148th Annual Report 2003

TD Bank Financial Group

Welcome to TD Bank Financial Group's 2003 Annual Report.

Our Annual Report aims to provide our shareholders, customers and employees with an overview of the year. It describes how our businesses performed in 2003, and how we repositioned the Bank for renewed growth and performance. Most importantly, the report reaffirms one of our guiding principles – to be customer driven.

We remain focused on being the better bank and providing our customers with a more comfortable experience wherever and however they interact with us.

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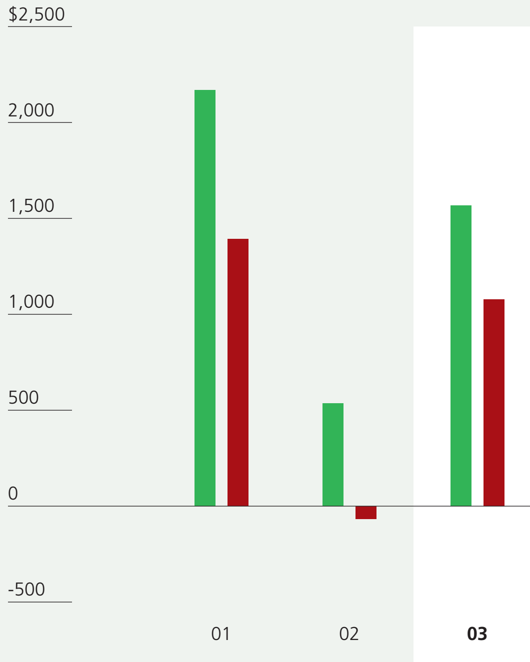
Financial Highlights[1]

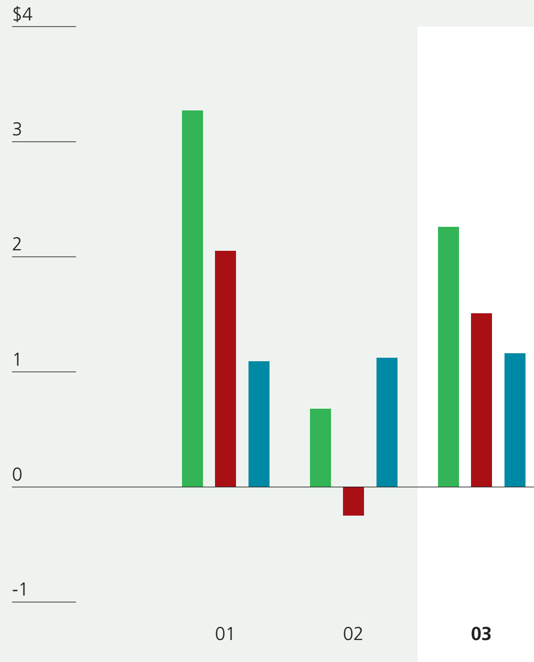
Net income (loss)
(millions of dollars)



(millions of dollars)	2003
Net income – operating cash basis	$ 1,567
Net income – reported basis	1,076

Net income is our "bottom line" and a key measure of our performance.

Diluted earnings and dividends per share
(dollars)



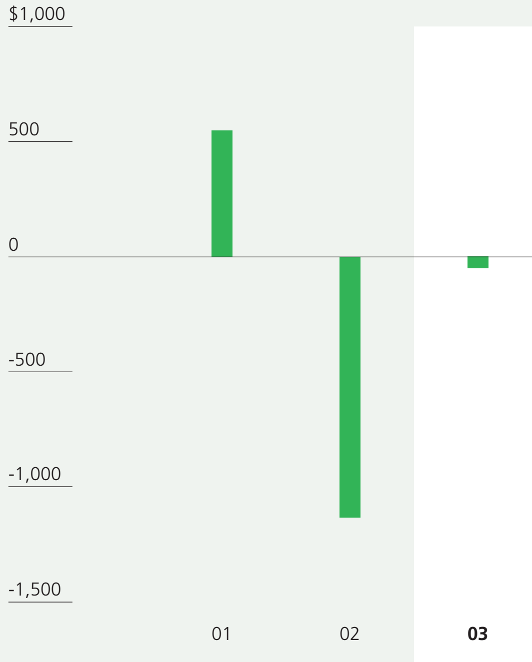
(dollars)	2003
Diluted earnings per share – operating cash basis	$ 2.26
Diluted earnings per share – reported basis	1.51
Dividends per share	1.16

Diluted earnings per share tells us how much money shareholders receive for each share if we distributed all of our earnings to shareholders.

[1] Operating cash basis measurements are explained in the "How the Bank Reports" section of the Management's Discussion and Analysis.

Economic profit (loss)

(millions of dollars)

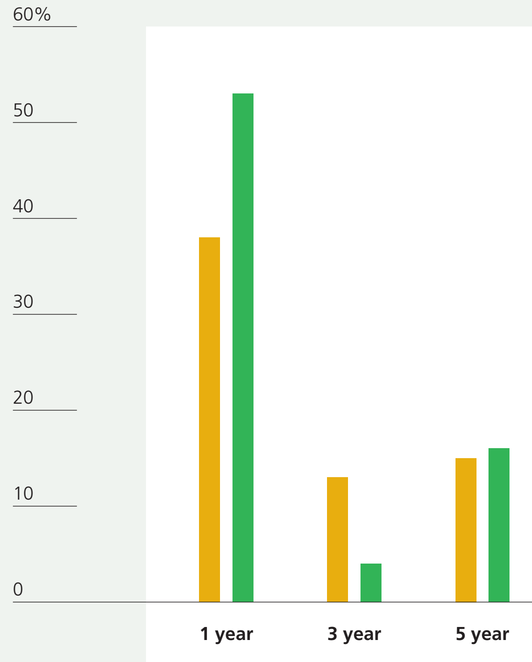


(millions of dollars)	2003
TD Bank	$ (50)

Economic profit (loss) is a tool to measure shareholder value creation. Economic profit (loss) is the Bank's operating cash basis net income (loss) applicable to common shares after a charge for average invested capital.

Total shareholder return

(percent)



(percent)	1 year	3 year	5 year
Average of four other major Canadian banks	38%	13%	15%
TD Bank	53	4	16

The total shareholder return represents the annual total return earned on an investment in the Bank's shares made at the beginning of a one, three or five year period. The return includes the change in the market price plus dividends paid as a percentage of the prior one, three or five year periods' closing market price per common share.

Chairman of the Board's Message

John M. Thompson • Chairman of the Board

The Bank's strong performance in 2003 reflects Ed Clark's direction, his solid management team and the execution of sound business strategies.

I am pleased and honoured to report on behalf of the Board of Directors for the first time as Chairman of the Board. The shareholders of TD Bank Financial Group deserve and indeed are represented by an engaged, discerning Board who are committed to candid discussions about the business of the Bank. This past year was marked by several such discussions as we worked with Ed Clark and his team on successfully repositioning the Bank after a difficult year in 2002.

On an ongoing basis, your Board advises and supports the management team on strategic issues, financial reporting, management resources, risk management and governance issues. It is an honour to work with such distinguished directors and I look forward to continuing to represent shareholders in 2004.

2003: A year of solid performance

The Board is delighted with Ed's appointment as President and Chief Executive Officer. Ed has demonstrated tremendous leadership over the past year and is committed to clear and open communication with all of the Bank's stakeholders.

The Board is confident that the management team is making a positive difference and delivering shareholder value. The market also recognized this performance, with a steady increase in our share price this year.

Based on the Bank's results, the Board elected to increase the dividend consistent with the change in business mix, lower risk profile and increased earnings certainty. In the third quarter, the Board approved a four cent increase in the quarterly dividend, a sign of confidence in TDBFG's earnings power.

A commitment to leadership in corporate governance

While the Board is focused on maximizing shareholder value and ensuring the management team has the right strategies to grow the business, we are also committed to good corporate governance. The Board acts as the voice of the shareholder and ensures that management is held accountable.

The continued strengthening of our corporate governance principles is fundamental to my role as Chairman of the Board. As a shareholder myself, I recognize the importance of this subject to TDBFG's shareholders and would like to reiterate the Board's commitment to ongoing reviews of our corporate governance principles and practices.

Our approach to corporate governance is founded on several cornerstones:

- Having a large majority of independent Board members;
- Ensuring that all committee members are non-management so that the important functions of the Committees are impartial;
- Frequently conducting meetings of the Board and Committees without management present to facilitate open and candid discussion;
- Having a stock ownership requirement for members of the Board and management so that everyone has a vested interest in the long-term performance of the Bank;
- Seeking and obtaining shareholder approval for option plans to ensure fairness and transparency;
- Maintaining the concept of pay-for-performance;
- Retaining outside advisors to review and assess our compensation practices.

After a review of our practices in 2003, we implemented a number of enhancements to our corporate governance practices and policies including:

- Separating the role of Chairman of the Board and President and Chief Executive Officer;
- Splitting the Audit and Risk Management Committee into two separate committees in recognition of the scope of the Committees' responsibilities;
- Strengthening governance of risk management processes and reporting;
- Introducing a number of changes to executive compensation to further align the interests of executives with overall Bank strategy and the interests of shareholders including:
  - Reducing use of stock options as a component of compensation in favour of performance-based restricted share units;
  - Increasing executive share ownership requirements ;
  - Reducing the use of annual cash incentive payments in favour of long-term equity awards to further align executive interests with long-term shareholder value.

The Board will maintain a watchful eye on governance developments as the regulatory and business climates continue to evolve, and adapt measures as appropriate to ensure that we continue to build on our history of leadership in corporate governance.

We are committed to ensuring that investors are represented by a strong independent Board and equally committed to regularly communicating refinements to our corporate governance policies and practices. I invite you to visit the corporate governance section of our web site at www.td.com/governance for the latest information on our corporate governance practices.

A word of thanks

I would like to recognize the service of our directors, some of whom will be retiring this year.

Finally, on behalf of the Board, I would again like to thank Ed, his outstanding management team and dedicated employees for their continued hard work.

John M. Thompson
Chairman of the Board

President and CEO's Message

W. Edmund Clark • President and Chief Executive Officer

2003 marked an important transformation for the Bank.

On the heels of a difficult year in 2002, our senior management team and employees managed to reposition the Bank to deliver more stable and sustainable earnings. I was confident that we had the strategies and expertise to deliver on these objectives but was pleasantly surprised at the accelerated rate of our progress.

This year's solid performance is attributable to the underlying strength of our core businesses and the ability of our employees. It demonstrates that we are successfully delivering sustainable earnings and regaining market confidence.

Our entire management team is united in pursuit of building long term shareholder value through growth in each of our three businesses. We remain focused on deriving more of our earnings from our retail businesses and are on track to reach our goal of 80% of total earnings from retail with the balance coming from a disciplined approach to our wholesale business.

Personal and Commercial Banking

The solid performance of Personal and Commercial Banking was central to TD Bank Financial Group's overall success this year. TD Canada Trust demonstrated promising volume and earnings growth in 2003, despite increased pressure on margins. This translated into year-over-year profit growth of 14.6 percent.

Revenue grew across several key product groups including real estate secured lending, Visa, small business banking and insurance. Customer satisfaction also improved over the year as the Customer Satisfaction Index reached a record high at year-end.

Our focus going forward is to restructure our expense base through continued process improvements with the goal of permanently lowering our cost base so that we enhance the customer experience and meet profit targets despite declining margins.

We are pleased with the acquisition of 57 Laurentian Bank branches in Ontario and Western Canada and firmly believe that our integration experience will allow us to seamlessly welcome our newest employees and customers to TD Canada Trust. We look forward to delivering to these customers the comfortable banking experience that is the hallmark of our brand.

Looking forward, we see potential for continued steady earnings growth in Personal and Commercial Banking, despite the highly competitive environment.

Wealth Management

Wealth Management did very well in 2003 both in North America and internationally as we successfully positioned our operations to benefit from strengthening markets. Our hard work and investments in the North American discount brokerage business were rewarded this year as we realized our objective of reducing the breakeven point per trade. As market activity returned this year, we were able to translate this volume growth into significant revenue growth. This improvement was particularly notable in the United States.

We expect the earnings volatility to persist in this business in the short-term but we remain comfortable in this environment because it is transparent to the marketplace and is tied to what we view as a core high growth, high multiple business. The TD Waterhouse brand remains a significant asset throughout North America and we plan to build on this strength in 2004.

In Canada, TD Waterhouse's Financial Planning and Investment Advice businesses continue to grow in line with expectations. We are encouraged by referral growth and still see opportunity to offer financial advice, products and services to TD Canada Trust's strong base of 10 million customers.

We significantly restructured TD Waterhouse International and met our objective of reaching breakeven internationally by fiscal 2004. Our focus on TD Waterhouse outside of North America is now dedicated to the United Kingdom where we have a strong franchise and the infrastructure to grow the business profitably.

Wholesale Banking
Wholesale Banking posted a solid performance only one year after we announced a significant restructuring in TD Securities. This year demonstrated that when properly structured, TD Securities can provide important earnings diversification, concurrent with reduced risk.

Much was asked of the leadership team in Wholesale Banking this past year and they did an excellent job of refocusing the business in a very short time. We carefully reviewed all of our client relationships and are now focused on strategic relationships that we believe offer long-term benefit to the business.

Our core business is well positioned to continue its disciplined approach to business development focusing on full service investment banking in Canada and niche products in global markets.

We also made significant progress in exiting the non-core relationships and have reduced the non-core portfolio to $4.2 billion, down from $11.2 billion a year ago. We remain comfortable with our provisions for credit loss and continue to monitor the performance of the portfolio. We announced the release of sectoral releases this year and will continue to be diligent in communicating our plans for provisions as we move forward.

Overall we have reason to be optimistic about the potential for Wholesale Banking in 2004. We refined our risk management and business strategies to reflect changes in our corporate strategy and in the marketplace. Building on this year's success, I believe we are well positioned to deliver more stable and consistent earnings going forward.

Corporate Management
Today's business environment is in a constant state of change. Accounting, securities and regulatory standards are constantly evolving and becoming more complex. TD Bank Financial Group relies on our Corporate Management functions to ensure we anticipate and incorporate changes to these standards to best serve our customers and shareholders. This group did an exceptional job this year and I believe we are truly among the leaders in corporate governance.

Corporate Management is also responsible for ensuring our businesses are prepared to respond to any disruptions in the normal course of business. Our customers depend on us during these times and expect us to continue delivering service regardless of natural disaster or technology failure. This year our business continuation readiness plans were put to the test by SARS, mad cow disease, forest fires in British Columbia, the hurricane in Atlantic Canada and the power outage in Ontario. I am pleased to report that our businesses were up to the challenges.

Building on strength
As I look ahead, I am confident that our businesses are properly positioned and armed with the right strategies for sustainable future growth. We have approached each business with a philosophy of ensuring that they can continue to perform even during difficult conditions and excel when the climate is favourable.

Our commitment to customer satisfaction, coupled with our strong brands and underpinned with an unrelenting emphasis on operational excellence will continue to guide us next year and beyond. I believe we are uniquely advantaged to capitalize on these strengths and become one of the best run, integrated, and customer-focused financial institutions.

On behalf of management, I would like to thank the Board of Directors for their continued guidance and leadership, our unrivalled team of employees for their hard work and commitment to excellence and our customers and shareholders for their continued support.

W. Edmund Clark
President and Chief Executive Officer

Management's discussion and analysis (MD&A) gives you management's perspective on performance of our businesses, the economy and how we manage risk and capital.

Management's Discussion and Analysis

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Caution regarding forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, including in this Annual Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. All such statements are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements regarding the Bank's objectives and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "believe", "expect", "may" and "could". By their very nature, these statements are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors that could cause such differences include: the credit, market, liquidity, interest rate, operational and other risks discussed starting on page 33 of this report and in the MD&A section in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the United States and other countries in which the Bank conducts business; the effect of changes in monetary policy; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; legislative and regulatory developments; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank's ability to complete and integrate acquisitions; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; technological changes; change in tax laws; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and saving habits; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; and management's ability to anticipate and manage the risks associated with these factors and execute the Bank's strategies within a disciplined risk environment. Please see the discussion starting on page 32 of this report concerning the effect certain key factors could have on actual results. The preceding list and the discussion of factors starting on page 32 are not exhaustive of all possible factors. Other factors could also adversely affect the Bank's results. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank's forward-looking statements. The Bank does not undertake to update any forward-looking statements, written or oral, that may be made from time to time by or on its behalf.

How We Performed

How the Bank reports

The Bank prepares its financial statements in accordance with Canadian generally accepted accounting principles (GAAP), which are presented on pages 54 to 90 of this Annual Report. The Bank refers to results prepared in accordance with GAAP as the **"reported basis"**.

The Bank also utilizes the **"operating cash basis"** to assess each of its businesses and to measure overall Bank performance against goals. The calculation of operating cash basis begins with the reported GAAP results and then excludes special items and the non-cash charge for intangible amortization and, prior to 2002, non-cash amortization of goodwill. There were no special items in fiscal 2003. For fiscal 2002, the only special item excluded was a gain on sale of the Bank's mutual fund record keeping and custody business in the first and third quarter of 2002, respectively. The Bank views special items as transactions that are not part of the Bank's normal business operations and are therefore not indicative of underlying trends. The majority of the Bank's non-cash intangible amortization charge relates to the Canada Trust acquisition in fiscal 2000. The Bank excludes amortization of intangibles as it is a non-cash charge and this approach ensures comparable treatment between periods and comparable treatment with goodwill. Consequently, the Bank believes that the operating cash basis provides the reader with an understanding of the Bank's results that can be consistently tracked from period to period.

The goodwill impairment recorded by the Bank in fiscal 2003 relating to the international unit of its wealth management business and its U.S. equity options business was not considered a special item for exclusion when determining the operating cash basis results. The restructuring charges recognized by the Bank in fiscal 2003, related to the international unit of its wealth management business and its U.S. equity options business, were not considered special items given that they were incurred as part of the rationalization of the existing businesses.

The reversal of general allowances in fiscal 2003 was not considered a special item given that the Bank views the reversal as potentially recurring. However, it may also be possible that in the future it may be necessary to increase general allowances.

As explained, operating cash basis results are different from reported results determined in accordance with GAAP. The term "operating cash basis results" is not a defined term under GAAP, and therefore may not be comparable to similar terms used by other issuers. The table below provides a reconciliation between the Bank's operating cash basis results and its reported results.

Reconciliation of operating cash basis results to reported results

(millions of dollars)	**2003**	2002	2001
Net interest income (TEB)	**$ 5,846**	$ 5,522	$ 4,636
Provision for credit losses	**(186)**	(2,925)	(620)
Other income	**4,424**	4,889	6,097
Non-interest expenses	**(7,592)**	(6,754)	(6,925)
Income before provision for income taxes and non-controlling interest in subsidiaries	**2,492**	732	3,188
Provision for income taxes (TEB)	**(833)**	(133)	(939)
Non-controlling interest in net income of subsidiaries	**(92)**	(64)	(82)
Net income – operating cash basis	**$ 1,567**	$ 535	$ 2,167
Preferred dividends	**(87)**	(93)	(92)
Net income applicable to common shares – operating cash basis	**$ 1,480**	$ 442	$ 2,075
Special increase in general provision, net of income taxes	**–**	–	(208)
Gain on sale of mutual fund record keeping and custody business, net of income taxes	**–**	32	–
Gains on sale of investment real estate, net of income taxes	**–**	–	275
Restructuring costs, net of income taxes	**–**	–	(138)
Income tax expense from income tax rate changes	**–**	–	(75)
Net income applicable to common shares – cash basis	**1,480**	474	1,929
Non-cash goodwill amortization, net of income taxes	**–**	–	(189)
Non-cash intangible amortization, net of income taxes	**(491)**	(634)	(440)
Net income (loss) applicable to common shares – reported basis	**$ 989**	$ (160)	$ 1,300
(dollars)			
Basic net income per common share – operating cash basis	**$ 2.28**	$ .69	$ 3.31
Diluted net income per common share – operating cash basis	**2.26**	.68	3.27
Basic net income (loss) per common share – reported basis	**1.52**	(.25)	2.07
Diluted net income (loss) per common share – reported basis	**1.51**	(.25)	2.05

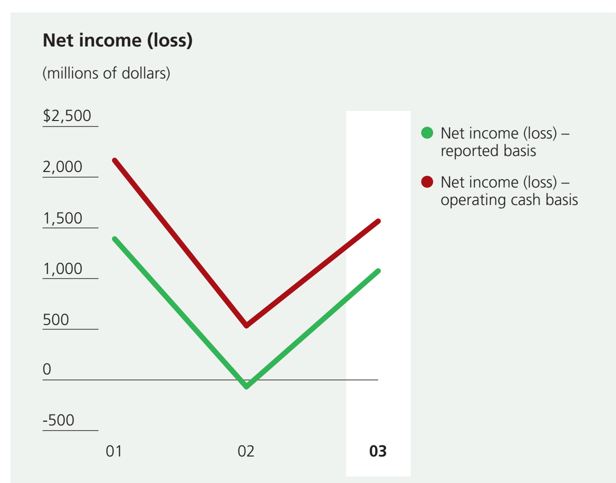
Certain comparative amounts have been reclassified to conform with current year presentation.

Net income (loss)

In its simplest terms, net income is revenues less expenses, loan losses and income taxes.

Reported net income was $1,076 million in 2003, compared with reported net loss of $67 million in 2002 and reported net income of $1,392 million in 2001. Reported basic earnings per share were $1.52 in 2003 compared with a loss per share of $.25 in 2002 and reported basic earnings per share of $2.07 in 2001. Reported diluted earnings per share were $1.51 in 2003 compared with a loss per share of $.25 in 2002 and reported diluted earnings per share of $2.05 in 2001. Reported return on total common equity was 8.7% in 2003 compared with (1.3)% in 2002 and 11.3% in 2001.

In 2003, operating cash basis net income was $1,567 million, compared with $535 million in 2002 and $2,167 million in 2001. On an operating cash basis, basic earnings per share were $2.28 in 2003 compared with $.69 in 2002 and $3.31 in 2001. Diluted earnings per share on an operating cash basis were $2.26 in 2003 compared with $.68 in 2002 and $3.27 in 2001. Operating cash basis return on total common equity was 13.0% compared with 3.6% in 2002 and 18.0% in 2001.

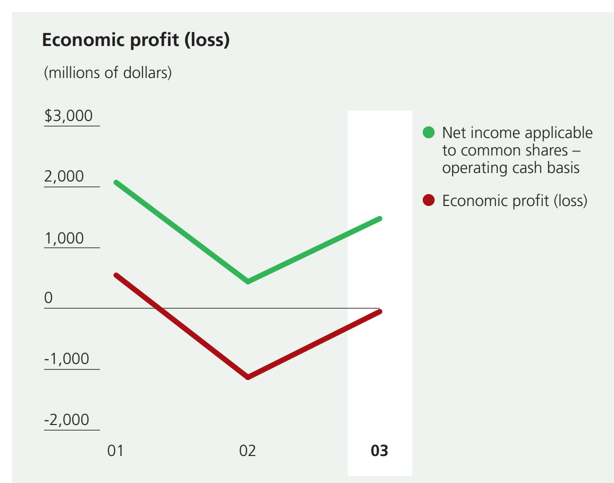


Economic profit (loss)

The Bank utilizes economic profit (loss) as a tool to measure shareholder value creation. Economic profit (loss) is operating cash basis net income (loss) applicable to common shares after a charge for average invested capital. Average invested capital is equal to average common equity plus the cumulative after-tax amount of goodwill and intangible assets amortized as of the reporting date. Average invested capital is increased by previously amortized goodwill and intangibles because this amortization is (as previously explained) excluded in operating cash basis net income. The rate used in the charge for capital is the equity cost of capital as determined by reference to the Capital Asset Pricing Model. The charge represents a required return to common shareholders. The Bank's goal is to achieve positive and growing economic profit.

Return on average invested capital (ROIC) is operating cash basis net income (loss) applicable to common shares, divided by average invested capital. ROIC is a variation on the economic profit measure that is useful in comparison to equity cost of capital. Both ROIC and the cost of capital are ratios, while economic profit is a dollar measure. When ROIC exceeds the equity cost of capital, economic profit is positive. The Bank's goal is to achieve ROIC that exceeds the equity cost of capital.

Economic profit and ROIC are not defined terms under GAAP, and therefore may not be comparable to similar terms used by other issuers. The table below provides a reconciliation between the Bank's economic profit and operating cash basis results which are discussed in the "How the Bank Reports" section.



Reconciliation of economic profit and operating cash basis results

(millions of dollars)	**2003**	2002	2001
Average common equity	**$ 11,396**	$ 12,144	$ 11,505
Average cumulative amount of non-cash goodwill/intangible amortization, net of income taxes	**2,396**	1,881	1,196
Average invested capital	**$ 13,792**	$ 14,025	$ 12,701
Rate charged for invested capital	**10.9%**	11.2%	12.0%
Charge for invested capital[1]	**(1,530)**	(1,574)	(1,526)
Net income applicable to common shares – operating cash basis	**1,480**	442	2,075
Economic profit (loss)	**$ (50)**	$ (1,132)	$ 549
Return on average invested capital	**10.5%**	3.2%	16.3%

[1] Includes $26 million after-tax charge for past amortization of impaired goodwill recognized in the second quarter of 2003.

Net interest income

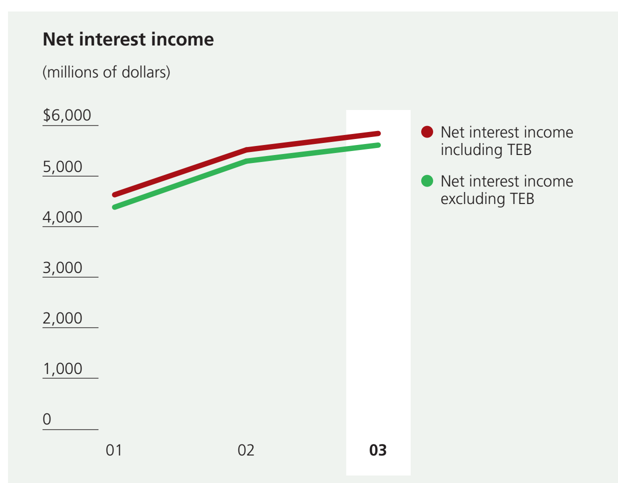
The Bank calculates net interest income by adding the interest and dividends it earns from loans and securities, and subtracting the interest it pays on deposits and other liabilities.

Net interest income is calculated on a taxable equivalent basis (TEB), which means that the value of non-taxable or tax-exempt income such as dividends is adjusted to its equivalent before tax value. This allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with other institutions.

See supplementary information **page 45 and 46**, tables 2, 3 and 4

Net interest income (TEB) was $5,846 million in 2003, a year-over-year increase of $324 million or 6%. The increase in net interest income is related to Personal and Commercial Banking where average personal loan volumes – excluding securitizations – increased $5 billion from a year ago; however this growth was partially offset by a 14 basis point reduction in the net interest margin to 3.28%. The increase is also related to higher interest income in Wealth Management due to higher cash balances in domestic operations combined with higher yields earned on the investment of the cash balances. In addition, the increase in net interest income related to interest income from income tax refunds and taxable equivalent and securitization adjustments in 2003. Net interest income excluding the TEB adjustment for 2003 was $5,616 million, an increase of $316 million compared with 2002.

Net interest income (TEB) was $5,522 million in 2002, a year-over-year increase of $886 million or 19%. Net interest income reported by Wholesale Banking increased by $607 million as compared with 2001, primarily related to an increase in interest income from trading securities. Net interest income for Personal and Commercial Banking increased by $107 million as compared with 2001. The increase in Personal and Commercial Banking was attributable to personal loan volumes, excluding securitizations, which increased by $5 billion, and the net interest margin improvement of four basis points to 3.42%. Net interest income excluding the TEB adjustment for 2002 was $5,300 million, an increase of $909 million compared with 2001.



Other income

Other income represents all of our income other than net interest income. Sources of other income include revenues from trading activities, brokerage fees, mutual fund management fees, service fees, income from loan securitizations and other revenue.

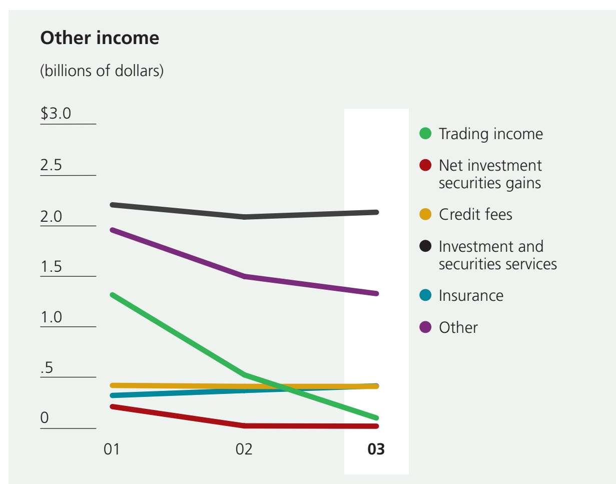
See supplementary information **page 47**, tables 5 and 6

Other income on an operating cash basis was $4,424 million in 2003, a decrease of $465 million or 10% from 2002, after excluding the special gain from the sale of the Bank's mutual fund record keeping and custody business in 2002. In the first and third quarters of 2002, the Bank sold its mutual fund record keeping and custody business and recorded a pre-tax gain of $18 million and $22 million, respectively. The Bank has excluded these special gains in analyzing its performance as they are not recurring events. Reported other income was $4,424 million for 2003, a decrease of $505 million or 10% from 2002.

Trading income reported in other income decreased by $425 million or 80% compared with 2002, while trading-related income generated by Wholesale Banking – which is the total of trading income reported in other income and the net interest income on trading positions reported in net interest income – was $1,158 million for the year, a decrease of $195 million or 14% compared with 2002. The decrease reflects a decline in market activity levels across equity and interest rate structured products compared with last year. The investment securities portfolio realized net gains of $23 million in 2003 compared with gains of $26 million in 2002. The decrease is primarily attributable to market conditions. Overall, the investment securities portfolio has a surplus over its book value of $429 million compared with $228 million at the end of 2002. The decline in other income was also due to losses on derivative and loan sales not booked to sectoral in Wholesale Banking of $113 million. In addition, the decline in other income related to write downs of $39 million in 2003, resulting from other than temporary impairments in certain international wealth management joint ventures. Non-trading foreign exchange income decreased by $61 million in 2003 to address a previously unhedged non-trading U.S. dollar exposure arising from our U.S. dollar Visa business. Somewhat offsetting the decline in other income were increases in discount brokerage fees and commissions of $35 million or 4% and full service brokerage fees and other securities services fees of $26 million or 4% compared with last year. Also, offsetting the decline was a year-over-year increase in fees from card services and service charges of $48 million or 6%, an increase in insurance revenues of $45 million or 12% and an increase in income from loan securitizations of $32 million or 15% as compared with 2002.

Other income was $4,889 million in 2002, a decrease of $1,208 million or 20% from 2001, after excluding special gains from the sale of the Bank's mutual fund record keeping and custody business in 2002 and special gains from the sale of certain investment real estate assets in 2001. During fiscal 2001, the Bank sold certain investment real estate for a pre-tax gain on sale of $350 million, net of deferrals. The Bank has excluded these special gains in analyzing its performance as they are not recurring events. Reported other income was $4,929 million for 2002, a decrease of $1,518 million or 24% from 2001.

Trading income reported in other income decreased by $789 million in 2002, while trading related income generated by Wholesale Banking was $1,353 million for the year, a decrease of $184 million or 12% as compared with 2001. This was a solid performance given the decrease in market volatility, the continued slow down in corporate origination activity and weak credit markets experienced during 2002. The investment securities portfolio realized net gains of only $26 million in 2002. This represents a significant decrease from net investment securities gains of $216 million in 2001. The decrease is primarily attributable to weaker equity markets leading to fewer exit opportunities in 2002. Overall, the equity investment securities portfolio continued to have a surplus over its book value of $228 million compared with $370 million at the end of 2001. The decline in other income also reflects a decrease in self-directed brokerage revenues of $80 million, or 8%, compared with 2001. This decrease reflects a 15% drop in average trades per day to 98,900 from 116,000 in 2001. Income from loan securitizations decreased by $54 million, or 20%, as compared with 2001, as a result of lower levels of securitized assets. Partially offsetting this decline in other income was a year-over-year increase in insurance revenues of $49 million or 15%. Also contributing to the overall decline in other income was a decrease in property rental income of $52 million as the Bank sold substantially all of its investment real estate in fiscal 2001.



