

Review of TD Bank Financial Group

This review covers the operations and activities of the individual businesses that combine to form the TD Bank Financial Group. Built around our retail and wholesale customer bases, these businesses were reorganized during the year to provide a more integrated delivery of financial services to our customers.

On the retail side, we transferred our key advisory businesses – including TD Evergreen, our full service brokerage, Private Banking and TD Trust – to our Personal and Commercial Banking segment to create TD Private Client Group. We also created TD Waterhouse Group, Inc., a new subsidiary comprised of our discount brokerage businesses in the United States and Canada, as well as discount brokerage operations in Australia, the United Kingdom and Hong Kong.

On the wholesale side, we combined our corporate and investment banking businesses under TD Securities to integrate further our advisory and banking services and provide even better financing solutions for our clients.

As a result of this reorganization, the Bank now comprises three distinct businesses focused on developing strategies and goals in line with our corporate priorities – and on delivering results.

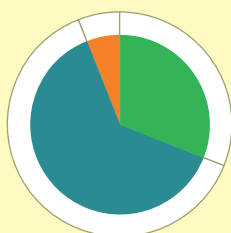
CASH BASIS NET INCOME¹ BY MAJOR BUSINESS SEGMENTS

(millions of dollars)	1999	1998	1997
Retail			
Personal and Commercial Banking	\$ 498	\$ 458	\$ 466
Wealth Management Services	1,817	177	142
Total retail	2,315	635	608
Wholesale			
TD Securities	761	677	666
Retail and wholesale	3,076	1,312	1,274
Other	(51)	(129)	(129)
Total	\$ 3,025	\$ 1,183	\$ 1,145

Basis of presentation:

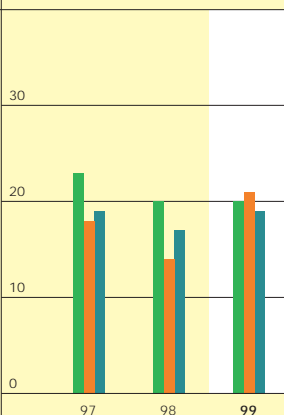
Results of each segment reflect revenues, expenses, assets and liabilities generated by the business in that segment. Transfer pricing of funds sold or purchased, and of commissions for services provided are generally at market rates. Residual unallocated amounts and special charges for general credit loss provisions are reported in Other.

Geographic contribution to cash basis net income (percent)



■ Canada
■ United States
■ Other international

Cash basis return on equity² (percent)



■ Personal and Commercial Banking
■ Wealth Management Services
■ TD Securities

¹ Cash basis measures are explained in table 3 on page 29.

² Special gains arising in 1999 from the sale of TD Waterhouse Group, Inc. and Knight/Trimark are excluded.

Personal and Commercial Banking

Once we launch TD Canada Trust in 2000, we will take the lead in retail financial services – creating a powerful platform for growth.

RETAIL BRANCH BANKING

- ▶ financial services to 6 million customers, small businesses and commercial clients
- ▶ 892 retail bank outlets in Canada, including 42 in-store branches

Our retail banking businesses grew strongly in 1999 as we continued to add value to our branches in the form of advice and service channels. We achieved market share gains in personal lending and deposit businesses while reaching record levels of revenue and net income. Among the highlights of the year:

- We expanded our well-received network of in-store branches across Canada, at leading retailers including Wal-Mart and Sobeys, to 42 by year end, increasing convenience by reaching our customers where they shop.
- To enhance the level of convenient financial advice for our customers, we expanded our group of qualified Financial Planners, Financial Advisors, and Financial Associates to 1,667 by year end. As well, we led the way in mutual fund advice and delivery – optimizing the choice available to customers – by piloting the sale of third-party mutual funds in branches in British Columbia and third-party GICs in branches in the Greater Toronto Area.
- We acquired Trimark Trust's eight-branch retail banking business – with \$800 million in business volumes comprising a strong mortgage and deposit portfolio.
- In TD Main\$trete Banking for small business, we centralized the credit approval process to provide faster turnaround for customers, and developed a focused sales force of 150 specialists in small business lending.
- In TD Commercial Banking, we saw growth in revenues and net income while increasing our focus on mid-sized business customers and launching a distinct Commercial Banking division. This business will continue to have a strong focus with its own mandate for growth.

ELECTRONIC BANKING

- ▶ electronic banking services through TD Access, with over 1.6 million customers registered for Telephone Banking, 240,000 customers registered for Web Banking, 1.8 million active debit card users and 2,164 Green Machine ABMs

We continued to develop convenient and low-cost electronic delivery channels, and generated exceptional growth in our Web Banking services in Canada and at TD Waterhouse Bank in the United States. Among the highlights of the year:

- Web Banking customers in Canada grew from 60,000 in 1998 to 240,000 by year end.
- We enhanced our Web Banking services in Canada with the introduction of the TD Access Web Genie, a personalized messaging service for customers – the first such service offered by a Canadian financial institution.
- We became the first and only Canadian bank to offer seamless cross-border Web Banking services through TD Waterhouse Bank – providing over 40,000 accounts to Canadian customers travelling or residing in the United States with a full range of electronic banking services.
- We announced strategic partnerships with @HomeCanada, Chapters Online and others.

Personal and Commercial Banking

TD VISA

- ▶ range of TD Visa products, with over 2 million accounts

Despite intense competition from giant monoline U.S. credit card issuers, we had a strong year in card services, with gains in the number of customers, loans outstanding and retail sales, and strong growth of the Wal-Mart TD Visa card, which was introduced at the end of 1998. As well, TD became the first Canadian bank to provide automated bill presentment online, through TD Access Web Banking, for The GM Card. We also completed the securitization of our proprietary card portfolio.

PRIVATE CLIENT GROUP

- ▶ TD Evergreen, TD's full service broker, with 67 offices, 174,000 accounts and \$16.0 billion in assets under administration
- ▶ TD Trust, with 8 offices, over 9,500 accounts and \$6.3 billion in assets under administration
- ▶ Private Banking, with 8 offices and over \$1.2 billion in loans, as well as \$1.1 billion in deposits and other investments

To enhance advisory services for our retail customers in Canada, we repositioned our retail advisory businesses (including our full service broker, TD Evergreen, along with private banking and trust services) within the retail bank. With this move, we are able to provide a more integrated and convenient delivery of the full range of financial services demanded by high net worth clients. During the year, TD Evergreen achieved solid growth in assets under administration, revenues and market share. TD Private Client Group expanded its network with the addition of 10 new offices for a total of 89 by year end, including six TD Private Client Group centres which combine TD Evergreen, TD Trust and Private Banking services in one location.

INSURANCE SERVICES

- ▶ creditor, individual life, small group benefits and travel insurance to over 650,000 customers

With increased web distribution and the sale of third-party products, we enhanced both choice and convenience for customers in 1999. We also achieved record revenues in insurance services in 1999, fuelled by strong growth in creditor insurance. Among the highlights:

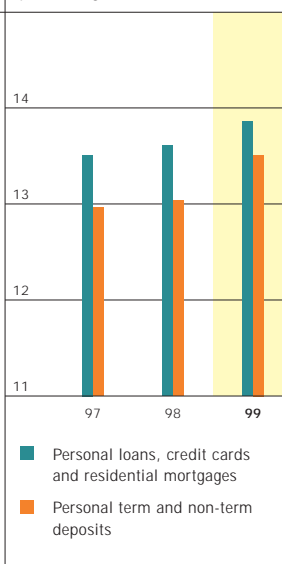
- We are actively growing our direct insurance distribution channel through our call centre and web capability, and are making it easier for customers to buy insurance at lower costs.
- In conjunction with TD Asset Management Inc., Toronto Dominion Life Insurance introduced TD Guaranteed Investment Funds – a group of managed portfolios and funds which combine many of the benefits of insurance products with the growth opportunities and versatility of mutual funds.

Personal and Commercial Banking

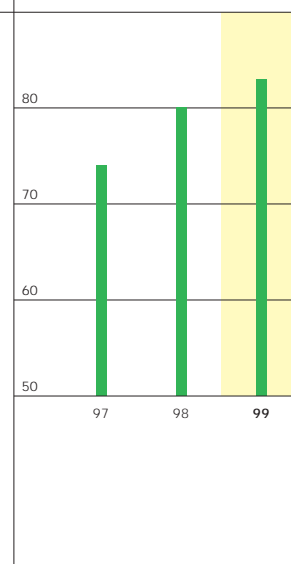
FINANCIAL REVIEW

Total revenues grew by 2.5% reflecting growth in lending volumes, including securitizations, and growth in transactions, credit cards, insurance and brokerage services. Net income increased by 9% to \$498 million, due to the growth in revenues and a decline of \$55 million or 35% in the provision for credit losses. Expense growth was contained to 3% and the efficiency ratio deteriorated marginally to 70% from 69% in 1998. Return on equity remained at 20% in 1999.

Market share
(percentage)



Electronic transactions
(as % of total transactions)



PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	1999	1998	1997
Net interest income (TEB)	\$ 2,088	\$ 2,151	\$ 2,105
Other income	1,118	978	864
Total revenue	3,206	3,129	2,969
Provision for credit losses	103	158	90
Non-interest expenses	2,231	2,163	2,052
Net income before taxes	872	808	827
Income taxes (TEB)	374	350	361
Net income – cash basis	\$ 498	\$ 458	\$ 466
Non-cash goodwill/intangible charges	2	–	–
Net income – accrual basis	\$ 496	\$ 458	\$ 466
Selected volumes and ratios			
Average loans and customers' liability under acceptances (\$ billions)	\$ 61	\$ 58	\$ 53
Average deposits (\$ billions)	55	51	50
Full-time equivalent staff at October 31	15,360	15,800	16,180
Cash basis return on common equity ¹	20%	20%	23%
Efficiency ratio, excluding goodwill and intangible amortization expenses	70%	69%	69%

¹ Cash basis measures are explained in table 3 on page 29.

OUTLOOK

The outlook for economic growth in Canada is positive, but the marketplace remains highly competitive with the increasing presence of international credit card giants, small business lenders, deposit-taking institutions and mutual fund providers as well as our traditional domestic competitors. We believe our retail businesses will continue to make gains by building on their leadership in online delivery while continuing to boost value-added services. Most importantly, with the acquisition of Canada Trust in the year ahead, we will achieve significant growth through the integration of our businesses.

