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Financial reporting responsibility

The consolidated financial statements of The Toronto-Dominion Bank and related financial information presented in this Annual Statement have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. Generally accepted accounting principles as well as the requirements of the Bank Act and the related regulations have been applied and management has exercised its judgement and made best estimates where deemed appropriate.

The Bank's accounting system and related internal controls are designed, and supporting procedures maintained, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct throughout the Bank.

The Bank's Board of Directors, acting through the Audit and Risk Management Committee which is comprised of directors who are not officers or employees of the Bank, oversees management's responsibilities for the financial reporting and internal control systems.

Auditors' report to the shareholders

We have audited the consolidated balance sheet of The Toronto-Dominion Bank as at October 31, 1999 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Bank's Chief Internal Auditor, who has full and free access to the Audit and Risk Management Committee, conducts an extensive program of audits in coordination with the Bank's shareholders' auditors. This program is an integral part of the system of internal control and is carried out by a professional staff of auditors.

The Superintendent of Financial Institutions Canada makes such examination and enquiry into the affairs of the Bank as he may deem necessary to satisfy himself that the provisions of the Bank Act, having reference to the safety of the depositors, are being duly observed and that the Bank is in a sound financial condition.

Ernst & Young LLP and KPMG LLP, the shareholders' auditors, have audited our consolidated financial statements. They have full and free access to, and meet periodically with, the Audit and Risk Management Committee to discuss their audit and matters arising therefrom such as comments they may have on the fairness of financial reporting and the adequacy of internal controls.

A. Charles Baillie
Chairman and
Chief Executive Officer

William T. Brock
Deputy Chairman

Daniel A. Marinangeli
Executive Vice President and
Chief Financial Officer

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada.

The consolidated financial statements for the years ended October 31, 1998 and 1997 were audited by Ernst & Young LLP and PricewaterhouseCoopers LLP who expressed an opinion thereon without reservation in their report dated November 19, 1998.

Ernst & Young LLP
Chartered Accountants

KPMG LLP
Chartered Accountants

Toronto, Canada
November 18, 1999

As at October 31

(millions of dollars)	1999	1998
ASSETS		
Cash resources		
Cash, deposits with Bank of Canada and non-interest-bearing deposits with other banks	\$ 1,464	\$ 1,379
Interest-bearing deposits with other banks	4,762	1,700
	6,226	3,079
Securities purchased under resale agreements	25,708	12,291
Securities (Note 2)		
Investment	18,029	12,512
Trading	51,064	37,207
	69,093	49,719
Loans (net of allowance for credit losses) (Note 3)		
Residential mortgages	31,483	32,255
Consumer instalment and other personal	20,443	15,160
Business and government	35,559	37,511
	87,485	84,926
Other		
Customers' liability under acceptances	9,040	9,948
Land, buildings and equipment (Note 4)	1,738	1,666
Other assets (Note 5)	15,127	20,202
	25,905	31,816
Total assets	\$ 214,417	\$ 181,831
LIABILITIES		
Deposits (Note 6)		
Personal	\$ 52,774	\$ 47,693
Banks	30,901	17,063
Business and government	56,711	55,921
	140,386	120,677
Other		
Acceptances	9,040	9,948
Obligations related to securities sold short	15,044	13,034
Obligations related to securities sold under repurchase agreements	19,241	8,421
Other liabilities (Note 7)	15,621	17,612
	58,946	49,015
Subordinated notes (Note 8)	3,217	3,606
Non-controlling interest in subsidiary	335	-
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)		
Preferred	833	845
Common	2,006	1,301
Retained earnings	8,694	6,387
	11,533	8,533
Total liabilities and shareholders' equity	\$ 214,417	\$ 181,831

A. Charles Baillie
Chairman and
Chief Executive Officer

William T. Brock
Deputy Chairman

For the years ended October 31

(millions of dollars)	1999	1998	1997
Interest income			
Loans	\$ 7,594	\$ 7,490	\$ 6,310
Securities			
Dividends	257	306	250
Interest	2,511	1,867	1,041
Deposits with banks	512	334	225
	10,874	9,997	7,826
Interest expense			
Deposits	6,254	5,582	3,892
Subordinated notes	181	226	192
Other obligations	1,458	1,248	920
	7,893	7,056	5,004
Net interest income	2,981	2,941	2,822
Provision for credit losses (Note 3)	275	450	360
Net interest income after credit loss provision	2,706	2,491	2,462
Other income			
Investment and securities services	1,721	1,217	952
Credit fees	463	403	352
Net investment securities gains	1,079	386	329
Trading income	679	298	270
Service charges	289	283	268
Card services	190	180	165
Other	388	430	314
	4,809	3,197	2,650
Net interest and other income	7,515	5,688	5,112
Gain on sale of TD Waterhouse Group, Inc. (Note 21)	1,122	-	-
Net interest and other income, including gain	8,637	5,688	5,112
Non-interest expenses			
Salaries and staff benefits (Note 10)	2,483	2,167	1,826
Occupancy including depreciation	373	344	313
Equipment including depreciation	395	335	270
Other	1,259	1,042	917
Non-interest expenses excluding goodwill expense	4,510	3,888	3,326
Net income before provision for income taxes	4,127	1,800	1,786
Provision for income taxes (Note 11)	1,099	617	641
Net income before non-controlling interest in subsidiary	3,028	1,183	1,145
Non-controlling interest in net income of subsidiary	5	-	-
Net income before goodwill expense	3,023	1,183	1,145
Goodwill expense, net of tax	42	62	57
Net income	2,981	1,121	1,088
Preferred dividends (Note 9)	43	45	31
Net income applicable to common shares – including goodwill expense	\$ 2,938	\$ 1,076	\$ 1,057
– excluding goodwill expense	\$ 2,980	\$ 1,138	\$ 1,114
Average number of common shares outstanding (thousands) (Note 9)	599,331	594,040	597,410
Earnings per common share – including goodwill expense	\$ 4.90	\$ 1.81	\$ 1.77
– excluding goodwill expense	4.97	1.92	1.86
Dividends per common share	.72	.66	.56

Consolidated statement of changes in shareholders' equity

For the years ended October 31

(millions of dollars)

	1999	1998	1997
Preferred shares (Note 9)			
Balance at beginning of year	\$ 845	\$ 546	\$ 534
Proceeds from share issues	-	350	-
Share redemptions	-	(75)	-
Translation adjustment on shares issued in a foreign currency	(12)	24	12
Balance at end of year	833	845	546
Common shares (Note 9)			
Balance at beginning of year	1,301	1,297	1,305
Issued on acquisition of a subsidiary	-	-	1
Proceeds from shares issued for cash	700	-	-
Proceeds from shares issued on exercise of options	5	4	21
Shares purchased for cancellation	-	-	(30)
Balance at end of year	2,006	1,301	1,297
Retained earnings			
Balance at beginning of year	6,387	5,460	4,840
Net income	2,981	1,121	1,088
Preferred dividends	(43)	(45)	(31)
Common dividends	(433)	(392)	(335)
Translation adjustments, net of income taxes	(149)	270	120
Shares purchased for cancellation	-	-	(222)
Stock options settled in cash, net of income taxes	(37)	(25)	(6)
Other	(12)	(2)	6
Balance at end of year	8,694	6,387	5,460
Total common equity	10,700	7,688	6,757
Total shareholders' equity	\$ 11,533	\$ 8,533	\$ 7,303

For the years ended October 31

(millions of dollars)	1999	1998	1997
Cash flows from (used in) operating activities			
Net income	\$ 2,981	\$ 1,121	\$ 1,088
Adjustments to determine net cash flows			
Provision for credit losses	275	450	360
Depreciation	201	181	130
Amortization of goodwill and intangible assets	53	68	57
Gain on sale of TD Waterhouse Group, Inc.	(1,122)	–	–
Net investment securities gains	(1,079)	(386)	(329)
Changes in operating assets and liabilities			
Future income taxes	134	(106)	(116)
Interest receivable	456	(776)	(164)
Interest payable	(156)	578	(2)
Deferred loan fees	(14)	24	(9)
Trading securities	(13,857)	(16,396)	(7,310)
Unrealized gains and amounts receivable on derivatives contracts	3,247	(6,092)	(2,410)
Unrealized losses and amounts payable on derivatives contracts	(3,759)	5,748	1,699
Current income taxes payable	382	(84)	74
Other items and accruals	2,449	(869)	(1,028)
Net cash used in operating activities	(9,809)	(16,539)	(7,960)
Cash flows from (used in) financing activities			
Deposits	19,709	10,051	23,063
Securities sold under repurchase agreements	10,820	(6,778)	3,392
Securities sold short	2,010	3,394	3,277
Debt of subsidiaries	49	32	39
Issuance of subordinated notes	6	5	1,481
Repayment of subordinated notes	(286)	–	(515)
Common shares issued for cash, net of expenses	688	–	–
Common shares issued on exercise of options	5	4	21
Common shares purchased for cancellation	–	–	(252)
Common stock options settled in cash, net of income taxes	(37)	(25)	(6)
Issuance of preferred shares	–	350	–
Redemption of preferred shares	–	(75)	–
Dividends paid on – preferred shares	(43)	(45)	(31)
– common shares	(433)	(392)	(335)
Proceeds on issuance of subsidiary shares	1,457	–	–
Other financing	(41)	35	7
Net cash from financing activities	33,904	6,556	30,141
Cash flows from (used in) investing activities			
Interest-bearing deposits	(3,062)	4,687	(2,544)
Activity in investment securities			
Purchases	(44,520)	(50,367)	(18,376)
Proceeds from maturities	34,081	48,001	11,464
Proceeds from sales	6,001	2,851	5,353
Loans	(7,095)	(8,948)	(9,649)
Proceeds from loan securitizations	4,275	3,250	1,969
Land, buildings and equipment – net purchases	(273)	(342)	(313)
Securities purchased under resale agreements	(13,417)	11,030	(10,258)
Net cash from (used in) investing activities	(24,010)	10,162	(22,354)
Net changes in cash and cash equivalents	85	179	(173)
Cash and cash equivalents at beginning of year	1,379	1,200	1,373
Cash and cash equivalents at end of year represented by cash, deposits with Bank of Canada and non-interest-bearing deposits with other banks	\$ 1,464	\$ 1,379	\$ 1,200
Supplementary disclosure of cash flow information			
Amount of interest paid during the year	\$ 8,049	\$ 6,478	\$ 5,006
Amount of income taxes paid during the year	619	694	661

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bank Act

The Bank Act stipulates that the consolidated financial statements are to be prepared in accordance with generally accepted accounting principles, except as specified by the Superintendent of Financial Institutions Canada.