Expenses

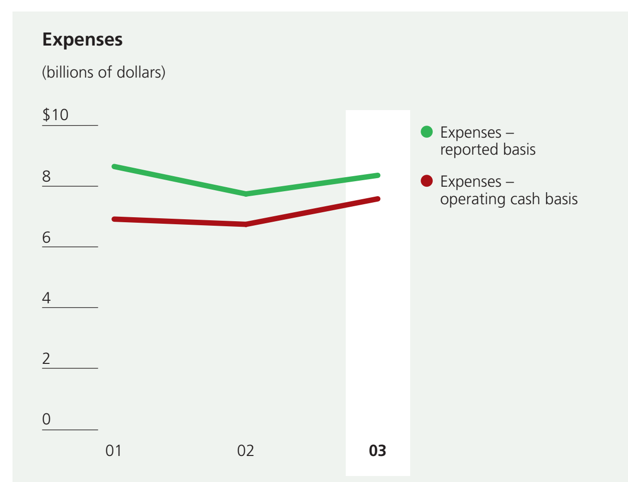
Expenses include non-interest expenses, such as salaries, occupancy and equipment costs, and other operating expenses.

See supplementary information **page 45 and 48**, table 1 and 7

Operating cash basis expenses exclude non-cash goodwill and identified intangible amortization and restructuring costs related to acquisitions and significant business restructuring initiatives. During the fourth quarter of fiscal 2001, Wholesale Banking announced a restructuring of its operations, which resulted in pre-tax restructuring costs of $130 million, primarily related to employee severance. In fiscal 2001, the Bank incurred pre-tax restructuring costs of $54 million related to TD Waterhouse and $55 million related to the acquisition of Newcrest. Beginning in fiscal 2002, the Bank discontinued the amortization of goodwill as a result of the adoption of the new accounting standard on goodwill and intangible assets.

In 2003, operating cash basis expenses increased $838 million to $7,592 million compared with 2002. The increase in expenses is primarily a result of $624 million in goodwill write downs related to the international unit of the Bank's wealth management business and its U.S. equity options business in Wholesale Banking recognized in the second quarter of 2003. During the second quarter of 2003, the Bank reviewed the value of goodwill assigned to these businesses and determined that an impairment had occurred. In addition, during the second quarter 2003 the Bank determined that it was necessary to restructure these operations and, as a result, recorded $87 million in restructuring costs in the second quarter and $5 million in the third quarter of 2003. The increase in expenses is also related to increased variable compensation expenses and charges related to systems write-offs, real estate downsizing, legal provisions in the non-core portfolio and costs of streamlining core operations in Wholesale Banking. On a reported basis, expenses increased by $612 million from a year ago to $8,364 million. The impact of non-cash intangible amortization on the Bank's reported expenses in 2003 was $772 million compared with $998 million last year. Beginning in fiscal 2003, the Bank has applied the fair value method of accounting for stock options and recorded an expense of $9 million.

In 2002, total operating cash basis expenses decreased by $171 million or 2% from 2001 to $6,754 million, primarily as a result of lower incentive compensation expenses in Wholesale Banking. Wealth Management also contributed to the decrease in salaries and employee benefits as a result of its discount brokerage restructuring initiatives. On a reported basis, expenses decreased by $902 million from 2001 to $7,752 million. The impact of non-cash goodwill and intangible amortization on the Bank's reported expenses in 2002 was $998 million compared with $1,490 million in 2001.

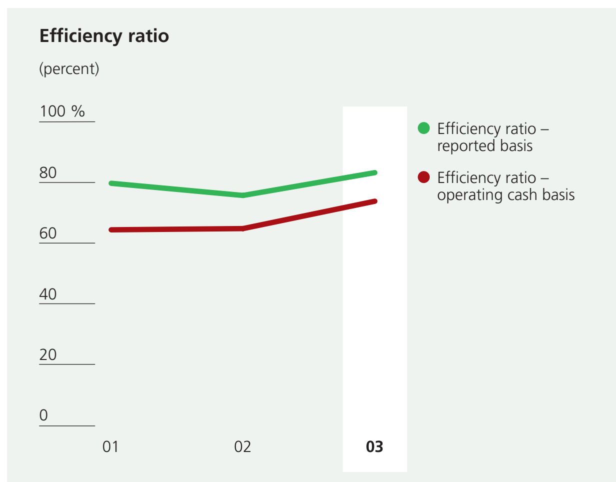


Efficiency ratio

The efficiency ratio measures the efficiency of operations. It's calculated by taking expenses as a percentage of total revenue. The lower the percentage, the greater the efficiency.

See supplementary information page 48, table 7

On an operating cash basis, the Bank's overall efficiency ratio weakened to 73.9% from 64.9% in 2002 and 64.5% in 2001. The Bank's consolidated efficiency ratio is impacted by shifts in its business mix. The efficiency ratio is viewed as a more relevant measure for Personal and Commercial Banking, which had an efficiency ratio of 58.8% this year compared with 60.7% in 2002 and 61.5% in 2001. During fiscal 2003, the method used to calculate the efficiency ratio for Personal and Commercial Banking was simplified to no longer exclude the funding costs for the acquisition of Canada Trust. On a reported basis, the Bank's overall efficiency ratio weakened to 83.3% from 75.8% in 2002 and 79.8% in 2001.



Taxes

The Bank carries on many businesses in many different locations with differing outcomes, resulting in a mix of tax payments and tax recoveries. The Bank continues to pay significant amounts of tax to governments across Canada. Supplementary table 8 on page 49 lists the various taxes the Bank has paid over the past five years.

Note 15 of the Bank's Consolidated Financial Statements sets out the key tax measurements under generally accepted accounting principles.

The Bank's home jurisdiction, Ontario, has announced that it will be increasing corporate income taxes and stopping the planned elimination of capital taxes. As a result, the expected rate of Canadian taxes in the future will be higher than previously thought although still lower than in 2003. The federal government has promised the phased elimination of its principal capital tax.

In 2003, the write down of some businesses added to the net future tax asset of the Bank. This was in addition to the substantial increase caused by the large sectoral loan provisions recorded in 2002. The effective use of these assets is dependent upon a continued return to ordinary levels of profitability, particularly in the Bank's U.S. operations. This increase was offset to a significant extent by the usage of a portion of the sectoral provisions against specific loans as well as the release of provisions for both sectoral and general loan losses.

Balance sheet

See Consolidated Balance Sheet page 55

Total assets were $274 billion at the end of the year, $4 billion or 2% lower than as at October 31, 2002. A decline in investment securities activity resulted in a $4 billion decrease and business and government loans decreased by $11 billion as compared with October 31, 2002. However, securities purchased under resale agreements increased by $4 billion to $17 billion due to increased securities volumes. Also, as compared with last year, personal loans, including securitizations, increased by $6 billion to reach $49 billion. At the end of the year, residential mortgages, including securitizations, increased by $5 billion to reach $72 billion as compared with last year. Bank-originated securitized assets not included on the balance sheet amounted to $18 billion compared with $15 billion at October 31, 2002. Wholesale deposits decreased by $14 billion as compared with October 31, 2002. However, personal non-term deposits increased by $2 billion to $53 billion and personal term deposits increased by $3 billion to $53 billion compared with October 31, 2002.

Total assets were $278 billion at October 31, 2002, $10 billion or 3% lower than as at October 31, 2001. Lower volumes from trading securities contributed $13 billion to the decrease in total assets with securities purchased under resale agreements representing $7 billion of the decrease. Personal loans, including securitizations, increased by $2 billion, primarily attributable to a solid performance in real estate secured lines of credit in Personal and Commercial Banking. At the end of fiscal 2002, residential mortgages, including securitizations, increased by $1 billion from 2001 to $67 billion. As at October 31, 2002, wholesale deposits decreased by $11 billion and securities under repurchase agreements decreased by $6 billion as compared with October 31, 2001. Personal non-term deposits grew by $4 billion from October 31, 2001 to reach $51 billion at the end of fiscal 2002, with Personal and Commercial Banking accounting for the majority of this increase. Personal term deposits remained unchanged at $50 billion compared with 2001.

The Bank also enters into structured transactions on behalf of clients which result in assets recorded on the Bank's Consolidated Balance Sheet for which market risk has been transferred to third parties via total return swaps. As at October 31, 2003, assets under such arrangements amounted to $13 billion compared with $11 billion in 2002 and $10 billion in 2001. The Bank also acquires market risk on certain assets via total return swaps, without acquiring the cash instruments directly. Assets under such arrangements amounted to $6 billion as at October 31, 2003 compared with $6 billion in 2002 and $6 billion in 2001. Market risk for all such positions is tracked and monitored, and regulatory market risk capital is required. The assets sold under these arrangements are discussed in the other financial transactions section on page 15 are included in this amount. See Note 18 of the Bank's Consolidated Financial Statements for more details of derivative contracts.

Off-balance Sheet Arrangements

In the normal course of operations, the Bank engages in a variety of financial transactions that, under generally accepted accounting principles, are either not recorded on the Consolidated Balance Sheet or are recorded in amounts that differ from the full contract or notional amounts. These off-balance sheet arrangements involve, among other risks, varying elements of market, credit and liquidity risk which are discussed in the Managing risk section on pages 33 to 41 of this Annual Report. Off-balance sheet arrangements are generally undertaken for risk management, capital management and/or funding management purposes and include securitizations, commitments, guarantees and contractual obligations.

Securitizations

Securitizations are an important part of the financial markets, providing liquidity by facilitating investor access to specific portfolios of assets and risks. In a typical securitization structure, the Bank sells assets to a special purpose entity (SPE) and the SPE funds the purchase of those assets by issuing securities to investors. SPEs are typically set up for a single, discrete purpose, are not operating entities and usually have no employees. The legal documents that govern the transaction describe how the cash earned on the assets held in the SPE must be allocated to the investors and other parties that have rights to these cash flows. The Bank is involved in SPEs through the securitization of its own assets, securitization of third party assets and other financial transactions.

Securitization of bank-originated assets

The Bank securitizes residential mortgages, personal loans, credit card loans and commercial mortgages to enhance its liquidity position, diversify its sources of funding and to optimize the management of its balance sheet. Details of these securitizations are discussed below.

The Bank securitizes residential mortgages through the creation of mortgage-backed securities and transfers to SPEs. The Bank continues to service the securitized mortgages and may be exposed to the risks of the transferred loans through retained interests. There are no expected credit losses on the retained interests of the securitized residential mortgages that are government guaranteed (approximately 94% of all securitized residential mortgages). As at October 31, 2003, the Bank had outstanding securitized residential mortgages of $11.3 billion as compared with $8.1 billion in fiscal 2002.

The Bank securitizes real estate secured personal loans through sales to SPEs. The Bank provides credit enhancement through its retained interest in the excess spread of the SPEs and by funding cash collateral accounts. The Bank's interest in the excess spread of the SPEs and the cash collateral account is subordinate to the SPEs' obligations to the holders of its asset-backed securities and absorbs losses with respect to the personal loans before payments to noteholders are affected. As at October 31, 2003, the Bank had outstanding securitized personal loans of $4.6 billion as compared with $5.0 billion in fiscal 2002.

The Bank securitizes credit card loans through sales to SPEs. The Bank's credit card securitizations are revolving securitizations, with new credit card receivables transferred to the SPEs each period to replenish receivable amounts as they are repaid. The Bank provides credit enhancement to the SPEs through its retained interest in the excess spread. The Bank's interest in the excess spread of the SPEs is subordinate to the SPEs' obligations to the holders of its asset-backed securities and absorbs losses with respect to the credit card receivables before payments to the noteholders are affected. As at October 31, 2003, the Bank had outstanding securitized credit card receivables of $1.5 billion as compared with $1.5 billion in fiscal 2002.

The Bank also securitizes commercial mortgages, which in addition to providing a source of liquidity and capital efficient funding, may reduce the Bank's credit exposure. As at October 31, 2003, the Bank had outstanding securitized commerical mortgages of $1.0 billion as compared with $.3 billion in fiscal 2002.

Total bank-originated securitized assets not included on the Consolidated Balance Sheet amounted to $18.4 billion compared with $14.9 billion a year ago. Further details are provided in Note 4 of the Bank's Consolidated Financial Statements.

Securitization of third party originated assets

The Bank assists its clients in securitizing their financial assets through SPEs administered by the Bank. The Bank may provide credit enhancement or liquidity facilities to the resulting SPEs as well as securities distribution services. The Bank does not provide employees to the SPEs, nor does it have ownership interests in these SPEs and all fees earned in respect of these activities are on a market basis.

Other financial transactions

The Bank sells trading securities to SPEs in conjunction with its balance sheet management strategies. The Bank does not retain effective control over the assets sold. Assets sold under such arrangements at October 31, 2003 amounted to $5.0 billion as compared with $5.0 billion in fiscal 2002. The Bank enters into total return swaps with the sale counterparties in respect of the assets sold. Market risk for all such transactions is tracked and monitored, and market risk capital is required.

In addition, the Bank also offers financial products, including mutual funds, structured notes and other financial instruments to clients, including SPEs as counterparties. These financial products are, on occasion, created using a SPE as issuer or obligor of the financial products. The Bank may provide certain administrative services and other financial facilities to the SPEs in exchange for market rate compensation.

Commitments and guarantees

Details of the Bank's commitments and guarantees are provided in Note 19 of the Bank's Consolidated Financial Statements.

Contractual obligations

The Bank has contractual obligations to make future payments on subordinated notes and debentures, operating lease commitments, capital trust securities and certain purchase obligations. Subordinated notes and debentures and capital trust securities are reflected on the Bank's Consolidated Balance Sheets, while operating lease commitments and purchase obligations are not. Details of these contractual obligations as at October 31, 2003 are disclosed by remaining maturity in supplementary table 17 on page 53 of this Annual Report.

Critical Accounting Policies

The Bank's accounting policies are essential to understanding its results of operations and financial condition. A summary of the Bank's significant accounting policies is presented in Note 1 of the Bank's Consolidated Financial Statements beginning on page 59 of this Annual Report. Some of the Bank's policies require subjective, complex judgements and estimates as they relate to matters that are inherently uncertain. Changes in these judgements or estimates could have a significant impact on the Bank's financial statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies are well controlled and occur in an appropriate and systematic manner. In addition, the Bank's critical accounting policies are reviewed with the Audit Committee on a periodic basis. Critical accounting policies that require management's judgements and estimates include accounting for loan losses, accounting for the fair value of financial instruments held in trading portfolios, accounting for income taxes, the valuation of investment securities, accounting for securitizations, the valuation of goodwill and intangible assets and the accounting for pensions and post-retirement benefits.

Accounting for loan losses
Accounting for loan losses is an area of importance given the significant size of the Bank's loan portfolio. The Bank has three types of allowances against loan losses – specific, general and sectoral. Loan impairment is recognized when the timely collection of all contractually due interest and principal payments is no longer assured. Significant judgement is required as to the timing of designating a loan as impaired and the amount of the required specific allowance. Reviews by regulators in Canada and the U.S. bring a measure of uniformity to specific allowances recorded by banks. Sectoral allowances require ongoing judgement as to draw downs from sectorals to specific loss and the amount of periodic sectoral allowances required. General allowances also require judgement given that the level of general allowances depends upon an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition and other relevant indicators. Note 1(h) of the Bank's Consolidated Financial Statements provides more details.

Accounting for the fair value of financial instruments held in trading portfolios
The Bank's trading securities and trading derivatives are carried at fair value on the Consolidated Balance Sheet with the resulting realized and unrealized gains or losses recognized immediately in other income. The fair value of exchange traded financial instruments is based on quoted market rates plus or minus daily margin settlements. If listed prices or quotes are not available, then the Bank's management applies judgement in the determination of the fair values by using valuation models that incorporate prevailing market rates and prices on underlying instruments with similar maturities and characteristics, and takes into account factors such as counterparty credit quality, liquidity and concentration concerns. Imprecision in estimating these factors can impact the amount of revenue or loss recorded for a particular position. Notwithstanding the judgement required in fair valuing the Bank's financial instruments, the Bank believes its estimates of fair value are reasonable given the Bank's process for obtaining external market prices, internal model review, consistent application of approach from period to period and the validation of estimates through the actual settlement of contracts.

Accounting for income taxes
Accounting for current income taxes requires the Bank to exercise judgement for issues relating to certain complex transactions, known issues under discussion with tax authorities or transactions yet to be settled in court. As a result, the Bank maintains a tax provision for contingencies and regularly assesses the adequacy of this tax provision.

Future income taxes are recorded to account for the effects of future taxes on transactions occurring in the current period. The accounting for future income taxes also requires judgement in the following key situations:

- Future tax assets are assessed for recoverability. The Bank records a valuation allowance when it believes based on all available evidence, that it is not more likely than not that all of the future tax assets recognized will be realized prior to their expiration. The amount of the future income tax asset recognized and considered realizable could, however, be reduced in the near term if projected income is not achieved due to various factors such as unfavourable business conditions.
- Future tax assets are calculated based on tax rates to be applied in future periods. Previously recorded tax assets and liabilities need to be adjusted when the expected date of the future event is revised based on current information.
- The Bank has not recognized a future income tax liability for undistributed earnings of certain international operations as it does not plan to repatriate them. Estimated taxes payable on such earnings in the event of repatriation would be $206 million at October 31, 2003.

Valuation of investment securities
Under Canadian generally accepted accounting principles (GAAP), investment securities are carried at cost or amortized cost and are adjusted to net realizable value to recognize other than temporary impairment. The determination of whether or not other than temporary impairment exists is a matter of judgement. The Bank's management reviews these investment securities regularly for possible other than temporary impairment and this review typically includes an analysis of the facts and circumstances of each investment and the expectations for that investment's performance. Specifically, impairment of the value of an investment may be indicated by conditions such as a prolonged period during which the quoted market value of the investment is less than its carrying value, severe losses by the investee in the current year or current and prior years, continued losses by the investee for a period of years, suspension of trading in the securities, liquidity or going concern problems of the investee or a current fair value of the investment that is less than its carrying value. When a condition indicating an impairment in value for an investment has persisted for a period of three to four years, there is a general presumption that there has been a loss that is other than temporary in nature. This presumption can only be rebutted by persuasive evidence to the contrary.

Accounting for securitizations
There are two key determinations relating to the accounting for securitizations. For bank-originated securitized assets, a decision must be made as to whether the securitization should be considered a sale under Canadian GAAP. Canadian GAAP requires that specific criteria be met for the Bank to have surrendered control of the assets and thus recognize a gain on sale. For instance, the securitized assets must be isolated from the Bank and put beyond the reach of the Bank and its creditors, even in bankruptcy or other receivership. The second key determination is whether the special purpose entity (SPE) should be consolidated into the Bank's financial statements. Current Canadian GAAP requires consolidation of SPEs only when the Bank retains substantially all the residual risks and rewards of the SPE. In addition, if the SPE's activities are sufficiently restricted to meet certain accounting requirements, the SPE should not be consolidated by the Bank. Under current Canadian GAAP, all of the Bank-originated assets transferred to SPEs meet the criteria for sale treatment and non-consolidation. However, it should be noted that the Canadian Institute of Chartered Accountants (CICA) has issued a new accounting guideline entitled the *Consolidation of Variable Interest Entities* (VIEs). The guideline introduces a new consolidation model which determines control (and consolidation) based on the potential variability of gains and losses of the entity being evaluated. The guideline is effective for the Bank beginning in fiscal 2005 and may result in the consolidation of certain VIEs. See Note 26 of the Bank's Consolidated Financial Statements for more details.

Valuation of goodwill and intangible assets
Under Canadian GAAP, goodwill is not amortized, but is instead assessed for impairment at the reporting unit level on at least an annual basis. Goodwill is assessed for impairment using a two step approach with the first step being to assess whether the fair value of the reporting unit to which the goodwill is associated is less than its carrying value. When the fair value of the reporting unit is less than the carrying value, a second impairment test is performed. The second test requires a comparison of the fair value of goodwill to its carrying amount. If the fair value of goodwill is less than its carrying value, goodwill is considered impaired and a charge for impairment must be recognized immediately. The fair value of the Bank's reporting units are determined from internally developed valuation models that consider various factors such as normalized and projected earnings, price earnings multiples and discount rates. The Bank's management uses judgement in estimating the fair value of reporting units and imprecision in estimates can affect the valuation of goodwill.

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold, and have a finite useful life are amortized over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of the circumstances and judgement by the Bank's management. Finite life intangible assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. See Note 5 to the Bank's Consolidated Financial Statements for more details.

Accounting for pensions and post-retirement benefits
The Bank's pension and post-retirement benefits obligation and expense is dependent on the assumptions used in calculating these amounts. The actuarial assumptions are determined by management and are reviewed annually by management and the Bank's actuaries. These assumptions include the discount rate, the rate of compensation increase, the overall health care cost trend rate and the expected long-term rate of return on plan assets. Differences between actual experience and the assumptions will result in increases or decreases in the Bank's pension and post-retirement benefits expense in future years. See Note 14 to the Bank's Consolidated Financial Statements for more details.

Controls and Procedures

During the year, the Bank enhanced its internal controls over financial reporting within Wholesale Banking through the creation of a new Middle Office group with the mandate to further develop cross-functional support for its derivatives businesses and to focus on enhancing infrastructure and controls. In addition, the Bank enhanced its controls in the financial reporting process through a detailed review of residual unallocated revenues and expenses in the Corporate segment. During the 2003 fiscal year, there have been no significant changes in the Bank's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Bank's internal controls over financial reporting. However, the Bank is continually improving its infrastructure and controls.

An evaluation was performed under the supervision and with participation of the Bank's management, including the President and Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Bank's disclosure controls and procedures, as defined in the rules of the U.S. Securities and Exchange Commission (SEC), as of the end of the period covered by this Annual Report. Based on that evaluation, the Bank's management, including the CEO and CFO, concluded that the Bank's disclosure controls and procedures were effective as of October 31, 2003.

How Our Businesses Performed

The Bank's operations and activities are organized around the following operating business segments: Personal and Commercial Banking, Wholesale Banking and Wealth Management.

Personal and Commercial Banking is a leader in Canada with approximately 10 million personal, small business, insurance and commercial customers. Under the TD Canada Trust brand, the retail operations provide a full range of financial products and services to our personal and small business customers – anywhere, anytime – through the telephone, the web, more than 2,600 automated banking machines, and our network of 1,065 branches conveniently located across the country offering the best banking hours in the business. TD Commercial Banking provides lending, deposit, savings and investment products to Canadian businesses, plus a full range of day-to-day banking, cash management, trade and treasury services.

Wholesale Banking serves a diverse base of corporate, government and institutional clients in key financial markets around the world. Under the TD Securities brand, Wholesale Banking provides a full range of capital markets and investment banking products and services that include:

- Advice on corporate strategy and mergers and acquisitions;
- Underwriting and distributing loan, debt and equity products;
- Structuring tailored risk management solutions; and
- Executing financial transactions.

Wealth Management offers investors a wide array of investment products and services. It is one of Canada's largest asset managers, advisors and distributors of investment products; providing mutual funds, pooled funds, segregated account management, full-service brokerage services and self-directed investing to retail, mass affluent and private client segments. In addition, investment management services are provided to pension funds, corporations, institutions, endowments, and foundations. TD Waterhouse discount brokerage serves customers in Canada, the United States and the United Kingdom. Wealth Management has assets under management of $113 billion and assets under administration of $267 billion. TD Mutual Funds offers 62 retail mutual funds and 30 managed portfolios for Canadian investors.

Results of each business segment reflect revenues, expenses, assets and liabilities generated by the businesses in that segment. The Bank measures and evaluates the performance of each segment based on cash basis net income, return on average invested capital and economic profit. Cash basis results exclude non-cash charges related to goodwill and intangible amortization from business combinations. Segmented information also appears in Note 21 of the Bank's Consolidated Financial Statements.

Personal and Commercial Banking

A leader in personal and commercial banking in Canada with approximately 10 million personal, small business, insurance and commercial customers.

Overall business strategy
- Deliver superior service and a premium brand-based customer experience.
- Leverage premium customer experience to achieve superior financial results over the long-term through:
  – Better customer retention.
  – Better customer attraction.
  – Increased share of business from current customers.
- Grow under-penetrated businesses at above average growth rates:
  – Commercial banking.
  – Small business banking.
  – Insurance.
- Maintain a core competency in expense management.
- Disciplined execution of strategy and operational excellence.

Challenges in 2003
- Contraction in net interest margins due to a combination of rate environment, competitive pricing and customer preferences.
- Modest decline in personal market share.
- Lower branch revenue from sales of wealth management products due to instability in equity markets earlier in the year.

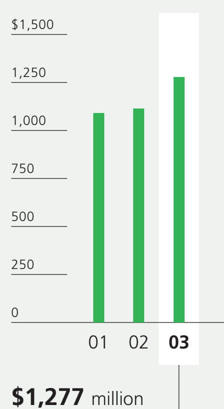
2003 Highlights
- Earnings growth of 15% driven by a three percentage point spread between revenue and expense growth.
- Completed a series of process re-engineering initiatives to permanently lower our cost base in order to meet earnings targets despite declining net interest margins.
- Reduced personal lending credit losses and delinquency rates through improvements in credit adjudication and collection processes.
- Achieved a new high in customer satisfaction, as measured by our Retail Customer Satisfaction Index (CSI).
- Acquired 57 branches and 144,000 customers from Laurentian Bank on October 31, 2003 adding approximately $2 billion to both lending and deposit volume.

Business outlook and focus for 2004
Revenue growth is expected to continue to be challenging given the competitive environment. Accordingly, our focus for the coming year will be to:
- Improve customer attraction rates and increase share of business with our current customers:
  – Increase focus on growing personal chequing accounts.
  – Improve cross-sell rates by building on early successes with a recently introduced sales-prompt system.
  – Grow commercial and small business deposit revenue at above average rates.
  – Grow insurance revenue at double-digit growth rates.
- Continue to keep expense growth below revenue growth:
  – Continue to invest in process re-engineering to reduce errors and lower costs.
  – Manage everyday costs by eliminating duplication and redundancy.
  – Achieve expense synergies by using our extensive branch merger experience to integrate the Laurentian branches into the TD Canada Trust network.
- Continue to build an enhanced retail risk management platform with a staged implementation over the next two years to further lower credit losses and improve pricing for risk.
- Consider further strategic acquisitions and investments that will grow our franchise.

Review of financial performance 2003
Personal and Commercial Banking reported strong earnings growth in 2003 following modest growth in 2002. Cash basis net income of $1,277 million for 2003 increased by $163 million or 15% from the prior year. A three percentage point spread between revenue and expense growth, lower credit losses and a lower tax rate combined to improve earnings significantly year-over-year. Cash basis return on average invested capital increased to 18.5% from 16.8% last year as earnings growth exceeded the modest 4% increase in invested capital. Personal and Commercial Banking continued to drive growth in shareholder value by generating economic profit of $639 million during the year, an improvement of $201 million over last year after a one percentage point reduction in the rate charged for invested capital.

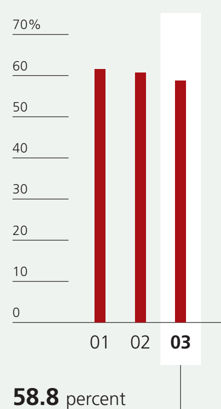
Total revenue grew 2% in 2003 compared with the prior year. Solid real estate secured lending and deposit volume growth, higher transaction-based fees and strong growth in insurance income were the main contributors to revenue growth. Revenue growth was reduced by lower net interest margins, lower branch sales of Wealth Management products and a contraction in commercial lending volume.

Cash basis net income
(millions of dollars)



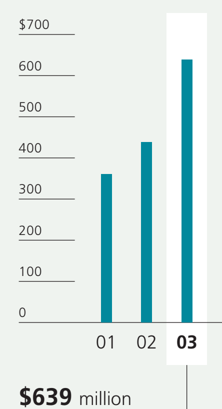
$1,277 million

Cash basis efficiency ratio
(percent)



58.8 percent

Economic profit
(millions of dollars)



$639 million

Personal lending average volume, including securitization, grew $7 billion or 7%, primarily from real estate secured lending, and personal deposit volume grew $4 billion or 5%. Business deposits grew by $3 billion or 13% and originated gross domestic insurance premiums grew by $295 million or 27%. Business loans and acceptances contracted by $1 billion or 6%. As of August 2003, our overall personal market share (loans, deposits and mutual funds) was 21.05%, slightly lower than the 21.25% in fourth quarter of 2002. We experienced modest market share declines in personal lending and personal deposits and increased share in mutual funds.

Margin on average earning assets decreased from 3.42% to 3.28% due to a combination of rate environment, competitive pricing and customer preference. Core deposit margins narrowed from the impact of the low interest rate environment while competitive pricing has reduced margins on mortgages and term deposits. In addition, customer preference has weighted volume growth toward lower margin products such as the Guaranteed Investment Account and fixed-rate mortgages and home equity lines of credit.

Credit quality improved over last year in personal lending and remained strong in small business and commercial banking. Provision for credit losses decreased by $45 million or 9% reflecting the continued improvement in retail lending processes. Provision for credit losses as a percent of lending volume improved to .36% from .41% last year.

Cash basis expenses decreased by $38 million or 1% compared with last year. Expense synergies from branch mergers and from process improvements that were started following the branch and systems conversions in 2002 contributed to a 1,400 or 5% decrease in average full-time equivalent personnel over last year. The branch merger program is now complete with 32 mergers carried out during 2003 following 238 mergers over the previous two years. These savings in personnel costs were offset in part by increases in salaries and employee benefits, severance costs and variable expenses associated with strong volume growth in real estate secured lending and insurance products. In addition, up-front costs were incurred on the closure of 118 Wal-Mart in-store branches towards the end of the year. As a result of the actions taken to improve operational efficiency, the cash basis efficiency ratio for the year improved to 58.8%, two percentage points better than last year.

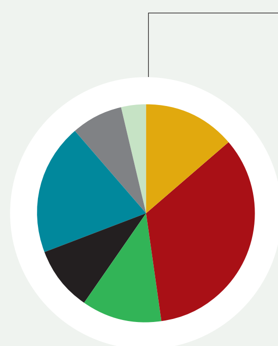
Review of financial performance 2002

Personal and Commercial Banking reported modest 2% growth in cash basis earnings in 2002 following strong growth in earnings during 2001. Total revenue grew 2% in 2002 compared with 2001. Core deposits, business deposits, credit cards and insurance were the main contributors to revenue growth. Growth in cash basis expenses was limited to 1% in 2002 compared with the prior year. Expenses in 2001 were impacted by costs associated with the conversion of the branch network and systems. During 2002, expense synergies were realized through branch mergers, however investments were made in customer service and process improvement initiatives following the conversions. Higher rates of expense growth were experienced in pension and benefit costs as well as in fast growing TD Meloche Monnex. The cash basis efficiency ratio for 2002 was 60.7%, an improvement of .8 percentage points over 2001. The provision for credit losses for 2002 of $505 million was $125 million or 33% higher than 2001. Approximately half of this increase was from small business and commercial lending returning to more normal loss levels following low losses in 2001. Losses in 2002 also included the impact of processing and collection issues that arose following conversion.

Financial results of key product segments within Personal and Commercial Banking

Real estate secured lending

- Offers mortgages and home equity secured lines of credit through branches and other sales channels.
- Highlights for 2003 include:
  - Growth of average real estate lending volumes of $6 billion, a 7% increase over 2002 average volumes. Improved new lending origination volume by 18% over 2002 and improved the mortgage retention rate by four percentage points.
  - Introduced industry leading automated property valuation on both mortgages and home equity lines of credit designed to both save the customer money and enhance their real estate credit experience.
  - Launched the new five year Best Rate Mortgage – a fixed price "no haggle" product guaranteeing a comfortable customer experience at market competitive rates.
  - Strong migration from mortgages to home equity lines of credit as customers responded to this superior product and service offering.