Wealth Management Services

With the IPO and continued growth of TD Waterhouse, we have become more than the second-largest discount broker in the world – we have become a leader in online financial services.

ONLINE BROKERAGE

- ▶ discount brokerage services through TD Waterhouse in Canada, the United States, Australia, Europe and Asia
- ▶ 212 branches, including 9 call centres, 3.1 million accounts and \$168.6 billion in assets under administration

With the combination of TD's global discount brokerage operations to create TD Waterhouse Group, Inc., and its IPO, we moved quickly to build on our position by maintaining rapid growth:

- Active accounts grew to 2.2 million by year end as total accounts climbed to 3.1 million and trading volumes reached an average of 107,000 transactions per day in the past year.
- In Canada, TD Waterhouse was ranked as the #1 discount broker in the country by *Canadian Business* magazine – in the United States, TD Waterhouse was rated #2 overall in *The Wall Street Journal's SmartMoney* magazine annual survey of discount brokers, and we were named Favourite Discount Brokerage Firm in *Mutual Fund Magazine's* "Readers' Choice".
- TD Waterhouse became the first foreign online broker approved to trade local securities on the Stock Exchange of Hong Kong, and we established an office in Japan to pursue growth opportunities in Asia's largest economy.
- TD Waterhouse agreed to form a joint venture with Tata Finance Securities Limited, a subsidiary of one of India's leading industrial and financial conglomerates, to explore online brokerage opportunities in that rapidly growing market, and in the UK, agreed to acquire YorkSHARE Limited, a discount broker with 120,000 customer accounts, in a transaction expected to double our market share there.
- TD Waterhouse launched a \$150 million global branding and marketing campaign in the fourth quarter.
- We signed a letter of intent to become a member of the REDIBOOK ECN (electronic communications network) consortium, which includes some of the largest discount brokers and investment managers in the United States. With this move, we expect to be able to provide our customers with access to after-hours trading.
- Through TD Waterhouse Bank, we were the first online broker to offer integrated trading and banking services.

MUTUAL FUNDS AND INVESTMENT MANAGEMENT

- ▶ The Green Line Family of No-Load Mutual Funds, ninth largest retail mutual fund company in Canada, with \$16.7 billion in assets under management in 43 funds
- ▶ TD Investment Management, serving pension funds, other institutional and private clients and TD's mutual funds with \$59.1 billion in assets under management

We gained share in the highly competitive mutual fund market in 1999 and reached a record \$16.7 billion in assets under management, while meeting investor needs with a range of initiatives:

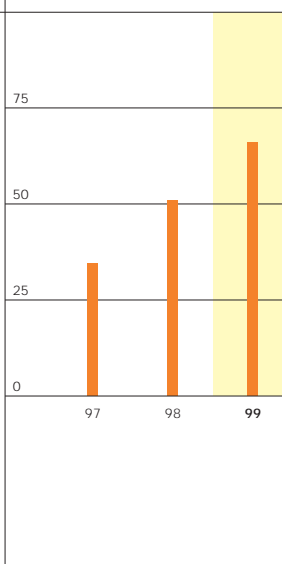
- TD Asset Management Inc. broadened the investment options for customers with the introduction of TD FutureLink Registered Education Savings Plans, TD Guaranteed Investment Funds (in partnership with Toronto Dominion Life Insurance Company) and the Green Line Managed Assets Program – an innovative mutual fund and portfolio management service.
- We established a new group of eight U.S.-dollar-denominated Green Line Mutual Funds, previously available only in Canadian dollars – providing Canadian investors with new currency diversification options.
- TD Quantitative Capital – Canada's largest index manager – continued its growth in 1999 as assets under management climbed to \$26.5 billion. Significantly, the Canadian Pension Plan Investment Board awarded us its domestic equity mandate.

Wealth Management Services

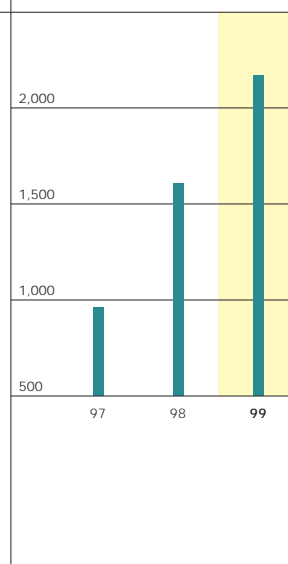
FINANCIAL REVIEW

With explosive growth in discount brokerage trading volumes, total revenues – excluding the special gains from the TD Waterhouse IPO and the sale of shares of Knight/Trimark – grew by 51% to more than \$1.6 billion in 1999. Assets under administration increased by 64% to \$212 billion, primarily due to the growth of TD Waterhouse. Net income grew to \$265 million, excluding special gains. Cash basis return on common equity, excluding special gains, was 21%, compared to 14% the previous year.

Electronic trades
(as % of total trades)



Number of active accounts
(thousands)



WEALTH MANAGEMENT SERVICES

(millions of dollars)	1999	1998	1997
Net interest income (TEB)	\$ 316	\$ 207	\$ 127
Other income	3,180	888	643
Total revenue	3,496	1,095	770
Provision for credit losses	–	–	3
Non-interest expenses	1,191	787	515
Net income before taxes	2,305	308	252
Income taxes (TEB)	483	131	110
Non-controlling interest	5	–	–
Net income – cash basis	\$ 1,817	\$ 177	\$ 142
Non-cash goodwill/intangible charges	42	62	57
Net income – accrual basis	\$ 1,775	\$ 115	\$ 85
Selected volumes and ratios			
Assets under administration at October 31 (\$ billions)			
Retail brokerage	\$ 152	\$ 82	\$ 48
Mutual funds	28	20	17
Institutional and other	32	27	24
Full-time equivalent staff at October 31	6,930	5,096	3,803
Cash basis return on common equity ^{1,2}	21%	14%	18%
Efficiency ratio, excluding goodwill and intangible amortization expenses ²	72%	72%	67%

¹ Cash basis measures are explained in table 3 on page 29.

² Excludes special gains in 1999 arising from the sale of TD Waterhouse Group, Inc. and Knight/Trimark.

OUTLOOK

With positive economic growth forecast for our major markets – combined with the demographic trends that continue to boost demand for wealth management and the continued shift by consumers to e-commerce – we anticipate another year of strong growth for our wealth management businesses. TD Waterhouse is pursuing aggressive growth strategies and will continue to seek opportunities for global expansion and leadership in online services, while TD Asset Management will enter new markets by launching new TD Waterhouse funds in the U.S.

TD Securities

Our highly specialized and fully integrated investment banking and corporate banking businesses are leading the way in financing the growth industries of the 21st century.

INVESTMENT BANKING

- ▶ capital market advice and transaction execution for debt, equities and mergers and acquisitions
- ▶ corporate banking and syndication
- ▶ merchant banking
- ▶ market presence in Toronto, Montreal, Calgary, Vancouver, New York, Chicago, Houston, Mexico City, Santiago, London, Dublin, Tokyo, Taipei, Sydney, Melbourne and Mumbai

Although we have pursued an integrated corporate lending and investment banking strategy since TD Securities was formed, the two areas were separately managed. During the year, we fully integrated the groups under one management team – enabling us to design some of the best combined corporate and investment banking transactions, manage our capital more effectively and provide a full range of leveraged financing transactions to our clients. This move also enables us to leverage the high level of industry specialization developed in each group – combining our strengths in key growth industries such as media, technology, telecommunications, government and infrastructure, financial institutions, utilities and energy – in our primary markets of Canada, the United States, Europe, Asia, Australia and Latin America. We have already seen the benefits, which contributed to considerable growth in these businesses during the year. Among the highlights:

- *Euromoney Magazine* singled out TD Securities as the Best Securities Dealer in Canada for the second year in a row, citing our leadership in domestic corporate bond underwriting, eurobonds, media and telecom financing, high yield debt and government infrastructure financing.
- *International Financing Review* named TD Loan House of the Year for U.S. media and telecommunications lending, noting TD's leadership in providing clients with informed and innovative financial solutions.
- We continued to build on our position as an international leader in loan syndications.
- Among our major achievements, we provided integrated financings and advice for three significant North American media and telecommunications clients – GlobeNet, Rural Cellular and CTV.

TD Securities

EQUITIES

- ▶ sales, trading, research, underwriting and distribution through offices in Toronto, Montreal, New York and London

During the year, we continued to build market share and again earned top rankings for our research, sales and trading capabilities. In addition:

- While new issue volume was down in Canada, we led or co-led 20 equity issues for a total of \$3.5 billion, including the TD Bank common equity issue of \$700 million to support the Canada Trust transaction, as well as the \$1.5 billion TD Waterhouse initial public offering, which at the time of issue was the largest internet-related IPO in the history of the New York Stock Exchange.
- Trading volumes improved with the market recovery during the year, resulting in substantial growth in trading revenues.

DEBT CAPITAL MARKETS AND FOREIGN EXCHANGE

- ▶ fixed income, interest rate and credit derivatives, money market, high yield and funding in Canada, New York, London, Hong Kong, Tokyo, Taipei, Singapore and Sydney
- ▶ foreign exchange trading and marketing provided through offices in Canada, New York, London, Tokyo, Taipei, Sydney and Melbourne

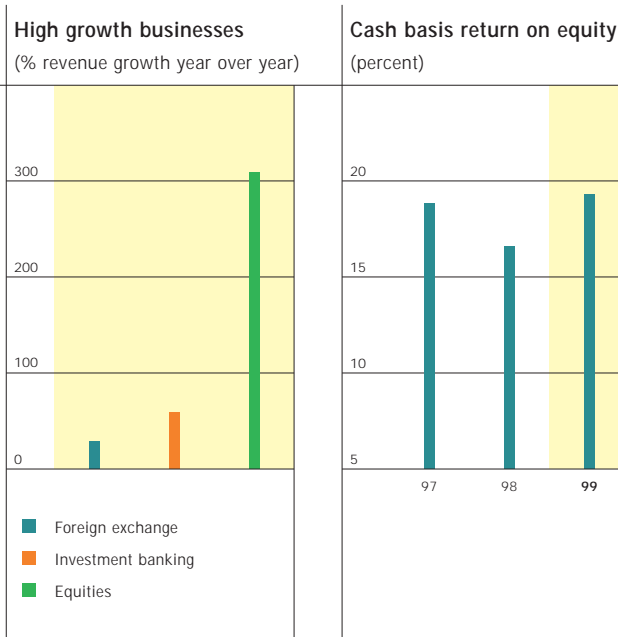
In a generally strong debt new issue and trading market, we achieved exceptional growth in our fixed income, foreign exchange, derivatives and high yield businesses. Our capital markets businesses – particularly high yield and derivatives – have benefited from our integrated approach and our industry specialization, providing us with a significant competitive advantage. Among the highlights:

- *International Financing Review* singled out TD Securities for Deal of the Year in the Canadian, Australian and New Zealand dollar categories.
- We maintained our top ranking among Canadian underwriters in Europe and corporate debt underwriters in Canada.
- We have approximately 25% market share in the primary market issuance of commercial paper.