The accounting principles followed by the Bank conform with accounting principles generally accepted in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada.

Note 22 to the consolidated financial statements describes and reconciles the differences between generally accepted accounting principles in Canada and in the United States.

The significant accounting policies and practices followed by the Bank are:

(a) Basis of consolidation

The consolidated financial statements include the assets and liabilities and results of operations of subsidiaries, namely corporations effectively controlled by the Bank. The purchase method is used to account for all business acquisitions. The difference between the acquisition cost of an investment and the fair value of the net assets acquired represents goodwill which is amortized to income over a period not to exceed 20 years. During the year, the Bank retroactively adopted a presentation of goodwill expense which presents the expense on a net-of-tax basis as a separate line item in the consolidated statement of income, after the provision for income taxes and non-controlling interest in net income of subsidiary. The unamortized balance of goodwill is included in other assets. Goodwill is written down to fair value when a permanent impairment in value is indicated by the expected cash flows from each subsidiary.

When the Bank effectively controls a subsidiary but does not own all of the voting shares, the non-controlling interest in the net book value of the subsidiary is disclosed in the consolidated balance sheet separately from the Bank's shareholders' equity. The non-controlling interest in the subsidiary's net income is disclosed net of income taxes as a separate line item in the consolidated statement of income.

Interests in joint ventures are recognized using the proportionate consolidation method. Under this approach, the Bank's share of assets, liabilities, revenues and expenses of joint ventures are reported on a line-by-line basis.

Corporations over which the Bank has significant influence are reported in investment securities in the consolidated balance sheet and are accounted for using the equity method of accounting. The Bank's share of earnings of such corporations is reported in interest income in the consolidated statement of income.

(b) Use of estimates in the preparation of financial statements

The preparation of the consolidated financial statements of the Bank requires management to make estimates and assumptions based on information available as of the date of the financial statements. Therefore, actual results could differ from those estimates.

(c) Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at prevailing year-end rates of exchange. Foreign currency income and expenses are translated into Canadian dollars at the average exchange rates prevailing throughout the year.

Unrealized translation gains and losses related to the Bank's investment positions in foreign operations, net of any offsetting gains or losses arising from economic hedges of these positions and applicable income taxes, are included in a separate component of shareholders' equity. All other unrealized translation gains and losses and all realized gains and losses are included in other income in the consolidated statement of income.

(d) Cash resources

Cash resources includes cash and cash equivalents represented by cash and highly liquid deposits with the Bank of Canada and non-interest-bearing deposits with other banks.

(e) Securities

Investment account securities, excluding loan substitutes, are securities where the Bank's original intention is to hold to maturity or until market conditions render alternative investments more attractive, and which are generally available for sale. They are carried at cost or amortized cost, adjusted to recognize other than temporary impairment in the underlying value. Gains and losses realized on disposal are determined on the average cost basis. Such gains, losses and write-downs are included in other income.

Trading account securities, including trading securities sold short included in liabilities, are carried at market values. Gains and losses on disposal and adjustments to market are reported in other income.

Interest income earned, amortization of premiums and discounts on debt securities and dividends received are included in interest income.

Loan substitutes are securities which have been structured as after-tax instruments rather than conventional loans in order to provide the issuers with a borrowing rate advantage and are identical in risk and security to bank loans of comparable term. Loan substitutes are carried at cost less any allowance for anticipated credit losses as described in (g).

(f) Loans

Loans are stated net of unearned income and an allowance for credit losses.

Interest income is recorded on the accrual basis until such time as the loan is classified as impaired. Interest on impaired loans subsequently received is recorded as income only when management has reasonable assurance as to the timely collection of the full amount of the principal and interest.

An impaired loan is any loan where, in management's opinion, there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest. In addition, any loan where a payment is contractually past due 90 days is classified as impaired, other than a deposit with a bank, a credit card loan, or a loan that is guaranteed or insured by Canada, the provinces or an agency controlled by these governments.

Deposits with banks are considered impaired when a payment is contractually past due 21 days. Credit card loans with payments 180 days in arrears are considered impaired and are entirely written off.

Loan origination fees are considered to be adjustments to loan yield and are deferred and amortized to interest income over the term of the loan. Commitment fees are amortized to other income over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are deferred and amortized to interest income over the term of the resulting loan. Loan syndication fees are recognized in other income unless the yield on any loans retained by the Bank is less than that of other comparable lenders involved in the financing. In such cases an appropriate portion of the fee is deferred and amortized to interest income over the term of the loan.

(g) Allowance for credit losses

An allowance is maintained which is considered adequate to absorb all credit-related losses in a portfolio of items which are both on and off the consolidated balance sheet. Assets in the portfolio which are included in the consolidated balance sheet are deposits with banks, loans, mortgages, loan substitutes, securities purchased under resale agreements, acceptances and derivative financial instruments. Items not included in the consolidated balance sheet and referred to as off-balance sheet items include guarantees and letters of credit. The allowance is deducted from the applicable asset in the consolidated balance sheet except for acceptances and off-balance sheet items. The allowance for acceptances and for off-balance sheet items is included in other liabilities.

The allowance consists of specific and general allowances.

Specific allowances include all the accumulated provisions for losses on particular assets required to reduce the book values to estimated realizable amounts in the ordinary course of business. Specific provisions are established on an individual facility basis to recognize credit losses on business and government loans. For personal loans, excluding credit cards, specific provisions are calculated using a formula method taking into account recent loss experience. No specific provisions for credit cards are recorded and balances are written off when payments are 180 days in arrears.

General allowances include all the accumulated provisions for losses which are prudential in nature and cannot be determined on an item-by-item basis. The level of the general allowance depends upon an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition and other relevant indicators. The resulting allowance is considered adequate, when combined with the specific allowances, to absorb all credit losses in the portfolio of on and off-balance sheet items.

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses, which is charged to the consolidated statement of income, is added to bring the allowance to a level which management considers adequate to absorb probable credit-related losses in its portfolio of on and off-balance sheet items.

(h) Loan securitizations

Loans are considered securitized and removed from the consolidated balance sheet when the significant risks and rewards of ownership are transferred to a special purpose trust. The gains on sale are recognized in other income only when received in cash by the Bank and only when the trust has no recourse to the funds.

(i) Securities purchased under resale and sold under repurchase agreements

Securities purchased under resale agreements consist of the purchase of a security, normally a government bond, with the commitment by the Bank to resell the security to the original seller at a specified price. Securities sold under repurchase agreements consist of the sale of a security with the commitment by the Bank to repurchase the security at a specified price. Securities purchased under resale and sold under repurchase agreements are carried at cost on the consolidated balance sheet. The difference between the sale price and the agreed repurchase price on a repurchase agreement is recorded as interest expense. Conversely, the difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as interest income.

(j) Acceptances

The potential liability of the Bank under acceptances is reported as a liability in the consolidated balance sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an offsetting asset of the same amount.

(k) Land, buildings and equipment

Land is reported at cost. Buildings, equipment and leasehold improvements are reported at cost less accumulated depreciation. Gains and losses on disposal are reported in other income. Depreciation methods and rates by asset category are as follows:

Asset	Depreciation method	Rate
Buildings	Declining balance	5% or 10%
Computer equipment	Declining balance	30%
Furniture, fixtures and other equipment	Declining balance	20%
Mainframe central processing units	Straight-line	4 years
Mainframe operating systems	Straight-line	3 years
Leasehold improvements	Straight-line	estimated useful life

(l) Derivative financial instruments

Derivative financial instruments are financial contracts which derive their value from changes in interest rates, foreign exchange rates and other financial or commodity indices. Such instruments include interest rate, foreign exchange, equity, commodity and credit derivative contracts. These instruments are traded by the Bank and are also used by the Bank for its own risk management purposes. To be designated as a non-trading derivative contract and receive hedge accounting treatment, the contract must substantially offset the effects of price, interest rate or foreign exchange rate exposures to the Bank, must be documented at inception as a non-trading derivative contract, and must have a high correlation at inception and throughout the contract period between the derivative contract and the Bank's exposure. If these criteria are not met, the contract is designated as a trading derivative.

Trading derivatives are entered into by the Bank to meet the needs of its customers and to take trading positions. Derivative trading portfolios are marked to market with the resulting realized and unrealized gains or losses recognized immediately in other income. The market value for interest rate swaps including cross-currency interest rate swaps is determined net of a deferral which recognizes the need to cover the cost of capital, credit risk and administrative expenses over the life of each contract.

Non-trading derivatives are entered into by the Bank in order to meet the Bank's funding and investing strategies. This is accomplished by modifying one or more characteristics of the Bank's risk related to on-balance sheet financial instruments. Unrealized gains and losses on non-trading derivatives are accounted for on a basis consistent with the related on-balance sheet financial instrument. Realized gains and losses resulting from the early termination, sale, maturity or extinguishment of such derivatives are generally deferred and amortized over the remaining term of the related on-balance sheet instruments. Premiums on purchased options are deferred at inception and amortized into other income over the contract life.

(m) Provision for income taxes

The Bank recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements. Future income tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes.

(n) Pension and other post-retirement employee benefits

The Bank's principal pension plan is The Pension Fund Society of The Toronto-Dominion Bank for which membership is voluntary and funding is provided by contributions from the Bank and members of the plan.

Each year, actuarial valuations are made of the pension plans maintained by the Bank to determine the present value of the accrued pension benefits.