Revenues

(millions of dollars)	2003	2002	2001
Real estate secured lending	**$ 806**	$ 759	$ 711
Personal deposits	**2,006**	1,997	1,942
Consumer lending	**1,145**	1,086	993
Small business banking	**701**	659	633
Commercial banking	**562**	594	595
Insurance, net of claims	**451**	407	350
Other[1]	**218**	266	415
Total	**$ 5,889**	$5,768	$5,639

[1] Other revenue includes internal commissions on sales of mutual funds and other Wealth Management products, fees for foreign exchange, safety deposit box rentals and other branch services. The funding costs for the Canada Trust acquisition is also included in Other. Revenues in 2001 also include certain revenues that are of a non-recurring nature.

- Fiscal 2003 demonstrated continued buoyancy in real estate in both home purchase and refinance activity.
- The industry will continue to be extremely competitive due to historical low interest rates and the emergence of non-traditional and third party mortgage providers. Competitive pricing reduced net interest margins throughout 2003 and further compression is expected in 2004.
- Objectives for 2004 are to grow volume and maximize revenue by enhancing the customer's real estate financing experience through improvements in the application and legal process and by continuing to offer customers a full range of options between traditional mortgage products and home equity lines of credit.

Personal deposits

- Offers a complete range of Canadian and U.S. dollar chequing, savings and term investment vehicles designed to promote primary banking relationships, retirement savings and retirement income options.
- During 2003, the industry experienced strong growth in personal deposits at a rate of over 6% with growth primarily in more liquid investment vehicles. Core deposit margins narrowed due to the impact of the low rate environment and customer preference, which weighted volume growth towards the Guaranteed Investment Account. Term deposit margins narrowed due to competitive pricing in short-term products. Further compression in term deposit margins may occur in 2004 however core deposit margins are expected to be stable.
- Experienced a modest market share decline in short-term deposits in a competitive rate environment, but kept the number one position in personal deposit market share with growth in both non-term and term volumes of 7% and 4%, respectively.
- Continued moderate growth in term deposit volumes in 2004 is expected. Non-term volumes are projected to grow at a slower rate. An increased emphasis will be placed on growing personal chequing acccounts to compensate for the projected slow down in volume growth.

Consumer lending

- Offers Lines of Credit, Loans, Overdraft Protection products and a wide selection of Visa credit cards including Classic, Premium and Rewards cards such as the GM Visa card and the TD Gold Travel Visa card.
- Revenue from credit cards grew by 9% on 7% growth in both outstandings and purchase volumes while revenues from other products were up 3% on 1% volume growth.
- Credit quality improved due to better adjudication and collection processes. Provision for credit losses as a percent of consumer lending volume improved to 1.98% from 2.14% last year.
- The tighter adjudication standards contributed to the relatively low volume growth in unsecured lending which in turn had a negative impact on market share.
- Consumers responded positively to the TD Gold Travel "travel on your terms" rewards feature, as evidenced by both new account growth and increased card usage.
- Deepening relationships with existing customers, building on the Gold Travel Visa momentum and continuing to build an enhanced risk management platform will be the key initiatives in 2004.

Small business banking and merchant services

- Small business banking's focus is on quick and efficient delivery of deposit, lending and cash management services across the breadth of the entire branch network. With longer hours, any branch banking, dedicated service tellers and a top ranked internet service, superior access and service is provided to small business customers.
- Merchant services is a premier debit and credit payment solution provider providing point-of-sale technology and 24/7 support service to over 85,000 merchant locations across Canada.
- Revenue from small business deposits grew 7% on 10% volume growth and reduced margins while lending revenue was up 7% on 6% volume growth. Lending market share improved to 16.58% from 16.04% last year.
- In 2004 focus will be on continued sales growth and retention.

Commercial banking

- Offers lending, deposit, savings and investment products to medium-sized businesses plus a full range of day-to-day banking, cash management, trade and treasury services.
- Continued momentum in the growth of commercial deposits, which increased by 16%.
- Continued expansion of web capability that began in 2002. More than 50% of clients exclusively access cash management services through the internet.

- A concerted effort to improve service quality delivered through the branch network has resulted in a substantial increase in Customer Satisfaction Index (CSI) scores based on direct customer feedback.
- Average lending volumes decreased by 10% as continuing concern about the pace of economic recovery had a negative impact on business investment plans. The sale of the commercial leasing portfolio earlier in the year also reduced lending volumes.
- Loan losses continue to be managed within acceptable limits and, based on our internal risk ratings, the overall risk profile of the portfolio has improved from one year ago.
- Focus in 2004 will be to grow relationships and revenue through a more structured and accountable sales effort as well as increased referrals from retail branches.

Insurance
Offers a broad range of insurance products through the TD Insurance and TD Meloche Monnex brands, including credit protection coverage on TD Canada Trust lending products.

TD Life Group
- Provides life and health insurance protection to 1.6 million customers.
- Insurance cross-sell success continues to improve; more than six out of every ten new credit products sold are life insurance protected.
- Premiums collected grew by 13% year-over-year.
- A key priority will be continued growth in critical illness insurance.

TD Meloche Monnex
- As the largest group insurer for home and automobile insurance in Canada, TD Meloche Monnex reached the billion-dollar level in written premiums in 2003, representing growth of 33% over last year. This milestone reflects the combined operations of the two brands TD Meloche Monnex and TD Insurance Home and Auto, representing over 600,000 individual clients. The company's unique business model is focused on affinity agreements with professional and university alumni organizations as well as employer groups.
- Despite a difficult year for the personal property and casualty industry in 2003, TD Meloche Monnex grew net revenue by 16% over the prior year. The company also reduced its direct expense ratio to 19%, best among major insurers in Canada, resulting in further growth in underwriting profit.
- For 2004, amid uncertainties in the provincial regulatory environment, the goal is to maintain above-average growth by remaining the leader in chosen markets, maintaining a low expense ratio and continuing to offer quality service and products.

TD Insurance
- Under the TD Insurance brand, insurance products are provided to TD clients through a direct marketing approach based on e-commerce, direct mail and telephone.
- With its web-based applications firmly in place, e-commerce is now responsible for a significant part of new automobile, home, and individual life insurance sales.
- The goal for 2004 is for continued strong growth in the TD customer market and direct marketing sales, particularly benefiting from e-commerce initiatives.

Personal and Commercial Banking

(millions of dollars)	**2003**	2002	2001
Net interest income (TEB)	**$4,086**	$4,058	$3,951
Other income	**1,803**	1,710	1,688
Total revenue	**5,889**	5,768	5,639
Provision for credit losses	**460**	505	380
Non-interest expenses excluding non-cash goodwill/intangible amortization	**3,463**	3,501	3,467
Income before provision for income taxes	**1,966**	1,762	1,792
Provision for income taxes (TEB)	**689**	648	702
Net income – cash basis	**$1,277**	$1,114	$1,090
Selected volumes and ratios			
Average loans and acceptances (billions of dollars)	**$ 104**	$ 98	$ 91
Average deposits (billions of dollars)	**$ 110**	$ 103	$ 97
Economic profit (millions of dollars)	**$ 639**	$ 438	$ 360
Return on average invested capital – cash basis	**18.5%**	16.8%	16.7%
Efficiency ratio – cash basis	**58.8%**	60.7%	61.5%
Margin on average earning assets including securitized assets	**3.28%**	3.42%	3.38%

Economic outlook
A strengthening in the Canadian economy should be supportive to personal and commercial banking activities in 2004. Economic growth is expected to accelerate to around 3% next year from below 2% in 2003. This performance for the economy should bring gains in personal income and corporate profits, which should generate increased day-to-day banking activity. Rising economic activity may also increase demand for loans. However, an improvement in investor confidence may cause non-term deposits to decline, as individuals and firms redeploy some of the large cash holdings they have accumulated over the past few years into other investments.

Although some moderation is expected in housing markets, the level of activity should remain strong, which is good news for real estate secured lending and home-related insurance. Auto sales are also expected to remain firm, implying healthy demand for auto-related insurance. Lastly, small business banking is likely to benefit from the fact that small businesses tend to outperform larger businesses during the early stages of a rebound in economic growth. See page 32 for discussion of factors that may affect future results.

Wholesale Banking

A leading Canadian wholesale bank serving corporate, government and institutional clients around the world.

Overall business strategy
- Invest in businesses that support the needs of core customers and provide opportunities for increasing economic profit.
- Deliver full suite of capital market services for our established customer base in Canada.
- Operate as a niche investment bank outside of Canada by leveraging product capabilities or sector expertise.
- Selectively use credit to support high return relationships.
- Reduce non-core corporate lending risk.

Challenges in 2003
- Weak business environment with lower corporate financing and structuring activity.
- Poor performance of the equity options business amid difficult market conditions led to a restructuring.
- Responding proactively to stronger governance requirements from investors and regulators.

2003 Highlights
- Improved Canadian investment banking rankings and market share.
- Strengthened global product distribution capabilities.
- Used credit more effectively by focusing on client profitability while strengthening the franchise.
- Significantly reduced the non-core loan portfolio.
- Reduced risk in the core loan portfolio by purchasing protection.
- Reduced market risk levels.
- Rationalized under-performing and non-strategic businesses.

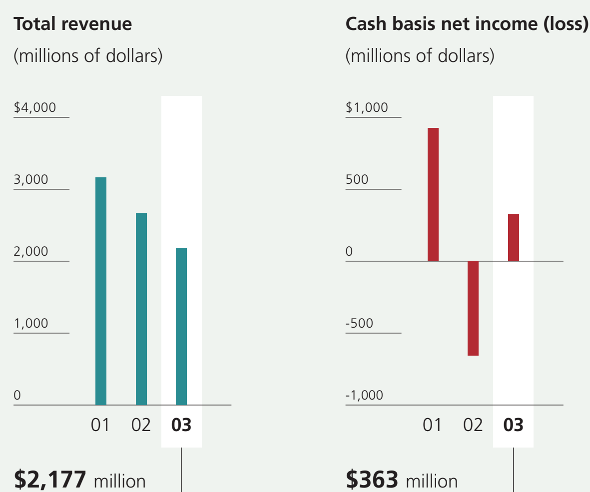
Business outlook and focus for 2004
Credit and equity markets improved substantially in 2003 and we are optimistic that corporate activity levels will continue to recover in 2004. Our focus in 2004 is to:
- Continue to increase market share in our Canadian franchise.
- Continue to implement our niche product and sector based strategy globally.
- Continue to enhance our risk and control infrastructure.
- Continue to aggressively reduce the non-core loan portfolio.
- Achieve return on average invested capital target of 18% to 20% in the core business.

Review of financial performance 2003
Wholesale Banking reported cash basis net income of $363 million in 2003 compared with a net loss of $657 million in 2002. Return on average invested capital was 8.2% compared with (16.1)% last year. Economic loss was $193 million in 2003 compared with $1,192 million in 2002. The improved performance in 2003 is primarily a result of the significant reduction in credit losses as compared with 2002, but includes a $289 million after-tax charge for the restructuring and goodwill impairment of the equity options business and the effects of running off the non-core portfolio.

Wholesale Banking revenues are derived primarily from corporate banking, investment banking and capital markets and investing activities. Revenues declined 18% from 2002 to $2,177 million. The non-core portfolio incurred losses on asset sales and derivative positions of $113 million. Capital markets revenues, which include advisory, underwriting, trading, facilitation and execution services businesses decreased by $198 million compared with 2002. This was largely a result of reduced trading revenue from our structured products businesses.

Provisions for credit losses reversed from a $2,490 million charge in 2002 to an $80 million release of sectoral allowances in 2003. The 2002 allowance included $1,450 million of sectoral provisions relating to loans in the non-core portfolio. The sectoral allowance balance was $541 million at the end of 2003, compared with $1,285 million at the end of 2002. No credit losses were incurred in the core lending portfolio in 2003.

Non-interest expenses increased 43% to $1,761 million in 2003. The equity options business restructuring charge and goodwill write-off in 2003 had a combined impact of $422 million. The remaining increase includes costs of streamlining the core operations in Wholesale Banking, charges for systems write-offs, real estate downsizing and a legal provision in the non-core portfolio and higher variable compensation expenses compared with 2002.



Fiscal 2003 was a very satisfying year for Wholesale Banking. We repositioned the business to focus on our core strengths and strategy to deliver consistent lower risk earnings, implemented stricter limits around credit exposures and industry concentrations, and reduced the non-core lending portfolio with no additional negative impact on earnings.

Review of financial performance 2002

Financial results for 2002 were adversely affected by weak credit conditions and a strained operating environment resulting from heightened investor concerns over corporate governance issues and lingering geopolitical risks. On a cash basis, Wholesale Banking reported a net loss of $657 million in fiscal 2002 compared with net income of $926 million in the prior year. The decline was due primarily to an increase in provisions for credit losses, which had an after-tax impact of approximately $1,400 million. Significant declines in trading volumes, deterioration in equity markets, widening credit spreads and weak corporate activity led to lower revenues in 2002. Total revenue was $2,668 million, a decline of $495 million or 16% from revenues of $3,163 million in 2001. Provisions for credit losses rose sharply to $2,490 million in 2002, a $2,163 million increase from $327 million in 2001. The increase was mainly related to significant credit deterioration in the telecommunications and utility sectors, exposures to companies impacted by malfeasance and the fallout from the political instability in Argentina. During fiscal 2002, we established $1,450 million of sectoral provisions related to loans in the non-core portfolio. At the end of fiscal 2002, we had drawn down $185 million of the sectoral allowance to establish specific allowances. Cash basis expenses of $1,235 million in 2002 were $138 million below 2001 expenses of $1,373 million. The decline in expenses was driven by lower variable compensation, offset partially by additional investment in technology and risk management.

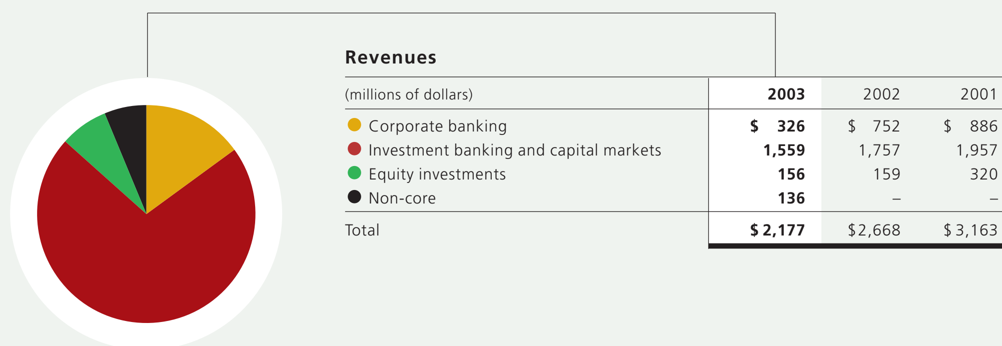
Financial results of key product segments within Wholesale Banking

Corporate banking revenue declined 57% from $752 million in 2002 to $326 million in 2003. This decrease reflects: (i) the reclassification of $11.2 billion in loans and acceptances (greater than 50% of the total loan portfolio) to the non-core portfolio at the beginning of 2003; (ii) higher costs incurred in 2003 for credit protection against the core loan portfolio; and (iii) lower assets in the core loan portfolio due to lower corporate loan activity.

Investment banking and capital markets revenues declined 11% from $1,757 million in 2002 to $1,559 million in 2003. Investment banking and underwriting revenues increased over last year reflecting better market conditions and an improvement in our franchise rankings and market share. These gains were offset by weaker trading performance in our structured product businesses reflecting reduced corporate activity levels in structured transactions and lower market volatility.

The equity investment portfolios, comprised of public and private equity, had marginally lower revenue in 2003 on reduced net security gains. Taking into account the increase in the unrealized gains in the portfolio from $228 million at the end of 2002 to $429 million at the end of 2003, the overall portfolio had significantly improved results in 2003 compared to 2002.

The non-core portfolio was established at the end of fiscal 2002, representing just over half our total lending portfolio at the time with a majority of the exposures in communications and utilities and almost exclusively outside of Canada. A key criteria in segregating the loan portfolio between core and non-core was total client relationship returns. The non-core portfolio represents accounts on which the risk-return relationship were unsatisfactory. The non-core portfolio strategy is to proactively manage down the portfolio as quickly as possible in a manner which optimizes shareholder returns, leading to the eventual redeployment of this capital. We aggressively reduced the size of the portfolio from $11.2 billion to $4.2 billion at the end of 2003, releasing approximately $600 million in invested capital and $8 billion in risk-weighted assets. During 2003, the non-core portfolio generated $136 million of revenue, net of $113 million of losses on derivative and loan sales, and after reflecting a release of $80 million in sectoral allowances reported net income of $103 million.



Revenues

(millions of dollars)	**2003**	2002	2001
Corporate banking	**$ 326**	$ 752	$ 886
Investment banking and capital markets	**1,559**	1,757	1,957
Equity investments	**156**	159	320
Non-core	**136**	–	–
Total	**$ 2,177**	$ 2,668	$ 3,163

The Bank was a provider of financial services to the Enron group of companies, a former relationship now in the non-core portfolio. With the bankruptcy of Enron, the Bank, like many other financial institutions, has become involved in a number of regulatory investigations and lawsuits. The Bank is in the early stages of these investigations and lawsuits and the outcome is uncertain at this time. While the Bank considers that its actions were legal and consistent with market practices at the time, it has recognized that the environment for the provision of financial services has changed in light of Enron and other cases of corporate malfeasance and consequently is adapting its corporate finance processes to meet changing expectations.

Wholesale Banking

(millions of dollars)	**2003**	2002	2001
Net interest income (TEB)	**$ 1,508**	$ 1,505	$ 898
Other income	**669**	1,163	2,265
Total revenue	**2,177**	2,668	3,163
Provision for credit losses	**(80)**	2,490	327
Non-interest expenses excluding non-cash goodwill amortization	**1,761**	1,235	1,373
Income (loss) before provision for (benefit of) income taxes	**496**	(1,057)	1,463
Provision for (benefit of) income taxes (TEB)	**133**	(400)	537
Net income (loss) – cash basis	**$ 363**	$ (657)	$ 926
Selected volumes and ratios			
Average loans and customers' liabilities under acceptances (billions of dollars)	**$ 17**	$ 25	$ 29
Risk-weighted assets (billions of dollars)	**$ 45**	$ 62	$ 66
Economic profit (loss) (millions of dollars)	**$ (193)**	$ (1,192)	$ 360
Return on average invested capital – cash basis	**8.2%**	(16.1)%	21.7%
Efficiency ratio – cash basis	**80.9%**	46.3%	43.4%

Economic outlook

An improvement in business confidence, combined with solid, but not spectacular gains in corporate profits, should lead to increased client demand for wholesale banking services in 2004. Improved financial conditions may lead to higher trading volumes. The rebound in equity markets from their October 2002 lows and a rising trend in bond yields are also supportive to new equity issuance. The advance in corporate profits should improve credit conditions and may cause additional merger and acquisition activity. One factor that will constrain the growth in corporate profits and significantly affect the relative performance of various Canadian industries next year will be the fall out from the rapid appreciation in the Canadian dollar in 2003. The unprecedented increase in the exchange rate will be a boon to importers, but a major hurdle for exporters. However, the U.S. economy is poised to deliver a strong performance in 2004. As a result, the impact of the stronger Canadian dollar on exporters may be offset to some extent by increased U.S. demand for Canadian goods and services. A further weakening in the U.S. dollar may occur in 2004, which could dampen demand for U.S. financial assets and provide an additional lift to trading volumes in Canadian dollar assets. See page 32 for discussion of factors that may affect future results.

Wealth Management

One of Canada's largest asset managers, advisors and distributors of investment products. Through our Discount Brokerage channels, we service customers in Canada, the United States and the United Kingdom.

Overall business strategy
To develop a more integrated, strong, asset gathering, client-focused organization, thereby increasing its contribution to shareholder value. Wealth Management will continue to leverage technology to improve the customer experience and increase operational efficiency. In addition, TD Waterhouse International will focus on building critical mass in order to improve returns.

Challenges in 2003
- Market fluctuations and investor uncertainty during the first half of 2003 put pressure on discount brokerage trading activity, advice based businesses and mutual fund assets under management. Market conditions and profitability have improved during the second half of 2003 and we are hopeful that investor confidence will continue to improve in 2004.
- Due to limited growth opportunities, TD Waterhouse Australia was sold to Commonwealth Bank Australia Group. Joint venture agreements have also been renegotiated to reduce TD Waterhouse International's ownership. The combined effect of these actions will improve earnings in 2004.
- The restructuring of TD Waterhouse International in the second quarter resulted in goodwill write downs and restructuring charges of $339 million. The restructuring has also helped position TD Waterhouse International to achieve breakeven results in 2004.

2003 Highlights.
- Assets under administration increased $33 billion from 2002 as a result of business and market growth.
- For the second straight year, TD Waterhouse U.S.A. was ranked #1 basic discount broker by *SmartMoney, The Wall Street Journal's* Magazine of Personal Business, in its annual survey of brokerage firms.
- TD Waterhouse U.K. was named Best Online Broker by *Shares* magazine. Strengths identified by readers of the magazine were the speed and accuracy of trade execution.

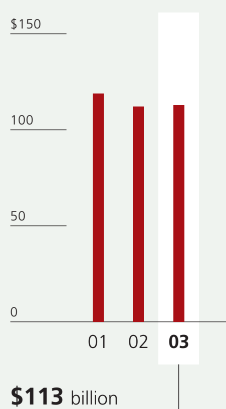
Business outlook and focus for 2004
The restructuring of the TD Waterhouse International operations and the aggressive cost control process across all of the Wealth Management operations have set the stage for growth in 2004. Key areas of focus for 2004 are:
- Continued concentration on asset growth in order to drive revenue.
- Maintain cost reduction/containment strategy in order to improve efficiency of operations.
- Build a robust infrastructure to support an integrated domestic Wealth offering and achieve competitive advantage in all domestic Wealth businesses.

Review of financial performance 2003
Wealth Management lost $75 million in 2003. Included in these results was $339 million relating to write downs and restructuring costs within TD Waterhouse International. The remaining Wealth Management income was higher as a result of the higher business volumes in the second half of the year and the focus on cost containment. The cash basis return on average invested capital for the year was (3.6)% compared with 3.7% in 2002. The economic loss for the year was $476 million compared with $298 million in 2002.

Total revenue increased $14 million. The increase in revenue resulted from higher business volumes across the Wealth Management businesses. Growth in revenue was hampered by the impact of the higher Canadian dollar on U.S. results and a $39 million write down related to the TD Waterhouse International joint ventures.

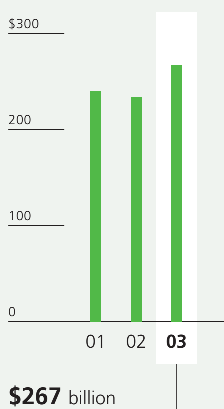
Cash basis expenses increased $185 million from 2002. Included in these expenses were $300 million of restructuring and goodwill impairment charges for TD Waterhouse International. The remaining expenses decreased due to the focus on cost containment. The strong Canadian dollar also contributed to the decline in U.S. expenses. The benefits of the International restructuring were already evident as TD Waterhouse International broke even in the fourth quarter.

Assets under management
(billions of dollars)



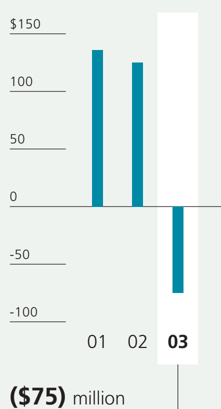
$113 billion

Assets under administration
(billions of dollars)



$267 billion

Cash basis net income (loss)
(millions of dollars)



($75) million

Total assets under management (AUM) of $113 billion, increased $1 billion from October 31, 2002. Assets under administration (AUA) of $267 billion increased $33 billion from October 31, 2002 due to higher market levels, the growth in the Investment Advice and Financial Planning channels and significant referrals from the retail bank.

Review of financial performance 2002
Wealth Management reported moderately lower earnings in 2002 compared with 2001. Cash basis net income of $125 million was $11 million or 8% lower than the prior year. Fee-based revenue declined $83 million or 5%, primarily due to the significant market declines, which reduced trading volumes in our discount brokerage business and impacted asset-based fees. In addition, narrower spreads and lower margin loan balances reduced net interest income by 9% to $426 million. Cash basis expenses decreased $104 million or 5% in 2002 compared with 2001 in spite of continued investment in our Financial Planning business, rebranding TD Waterhouse Canada to include Investment Advice and Financial Planning and continued growth internationally of the discount brokerage business. Total AUM decreased by 6%, as negative markets and reduced institutional mandates resulted in ending AUM of $112 billion. Additionally, AUA ended 2002 at $234 billion down by 2% from the prior year.

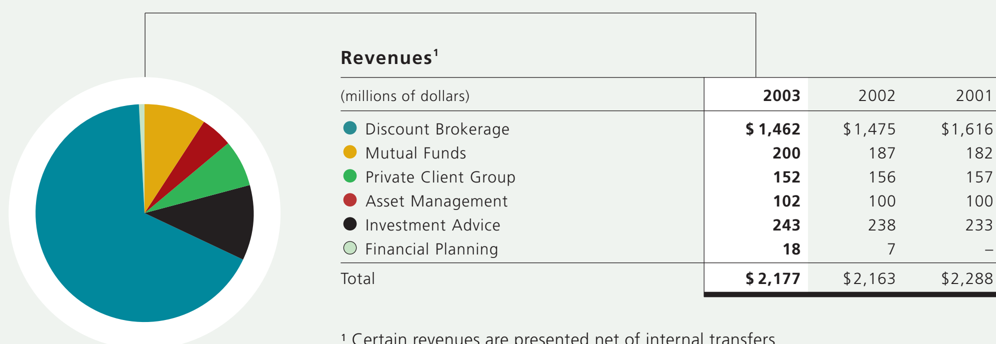
Financial results of key product segments within Wealth Management
TD Waterhouse discount brokerage is a leader in self-directed investing, serving customers in Canada, the United States and the United Kingdom. Significant events during the year included:

- The restructuring of the International operations, including the sale of TD Waterhouse Australia and write downs and restructuring provisions totaling $339 million, have positioned TD Waterhouse International to achieve at least breakeven results for 2004.
- Fluctuating trade volumes due to world events and investor uncertainty resulted in continued revenue challenges into the middle of 2003. Increased market activity and investor confidence in the second half of the year generated improved results.
- A significant reduction in the cost basis of operations allowed us to lower the breakeven point and position ourselves to quickly realize the benefits of market improvements.

Revenue decreased by $13 million or 1%, including $39 million related to the joint venture write downs. While global trading volumes decreased from the prior year, an increase in trading activity in North America and higher fee based revenue in all markets contributed to offset the decline in revenue due to foreign exchange and the reduction in revenue from the sale of TD Waterhouse Australia. Expenses increased $149 million or 11%, including the $300 million of restructuring expenses and goodwill impairment charges. The remaining expenses declined due to cost cutting initiatives, the impact of the sale of TD Waterhouse Australia, and the foreign exchange effect on U.S. dollar results.

TD Mutual Funds is the seventh largest mutual fund family in Canada with $31 billion in AUM at October 31, 2003. Although difficult markets in the first part of the year hampered sales activity and AUM growth, the improvement in the capital markets in the second half of the year contributed to the 7% or $13 million increase in year-over-year revenue. Expenses decreased $9 million due to a focus on cost control.

TD Private Client Group includes trust services, private banking and Private Investment Counsel. Despite increases in customer assets, revenues decreased by 3% or $4 million, to $152 million in 2003 primarily due to declines in Estate and Trusts and Private Investment Counsel. Cost control resulted in an $11 million reduction in expenses in Private Client Group businesses.



Revenues[1]

(millions of dollars)	2003	2002	2001
Discount Brokerage	**$ 1,462**	$ 1,475	$ 1,616
Mutual Funds	**200**	187	182
Private Client Group	**152**	156	157
Asset Management	**102**	100	100
Investment Advice	**243**	238	233
Financial Planning	**18**	7	–
Total	**$ 2,177**	$ 2,163	$ 2,288

[1] Certain revenues are presented net of internal transfers.

TD Asset Management is recognized as one of the largest quantitative managers in the country. Services provided include investment management to pension funds, corporations, institutions, endowments and foundations. Despite the challenging market environment, revenues improved $2 million or 2% in 2003.

TD Waterhouse Investment Advice provides full-service brokerage services to its retail customers throughout Canada. Although fiscal 2003 represented a challenging environment for the business, we continued to grow our sales force and AUA, resulting in revenue growth of $5 million. As a result of efforts to improve our competitive position, expenses increased by $45 million or 21% in 2003.

TD Waterhouse Financial Planning continues to aggressively grow its front-line salesforce and invest in a comprehensive technology platform. As a result, revenues increased $11 million in 2003.

Wealth Management

(millions of dollars)	2003	2002	2001
Net interest income (TEB)	**$ 431**	$ 426	$ 468
Other income	**1,746**	1,737	1,820
Total revenue	**2,177**	2,163	2,288
Non-interest expenses excluding non-cash goodwill/intangible amortization	**2,107**	1,922	2,026
Income before provision for income taxes	**70**	241	262
Provision for income taxes (TEB)	**145**	116	120
Non-controlling interest in net income of subsidiaries	**–**	–	6
Net income (loss) – cash basis	**$ (75)**	$ 125	$ 136
Selected volumes and ratios			
Assets under administration (billions of dollars)	**$ 267**	$ 234	$ 240
Assets under management (billions of dollars)	**$ 113**	$ 112	$ 119
Economic profit (loss) (millions of dollars)	**$ (476)**	$ (298)	$ (288)
Return on average invested capital – cash basis	**(3.6)%**	3.7%	4.2%
Efficiency ratio – cash basis	**96.8%**	88.9%	88.5%
Average trades per day (thousands)	**102**	103	120

Economic outlook

Wealth Management is expected to benefit from improved investor sentiment, which reflects increased optimism about the economic outlook. Stronger economic growth in Canada, the United States and overseas should translate into higher corporate profits in the coming year. At the same time, improved economic growth and expectations of central bank rate hikes may push bond yields higher over the course of the next 12 months. However, central banks are expected to be slow to tighten monetary policy. Nevertheless, by late 2004 the Bank of Canada will be back in tightening mode, gradually raising the return investors receive on cash. This economic and financial backdrop is likely to translate into increased activity in all areas of Wealth Management.

Wealth Management may also benefit from increased inflows stemming from the need of some defined benefit pension plans to increase their asset base. The use of more conservative assumptions about future rates of returns by institutional investors, including pension funds, could translate into increased demand for Wealth Management services. See page 32 for discussion of factors that may affect future results.

Corporate

The Corporate segment includes non-controlling interests in subsidiaries, certain gains on dispositions of businesses, real estate investments, the effect of securitizations, treasury management, general provisions for credit losses, certain taxable equivalent adjustments, corporate level tax benefits and residual unallocated revenues and expenses.

During fiscal 2003, the Corporate segment had an operating cash basis net income of $2 million. The most significant factors contributing to this result were pre-tax income from the $157 million general allowances release in the fourth quarter 2003, interest income earned on income tax refunds of $55 million before tax in the third quarter 2003, securitization gain of $11 million after-tax in the third quarter 2003, and tax recoveries of $13 million in the third quarter 2003. This income was offset by a $39 million after-tax loss to address a previously unhedged non-trading U.S. dollar exposure arising from our U.S. dollar Visa business, a $30 million tax adjustment in the second quarter 2003 relating to lease write downs, as well as costs associated with net treasury activities and net unallocated revenues, expenses and taxes.

During fiscal 2002, the Corporate segment had an operating cash basis net loss of $47 million. The most significant factors contributing to this result were net losses of $10 million related to transfer pricing differences, net treasury activities, and net unallocated revenues, expenses and taxes. The above net losses were offset by net earnings of $27 million from dispositions of businesses. Reported net loss for the Corporate segment was $15 million for fiscal 2002, and includes the special gain of $32 million after-tax related to the sale of the Bank's mutual fund record keeping and custody business.