TD Securities

FINANCIAL REVIEW

TD Securities had a record year in 1999, reflecting steady improvements in financial markets since the weak fourth quarter of 1998 as well as the group's integration and increased focus on management of costs and capital. Total revenues were up by 17% to \$2.3 billion excluding special securities gains. Net income climbed by 31% over 1998 excluding these gains, due to revenue growth as well as improving margins, strong fee income and a lower provision for credit losses. The efficiency ratio improved to 43% from 44%, due to better management of expenditures. Return on equity improved to 19% from 17% the previous year.



TD SECURITIES

(millions of dollars)	1999	1998	1997
Net interest income (TEB)	\$ 820	\$ 1,029	\$ 872
Other income	1,614	1,216	1,041
Total revenue	2,434	2,245	1,913
Provision for credit losses	76	92	67
Non-interest expenses	1,035	981	726
Net income before taxes	1,323	1,172	1,120
Income taxes (TEB)	562	495	454
Net income – cash basis	\$ 761	\$ 677	\$ 666
Non-cash goodwill/intangible charges	-	-	-
Net income – accrual basis	\$ 761	\$ 677	\$ 666
Selected volumes and ratios			
Average loans and customers' liability under acceptances (\$ billions)	\$ 30	\$ 29	\$ 26
Full-time equivalent staff at October 31	2,302	2,376	2,254
Cash basis return on common equity ¹	19%	17%	19%
Efficiency ratio, excluding goodwill and intangible amortization expenses	43%	44%	38%

¹ Cash basis measures are explained in table 3 on page 29.

OUTLOOK

We expect continued strength in financial markets in the year ahead, with Asian markets continuing strong recoveries and with recent improvements in commodity prices. We anticipate growth in a number of key industries we serve – including media, telecom, energy and infrastructure – which are key growth industries of the 21st century. Through our industry specialization and integrated approach, we aim to build on our already strong positions with these industries. We also plan to maintain our focus on managing capital and costs to maximize shareholder value. In this environment, we expect to make further gains in revenues, income and return on capital.

Group performance

NET INCOME

In 1999, TD's cash basis net income more than doubled to \$3,025 million primarily attributable to the sale of 11.5% of TD Waterhouse Group, Inc., which gave rise to a non-taxable gain of \$1,122 million, and to a special after-tax gain of \$431 million in the fourth quarter of 1999 on the sale of Knight/Trimark shares. Cash basis net income excludes non-cash charges relating to goodwill and intangible asset amortization.

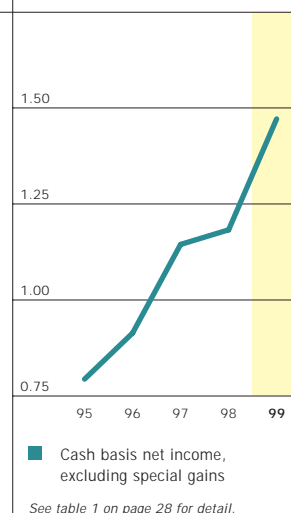
Excluding special gains, cash net income in 1999 increased by \$289 million to \$1,472 million, an increase of 24% from 1998. This year's growth arose from:

- an \$895 million increase in other income, reflecting strong performance during the year by our wealth management and corporate and investment banking businesses;
- a \$175 million decrease in the provision for credit losses as a result of the strong credit quality of TD's loan portfolio and a reduced level of additions to general allowances; and
- a \$33 million increase in net interest income (TEB).

These increases were offset by:

- a \$620 million increase in non-interest expenses;
- a \$189 million increase in the provision for income taxes (TEB) due to higher earnings; and
- a non-controlling interest in the net income of a subsidiary of \$5 million, as a result of the sale of 11.5% of TD Waterhouse Group, Inc.

Net income
(billions of dollars)



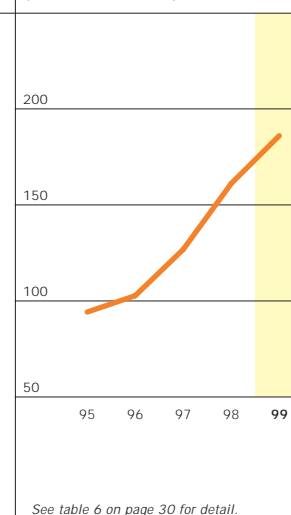
NET INTEREST INCOME (TEB)

Net interest income is comprised of the interest and dividend revenue the Bank earns on its loans and securities, calculated on a taxable equivalent basis (TEB), less the interest expense incurred on deposits and other liabilities. In 1999, net interest income (TEB) increased \$33 million or 1% from 1998.

Average earning assets

Average earning assets reached \$186 billion during 1999, up by \$25 billion or 15% from 1998. The increase in average earning assets reflects the strong growth in trading securities, which support TD Securities' business. Average trading securities grew by \$19 billion during the year, accounting for 11% of the 15% growth noted above. Although these assets have a much lower margin than loan products, they contribute to net income and have minimal credit risk, making them less capital intensive.

Average earning assets
(billions of dollars)

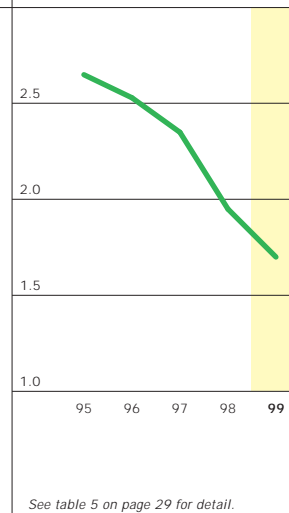


Net interest rate margin

The net interest rate margin earned by the Bank is calculated as net interest income (TEB) expressed as a percentage of the average earning assets. The trend toward lower net interest rate margins of past years is again evident in 1999, with TD's net interest rate margin declining 25 basis points to 1.70%. The main factor behind the decline continues to be the previously noted change in the Bank's earning assets mix to lower margin trading securities.

Also contributing to the change in the Bank's earnings mix to lower margin wholesale assets is the ongoing securitization of retail loans such as residential mortgages and credit card receivables. During 1999, the Bank securitized \$3.7 billion of residential mortgages and \$325 million of credit card receivables. These securitizations reduce net interest income and increase securitization revenues recorded in other income.

Net interest rate margin
(percent)



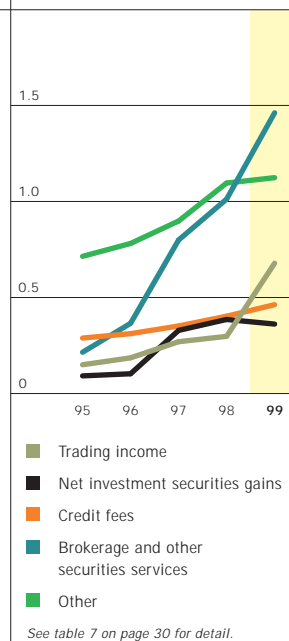
OTHER INCOME

Other income reported in 1999 is comprised of all revenue other than net interest income, after excluding a special pre-tax gain of \$717 million on the sale of our holdings of Knight/Trimark in the fourth quarter of 1999. Excluding this special gain, other income increased \$895 million or 28% over 1998.

Our strong growth in other income continues to be driven by our wealth management businesses and TD Securities:

- brokerage and other securities services income including fees and commissions increased \$450 million or 44% over last year;
- stronger capital markets throughout the year as compared to the previous year resulted in trading income rising \$381 million or 128% over 1998 to \$679 million; and
- mutual fund management fees (included in "other" in chart) increased by \$54 million to \$258 million in 1999, an increase of 26%. The growth in mutual fund revenues reflects a 17% growth in mutual fund assets under administration to \$17 billion in Canada and an 84% growth to \$11 billion in the United States.

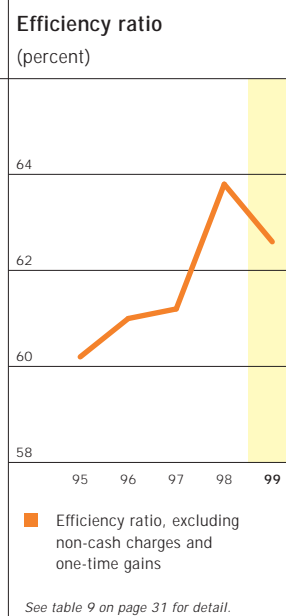
Other income
(billions of dollars)



EFFICIENCY RATIO

This ratio measures non-interest expenses as a percentage of revenue (TEB): the lower the percentage, the greater the efficiency.

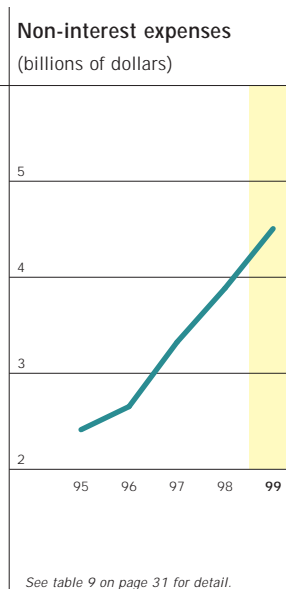
Excluding non-cash charges relating to goodwill and intangible assets, and one-time gains, the efficiency ratio improved to 62.6% compared with 63.8% in 1998. Although improved in 1999, the Bank's efficiency ratio has generally increased in recent years, which is consistent with a higher contribution by our wealth management businesses to our overall revenues. While these newer businesses have negligible credit risk and a higher return on equity on a cash basis than traditional intermediation businesses, their expense to revenue ratios are also higher.