Pension costs are determined based upon separate actuarial valuations using the projected benefit method pro-rated on service and management's best estimates rather than on valuations for funding purposes.

Pension expense includes the cost of pension benefits for the current year's service, interest expense on pension liabilities, expected income on plan assets based on market-related values, and the amortization of pension adjustments on a straight-line basis over the expected average remaining service life of the employee group.

The cumulative difference between pension expense and funding contributions is reported in other assets.

The Bank also provides certain health care and life insurance benefits for its employees upon retirement. Eligible employees are those who retire from the Bank at normal retirement age. The cost of these benefits is recognized as incurred by the retirees.

(o) Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 1999.

2 SECURITIES

Securities maturity schedule at year end

(millions of dollars)	Remaining term to maturity						1999 Total	1998 Total
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	No specific maturity		
Investment securities								
Securities issued or guaranteed by								
Canada	\$ 350	\$ 7	\$ 467	\$ 59	\$ 2	\$ –	\$ 885	\$ 1,118
Provinces	56	149	61	1	1	–	268	604
Total	406	156	528	60	3	–	1,153	1,722
Other debt securities								
Canadian issuers	111	60	25	52	33	116	397	372
U.S. federal government	6,336	154	10	14	48	–	6,562	4,522
Other foreign governments	3,459	112	–	–	–	–	3,571	475
Other issuers	905	817	351	267	27	–	2,367	1,574
Total	10,811	1,143	386	333	108	116	12,897	6,943
Equity securities								
Preferred shares	402	394	163	381	9	205	1,554	1,645
Common shares	–	–	–	–	–	2,425	2,425	2,202
Total	402	394	163	381	9	2,630	3,979	3,847
Total investment securities	11,619	1,693	1,077	774	120	2,746	18,029	12,512
Trading securities								
Securities issued or guaranteed by								
Canada	4,252	1,727	257	2,270	2,508	–	11,014	7,918
Provinces	423	516	184	374	668	–	2,165	2,224
Total	4,675	2,243	441	2,644	3,176	–	13,179	10,142
Other debt securities								
Canadian issuers	3,460	397	374	608	446	–	5,285	2,711
U.S. federal government	721	15	164	266	17	–	1,183	1,237
Other foreign governments	767	222	160	575	804	–	2,528	3,340
Other issuers	4,530	6,265	3,783	3,552	1,865	–	19,995	12,169
Total	9,478	6,899	4,481	5,001	3,132	–	28,991	19,457
Equity securities								
Preferred shares	130	122	5	595	184	2,198	3,234	3,283
Common shares	–	–	–	–	–	5,660	5,660	4,325
Total	130	122	5	595	184	7,858	8,894	7,608
Total trading securities	14,283	9,264	4,927	8,240	6,492	7,858	51,064	37,207
Total securities¹	\$ 25,902	\$ 10,957	\$ 6,004	\$ 9,014	\$ 6,612	\$ 10,604	\$ 69,093	\$ 49,719

¹ Includes loan substitutes in the amount of \$20 million (1998 – \$183 million).

Securities – Unrealized gains and losses

(millions of dollars)	1999				1998			
	Book value	Gross unrealized gains	Gross unrealized losses	Estimated market value	Book value	Gross unrealized gains	Gross unrealized losses	Estimated market value
Investment securities								
Issued or guaranteed by								
Canada	\$ 885	\$ –	\$ 18	\$ 867	\$ 1,118	\$ 1	\$ 5	\$ 1,114
Provinces	268	–	2	266	604	3	–	607
U.S. federal government	6,562	–	2	6,560	4,522	8	1	4,529
Other debt	6,335	18	13	6,340	2,421	3	8	2,416
Equity	3,979	484	73	4,390	3,847	483	7	4,323
Total investment securities	18,029	502	108	18,423	12,512	498	21	12,989
Trading securities	51,064	–	–	51,064	37,207	–	–	37,207
Total securities	\$ 69,093	\$ 502	\$ 108	\$ 69,487	\$ 49,719	\$ 498	\$ 21	\$ 50,196

3 LOANS, IMPAIRED LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and impaired loans

(millions of dollars)	Gross amount of loans	Allowance for credit losses			Net amount of loans	Gross impaired loans
		Specific allowance	General allowance	Total		
1999						
Residential mortgages	\$ 31,537	\$ 6	\$ 48	\$ 54	\$ 31,483	\$ 52
Consumer instalment and other personal	20,625	36	146	182	20,443	63
Business and government	36,289	212	518	730	35,559	594
Total	\$ 88,451	\$ 254	\$ 712	\$ 966	\$ 87,485	\$ 709
1998						
Residential mortgages	\$ 32,302	\$ 2	\$ 45	\$ 47	\$ 32,255	\$ 43
Consumer instalment and other personal	15,333	53	120	173	15,160	104
Business and government	38,167	201	455	656	37,511	470
Total	\$ 85,802	\$ 256	\$ 620	\$ 876	\$ 84,926	\$ 617
					1999	1998
Average gross impaired loans during the year					\$ 676	\$ 631
Net impaired loans at year end					\$ (257)	\$ (259)

Included in gross residential mortgages are Canadian government-insured mortgages of \$24,704 million at October 31, 1999 (1998 – \$24,399 million). Gross impaired loans include foreclosed assets held for sale with a gross carrying value of \$94 million at

October 31, 1999 (1998 – \$117 million) and a related allowance of \$52 million (1998 – \$29 million). Loans are reported net of unearned income of \$128 million (1998 – \$142 million).

Allowance for credit losses

(millions of dollars)	1999	1998
Balance at beginning of year	\$ 876	\$ 585
Write-offs	(259)	(260)
Recoveries	99	101
Provision for credit losses charged to the consolidated statement of income		
– specific	175	232
– general	100	218
Other, including foreign exchange rate changes	(25)	–
Allowance for loan losses at end of year ¹	\$ 966	\$ 876

¹ The Bank also has general allowances of \$41 million (1998 – \$16 million) related to derivative financial instruments and to loan underwriting commitments. With these additional allowances, which are reported in other assets and other liabilities, the Bank's total allowance for credit losses at year end is \$1,007 million (1998 – \$892 million).

4 LAND, BUILDINGS AND EQUIPMENT

(millions of dollars)	1999			1998
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 183	\$ –	\$ 183	\$ 188
Buildings	1,187	299	888	877
Computer equipment	665	367	298	258
Furniture, fixtures and other equipment	439	244	195	191
Leasehold improvements	310	136	174	152
	\$ 2,784	\$ 1,046	\$ 1,738	\$ 1,666

Accumulated depreciation at the end of 1998 was \$975 million.

5 OTHER ASSETS

(millions of dollars)	1999	1998
Market revaluation of trading derivative financial instruments (Note 14)	\$ 9,651	\$ 12,898
Amounts receivable from brokers, dealers and clients	1,303	2,213
Accrued interest	1,330	1,786
Accounts receivable, prepaid expenses and other items	1,417	1,656
Unamortized goodwill and intangible assets	909	958
Future income taxes (Note 11)	236	370
Mortgages sold with recourse to Green Line mutual funds	182	237
Prepaid pension expense (Note 10)	99	84
	\$ 15,127	\$ 20,202

6 DEPOSITS

(millions of dollars)				1999	1998
	Demand	Notice	Term	Total	Total
Personal	\$ 10,868	\$ 15,549	\$ 26,357	\$ 52,774	\$ 47,693
Banks	2,728	23	28,150	30,901	17,063
Business and government	12,538	7,542	36,631	56,711	55,921
Total	\$ 26,134	\$ 23,114	\$ 91,138	\$ 140,386	\$ 120,677
Non-interest-bearing deposits included above					
In domestic offices				\$ 2,148	\$ 1,776
In foreign offices				322	69
Interest-bearing deposits included above					
In domestic offices				73,870	68,052
In foreign offices				61,039	47,945
U.S. federal funds purchased				3,007	2,835
Total				\$ 140,386	\$ 120,677

7 OTHER LIABILITIES

(millions of dollars)	1999	1998
Market revaluation of trading derivative financial instruments (Note 14)	\$ 8,473	\$ 12,232
Amounts payable to brokers, dealers and clients	2,660	614
Accrued interest	1,788	1,944
Accounts payable, accrued expenses and other items	1,438	1,797
Accrued salaries and staff benefits	514	466
Liabilities of subsidiaries other than deposits	371	322
Obligations related to mortgages sold with recourse	182	237
Cheques and other items in transit, net	195	-
	\$ 15,621	\$ 17,612

8 SUBORDINATED NOTES

The notes are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. Where appropriate, the Bank

has entered into interest rate options, interest rate swaps and currency swaps to modify the related interest rate and foreign currency risks.

(millions of dollars)					
Interest rate (%)	Maturity date	Redeemable beginning	Foreign currency amount	Outstanding October 31	
				1999	1998
5.00	To Feb. 1999	-		\$ -	\$ 1
7.75	Apr. 1999	-	Yen 5 billion	-	66
Various ¹	Aug. 1999 to Oct. 2001	-		30	31
Various ²	Jan. 2002 to Feb. 2002	-		8	6
1.38	May 2002	-		2	2
Various ³	June 2002 to Sept. 2002	-		16	13
1.70	Oct. 2002	-		1	-
Floating rate ⁴	Oct. 2002	-	US\$150 million	221	231
Floating rate ⁵	Aug. 2003	-	US\$150 million	221	231
Floating rate ⁶	Oct. 2003	-		100	100
8.00	Dec. 2003	July 1998		150	150
7.88	Aug. 2004	Aug. 1999	US\$150 million	-	231
5.60	Sept. 2006	Sept. 2001		400	400
6.45	Oct. 2006	Oct. 2001		350	350
6.50	Jan. 2007	Jan. 2002	US\$300 million	440	463
6.75	Mar. 2007	Mar. 2002	US\$200 million	293	309
5.65	Sept. 2007	Sept. 2002		25	25
6.50	Aug. 2008	-	US\$150 million	221	231
6.15	Oct. 2008	-	US\$150 million	221	231
6.13	Nov. 2008	-	US\$100 million	147	154
6.45	Jan. 2009	-	US\$150 million	221	231
8.40	Dec. 2010	Dec. 2005		150	150
				\$ 3,217	\$ 3,606

¹ Interest is payable at various rates, from .13% to 4.20%.