Corporate

(millions of dollars)	**2003**	2002	2001
Net interest income	**$ (409)**	$ (689)	$ (926)
Other income	**206**	279	324
Total revenue	**(203)**	(410)	(602)
Provision for credit losses	**(194)**	(70)	(87)
Non-interest expenses excluding non-cash goodwill/intangible amortization	**261**	96	59
Income (loss) before provision for (benefit of) income taxes	**(270)**	(436)	(574)
Provision for (benefit of) income taxes	**(364)**	(453)	(665)
Non-controlling interest in net income of subsidiaries	**92**	64	76
Net income (loss) – operating cash basis	**$ 2**	$ (47)	$ 15
Special increase in general provision, net of income taxes	**–**	–	(208)
Gain on sale of mutual fund record keeping and custody business, net of income taxes	**–**	32	–
Gains on sale of investment real estate, net of income taxes	**–**	–	275
Restructuring costs, net of income taxes	**–**	–	(138)
Income tax expense from income tax rate changes	**–**	–	(75)
Net income (loss) – reported basis	**$ 2**	$ (15)	$ (131)

Corporate Management

The Corporate Management function of the TD Bank Financial Group is comprised of Audit, Compliance, Corporate and Public Affairs, Economics, Enterprise Technology Solutions (information technology), Finance, Human Resources, Legal, Marketing, Office of the Ombudsman, Real Estate, Risk Management and Security.

Banking is an increasingly complex and challenging business. The demands and expectations of those with an interest in our business – customers, shareholders, employees, stock exchanges, governments and the community at large – are constantly changing, and continuing to earn their confidence remains a significant challenge.

At the same time, the modern bank is a complex organization. Those who serve our 13 million global customers most directly in our three key businesses need strong and effective support from a wide range of functional groups, so that they can remain focused on the key priority of exceeding customer expectations.

Corporate Management's mandate is to provide centralized advice and counsel and to design, establish and implement processes, systems and technologies to ensure that the Bank's key businesses operate efficiently, effectively and in compliance with all applicable regulations.

From attracting and retaining the best people, to ensuring shareholders receive timely, transparent financial information, to designing and installing technology systems and managing risk, Corporate Management ensures we have the people, processes and tools to support our businesses, customers and shareholders.

Among the significant challenges encountered in 2003 were those presented by evolving Canadian and international accounting, securities and regulatory standards concerning corporate governance and financial reporting. Several groups within the Corporate Management function contributed to ensuring that TD Bank Financial Group was able to anticipate and implement changes to comply with new standards and remain in the forefront of corporate governance in the banking and financial services industry.

Another key responsibility of the function is to analyze potential risks and ensure that business continuance and resumption plans are in place against natural disasters and other business interruptions. This role was tested severely in 2003 with the SARS outbreak and power failure incidents in Ontario, mad cow disease and forest fire emergencies in western Canada and hurricanes in the Atlantic region. In each case, service disruptions and inconveniences to customers and communities were minimized.

All of our customers, employees and shareholders benefit from the collective resources and capabilities of Corporate Management. Looking ahead to 2004, we will continue investing in these functions to ensure continued support of our businesses in enhancing customer satisfaction, increasing efficiency and ensuring effective controls.

Factors That May Affect Future Results

As noted in the Caution regarding forward-looking statements on page 9 of this Annual Report, all forward-looking statements, by their very nature, are subject to inherent risks and uncertainties, general and specific, which may cause the Bank's actual results to differ materially from the expectations expressed in the forward-looking statements. Some of these factors are discussed below. Other factors, including strategic, credit, market, liquidity, interest rate, operational, regulatory and other risks are discussed in the Managing Risk section of this Annual Report starting on page 33 and in other regulatory filings made in Canada and with the U.S Securities and Exchange Commission (SEC).

Industry factors

General business and economic conditions in the regions in which we conduct business

The Bank operates in Canada, the United States, and other countries. As a result, the Bank's earnings are significantly affected by the general business and economic conditions in the geographic regions in which it operates. These conditions include short-term and long-term interest rates, inflation, fluctuations in the debt and capital markets, exchange rates, the strength of the economy, threats of terrorism and the level of business the Bank conducts in a specific region.

Monetary policy

The Bank's earnings are affected by the monetary policies of the Bank of Canada and the Federal Reserve System in the United States and other financial market developments. Changes in the supply of money and the general level of interest rates can impact the Bank's profitability. A change in the level of interest rates affects the interest spread between the Bank's deposits and loans and as a result impacts the Bank's net interest income. Changes in monetary policy and in the financial markets are beyond the Bank's control and difficult to predict or anticipate.

Level of competition

The Bank's performance is impacted by the level of competition in the markets in which it operates. The Bank currently operates in a highly competitive industry. Customer retention can be influenced by many factors such as the pricing of products or services, changes in customer service levels and changes in products or services offered.

Changes in laws and regulations

Laws and regulations have been put in place by various governments and regulators to protect the financial and other interests of the Bank's customers, employees and shareholders. Changes to laws and regulations, including changes in their interpretation or implementation, could affect the Bank by limiting the products or services it can provide and increasing the ability of competitors to compete with its products and services. Also, the Bank's failure to comply with applicable laws and regulations could result in sanctions and financial penalties that could adversely impact its earnings and damage the Bank's reputation.

Accuracy and completeness of information on customers and counterparties

The Bank depends on the accuracy and completeness of information about customers and counterparties. In deciding whether to extend credit or enter into other transactions with customers and counterparties, the Bank may rely on information furnished by them, including financial statements and other financial information. The Bank may also rely on the representations of customers and counterparties as to the accuracy and completeness of that information and with respect to financial statements, on the reports of auditors. The Bank's financial condition and earnings could be negatively impacted to the extent it relies on financial statements that do not comply with generally accepted accounting principles, that are materially misleading, or that do not fairly present, in all material respects, the financial condition and results of operations of the customers and counterparties.

Bank specific factors

New products and services to maintain or increase market share

The Bank's ability to maintain or increase its market share depends, in part, on its ability to adapt products and services to evolving industry standards. There is increasing pressure on financial services companies to provide products and services at lower prices. This can reduce the Bank's net interest income and revenues from fee-based products and services. In addition, the widespread adoption of new technologies, including internet-based services, could require the Bank to make substantial expenditures to modify or adapt existing products and services. The Bank might not be successful in introducing new products and services, achieving market acceptance of its products and services, and/or developing and maintaining loyal customers.

Acquisitions

The Bank regularly explores opportunities to acquire other financial services companies. The Bank's ability to successfully complete an acquisition is often subject to regulatory approval, and the Bank cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. Acquisitions can affect future results depending on management's success in integrating the acquired business. If the Bank encounters difficulty in integrating the acquired business, this can prevent the Bank from realizing expected revenue increases, cost savings, increases in market share and other projected benefits from the acquisition. Also, the negative impact of any divestitures required by regulatory authorities in connection with acquisitions may be greater than expected.

Ability to attract and retain key executives

The Bank's future performance depends to a large extent on its ability to attract and retain key executives. There is intense competition for the best people in the financial services sector. There is no assurance that the Bank will be able to continue to attract and retain key executives, although this is the goal of the Bank's management resources policies and practices.

Business infrastructure

Third parties provide key components of the Bank's business infrastructure such as internet connections and network access. Disruptions in internet, network access or other voice or data communication services provided by these third parties could adversely affect the Bank's ability to deliver products and services to customers and otherwise conduct business.

Other factors

Other factors beyond the Bank's control that may affect the Bank's future results include changes in tax laws, unexpected changes in consumer spending and saving habits, technological changes, the possible impact on the Bank's businesses of international conflicts and terrorism, natural disasters, such as earthquakes, and the Bank's anticipation of and success in managing the risks implied by the factors discussed above within a disciplined risk environment.

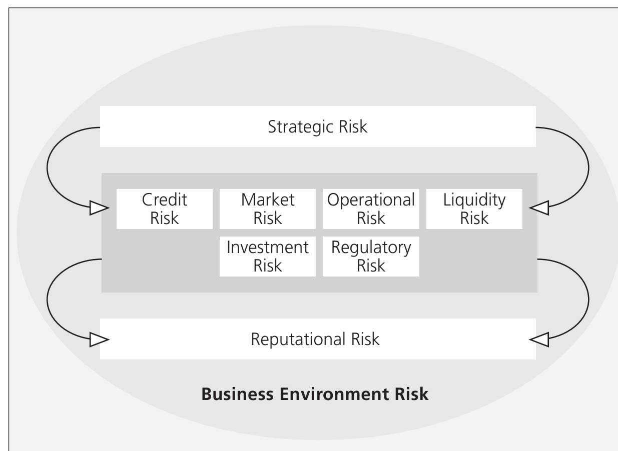
The Bank cautions that the preceding discussion of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank, investors and others should carefully consider these factors as well as other uncertainties, potential events and industry and Bank specific factors that may adversely impact the Bank's future results. The Bank does not undertake to update any forward-looking statements, written or oral, that may be made from time to time by or on its behalf.

Managing Risk

At TD Bank Financial Group, our goal is to earn satisfactory returns from our various business activities within an acceptable level of risk. To do this, we need to understand the risks involved in our businesses and ensure that the risks we assume are within prudent limits. Managing risk means assessing the potential impact of each risk, and establishing policies, procedures and internal controls to mitigate them to an acceptable level.

The Enterprise Risk Framework

To effectively manage risk, we first consider the different kinds of risk to which we are exposed. Our Enterprise Risk Framework forms the basis of communicating, monitoring and reporting on risks within the Bank. It is a dynamic model, reflecting those key risks that could impact the achievement of our business objectives and strategies. The major categories of risk and their relationships to each other are set out in our Enterprise Risk Framework:



Through our strategic planning process and within the context of the environments in which we operate, we develop strategies for our various business units. In implementing those strategies, we expose ourselves to the credit, market, operational, liquidity, investment and regulatory risks shown in the centre of the Framework. It is our ability to manage risks in those areas that determines the extent to which the Bank's overall reputation and capital is at risk.

Governance framework for risk management

Our governance framework for Risk Management has been put in place to ensure effective decision making, prioritization and resource allocation regarding risk, and establishes the following accountabilities:

- Business units own and are accountable for managing risk within the business unit. The business unit ensures that policies, processes and internal controls are in place to manage the business and the risks inherent to that business;
- The Risk Management function of the Bank is responsible for setting standards and policies that reflect the risk appetite of the Bank through which they enable the business to manage its risk. They also facilitate the identification and escalation of significant, aggregate risks for resolution at the Executive level;
- The Compliance and Audit functions report to management and the Board that appropriate risk management policies, procedures and internal controls are in place and are being followed;
- The Senior Executive Team monitors, evaluates and manages risk from the enterprise perspective. To enable this, information flows to the Senior Executive Team from the business units and from the corporate oversight functions, which are Risk Management, Audit, Legal, Compliance, Finance and Human Resources. The President and CEO and the EVP and Chief Risk Officer with the support of the other members of the Senior Executive Team, are accountable for identifying and communicating to the Board those risks deemed significant; and
- The Board and the Senior Executive Team establish the control culture for the organization through the clear communication of mandates and accountabilities and through the articulation of the organization's operational and strategic goals with respect to risk and control. This message is carried to all employees through the business units and the corporate oversight functions.

Risk management governance structure

To ensure that information about significant risks flow to the Board and the Senior Executive Team from the business units and corporate oversight functions, the Bank has established a formal risk management governance structure. Illustrated below, this structure is closely aligned with the Enterprise Risk Framework.

The Bank has a comprehensive ongoing risk management approach that incorporates the experience and specialized knowledge of our business units, as well as the corporate oversight functions. Key strategic elements of our approach are governance and senior management oversight. This includes:

- An annual review of significant risk policies and critical assessment of the Bank's business strategies from a risk perspective by the Risk Committee of the Board;
- A comprehensive strategic planning process and regular monitoring of strategies by the Senior Executive Team;
- A regular review of risk management policies, strategies, and key initiatives by the appropriate Executive Management Committees;
- Formal review of risk issues by both the business unit and the Senior Executive Team;
- Standard risk reporting throughout the Bank, to the Board and the Senior Executive Team captures and presents all elements of the Bank's risk profile, both qualitatively and quantitatively;
- Comprehensive reviews by Audit to provide senior management with reports as to the quality of the internal control environment and compliance with established risk management policies and procedures; and
- Annual self assessments by the significant business and corporate oversight functions of their key risks and internal controls. These assessments use the Bank's internal control framework. The Bank's framework is consistent with the most widely used framework developed by the Committee of Sponsoring Organizations of the Treadway Committee (COSO).

The following pages describe the main risks we face and our strategies for managing them.

STRATEGIC RISK

Strategic risk is the potential for loss arising from ineffective business strategies, the absence of integrated business strategies, the inability to implement those strategies, and the inability to adapt the strategies to changes in the business environment.

We are exposed to strategic risk at all levels of the organization, in every aspect of our business. The most significant strategic risks faced by the Bank are assessed, managed and mitigated by Executive Management with oversight by the Board.

Who manages strategic risk

The Senior Executive Team manages the Bank's strategic risk and is comprised of the 18 most senior executives of the Bank. Every senior executive who manages a significant business or corporate oversight function with the Bank is represented on the Senior Executive Team.

The Bank's overall strategy is established by the President and CEO and the Senior Executive Team, including a consultation and approval process with the Board. Each executive is responsible for managing strategies within their business or functional area and for ensuring that those strategies align with the Bank's overall strategy. They are accountable to the President and CEO and the Senior Executive Team to monitor, manage and report on business risks inherent in their strategies.

The President and CEO reports to the Board on the implementation of Bank strategies, identifying business risks within these strategies and how these risks are being managed.

How we manage strategic risk

The Senior Executive Team, chaired by the President and CEO, reviews overall strategies and operating performance of the Bank's significant business units and corporate functions in business performance review sessions. The frequency of strategy review in these sessions depends on the risk profile and magnitude of the business employing the strategy.

CREDIT RISK

Credit risk is the potential for financial loss if a borrower or counterparty in a transaction fails to meet its obligations.

We are exposed to credit risk through our traditional lending activities and transactions involving settlements between us and our counterparties, including other financial institutions. These include direct loans, commitments to extend credit, settlement exposures, derivative transactions and securities inventories.

Who manages credit risk

Risk Management sets the policies and procedures for managing credit risk on a global basis. Its responsibilities include:

- Setting guidelines that limit portfolio concentrations of credit exposure by country, industry and affiliated group;
- Approving discretionary limits of officers throughout the Bank for extending lines of credit;
- Setting standards for measuring credit exposure;
- Approving the scoring techniques used in extending personal credit;
- Approving all policies relating to all products and services that have credit risk; and
- Setting the criteria for rating risk on business accounts, based on a 21-category rating system.

The Risk Committee of the Board reviews and approves all major credit risk policies periodically.

Each business unit has a credit group that is primarily responsible for adjudication, and it operates under the policies and strict authorization and exposure limits established by Risk Management. Our strategy makes it clear that we are lending on a business relationship basis.

We manage all of our businesses in an extremely disciplined and conservative manner, with a strict focus on economic returns for all client relationships.

The Credit and Market Risk Committee, which is chaired by the President and CEO, reviews and approves large individual credits, reviews industry concentrations and resolves any major policy issues involving market or credit risk.

How we manage credit risk

By country

Country risk is the risk that economic or political change in a country could affect cross-border payments for goods and services, loans, trade-related finance and dividends, as well as the repatriation of the Bank's capital from the foreign country. We currently have exposure in 57 countries, with the largest portion in North America. We establish country exposure guidelines based on an internal risk rating system. Country limits cover all aspects of credit exposure across our various businesses.

Business and government loans

We also establish industry and group limits for credit exposure to businesses and governments. We use a systematic approach to set and communicate risk guidelines for each business industry in our loan portfolio. These guidelines are based on a risk assessment of the industry. We have identified 28 major business industry groups and divided them into 117 segments. We assign a risk rating to each industry segment on a scale of one to six.

Our analysis focuses on key risks inherent in a given industry, such as its cycles, exposure to technological change, political influence, regulatory change or barriers to entry. If we believe that several industry segments are affected by common risk factors, we assign a single exposure guideline to them. Risk Management assigns a concentration limit for each industry as a percentage of total industrial exposure. We also conduct ongoing reviews of industry risk ratings and segmentation.

We assign each business or government borrower a risk rating using our 21-category rating system. We set limits on credit exposure to related business or government accounts based on these ratings. In addition, we use a Risk Adjusted Return on Capital model to assess the return on credit relationships in relation to the structure and maturity of the loans and internal ratings of the borrowers. We review the rating and return on capital for each borrower every year.

For accounts where exposures include derivatives, we use master netting agreements or collateral wherever possible to reduce our exposure.

Wholesale Banking is split into two distinct business groups: the core business and the non-core business. The non-core portfolio consists of relationships we intend to exit over the next two years. The core portfolio represents the clients in Canada and abroad where we have or have potential to have a broader long-term relationship.

Financial institutions

Our financial institutions portfolio is divided into 15 major groups. Individual companies in each group have similar attributes and common risk factors. We have developed specific exposure guidelines for 24 segments within these groups. Risk Management conducts ongoing reviews of the segment and exposure guidelines for each group.

We assign each group a risk rating using our 21-category rating system. These ratings are based on the strength of each firm's parent institution. We assign each group a credit rating based on each firm's net worth, the quality of its assets, the consistency and level of its profits, as well as the ratings of the major credit rating agencies. We may use additional criteria for certain types of financial institutions.

Personal credit

Credit requests are evaluated using automated credit scoring systems or are directed to regional credit centres operating within clear authority limits. Once retail credits are funded, they are continually monitored within quantitative account management programs to identify changes in risk and to provide opportunities that increase risk-adjusted performance. The centralized approach to reviewing retail credits has resulted in well-balanced portfolios with predictable performance characteristics. We are increasing our investment in automated decision technology and credit scoring techniques that improve our ability to control retail credit losses within predictable ranges.

Classified risk

Classified risk refers to loans and other credit exposures that pose a higher credit risk than normal, based on our standards.

A loan is considered impaired when, in management's opinion, we can no longer be reasonably assured that we will be able to collect the full amount of the principal and interest when it is due.

We establish specific allowances for impaired loans when a loss is likely or when the estimated value of the loan is less than its recorded value, based on discounting expected future cash flows.

Allowances for our personal credit portfolios are based on delinquency and type of security.

See Supplementary information **page 51**, table 12

See Notes to Consolidated Financial Statements **page 59**, Note 1, (g) and (h)

See Notes to Consolidated Financial Statements **page 63,** Note 3

Specific allowances

Specific allowances for credit losses are established to reduce the book values of loans to estimated realizable amounts in the ordinary course of business. Specific allowances for the corporate and commercial portfolios are established by borrower and reviewed quarterly. For the retail portfolio, provisions are calculated on an aggregated facility basis using a formula which takes into account recent loss experience.

General allowances

General allowances for credit risk are established to recognize losses that management estimates to have occurred in the portfolio as at the balance sheet date relating to loans or credits not yet specifically identified as impaired. The level of general allowances reflects exposures across all portfolios and categories that give rise to credit risk and fluctuates in accordance with the nature and composition of our portfolio, shifts in the economic and credit cycles, our historic and expected loss experience, and other relevant factors.

General allowances are computed on a periodic basis using credit risk models developed by the Bank. The level of allowances is based on the probability of a borrower defaulting on a loan obligation (loss frequency), the loss given default (loss severity) and the expected exposure at the time of default. For the corporate and commercial portfolios, allowances are computed at the borrower level. The probability of default is assigned based on the risk rating of the borrower. The loss given default is based upon the security of the facility. Exposure at default is a function of current usage, borrower risk rating and the committed amount. For the retail portfolio, the general allowance is computed on a portfolio-level and is based on a statistical estimate of loss using historical loss and recovery data models and forecast balances. Model parameters are validated against historical experience and are updated annually. The general allowance methodology is approved by the Board periodically.

Our general allowance for loan losses was $984 million at October 31, 2003, compared with $1,141 million last year. The reduction in the general allowance reflects the reduced risk in our portfolio. We also had a general credit reserve for certain derivative financial instruments of $65 million such that general allowances totalled $1,049 million at October 31, 2003. This represented 1% of risk-weighted assets of which $947 million qualifies as Tier 2 capital, equal to .875% of risk-weighted assets under guidelines issued by the Office of the Superintendent of Financial Institutions Canada.

Sectoral allowances

Where the losses are not adequately covered by the general allowances noted above, sectoral allowances for credit losses are established for industry sectors and geographic regions that have experienced specific adverse events or changes in economic conditions, even though the individual loans comprising each group are not classified as impaired.

Sectoral allowances are reviewed quarterly, on a portfolio basis, taking into account the expected loss of the portfolio of borrowers in the sector under review. The analysis includes a review of probabilities of default, loss given default and the expected loss on sale. The sectoral methodology and model inputs are reviewed on a quarterly basis.

When accounts, which were identified as part of a group of loans upon which a sectoral allowance has been established, become impaired, any sectoral allowances on these loans are transferred to specific allowances.

Our sectoral allowance for credit losses at October 31, 2003 was $541 million.

See Notes to Consolidated Financial Statements **page 63**, Note 3

Provision for credit losses
The provision for credit losses is the amount added to the specific, general and sectoral allowances to bring them up to a level that management considers adequate to absorb all probable credit-related losses in the loan portfolio. The net provision for the year is reduced by any recoveries from loans previously written-off.

The Bank recorded a provision for credit losses of $186 million in 2003, including a $80 million release of the sectoral allowance and a $157 million release of the general allowance, compared with $2,925 million in 2002. This level of provision for credit losses represents .15% of net average loans and customer's liability under acceptances compared with 2.24% in the prior year.

See Notes to Consolidated Financial Statements **page 63,** Note 3
See Supplementary information **page 52**, table 14

Net impaired loans
The Bank monitors the level of net impaired loans in its portfolio, which it defines as the gross amount of impaired loans less the total of all specific, general and sectoral allowances for credit losses. For the year ended October 31, 2003, the total of all the above allowances exceeded gross impaired loans, resulting in excess allowances of $641 million, compared to an excess of $975 million a year ago.

See Supplementary information **page 51**, table 12

MARKET RISK

Market risk is the potential for loss from changes in the value of financial instruments. The value of a financial instrument can be affected by changes in:
- Interest rates;
- Foreign exchange rates;
- Equity and commodity prices; and
- Credit spreads.

We are exposed to market risk in both our trading and investment portfolios and through our non-trading activities. In our trading and investment portfolios, we are active participants in the market and seek to realize returns for the Bank from the careful management of our positions and our inventories. In our non-trading banking activities, we are exposed to market risk through the transactions our customers execute with us.

Market risk in our trading activities
We are exposed to market risk when we enter into financial transactions through our four main trading activities:
- Market-making. We provide markets for a large number of securities and other traded products. We keep an inventory of these securities to buy from and sell to investors. We profit from the spread between bid and ask prices. Profitability is driven by trading volume.
- Sales. We provide a wide variety of financial products to meet the needs of our clients. We earn money on these products from price mark-ups or commissions. Profitability is driven by sales volume.
- Arbitrage. We take positions in certain markets or products and offset the risk in other markets or products. Our knowledge of various markets and products and how they relate to each other allows us to identify and benefit from pricing anomalies.
- Positioning. We aim to make profits by taking positions in certain financial markets in anticipation of changes in those markets. This is the riskiest of our trading activities and we use it selectively.

Who manages market risk in our trading activities
Wholesale Banking has primary accountability for managing market risk while the Market Risk Group within Risk Management oversees their activities. Operational support for the market risk monitoring and regulatory capital calculations is provided by Wholesale Banking's Finance and Operations department.

The Market Risk Group is not accountable for trading revenues. Its responsibilities include:
- Designing methods for measuring and reporting market risk;
- Determining market risk policy, which includes designing and setting all trading limits for Wholesale Banking's businesses;
- Enforcing approved market risk limits;
- Approving all new trading products from a market risk perspective;
- Independent testing of all pricing models, risk models, and trading systems;
- Approving all market rates and prices used in valuing the Bank's trading positions and estimating market risk;
- Stress testing the portfolio to determine the effect of large, unusual market movements; and
- Designing and validating the models used to calculate regulatory capital required for market risk.

The Market Risk and Capital Committee meets every two weeks for a peer review of the market risk profile of our trading businesses, to approve changes to risk policies, to review underwriting inventories, and to review the usage of capital and assets in Wholesale Banking. The committee is chaired by the Senior Vice President, Market Risk and includes members of senior management of Wholesale Banking and Audit. Significant market risk issues are escalated to the Credit and Market Risk Committee, which is chaired by the Bank's President and CEO, and includes senior management of Wholesale Banking and the EVP and Chief Risk Officer. The Risk Committee of the Board oversees the management of market risk and approves all major market risk policies periodically.

How we manage market risk in our trading activities
Managing market risk is a key part of our business planning process. We begin new trading operations and expand existing ones only if:
- The risk has been thoroughly assessed and is judged to be within our risk capacity and business expertise; and
- We have the infrastructure in place to monitor, control and manage the risk.

We manage market risk primarily by enforcing trading limits and by "stress testing" our trading activities.

Trading limits
We set trading limits that are consistent with the approved business plan for each business and our tolerance for the market risk of that business. When setting these limits, we consider market volatility, market liquidity, trader experience and business strategy.

Our primary measure for setting trading limits is Value at Risk (VaR). VaR measures the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of time. We use VaR to monitor and control overall risk levels and to calculate the regulatory capital required for market risk.

We may also apply specialized limits, such as notional limits, credit spread limits, yield curve shift limits, loss exposure limits, stop loss limits and other limits, if it is appropriate to do so. These additional limits reduce the likelihood that trading losses will exceed VaR limits.

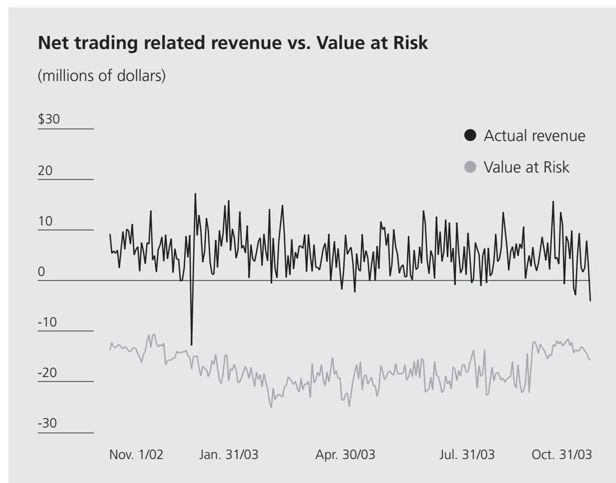
At the end of every day, Risk Management reviews daily trading exposure reports and compares the risks with their limits. If a trading limit has been exceeded, the trading desk must immediately bring the position within the limit, unless Risk Management or a designated business head approves an exception. An escalation process has been established for approving exceptions to established limits. If, during the day, it appears that a trading limit will be exceeded, the trader must receive approval before carrying the position overnight.

Calculating VaR
First we estimate VaR by creating a distribution of potential changes in the market value of the current portfolio. We value the current portfolio using the most recent 259 trading days of market price and rate changes. Then we calculate the VaR as the threshold level which potential portfolio losses are not expected to exceed more than one out of every 100 trading days.

The graph below compares net revenues in our trading businesses to daily VaR usage. Our VaR on October 31, 2003 was $15.6 million, up $1.0 million from October 31, 2002. The average VaR for fiscal year 2003 was $17.4 million. Increases in VaR are attributable to the addition of credit spread risk to the Bank's VaR model.

Net trading related revenue vs. Value at Risk

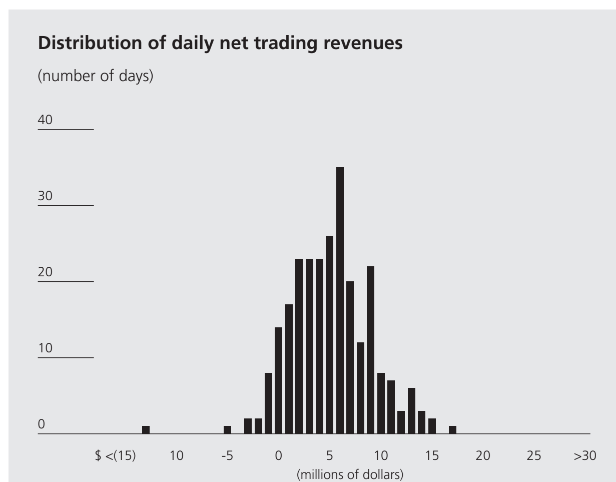
(millions of dollars)



The graph below shows the frequency distribution of our net trading revenue for fiscal 2003. Daily net trading revenues in 2003 were positive on 94.6% of the trading days in the year. Losses never exceeded our statistically predicted VaR for the total of our trading related businesses. Our worst daily loss was approximately $12.8 million. The distribution of trading revenues reflects the broad diversification of trading activities in Wholesale Banking and shows that the probability of losses exceeding our reported VaR is low.

Distribution of daily net trading revenues

(number of days)

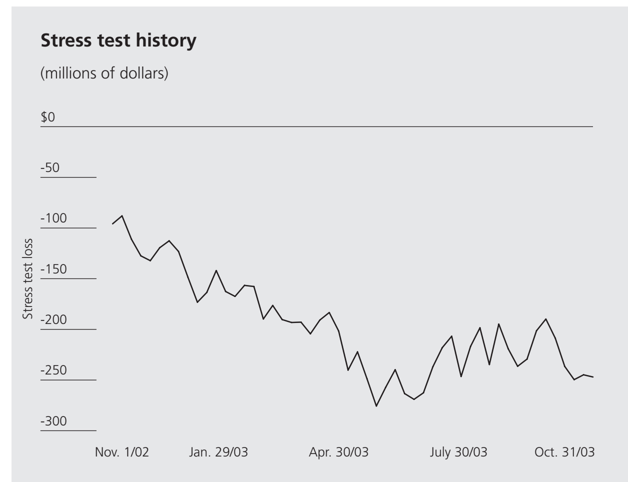


Stress testing
We use stress testing to quantify the largest quarterly loss we are prepared to take in our trading activities. Our trading business is subject to an overall global stress test limit and each global business has a stress test limit. Also, each broad risk class has an overall stress limit. Stress tests are produced and reviewed each week with the EVP and Chief Risk Officer. They are reviewed with the Market Risk and Capital Committee every two weeks and throughout the year with the Risk Committee of the Board. Stress scenarios are designed to model extreme economic events, replicate worst case historical experiences or introduce large but plausible moves in key market risk factors.

The following graph is a history of our weekly stress test results, which shows the instantaneous impact of large market disturbances. Our credit trading businesses modified their exposure in the first half of 2003, in response to an improving credit environment.

Stress test history

(millions of dollars)



Market risk in our investment activities
In the Bank's own investment portfolio and in the Merchant Banking business, we are exposed to market risk.

Risks are managed by identifying our specific risks, determining their potential impact, and then establishing policies and procedures to monitor, measure, and mitigate those risks.

Who manages market risk in our investment activities
The Risk Committee of the Board reviews and approves the investment policies for the Bank's own portfolio and for the Merchant Banking business.

The Investment Committee meets regularly to review the performance of the Bank's investments and to assess the performance of the portfolio managers.

How we manage market risk in our investment activities
We use advanced systems and related measurement tools to manage portfolio risk. Risk intelligence is imbedded in the investment decision making process by the integration of performance targets, risk/return tradeoffs, and quantified risk tolerances. Performance attribution identifies performance drivers such as sector and security exposures, as well as the impact of certain processes like trade execution.

Market risk in our non-trading banking transactions
We are exposed to market risk when we enter into non-trading banking transactions with our customers. These transactions primarily include deposit taking and lending, which are also referred to as our "asset and liability" positions.

ASSET LIABILITY MANAGEMENT

Asset liability management deals with managing the market risks of our traditional banking activities. Market risks primarily include interest rate risk and foreign exchange risk.

Who is responsible for asset liability management
The Treasury and Balance Sheet Management department within Finance measures and manages the market risks of our non-trading banking activities. The Asset/Liability Committee, which is chaired by the EVP and CFO and includes other senior executives, oversees and directs Treasury and Balance Sheet Management. The Risk Committee of the Board reviews and approves all asset liability management market risk policies periodically.

How we manage our asset and liability positions
We measure all product risks when products are issued, using a fully-hedged option-adjusted transfer pricing framework. This framework allows Treasury and Balance Sheet Management to measure and manage risk within a target risk profile. It also ensures that the Bank's business units engage in risk-taking activities only if they are productive.

Managing interest rate risk

Interest rate risk is the impact changes in interest rates could have on our margins, earnings and economic value. Rising interest rates could, for example, increase our funding costs, which would reduce the net interest income earned on certain loans.