NON-INTEREST EXPENSES

Non-interest expenses increased by \$620 million or 16% in 1999, after excluding non-cash charges related to goodwill and intangible asset amortization. Most of the expense growth was attributable to spending on strategic initiatives, in particular our continuing investment in TD Waterhouse.

- Salaries and staff benefits increased \$316 million, accounting for 8% of the 16% expense growth noted above. Approximately 45% of this increase related to TD Waterhouse, reflecting an almost 40% increase in the average number of full-time employees to support higher business activity.
- Spending on occupancy and equipment, which accounted for 2% of the 16% increase in expenses, was also largely attributable to expenditures by TD Waterhouse.
- Brokerage-related fees were also higher as a result of increased trading volumes, accounting for a further 2% of the increase.



TAXES

As in past years, banks continue to be one of the most heavily taxed business sectors in Canada. Federal and provincial capital taxes are the primary reason banks shoulder a disproportionate amount of taxes compared to their earnings. These taxes represent a significant fixed cost which jeopardizes our competitive position and increases the costs of banking for customers in Canada.

While many other corporations in Canada pay capital taxes, banks are taxed at rates which are higher, on average, than those for other industries. In addition, the tax is paid on a large capital base which we are required to maintain by our regulator. Unlike other businesses, banks do not have the flexibility of structuring their capital to optimize returns to investors and yet they are penalized with higher capital taxes.

TD's 1999 capital tax expense reduced cash basis earnings by \$69 million.

The federal government has recently given some degree of recognition to the excessive tax burden which is borne by banks. In its report on *Reforming Canada's Financial Services Sector*, the government has indicated its willingness to review capital taxes imposed on the financial services sector. Addressing the issue of taxation, the report states:

"The federal government will raise with the provinces the effects of capital taxation on the financial services sector. As part of these discussions, the federal government is committing to a review of its own capital taxes."

TD believes capital taxes should be phased out for all corporations as the fiscal environment improves. These are regressive taxes which impair the ability of Canadian businesses to compete effectively in the global marketplace. At the very least, those industry sectors which shoulder an excessive tax burden should be afforded the opportunity to compete on a level playing field. Canada is one of the few countries which imposes a tax on the capital of financial institutions, placing us at a substantial disadvantage to our foreign competitors. As a first step to rectifying this situation, we urge the federal government to allow the "temporary" capital tax surtax to expire.

Table 10 on page 32 details the various taxes paid by the Bank over the past five years.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of TD. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where TD operates. These differences between the forward-looking statements and actual results could also be caused by risks relating to the acquisition of CT Financial Services Inc., which are described in TD's Report on Form 6-K, filed with the U.S. Securities and Exchange Commission on August 3, 1999 and TD's Material Change Report, filed with the Ontario Securities Commission on August 3, 1999.

Risk management

OVERVIEW

Risk management is the recognition and ongoing assessment of the material risks that could adversely affect the achievement of the Bank's goals. TD strives to be the best risk manager among major Canadian banks. Meeting this objective requires a well-established infrastructure to manage the 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 approved by Group Risk Management and reviewed at least annually by the Bank's Risk Policy Committee, comprised of senior executives of TD. In addition the Audit and Risk Management Committee of the Board of Directors approves all such policies.

CREDIT RISK

Credit risk is the risk of financial 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 mitigates risk on all of its portfolios through a risk rating system, lending limits and its lending practices. On derivatives traded over the counter, TD uses master netting agreements or collateral wherever possible.

TD's key objective in managing credit risk is to ensure the average of actual annual losses on credit exposures of all types is limited to .30% of net average loans and customers' liability under acceptances.

Group Risk Management 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;
- central control of all major credit decisions;
- formulation of standards for the measurement of credit exposure;
- approval of the application of scoring 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 13-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 table 13 on page 34 and Note 1, subsections (f) and (g), and Note 3 of the Notes to consolidated financial statements.

General allowances are established to reflect the risk of credit loss in the portfolio that has not yet been specifically identified. In 1999, TD continued to increase general allowances in response to regulatory guidance which requires higher levels of general allowances within the banking industry, and to take advantage of Tier 2 regulatory treatment of general allowances representing up to .75% of risk-weighted assets. During the first quarter of 1999, TD realized unusually large gains on the sale of investment securities and utilized \$100 million of these gains to increase its general provision for credit losses.

TD had a general allowance of \$712 million for loan losses as at October 31, 1999, up from \$620 million at the end of 1998. In addition, a reserve for certain derivative financial instruments and loan underwriting commitments of \$41 million resulted in TD's cumulative general allowance reaching a balance of \$753 million at October 31, 1999. This level of general allowance represented .69% of TD's risk-weighted assets.

A Risk Adjusted Return on Capital 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 1999. Excluding the \$100 million special increase in general allowances for credit losses, our provision for credit losses was \$175 million. The 1999 provision was lower than the \$250 million reported a year earlier on a comparable basis. This provision represents .18% of average loans and customers' liability under acceptances – the fifth consecutive year in which losses were less than our .30% target for losses over a complete business cycle (for more details on TD's provision for credit losses, see table 15 on page 35).

Another key measure for the Bank is the level of net impaired loans (NIL). NIL is the gross amount of impaired loans less the allowances for credit losses. For the third year in a row, allowances continued to exceed impaired loans resulting in excess allowances of \$(257) million in 1999 compared to the 1998 level of \$(259) million (see table 13 on page 34).

MARKET RISK

Through its 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.

The market risk management function within Group Risk Management is responsible for the measurement and monitoring of market risk as well as the communication and enforcement of risk limits throughout all of TD's trading businesses.

Group Risk Management 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 TD's trading businesses. This committee is co-chaired by the Chairman and CEO, TD Securities, and the Senior Vice President, Market Risk Policy, and includes members of senior management of TD Securities, Corporate Audit, and Group Risk Management.

Based on the rapid changes occurring in TD's businesses, the market risk management process has matured into 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: Serving 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 profitability is driven by trading volumes.

Sales: Providing financial products in response to client needs. Earnings are generated from 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 directional positions in financial markets in anticipation of changes in those markets. This strategy is the riskiest of the four core activities and is employed selectively to enhance earnings.

Market risk positions are managed within established limits by each trading desk accountable to its business head. Group Risk Management, which is independent from the trading functions, oversees the measurement and reporting of market risk. It also develops all policies related to market risk and participates in the development of all valuation policies. Group Risk Management's responsibilities include:

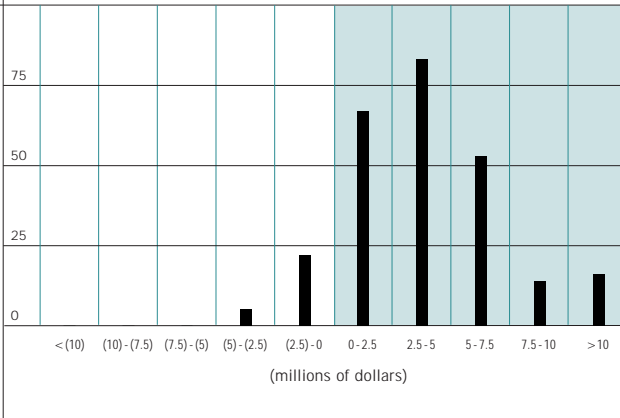
- design and implementation of methodologies to measure market risks and monitor exposure versus established limits;
- approval of new or additional trading limits;
- tracking and approval of any significant excesses over trading limits;
- approval of all new trading products;
- independent testing of all trading models and systems;
- determining the sources of all volatilities and correlations of market rates/prices used in the estimation of market risk; and
- stress testing the portfolio to determine the effect of large unusual market movements.

All major market risk policies and procedures are reviewed and approved annually by the Audit and Risk Management Committee of 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 criteria for establishing market risk limits include market volatility, market liquidity, trader experience and business strategy. 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, stop loss limits, and stress test limits. To estimate VAR, a distribution of potential changes in the market value of the current portfolio is created by valuing the portfolio using the most recent 259 trading days of market price and rate changes. The VAR is then calculated so that potential portfolio losses are expected to be less than the VAR amount for 99 out of every 100 trading days. The Bank believes that the use of non-statistical measures and stop loss limits reduces 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 Group Risk Management 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. There is an approved escalation process designed to ensure that all significant deviations from existing limits are approved by Group Risk Management.

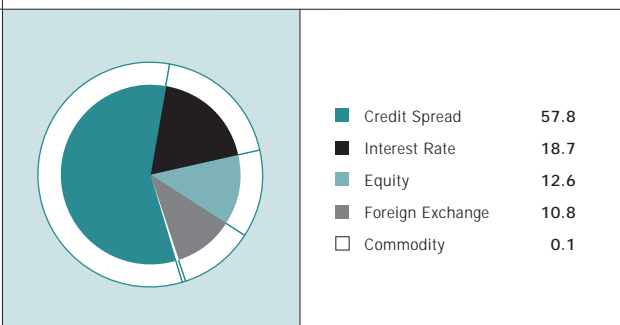
Distribution of daily net trading-related revenues
(number of days)



The graph above presents the frequency distribution of net trading revenue associated with the trading businesses of the Bank for fiscal 1999. Daily net trading revenues in 1999 were positive on 89.6% of the trading days in the year, while losses exceeding \$2.5 million represented only 1.9% of the days. On no occasion did trading losses exceed the Bank's statistically predicted VAR for the total trading-related businesses.

TD Bank's trading business is also subject to stress test limits at a global business line level, as well as an overall global stress test limit. The objective of stress testing is to quantify the largest quarterly loss the Bank is prepared to risk in its trading activities and limit market risk accordingly. Stress testing simulates the likely behaviour of TD's trading portfolio's profits and losses in response to adverse market scenarios, which are designed to model extreme economic events, replicate worst case historical experiences, or introduce large but plausible moves in key market risk factors. Stress tests are produced and reviewed on a weekly basis with the Executive Vice President for Group Risk Management, and are reviewed with the Market Risk Committee every two weeks as well as quarterly with the Audit and Risk Management Committee of the Board of Directors.