² Interest is payable at various rates, from 1.13% to 3.05%.

³ Interest is payable at various rates, from .13% to 2.95%.

⁴ Interest at six-month U.S. dollar LIBOR less .13%, subject to minimum and maximum rates of 5% and 10% respectively.

⁵ Interest at three-month U.S. dollar LIBOR, subject to a minimum of 4.10%.

⁶ Interest at three-month customers' liability under acceptance rate less .30%, subject to minimum and maximum rates of 6.50% and 9% respectively.

Repayment schedule

The aggregate maturities of the Bank's subordinated notes, assuming the earlier of the date of maturity or retraction at the holders' option under the terms of issue, are as follows:

(millions of dollars)	1999	1998
Within 1 year	\$ 8	\$ 68
Over 1 to 2 years	22	8
Over 2 to 3 years	248	22
Over 3 to 5 years	471	583
Over 5 years	2,468	2,925
	\$ 3,217	\$ 3,606

9 CAPITAL STOCK

The share capital of the Bank consists of:

Authorized

An unlimited number of Class A First Preferred Shares, without par value, issuable in series.

An unlimited number of common shares, without par value.

(millions of dollars)	1999	1998
Issued and fully paid		
Preferred shares issued by the Bank		
7,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series G (US\$175 million)	\$ 258	\$ 270
9,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series H	225	225
	483	495
Preferred shares issued by TD Mortgage Investment Corporation		
350,000 Non-cumulative Preferred Shares, Series A	350	350
Total preferred shares	833	845
Common shares (1999 – 620,343,168; 1998 – 594,237,648)	2,006	1,301
	\$ 2,839	\$ 2,146

Preferred shares

None of the outstanding preferred shares are redeemable at the option of the holder.

Redemptions of all preferred shares are subject to the prior approval of the Superintendent of Financial Institutions Canada.

Class A First Preferred Shares, Series G

Between April 30, 2001 and April 30, 2002, the Bank has the option of redeeming the outstanding Series G shares for US\$26.00. After April 30, 2003, the redemption price is reduced to US\$25.00 together with declared and unpaid dividends to the date of redemption.

On or after April 30, 2001, the Bank may convert the outstanding Series G shares in whole or in part into common shares, determined by dividing the then applicable redemption price per Series G share together with declared and unpaid dividends to the date of conversion by the greater of US\$1.00 and 95% of the U.S. dollar equivalent of the average trading price of such common shares at that time.

On or after January 31, 2004, each Series G share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of US\$25.00 cash per share together with declared and unpaid dividends to the date of conversion.

Class A First Preferred Shares, Series H

Between April 30, 2002 and April 30, 2003, the Bank has the option of redeeming the outstanding Series H shares for \$26.00. After April 30, 2004, the redemption price is reduced to \$25.00 together with declared and unpaid dividends to the date of redemption.

On or after April 30, 2002, the Bank may convert the outstanding Series H shares in whole or in part into common shares, determined by dividing the then applicable redemption price per Series H share together with declared and unpaid dividends to the date of conversion by the greater of \$1.00 and 95% of the average trading price of such common shares at that time.

On or after January 31, 2005, each Series H share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of \$25.00 cash per share together with declared and unpaid dividends to the date of conversion.

TD Mortgage Investment Corporation Preferred Shares, Series A

Semi-annually, on or after October 31, 2007, TD Mortgage Investment Corporation (TDMIC) has the option of redeeming the outstanding Series A shares for \$1,000.00.

Semi-annually, on or after October 31, 2007, the Bank may exchange the outstanding Series A shares in whole into common shares of the Bank, determined by dividing \$1,000.00 plus the declared and unpaid dividends to the date of exchange by 95% of the average trading price of such common shares at that time.

Semi-annually, on or after October 31, 2007, each Series A share may, at the option of the holder, be exchanged into common shares of the Bank, determined by dividing \$1,000.00 plus the declared and unpaid dividends to the date of exchange by the greater of \$1.00 and 95% of the average trading price of such common shares at that time.

By giving at least two business days of notice prior to the date of exchange to all holders who have given an exchange notice, TDMIC may redeem or the Bank may find substitute purchasers at the purchase price of \$1,000.00 plus the declared and unpaid dividends to the date of conversion.

Dividend rates on preferred shares

The dividend rates for the preferred shares are:

- (i) Series G, quarterly rate of US\$.3375 per share.
- (ii) Series H, quarterly rate of \$.44375 per share.
- (iii) Series A, semi-annual rate of \$32.30 per share.

Class A First Preferred Shares, Series I and J

On November 1, 1999, the Bank issued 16,400,000 units for cash consideration of \$102.5 million. Each unit consists of one Non-cumulative Class A Redeemable First Preferred Share, Series I and one Non-cumulative Class A Redeemable First Preferred Share, Series J Purchase Warrant.

On April 28, 2000, July 31, 2000 or October 31, 2000, unitholders may, by exercising one Series J Purchase Warrant together with a cash payment of \$18.75, convert one Series I share into one Series J share. Series I shares will pay quarterly dividends at an annual rate of 5.50% until April 28, 2000. After that date Series I shares will pay quarterly dividends of \$.01, and Series J shares will pay quarterly dividends at an annual rate of 5.10%.

Common shares

	1999	1998
Number outstanding at beginning of year	594,237,648	593,892,398
Issued for gross proceeds of \$700 million (Note 20)	25,700,000	-
Issued on exercise of options	405,520	345,250
Number outstanding at end of year	620,343,168	594,237,648

Stock dividend

On July 31, 1999, the Bank paid a stock dividend of one common share on each of its issued and outstanding common shares. The effect of this one-for-one stock dividend is the

same as a two-for-one split of the common shares. All common share numbers have been restated to reflect the stock dividend.

Stock options

Under the Bank's stock option plan, options on common shares may be issued to certain employees for terms of 10 years, vesting over a four-year period and exercisable at the closing market price of the shares on the date prior to the date the options were issued. Outstanding options have exercise prices ranging from \$8.188 to \$30.60. Their weighted average remaining contractual life is 7.7 years, and they expire on dates ranging from April 2000 to December 2008. At October 31, 1999, a total of 8,378,000 common shares have been reserved for future issuance under the stock option plan.

During 1997 the plan administration was modified to allow employees to elect to receive cash for the options equal to their intrinsic value, being the difference between the option exercise price and the current market value of the shares.

A summary of the Bank's stock option activity and related information for the years ended October 31 is as follows:

	1999		1998		1997	
		Weighted average exercise price		Weighted average exercise price		Weighted average exercise price
Number outstanding, beginning of year	21,867,140	\$ 15.80	20,400,890	\$ 12.12	18,322,040	\$ 10.33
Granted	4,916,400	25.43	4,176,200	30.60	4,953,000	17.45
Exercised – cash	(2,770,072)	10.76	(2,200,550)	10.65	(419,850)	9.39
– shares	(405,520)	12.57	(345,250)	10.40	(2,185,050)	9.63
Forfeited	(271,000)	23.46	(164,150)	14.75	(269,250)	12.45
Number outstanding, end of year	23,336,948	\$ 18.39	21,867,140	\$ 15.80	20,400,890	\$ 12.12
Exercisable, end of year	12,337,346	\$ 13.40	10,380,042	\$ 10.98	8,666,690	\$ 9.68

Dividend restrictions

The Bank is prohibited by the Bank Act from declaring any dividends on its preferred or common shares if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the capital adequacy and liquidity regulations of the Bank Act or directions of the Superintendent of Financial Institutions Canada. In addition, the ability to pay common share dividends is restricted by the terms

of the outstanding preferred shares whereby the Bank may not pay dividends on its common shares without the approval of the holders of the outstanding preferred shares unless all dividends on the preferred shares have been declared and paid or set apart for payment. Currently these limitations do not restrict the payment of dividends on preferred or common shares.

10 PENSIONS

Pension benefits are based upon the length of service and the final five years' average salary of the employees.

The Bank's principal pension plan is funded by contributions from the Bank and from the members of the plan. In accordance with legislation, the Bank contributes amounts determined on an actuarial basis to the plan and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time.

The Bank also provides certain life insurance, health and dental benefits to retired employees. The cost of these benefits is recorded in salaries and staff benefits as paid.

The following table presents the financial position of the Bank's pension plan at October 31.