The objective of interest rate risk management is to ensure stable and predictable earnings are realized over time. In this context, the Bank has adopted a "fully-hedged" approach to profitability management of its asset and liability positions. Key aspects of this approach are:

- Negating the impact of interest rate risk on net interest income and economic value;
- Measuring the contribution of each product on a risk-adjusted, fully-hedged basis, including the impact of financial options granted to customers; and
- Developing and implementing strategies to stabilize Personal and Commercial Banking's net interest income from all products.

We are exposed to interest rate risk when asset and liability principal and interest cash flows have different interest payment or maturity dates. These are called "mismatched positions". An interest-sensitive asset or liability is repriced when interest rates change or when there is cash flow from final maturity, normal amortization or when customers exercise prepayment, conversion or redemption options.

Our exposure depends on the size and direction of interest rate changes, and on the size and maturity of the mismatched positions. It is also affected by new business volumes, renewals of loans and deposits, and how actively customers exercise options like prepaying or redeeming a loan or deposit before its maturity date.

Interest rate risk is measured using interest rate shock scenarios to estimate the impact of changes in interest rates on both the Bank's annual Earnings at Risk (EaR) and Economic Value at Risk (EVaR). EaR is defined as the change in the Bank's annual net interest income for a 100 basis point unfavourable interest rate shock due to mismatched cash flows. EVaR is defined as the combined difference in the present value of the Bank's asset portfolio and the change in the present value of the Bank's liability portfolio, including off-balance sheet instruments, for a 100 basis point unfavorable interest rate shock.

We perform valuations of all asset and liability positions as well as all off-balance sheet exposures every week, and value certain option positions daily. Our objective is to preserve or immunize the present value of the margin booked at the time of inception for fixed rate assets and liabilities and to reduce the volatility of net interest income over time. Our approach is to value the assets and liabilities by discounting future cash flows at a yield curve indicative of the blended cost or credit of funds for each asset or liability portfolio. The resulting net present value incorporates the present value of margins booked. We then hedge the resulting financial position to the target risk profile of minimal residual economic exposure. We use derivative financial instruments, wholesale instruments and other capital market alternatives and, less frequently, product pricing strategies to manage interest rate risk.

Within the financial position, we measure and manage interest rate risk exposure from instruments with closed (non-optioned) fixed rate cash flows separately from product options. Instruments in the closed book exhibit the traditional, almost linear or symmetrical payoff profile to parallel changes in interest rates (i.e. asset values increase as rates fall and decrease as rates rise). Included in future cash flows are modeled exposures for:

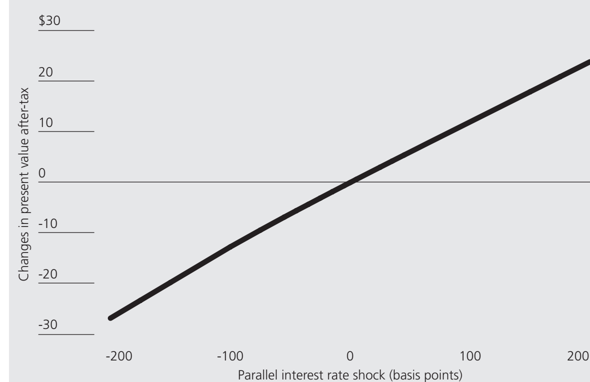
- An assumed maturity profile for the Bank's core deposit portfolio; and
- The Bank's targeted investment profile on its net equity position.

Non-rate sensitive assets, liabilities and shareholders' equity are modeled on a consistent basis, assuming an intermediate term using a rolling 60 month maturity profile resulting in a two and a half year average duration. Significant assumptions included in the valuation of fixed cash flows include the liquidation assumptions on mortgages not due to embedded optionality. The portfolio management objective within the closed book is to eliminate cash flow mismatches thereby preserving the present value of product margins.

The graph below shows our interest rate risk exposure on October 31, 2003 on the closed (non-optioned) instruments within the financial position. If this portfolio had experienced an immediate and sustained 100 basis point decrease in rates on October 31, 2003, the economic value of shareholders' equity would have decreased by $13 million after-tax as compared with $6 million in 2002 for a 100 basis point decrease in rates. This same shock would reduce net income after-tax by $14 million over the next 12 months as compared with $2 million in 2002. Our EVaR in the closed book ranged from $1 to $32 million during the year ended October 31, 2003.

Closed (non-optioned) instruments portfolio economic value at risk by interest rate shock

(millions of dollars as of October 31, 2003)

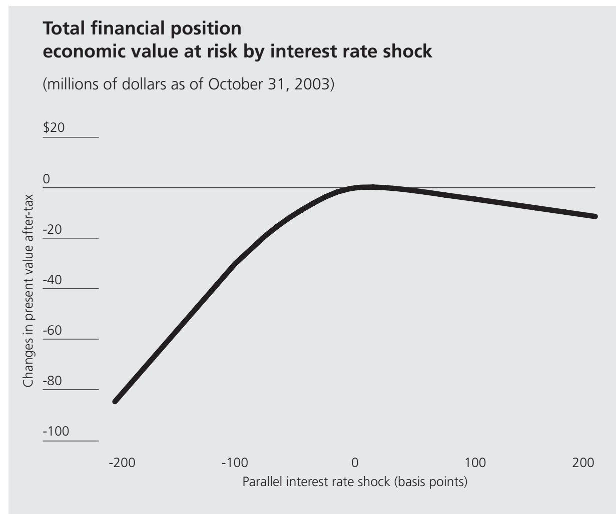


Product options, which expose the Bank to a non-linear or asymmetrical payoff profile, represent a significant financial risk, whether they are freestanding, such as mortgage rate commitments or embedded in loans and deposits. Freestanding mortgage rate commitment options are modeled based on an expected funding ratio derived from historical experience. The written option exposures contained in products with embedded options to early prepay or redeem are modeled based on an assumed percentage rational exercise derived from customer behaviour analysis. Economic capital is held to guard against worst case losses in the event rational exercise assumptions are exceeded. We also model an exposure to declining interest rates resulting in margin compression on certain interest rate sensitive demand deposit accounts. Product option exposures are managed by purchasing options or through a dynamic hedging process designed to replicate the payoff of a purchased option. Dynamic hedging involves rebalancing the hedging instruments we hold for small changes in interest rates.

The following graph shows our interest rate risk exposure on October 31, 2003 on all instruments within the financial position – the closed (non-optioned) instruments plus product options. The modeled exposures described above define the Bank's risk neutral position. The only residual exposure arises from dynamic hedging. The following graph assumes that the dynamic hedging portfolios held on October 31 are not rebalanced for the interest rate shock. An immediate and sustained 100 basis point decrease in rates would have decreased the economic value of shareholders' equity by $30 million after-tax or .3% of common equity as compared with $46 million in 2002. Our EVaR for the total portfolio ranged from $23 million to $66 million during the year ended October 31, 2003. The Bank's policy sets overall limits on EVaR and EaR. EVaR arising from mismatched asset liability positions cannot exceed 3% of the Bank's common equity or $347 million. EaR exposure may not exceed 3% of the Bank's annualized net interest income or $175 million.

Total financial position
economic value at risk by interest rate shock

(millions of dollars as of October 31, 2003)



Managing foreign exchange risk

Foreign exchange risk refers to losses that could result from changes in foreign currency exchange rates. Assets and liabilities that are denominated in foreign currencies have foreign exchange risk.

We are exposed to foreign exchange risk:

- When our foreign currency assets are greater or less than our liabilities in that currency, creating a foreign currency open position; or
- From our investments in foreign operations.

Our objective is to minimize the impact of an adverse foreign exchange rate change on reported net income and equity, and to minimize the impact of an adverse foreign exchange rate change on the Bank's capital ratios. Minimizing the impact of an adverse foreign exchange rate change on reported equity will cause some variability in the capital ratios due to the amount of risk-weighted assets that are denominated in a foreign currency. In the event that the Canadian dollar weakens, the Canadian dollar equivalent of the Bank's risk-weighted assets in a foreign currency increases thereby increasing the Bank's capital requirement. As a result, the foreign exchange risk arising from the Bank's net investment in foreign operations is hedged up to the point where the capital ratios change by no more than a tolerable amount for a given change in foreign exchange rates. The tolerable amount increases as the Bank's capital ratio increases.

The Bank's policy related to open currency exposure is to limit exposure to no more than $200 million in aggregate. Our policy related to foreign exchange capital exposure is to minimize an adverse foreign exchange rate change on reported equity subject to the constraint that the Bank's capital ratios can change by no more than 10 basis points for a 5% change in foreign exchange rates. If target capital ratios are exceeded, the Bank's policy is to allow for a 25 basis point change in capital ratios for a 5% change in foreign exchange rates.

Why product margins fluctuate over time

Implementing a fully-hedged approach to asset liability management locks in margins on fixed rate loans and deposits as they are booked. The process mitigates the impact of an instantaneous interest rate shock on the level of net interest income to be earned over time due to cash flow mismatches and the exercise of embedded options. Despite a fully-hedged position, the margin on average earning assets is subject to change over time due to the following:

- Margins earned on new and renewing fixed rate products relative to the margin previously earned on matured products will impact the existing portfolio margin;
- The weighted average margin on average earning assets will shift due to changes in the mix of business;
- The risk of changes in the prime-BA basis and the lag in changing product pricing may have an impact on margins earned; and
- The general level of interest rates will impact the return the Bank generates on its modeled maturity profile for core deposits and the investment profile for its net equity position as it evolves over time. The general level of interest rates is also a key driver of some modeled option exposures, and will affect the cost of hedging such exposures.

By implementing a fully-hedged approach, the impact of these contributions to changing margins is muted over time resulting in a more stable and predictable earnings stream.

LIQUIDITY RISK

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. Demand for cash can arise from withdrawals of deposits, debt maturities and commitments to provide credit. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

It is the Bank's policy to ensure that there is adequate liquidity coverage across all business units to sustain our ongoing operations in the event of a funding disruption with limited reliance on the forced sale of assets. We also ensure that there is sufficient liquidity available to fund asset growth and strategic opportunities.

Who manages liquidity risk
The Asset/Liability Committee oversees the liquidity risk management program and ensures that there is an effective management structure in place to properly measure and manage liquidity risk. The Global Liquidity Forum, comprised of senior management from Finance, Risk Management and Wholesale Banking, is responsible for identifying and monitoring our liquidity risks and recommending action as necessary to the Asset/Liability Committee to maintain our liquidity position within limits in both normal and stress conditions.

While the Bank operates under one global liquidity risk policy, measurement and management of our liquidity risks are separated into the major operating areas best positioned to manage the risks. The Treasury and Balance Sheet Management department within Finance is responsible for consolidating and reporting the Bank's global liquidity risk position and for managing the Personal and Commercial Banking liquidity position. Wholesale Banking is responsible for managing the liquidity risks inherent in the wholesale and corporate banking portfolios and TD Waterhouse is responsible for managing its liquidity position. Each area must adhere to the Global Liquidity Risk Management policy that is reviewed and approved by the Risk Committee of the Board periodically.

How we manage liquidity risk
The Bank's overall liquidity requirement is defined as the amount of liquidity required to fund expected cash outflows as well as a prudent liquidity reserve to fund potential cash outflows in the event of a disruption in the capital markets or other event that could affect our access to liquidity. The Bank does not rely on short-term wholesale funding for purposes other than funding marketable securities or short-term assets. Liquidity requirements are measured under different stress scenarios with a base case scenario defining the minimum amount of liquidity that must be held at all times. This scenario provides coverage for 100% of our unsecured wholesale debt coming due as well as other potential deposit run-off and contingent liabilities for a minimum period of ninety days. Other scenarios may require greater coverage. We also use an extended liquidity coverage test to monitor our ability to fund our operations on a fully collateralized basis, in the event that we are unable to replace our short-term unsecured debt beyond this timeframe for a period up to one year.

Liquidity requirements are met by holding sufficient assets that can be readily converted into cash and managing our cash flows. Assets that qualify for liquidity purposes must be currently marketable, of sufficient credit quality and be available for sale. Liquid assets are represented in a cumulative liquidity gap framework based on settlement timing and current market depth. Assets that are encumbered or needed for collateral purposes are not included for liquidity purposes.

We manage liquidity on a global basis, ensuring the prudent management of liquidity risk in all of our operations. On October 31, 2003, our consolidated surplus liquid asset position up to 90 days was $8.7 billion in Canadian dollars, compared with a surplus liquid asset position of $4.2 billion Canadian on October 31, 2002. The surplus liquid asset position is total liquid assets less the Bank's unsecured wholesale funding requirements, potential non-wholesale deposit run-off and contingent liabilities coming due in 90 days.

If there was a liquidity crisis, we have contingency plans in place to make sure we meet all of our obligations as they come due.

Funding
The Bank has a large base of stable retail and commercial deposits making up over 60% of our total funding. In addition, the Bank has an active wholesale funding program, which incorporates the asset securitization infrastructure necessary to ensure we have access to widely diversified funding sources. The Bank's wholesale funding is also diversified geographically, by currency and by distribution networks. Depositor concentration limits are in place to ensure that we do not overly rely on one or a small group of customers as a source of funding.

In fiscal 2003, the Bank securitized and sold $7.3 billion of mortgages and issued $5.7 billion of other medium and long term funding. All funding amounts are represented in Canadian dollars.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external sources.

Operational risk is inherent in all business activities. Operational risk encompasses a broad range of risks, including transaction processing errors, fiduciary breaches, technology failures, business disruption, fraud and damage to physical assets originating from internal or outsourced business activities. Its impact can result in financial and reputational loss, regulatory penalties and censure.

Managing operational risk is essential to protecting, enhancing and creating shareholder value, operating efficiency and providing a safe working environment for staff and customers. While operational risk cannot be fully eliminated, proactive management of operational risk exposures to acceptable levels is a key objective of the Bank.

Who manages operational risk
Risk Management is responsible for establishing and coordinating the implementation of a global operational risk management framework, which consists of the policies and processes for the identification, assessment, mitigation and control of operational risk. Through the framework, corporate policies and standards are defined and reporting requirements are established. In addition, Risk Management coordinates strategic operational risk management activities throughout the organization, including any reporting to senior management, the Operational Risk Oversight Committee and the Risk Committee of the Board on the level of operational risk within the Bank and the effectiveness of enterprise risk management practices.

Primary responsibility for the day-to-day management of operational risk lies with business unit management, with the support of specialist groups such as Information Technology, Finance, Compliance and Human Resources. Business unit management is responsible for ensuring that the business complies with the operational risk management framework through the establishment and maintenance of appropriate policies, procedures, internal controls and business continuity plans. Each business unit operates a Risk Management Committee, comprised of the senior executives in the unit.

The Audit department reports to business unit management, senior management, the Audit Committee and the Risk Committee of the Board on operational risk management practices, the quality and effectiveness of the system of internal controls and identifies any significant weaknesses in the Bank.

How we manage operational risk
Risk Management works closely with the risk management functions in the business units to facilitate the implementation of the operational risk management framework and the implementation of leading industry practices. Risk Management is responsible for:

- Continually identifying, measuring and reporting on the operational risk exposures of our businesses;
- Allocating economic capital based on assessments of operational risk;
- Overseeing the execution of key enterprise-wide risk management practices including an extensive system of internal controls, trained and competent people, segregating incompatible functions and clearly defined operating practices;

- Assessing, on a continuous basis, the Bank's insurable risk exposures, developing and implementing appropriate risk management solutions. These include managing a broad portfolio of insurance coverage combined with other risk transfer vehicles that protect the Bank from the adverse impact of internal and external events in the course of doing business; and
- Managing a comprehensive Business Recovery Planning program, which includes standard policies and management oversight to minimize risk, duration and cost arising from unexpected disruptions affecting our operations.

Each of the Bank's business units has defined an independent risk management function that:

- Oversees the implementation of enterprise-wide risk management practices within their business unit;
- Coordinates the completion of proactive Risk and Control Self Assessments in the business units and monitors the implementation of any required additional risk mitigation strategies;
- Identifies, measures and reports on the operational risk exposures of their business; and
- Works with business unit management to identify, develop and implement risk management practices specific to their business, including comprehensive business recovery plans.

Our focus in 2004 is on the further integration of the qualitative and quantitative aspects of our Operational Risk Management program as well as the implementation of improved operational risk reporting to the Board and to all levels of management.

REGULATORY RISK

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives.

Due to the highly regulated nature of our businesses and the high standards that management of a financial services business is expected to meet, we are exposed to regulatory risk in virtually all of our business activities. Regulatory risk differs from other banking risks, such as credit risk or liquidity risk, because it is typically not a risk actively and consciously taken or assumed by management in return for an expected reward. It occurs as part of the normal course of operation of our businesses. Failure to meet applicable regulatory requirements poses a risk of reputational loss to the Bank, as well as a risk of regulatory penalty or censure.

Who manages regulatory risk

Proactive management of regulatory risk is a key objective of the Bank. It is carried out primarily through the operation of an enterprise-wide regulatory risk management framework called the "Legislative Compliance Management Framework" (LCMF). Compliance department in Legal is responsible for the effective operation of the LCMF.

The LCMF establishes two levels of controls through which regulatory risk is managed: controls to meet day-to-day regulatory requirements; and independent oversight controls.

Day-to-day responsibility for regulatory risk lies with business unit management. Each business unit makes compliance an integral part of their business operations and demonstrates compliance to regulatory authorities.

To assist the business units in discharging their responsibilities, they receive advice and assistance from corporate oversight functions. The corporate oversight functions also provide an independent review of controls in the business unit and escalate significant issues to senior management and the Board.

Through monitoring, testing and reporting, the Compliance and Audit departments report to business unit management, senior management and the Audit Committee of the Board on the extent to which business units adhere to the regulatory requirements, and on the effectiveness of the internal controls.

The Compliance department reports to the Audit Committee of the Board on the LCMF and advises them of any material compliance-related issues twice a year.

How we manage regulatory risk

The business units manage the day-to-day regulatory risk primarily by educating and training their employees about regulatory requirements, and establishing and maintaining appropriate policies and procedures to promote compliance and monitoring for compliance.

The corporate oversight functions promote a compliance culture within the Bank by:

- Advising and communicating the regulatory requirements to each business;
- Ensuring the businesses have appropriate policies and procedures in place, and are appropriately training their staff to meet regulatory requirements;
- Independently monitoring the businesses for adherence to the policies, procedures and requirements; and
- Tracking and escalating issues and findings.

Documentation of adherence to regulatory requirements is also carried out regularly through a formal business unit management certification process. In addition to processes throughout the year, on an annual basis, Canadian business units review regulatory requirements relating to the Bank's governing legislation and update their risk assessments and the controls that they have in place to mitigate those risks. The higher the risk, the more rigorous the control process must be to minimize the risk of non-compliance. The Compliance department reviews the assessments to determine the effectiveness of the business unit controls. Once the annual review process is completed, senior management of the business units certify in writing whether they are in compliance with applicable regulatory requirements, or whether any gaps or weaknesses exist. In the latter case, an action plan must be established and implemented to remedy the gap or weakness.

REPUTATIONAL RISK

Reputational risk is the risk to earnings, capital or brand arising from negative public or employee opinion.

A solid corporate reputation is essential to optimizing shareholder value. Reputational risk is not managed in isolation of other types of risk. Be it credit, market, operational, liquidity, investment or regulatory risk, all these elements must be managed effectively in order to mitigate any negative impact to the Bank's reputation. In light of the events of the last few years and as business practices evolve to address new operating paradigms with respect to reputational risk, we, like others in our industry, have enhanced our existing focus on this issue. Managing reputational risk is necessary in order to avoid negative impact to the brand, earnings or capital.

Who manages reputational risk

While the ultimate responsibility for the Bank's reputation lies with the Senior Executive Team and the executive committees that examine reputational risk as part of their ongoing mandate, anyone who is employed by the Bank has a responsibility to contribute in a positive way to the Bank's reputation. This means ensuring that ethical practices are maintained at all times, that interactions with our stakeholders are positive and that all policies, legislation and regulations are adhered to. Reputational risk is most effectively managed when everyone is working to enhance and protect the Bank's reputation.

Managing Capital

Regulatory capital structure and ratios at year end

(millions of dollars)	2003	2002	2001
Tier 1 capital			
Retained earnings	**$ 8,518**	$ 8,292	$ 9,203
Foreign currency translation adjustments	**(130)**	418	450
Common shares	**3,179**	2,846	2,259
Qualifying preferred shares	**1,535**	1,328	1,492
Contributed surplus	**9**	–	–
Non-controlling interest in subsidiaries	**1,250**	1,119	1,272
Less: goodwill and intangibles in excess of 5% limit	**(3,035)**	(4,213)	(4,041)
Total Tier 1 capital	**11,326**	9,790	10,635
Tier 2 capital			
Subordinated notes and debentures	**5,887**	4,343	4,892
Qualifying preferred shares and non-controlling interest in subsidiaries	**–**	157	–
General allowance for credit losses included in capital	**947**	1,056	1,112
Less: amortization of subordinated notes and debentures	**(241)**	(357)	(545)
Total Tier 2 capital	**6,593**	5,199	5,459
Investment in unconsolidated subsidiaries/substantial investments	**919**	870	697
First loss protection	**145**	159	288
Total regulatory capital	**$16,855**	$13,960	$15,109
Capital ratios			
To risk-weighted assets			
Tier 1 capital	**10.5%**	8.1%	8.4%
Total regulatory capital	**15.6**	11.6	11.9
Assets to capital multiple[1]	**15.2**	18.9	18.3

[1] Total assets plus off-balance sheet credit instruments such as letters of credit and guarantees less investments in associated corporations and goodwill and net intangibles divided by total regulatory capital.

Our goals
We want to provide enough capital to maintain the confidence of investors and depositors, while providing our common shareholders with a satisfactory return.

Our goals are to:
- Be an appropriately capitalized institution, as defined by regulatory authorities and compared with our peers.
- Maintain strong ratings.
- Make sure that we have enough capital and the right type of capital on hand or readily available at a reasonable cost.
- Achieve the lowest overall cost of capital consistent with preserving the appropriate mix of capital elements.
- Provide a satisfactory return to our common shareholders.

Where capital comes from
Most of our capital comes from common shareholders. Other sources of capital come from our preferred shareholders and holders of our subordinated debt.

Who manages our capital
Finance manages capital for the Bank. They're responsible for acquiring, maintaining and retiring capital. The Board of Directors oversees capital management.

Economic capital
The Bank uses in-house models to determine how much capital is required to cover unexpected loss from market, credit and operational risks. We refer to this measure as economic capital and note that it differs from current regulatory capital because it applies to deposit products as well as asset products, and it applies to operational as well as credit and market risk. Regulatory capital is set by regulations established by the Superintendent of Financial Institutions Canada (refer to next section).

Within the Bank's measurement framework, economic capital covers unexpected loss. Expected loss is considered a cost of doing business and is included in product pricing.

Economic capital is sufficient to absorb worst case loss at levels consistent with a AA ratings standard. Unlike rating agency and regulatory capital measures, economic capital refers solely to common equity capital. Since losses flow through the Consolidated Statement of Operations, the Bank ensures it has sufficient common equity to absorb worst case loss.

The Bank makes business decisions based on return on economic capital, while also ensuring that, in aggregate, regulatory and rating agency requirements and capital available are kept in balance.

Regulatory capital
Tier 1 capital
Retained earnings, when adjusted for foreign currency translation, declined by $322 million during the year. Foreign exchange adjustments unfavourably affected retained earnings by $548 million. However, our capital ratios were favourably affected by foreign currency translation adjustments to our assets. We raised $333 million of common stock including $286 million from the dividend reinvestment plan. In addition, we redeemed US$225 million and $150 million of our preferred shares and we issued $550 million of preferred shares during the year.

In fiscal 2003, goodwill and net intangibles (above 5% of gross Tier 1 capital), which are deducted from capital for regulatory purposes, decreased by $1,178 million as the result of the recognition of goodwill impairment of $624 million and the amortization of intangibles of $491 million, net of tax. The decrease was also favourably affected by foreign currency translation adjustments, but partially offset by the $126 million of new intangibles arising from the acquisition of Laurentian Bank branches.

Tier 2 capital

Actions taken to manage our capital during the year included maturing US$75 million and $100 million of debentures and issuing $1.9 billion of replacement subordinated medium term notes. The increases in Tier 2 capital, combined with higher Tier 1 capital and lower assets, have resulted in an improvement to the Bank's reported assets to capital multiple. See Notes 10 to 12 to the Bank's Consolidated Financial Statements for more details.

Dividends

The Bank's dividend policy is approved by the Board of Directors. During the year, the Bank increased its quarterly dividend to 32 cents per share, which is consistent with its target payout range of 35-45%. The Bank's ability to pay dividends is subject to the Bank Act and the regulations of the Superintendent of Financial Institutions Canada. Note 12 of the Bank's Consolidated Financial Statements provides further details.

Ratings

In December 2002, Standard & Poor's (S&P) announced that it had downgraded the senior debt rating of the Bank from AA- to A+. S&P cited concerns about weaker profitability and capital levels combined with deteriorating credit quality. In February 2003, Moody's Investors Service changed its rating outlook on the Bank's Aa3 rated senior debt from negative to stable. The confirmation of our rating by Moody's, combined with a lower risk profile in businesses which are ratings sensitive, have significantly mitigated the impact of the ratings change on earnings during the year.

Capital ratios

About capital ratios

Capital ratios are measures of financial strength and flexibility.

The Office of the Superintendent of Financial Institutions Canada (OSFI) defines two primary ratios to measure capital adequacy, the Tier 1 capital ratio and the total capital ratio. OSFI sets target levels for Canadian banks:

- The Tier 1 capital ratio is defined as Tier 1 capital divided by risk-weighted assets. OSFI has established a target Tier 1 capital requirement of 7%.
- The total capital ratio is defined as total regulatory capital divided by risk-weighted assets. OSFI has established a target total capital requirement of 10%.

Our Tier 1 and total capital ratios were 10.5% and 15.6%, respectively, on October 31, 2003 compared with 8.1% and 11.6% on October 31, 2002. The principal factors for the year-over-year increases were the stronger earnings in 2003 combined with successful management of growth in our risk-weighted assets primarily from reduction in our non-core loan portfolio. As a result we have exceeded our medium term target for Tier 1 of 9–9.5%.

OSFI measures the capital adequacy of Canadian banks according to its instructions for determining risk-adjusted capital, risk-weighted assets and off-balance sheet exposures. This approach is based on the Bank for International Settlements' (BIS) agreed framework for achieving a more consistent way to measure the capital adequacy and standards of banks engaged in international business.

Risk-weighted assets

Risk-weighted assets are determined by applying OSFI prescribed risk-weights to balance sheet assets and off-balance sheet financial instruments according to credit risk of the counterparty. Risk-weighted assets also include an amount for the market risk exposure associated with our trading portfolio.

Our total risk-weighted assets decreased by $12 billion or 10% in 2003. Total risk-weighted assets decreased as a result of our ongoing management of risk-weighted assets across all of our businesses, together with translation of our foreign currency assets based on the stronger Canadian currency.

We review balance sheet and off-balance sheet exposures when assessing risk.

See Managing risk **page 33** and Off-balance sheet arrangements **page 15**

Proposed accounting changes

Proposed Variable Interest Entity (VIE) accounting rules may require the Bank to consolidate additional assets onto its balance sheet. The rule change is currently scheduled for implementation in fiscal 2005. See Note 26 of the Bank's Consolidated Financial Statements for more details.

Accounting changes to the Canadian Institute of Chartered Accountants' Handbook Section 3860, *Financial Instruments – Disclosure and Presentation*, if implemented as currently drafted, may have the effect of classifying both the Bank's preferred shares and innovative Tier 1 capital as liabilities. Such an accounting recategorization could result in the disallowance of the Bank's preferred shares and innovative instruments for regulatory capital purposes. In the absence of grandfathering of the existing capital instruments by the Superintendent of Financial Institutions Canada, the Bank's capital ratios could be significantly affected.

Revised capital accord

The Basel Committee on Banking Supervision has published for consultation the New Basel Capital Accord to replace the accord originally introduced in 1988 and supplemented in 1996. The underlying principles of the new Accord are intended to be suitable for application to banks of varying levels of complexity and sophistication. The proposed Accord will allow qualifying banks to determine capital levels consistent with the manner in which they measure, manage and mitigate risk. The new framework provides a spectrum of methodologies, from simple to advanced, for the measurement of both credit and operational risk. More advanced measurement of risks should result in regulatory and economic capital being more closely aligned.

By providing a flexible approach to measurement methodology, each bank will be able, subject to review by regulators, to adopt approaches which best fit its level of sophistication and risk profile. The objective of the framework is to provide rewards for more rigorous and accurate risk management by reducing regulatory capital required under weaker or less sophisticated approaches. While the overall objective of the new Accord is to neither increase nor decrease the level of overall capital in the system, some financial institutions will see an increase in regulatory capital, while others will see a decrease. The impact will depend upon the approach used by a particular institution and its own risk profile.

The Bank has prepared project plans to collect, analyze and report the necessary data and is on track to meet the requirements of the new Accord. For Canadian banks, the expected proforma implementation will be for fiscal 2006, with formal implementation the following year.

Risk-weighted assets at year end

(millions of dollars)		**2003**		2002		2001
	Balance	**Risk-weighted balance**	Balance	Risk-weighted balance	Balance	Risk-weighted balance
Balance sheet assets						
Cash resources	**$ 7,719**	**$ 1,344**	$ 6,538	$ 1,108	$ 5,945	$ 991
Securities purchased under resale agreements	**17,475**	**235**	13,060	282	20,205	324
Securities	**79,665**	**3,686**	82,197	6,247	97,194	6,946
Loans (net)	**118,058**	**59,273**	122,627	63,965	119,673	66,514
Customers' liability under acceptances	**6,645**	**6,400**	7,719	7,066	9,122	8,246
Other assets	**43,970**	**5,885**	45,899	6,288	35,699	6,342
Total balance sheet assets	**$273,532**	**$ 76,823**	$278,040	$ 84,956	$287,838	$ 89,363
Off-balance sheet assets						
Credit instruments		**10,937**		14,559		18,350
Derivative financial instruments		**5,987**		6,259		6,373
Total off-balance sheet assets		**16,924**		20,818		24,723
Total risk-weighted asset equivalent – credit risk		**93,747**		105,774		114,086
– market risk		**14,470**		14,859		13,032
Total risk-weighted assets		**$108,217**		$120,633		$127,118

Supplementary Information

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TABLE 1 Operating cash basis measurements[1]

	2003	2002	2001
Diluted earnings (loss) per common share – operating cash basis	**$ 2.26**	$ .68	$ 3.27
Adjustments for non-cash/special items:			
Amortization of intangible assets, net of income taxes[2]	**(.75)**	(.98)	(.69)
Amortization of goodwill, net of income taxes	**–**	–	(.30)
Special increase in general provision, net of income taxes	**–**	–	(.33)
Gain on sale of mutual fund record keeping and custody business, net of income taxes	**–**	.05	–
Gains on sale of investment real estate, net of income taxes	**–**	–	.43
Restructuring costs, net of income taxes	**–**	–	(.21)
Income tax expense from income tax rate changes	**–**	–	(.12)
Diluted earnings (loss) per common share – reported basis	**$ 1.51**	$ (.25)	$ 2.05
Return on common shareholders' equity – operating cash basis			
Net income applicable to common shares (millions of dollars)	**$ 1,480**	$ 442	$ 2,075
Average common shareholders' equity (millions of dollars)	**11,396**	12,144	11,505
Return on common shareholders' equity	**13.0%**	3.6%	18.0%
Return on common shareholders' equity – reported basis			
Net income applicable to common shares (millions of dollars)	**$ 989**	$ (160)	$ 1,300
Average common shareholders' equity (millions of dollars)	**11,396**	12,144	11,505
Return on common shareholders' equity	**8.7%**	(1.3)%	11.3%

[1] Operating cash basis measurements are defined in the "How the Bank reports" section on page 10 of this Annual Report.

[2] The Bank's non-cash identified intangible amortization charges relate to the Canada Trust acquisition in fiscal 2000.