Market risk attribution as of October 31, 1999
(percent)



The above graph is an attribution of the Bank's general market risk to different risk categories as of October 31, 1999, based on stress testing. The dominant risk in TD Bank's trading businesses is credit spread risk, primarily from high yield, and eurobond inventories. There is also significant risk to interest rate movements, equity prices and foreign exchange rates.

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 Group Finance 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 Chairman and Chief Executive Officer, and includes senior executives.

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 assets reprice differently 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 the 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 Audit and Risk Management Committee of 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, asset maturity profile, 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 sensitivity analysis and simulation modeling. 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 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 prepay 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%), 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 1999, TD moderately increased its interest rate risk position from very low levels in 1998. That position was taken in 1998 in response to higher short-term interest rates and a flattening of the yield curve. The increased position was taken in 1999 in expectation of and in response to decreases in short-term rates and a steepening of the yield curve whereby the rewards from holding longer term assets and funding them with shorter term deposits improve as the yield curve steepens.

An immediate and sustained 100 basis point (or 1%) increase in rates as at October 31, 1999 would have decreased the economic value of shareholders' equity by \$153 million (versus \$74 million and \$158 million at October 31, 1998 and 1997 respectively). The same 100 basis point increase would have decreased income after tax by \$7 million (versus an increase of \$38 million in 1998 and a decrease of \$15 million in 1997).

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 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 Audit and Risk Management Committee of the Board of Directors. The Funding, Liquidity

and Exchange Committee (FLEX) oversees and directs ALM in managing non-trading foreign exchange risk. The FLEX is chaired by the Deputy Chairman.

In order to manage foreign exchange risk, foreign currency open positions are minimized and the ratio of foreign currency equity to total foreign currency assets is maintained at a level that is close to the total Bank's common equity to risk-weighted asset ratio. This minimizes the risk that our capital ratios will be adversely impacted by foreign currency rate movements.

LIQUIDITY RISK

The objective of sound and prudent 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 FLEX. 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 giving rise to bank loans.

The potential for computer related problems in the financial system over the Year 2000 date change has presented the Bank with a requirement to take specific event readiness and contingency planning action. To ensure that the Bank can continue to meet all its obligations over the Year 2000 period, planning began early in 1998. The Bank has reviewed all of its links to the critical payment systems around the world to ensure that information on availability is quickly provided to those individuals who have liquidity management responsibilities. Should problems arise, contingency plans are in place to ensure that the impact on the Bank is minimized. As well, the Bank has worked with the Bank of Canada, the U.S. Federal Reserve Bank and other central banks where TD is active to ensure that special arrangements are in place to provide liquidity to the Bank and/or other financial institutions should normal funding mechanisms become unavailable over the Year 2000 risk period.

As at October 31, 1999, TD's liquidity was supported by \$28.7 billion and US\$6.2 billion in highly liquid Canadian and U.S. assets respectively (compared to \$13.3 billion and US\$2.5 billion respectively at October 31, 1998). 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.

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

OPERATIONAL RISK

Operational risk is the potential for loss resulting from operational failures or fraud due to breakdowns in business processes, systems of internal control and technology. Losses can be financial or non-financial, such as loss of reputation.

Operational risk is mitigated through comprehensive, ongoing risk management practices, which include:

- continuous identification and assessment of operational risk faced by the Bank's businesses;
- the implementation and execution of appropriate risk mitigation practices, including an extensive system of internal control; trained and competent people; segregation of incompatible functions; clearly defined operating practices; contingency planning; continual upgrades to TD's systems and procedures; and
- regular Bank-wide audits by TD's Audit Division to ensure that the appropriate risk mitigation practices are being followed.

YEAR 2000

The Year 2000 issue refers to concerns that computer and other electronic systems may not correctly interpret dates from the Year 2000 and on, possibly resulting in errors. If not properly addressed, the Bank's ability to conduct normal business activities would have been affected.

All of the Bank's internal systems were updated and tested for Year 2000 readiness. TD also developed detailed contingency plans and event-readiness plans to cope with various scenarios. The Bank was confident that its systems were ready and its operations would continue without disruption. To this end, the Bank issued a guarantee to customers that their deposits would be safe and their financial records would be fully protected before, on, and after January 1, 2000. TD's confidence was based on the results of extensive testing that had been carried out on its systems. This testing was conducted first on individual systems, then in an enterprise-wide test with customer critical systems running together in a fully integrated manner. TD further expanded the scope of testing by participating in industry tests with other institutions

such as banks, brokerages and stock exchanges, and conducted comprehensive tests with its external systems service providers. All tests were successful.

The Bank also had a program in place to ensure that systems that had been updated for the Year 2000 continued to be Year 2000 ready if subsequently changed. As of August 4, 1999, the Bank did not allow any changes to its systems, except where absolutely necessary, until after January 15, 2000, to ensure the Year 2000 status of its systems was not altered. A similar policy was in place with the Bank's external service providers to ensure their systems remained fully Year 2000 ready.

Notwithstanding TD's confidence in its systems readiness, as a prudent measure, the various business and support units reviewed their business recovery procedures and where required, modified them to recognize the special Year 2000 challenge. All business areas tested their procedures for adequacy.

Steps were taken to monitor, manage and mitigate the potential impact that non-compliant credit customers could have on the Bank. Corporate, commercial and financial institution relationships were reviewed and the Bank is confident that the Year 2000 issues will not have a material and adverse impact on the Bank's operations.

The Bank prepared a plan to monitor, test and report on systems as they commenced processing Year 2000 dates. It should be noted that many systems were dealing with Year 2000 dates prior to the Year 2000 (such as mortgages and GIC maturity dates) and we have not experienced any problems with them. The Bank considered the period from December 31, 1999 to January 5, 2000 to be the most critical one and created "Control Centres" within each business and an overall bank-wide "Command Centre" to monitor the Bank's operations during this period. The Bank also conducted simulation tests of these centres. As systems started to run after December 31, TD had people on site, monitoring the systems to ensure they continued to operate correctly. This is the Bank's normal process for major systems events such as implementation of new versions of systems.

TD anticipated higher than usual customer activity towards the end of the year and into early 2000 and increased the capacity of all delivery channels to accommodate this potential increased demand. TD monitored traffic patterns very closely and had extra staff ready to meet additional customer demand. The Bank was involved with other financial institutions in industry-wide advertising this past fall to inform customers of the readiness of the banking industry.

The total cost associated with the Year 2000 conversion is approximately \$100 million, of which \$86 million has been incurred to October 31, 1999. All material costs are being expensed as incurred.

Capital management

CAPITAL STRUCTURE AND RATIOS AT YEAR END			
(millions of dollars)	1999	1998	1997
Tier 1 capital			
Retained earnings	\$ 8,694	\$ 6,387	\$ 5,460
Common shares	2,006	1,301	1,297
Qualifying preferred shares	833	845	546
Non-controlling interest in subsidiary	335	–	–
Less: goodwill and intangibles in excess of 5% limit	(892)	(958)	(522)
Total Tier 1 capital	10,976	7,575	6,781
Tier 2 capital			
Subordinated notes	3,217	3,606	3,391
General allowance for credit losses	753	636	402
Less: amortization of subordinated notes	(346)	(257)	(107)
Total Tier 2 capital	3,624	3,985	3,686
Other deductions	150	24	13
Total capital	\$ 14,450	\$ 11,536	\$ 10,454
Capital ratios			
To total assets			
Common shareholders' equity	5.0%	4.2%	4.1%
Total shareholders' equity	5.4	4.7	4.5
To risk-weighted assets			
Tier 1 capital	10.1	7.2	6.6
Tier 2 capital	3.2	3.8	3.6
Total capital	13.3	11.0	10.2
Assets to capital multiple ¹	15.0	16.1	16.5
U.S. basis			
Tier 1 capital	9.9%	6.9%	6.4%
Total capital	13.1	10.8	9.8

¹ 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 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 appropriately capitalized 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.

Total regulatory capital increased \$2,914 million during the year. Approximately 65% of the net increase was the result of capital market activities, including:

- the initial public offering of TD Waterhouse Group, Inc., which gave rise to net proceeds of \$1.45 billion;
- the issuance of 25.7 million common shares for gross proceeds of \$700 million; and
- the redemption and maturity of \$286 million in subordinated debt.

Internally generated capital also contributed to the increase, including:

- earnings after dividends and other charges to retained earnings of \$1,185 million, excluding the special gain on the sale of TD Waterhouse Group, Inc. shares; and
- an increase of \$117 million in the general allowance for credit losses.

TD's capital ratios have improved significantly during the year as a result of the increase in capital. At 10.1% and 13.3% for the Tier 1 and total capital ratios, respectively, TD's capitalization exceeds the recommended levels of 7% and 10% established by the Office of the Superintendent of Financial Institutions Canada (OSFI). The increase in capital

ratios at October 31, 1999 is in anticipation of the proposed acquisition of CT Financial Services Inc. in fiscal 2000. In addition to the \$700 million in common shares issued during 1999, the Bank will raise approximately \$1,300 million in preferred shares and other capital instruments in fiscal 2000 to ensure OSFI's required 7% Tier 1 and 10% total capital ratios continue to be met.

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 investment securities and real estate investments. These were estimated at \$394 million and \$553 million, respectively, at October 31, 1999.

RISK-WEIGHTED ASSETS AT YEAR END						
(millions of dollars)	1999		1998		1997	
	Balance	Risk-weighted balance	Balance	Risk-weighted balance	Balance	Risk-weighted balance
Balance sheet assets						
Cash resources	\$ 6,226	\$ 1,109	\$ 3,079	\$ 499	\$ 7,587	\$ 1,414
Securities purchased under resale agreements	25,708	201	12,291	98	23,321	7
Securities	69,093	6,956	49,719	5,101	33,422	17,949
Loans	87,485	54,079	84,926	47,683	79,702	46,745
Customers' liability under acceptances	9,040	8,286	9,948	9,706	7,036	7,036
Other assets	16,865	4,757	21,868	5,192	12,784	4,922
Total balance sheet assets	\$ 214,417	75,388	\$ 181,831	68,279	\$ 163,852	78,073
Off-balance sheet assets						
Credit instruments		19,347		22,515		22,047
Derivative financial instruments		3,603		5,007		2,765
Total off-balance sheet assets		22,950		27,522		24,812
Total risk-weighted asset equivalent – credit risk		98,338		95,801		102,885
– market risk ¹		10,146		9,305		–
Total risk-weighted assets		\$ 108,484		\$ 105,106		\$ 102,885

¹ Market risk rules for trading securities in effect from January 1, 1998.