(millions of dollars)	1999	1998	1997
Accumulated benefit obligation	\$ 1,068	\$ 1,078	\$ 987
Vested portion of accumulated benefit obligation	1,066	1,076	985
Change in projected benefit obligation			
Projected benefit obligation at beginning of year	1,157	1,066	894
Plan amendments	3	2	2
Change in actuarial assumptions	(39)	8	101
Interest accrued on benefits	74	71	67
Benefits accrued	38	38	33
Benefits paid	(79)	(75)	(66)
Pension enhancement account benefits accrued	3	1	5
Experience (gains) losses	(5)	55	30
Other	(11)	(9)	-
Projected benefit obligation at end of year	1,141	1,157	1,066
Change in plan assets			
Plan assets at fair value at beginning of year	1,043	1,208	1,020
Actual income on plan assets	51	51	57
Gain on disposal of investments	10	78	115
Members' contributions	18	18	19
Employer's contributions	40	-	-
Increase (decrease) in unrealized gains on investments	69	(213)	76
Pension benefits	(79)	(75)	(66)
General and administrative expenses	(10)	(13)	(13)
Other	(11)	(11)	-
Plan assets at fair value at end of year	1,131	1,043	1,208
Excess (deficit) of plan assets over projected benefit obligation	(10)	(114)	142
Unrecognized net (gain) loss from past experience, different from that assumed, and effects of changes in assumptions	119	224	(21)
Unrecognized prior service costs	23	23	24
Unrecognized transition amount	(33)	(49)	(65)
Prepaid pension expense	\$ 99	\$ 84	\$ 80
Annual expense			
Net pension expense includes the following components:			
Service cost – benefits earned	\$ 23	\$ 23	\$ 18
Interest on projected benefit obligation	74	71	67
Expected return on plan assets	(78)	(86)	(80)
Net amortization	6	(12)	(13)
Canadian pension expense	25	(4)	(8)
International pension expense	20	12	10
Pension expense	45	8	2
Canada and Québec pension plan contribution	26	23	21
Total pension expense	\$ 71	\$ 31	\$ 23
Actuarial assumptions			
Weighted average discount rate for projected benefit obligation	6.75%	6.50%	6.50%
Weighted average rate of compensation increase	3.50	3.50	3.50
Weighted average expected long-term rate of return on plan assets	7.75	7.50	7.25

11 PROVISION FOR INCOME TAXES

(millions of dollars)	1999	1998	1997
Provision for income taxes – consolidated statement of income			
Current income taxes	\$ 943	\$ 717	\$ 757
Future income taxes	147	(106)	(116)
	1,090	611	641
Provision for income taxes – statement of changes in shareholders' equity			
Current income taxes	58	(107)	(22)
Future income taxes	(13)	-	-
	45	(107)	(22)
Total provision for income taxes	\$ 1,135	\$ 504	\$ 619
Current income taxes			
Federal	\$ 267	\$ 282	\$ 404
Provincial	91	102	155
Foreign	643	226	176
	1,001	610	735
Future income taxes			
Federal	98	(79)	(89)
Provincial	33	(25)	(33)
Foreign	3	(2)	6
	134	(106)	(116)
	\$ 1,135	\$ 504	\$ 619

The provision for income taxes shown in the consolidated statement of income is less than that obtained by applying statutory tax

rates to the net income before provision for income taxes for the following reasons:

	1999	1998	1997
Canadian statutory income tax rate	42.5%	42.8%	43.1%
Increase (decrease) resulting from:			
Non-taxable gain on sale of TD Waterhouse Group, Inc.	(11.7)	-	-
Dividends from taxable Canadian corporations	(2.6)	(6.4)	(5.3)
Lower tax rates on earnings of international subsidiaries	(2.5)	(5.7)	(4.1)
Federal large corporations tax	.4	.8	.6
Financial institutions temporary surcharge	.2	.5	.5
Other – net	.4	3.3	2.3
Effective income tax rate	26.7%	35.3%	37.1%

The net future tax asset which is reported in other assets comprises both assets and liabilities as follows:

(millions of dollars)	1999	1998
Future income tax assets		
Allowance for credit losses	\$ 225	\$ 202
Deferred income	38	50
Securities	19	157
Other	33	49
Total future income tax assets	315	458
Valuation allowance	-	-
Future income tax assets	315	458
Future income tax liabilities		
Premises and equipment	(24)	(19)
Pension fund	(24)	(37)
Other	(31)	(32)
Future income tax liabilities	(79)	(88)
Net future income tax asset	\$ 236	\$ 370

Earnings of certain international subsidiaries would be taxed only upon repatriation to Canada. The Bank has not recognized a future income tax liability for these undistributed earnings since it does not

currently plan to repatriate them. If all international subsidiaries' undistributed earnings were repatriated, estimated taxes payable would be \$174 million at October 31, 1999 (1998 - \$144 million).

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

(millions of dollars)	1999		1998	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Consolidated balance sheet				
Assets				
Securities	\$ 69,093	\$ 69,487	\$ 49,719	\$ 50,196
Loans	87,485	86,401	84,926	84,840
Liabilities				
Deposits	140,386	140,406	120,677	121,011
Subordinated notes	3,217	3,176	3,606	3,719

The aggregate of the estimated fair value amounts presented does not represent management's estimate of the underlying value of the Bank. Moreover, fair values disclosed represent estimates of value made at a specific point in time and may not be reflective of future fair values.

Fair values are based on the following methods of valuation and assumptions:

In the case of items which are short term in nature or contain variable rate features, fair value is considered to be equal to carrying value. These items are not listed above.

Details of the estimated fair value of derivative financial instruments are provided in Note 14.

The estimated fair value of securities is determined as the estimated market values reported in Note 2.

The estimated fair value of loans reflects changes in general interest rates which have occurred since the loans were originated and changes in the creditworthiness of individual borrowers. For fixed rate loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at market interest rates for loans with similar credit risks.

The estimated fair value of term deposits is determined by discounting the contractual cash flows using interest rates currently offered for deposits with similar terms.

The estimated fair value of the subordinated notes is determined by reference to quoted market prices.

13 INTEREST RATE RISK

The following table sets out the assets, liabilities and off-balance sheet instruments on the date of the earlier of contractual maturity or repricing date. Use of this table to derive information about the Bank's interest rate risk position is limited by the fact that customers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. Examples of this include mortgages, which are shown at contractual maturity but which often prepay earlier, and certain term deposits, which

are shown at contractual maturity but which are often cashed before their contractual maturity. Adjusting the total positions for expected prepayments and early withdrawals and reclassifying trading securities to the floating rate category in accordance with the way in which the Bank manages the risk, results in a change in the interest sensitive position within one year to \$7.5 billion from the \$(11.8) billion reported below as at October 31, 1999 (1998 – \$(1.5) billion from \$(20.8) billion).

Interest rate risk

(billions of dollars)								
1999	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash resources	\$.9	\$ 4.7	\$.4	\$ 6.0	\$ –	\$ –	\$.2	\$ 6.2
<i>Effective yield</i>		5.3%	5.5%					
Loans	\$ 25.9	\$ 20.5	\$ 10.0	\$ 56.4	\$ 28.1	\$ 2.5	\$.5	\$ 87.5
<i>Effective yield</i>		6.3%	7.5%		6.6%	6.5%		
Securities purchased under resale agreements	\$ 7.5	\$ 13.9	\$ 4.1	\$ 25.5	\$ –	\$.1	\$.1	\$ 25.7
<i>Effective yield</i>		3.3%	5.1%			5.0%		
Investment securities	\$ 5.4	\$ 4.2	\$ 1.9	\$ 11.5	\$ 2.7	\$ 1.3	\$ 2.5	\$ 18.0
<i>Effective yield</i>		5.2%	5.4%		5.3%	5.7%		
Trading securities	\$ 2.9	\$ 10.3	\$ 6.2	\$ 19.4	\$ 8.2	\$ 12.2	\$ 11.3	\$ 51.1
<i>Effective yield</i>		5.1%	5.5%		5.8%	6.2%		
Other	\$ 19.0	\$ –	\$ –	\$ 19.0	\$ –	\$ –	\$ 6.9	\$ 25.9
Total assets	\$ 61.6	\$ 53.6	\$ 22.6	\$ 137.8	\$ 39.0	\$ 16.1	\$ 21.5	\$ 214.4
Liabilities and shareholders' equity								
Deposits	\$ 28.0	\$ 61.7	\$ 28.2	\$ 117.9	\$ 18.0	\$ 1.4	\$ 3.1	\$ 140.4
<i>Effective yield</i>		4.7%	4.6%		3.6%	1.9%		
Subordinated notes	\$ –	\$.2	\$.2	\$.4	\$ 1.8	\$ 1.0	\$ –	\$ 3.2
<i>Effective yield</i>		7.5%	5.9%		7.1%	8.8%		
Obligations related to securities sold short	\$.4	\$.8	\$ 2.0	\$ 3.2	\$ 2.5	\$ 6.1	\$ 3.2	\$ 15.0
<i>Effective yield</i>		5.2%	5.1%		5.9%	6.3%		
Obligations related to securities sold under repurchase agreements	\$.4	\$ 10.1	\$ 5.5	\$ 16.0	\$.1	\$ –	\$ 3.2	\$ 19.3
<i>Effective yield</i>		5.2%	5.0%		4.8%			
Other	\$ 17.5	\$ –	\$ –	\$ 17.5	\$ –	\$ –	\$ 7.5	\$ 25.0
Shareholders' equity	\$ –	\$ –	\$ –	\$ –	\$.5	\$.3	\$ 10.7	\$ 11.5
Total liabilities and shareholders' equity	\$ 46.3	\$ 72.8	\$ 35.9	\$ 155.0	\$ 22.9	\$ 8.8	\$ 27.7	\$ 214.4
On-balance sheet position	\$ 15.3	\$ (19.2)	\$ (13.3)	\$ (17.2)	\$ 16.1	\$ 7.3	\$ (6.2)	\$ –
Total pay side instruments ¹	\$ –	\$ (17.2)	\$ (8.3)	\$ (25.5)	\$ (14.0)	\$ (3.2)	\$ –	\$ (42.7)
<i>Effective yield</i>		4.9%	5.5%		5.5%	5.7%		
Total receive side instruments ¹	\$ –	\$ 21.8	\$ 9.1	\$ 30.9	\$ 10.3	\$ 1.5	\$ –	\$ 42.7
<i>Effective yield</i>		4.7%	5.5%		5.6%	5.2%		
Off-balance sheet position	\$ –	\$ 4.6	\$.8	\$ 5.4	\$ (3.7)	\$ (1.7)	\$ –	\$ –
Net position	\$ 15.3	\$ (14.6)	\$ (12.5)	\$ (11.8)	\$ 12.4	\$ 5.6	\$ (6.2)	\$ –

¹ Notional principal amounts

Interest rate risk by currency

(billions of dollars)								
1999	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Canadian currency on-balance sheet position	\$ (3.1)	\$ (3.3)	\$ (7.8)	\$ (14.2)	\$ 15.6	\$ 1.6	\$ (6.4)	\$ (3.4)
Foreign currency on-balance sheet position	18.4	(15.9)	(5.5)	(3.0)	.5	5.7	.2	3.4
On-balance sheet position	15.3	(19.2)	(13.3)	(17.2)	16.1	7.3	(6.2)	-
Canadian currency off-balance sheet position	-	7.6	.2	7.8	(7.3)	(1.7)	-	(1.2)
Foreign currency off-balance sheet position	-	(3.0)	.6	(2.4)	3.6	-	-	1.2
Off-balance sheet position	-	4.6	.8	5.4	(3.7)	(1.7)	-	-
Net position	\$ 15.3	\$ (14.6)	\$ (12.5)	\$ (11.8)	\$ 12.4	\$ 5.6	\$ (6.2)	\$ -

Interest rate risk

(billions of dollars)								
1998	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Total assets	\$ 53.4	\$ 39.0	\$ 19.5	\$ 111.9	\$ 38.8	\$ 12.2	\$ 18.9	\$ 181.8
Total liabilities and shareholders' equity	56.3	47.1	33.7	137.1	18.6	7.2	18.9	181.8
On-balance sheet position	(2.9)	(8.1)	(14.2)	(25.2)	20.2	5.0	-	-
Off-balance sheet position	-	.3	4.1	4.4	(4.3)	(.1)	-	-
Net position	\$ (2.9)	\$ (7.8)	\$ (10.1)	\$ (20.8)	\$ 15.9	\$ 4.9	\$ -	\$ -

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into derivative financial instruments, as described below, for trading and for risk management purposes.