TABLE 2 Analysis of change in net interest income

Operating cash basis

(millions of dollars)	**2003 vs. 2002**			2002 vs. 2001		
	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	**$(191)**	**$ (205)**	**$ (396)**	$ 373	$(3,061)	$(2,688)
Total interest-bearing liabilities	**223**	**497**	**720**	(176)	3,750	3,574
Net interest income (TEB)	**$ 32**	**$ 292**	**$ 324**	$ 197	$ 689	$ 886

Reported basis

(millions of dollars)	**2003 vs. 2002**			2002 vs. 2001		
	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	**$(182)**	**$ (222)**	**$ (404)**	$ 379	$(3,044)	$(2,665)
Total interest-bearing liabilities	**223**	**497**	**720**	(176)	3,750	3,574
Net interest income	**$ 41**	**$ 275**	**$ 316**	$ 203	$ 706	$ 909

TABLE 3 Net interest rate margin

Operating cash basis

(millions of dollars)	2003			2002			2001		
	Average earning assets	**Net interest income (TEB)**	**Margin**	Average earning assets	Net interest income (TEB)	Margin	Average earning assets	Net interest income (TEB)	Margin
Canada	**$ 156,193**	**$ 3,986**	**2.55%**	$ 150,738	$ 3,985	2.64%	$ 147,525	$ 3,628	2.46%
United States	**48,582**	**685**	**1.41**	53,784	553	1.03	55,798	509	.91
Other international	**47,032**	**1,175**	**2.50**	52,038	984	1.89	47,435	499	1.05
Total Bank	**$ 251,807**	**$ 5,846**	**2.32%**	$ 256,560	$ 5,522	2.15%	$ 250,758	$ 4,636	1.85%

Reported basis

(millions of dollars)	2003			2002			2001		
	Average earning assets	**Net interest income**	**Margin**	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin
Canada	**$ 156,193**	**$ 3,758**	**2.41%**	$ 150,738	$ 3,773	2.50%	$ 147,525	$ 3,400	2.30%
United States	**48,582**	**681**	**1.40**	53,784	543	1.01	55,798	492	.88
Other international	**47,032**	**1,177**	**2.50**	52,038	984	1.89	47,435	499	1.05
Total Bank	**$ 251,807**	**$ 5,616**	**2.23%**	$ 256,560	$ 5,300	2.07%	$ 250,758	$ 4,391	1.75%

TABLE 4 Average earning balances and interest rates

(millions of dollars)	2003			2002			2001		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Earning assets									
Deposits with banks	**$ 7,323**	**$ 212**	**2.9%**	$ 6,108	$ 132	2.2%	$ 5,117	$ 191	3.7%
Securities purchased under resale agreements	**33,311**	**902**	**2.7**	31,758	850	2.7	26,511	1,462	5.5
Securities									
Investment	**29,183**	**1,075**	**3.7**	28,663	1,290	4.5	28,696	1,535	5.3
Trading	**62,161**	**2,603**	**4.2**	67,633	2,610	3.9	70,375	2,636	3.7
Total securities	**91,344**	**3,678**	**4.0**	96,296	3,900	4.1	99,071	4,171	4.2
Loans									
Mortgages	**53,168**	**2,881**	**5.4**	53,035	3,101	5.8	48,462	3,172	6.5
Consumer instalment and other personal	**39,090**	**2,466**	**6.3**	34,156	2,090	6.1	32,071	2,612	8.1
Business and government	**27,571**	**1,293**	**4.7**	35,207	1,755	5.0	39,526	2,908	7.4
Total loans	**119,829**	**6,640**	**5.5**	122,398	6,946	5.7	120,059	8,692	7.2
Total earning assets	**$ 251,807**	**$ 11,432**	**4.5%**	$ 256,560	$ 11,828	4.6%	$ 250,758	$ 14,516	5.8%
Interest-bearing liabilities									
Deposits									
Personal	**$ 102,485**	**$ 2,130**	**2.1%**	$ 98,163	$ 2,300	2.3%	$ 93,733	$ 3,385	3.6%
Banks	**22,170**	**412**	**1.9**	24,821	720	2.9	28,517	1,467	5.1
Business and government	**77,750**	**1,660**	**2.1**	81,131	1,734	2.1	76,093	3,225	4.2
Total deposits	**202,405**	**4,202**	**2.1**	204,115	4,754	2.3	198,343	8,077	4.1
Subordinated notes and debentures	**4,710**	**259**	**5.5**	4,250	201	4.7	4,943	304	6.2
Obligations related to securities sold short and under repurchase agreements	**38,378**	**1,125**	**2.9**	44,931	1,351	3.0	43,567	1,488	3.4
Other interest-bearing liabilities	**–**	**–**	**–**	–	–	–	156	11	7.1
Total interest-bearing liabilities	**$ 245,493**	**$ 5,586**	**2.3%**	$ 253,296	$ 6,306	2.5%	$ 247,009	$ 9,880	4.0%
Total net interest income (TEB)		**$ 5,846**			$ 5,522			$ 4,636	
Total net interest income		**$ 5,616**			$ 5,300			$ 4,391	

TABLE 5 **Other income**

(millions of dollars)	**2003**	2002	2001	2000	1999
TD Waterhouse fees and commissions	**$ 957**	$ 922	$1,002	$1,521	$ 979
Full service brokerage and other securities services	**667**	641	701	667	484
Mutual fund management	**508**	522	502	452	258
Credit fees	**415**	415	425	545	463
Net investment securities gains	**23**	26	216	382	1,080
Trading income	**104**	529	1,318	1,225	679
Service charges	**641**	596	561	441	289
Loan securitizations	**250**	218	272	236	94
Card services	**252**	249	249	233	190
Insurance, net of claims	**420**	375	326	198	65
Trust fees	**70**	76	86	75	23
Gains on sale of investment real estate	**–**	–	350	–	–
Gain on sale of mutual fund record keeping and custody business	**–**	40	–	–	–
Gain on sale of TD Waterhouse Group, Inc.	**–**	–	–	–	1,122
Write down of investment in joint ventures	**(39)**	–	–	–	–
Other	**156**	320	439	425	206
Total	**$4,424**	$4,929	$6,447	$6,400	$5,932
Percentage increase (decrease) over previous year	**(10.2)%**	(23.5)%	.7%	7.9%	85.5%

TABLE 6 **Trading related income**[1]

Operating cash basis

(millions of dollars)	**2003**	2002	2001
Net interest income (TEB)	**$1,054**	$ 824	$ 219
Other income	**104**	529	1,318
Total trading related income (TEB)	**$1,158**	$1,353	$1,537
By business			
Interest rate and credit portfolios	**$ 580**	$ 746	$ 780
Foreign exchange portfolios	**248**	217	247
Equity and other portfolios	**330**	390	510
Total trading related income (TEB)	**$1,158**	$1,353	$1,537

Reported basis

(millions of dollars)	**2003**	2002	2001
Net interest income	**$ 889**	$ 672	$ (43)
Other income	**104**	529	1,318
Total trading related income	**$ 993**	$1,201	$1,275
By business			
Interest rate and credit portfolios	**$ 580**	$ 754	$ 678
Foreign exchange portfolios	**248**	217	247
Equity and other portfolios	**165**	230	350
Total trading related income	**$ 993**	$1,201	$1,275

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

TABLE 7 **Non-interest expenses and efficiency ratio**

(millions of dollars)	**2003**	2002	2001	2000	1999
Salaries and employee benefits					
Salaries	**$ 2,304**	$ 2,273	$ 2,225	$ 2,032	$1,475
Incentive compensation	**986**	875	1,150	1,048	785
Pension and other employee benefits	**468**	418	333	319	223
Salaries and employee benefits total	**3,758**	3,566	3,708	3,399	2,483
Occupancy					
Rent	**361**	330	323	266	209
Depreciation	**143**	148	149	104	80
Other	**152**	127	120	128	84
Occupancy total	**656**	605	592	498	373
Equipment					
Rent	**185**	170	159	118	88
Depreciation	**175**	164	169	156	121
Other	**290**	327	328	287	186
Equipment total	**650**	661	656	561	395
General					
Amortization of intangible assets	**772**	998	1,292	1,203	2
Amortization of goodwill	**–**	–	198	142	51
Goodwill impairment	**624**	–	–	–	–
Restructuring costs	**92**	–	239	475	–
Marketing and business development	**348**	388	410	434	261
Brokerage related fees	**229**	224	229	260	221
Professional and advisory services	**372**	366	322	284	172
Communications	**208**	225	205	202	155
Capital and business taxes	**133**	107	106	82	86
Postage	**91**	96	115	110	82
Travel and relocation	**58**	68	67	65	46
Other	**373**	448	515	412	234
General total	**3,300**	2,920	3,698	3,669	1,310
Total expenses	**$ 8,364**	$ 7,752	$ 8,654	$ 8,127	$4,561
Percentage increase (decrease)	**7.9%**	(10.4)%	6.5%	78.2%	15.3%
Efficiency ratio					
Net interest income	**$ 5,616**	$ 5,300	$ 4,391	$ 3,605	$2,981
Other income	**4,424**	4,929	6,447	6,400	5,932
Total revenue	**$10,040**	$10,229	$10,838	$10,005	$8,913
Efficiency ratio – reported basis	**83.3%**	75.8%	79.8%	81.2%	51.2%
Efficiency ratio – operating cash basis[1,2]	**73.9**	64.9	64.5	61.8	62.6

[1] Expenses used to compute the efficiency ratio on an operating cash basis exclude non-cash goodwill/intangible amortization, and restructuring costs related to acquisitions and significant business restructuring initiatives (Wholesale Banking in 2001, TD Waterhouse Group, Inc. in 2001, the acquisition of Newcrest in 2001 and the acquisition of Canada Trust in 2000).

[2] Revenues used to compute the efficiency ratio on an operating cash basis are on a taxable equivalent basis and exclude special gains on the sale of mutual fund record keeping and custody business in 2002, real estate gains in 2001, the gain on the sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999 and other one-time gains of nil in 2003 (2002 – $40 million; 2001 – $350 million; 2000 – nil; 1999 – $61 million).

TABLE 8 Taxes

(millions of dollars)	**2003**	2002	2001	2000	1999
Income taxes					
Income taxes	**$ 603**	$ (89)	$ 694	$ 1,093	$ 803
Taxable equivalent adjustment	**230**	222	245	199	192
Income taxes – operating cash basis	**833**	133	939	1,292	995
Other taxes					
Payroll taxes	**193**	187	174	160	85
Capital taxes	**125**	97	98	76	77
GST and provincial sales taxes	**150**	162	149	92	82
Municipal and business taxes	**86**	93	91	93	71
Total other taxes	**554**	539	512	421	315
Total taxes	**$ 1,387**	$ 672	$ 1,451	$ 1,713	$ 1,310
Effective income tax rate – operating cash basis[1]	**33.4%**	18.2%	29.5%	37.8%	40.1%
Effective total tax rate – operating cash basis[1]	**45.5**	52.9	39.2	44.6	46.8

[1] Operating cash basis measurements are defined in the "How the Bank reports" section on page 10 of this Annual Report.

The effective income tax rate on the reported basis is set out in Note 15 of the Bank's Consolidated Financial Statements.

TABLE 9 Loans to small and mid-sized business customers

(millions of dollars)		Loans authorized			Amount outstanding	
Loan amount	**2003**	2002	2001	**2003**	2002	2001
(thousands of dollars)						
0 – 24	**$ 1,056**	$ 1,081	$ 1,107	**$ 530**	$ 555	$ 590
25 – 49	**745**	738	725	**434**	431	435
50 – 99	**1,298**	1,280	1,263	**745**	735	748
100 – 249	**2,682**	2,660	2,690	**1,626**	1,623	1,676
250 – 499	**2,409**	2,440	2,409	**1,421**	1,414	1,416
500 – 999	**2,478**	2,571	2,552	**1,271**	1,342	1,371
1,000 – 4,999	**6,769**	6,898	7,266	**3,112**	3,167	3,336
Total[1]	**$17,437**	$17,668	$18,012	**$9,139**	$9,267	$9,572

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

TABLE 10 Fees paid to the shareholders' auditors

(thousands of dollars)	**2003**	2002
Audit[1]	**$ 8,661**	$ 6,629
Audit-related[2]	**605**	942
Tax[3]	**3,457**	3,205
Other[4]	**5,480**	5,611
Total	**$18,203**	$16,387

[1] Audit fees are fees for the professional services in connection with the audit of the Bank's financial statements or other services that are normally provided by the Bank's auditors in connection with statutory and regulatory filings or engagements. In addition to including fees for services necessary to perform an audit or review in accordance with Generally Accepted Auditing Standards, our audit fees include fees paid to the Bank's auditors for comfort letters, statutory audits, attest services, consents and assistance with and review of documents filed with regulators.

[2] Audit-related fees are assurance and related services that are performed by the Bank's auditors. These services include: employee benefit plan audits, accounting consultations in connection with acquisitions and divestitures, internal control reviews, and interpretation of financial accounting and reporting standards.

[3] Tax fees are services performed by the Bank's auditors' tax division except those tax services related to the audit. These services include: fees for tax compliance, tax planning and tax advice.

[4] Other fees primarily include fees for insolvency and viability matters either paid by the Bank or by third parties. In these instances, the Bank's auditors are retained to provide assistance on operational business reviews, lender negotiations, business plan assessments, debt restructuring and asset recovery. The amount of insolvency and viability fees paid by third parties and included above is $3,540 thousand (2002 – $3,013 thousand).

The Bank's Audit Committee has implemented a policy restricting the services that may be provided by the Bank's auditors and the fees paid to the Bank's auditors. Prior to the engagement of the Bank's auditors, the Audit Committee pre-approves the provision of the service. In making their determination regarding non-audit services, the Audit Committee considers the compliance with the policy and the provision of non-audit services in the context of avoiding impact on auditor independence. Each quarter, the CFO makes a presentation to the Audit Committee detailing the non-audit services performed by the Bank's auditors on a year-to-date basis, and details of any proposed assignments for consideration by the Audit Committee and pre-approval, if appropriate.

TABLE 11 **Loans and customers' liability under acceptances, net of allowance for credit losses**

(millions of dollars)	Canada[1]		United States[1]		Other international[1]		Total		
By sector	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	2001
Residential mortgages	**$ 52,525**	$ 52,784	**$ –**	$ –	**$ –**	$ –	**$ 52,525**	$ 52,784	$ 50,807
Consumer instalment and other personal	**38,623**	32,798	**4,272**	3,516	**13**	18	**42,908**	36,332	31,126
Total residential and personal	**91,148**	85,582	**4,272**	3,516	**13**	18	**95,433**	89,116	81,933
Real estate development									
Commercial and industrial	**1,491**	1,846	**–**	–	**–**	–	**1,491**	1,846	2,060
Residential	**1,247**	1,171	**85**	57	**–**	–	**1,332**	1,228	1,404
Retail	**352**	378	**–**	–	**19**	40	**371**	418	475
Real estate services	**300**	293	**4**	16	**–**	–	**304**	309	280
Total real estate	**3,390**	3,688	**89**	73	**19**	40	**3,498**	3,801	4,219
Agriculture	**2,428**	2,365	**–**	–	**–**	–	**2,428**	2,365	2,309
Apparel and textile	**323**	351	**–**	10	**38**	39	**361**	400	451
Automotive	**1,644**	1,175	**91**	118	**3**	15	**1,738**	1,308	1,558
Cable	**417**	383	**363**	860	**298**	411	**1,078**	1,654	1,958
Chemical	**415**	555	**24**	317	**80**	121	**519**	993	1,125
Construction	**694**	681	**27**	11	**21**	93	**742**	785	844
Financial	**1,960**	2,283	**264**	567	**466**	946	**2,690**	3,796	4,112
Food, beverage and tobacco	**1,319**	1,302	**106**	167	**141**	162	**1,566**	1,631	2,131
Forestry	**563**	744	**209**	633	**27**	93	**799**	1,470	1,720
Government	**589**	471	**151**	25	**–**	–	**740**	496	348
Health and social services	**1,144**	1,060	**57**	116	**–**	–	**1,201**	1,176	1,187
Media and entertainment	**1,111**	1,520	**351**	624	**255**	688	**1,717**	2,832	3,717
Metals and mining	**600**	861	**42**	161	**10**	61	**652**	1,083	1,344
Oil and gas	**941**	1,668	**451**	879	**278**	361	**1,670**	2,908	3,341
Retail	**1,072**	1,041	**59**	160	**–**	–	**1,131**	1,201	1,327
Sundry manufacturing	**910**	1,019	**9**	150	**2**	44	**921**	1,213	1,647
Telecommunications	**92**	395	**333**	1,201	**309**	898	**734**	2,494	4,251
Transportation	**600**	933	**57**	90	**50**	141	**707**	1,164	1,307
Utilities	**665**	704	**1,171**	3,370	**652**	1,091	**2,488**	5,165	4,862
All other loans	**1,487**	2,638	**247**	423	**156**	234	**1,890**	3,295	3,104
Total business and government	**22,364**	25,837	**4,101**	9,955	**2,805**	5,438	**29,270**	41,230	46,862
Total	**$113,512**	$111,419	**$8,373**	$13,471	**$2,818**	$5,456	**$ 124,703**	$ 130,346	$ 128,795
Percentage change	**1.9%**	5.6%	**(37.8)%**	(21.7)%	**(48.4)%**	(9.8)%	**(4.3)%**	1.2%	(1.3)%

By location of ultimate risk	**2003**	2002	2001	**2003 % mix**	2002 % mix	2001 % mix
Canada						
Atlantic	**$ 3,445**	$ 3,342	$ 3,352	**2.8**	2.6	2.6
Québec	**6,822**	6,663	5,769	**5.5**	5.1	4.5
Ontario	**71,914**	70,219	66,475	**57.6**	53.9	51.6
Prairies	**16,667**	16,286	16,156	**13.4**	12.5	12.5
British Columbia	**15,054**	15,310	14,296	**12.1**	11.7	11.1
Total Canada	**113,902**	111,820	106,048	**91.4**	85.8	82.3
United States	**7,731**	11,714	15,768	**6.2**	9.0	12.3
Other international						
United Kingdom	**434**	1,118	1,549	**.3**	.8	1.2
Europe – other	**854**	1,838	1,224	**.7**	1.4	.9
Australia and New Zealand	**746**	1,328	1,356	**.6**	1.0	1.1
Japan	**42**	138	15	**–**	.1	–
Asia – other	**488**	1,254	1,755	**.4**	1.0	1.4
Latin America and Caribbean	**503**	1,123	1,068	**.4**	.9	.8
Middle East and Africa	**3**	13	12	**–**	–	–
Total other international	**3,070**	6,812	6,979	**2.4**	5.2	5.4
Total	**$124,703**	$130,346	$128,795	**100.0**	100.0	100.0
Percentage change over previous year						
Canada	**1.9%**	5.4%	6.0%			
United States	**(34.0)**	(25.7)	(27.0)			
Other international	**(54.9)**	(2.4)	(21.1)			
Total	**(4.3)%**	1.2%	(1.3)%			

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

TABLE 12 Impaired loans less allowance for credit losses

(millions of dollars)

By sector	Canada[1] 2003	Canada[1] 2002	United States[1] 2003	United States[1] 2002	Other international[1] 2003	Other international[1] 2002	Total 2003	Total 2002	Total 2001
Residential mortgages	**$ 43**	$ 47	**$ –**	$ –	**$ –**	$ –	**$ 43**	$ 47	$ 82
Consumer instalment and other personal	**52**	67	**–**	–	**–**	–	**52**	67	94
Total residential and personal	**95**	114	**–**	–	**–**	–	**95**	114	176
Real estate development									
Commercial and industrial	**9**	9	**–**	–	**–**	–	**9**	9	5
Residential	**2**	4	**–**	–	**–**	–	**2**	4	6
Retail	**–**	–	**–**	–	**–**	–	**–**	–	–
Real estate services	**–**	–	**–**	–	**–**	–	**–**	–	2
Total real estate	**11**	13	**–**	–	**–**	–	**11**	13	13
Agriculture	**73**	63	**–**	–	**–**	–	**73**	63	22
Apparel and textile	**(1)**	(4)	**–**	–	**–**	–	**(1)**	(4)	(5)
Automotive	**20**	5	**1**	1	**6**	–	**27**	6	5
Cable	**–**	–	**146**	286	**22**	–	**168**	286	–
Chemical	**6**	2	**9**	–	**–**	–	**15**	2	2
Construction	**2**	12	**–**	(5)	**–**	1	**2**	8	42
Financial	**2**	1	**20**	28	**–**	–	**22**	29	1
Food, beverage and tobacco	**2**	(4)	**–**	–	**–**	–	**2**	(4)	9
Forestry	**11**	23	**–**	–	**–**	–	**11**	23	24
Health and social services	**2**	2	**–**	–	**–**	–	**2**	2	4
Media and entertainment	**9**	16	**–**	15	**1**	–	**10**	31	29
Metals and mining	**23**	3	**(2)**	36	**–**	–	**21**	39	3
Oil and gas	**–**	1	**–**	15	**–**	–	**–**	16	1
Retail	**2**	–	**–**	–	**–**	–	**2**	–	(2)
Sundry manufacturing	**1**	18	**–**	55	**–**	–	**1**	73	102
Telecommunications	**2**	11	**41**	175	**20**	36	**63**	222	280
Transportation	**6**	135	**8**	33	**–**	–	**14**	168	173
Utilities	**44**	23	**259**	290	**35**	36	**338**	349	207
All other loans	**5**	15	**3**	–	**–**	–	**8**	15	2
Total business and government	**220**	335	**485**	929	**84**	73	**789**	1,337	912
Total net impaired loans before general allowances and sectoral allowances	**$315**	$449	**$485**	$929	**$ 84**	$73	**$ 884**	$1,451	$1,088
Less: general allowances							**984**	1,141	1,141
Less: sectoral allowances							**541**	1,285	–
Total net impaired loans							**$ (641)**	$ (975)	$ (53)
Net impaired loans as a % of common equity							**(5.5)%**	(8.4)%	(.4)%

By location[1]	2003	2002	2001	2003 % mix	2002 % mix	2001 % mix
Canada						
Atlantic	**$ 4**	$ 5	$ 8	**.5**	.4	.7
Québec	**9**	18	25	**1.0**	1.2	2.3
Ontario	**223**	345	383	**25.2**	23.8	35.2
Prairies	**62**	60	31	**7.0**	4.1	2.9
British Columbia	**17**	21	35	**1.9**	1.5	3.2
Total Canada	**315**	449	482	**35.6**	31.0	44.3
United States	**485**	929	556	**54.9**	64.0	51.1
Other international	**84**	73	50	**9.5**	5.0	4.6
Total net impaired loans before general and sectoral allowances	**$ 884**	$1,451	$1,088	**100.0**	100.0	100.0
Less: general allowances	**984**	1,141	1,141			
Less: sectoral allowances	**541**	1,285	–			
Total net impaired loans	**$ (641)**	$ (975)	$ (53)			
Net impaired loans as a % of net loans[2]	**(.5)%**	(.7)%	–%			

[1] Based on geographic location of unit responsible for recording revenue.
[2] Includes customers' liability under acceptances.

TABLE 13 Impact on net interest income due to impaired loans

(millions of dollars)	2003	2002	2001
Reduction in net interest income due to impaired loans	**$ 111**	$115	$127
Recoveries	**(11)**	(20)	(25)
Net reduction	**$ 100**	$ 95	$102

TABLE 14 Provision for credit losses

(millions of dollars)

By sector	Canada[1] 2003	Canada[1] 2002	United States[1] 2003	United States[1] 2002	Other international[1] 2003	Other international[1] 2002	Total 2003	Total 2002	Total 2001
Residential mortgages	**$ 2**	$ 6	**$ –**	$ –	**$ –**	$ –	**$ 2**	$ 6	$ 3
Consumer instalment and other personal	**332**	326	**1**	2	**–**	–	**333**	328	250
Total residential and personal	**334**	332	**1**	2	**–**	–	**335**	334	253
Real estate development									
Commercial and industrial	**6**	(1)	**–**	–	**–**	–	**6**	(1)	(4)
Residential	**2**	(2)	**–**	–	**–**	–	**2**	(2)	1
Retail	**–**	–	**–**	–	**–**	–	**–**	–	–
Real estate services	**–**	(1)	**–**	–	**–**	–	**–**	(1)	1
Total real estate	**8**	(4)	**–**	–	**–**	–	**8**	(4)	(2)
Agriculture	**26**	40	**–**	–	**–**	–	**26**	40	2
Apparel and textile	**1**	4	**–**	–	**–**	–	**1**	4	(2)
Automotive	**8**	3	**–**	–	**–**	–	**8**	3	10
Cable	**–**	–	**–**	99	**–**	26	**–**	125	–
Chemical	**5**	1	**–**	–	**–**	–	**5**	1	–
Construction	**(1)**	14	**–**	22	**–**	–	**(1)**	36	44
Financial	**2**	2	**–**	46	**–**	–	**2**	48	(1)
Food, beverage and tobacco	**2**	3	**–**	–	**–**	–	**2**	3	(1)
Forestry	**1**	39	**–**	–	**–**	–	**1**	39	(20)
Health and social services	**2**	2	**–**	(1)	**–**	–	**2**	1	16
Media and entertainment	**5**	43	**–**	16	**–**	–	**5**	59	23
Metals and mining	**9**	4	**5**	13	**–**	–	**14**	17	2
Oil and gas	**1**	1	**–**	15	**–**	–	**1**	16	(1)
Retail	**2**	2	**–**	–	**–**	(5)	**2**	(3)	5
Sundry manufacturing	**5**	15	**–**	9	**–**	–	**5**	24	39
Telecommunications	**2**	–	**–**	603	**–**	5	**2**	608	204
Transportation	**2**	5	**–**	–	**–**	–	**2**	5	14
Utilities	**–**	3	**–**	181	**–**	111	**–**	295	34
All other loans	**3**	8	**–**	1	**–**	–	**3**	9	1
Total business and government	**83**	185	**5**	1,004	**–**	137	**88**	1,326	367
Total before general provision and sectoral provision	**$417**	$517	**$6**	$1,006	**$ –**	$137	**$423**	$1,660	$620
General provision							**(157)**	–	300
Sectoral provision (net of transfer to specifics)							**(80)**	1,265	–
Total							**$186**	$2,925	$920

By location[1]	2003	2002	2001	2003 % mix	2002 % mix	2001 % mix
Canada						
Atlantic	**$ 10**	$ 11	$ 14	**5.4**	.4	1.5
Québec	**13**	18	26	**7.0**	.6	2.8
Ontario	**307**	348	187	**165.0**	11.9	20.3
Prairies	**55**	57	41	**29.6**	2.0	4.6
British Columbia	**32**	83	36	**17.2**	2.8	3.8
Total Canada	**417**	517	304	**224.2**	17.7	33.0
United States	**6**	1,006	293	**3.2**	34.4	31.9
Other international						
United Kingdom	**–**	132	–	**–**	4.5	–
Australia	**–**	2	4	**–**	.1	.4
Asia	**–**	3	19	**–**	.1	2.1
Total other international	**–**	137	23	**–**	4.7	2.5
General provision	**(157)**	–	300	**(84.4)**	–	32.6
Sectoral provision (net of transfer to specifics)	**(80)**	1,265	–	**(43.0)**	43.2	–
Total	**$ 186**	$ 2,925	$920	**100.0**	100.0	100.0
Provision for credit losses as a % of net average loans[2]						
Canada						
Residential mortgages	**–%**	.01%	.01%			
Personal	**.94**	1.09	.96			
Business and other	**.36**	.71	.18			
Total Canada	**.37**	.48	.29			
United States	**.05**	6.37	1.57			
Other international	**–**	2.30	.31			
General provision	**(.12)**	–	.23			
Sectoral provision	**(.06)**	.97	–			
Total	**.15%**	2.24%	.71%			

[1] Based on geographic location of unit responsible for recording revenue.
[2] Includes customers' liability under acceptances.

TABLE 15 Current replacement cost of derivatives

(millions of dollars)	Canada[1]		United States[1]		Other international[1]		Total		
By sector	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	2001
Financial	**$11,976**	$12,155	**$295**	$ 909	**$13,619**	$10,317	**$25,890**	$23,381	$20,741
Government	**1,496**	797	**–**	1	**192**	252	**1,688**	1,050	1,206
Other	**1,128**	863	**188**	437	**807**	1,074	**2,123**	2,374	2,875
Current replacement cost	**$14,600**	$13,815	**$483**	$1,347	**$14,618**	$11,643	**$29,701**	$26,805	$24,822
Less impact of master netting agreements and collateral							**20,149**	18,176	15,779
							$ 9,552	$ 8,629	$ 9,043

By location of ultimate risk (after impact of master netting agreements and collateral)	2003	2002	2003 % mix	2002 % mix
Canada	**$3,309**	$2,035	**34.6**	23.6
United States	**1,842**	2,037	**19.3**	23.6
Other international				
United Kingdom	**798**	1,277	**8.3**	14.8
Europe – other	**2,016**	2,475	**21.1**	28.7
Australia and New Zealand	**925**	272	**9.7**	3.2
Japan	**48**	90	**.5**	1.0
Asia – other	**74**	155	**.8**	1.8
Latin America and Caribbean	**72**	123	**.8**	1.4
Middle East and Africa	**468**	165	**4.9**	1.9
Total other international	**4,401**	4,557	**46.1**	52.8
Total current replacement cost	**$9,552**	$8,629	**100.0**	100.0

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

TABLE 16 Assets under administration and assets under management

(millions of dollars)	2003	2002	2001
Assets under administration			
Personal and Commercial Banking			
Retail custody and other	**$ 17,572**	$ 15,235	$ 16,754
Loans securitized	**18,675**	14,716	18,256
Total Personal and Commercial Banking	**36,247**	29,951	35,010
Wealth Management			
TD Waterhouse retail brokerage – Canada	**55,183**	46,509	47,602
– United States and other international	**159,412**	141,400	151,721
	214,595	187,909	199,323
Other Wealth Management	**52,303**	45,801	40,790
Total Wealth Management	**266,898**	233,710	240,113
Total assets under administration	**$303,145**	$263,661	$275,123
Assets under management			
Wealth Management	**$113,406**	$111,920	$119,467

TABLE 17 Contractual obligations by remaining maturity

2003

(millions of dollars)	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Subordinated notes and debentures	$157	$ 5	$396	$5,329	$5,887
Operating lease commitments	314	492	329	505	1,640
Capital trust securities	–	–	–	1,250	1,250
Network service agreements	116	216	200	188	720
	$587	$713	$925	$7,272	$9,497

Consolidated Financial Statements

Financial reporting responsibility

The Consolidated Financial Statements of The Toronto-Dominion Bank and related financial information presented in this Annual Report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. Canadian 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 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.

The Bank's Chief Internal Auditor, who has full and free access to the Audit Committee, conducts an extensive program of audits in coordination with the Bank's shareholders' auditors. This program supports 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 PricewaterhouseCoopers LLP, the shareholders' auditors, have audited our Consolidated Financial Statements. They have full and free access to, and meet periodically with, the Audit 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.

W. Edmund Clark
President and
Chief Executive Officer

Daniel A. Marinangeli
Executive Vice President and
Chief Financial Officer

Auditors' report to the shareholders

We have audited the Consolidated Balance Sheets of The Toronto-Dominion Bank as at October 31, 2003 and 2002 and the Consolidated Statements of Operations, Changes in Shareholders' Equity and Cash Flows for each of the years in the three year period ended October 31, 2003. 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 audits.