RISK-WEIGHTED ASSETS

TD's total balance sheet assets showed strong growth again in 1999, up \$33 billion or 18%. However, TD's risk-weighted assets experienced growth of only \$3.4 billion or 3%. The two main factors affecting the nominal growth in risk-weighted assets during 1999 were:

- the low risk weighting assigned to certain trading securities and securities purchased under resale agreements; and
- the securitization and sale of \$325 million of credit card receivables and \$3.7 billion of residential mortgages.

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 Risk management section of the Management discussion and analysis of operating performance.

Supplementary information

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Table 1
CONSOLIDATED STATEMENT OF INCOME (TEB)

(millions of dollars)	Canada		United States		Other international		Total		
	1999	1998	1999	1998	1999	1998	1999	1998	1997
	Net interest income	\$ 2,267	\$ 2,328	\$ 484	\$ 416	\$ 230	\$ 197	\$ 2,981	\$ 2,941
Taxable equivalent adjustment	192	199	-	-	-	-	192	199	161
Net interest income (TEB)	2,459	2,527	484	416	230	197	3,173	3,140	2,983
Provision for credit losses	217	387	45	42	13	21	275	450	360
Net interest income after credit loss provision (TEB)	2,242	2,140	439	374	217	176	2,898	2,690	2,623
Other income	2,314	2,004	1,550	961	228	232	4,092	3,197	2,650
Net interest and other income before special gains (TEB)	4,556	4,144	1,989	1,335	445	408	6,990	5,887	5,273
Special gains ¹	141	-	1,699	-	-	-	1,840	-	-
Net interest and other income (TEB)	4,697	4,144	3,688	1,335	445	408	8,830	5,887	5,273
Non-interest expenses excluding non-cash goodwill/intangible charges	3,107	2,874	1,153	788	248	226	4,508	3,888	3,326
Net income before provision for income taxes (TEB)	1,590	1,270	2,535	547	197	182	4,322	1,999	1,947
Imputed income taxes on grossed-up income	639	595	626	200	27	21	1,292	816	802
Net income before non-controlling interest	951	675	1,909	347	170	161	3,030	1,183	1,145
Non-controlling interest	-	-	5	-	-	-	5	-	-
Net income – cash basis	\$ 951	\$ 675	\$ 1,904	\$ 347	\$ 170	\$ 161	\$ 3,025	\$ 1,183	\$ 1,145
Non-cash goodwill/intangible charges – tax effected	-	-	44	62	-	-	44	62	57
Net income – accrual basis	\$ 951	\$ 675	\$ 1,860	\$ 285	\$ 170	\$ 161	\$ 2,981	\$ 1,121	\$ 1,088
Percentage contribution to consolidated net income – cash basis	31.4%	57.1%	63.0%	29.3%	5.6%	13.6%	100%	100%	100%

¹ Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.

Table 2
CASH EARNINGS PER COMMON SHARE ANALYSIS

	1999	1998	1997
Prior year's cash earnings per common share	\$ 1.92	\$ 1.87	\$ 1.48
Increase (decrease)			
Net interest income (TEB) – asset growth	.76	1.39	1.02
– margin	(.74)	(1.10)	(.38)
Provision for credit losses	.30	(.16)	(.35)
Other income	1.44	.95	1.51
Special gains ¹	3.07	-	-
Non-interest expenses excluding non-cash goodwill/intangible charges	(.98)	(.98)	(1.13)
Income taxes (TEB)	(.78)	(.03)	(.28)
Non-controlling interest	(.01)	-	-
Preferred dividends	-	(.02)	-
Current year's cash earnings per common share	\$ 4.98	\$ 1.92	\$ 1.87
Number of common shares (millions) – at year end	620.3	594.2	593.9
– average	599.3	594.0	597.4

¹ Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.

Table 3

CASH BASIS MEASUREMENTS

(millions of dollars)	1999	1998	1997
Net income applicable to common shares	\$ 2,938	\$ 1,076	\$ 1,057
Impact of non-cash goodwill and intangible expense (tax effected)	44	62	57
Net income – cash basis	\$ 2,982	\$ 1,138	\$ 1,114
Average common shareholders' equity	\$ 8,576	\$ 7,169	\$ 6,386
Impact of average non-cash goodwill/intangibles	(753)	(708)	(522)
Average tangible common shareholders' equity	\$ 7,823	\$ 6,461	\$ 5,864
Average number of common shares outstanding (millions)	599.3	594.0	597.4
Cash basis measurements			
Cash earnings per share ¹	\$ 4.98	\$ 1.92	\$ 1.87
Cash earnings per share excluding special gains ³	2.39	1.92	1.87
Cash return on common shareholders' equity ¹	34.8%	15.9%	17.4%
Cash return on common shareholders' equity excluding special gains ³	16.7	15.9	17.4
Cash return on tangible common shareholders' equity ²	38.1	17.6	19.0
Cash return on tangible common shareholders' equity excluding special gains ³	18.3	17.6	19.0
Tangible book value per share	\$ 16.04	\$ 11.61	\$ 10.50

¹ Cash basis measurement is based on excluding goodwill and intangible expense from the income statement.

² Cash return on tangible common equity is an alternative measurement based on excluding goodwill and intangible expense from the income statement and deducting unamortized goodwill and intangibles from shareholders' equity for purposes of calculating return on common shareholders' equity. This treatment allows for a more meaningful comparison between Canada and the United States. The portion of goodwill and intangibles which is deductible for tax has been tax effected.

³ Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.

Table 4

ANALYSIS OF CHANGE IN NET INTEREST INCOME (TEB)

(millions of dollars)	1999 vs. 1998			1998 vs. 1997		
	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	\$ 1,449	\$ (579)	\$ 870	\$ 1,877	\$ 332	\$ 2,209
Total interest-bearing liabilities	(912)	75	(837)	(1,605)	(447)	(2,052)
Net interest income	\$ 537	\$ (504)	\$ 33	\$ 272	\$ (115)	\$ 157

Table 5

NET INTEREST RATE MARGIN (TEB)

(millions of dollars)	1999			1998			1997		
	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin
Canada	\$100,814	\$ 2,459	2.44%	\$ 98,239	\$ 2,527	2.57%	\$ 86,689	\$ 2,552	2.94%
United States	47,472	484	1.02	38,489	416	1.08	25,804	255	.99
Other international	37,861	230	.61	24,516	197	.80	14,404	176	1.22
Total Bank	\$186,147	\$ 3,173	1.70%	\$161,244	\$ 3,140	1.95%	\$126,897	\$ 2,983	2.35%
Percentage increase over previous year	15.4%	1.1%		27.1%	5.3%		23.4%	14.6%	

Table 6

AVERAGE BALANCES AND INTEREST RATES (TEB)

(millions of dollars)	1999			1998			1997		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Deposits with banks	\$ 7,943	\$ 512	6.4%	\$ 7,802	\$ 334	4.3%	\$ 4,957	\$ 225	4.5%
Securities purchased under resale agreements	24,401	1,156	4.7	24,736	1,181	4.8	18,230	747	4.1
Securities									
Investment	15,922	898	5.6	14,311	762	5.3	12,251	685	5.6
Trading	48,715	2,062	4.2	29,709	1,611	5.4	14,896	767	5.1
Total securities	64,637	2,960	4.6	44,020	2,373	5.4	27,147	1,452	5.3
Loans									
Residential mortgages	32,904	2,118	6.4	31,366	2,098	6.7	30,110	2,160	7.2
Consumer instalment and other personal	17,981	1,409	7.8	15,060	1,229	8.2	11,820	923	7.8
Business and government	38,281	2,911	7.6	38,260	2,981	7.8	34,633	2,480	7.2
Total loans	89,166	6,438	7.2	84,686	6,308	7.4	76,563	5,563	7.3
Total earning assets	186,147	11,066	5.9	161,244	10,196	6.3	126,897	7,987	6.3
Customers' liability under acceptances	9,439	-	-	8,852	-	-	7,141	-	-
Other assets	17,975	-	-	20,504	-	-	12,359	-	-
Total assets	\$ 213,561	\$ 11,066	5.2%	\$ 190,600	\$ 10,196	5.3%	\$ 146,397	\$ 7,987	5.5%
Liabilities									
Deposits									
Personal	\$ 49,357	\$ 1,478	3.0%	\$ 44,255	\$ 1,559	3.5%	\$ 41,836	\$ 1,403	3.4%
Banks	30,078	1,675	5.6	23,364	1,011	4.3	13,332	619	4.6
Business and government	62,613	3,101	5.0	59,923	3,013	5.0	43,715	1,870	4.3
Total deposits	142,048	6,254	4.4	127,542	5,583	4.4	98,883	3,892	3.9
Subordinated notes	3,328	181	5.4	3,310	226	6.8	3,170	192	6.1
Obligations related to securities sold short	17,348	650	3.7	11,826	391	3.3	7,412	320	4.3
Obligations related to securities sold under repurchase agreements	16,932	780	4.6	17,373	818	4.7	13,866	583	4.2
Other interest-bearing liabilities	397	28	7.0	338	38	11.4	218	17	7.8
Total interest-bearing liabilities	180,053	7,893	4.4	160,389	7,056	4.4	123,549	5,004	4.1
Acceptances	9,439	-	-	8,852	-	-	7,141	-	-
Other liabilities	14,647	-	-	13,222	-	-	8,708	-	-
Non-controlling interest in subsidiary	130	-	-	-	-	-	-	-	-
Equity – preferred	837	-	-	883	-	-	541	-	-
– common	8,455	-	-	7,254	-	-	6,458	-	-
Total liabilities	\$ 213,561	\$ 7,893	3.7%	\$ 190,600	\$ 7,056	3.7%	\$ 146,397	\$ 5,004	3.4%
Total net interest income (TEB)		\$ 3,173	1.5%		\$ 3,140	1.6%		\$ 2,983	2.0%

Table 7

OTHER INCOME

(millions of dollars)	1999	1998	1997	1996	1995	Five-year growth rate
TD Waterhouse fees and commissions	\$ 979	\$ 634	\$ 467	\$ 150	\$ 94	62%
Full service brokerage and other securities services	484	379	333	216	121	40
Credit fees	463	403	352	312	289	14
Net investment securities gains ¹	362	386	329	103	92	62
Trading income	679	298	270	186	150	39
Service charges	289	283	268	260	251	4
Mutual fund management	258	204	152	74	52	38
Card services	190	180	165	150	133	17
Foreign exchange – non-trading	72	95	81	65	63	1
Property rental income	59	61	54	51	50	23
Insurance	65	56	42	31	46	20
Income – asset securitizations	94	33	-	-	-	100+
Other consumer services	16	28	45	47	42	(17)
Other commercial and corporate services	82	157	92	104	78	7
Total	\$ 4,092	\$ 3,197	\$ 2,650	\$ 1,749	\$ 1,461	28%
Percentage increase over previous year	28.0%	20.6%	51.5%	19.7%	23.9%	

¹ Excludes special Knight/Trimark gain in 1999.

