
Total	\$ 360	\$ 152	\$ 180	100.0	100.0	100.0			
Provision for credit losses as a % of net average loans¹									
Canada									
Residential mortgages	.02%	.02%	.03%						
Personal	.78	.86	.97						
Business and other	.21	.14	.27						
Total Canada	.22	.20	.27						
United States	(.04)	.21	.26						
Other international	.04	(.06)	(.45)						
Special general provision	.20	-	-						
Total	.35%	.18%	.23%						

¹ Includes customers' liability under acceptances and securities purchased under resale agreements.

Figure 17

CURRENT REPLACEMENT COST OF DERIVATIVES									
(millions of dollars)									
By sector	Canada		United States		Other international		Total		
	1997	1996	1997	1996	1997	1996	1997	1996	1995
Financial	\$ 2,813	\$ 2,286	\$ 592	\$ 525	\$ 2,207	\$ 1,969	\$ 5,612	\$ 4,780	\$ 5,854
Government	339	384	13	–	109	16	461	400	233
Other	891	733	123	149	301	59	1,315	941	875
Current replacement cost	\$ 4,043	\$ 3,403	\$ 728	\$ 674	\$ 2,617	\$ 2,044	7,388	6,121	6,962
Impact of netting agreements							2,747	–	–
Current replacement cost (after netting agreements)							\$ 4,641	\$ 6,121	\$ 6,962

Figure 18

TOTAL ASSETS AT YEAR END BASED ON LOCATION OF ULTIMATE RISK						
(millions of dollars)						
	1997	1996	1995	1997 % mix	1996 % mix	1995 % mix
Canada	\$ 102,959	\$ 90,643	\$ 88,316	62.8	69.6	76.6
United States	39,586	26,425	20,188	24.2	20.3	17.5
Total Canada and United States	142,545	117,068	108,504	87.0	89.9	94.1
United Kingdom	6,008	4,424	1,838	3.7	3.4	1.6
Europe – other	4,538	1,995	1,063	2.7	1.5	.9
Australia and New Zealand	4,686	2,588	1,096	2.9	2.0	.9
Japan	2,498	2,261	1,379	1.5	1.7	1.2
Asia – other	1,956	1,039	927	1.2	.8	.8
Latin America and Caribbean	1,297	666	476	.8	.5	.4
Other	324	256	62	.2	.2	.1
Total assets	\$ 163,852	\$ 130,297	\$ 115,345	100.0	100.0	100.0

Figure 19

ASSETS UNDER ADMINISTRATION				
(millions of dollars)				
	1997	1996	1995	1997/1996 % increase (decrease)
Personal and commercial banking	\$ 24,850	\$ 20,859	\$ 12,755	19.1
Wealth management services				
Retail brokerage – Canada	25,680	18,103	15,034	41.9
– United States	28,741	16,284	–	76.5
Total retail brokerage	54,421	34,387	15,034	58.3
Mutual funds – Canada	13,039	9,507	5,806	37.2
– United States	6,276	3,747	–	67.5
Total mutual funds	19,315	13,254	5,806	45.7
Institutional and other	24,742	14,658	15,161	68.8
Total wealth management services	98,478	62,299	36,001	58.1
Investment banking	1,816	1,407	–	29.1
Total assets under administration before institutional and pension custody business	125,144	84,565	48,756	48.0
Institutional and pension custody business sold in 1996	–	–	49,831	–
Total assets under administration	\$ 125,144	\$ 84,565	\$ 98,587	48.0