Interest rate swaps involve the exchange of fixed and floating interest payment obligations based on a predetermined notional amount. Foreign exchange swaps involve the exchange of the principal and fixed interest payments in different currencies. Cross-currency interest rate swaps involve the exchange of both the principal amount and fixed and floating interest payment obligations in two different currencies.

Forward rate agreements are contracts fixing an interest rate to be paid or received on a notional amount of specified maturity commencing at a specified future date.

Foreign exchange forward contracts are commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

Futures are future commitments to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. Futures are traded in standardized amounts on organized exchanges and are subject to daily cash margining.

Options are agreements between two parties in which the writer of the option grants the buyer the future right, but not the obligation, to buy or to sell, at or by a specified date, a specific amount of a financial instrument at a price agreed when the option is arranged. The writer receives a premium for selling this instrument.

The Bank also transacts equity, commodity and credit derivatives in both the exchange and over-the-counter markets.

Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

Over-the-counter and exchange traded derivative financial instruments

(millions of dollars)						
Notional principal	Trading				1999 Total	1998 Total
	Over-the-counter	Exchange traded	Total	Non-trading		
Interest rate contracts						
Futures	\$ -	\$ 105,116	\$ 105,116	\$ -	\$ 105,116	\$ 87,212
Forward rate agreements	55,533	-	55,533	1,655	57,188	34,540
Swaps	420,532	-	420,532	46,647	467,179	274,983
Options written	34,046	4,524	38,570	221	38,791	33,010
Options purchased	30,179	7,507	37,686	465	38,151	37,327
Foreign exchange contracts						
Forward contracts	248,968	-	248,968	14,497	263,465	258,327
Swaps	6,847	-	6,847	-	6,847	5,700
Cross-currency interest rate swaps	49,909	-	49,909	9,211	59,120	50,609
Options written	6,802	-	6,802	-	6,802	18,584
Options purchased	7,238	-	7,238	-	7,238	18,251
Other contracts ¹	30,696	980	31,676	2,831	34,507	31,041
Total	\$ 890,750	\$ 118,127	\$ 1,008,877	\$ 75,527	\$1,084,404	\$ 849,584

¹ Includes equity, commodity and credit derivatives.

Derivative financial instruments by term to maturity

(millions of dollars)						
Notional principal	Remaining term to maturity				1999 Total	1998 Total
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years		
Interest rate contracts						
Futures	\$ 88,144	\$ 16,916	\$ 56	\$ -	\$ 105,116	\$ 87,212
Forward rate agreements	55,451	1,737	-	-	57,188	34,540
Swaps	247,912	84,076	57,106	78,085	467,179	274,983
Options written	7,832	17,929	9,074	3,956	38,791	33,010
Options purchased	23,642	7,948	4,584	1,977	38,151	37,327
Foreign exchange contracts						
Forward contracts	255,104	7,105	772	484	263,465	258,327
Swaps	2,088	966	1,119	2,674	6,847	5,700
Cross-currency interest rate swaps	7,305	13,608	17,766	20,441	59,120	50,609
Options written	3,108	3,011	682	1	6,802	18,584
Options purchased	6,376	844	15	3	7,238	18,251
Other contracts ¹	12,829	7,335	10,044	4,299	34,507	31,041
Total	\$ 709,791	\$ 161,475	\$ 101,218	\$ 111,920	\$1,084,404	\$ 849,584

¹ Includes equity, commodity and credit derivatives.

The Bank is exposed to market risk as a result of price volatility in the derivatives markets relating to movements in interest rates and foreign exchange rates. This risk is managed by senior officers responsible for the Bank's trading business and is monitored separately by the Bank's Risk Management Division.

The estimated fair value of exchange traded derivative financial instruments is based on quoted market rates plus or minus daily margin settlements. This results in minimal fair values as these instruments are effectively settled on a daily basis. The estimated

fair value of over-the-counter derivative financial instruments is calculated as the net present value of contractual cash flows using prevailing market rates on underlying instruments with similar maturities and characteristics. The fair value for trading interest rate swaps including cross-currency interest rate swaps is determined net of a deferral which recognizes the need to cover the cost of capital, credit risk and administrative expenses over the life of the contract.

Fair value of derivative financial instruments

(millions of dollars)	1999				1998	
	Average ¹ fair value for the year		Year-end fair value		Year-end fair value	
	Positive	Negative	Positive	Negative	Positive	Negative
Derivative financial instruments held or issued for trading purposes:						
Interest rate contracts						
Forward rate agreements	\$ 14	\$ 10	\$ 16	\$ 13	\$ 14	\$ 12
Swaps	5,208	4,438	5,007	3,950	5,779	5,244
Options written	-	418	-	436	-	499
Options purchased	385	-	357	-	422	-
Total interest rate contracts	5,607	4,866	5,380	4,399	6,215	5,755
Foreign exchange contracts						
Forward contracts	1,914	1,836	1,147	1,575	3,897	3,559
Swaps	235	140	242	102	217	192
Cross-currency interest rate swaps	1,692	1,682	1,854	1,750	1,811	1,811
Options written	-	100	-	48	-	149
Options purchased	171	-	79	-	303	-
Total foreign exchange contracts	4,012	3,758	3,322	3,475	6,228	5,711
Other contracts ²	611	500	949	599	455	766
Fair value – trading	\$ 10,230	\$ 9,124	\$ 9,651	\$ 8,473	\$ 12,898	\$ 12,232
Derivative financial instruments held or issued for non-trading purposes:						
Interest rate contracts						
Forward rate agreements			\$ -	\$ -	\$ -	\$ -
Swaps			474	173	483	376
Options written			-	-	-	-
Options purchased			-	-	6	-
Total interest rate contracts			474	173	489	376
Foreign exchange contracts						
Forward contracts			758	774	709	687
Swaps			-	-	16	-
Cross-currency interest rate swaps			282	128	579	148
Total foreign exchange contracts			1,040	902	1,304	835
Other contracts ²			5	1	-	-
Fair value – non-trading			1,519	1,076	1,793	1,211
Total fair value			\$ 11,170	\$ 9,549	\$ 14,691	\$ 13,443

¹ The average fair value of trading derivative financial instruments for the year ended October 31, 1998 was: Positive \$9,077 million and Negative \$8,046 million. Averages are calculated on a monthly basis.

² Includes equity, commodity and credit derivatives.

Credit risk on derivative financial instruments is the risk of a financial loss occurring as a result of a default of a counterparty on its obligation to the Bank. The treasury credit area is responsible for the implementation of and compliance with credit policies established by the Bank for the management of derivative credit exposures.

On the following schedule, the current replacement cost, which is the positive fair value of all outstanding derivative financial instruments, represents the Bank's maximum derivative credit

exposure. The credit equivalent amount is the sum of the current replacement cost and the potential future exposure, which is calculated by applying factors supplied by the Office of the Superintendent of Financial Institutions Canada to the notional principal amount of the instruments. The risk-weighted amount is determined by applying standard measures of counterparty credit risk to the credit equivalent amount.

Credit exposure of derivative financial instruments at year end

(millions of dollars)	1999			1998		
	Current replacement cost ¹	Credit equivalent amount	Risk-weighted amount	Current replacement cost ¹	Credit equivalent amount	Risk-weighted amount
Interest rate contracts						
Forward rate agreements	\$ 16	\$ 25	\$ 6	\$ 14	\$ 16	\$ 4
Swaps	5,481	7,349	1,806	6,262	7,805	1,979
Options purchased	336	429	110	425	551	150
Total interest rate contracts	5,833	7,803	1,922	6,701	8,372	2,133
Foreign exchange contracts						
Forward contracts	1,840	4,472	1,223	4,529	7,034	2,825
Swaps	242	568	177	233	468	121
Cross-currency interest rate swaps	2,136	5,311	1,292	2,390	5,259	1,141
Options purchased	47	154	53	234	476	165
Total foreign exchange contracts	4,265	10,505	2,745	7,386	13,237	4,252
Other contracts ²	918	3,527	1,263	450	2,854	895
Total derivative financial instruments	\$ 11,016	\$ 21,835	\$ 5,930	\$ 14,537	\$ 24,463	\$ 7,280
Less impact of master netting agreements and collateral	5,419	8,746	2,327	5,853	8,448	2,273
	\$ 5,597	\$ 13,089	\$ 3,603	\$ 8,684	\$ 16,015	\$ 5,007

¹ Exchange traded instruments and forward foreign exchange contracts maturing within 14 days are excluded in accordance with the guidelines of the Office of the Superintendent of Financial Institutions Canada. The total positive fair value of the excluded contracts at October 31, 1999 was \$154 million (1998 – \$154 million).

² Includes equity, commodity and credit derivatives.

15 CONTINGENT LIABILITIES AND COMMITMENTS

(a) In the normal course of business, the Bank enters into various off-balance sheet commitments and contingent liability contracts.