Table 8

TRADING RELATED INCOME (TEB)¹

(millions of dollars)	1999	1998	1997
Net interest income	\$ 30	\$ 170	\$ 139
Other income	679	298	270
Total trading related income (TEB)	\$ 709	\$ 468	\$ 409
By business			
Interest rate and credit portfolios	\$ 417	\$ 396	\$ 240
Foreign exchange portfolios	145	112	81
Equity and other portfolios	147	(40)	88
Total trading related income (TEB)	\$ 709	\$ 468	\$ 409

¹ Trading related income includes both trading income reported in other income and net interest income derived from trading instruments.

Table 9

NON-INTEREST EXPENSES AND EFFICIENCY RATIO¹

(millions of dollars)	1999	1998	1997	1996	1995	Five-year growth rate
Salaries and staff benefits						
Salaries	\$ 2,260	\$ 1,992	\$ 1,686	\$ 1,337	\$ 1,210	15%
Pension and other staff benefits	223	175	140	115	95	16
Salaries and staff benefits total	2,483	2,167	1,826	1,452	1,305	15
Occupancy						
Rent	209	196	171	154	152	7
Depreciation	80	73	72	64	61	6
Other	84	75	70	65	70	4
Occupancy total	373	344	313	283	283	6
Equipment						
Rent	88	78	58	51	51	17
Depreciation	121	108	86	71	67	16
Other	186	149	126	115	98	18
Equipment total	395	335	270	237	216	17
General						
Marketing and business development	261	213	188	134	113	21
Brokerage related fees	221	162	100	36	29	48
Communications	155	142	121	92	75	17
Professional and advisory services	172	140	134	97	94	15
Capital and business taxes	86	73	110	93	87	3
Postage	82	65	59	46	42	17
Deposit insurance premiums	41	63	64	68	61	(5)
Travel and relocation	46	45	38	30	28	13
Other – excluding non-cash goodwill/intangible charges	193	139	103	86	51	20
General total	1,257	1,042	917	682	580	18
Total expenses excluding non-cash goodwill/intangible charges	\$ 4,508	\$ 3,888	\$ 3,326	\$ 2,654	\$ 2,384	15%
Percentage increase	15.9%	16.9%	25.3%	11.3%	7.0%	
Efficiency ratio						
Net interest income (TEB)	\$ 3,173	\$ 3,140	\$ 2,983	\$ 2,603	\$ 2,498	
Other income	4,092	3,197	2,650	1,749	1,461	
Total revenue (TEB)	7,265	6,337	5,633	4,352	3,959	
Deduct one-time gains	61	246	200	-	-	
Adjusted revenue (TEB)	\$ 7,204	\$ 6,091	\$ 5,433	\$ 4,352	\$ 3,959	
Efficiency ratio – excluding non-cash charges and one-time gains²	62.6%	63.8%	61.2%	61.0%	60.2%	

¹ Expenses used to compute the efficiency ratio exclude non-cash goodwill/intangible charges.

² Excludes gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999 and other one-time gains.

Table 10

TAXES

(millions of dollars)	1999	1998	1997	1996	1995
Current income taxes	\$ 1,001	\$ 610	\$ 735	\$ 409	\$ 467
Other taxes					
Payroll taxes	85	86	82	78	73
Deposit insurance premiums	41	63	64	68	61
Capital taxes	77	71	83	68	62
GST and provincial sales taxes	82	93	74	67	59
Municipal and business taxes	71	60	68	62	65
Total other taxes	356	373	371	343	320
Total taxes	\$ 1,357	\$ 983	\$ 1,106	\$ 752	\$ 787
Taxes as a % of net income¹ before taxes	41.0%	46.7%	52.6%	42.9%	50.2%

¹ Excluding gain on sale of 11.5% of TD Waterhouse Group, Inc. in 1999.

Table 11

LOANS TO SMALL AND MID-SIZED BUSINESS CUSTOMERS

(millions of dollars)	Loans authorized			Amount outstanding		
	1999	1998	1997	1999	1998	1997
Loan amount						
<i>(thousands of dollars)</i>						
0 – 24	\$ 340	\$ 312	\$ 288	\$ 170	\$ 195	\$ 186
25 – 49	462	452	438	279	291	296
50 – 99	971	952	930	604	629	630
100 – 249	2,278	2,303	2,301	1,446	1,502	1,538
250 – 499	2,190	2,193	2,134	1,322	1,359	1,339
500 – 999	2,448	2,544	2,533	1,331	1,397	1,379
1,000 – 4,999	7,366	7,515	7,134	3,358	3,362	3,268
Total¹	\$ 16,055	\$ 16,271	\$ 15,758	\$ 8,510	\$ 8,735	\$ 8,636

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

Table 12

LOANS AND CUSTOMERS' LIABILITY UNDER ACCEPTANCES AT YEAR END

(millions of dollars)									
By sector	Canada ¹		United States ¹		Other international ¹		Total		
	1999	1998	1999	1998	1999	1998	1999	1998	1997
Residential mortgages	\$ 31,483	\$ 32,255	\$ -	\$ -	\$ -	\$ -	\$ 31,483	\$ 32,255	\$ 30,442
Consumer instalment and other personal	13,021	11,778	7,406	3,285	16	97	20,443	15,160	13,736
Total residential and personal	44,504	44,033	7,406	3,285	16	97	51,926	47,415	44,178
Real estate development									
Commercial and industrial	1,645	1,914	42	134	-	3	1,687	2,051	2,205
Residential	1,161	1,214	-	17	-	-	1,161	1,231	1,164
Retail	506	505	5	15	15	44	526	564	622
Real estate services	204	181	-	-	-	-	204	181	243
Total real estate	3,516	3,814	47	166	15	47	3,578	4,027	4,234
Agriculture	2,035	1,951	-	22	-	-	2,035	1,973	1,531
Apparel and textile	465	601	83	68	28	9	576	678	649
Automotive	1,427	1,577	326	273	-	127	1,753	1,977	1,536
Chemical	1,259	757	497	781	284	514	2,040	2,052	1,304
Construction	570	595	-	4	26	13	596	612	555
Financial	1,622	2,303	1,551	610	1,261	961	4,434	3,874	4,950
Food, beverage and tobacco	1,508	1,528	221	254	261	425	1,990	2,207	2,025
Forestry	908	1,412	428	501	273	213	1,609	2,126	2,121
Government	363	255	59	42	-	-	422	297	258
Health and social services	935	940	695	890	26	12	1,656	1,842	1,933
Media and communication	2,181	2,068	3,486	4,561	1,783	2,191	7,450	8,820	7,131
Metals and mining	1,014	1,101	217	179	207	283	1,438	1,563	1,461
Oil and gas	1,937	2,674	946	870	315	212	3,198	3,756	2,808
Retail	788	587	84	45	-	6	872	638	648
Sundry manufacturing	1,644	1,531	350	512	534	535	2,528	2,578	2,091
Transportation	773	791	261	175	220	150	1,254	1,116	871
Utilities	593	481	2,164	2,007	1,603	1,756	4,360	4,244	3,957
All other loans	2,129	2,472	276	243	405	364	2,810	3,079	2,497
Total business and government	25,667	27,438	11,691	12,203	7,241	7,818	44,599	47,459	42,560
Total²	\$ 70,171	\$ 71,471	\$ 19,097	\$ 15,488	\$ 7,257	\$ 7,915	\$ 96,525	\$ 94,874	\$ 86,738
Percentage growth	(1.8)%	7.8%	23.3%	27.6%	(8.3)%	(5.0)%	1.7%	9.4%	10.1%
By location of ultimate risk									
			1999	1998	1997		1999	1998	1997
			% mix	% mix	% mix		% mix	% mix	% mix
Canada									
Atlantic			\$ 2,420	\$ 2,336	\$ 2,277		2.5	2.5	2.6
Québec			5,452	5,841	5,549		5.6	6.2	6.4
Ontario			42,218	41,201	38,392		43.7	43.4	44.3
Prairies			11,748	12,243	10,500		12.2	12.9	12.1
British Columbia			8,355	9,633	9,212		8.7	10.2	10.6
Total Canada			70,193	71,254	65,930		72.7	75.2	76.0
United States			18,486	14,152	11,504		19.2	14.9	13.2
Other international									
United Kingdom			2,330	2,943	2,839		2.4	3.1	3.3
Europe – other			427	796	759		.4	.8	.9
Australia and New Zealand			3,026	2,172	2,486		3.1	2.3	2.9
Japan			253	431	308		.3	.5	.3
Asia – other			946	1,169	1,572		1.0	1.2	1.8
Latin America and Caribbean			860	1,901	1,200		.9	2.0	1.4
Middle East and Africa			4	56	140		-	-	.2
Total other international			7,846	9,468	9,304		8.1	9.9	10.8
Total			\$ 96,525	\$ 94,874	\$ 86,738		100.0	100.0	100.0
Percentage growth over previous year									
Canada			(1.5)%	8.1%	8.8%				
United States			30.6	23.0	14.0				
Other international			(17.1)	1.8	14.5				
Total			1.7%	9.4%	10.1%				

¹ Based on geographic location of unit responsible for recording revenue.