We conducted our audits in accordance with Canadian 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.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended October 31, 2003 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
November 26, 2003

Consolidated Balance Sheet

As at October 31

(millions of dollars)	**2003**	2002
ASSETS		
Cash resources		
Cash and non-interest-bearing deposits with other banks	**$ 1,468**	$ 1,902
Interest-bearing deposits with other banks	**6,251**	4,636
	7,719	6,538
Securities purchased under resale agreements	**17,475**	13,060
Securities (Note 2)		
Investment	**24,775**	28,802
Trading	**54,890**	53,395
	79,665	82,197
Loans (Note 3)		
Residential mortgages	**52,566**	52,810
Consumer instalment and other personal	**43,185**	36,601
Business and government	**24,319**	36,716
	120,070	126,127
Allowance for credit losses	**(2,012)**	(3,500)
Loans (net of allowance for credit losses)	**118,058**	122,627
Other		
Customers' liability under acceptances	**6,645**	7,719
Trading derivatives' market revaluation **(Note 18)**	**28,451**	25,739
Intangible assets **(Note 5)**	**2,737**	3,383
Goodwill **(Note 5)**	**2,263**	3,134
Land, buildings and equipment **(Note 6)**	**1,417**	1,634
Other assets **(Note 7)**	**9,102**	12,009
	50,615	53,618
Total assets	**$273,532**	$278,040
LIABILITIES		
Deposits (Note 8)		
Personal	**$105,996**	$100,942
Banks	**11,958**	16,800
Business and government	**64,926**	71,448
	182,880	189,190
Other		
Acceptances	**6,645**	7,719
Obligations related to securities sold short	**15,346**	17,058
Obligations related to securities sold under repurchase agreements	**7,845**	8,655
Trading derivatives' market revaluation **(Note 18)**	**28,000**	25,954
Other liabilities **(Note 9)**	**12,568**	10,830
	70,404	70,216
Subordinated notes and debentures (Note 10)	**5,887**	4,343
Non-controlling interest in subsidiaries (Note 11)	**1,250**	1,250
Contingent liabilities, commitments and guarantees **(Note 19)**		
SHAREHOLDERS' EQUITY		
Capital stock **(Note 12)**		
Preferred	**1,535**	1,485
Common (millions of shares issued and outstanding 656.3 in 2003 and 645.4 in 2002)	**3,179**	2,846
Contributed surplus	**9**	–
Foreign currency translation adjustments	**(130)**	418
Retained earnings	**8,518**	8,292
	13,111	13,041
Total liabilities and shareholders' equity	**$273,532**	$278,040

John M. Thompson
Chairman of the Board

W. Edmund Clark
President and
Chief Executive Officer

See Notes to Consolidated Financial Statements

Consolidated Statement of Operations

For the years ended October 31

(millions of dollars)	**2003**	2002	2001
Interest income			
Loans	**$ 7,542**	$ 7,796	$10,154
Securities			
Dividends	**721**	595	540
Interest	**2,727**	3,083	3,386
Deposits with banks	**212**	132	191
	11,202	11,606	14,271
Interest expense			
Deposits	**4,202**	4,754	8,077
Subordinated notes and debentures	**259**	201	304
Other obligations	**1,125**	1,351	1,499
	5,586	6,306	9,880
Net interest income	**5,616**	5,300	4,391
Provision for credit losses (Note 3)	**186**	2,925	920
Net interest income after credit loss provision	**5,430**	2,375	3,471
Other income			
Investment and securities services	**2,132**	2,085	2,205
Credit fees	**415**	415	425
Net investment securities gains	**23**	26	216
Trading income	**104**	529	1,318
Service charges	**641**	596	561
Loan securitizations **(Note 4)**	**250**	218	272
Card services	**252**	249	249
Insurance, net of claims	**420**	375	326
Trust fees	**70**	76	86
Gains on sale of investment real estate **(Note 22)**	**–**	–	350
Gain on sale of mutual fund record keeping and custody business **(Note 22)**	**–**	40	–
Write down of investment in joint ventures	**(39)**	–	–
Other	**156**	320	439
	4,424	4,929	6,447
Net interest and other income	**9,854**	7,304	9,918
Non-interest expenses			
Salaries and employee benefits **(Note 14)**	**3,758**	3,566	3,708
Occupancy including depreciation	**656**	605	592
Equipment including depreciation	**650**	661	656
Amortization of intangible assets **(Note 5)**	**772**	998	1,292
Amortization of goodwill **(Note 5)**	**–**	–	198
Goodwill impairment **(Note 5)**	**624**	–	–
Restructuring costs **(Note 23)**	**92**	–	239
Other	**1,812**	1,922	1,969
	8,364	7,752	8,654
Income (loss) before provision for (benefit of) income taxes	**1,490**	(448)	1,264
Provision for (benefit of) income taxes (Note 15)	**322**	(445)	(206)
Income (loss) before non-controlling interest in subsidiaries	**1,168**	(3)	1,470
Non-controlling interest in net income of subsidiaries	**92**	64	78
Net income (loss)	**1,076**	(67)	1,392
Preferred dividends (Note 12)	**87**	93	92
Net income (loss) applicable to common shares	**$ 989**	$ (160)	$ 1,300
Average number of common shares outstanding (millions) **(Note 24)**			
– basic	**649.8**	641.0	627.0
– diluted	**653.9**	646.9	635.5
Earnings (loss) per common share **(Note 24)**			
– basic	**$ 1.52**	$ (.25)	$ 2.07
– diluted	**1.51**	(.25)	2.05

See Notes to Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

For the years ended October 31

(millions of dollars)	**2003**	2002	2001
Preferred shares (Note 12)			
Balance at beginning of year	**$ 1,485**	$ 1,492	$ 1,251
Proceeds from share issues	**550**	–	225
Translation adjustment on shares issued in a foreign currency	**(23)**	(7)	16
Share redemptions	**(477)**	–	–
Balance at end of year	**1,535**	1,485	1,492
Common shares (Note 12)			
Balance at beginning of year	**2,846**	2,259	2,060
Issued on acquisition of subsidiaries	**–**	–	181
Proceeds from shares issued for cash	**–**	400	–
Proceeds from shares issued on exercise of options	**47**	13	18
Proceeds from shares issued as a result of dividend reinvestment plan	**286**	174	–
Balance at end of year	**3,179**	2,846	2,259
Contributed surplus			
Balance at beginning of year	**–**	–	–
Stock option expense **(Note 1)**	**9**	–	–
Balance at end of year	**9**	–	–
Foreign currency translation adjustments			
Balance at beginning of year	**418**	450	279
Foreign exchange gains (losses) from investments in subsidiaries and other items	**(1,595)**	(112)	458
Foreign exchange gains (losses) from hedging activities	**1,528**	145	(478)
(Provision for) benefit of income taxes **(Note 15)**	**(481)**	(65)	191
Balance at end of year	**(130)**	418	450
Retained earnings			
Balance at beginning of year	**8,292**	9,203	8,760
Net income (loss)	**1,076**	(67)	1,392
Preferred dividends	**(87)**	(93)	(92)
Common dividends	**(754)**	(718)	(684)
Stock options settled in cash, net of income taxes	**–**	(25)	(39)
Obligations arising from adoption of accounting standard for employee future benefits, net of income taxes **(Note 1)**	**–**	–	(132)
Other	**(9)**	(8)	(2)
Balance at end of year	**8,518**	8,292	9,203
Total common equity	**11,576**	11,556	11,912
Total shareholders' equity	**$13,111**	$13,041	$13,404

See Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the years ended October 31

(millions of dollars)	2003	2002	2001
Cash flows from (used in) operating activities			
Net income (loss)	**$ 1,076**	$ (67)	$ 1,392
Adjustments to determine net cash flows			
Provision for credit losses	**186**	2,925	920
Gains on sale of investment real estate	**–**	–	(350)
Gain on sale of mutual fund record keeping and custody business	**–**	(40)	–
Depreciation	**318**	312	317
Amortization of intangible assets	**772**	998	1,292
Amortization of goodwill	**–**	–	198
Goodwill impairment	**624**	–	–
Restructuring costs	**98**	–	239
Stock option expense	**9**	–	–
Write down of investment in joint ventures	**39**	–	–
Net investment securities gains	**(23)**	(26)	(216)
Changes in operating assets and liabilities			
Future income taxes	**(74)**	(1,017)	(1,210)
Current income taxes payable	**669**	249	(78)
Interest receivable and payable	**145**	(422)	(249)
Trading securities	**(1,495)**	12,789	(7,887)
Unrealized gains and amounts receivable on derivatives contracts	**(2,712)**	(4,304)	(7,177)
Unrealized losses and amounts payable on derivatives contracts	**2,046**	4,184	8,968
Other	**3,475**	(1,628)	(1,030)
Net cash from (used in) operating activities	**5,153**	13,953	(4,871)
Cash flows from (used in) financing activities			
Deposits	**(6,310)**	(4,724)	8,103
Securities sold under repurchase agreements	**(810)**	(5,982)	5,782
Securities sold short	**(1,712)**	(4,378)	2,415
Debt of subsidiaries	**–**	–	(501)
Issuance of subordinated notes and debentures	**1,904**	557	809
Repayment of subordinated notes and debentures	**(360)**	(1,106)	(857)
Common shares issued for cash, net of expenses	**–**	392	–
Common shares issued on exercise of options	**47**	13	18
Common shares issued as a result of dividend reinvestment plan	**286**	174	–
Common stock options settled in cash, net of income taxes	**–**	(25)	(39)
Issuance of preferred shares	**550**	–	225
Redemption of preferred shares	**(477)**	–	–
Dividends paid on – preferred shares	**(87)**	(93)	(92)
– common shares	**(754)**	(718)	(684)
Proceeds on issuance of subsidiary shares	**–**	350	–
Other	**(23)**	(7)	16
Net cash from (used in) financing activities	**(7,746)**	(15,547)	15,195
Cash flows from (used in) investing activities			
Interest-bearing deposits	**(1,615)**	(652)	(1,318)
Activity in investment securities			
Purchases	**(25,199)**	(16,620)	(15,098)
Proceeds from maturities	**9,110**	7,024	3,751
Proceeds from sales	**20,139**	11,830	7,985
Loans	**(3,221)**	(6,396)	(1,232)
Proceeds from loan securitizations	**7,604**	517	1,528
Land, buildings and equipment	**(101)**	(114)	994
Securities purchased under resale agreements	**(4,415)**	7,145	(6,231)
Acquisitions and dispositions less cash and cash equivalents acquired **(Note 22)**	**–**	(1,194)	(296)
Net cash from (used in) investing activities	**2,302**	1,540	(9,917)
Effect of exchange rate changes on cash and cash equivalents	**(143)**	(5)	32
Net changes in cash and cash equivalents	**(434)**	(59)	439
Cash and cash equivalents at beginning of year	**1,902**	1,961	1,522
Cash and cash equivalents at end of year represented by cash and non-interest-bearing deposits with other banks	**$ 1,468**	$ 1,902	$ 1,961
Supplementary disclosure of cash flow information			
Amount of interest paid during the year	**$ 5,861**	$ 6,962	$ 10,447
Amount of income taxes paid during the year	**306**	565	834
Dividends per common share	**$ 1.16**	$ 1.12	$ 1.09

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

NOTE 1 Summary of significant accounting policies

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

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

Note 25 to the Consolidated Financial Statements describes and reconciles the significant differences between Canadian and United States generally accepted accounting principles.

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 after elimination of intercompany transactions and balances. As of November 1, 2001, the Bank prospectively adopted the new accounting standard on business combinations. The Bank uses the purchase method to account for all business acquisitions.

When the Bank effectively controls a subsidiary but does not own all of the common and preferred 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 as a separate line item in the Consolidated Statement of Operations.

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 Operations.

(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 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 Operations.

(d) Cash resources
Cash resources include cash and cash equivalents represented by cash and non-interest-bearing deposits with other banks.

(e) Securities purchased under resale and sold under repurchase agreements
Securities purchased under resale agreements consist of the purchase of a security 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 obligations related to securities 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. The Bank takes possession of the underlying collateral, monitors its market value relative to the amounts due under the agreements and when necessary, requires transfer of additional collateral or reduction in the balance to maintain contractual margin protection. In the event of counterparty default, the financing agreement provides the Bank with the right to liquidate the collateral held.

(f) 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. Investment account securities include nonmarketable equity securities that are not publicly traded. Investment account securities are carried at cost or amortized cost, adjusted to net realizable value to recognize other than temporary impairment. 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 value. 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 (h).

(g) 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.

(h) 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, general and sectoral allowances.

Specific allowances include 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 large and medium-sized business and government loans. For personal and small business 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 the accumulated provisions for losses which are prudential in nature and cannot be determined on an item-by-item or group 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. General allowances are computed using credit risk models developed by the Bank. The models consider probability of default (loss frequency), loss given default (loss severity) and expected exposure at default.

When an industry sector or geographic region experiences specific adverse events or changes in economic condition, an additional allowance is established even though the individual loans comprising the group are still performing. These allowances are considered sectoral and are established for losses which have not been specifically identified, and where the losses are not adequately covered by the general allowances noted above. The amount of the allowance is reviewed and computed using expected loss methodologies that incorporate probability of default, loss given default and expected loss on sale.

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 Operations, is that required to bring the total allowances (specific, general and sectoral) to a level which management considers adequate to absorb probable credit-related losses.

(i) Loan securitizations
When loan receivables are sold in a securitization to a special purpose entity under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained and may consist of one or more subordinated tranches, servicing rights, and in some cases a cash reserve account. The retained interests are classified as investment account securities and are carried at cost or amortized cost. With effect from July 1, 2001, a gain or loss on sale of the loan receivables is recognized immediately in other income, before the effects of hedges on the assets sold. The amount of the gain or loss recognized depends in part on the previous carrying amount of the receivables involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. To obtain fair values, quoted market prices are used if available. However, quotes are generally not available for retained interests and the Bank generally estimates fair value based on the present value of future expected cash flows estimated using management's best estimates of key assumptions – credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved. Prior to July 1, 2001, gains arising on loan securitizations were deferred and amortized to income whereas losses were recognized immediately. Transactions entered into prior to July 1, 2001 or completed subsequently pursuant to commitments to sell made prior to July 1, 2001 have not been restated and deferred gains will be amortized over the remaining terms of the commitment period.

Subsequent to the securitization, any retained interests that cannot be contractually settled in such a way that the Bank can recover substantially all of its recorded investment are adjusted to fair value. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

(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) Derivative financial instruments
Derivative financial instruments are financial contracts which derive their value from changes in interest rates, foreign exchange rates, credit spreads, commodity prices, equities and other financial measures. 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 accounted for 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 over-the-counter trading derivatives is determined net of valuation adjustments which recognize the need to cover market, liquidity, model, and credit risks, as well as the cost of capital 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, investing and credit portfolio management strategies. 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.

(l) Goodwill and intangible assets
As of November 1, 2001, the Bank prospectively adopted the accounting standard on goodwill and other intangible assets. Goodwill represents the difference between the acquisition cost of an investment and the fair value of the net tangible assets acquired after an allocation is made for indefinite and finite life intangible assets. Goodwill is not amortized but is subject to fair value impairment tests, on at least an annual basis. Goodwill is allocated to reporting units and any goodwill impairment is identified by comparing the carrying value of the reporting unit with its fair value. If any impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit. Intangibles with a finite life are amortized over their estimated useful life and also are tested

for impairment whenever circumstances indicate that the carrying value may not be recoverable. Finite life intangible assets are considered impaired and written down to their net recoverable amount when their net carrying value exceeds their estimated future net cash flows. Any impairment of goodwill or intangible assets is charged to income in the period in which the impairment is determined. The Bank's finite life intangible assets consist primarily of core deposit intangibles that represent the intangible value of depositor relationships acquired when deposit liabilities are assumed in an acquisition. Other significant finite life intangible assets include term deposit, loan and mutual fund intangibles resulting from acquisitions. The majority of these finite life intangible assets are amortized to income on a double declining basis over eight years, based on their estimated useful lives.

(m) Land, buildings and equipment
Land is reported at cost. Buildings, equipment and leasehold improvements are reported at cost less accumulated depreciation. When the Bank reports a gain on sale of property in which it retains a significant leasing interest, the portion of the gain which can be allocated to the leased interest is deferred and amortized to income over the remaining term of the lease. Gains and losses on disposal are included in other income in the Consolidated Statement of Operations. When land, building and equipment are no longer in use or considered impaired they are written down to their net recoverable amount. Depreciation methods and rates by asset category are as follows:

Asset	Rate and depreciation method
Buildings	5% or 10%, declining balance
Computer equipment	30%, declining balance
Computer software	maximum 3 years, straight-line
Furniture, fixtures and other equipment	20%, declining balance
Leasehold improvements	estimated useful life, straight-line

(n) Stock-based compensation plans
The Bank operates various stock-based compensation plans. One of these plans is a stock option plan for eligible employees of the Bank. Under this plan, options are periodically awarded to participants to purchase common shares at prices equal to the closing market price of the shares on the date prior to the date the options were issued, subject to vesting provisions. For stock options issued up to October 31, 2002, no expenses have been recorded when the stock options were issued. The consideration paid by option holders on the exercise of the options is credited to capital stock. Until October 5, 2002, option holders could elect to receive cash for the options equal to the excess of the current market price of the shares over the option exercise price. Effective October 6, 2002, new grants of options and all outstanding options can only be settled for shares. Cash payments to option holders who elected to receive cash were charged to retained earnings on a net of tax basis. As of November 1, 2002, the Bank adopted the accounting standard on stock-based compensation and has elected to adopt on a prospective basis the fair value method of accounting for all stock option awards. Under this method the Bank recognizes a compensation expense based on the fair value of the options on the date of grant which is determined by using an option pricing model. The fair value of the options is recognized over the vesting period of the options granted as compensation expense and contributed surplus. The contributed surplus balance is reduced as the options are exercised and the amount initially recorded for the options in contributed surplus is credited to capital stock. No compensation expense is recorded for stock options awarded and outstanding prior to November 1, 2002.

The Bank also operates a share purchase plan available to all employees. Under the plan, the Bank matches 50% of employees' permitted contributions toward the purchase of Bank common shares, subject to vesting provisions. The Bank's annual contributions are recorded in salaries and employee benefits.

In addition, the Bank operates phantom share unit plans which are offered to certain employees of the Bank. Under these plans participants are granted phantom share units equivalent to the Bank's common stock that generally vest over three to four years. A liability is established by the Bank related to the phantom share units awarded and an incentive compensation expense is recognized in the Consolidated Statement of Operations over the vesting period. At the maturity date, the participant receives cash representing the value of the phantom share units. The Bank also offers deferred share unit plans to eligible executives. Under these plans a portion of the participant's annual incentive award may be deferred as share units equivalent to the Bank's common stock. The deferred share units are redeemable when the participant ceases to be an employee of the Bank and must be redeemed for cash within one year thereafter. Dividend equivalents accrue to the participants. Compensation expense for these plans are recorded in the year the incentive award is earned by the plan participant. Changes in the value of phantom share units and deferred share units are recorded, net of the effects of related hedges, in the Consolidated Statement of Operations.

(o) Employee future benefits
The Bank's principal pension plan is The Pension Fund Society of The Toronto-Dominion Bank, a defined benefit plan for which membership is voluntary. As a result of the acquisition of CT Financial Services Inc. (CT), the Bank sponsors a second pension plan consisting of a defined benefit portion and a defined contribution portion. Funding for both plans is provided by contributions from the Bank and members of the plans. In addition, the Bank maintains partially funded benefit plans for eligible employees. Related retirement benefits are paid from Bank assets and contributions.

The Bank also provides certain post-retirement benefits, post-employment benefits, compensated absences and termination benefits for its employees (non-pension employee benefits), which are generally non-funded. These benefits include health care, life insurance and dental benefits. Employees eligible for the post-retirement benefits are those who retire from the Bank at certain retirement ages. Employees eligible for the post-employment benefits are those on disability and maternity leave.

As of November 1, 2000, the Bank adopted the accounting standard on employee future benefits on a retroactive basis without restatement. As a result, an after-tax amount of $132 million was charged to retained earnings. For the defined benefit plans and the non-pension employee benefit plans, actuarial valuations are made each year to determine the present value of the accrued benefits. Pension and non-pension benefit expenses are determined based upon separate actuarial valuations using the projected benefit method pro-rated on service and management's best estimates of investment returns on the plan assets, compensation increases, retirement age of employees and estimated health care costs. The discount rate used to value liabilities is based on a market rate as of the valuation date. The expense includes the cost of benefits for the current year's service, interest expense on liabilities, expected income on plan assets based on fair values and the amortization of plan amendments on a straight-line basis over the expected average remaining service life of the employee group. The excess, if any, of the net actuarial gain or loss over 10% of the greater of the projected benefit obligation and the fair value of plan assets is also amortized over the expected average remaining service life of the employee group. The cumulative difference between expense and funding contributions is reported in other assets or other liabilities.

For the defined contribution plans, annual pension expense is based on the Bank's contributions to the plan.

(p) 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. The Bank records a valuation allowance when it is not more likely than not that all of the future tax assets recognized will be realized prior to their expiration.

(q) Earnings per share
The Bank uses the treasury stock method to calculate diluted earnings per share. The treasury stock method determines the number of additional common shares by assuming that the outstanding stock options, whose exercise price is less than the average market price of the Bank's common stock during the period, are exercised and then reduced by the number of common shares assumed to be repurchased with the exercise proceeds. Basic earnings per share is determined by dividing net income applicable to common shares by the average number of common shares outstanding for the period. Diluted earnings per share is determined using the same method as basic earnings per share except that the weighted average number of common shares outstanding includes the potential dilutive effect of stock options granted by the Bank as determined under the treasury stock method. Such potential dilution is not recognized in a loss period.

(r) Restructuring costs
On April 1, 2003, the Bank prospectively adopted new guidance on the accounting for severance and termination benefits and the accounting for costs associated with exit and disposal activities (including costs incurred in a restructuring). The new guidance generally require recognition of costs related to severance, termination and exit and disposal activities in the period when they are incurred rather than at the date of commitment to an exit or disposal plan.

(s) Insurance
Earned premiums, net of fees, paid claims and changes in policy liabilities are included in other income.

(t) Comparative figures
Certain comparative figures have been reclassified to conform with the presentation adopted in 2003.

NOTE 2 Securities

Securities maturity schedule at year end

(millions of dollars)	Remaining term to maturity							
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	No specific maturity	2003 Total	2002 Total
Investment securities								
Government and government-insured securities								
Canada	$ 2,610	$ 211	$ 85	$ 45	$ 6	$ –	$ 2,957	$ 4,637
Mortgage-backed securities	33	9,771	1,120	–	–	–	10,924	8,118
Total Canada	2,643	9,982	1,205	45	6	–	13,881	12,755
Provinces	16	68	36	18	4	–	142	231
Total	2,659	10,050	1,241	63	10	–	14,023	12,986
Other debt securities								
Canadian issuers	226	151	126	68	53	–	624	326
U.S. federal government	1,836	65	25	23	2	–	1,951	2,853
Other foreign governments	1,293	1,850	200	1	–	–	3,344	4,257
Other issuers	676	731	145	400	19	–	1,971	3,912
Total	4,031	2,797	496	492	74	–	7,890	11,348
Equity securities								
Preferred shares	187	272	138	66	–	464	1,127	1,491
Common shares	–	–	–	–	–	1,735	1,735	2,977
Total	187	272	138	66	–	2,199	2,862	4,468
Total investment securities	6,877	13,119	1,875	621	84	2,199	24,775	28,802
Trading securities[1]								
Government and government-insured securities								
Canada	846	957	1,237	544	557	–	4,141	6,419
Provinces	478	371	554	726	587	–	2,716	2,860
Total	1,324	1,328	1,791	1,270	1,144	–	6,857	9,279
Other debt securities								
Canadian issuers	63	229	256	673	451	–	1,672	1,928
U.S. federal government	203	76	171	232	37	–	719	1,644
Other foreign governments	344	755	384	775	1,126	–	3,384	2,848
Other issuers	2,941	4,209	5,517	6,187	3,634	–	22,488	23,154
Total	3,551	5,269	6,328	7,867	5,248	–	28,263	29,574
Equity securities								
Preferred shares	–	–	7	–	604	135	746	962
Common shares	–	–	–	–	–	19,024	19,024	13,580
Total	–	–	7	–	604	19,159	19,770	14,542
Total trading securities	4,875	6,597	8,126	9,137	6,996	19,159	54,890	53,395
Total securities[2]	$11,752	$19,716	$10,001	$9,758	$7,080	$21,358	$79,665	$82,197

[1] During fiscal 2003, a portfolio with a carrying value of approximately $2 billion was transferred from investment to trading securities along with the related hedges resulting in an immaterial net income effect (2002 – nil).

[2] Includes loan substitutes in the amount of $3 million (2002 – $5 million).

Securities – Unrealized gains and losses

(millions of dollars)				**2003**				2002
	Book value	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated market value**	Book value	Gross unrealized gains	Gross unrealized losses	Estimated market value
Investment securities								
Government and government-insured securities								
Canada	**$13,881**	**$108**	**$ 18**	**$13,971**	$12,755	$249	$ 1	$13,003
Provinces	**142**	**3**	**–**	**145**	231	1	–	232
Other debt securities								
Canadian issuers	**624**	**5**	**1**	**628**	326	3	–	329
U.S. federal government	**1,951**	**–**	**–**	**1,951**	2,853	–	–	2,853
Other foreign governments	**3,344**	**23**	**9**	**3,358**	4,257	39	1	4,295
Other issuers	**1,971**	**22**	**1**	**1,992**	3,912	156	3	4,065
Equity securities								
Preferred shares	**1,127**	**103**	**3**	**1,227**	1,491	31	26	1,496
Common shares	**1,735**	**398**	**69**	**2,064**	2,977	391	268	3,100
Total investment securities	**24,775**	**662**	**101**	**25,336**	28,802	870	299	29,373
Trading securities	**54,890**	**–**	**–**	**54,890**	53,395	–	–	53,395
Total securities	**$79,665**	**$662**	**$101**	**$80,226**	$82,197	$870	$299	$82,768

NOTE 3 Loans, impaired loans and allowance for credit losses

Loans and impaired loans

(millions of dollars)								
2003	Gross amount of loans[1]	Gross impaired loans	Specific allowance	Impaired loans net of specific allowance	General allowance	Sectoral allowance	Total allowance for credit losses	Net amount of loans
Residential mortgages	**$ 52,566**	**$ 51**	**$ 8**	**$ 43**	**$ 33**	**$ –**	**$ 41**	**$ 52,525**
Consumer instalment and other personal	**43,185**	**114**	**62**	**52**	**215**	**–**	**277**	**42,908**
Business and government	**24,319**	**1,206**	**417**	**789**	**736**	**541**	**1,694**	**22,625**
Total	**$120,070**	**$1,371**	**$ 487**	**$ 884**	**$ 984**	**$ 541**	**$2,012**	**$118,058**
2002								
Residential mortgages	$ 52,810	$ 57	$ 10	$ 47	$ 16	$ –	$ 26	$ 52,784
Consumer instalment and other personal	36,601	137	69	68	200	–	269	36,332
Business and government	36,716	2,331	995	1,336	925	1,285	3,205	33,511
Total	$126,127	$2,525	$1,074	$1,451	$1,141	$1,285	$3,500	$122,627

	2003	2002
Average gross impaired loans during the year	**$2,305**	$ 1,647

[1] Loans are net of unearned income of $122 million (2002 – $229 million).

Included in gross residential mortgages are Canadian government-insured mortgages of $36,659 million at October 31, 2003 (2002 – $41,360 million). Gross impaired loans include foreclosed assets held for sale with a gross carrying value of $17 million at October 31, 2003 (2002 – $27 million) and a related allowance of $5 million (2002 – $8 million).

Included in consumer instalment and other personal loans are Canadian government-insured real estate secured personal loans of $2,578 million at October 31, 2003 (2002 – $2,680 million).

Included in business and government loans are $3,241 million (2002 – $7,032 million) of gross loans in the communications sector and $2,579 million (2002 – $5,872 million) of gross loans in the utilities sector against which sectoral allowances of $216 million (2002 – $619 million) and $209 million (2002 – $508 million) have been provided, respectively.

Allowance for credit losses

(millions of dollars)	2003				2002				2001
	Specific allowance	**General allowance**	**Sectoral allowance**	**Total**	Specific allowance	General allowance	Sectoral allowance	Total	Total[1]
Balance at beginning of year	**$1,074**	**$1,141**	**$1,285**	**$3,500**	$ 179	$1,141	$ –	$1,320	$1,148
Provision for credit losses charged to the Consolidated Statement of Operations	**423**	**(157)**	**(80)**	**186**	1,455	–	1,470	2,925	920
Transfer from sectoral to specific	**577**	**–**	**(577)**	**–**	205	–	(205)	–	–
Write-offs[2]	**(1,601)**	**–**	**–**	**(1,601)**	(893)	–	–	(893)	(844)
Recoveries	**120**	**–**	**57**	**177**	127	–	–	127	90
Other, including foreign exchange rate changes	**(106)**	**–**	**(144)**	**(250)**	1	–	20	21	6
Allowance for credit losses at end of year	**$ 487**	**$ 984**	**$ 541**	**$2,012**	$1,074	$1,141	$1,285	$3,500	$1,320

[1] There was no sectoral allowance for the year ended October 31, 2001.

[2] For the year ended October 31, 2003, $39 million (2002 – $57 million; 2001 – nil) of write-offs related to restructured loans.

NOTE 4 Loan securitizations

During the year, the Bank securitized government guaranteed residential mortgage loans through the creation of mortgage-backed securities of $7,305 million (2002 – $3,735 million). The Bank retained the rights to future excess interest on the residential mortgages valued at $157 million (2002 – $159 million) and received cash flows on interests retained of $91 million (2002 – $24 million). The gain on sale, net of transaction fees and expenses and before the effects of hedges on the assets sold, was $77 million (2002 – $114 million). The Bank retained the responsibility for servicing the mortgages. The key assumptions used to value the sold and retained interests included a prepayment rate of 20.0% (2002 – 7.0%), an excess spread of .8% (2002 – 1.3%) and a discount rate of 6.7% (2002 – 4.2%). There are no expected credit losses as the mortgages are government guaranteed.

During the year, the Bank also securitized $3,000 million in credit card receivables and retained the rights to future excess interest on the receivables valued at $53 million. The gain on sale, net of transaction fees and expenses was $43 million. The Bank retained the responsibility for servicing the credit card receivables. The key assumptions used to value the sold and retained interests included a monthly payment rate of 39.4%, a discount rate of 4.4% and expected credit losses of 3.2%.

In addition, during the year, the Bank securitized commercial mortgages of $879 million (2002 – $89 million). The Bank retained the rights to future excess interest, subordinated tranches and a cash reserve account on $341 million of the commercial mortgages securitized valued at $11 million (2002 – nil). The key assumptions used to value these retained interests included a prepayment rate of 5.0%, a discount rate of 4.6% and expected credit losses of .06%. The Bank retained the responsibility for servicing the $341 million of commercial mortgages securitized to which it holds a retained interest. The gain on sale related to all commercial mortgages securitized, net of transaction fees and expenses and before the effect of hedges on the assets sold was $28 million (2002 – $3 million).

During the year, there were maturities of previously securitized loans and receivables of $3,580 million (2002 – $3,307 million). As a result, the net proceeds from loan securitizations were $7,604 million (2002 – $517 million).

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at October 31. The sensitivity analysis is hypothetical and should be used with caution.

(millions of dollars)				
2003	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans
Fair value of retained interests	**$ 268**	**$ 8**	**$ 27**	**$ 10**
Discount rate	**5.2%**	**6.7%**	**4.4%**	**4.1%**
+10%	**$ (2)**	**$ –**	**$ (1)**	**$ –**
+20%	**(4)**	**–**	**(2)**	**–**
Prepayment rate	**20.0%**	**5.8%**	**39.4%**	**5.0%**
+10%	**$ (10)**	**$ (1)**	**$ (2)**	**$ –**
+20%	**(19)**	**(1)**	**(4)**	**–**
Expected credit losses	**–%**	**–%**	**3.2%**	**.1%**
+10%	**$ –**	**$ –**	**$ (1)**	**$ –**
+20%	**–**	**–**	**(2)**	**–**
2002				
Fair value of retained interests	$ 184	$ 11		
Discount rate	3.5%	3.4%		
+10%	$ (1)	$ –		
+20%	(3)	–		
Prepayment rate	7.0%	5.5%		
+10%	$ (2)	$ (1)		
+20%	(5)	(2)		
Expected credit losses	–%	–%		
+10%	$ –	$ –		
+20%	–	–		

The following table presents information about gross impaired loans and net write-offs for components of reported and securitized financial assets as at October 31.