The credit instruments reported below represent the maximum amount of additional credit that the Bank could be obligated to extend should the contracts be fully utilized.

Credit instruments

(millions of dollars)	1999	1998
Guarantees and standby letters of credit	\$ 7,084	\$ 8,536
Documentary and commercial letters of credit	1,329	1,043
Commitments to extend credit ¹		
Original term to maturity of one year or less	20,977	21,206
Original term to maturity of more than one year	29,731	34,546
	\$ 59,121	\$ 65,331

¹ Consists of unused portions of commitments to extend credit in the form of loans, customers' liability under acceptances, guarantees and letters of credit.

(b) The premises and equipment net rental expense charged to net income for the year ended October 31, 1999 was \$305 million (1998 – \$280 million).

The Bank has obligations under long-term non-cancellable leases for premises and equipment. Future minimum operating lease commitments for equipment where the annual rental is in excess of \$100 thousand and for premises are as follows:

(millions of dollars)	
2000	\$ 155
2001	131
2002	98
2003	66
2004	52
2005 and thereafter	110
	\$ 612

(c) The Bank and its subsidiaries are involved in various legal actions in the ordinary course of business, many of which are loan-related. In management's opinion, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Bank.

(d) In the ordinary course of business, securities and other assets are pledged against liabilities. As at October 31, 1999 securities and other assets with a carrying value of \$32.5 billion (1998 – \$21.2 billion) were pledged in respect of securities sold short or under repurchase agreements. In addition, as at October 31,

1999, assets with a carrying value of \$3.5 billion (1998 – \$3.1 billion) were deposited for the purposes of participation in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions, or as security for contract settlements with derivative exchanges or other derivative counterparties.

(e) In the ordinary course of business, the Bank agrees to lend unpaid customer securities, or its own securities, to borrowers on a fully collateralized basis. Securities lent at October 31, 1999 amounted to \$1 billion (1998 – \$.8 billion).

16 CONCENTRATION OF CREDIT RISK

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. Management considers the following concentrations to be within acceptable limits.

On-balance sheet assets

Of the total loans outstanding at September 30, 1999, 71% were to borrowers in Canada, with the largest concentration in Ontario (39%), and 21% to borrowers in the United States. At September 30, 1998, loan concentration was 74% in Canada (including 40% in Ontario) and 17% in the United States. Of the total loans and customers' liability under acceptances, approximately 8% of the industry concentration related to media and communication (1998 – 9%). No other industry segment exceeded 5% of the total.

Off-balance sheet financial instruments

(a) Credit instruments

At October 31, 1999, the Bank had commitments and contingent liability contracts in the amount of \$59,121 million (1998 – \$65,331 million). Included are commitments to extend credit totalling \$50,708 (1998 – \$55,752), of which approximately 50% of the credit risk was in the United States (1998 – 56%), 37% in Canada (1998 – 30%), and 7% in the United Kingdom (1998 – 7%). Of the commitments to extend credit, approximately 26% of the industry concentration related to financial institutions (1998 – 21%), 18% related to media and communication (1998 – 16%), 11% related to utilities (1998 – 13%), 8% related to government (1998 – 9%), 6% related to automotive (1998 – 4%) and 5% related to oil and gas (1998 – 5%). No other industry segment exceeded 5% of the total.

(b) Derivative financial instruments

At October 31, 1999, the current replacement cost of derivative financial instruments amounted to \$11,016 million (1998 – \$14,537 million). Based on the location of the ultimate counterparty, 30% of this credit risk amount related to Europe excluding the United Kingdom (1998 – 23%), 29% to Canada (1998 – 32%), 25% to the United States (1998 – 27%), and 9% to the United Kingdom (1998 – 9%). The largest concentration by counterparty type was with other financial institutions, which accounted for 81% of the total (1998 – 78%). No other industry segment exceeded 5% of the total.

17 RELATED PARTY TRANSACTIONS

The Bank makes loans to its officers, employees and directors and their affiliates. The amounts outstanding are as follows:

(millions of dollars)	1999	1998
Mortgage loans	\$ 818	\$ 794
Other loans	607	648

18 SEGMENTED INFORMATION

The Bank's operations and activities are organized around its retail and wholesale customer bases. The retail businesses are Personal and Commercial Banking and Wealth Management Services, and the wholesale business is TD Securities. Residual unallocated revenues and expenses are included in Other.

Personal and Commercial Banking provides financial services to consumers and small and medium-sized businesses.

Wealth Management Services provides global discount brokerage services, mutual funds and investment management.

TD Securities provides a full range of services, including investment banking, merchant banking, mergers and acquisitions, fixed income, foreign exchange, derivative products, high yield, money market, equities, and corporate banking.

Results of each segment reflect revenues, expenses, assets and liabilities generated by the businesses in that segment. Transfer pricing of funds sold or purchased, and of commissions for services provided are generally at market rates. The Bank measures the performance of each segment based on net income and return on equity.

Results by business segment

(millions of dollars)	Personal and Commercial Banking	Wealth Management Services ¹	TD Securities	Other	Total
1999					
Net interest income (on a taxable equivalent basis)	\$ 2,088	\$ 316	\$ 820	\$ (51)	\$ 3,173
Taxable equivalent adjustment	–	–	(170)	(22)	(192)
Provision for credit losses	103	–	76	96	275
Other income	1,118	2,058	1,614	19	4,809
Gain on sale of TD Waterhouse Group, Inc.	–	1,122	–	–	1,122
Non-interest expenses	2,233	1,241	1,035	52	4,561
Income before provision for income taxes and non-controlling interest	870	2,255	1,153	(202)	4,076
Provision for income taxes	374	475	392	(151)	1,090
Non-controlling interest	–	5	–	–	5
Net income	\$ 496	\$ 1,775	\$ 761	\$ (51)	\$ 2,981
Average assets	\$ 61,000	\$ 7,200	\$ 127,400	\$ 17,961	\$ 213,561
1998					
Net interest income (on a taxable equivalent basis)	\$ 2,151	\$ 207	\$ 1,029	\$ (247)	\$ 3,140
Taxable equivalent adjustment	–	–	(196)	(3)	(199)
Provision for credit losses	158	–	92	200	450
Other income	978	888	1,216	115	3,197
Non-interest expenses	2,163	854	981	(42)	3,956
Income before provision for income taxes	808	241	976	(293)	1,732
Provision for income taxes	350	126	299	(164)	611
Net income	\$ 458	\$ 115	\$ 677	\$ (129)	\$ 1,121
Average assets	\$ 57,500	\$ 3,600	\$ 115,300	\$ 14,200	\$ 190,600
1997					
Net interest income (on a taxable equivalent basis)	\$ 2,105	\$ 127	\$ 872	\$ (121)	\$ 2,983
Taxable equivalent adjustment	–	–	(161)	–	(161)
Provision for credit losses	90	3	67	200	360
Other income	864	643	1,041	102	2,650
Non-interest expenses	2,052	572	726	33	3,383
Income before provision for income taxes	827	195	959	(252)	1,729
Provision for income taxes	361	110	293	(123)	641
Net income	\$ 466	\$ 85	\$ 666	\$ (129)	\$ 1,088

¹ Wealth Management Services non-interest expenses include goodwill amortization of \$51 million in 1999 (1998 – \$68 million; 1997 – \$57 million).

Geographic distribution of revenue

The Bank earns revenue in Canada, the United States and other international locations. Reporting is based on the geographic location of the unit responsible for recording the revenue.

Revenue (on a taxable equivalent basis)

(millions of dollars)	1999	1998	1997
Canada	\$ 4,772	\$ 4,531	\$ 4,437
United States	2,752	1,377	915
Other international	458	429	281
Total¹	\$ 7,982	\$ 6,337	\$ 5,633

¹ Excludes gain on sale of TD Waterhouse Group, Inc. in 1999.

19 YEAR 2000

The Year 2000 issue refers to concerns that computer and other electronic systems will not correctly interpret dates in the next century, possibly resulting in errors. If not properly addressed, the Bank's ability to conduct normal business activities could be affected.

The Bank has undertaken an extensive program to ensure its computer systems will be ready for the Year 2000 in advance of January 1, 2000. The Bank also has a program in place to ensure that if corrected systems are subsequently changed, they remain Year 2000 ready. In addition, the Bank has in place business continuity plans, which have been reinforced in anticipation of the Year 2000 transition.

The impact of the Year 2000 issue on the Bank will also depend on the readiness of other entities, such as customers, suppliers, or other counterparties, as well as any entity providing data to, receiving data from, or processing data for the Bank. The Year 2000 readiness of the Bank's borrowers may also increase credit risk, which may give rise to increases in impaired loans, or provisions for credit losses.

While the Bank is not currently aware of any Year 2000 issues that would have a material adverse effect on its operations, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Bank, including those related to the efforts of such customers, suppliers, or other counterparties, will be fully resolved.

20 PROPOSED ACQUISITION OF CT FINANCIAL SERVICES INC.

On August 3, 1999, the Bank entered into a binding agreement with British American Tobacco Plc (BAT) to make a takeover bid to acquire all of the shares of CT Financial Services Inc. (CT) for \$7,998 million in the aggregate, or \$67 per share, payable by means of cash payment at closing. On the same date, BAT entered into a binding agreement with Imasco Limited (Imasco), its 42% owned affiliate, that, subject to Imasco shareholder approval and other matters, will result in BAT acquiring control of Imasco and the deposit of Imasco's 98.2% interest in CT to the Bank's takeover bid for CT.

The transaction is expected to close by early February 2000, subject to regulatory and Imasco shareholder approval. The transaction will be accounted for using the purchase method and the excess of the purchase price over the estimated fair value of the net tangible assets acquired will be allocated firstly to identifiable intangible assets and the residual excess to goodwill.