² 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.

Table 13

IMPAIRED LOANS LESS ALLOWANCE FOR CREDIT LOSSES AT YEAR END

(millions of dollars)									
By sector	Canada ¹		United States ¹		Other international ¹		Total		
	1999	1998	1999	1998	1999	1998	1999	1998	1997
Residential mortgages	\$ 46	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ 46	\$ 41	\$ 36
Consumer instalment and other personal	27	51	-	-	-	-	27	51	20
Total residential and personal	73	92	-	-	-	-	73	92	56
Real estate development									
Commercial and industrial	13	31	-	-	-	-	13	31	42
Residential	2	(4)	-	-	-	-	2	(4)	17
Retail	-	1	-	11	-	-	-	12	4
Real estate services	4	8	-	-	-	-	4	8	9
Total real estate	19	36	-	11	-	-	19	47	72
Agriculture	16	7	-	-	-	-	16	7	2
Apparel and textile	68	2	-	-	-	-	68	2	3
Automotive	5	1	1	-	-	-	6	1	6
Chemical	1	-	-	-	-	-	1	-	-
Construction	2	-	-	-	3	-	5	-	5
Financial	2	2	-	-	-	-	2	2	5
Food, beverage and tobacco	47	6	-	-	-	-	47	6	21
Forestry	50	83	-	-	-	-	50	83	78
Health and social services	1	2	58	-	-	-	59	2	4
Media and communication	6	3	-	-	6	8	12	11	5
Metals and mining	2	2	-	-	-	-	2	2	-
Oil and gas	-	-	18	-	-	-	18	-	(2)
Retail	8	38	-	-	-	-	8	38	5
Sundry manufacturing	21	(2)	-	-	-	-	21	(2)	20
Transportation	3	3	-	-	-	-	3	3	4
Utilities	-	-	25	29	4	-	29	29	23
All other loans	16	35	-	-	-	3	16	38	16
Total business and government	267	218	102	40	13	11	382	269	267
Total net impaired loans before general allowances	\$ 340	\$ 310	\$ 102	\$ 40	\$ 13	\$ 11	\$ 455	\$ 361	\$ 323
Less: general allowances							712	620	402
Total net impaired loans							\$ (257)	\$ (259)	\$ (79)
Net impaired loans as a % of common equity							(2.4)%	(3.4)%	(1.2)%
By location¹									
			1999	1998	1997		1999 % mix	1998 % mix	1997 % mix
Canada									
Atlantic			\$ 9	\$ 7	\$ 4		2.0	1.9	1.2
Québec			37	46	54		8.1	12.7	16.7
Ontario			254	221	196		55.8	61.3	60.7
Prairies			24	19	11		5.3	5.3	3.4
British Columbia			16	17	6		3.5	4.7	1.9
Total Canada			340	310	271		74.7	85.9	83.9
United States			102	40	52		22.4	11.1	16.1
Other international – Asia			13	11	-		2.9	3.0	-
Total net impaired loans before general allowances			\$ 455	\$ 361	\$ 323		100.0	100.0	100.0
Less: general allowances			712	620	402				
Total net impaired loans			\$ (257)	\$ (259)	\$ (79)				
Net impaired loans as a % of net loans ²			(.3)%	(.3)%	(.1)%				

¹ Based on geographic location of unit responsible for recording revenue.

² Includes customers' liability under acceptances.

Table 14

IMPACT ON NET INTEREST INCOME DUE TO IMPAIRED LOANS

(millions of dollars)			
	1999	1998	1997
Reduction in net interest income due to impaired loans	\$ 63	\$ 53	\$ 64
Recoveries	(11)	(16)	(13)
Net reduction	\$ 52	\$ 37	\$ 51

Table 15

PROVISION FOR CREDIT LOSSES

(millions of dollars)									
By sector	Canada ¹		United States ¹		Other international ¹		Total		
	1999	1998	1999	1998	1999	1998	1999	1998	1997
Residential mortgages	\$ 4	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 7	\$ 6
Consumer instalment and other personal	43	91	1	1	-	-	44	92	85
Total residential and personal	47	98	1	1	-	-	48	99	91
Real estate development									
Commercial and industrial	-	-	-	3	-	-	-	3	(80)
Residential	(5)	-	-	(2)	-	-	(5)	(2)	(6)
Retail	-	-	(1)	(5)	-	-	(1)	(5)	7
Real estate services	-	1	-	-	-	-	-	1	(3)
Total real estate	(5)	1	(1)	(4)	-	-	(6)	(3)	(82)
Agriculture	3	3	-	-	-	-	3	3	1
Apparel and textile	36	7	-	-	-	-	36	7	5
Automotive	2	(2)	3	-	-	-	5	(2)	2
Chemical	1	-	-	-	-	-	1	-	(3)
Construction	2	7	-	-	-	5	2	12	3
Financial	2	-	-	5	8	-	10	5	2
Food, beverage and tobacco	7	9	-	-	-	-	7	9	(10)
Forestry	45	19	-	38	-	-	45	57	127
Health and social services	-	(3)	36	-	-	-	36	(3)	-
Media and communication	(41)	1	2	2	-	16	(39)	19	7
Metals and mining	1	2	-	-	1	-	2	2	-
Oil and gas	-	1	1	-	-	-	1	1	-
Retail	3	2	-	-	-	-	3	2	7
Sundry manufacturing	8	18	-	-	-	-	8	18	-
Transportation	1	1	-	-	-	-	1	1	2
Utilities	-	-	-	-	4	-	4	-	4
All other loans	5	23	3	-	-	-	8	23	4
Total business and government	70	89	44	41	13	21	127	151	69
Total before special general provision	\$ 117	\$ 187	\$ 45	\$ 42	\$ 13	\$ 21	\$ 175	\$ 250	\$ 160
Special general provision							100	200	200
Total							\$ 275	\$ 450	\$ 360
By location¹									
			1999	1998	1997	1999 % mix	1998 % mix	1997 % mix	
Canada									
Atlantic			\$ 5	\$ 6	\$ -	1.8	1.3	-	
Québec			17	38	(17)	6.2	8.5	(4.7)	
Ontario			74	110	187	26.9	24.4	51.9	
Prairies			13	19	(3)	4.7	4.2	(.8)	
British Columbia			8	14	(5)	2.9	3.1	(1.4)	
Total Canada			117	187	162	42.5	41.5	45.0	
United States			45	42	(5)	16.4	9.4	(1.3)	
Other international									
United Kingdom			5	8	1	1.7	1.8	.2	
Australia			4	5	2	1.5	1.1	.5	
Asia and Latin America			4	8	-	1.5	1.8	-	
Total other international			13	21	3	4.7	4.7	.7	
Special general provision			100	200	200	36.4	44.4	55.6	
Total			\$ 275	\$ 450	\$ 360	100.0	100.0	100.0	
Provision for credit losses as a % of net average loans²									
Canada									
Residential mortgages			.01%	.02%	.02%				
Personal			.35	.74	.78				
Business and other			.26	.33	.31				
Total Canada			.16	.26	.26				
United States			.24	.29	(.06)				
Other international			.17	.25	.04				
Special general provision			.10	.21	.24				
Total			.28%	.48%	.43%				

¹ Based on geographic location of unit responsible for recording revenue.

² Includes customers' liability under acceptances.

Table 16

CURRENT REPLACEMENT COST OF DERIVATIVES

(millions of dollars)									
By sector	Canada ¹		United States ¹		Other international ¹		Total		
	1999	1998	1999	1998	1999	1998	1999	1998	1997
Financial	\$ 4,144	\$ 5,894	\$ 532	\$ 967	\$ 4,265	\$ 4,442	\$ 8,941	\$ 11,303	\$ 5,612
Government	278	343	–	54	205	251	483	648	461
Other	981	1,365	312	218	299	1,003	1,592	2,586	1,315
Current replacement cost	\$ 5,403	\$ 7,602	\$ 844	\$ 1,239	\$ 4,769	\$ 5,696	11,016	14,537	7,388
Impact of netting agreements							5,419	5,853	2,747
Current replacement cost (after netting agreements)							\$ 5,597	\$ 8,684	\$ 4,641
By location of ultimate risk									
					1999	1998	1999	1998	1999
							% mix	% mix	
Canada					\$ 3,141	\$ 4,598	28.5	31.6	
United States					2,732	3,943	24.8	27.1	
Other international									
United Kingdom					995	1,321	9.0	9.1	
Europe – other					3,306	3,412	30.0	23.5	
Australia and New Zealand					374	569	3.4	3.9	
Japan					170	298	1.6	2.0	
Asia – other					5	23	–	.2	
Latin America and Caribbean					61	89	.6	.6	
Middle East and Africa					232	284	2.1	2.0	
Total other international					5,143	5,996	46.7	41.3	
Total current replacement cost					11,016	14,537	100.0	100.0	
Impact of netting agreements					5,419	5,853			
Current replacement cost (after netting agreements)					\$ 5,597	\$ 8,684			

¹ Based on geographic location of unit responsible for recording revenue.

Table 17

ASSETS UNDER ADMINISTRATION

(millions of dollars)				
	1999	1998	1997	
				1999/1998 % increase
Personal and commercial banking				
Retail brokerage and trust	\$ 24,309	\$ 16,882	\$ 9,039	44
Retail custody and other	15,776	14,935	20,188	6
Loans securitized	8,070	4,721	1,901	71
Total personal and commercial banking	48,155	36,538	31,128	32
Wealth management services				
Retail brokerage – Canada	25,305	19,012	16,642	33
– United States and other international	126,508	62,141	31,478	104
Total retail brokerage	151,813	81,153	48,120	87
Mutual funds – Canada	16,699	14,296	13,039	17
– United States	11,489	6,253	3,538	84
Total mutual funds	28,188	20,549	16,577	37
Institutional and other	31,999	26,818	24,742	19
Total wealth management services	212,000	128,520	89,439	65
Total assets under administration	\$ 260,155	\$ 165,058	\$ 120,567	58