The cash for the acquisition is expected to be obtained as follows:

(millions of dollars)	
Issue of common shares	\$ 700
Issue of preferred shares and other capital instruments	1,300
Wholesale deposits	6,065
Less: estimated fees and expenses	(67)
	\$ 7,998

21 TD WATERHOUSE GROUP, INC.

During 1999 TD Waterhouse Group, Inc. (TD Waterhouse), an indirect wholly-owned subsidiary of the Bank, completed an initial public offering of 43.4 million shares of its common stock in Canada, the United States and internationally, at a price of US\$24 per share, for total gross proceeds of US\$1,042 million. As a result of the offering, the Bank holds approximately 88.5% of the outstanding shares of common stock of TD Waterhouse. A gain of \$1,122 million was realized by the Bank in respect of the shares

sold. The gain realized was not subject to income taxes as the public offering was effected by TD Waterhouse issuing new shares from treasury.

TD Waterhouse is a global discount broker which provides investing services and related financial products through a variety of delivery channels including the internet and other electronic channels as well as an extensive network of branches and service centres.

22 RECONCILIATION OF CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Bank are prepared in accordance with accounting principles generally accepted in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada (Canadian GAAP).

Differences at October 31 between Canadian GAAP and accounting principles generally accepted in the United States (U.S. GAAP) are described below.

Net income

(millions of dollars)	1999	1998	1997
Net income based on Canadian GAAP	\$ 2,981	\$ 1,121	\$ 1,088
Stock-based compensation	(130)	(13)	(104)
Post-employment and post-retirement benefits	(11)	(8)	(7)
Gains on asset securitizations	9	26	11
Non-controlling interest in TD Mortgage Investment Corporation	(12)	(11)	–
Net income based on U.S. GAAP	2,837	1,115	988
Preferred dividends	31	34	31
Net income applicable to common shares based on U.S. GAAP	\$ 2,806	\$ 1,081	\$ 957
Basic and diluted earnings per common share – U.S. GAAP	\$ 4.68	\$ 1.82	\$ 1.60
– Canadian GAAP	4.90	1.81	1.77

Shareholders' equity

(millions of dollars)	1999	1998
Shareholders' equity based on Canadian GAAP	\$ 11,533	\$ 8,533
Stock-based compensation	(179)	(86)
Post-employment and post-retirement benefits	(42)	(31)
Net unrealized gains on available for sale securities, net of income taxes	250	285
Non-controlling interest in TD Mortgage Investment Corporation	(350)	(350)
Gains on asset securitizations	46	37
Shareholders' equity based on U.S. GAAP	\$ 11,258	\$ 8,388

Consolidated statement of comprehensive income

(millions of dollars)	1999	1998	1997
Net income based on U.S. GAAP	\$ 2,837	\$ 1,115	\$ 988
Change in net unrealized gains on available for sale securities, net of income taxes	(35)	(110)	269
Change in unrealized foreign currency translation gains and losses, net of income taxes	(161)	294	132
Comprehensive income	\$ 2,641	\$ 1,299	\$ 1,389

Stock-based compensation

During 1997, the Bank's employee stock option plan administration was modified to allow option holders to elect to receive cash for the options equal to their intrinsic value, being the difference between the option exercise price and the current market value of the shares. In accounting for stock options with this feature, U.S. GAAP requires expensing the annual change in the intrinsic value of the stock options. For options that have not fully vested, the change in intrinsic value is amortized over the remaining vesting period. Under Canadian GAAP, no expenses are recorded and cash payments to option holders are charged to retained earnings on a net of tax basis.

Post-employment and post-retirement benefits

U.S. GAAP requires the accrual of the cost of post-employment and post-retirement benefits other than pensions. Under current Canadian GAAP, the costs are expensed as paid.

Net unrealized gains on investment securities

Under U.S. GAAP, the Bank accounts for all investment account securities as "available for sale" and reports them at estimated

fair value with unrealized gains and losses reported net of taxes in a separate component of shareholders' equity. Under Canadian GAAP, investment account securities are carried at cost or amortized cost, with gains or losses only recognized when sold.

Non-controlling interest

Under U.S. GAAP, preferred shares of the Bank's subsidiary, TD Mortgage Investment Corporation, are presented as a non-controlling interest on the consolidated balance sheet, and the net income applicable to the non-controlling interest is presented separately on the consolidated statement of income. Under Canadian GAAP, these preferred shares are included within the total preferred shares presented on the consolidated balance sheet.

Gains on asset securitizations

U.S. GAAP requires gains on asset securitizations to be recognized immediately. Under Canadian GAAP, gains are recognized only when received in cash by the Bank.

23 | **FUTURE ACCOUNTING CHANGES**

The effective dates noted below are the dates on which new accounting standards must be implemented. Earlier implementation is permitted and the Bank will assess each standard separately to determine the year of adoption.

Employees' future benefits

A new accounting standard has been issued in Canada effective for fiscal 2001. The standard will require recognition, on an accrual basis, of the cost of all benefits that will be paid to or on behalf of employees, including post-retirement benefits, post-employment benefits, compensated absences and termination benefits. Current methods permit the recognition of the related expense (other than pension expense) on a cash basis rather than an accrual basis. The total unrecognized liability for these benefits is estimated to be approximately \$87 million after tax. The standard permits the change to be accounted for retroactively through retained earnings or prospectively through an annual charge to income over the average remaining service life of the employee group. The Bank expects to implement the new standard retroactively in fiscal 2001.

Derivative instruments and hedging activities

A new U.S. accounting standard on derivative instruments and hedging activities is effective for fiscal 2001. The standard requires that all derivative instruments be reported on the consolidated balance sheet at their fair values, with changes in the fair value for derivatives that are not hedges reported through the consolidated statement of income. The changes in the fair value of derivatives that are hedges will be reported either through the consolidated statement of comprehensive income until the hedged item is recognized in earnings, or through the consolidated statement of income, depending on the nature of the hedge. The changes recommended by this standard are currently being reviewed to determine their impact on the Bank.

Business combinations

New, harmonized proposals on accounting for business combinations were recently issued in Canada and the United States. Under these proposals, all business combinations occurring after the effective date will be accounted for by the purchase method, and the pooling of interests method of accounting will no longer be permitted. If the new standards are adopted without modification, the accounting requirements for business combinations will be the same in Canada and the U.S., thereby eliminating a significant difference between current Canadian and U.S. GAAP. The portion of the proposed Canadian standard which permits the presentation of net income excluding goodwill expense is effective for fiscal 1999. The U.S. proposal does not permit a similar treatment for U.S. GAAP in fiscal 1999.

(thousands of dollars)		
	Head office	Book value of all shares owned by the Bank
Canadian		
First Nations Bank of Canada (89%)	Saskatoon, Canada	\$ 8,000
TD Asset Finance Corp.	Toronto, Canada	–
TD Asset Management Inc.	Toronto, Canada	1,975
TD Capital Group Limited	Toronto, Canada	297,021
TD Factors Limited	Toronto, Canada	–
TD Futures Inc.	Toronto, Canada	–
TD Investment Management Inc.	Toronto, Canada	–
TD Mortgage Corporation	Toronto, Canada	478,003
TD Mortgage Investment Corporation	Calgary, Canada	87,500
TD Pacific Mortgage Corporation	Toronto, Canada	102,000
TD Securities Inc.	Toronto, Canada	160,018
TD Trust Company	Toronto, Canada	20,000
Toronto Dominion General Insurance Company	Toronto, Canada	10,007
Toronto Dominion Life Insurance Company	Toronto, Canada	10,000
TD Realty Limited	Toronto, Canada	77,235
United States		
Toronto-Dominion Holdings (U.S.A.), Inc. TD Securities (USA) Inc. Toronto Dominion Capital (U.S.A.), Inc. Toronto Dominion Investments, Inc. Toronto Dominion (New York), Inc. Toronto-Dominion (Texas), Inc.	Houston, U.S.A. New York, U.S.A. New York, U.S.A. Houston, U.S.A. New York, U.S.A. Houston, U.S.A.	537,025
TD Waterhouse Holdings, Inc. TD Waterhouse Bank, N.A. Waterhouse Mortgage Services, Inc. TD Waterhouse Group, Inc. (88.5%) ¹ Marketware International Inc. National Investor Services Corp. TD Waterhouse Holdings (Australia) Pty Ltd. Green Line Investor Services Limited TD Waterhouse Advertising, Inc. TD Waterhouse Investor Services (Canada) Inc. TD Waterhouse Investor Services (Hong Kong) Inc. TD Waterhouse Investor Services (Hong Kong) Limited TD Waterhouse Securities Services (Hong Kong) Limited TD Waterhouse Investor Services (UK) Limited TD Waterhouse Investor Services (Europe) Limited TD Waterhouse Asset Management, Inc. TD Waterhouse Investor Services, Inc.	New York, U.S.A. New Jersey, U.S.A. New Jersey, U.S.A. New York, U.S.A. New Jersey, U.S.A. New York, U.S.A. Sydney, Australia Sydney, Australia New York, U.S.A. Toronto, Canada Toronto, Canada Hong Kong, HK Hong Kong, HK London, England London, England New York, U.S.A. New York, U.S.A.	1,591,134
Other foreign		
TD Ireland TD Global Finance	Shannon, Ireland Dublin, Ireland	200,000
TD Reinsurance (Barbados) Inc.	St. Michael, Barbados	5,200
Toronto Dominion Australia Limited Toronto Dominion Securities Pty. Limited	Melbourne, Australia Melbourne, Australia	52,440
Toronto Dominion International Inc. TD Trust (Bermuda) Limited	St. Michael, Barbados Hamilton, Bermuda	199,084
Toronto Dominion Investments B.V. Toronto Dominion Bank Europe Limited Toronto Dominion Holdings (U.K.) Limited Toronto Dominion Investments Limited	Amsterdam, The Netherlands London, England London, England London, England	849,318
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	576,011

Unless otherwise noted, the Bank, either directly or through its subsidiaries, owns 100% of the issued and outstanding voting shares of the companies listed.

¹ TD Waterhouse Group, Inc., either directly or indirectly, owns 100% of the issued and outstanding voting shares of its subsidiaries.