(millions of dollars)	2003			2002		
	Loans (net of allowance for credit losses)	**Gross impaired loans**	**Net write offs**	Loans (net of allowance for credit losses)	Gross impaired loans	Net write offs
Type of loan						
Residential mortgages	**$ 63,834**	**$ 51**	**$ 4**	$ 60,857	$ 57	$ 2
Personal loans	**48,988**	**125**	**380**	42,886	151	389
Other loans	**23,673**	**1,206**	**1,079**	33,800	2,331	445
Total loans reported and securitized	**136,495**	**1,382**	**1,463**	137,543	2,539	836
Less: loans securitized	**18,437**	**11**	**39**	14,916	14	70
Loans held	**$118,058**	**$1,371**	**$1,424**	$122,627	$2,525	$766

NOTE 5 Goodwill and intangible assets

Goodwill
The changes in the Bank's carrying value of goodwill, by business segment and in total, are as follows:

(millions of dollars)				
2003	Personal and Commercial Banking	Wholesale Banking	Wealth Management	Total
Carrying value of goodwill at beginning of year	**$841**	**$526**	**$1,767**	**$3,134**
Goodwill acquired during the year	**–**	**–**	**–**	**–**
Goodwill impairment	**–**	**(350)**	**(274)**	**(624)**
Foreign currency translation adjustments	**–**	**(30)**	**(217)**	**(247)**
Carrying value of goodwill at end of year	**$841**	**$146**	**$1,276**	**$2,263**
2002				
Carrying value of goodwill at beginning of year	$841	$147	$1,310	$2,298
Goodwill acquired during the year	–	372	477	849
Foreign currency translation adjustments	–	7	(20)	(13)
Carrying value of goodwill at end of year	$841	$526	$1,767	$3,134

During the second quarter of fiscal 2003, the Bank reviewed the value of goodwill assigned to the international unit of its wealth management business and determined that an impairment in value existed in this business given that the Bank's ability to profitably run a global brokerage business has been impacted by declining volumes in the discount brokerage business worldwide. As a result, a goodwill impairment loss of $274 million was charged to the Consolidated Statement of Operations.

In addition, during the second quarter of fiscal 2003, the Bank reviewed the value of goodwill assigned to its U.S. equity options business in its Wholesale Banking segment and determined that impairment in value existed in this business given the dramatic volume and margin declines. The Bank determined that the benefits of the U.S. equity options acquisition in fiscal 2002 had not been realized. Consequently, a $350 million pre-tax goodwill impairment loss was charged to the Consolidated Statement of Operations and a related future income tax asset of $117 million was recorded for a net of tax charge of $233 million.

Intangible assets
The following table presents details of the Bank's intangible assets as at October 31. Future income tax liabilities related to these intangible assets are disclosed in Note 15.

(millions of dollars)			2003	2002
	Carrying value	**Accumulated amortization**	**Net carrying value**	Net carrying value
Finite life intangible assets				
Core deposit intangible assets	**$1,993**	**$1,006**	**$ 987**	$1,114
Other intangible assets	**3,806**	**2,056**	**1,750**	2,269
Total intangible assets	**$5,799**	**$3,062**	**$2,737**	$3,383

Future amortization expense for the carrying amount of intangible assets is estimated to be as follows for the next five years:

(millions of dollars)	
2004	$ 621
2005	484
2006	379
2007	299
2008	237
	$2,020

For comparative purposes, the table below is provided to present fiscal 2001 net income (loss) applicable to common shares and earnings per common share on a consistent basis with 2002 and 2003 (refer to Note 1 (l)).

For the years ended October 31

(millions of dollars)	**2003**	2002	2001
Net income (loss)			
Reported net income (loss) applicable to common shares	**$989**	$(160)	$1,300
Add back: goodwill amortization, net of income taxes	**–**	–	189
Net income (loss) applicable to common shares – excluding goodwill amortization	**$989**	$(160)	$1,489
Basic earnings (loss) per common share			
Reported basic earnings (loss) per common share	**$1.52**	$ (.25)	$ 2.07
Add back: goodwill amortization, net of income taxes	**–**	–	.30
Basic earnings (loss) per common share – excluding goodwill amortization	**$1.52**	$ (.25)	$ 2.37
Diluted earnings (loss) per common share			
Reported diluted earnings (loss) per common share	**$1.51**	$ (.25)	$ 2.05
Add back: goodwill amortization, net of income taxes	**–**	–	.30
Diluted earnings (loss) per common share – excluding goodwill amortization	**$1.51**	$ (.25)	$ 2.35

NOTE 6 Land, buildings and equipment

(millions of dollars)			**2003**	2002
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
Land	**$ 188**	**$ –**	**$ 188**	$ 227
Buildings	**464**	**161**	**303**	349
Computer equipment and software	**894**	**582**	**312**	379
Furniture, fixtures and other equipment	**571**	**277**	**294**	328
Leasehold improvements	**537**	**217**	**320**	351
	$2,654	**$1,237**	**$1,417**	$1,634

Accumulated depreciation at the end of 2002 was $1,178 million. Depreciation for land, buildings, and equipment amounted to $318 million for 2003 (2002 – $312 million; 2001 – $317 million).

NOTE 7 Other assets

(millions of dollars)	**2003**	2002
Amounts receivable from brokers, dealers and clients	**$4,006**	$ 6,971
Accrued interest	**1,421**	1,841
Accounts receivable, prepaid expenses and other items	**2,353**	2,095
Insurance related assets, excluding investments	**860**	779
Prepaid pension expense **(Note 14)**	**462**	323
	$9,102	$12,009

NOTE 8 Deposits

(millions of dollars)				2003	2002
	Demand[1]	Notice[2]	Term[3]	Total	Total
Personal	$15,675	$37,689	$52,632	$105,996	$100,942
Banks	688	44	11,226	11,958	16,800
Business and government	13,726	15,273	35,927	64,926	71,448
Total	$30,089	$53,006	$99,785	$182,880	$189,190
Non-interest-bearing deposits included above					
In domestic offices				$ 4,948	$ 4,469
In foreign offices				35	58
Interest-bearing deposits included above					
In domestic offices				126,993	126,916
In foreign offices				50,541	56,532
U.S. federal funds deposited				363	1,215
Total				$182,880	$189,190

[1] Demand deposits are those for which the Bank does not have the right to require notice prior to withdrawal. These deposits are in general, chequing accounts.
[2] Notice deposits are those for which the Bank can legally require notice prior to withdrawal. These deposits are in general, savings accounts.
[3] Term deposits are those payable on a fixed date of maturity. These deposits are generally term deposits, guaranteed investment certificates and similar instruments.

NOTE 9 Other liabilities

(millions of dollars)	2003	2002
Amounts payable to brokers, dealers and clients	$ 2,883	$ 3,477
Accrued interest	1,642	1,917
Accounts payable, accrued expenses and other items	4,319	2,210
Accrued salaries and employee benefits	752	530
Insurance related liabilities	1,325	1,122
Cheques and other items in transit	1,277	1,240
Accrued benefit liability **(Note 14)**	370	334
	$12,568	$10,830

NOTE 10 Subordinated notes and debentures

The notes and debentures are direct unsecured obligations of the Bank or its subsidiaries and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank or its subsidiaries. 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)				Outstanding October 31	
Interest rate (%)	Maturity date	Redeemable at par by issuer beginning[4]	Foreign currency amount	2003	2002
Various[1]	Jan. 2004 to Apr. 2006	–		$ 12	$ 20
Floating rate[2]	Aug. 2003	–	US$75 million	–	116
Floating rate[3]	Oct. 2003	–		–	100
8.00	Dec. 2003	–		150	150
6.50	Aug. 2008	–	US$150 million	198	234
6.15	Oct. 2008	–	US$150 million	198	234
6.13	Nov. 2008	–	US$100 million	131	155
6.45	Jan. 2009	–	US$150 million	198	234
6.60	Apr. 2010	Apr. 2005		750	750
8.40	Dec. 2010	Dec. 2005		150	150
6.00	July 2011	July 2006		800	800
6.55	July 2012	July 2007		500	500
5.20	Sept. 2012	Sept. 2007		550	550
4.54	Sept. 2013	Sept. 2008		1,000	–
10.05	Aug. 2014	–		150	150
5.69	June 2018	June 2013		900	–
9.15	May 2025	–		200	200
				$5,887	$4,343

[1] Interest is payable at various rates, from .13% to 2.95%.
[2] Interest at three-month U.S. dollar LIBOR, subject to a minimum of 4.10%.
[3] Interest at three-month customers' liability under acceptance rate less .30%, subject to minimum and maximum rates of 6.50% and 9% respectively.
[4] Subject to prior approval of the Superintendent of Financial Institutions Canada.

Repayment schedule
The aggregate maturities of the Bank's subordinated notes and debentures are as follows:

(millions of dollars)	**2003**	2002
Within 1 year	**$ 157**	$ 229
Over 1 to 2 years	**5**	157
Over 4 to 5 years	**396**	–
Over 5 years	**5,329**	3,957
	$5,887	$4,343

NOTE 11 Non-controlling interest in subsidiaries

(millions of dollars)	**2003**	2002
Trust units issued by TD Capital Trust		
900,000 Capital Trust Securities – Series 2009	**$ 900**	$ 900
Trust units issued by TD Capital Trust II		
350,000 Capital Trust Securities – Series 2012	**350**	350
	$1,250	$1,250

TD Capital Trust Securities – Series 2009
The TD Capital Trust Securities (TD CaTS) are issued by TD Capital Trust, whose voting securities are owned 100% by the Bank. Holders of TD CaTS are eligible to receive semi-annual non-cumulative fixed cash distributions of $38 per TD CaTS. Should the trust fail to pay the semi-annual distributions in full, the Bank's ability to declare dividends on Bank common and preferred shares would be restricted.

Between June 30, 2005 and December 31, 2009, the trust has the option of redeeming the outstanding TD CaTS for the greater of: (a) $1,000 together with unpaid distributions to the date of redemption and (b) a price calculated to provide an annual yield equal to the yield of a Government of Canada bond maturing on December 31, 2009 at that time plus .38% together with unpaid distributions to the date of redemption. In the event of an unfavourable change in tax or capital treatment as it applies to the trust prior to June 30, 2005, the trust may redeem the outstanding TD CaTS for a redemption price as calculated above. On or after December 31, 2009, the redemption price would be $1,000 together with unpaid distributions to the date of redemption. Such redemption rights are subject to the approval of the Superintendent of Financial Institutions Canada.

On or after June 30, 2010, each TD CaTS may, at the option of the holder, be converted semi-annually into one Non-cumulative Class A Redeemable First Preferred Share of the Bank. By giving at least 60 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 $1,000 per TD CaTS together with unpaid distributions to the date of conversion.

Each TD CaTS may be automatically exchanged into one preferred share of the Bank without consent of the holder in the following circumstances: (a) proceedings are commenced for the winding-up of the Bank; (b) the Superintendent of Financial Institutions Canada takes control of the Bank; (c) the Bank has Tier 1 capitalization of less than 5% or a Total Capital ratio of less than 8%; or (d) the Bank has failed to comply with a direction of the Superintendent of Financial Institutions Canada to increase its capital or provide additional liquidity.

The distribution rate on the trust securities is 7.60% per annum.

TD Capital Trust Securities – Series 2012
The TD Capital Trust Securities (TD CaTS II) are issued by TD Capital Trust II, whose voting securities are owned 100% by the Bank. Holders of TD CaTS II are eligible to receive semi-annual non-cumulative fixed cash distributions of $33.96 per TD CaTS II. Should the trust fail to pay the semi-annual distributions in full, the Bank's ability to declare dividends on Bank common and preferred shares would be restricted. The proceeds from the issuance were invested in Bank deposits.

Between December 31, 2007 and December 31, 2012, the trust has the option of redeeming the outstanding TD CaTS II for the greater of: (a) $1,000 together with unpaid distributions to the date of redemption and (b) a price calculated to provide an annual yield equal to the yield of a Government of Canada bond maturing on December 31, 2012 at that time plus .38% together with unpaid distributions to the date of redemption. In the event of an unfavourable change in tax or capital treatment as it applies to the trust prior to December 31, 2012, the trust may redeem the outstanding TD CaTS II for a redemption price as calculated above. On or after December 31, 2012, the redemption price would be $1,000 together with unpaid distributions to the date of redemption. Such redemption rights are subject to the approval of the Superintendent of Financial Institutions Canada.

At any time, each TD CaTS II may, at the option of the holder, be converted into 40 Non-cumulative Class A Redeemable First Preferred Shares, Series A2 of the Bank. Prior to the conversion, provided the holder has not withheld consent, the Bank may find substitute purchasers at a purchase price not less than 90% of the closing price of the TD CaTS II.

Each TD CaTS II may be automatically exchanged into 40 Non-cumulative Class A Redeemable First Preferred Shares, Series A3 of the Bank without consent of the holder subject to events similar to those described for TD CaTS – (Series 2009).

The distribution rate on the trust securities is 6.792% per annum. No Non-cumulative Class A Redeemable First Preferred Shares, Series A2 or Series A3 have been issued as at October 31, 2003. If issued, these shares would have dividend rates of 4.40% and 5.15%, respectively.

NOTE 12 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)	**2003**	2002
Issued and fully paid		
Preferred shares issued by the Bank		
Non-cumulative Redeemable Class A First Preferred Shares		
7,000,000 Series G (US$175 million)	**$ –**	$ 272
9,000,000 Series H	**225**	225
16,065 Series I	**–**	–
16,383,935 Series J	**410**	410
6,000,000 Series K	**–**	150
2,000,000 Series L (US$50 million)	**–**	78
14,000,000 Series M	**350**	–
8,000,000 Series N	**200**	–
	1,185	1,135
Preferred shares issued by TD Mortgage Investment Corporation		
350,000 Non-cumulative Preferred Shares, Series A	**350**	350
Total preferred shares	**1,535**	1,485
Common shares (2003 – 656,260,564; 2002 – 645,399,134)	**3,179**	2,846
	$4,714	$4,331

Preferred shares

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

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

Class A First Preferred Shares, Series G

On May 1, 2003, the Bank redeemed all the outstanding Class A First Preferred Shares, Series G at the price of US$25 per share.

Class A First Preferred Shares, Series H

Until April 30, 2004, the Bank has the option of redeeming the outstanding Series H shares for $25.50 per share. After April 30, 2004, the redemption price is reduced to $25.00 per share together with declared and unpaid dividends to the date of redemption.

At any time, 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.

Class A First Preferred Shares, Series I

On November 1, 1999, the Bank issued 16,400,000 units for cash consideration of $102.5 million. Each unit consisted 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 or prior to October 31, 2000, the unitholders had the option of exercising one Series J Purchase Warrant together with a cash payment of $18.75 per share to convert one Series I share into one Series J share. A total of 16,383,935 Series I shares were converted into Series J shares.

On or after November 1, 2004, the Bank has the option of redeeming the outstanding Series I shares for $6.25 per share together with declared and unpaid dividends to the date of redemption.

Class A First Preferred Shares, Series J

Between April 30, 2005 and October 30, 2005, the Bank has the option of redeeming the outstanding Series J shares for $26.00 per share. The redemption price, together with declared and unpaid dividends to the date of redemption, is reduced to $25.80 after October 30, 2005; $25.60 after October 30, 2006; $25.40 after October 30, 2007; $25.20 after October 30, 2008; and $25.00 after October 30, 2009.

On or after April 30, 2005, the Bank may convert the outstanding Series J shares in whole or in part into common shares, determined by dividing the then applicable redemption price per Series J share together with declared and unpaid dividends to the date of conversion by the greater of $2.00 and 95% of the average trading price of such common shares at that time. On or after January 29, 2010, each Series J 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.

Class A First Preferred Shares, Series K
On February 3, 2003, the Bank redeemed all the outstanding Class A First Preferred Shares, Series K at a price of $25.00 per share.

Class A First Preferred Shares, Series L
On February 3, 2003, the Bank redeemed all the outstanding Class A First Preferred Shares, Series L at a price of US$25.00 per share.

Class A First Preferred Shares, Series M
On February 3, 2003, the Bank issued 14,000,000 Series M shares for gross cash consideration of $350 million.

On or after April 30, 2009, the Bank may redeem all, or from time to time part, of the outstanding Series M shares by payment in cash of $26.00 per share if redeemed prior to April 30, 2010; $25.75 if redeemed on or after April 30, 2010 and prior to April 30, 2011; $25.50 if redeemed on or after April 30, 2011 and prior to April 30, 2012; $25.25 if redeemed on or after April 30, 2012 and prior to April 30, 2013; and $25.00 if redeemed thereafter together with the unpaid dividends to the date of redemption.

On or after April 30, 2009, the Bank may convert the outstanding Series M shares in whole or in part into common shares of the Bank, determined by dividing the then applicable redemption price per Series M share together with any declared and unpaid dividends to the date of conversion by the greater of $2.00 and 95% of the average trading price of such common shares at that time.

On or after October 31, 2013, each Series M 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 unpaid dividends to the date of conversion.

Class A First Preferred Shares, Series N
On April 30, 2003, the Bank issued 8,000,000 Series N shares for gross cash consideration of $200 million.

On or after April 30, 2009, the Bank may redeem all, or from time to time part, of the outstanding Series N shares by payment in cash of $26.00 per share if redeemed prior to April 30, 2010; $25.75 if redeemed on or after April 30, 2010 and prior to April 30, 2011; $25.50 if redeemed on or after April 30, 2011 and prior to April 30, 2012; $25.25 if redeemed on or after April 30, 2012 and prior to April 30, 2013; and $25.00 if redeemed thereafter together with unpaid dividends to the date of redemption.

On or after April 30, 2009, the Bank may convert the outstanding Series N shares in whole or in part into common shares of the Bank, determined by dividing the then applicable redemption price per Series N share together with any declared and unpaid dividends to the date of conversion by the greater of $2.00 and 95% of the average trading price of such common shares at that time.

On or after January 31, 2014, each Series N 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 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 per share.

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.

Each Series A share may be automatically exchanged into one preferred share of the Bank without consent of the holder in the following specific circumstances: (a) TDMIC fails to pay dividends on the Series A shares; (b) the Bank fails to pay dividends on all of its non-cumulative preferred shares; (c) proceedings are commenced for the winding-up of the Bank; (d) the Superintendent of Financial Institutions Canada takes control of the Bank; (e) the Bank has Tier 1 capitalization of less than 5% or a Total Capital ratio of less than 8%; or (f) the Bank or TDMIC has failed to comply with a direction of the Superintendent of Financial Institutions Canada to increase its capital or provide additional liquidity.

Dividend rates on preferred shares

(per share)		Rate
Series G	Quarterly	US$.33750
Series H	Quarterly	$.44375
Series I	Quarterly	$.01000
Series J	Quarterly	$.31875
Series K	Quarterly	$.45940
Series L	Quarterly	US$.40000
Series M	Quarterly	$.29375
Series N	Quarterly	$.28750
TDMIC, Series A	Semi-annually	$32.30

Common shares

	2003	2002
Number outstanding at beginning of year	**645,399,134**	628,451,159
Issued (cancelled) on acquisition of subsidiaries	**–**	(18,789)
Issued for cash **(Note 22)**	**–**	10,958,900
Issued on exercise of options	**2,900,483**	836,754
Issued as a result of dividend reinvestment plan	**7,960,947**	5,171,110
Number outstanding at end of year	**656,260,564**	645,399,134

Dividend reinvestment plan
The Bank offers a dividend reinvestment plan for its common shareholders. Participation in the plan is optional and under the terms of the plan, cash dividends on common shares are used to purchase additional common shares. The common shares may be purchased either from the Bank's treasury at an average market price based on the last five trading days before the date of the dividend payment with a discount range of 0% to 5% at the Bank's discretion or from the open market at market price. During the year, a total of 7,960,947 common shares (2002 – 5,171,110) have been issued from the Bank's treasury at a discount of 2.5% (2002 – 2.5%) of the average market price under the dividend reinvestment plan.

Dividend restrictions
The Bank is prohibited by the Bank Act from declaring 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. The Superintendent of Financial Institutions Canada administers a restriction under the Bank Act on the Bank's ability to pay dividends on common and preferred shares which assesses the ongoing maintenance by the Bank of satisfactory regulatory capital and liquidity. The Bank does not anticipate that these conditions will restrict it from paying dividends in the normal course of business.

The Bank is also restricted in the event that either TD Capital Trust or TD Capital Trust II fails to pay semi-annual distributions in full to holders of TD Capital Trust Securities. In addition, the ability to pay dividends on its common shares without the approval of the holders of the outstanding preferred shares is restricted 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.

NOTE 13 Stock-based compensation

Stock option plan
Under the Bank's stock option plan, options on common shares are periodically granted to eligible employees and non-employee directors of the Bank for terms of 10 years, vesting over a four-year period. These options provide holders with the right to purchase common shares of the Bank at a fixed price equal to the closing market price of the shares on the day prior to the date the options were issued. Under this plan, 18,535,594 common shares have been reserved for future issuance (2002 – 22,075,610). The outstanding options expire on various dates to March 2013. The Bank's predecessor plan, the 1993 stock option plan, expired in 2000 and there will be no further issuance of stock options from this plan. The outstanding options under the 1993 stock option plan expire on various dates to July 2010. A summary of the Bank's stock option activity and related information for the years ended October 31 is as follows:

	2003	**Weighted average exercise price**	2002	Weighted average exercise price	2001	Weighted average exercise price
Number outstanding, beginning of year	**23,859,413**	**$30.35**	22,218,787	$26.65	23,403,443	$22.54
Granted	**4,065,116**	**33.42**	4,708,800	41.11	3,639,640	41.66
Exercised – cash	**–**	**–**	(1,673,495)	17.51	(2,593,303)	15.30
– shares	**(2,900,483)**	**16.25**	(836,754)	15.84	(1,303,943)	13.38
Forfeited/cancelled	**(644,350)**	**40.00**	(557,925)	36.06	(927,050)	32.27
Number outstanding, end of year	**24,379,696**	**$32.28**	23,859,413	$30.35	22,218,787	$26.65
Exercisable, end of year	**14,775,784**	**$28.87**	13,239,598	$23.94	13,081,260	$20.49

The following table summarizes information relating to stock options outstanding and exercisable at October 31, 2003.

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$10.44 – $11.81	1,293,662	2.4	$11.08	1,293,662	$11.08
$17.45 – $25.43	5,214,309	4.6	$22.05	5,214,309	$22.05
$27.15 – $40.55	10,550,500	6.9	$33.65	5,663,675	$33.40
$40.80 – $42.90	7,321,225	7.6	$41.32	2,604,138	$41.45

During fiscal 2003, the Bank has recognized a compensation expense of $9 million for the stock option awards granted during the year in the Consolidated Statement of Operations. The fair value of options granted was estimated at the date of grant using the Black-Scholes valuation model with the following assumptions: (i) risk-free interest rate of 4.29%, (ii) expected option life of 5.5 years, (iii) expected volatility of 27.7% and (iv) expected dividend yield of 3.37%. During the year, options were granted with a weighted-average fair value of $7.49 per option.

Other stock-based compensation plans
Phantom share unit plans are offered to certain employees of the Bank. The number of Bank phantom share units under these plans at October 31, 2003 is 5,064,400 (2002 – 3,634,300; 2001 – 350,100) subject to final determination in December 2003 based on then current share prices. For the year ended October 31, 2003, the Bank recognized compensation expense, net of the effects of hedges, for these plans of $51 million (2002 – $37 million; 2001 – $2 million).

A Senior Executive Deferred Share Unit Plan is offered to eligible executives of the Bank. As at October 31, 2003, a total of 1,377,471 deferred share units were outstanding (2002 – 1,309,764; 2001 – 1,197,524).

Employee savings plan
Under the Bank's Employee Savings Plan (ESP), employees may contribute up to 6% of their annual base earnings to a maximum of $4,500 per calendar year toward the purchase of Bank common shares. The Bank matches 50% of the employee contribution amount. The Bank's contributions vest once the employee has completed two years of continuous service with the Bank. For the year ended October 31, 2003, the Bank's contributions totalled $32 million (2002 – $18 million; 2001 – $13 million). As at October 31, 2003, an aggregate of 5,236,646 common shares were held under the ESP (2002 – 4,476,634; 2001 – 5,001,746). The shares in the ESP are purchased in the open market and are considered outstanding for computing earnings per share. Dividends earned on Bank common shares held by the ESP are used to purchase additional common shares for the ESP in the open market.

NOTE 14 Employee future benefits

Pension benefit plan
The Bank's principal pension plan, The Pension Fund Society of The Toronto-Dominion Bank, is a defined benefit plan funded by contributions from the Bank and from members. 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.

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

The table on the following page presents the financial position of the Bank's principal pension plan. The pension plan assets and obligations are measured as at July 31.

(millions of dollars)	**2003**	2002	2001
Change in projected benefit obligation			
Projected benefit obligation at beginning of period	**$1,271**	$1,257	$1,144
Service cost – benefits earned	**31**	26	19
Interest cost on projected benefit obligation	**90**	86	82
Members' contributions	**25**	19	17
Benefits paid	**(92)**	(88)	(82)
Actuarial (gains) losses	**7**	9	2
Change in actuarial assumptions	**86**	(42)	76
Plan amendments	**–**	5	4
Other	**–**	(1)	(5)
Projected benefit obligation at end of period	**1,418**	1,271	1,257
Change in plan assets			
Plan assets at fair value at beginning of period	**1,164**	1,191	1,263
Actual income on plan assets	**55**	55	49
Gain (loss) on disposal of investments	**80**	(23)	67
Members' contributions	**25**	19	17
Employer's contributions	**291**	76	–
Increase (decrease) in unrealized gains on investments	**(11)**	(57)	(114)
Benefits paid	**(92)**	(88)	(82)
General and administrative expenses	**(9)**	(8)	(7)
Other	**4**	(1)	(2)
Plan assets at fair value at end of period	**1,507**	1,164	1,191
Excess (deficit) of plan assets over projected benefit obligation	**89**	(107)	(66)
Unrecognized net (gain) loss from past experience, different from that assumed, and effects of changes in assumptions	**299**	253	178
Unrecognized prior service costs	**7**	8	4
Employer's contributions in fourth quarter	**13**	152	40
Prepaid pension expense	**$ 408**	$ 306	$ 156
Annual expense			
Net pension expense includes the following components:			
Service cost – benefits earned	**$ 31**	$ 26	$ 19
Interest cost on projected benefit obligation	**90**	86	82
Expected return on plan assets	**(85)**	(81)	(98)
Amortization of net actuarial (gains) losses	**13**	6	–
Amortization of prior service costs	**1**	1	–
Pension expense	**$ 50**	$ 38	$ 3
Actuarial assumptions at end of period			
Weighted average discount rate for projected benefit obligation	**6.50%**	7.00%	6.75%
Weighted average rate of compensation increase	**3.50**	3.50	3.50
Weighted average expected long-term rate of return on plan assets[1]	**6.75**	6.75	6.75

[1] Net of fees and expenses.

For 2003, the Bank's principal pension plan's net assets included investments in the Bank and its affiliates which had a market value of $65 million (2002 – $118 million; 2001 – $134 million).

The effect of a one percentage point increase or decrease in the weighted average expected long-term rate of return on plan assets on the 2003 pension expense would be a $13 million decrease or increase, respectively.

Other pension plans

In connection with the acquisition of CT, the Bank sponsors a second pension plan consisting of a defined benefit portion and a defined contribution portion. Funding for both portions is provided by contributions from the Bank and members of the plan. The defined benefit portion of the plan was closed to new members after May 31, 1987. CT employees joining the plan on or after June 1, 1987 were only eligible to join the defined contribution portion. Effective August 2002, the defined contribution portion of the plan was closed to new contributions from active employees and employees eligible for that plan became eligible to join the Bank's principal defined benefit plan.

For 2003, the defined benefit portion of CT's plan reported a projected benefit obligation of $307 million (2002 – $289 million; 2001 – $272 million), plan assets with a fair value of $309 million (2002 – $271 million; 2001 – $271 million) and the prepaid pension expense was $54 million (2002 – $17 million; 2001 – $14 million). The 2003 pension expense was $3 million (2002 – $3 million; 2001 – $.7 million).

The 2003 pension expense for the defined contribution portion was $.5 million (2002 – $10 million; 2001 – $14 million).

With respect to the Bank's largest other benefit plan, a partially funded benefit plan for eligible employees, the projected benefit obligation was $211 million (2002 – $182 million; 2001 – $137 million), the plan assets had a fair value of $11 million (2002 – $20 million; 2001 – $23 million) and the accrued benefit liability was $137 million (2002 – $119 million; 2001 – $107 million). The 2003 pension expense was $20 million (2002 – $13 million; 2001 – $10 million).

Other plans operated by the Bank and certain of its subsidiaries are not considered material for disclosure purposes.

Non-pension post-retirement benefit plans

In addition to the Bank's pension plans, the Bank also provides certain health care, life insurance and dental benefits to retired employees. The table on the following page presents the financial position of the Bank's non-pension post-retirement benefit plans.

(millions of dollars)	2003	2002	2001
Change in projected benefit obligation			
Projected benefit obligation at beginning of period	**$220**	$213	$183
Service cost – benefits earned	**8**	8	7
Interest cost on projected benefit obligation	**16**	15	13
Benefits paid	**(5)**	(4)	(7)
Change in actuarial assumptions	**20**	(9)	20
Actuarial (gains) losses	**9**	(3)	–
Other	**–**	–	(3)
Projected benefit obligation at end of period	**268**	220	213
Unrecognized net (gain) loss from past experience, different from that assumed, and effects of changes in assumptions	**34**	5	17
Employer's contributions in fourth quarter	**1**	–	–
Accrued benefit liability	**$233**	$215	$196
Annual expense			
Net non-pension post-retirement benefit expense includes the following components:			
Service cost – benefits earned	**$ 8**	$ 8	$ 7
Interest cost on projected benefit obligation	**16**	15	13
Non-pension post-retirement benefit expense	**$ 24**	$ 23	$ 20
Actuarial assumptions at end of period			
Weighted average discount rate for projected benefit obligation	**6.75%**	7.00%	6.75%
Weighted average rate of compensation increase	**3.50**	3.50	3.50

The assumed health care cost increase rate for the next year used to measure the expected cost of benefits covered for the non-pension post-retirement benefit plans is 6.25%. The rate is assumed to decrease gradually to 4.5% over seven years and remain at that level thereafter. For 2003, the effect of one percentage point increase or decrease in the assumed health care cost trend rate on the benefit expense is a $4 million increase and a $3 million decrease, respectively, and on the benefit obligation, a $36 million increase and a $29 million decrease, respectively.

NOTE 15 Provision for (benefit of) income taxes

(millions of dollars)	2003	2002	2001
Provision for income taxes – Consolidated Statement of Operations[1]			
Current income taxes	**$392**	$ 571	$ 931
Future income taxes	**(70)**	(1,016)	(1,137)
	322	(445)	(206)
Provision for income taxes – Consolidated Statement of Changes in Shareholders' Equity			
Current income taxes	**481**	46	(217)
Future income taxes	**(4)**	(1)	(74)
	477	45	(291)
Total provision for (benefit of) income taxes	**$799**	$ (400)	$ (497)
Current income taxes			
Federal	**$582**	$ 405	$ 370
Provincial	**229**	160	140
Foreign	**62**	52	204
	873	617	714
Future income taxes[2]			
Federal	**(56)**	(591)	(785)
Provincial	**(16)**	(184)	(343)
Foreign	**(2)**	(242)	(83)
	(74)	(1,017)	(1,211)
	$799	$ (400)	$ (497)

[1] Includes the tax effect of goodwill amortization of $9 million in fiscal 2001.
[2] Includes a net future income tax benefit of $3 million (2002 – $22 million; 2001 – $215 million) related to federal and provincial tax rate reductions.

The provision for (benefit of) income taxes shown in the Consolidated Statement of Operations differs from that obtained by applying statutory tax rates to the income (loss) before provision for (benefit of) income taxes for the following reasons:

(millions of dollars)	**2003**		2002		2001	
Income taxes at Canadian statutory income tax rate	**$ 542**	**36.4%**	$(172)	38.4%	$ 520	41.1%
Increase (decrease) resulting from:						
Goodwill amortization and impairment	**114**	**7.7**	–	–	55	4.4
Dividends	**(179)**	**(12.0)**	(175)	39.1	(155)	(12.3)
Rate differentials on international operations	**(146)**	**(9.8)**	(84)	18.8	(240)	(19.0)
Future federal and provincial tax rate reductions	**(3)**	**(.2)**	(21)	4.7	(215)	(17.0)
Federal large corporations tax	**13**	**.9**	16	(3.6)	18	1.4
Gains on sale of investment real estate	**–**	**–**	(1)	.2	(115)	(9.1)
Other – net	**(19)**	**(1.4)**	(8)	1.7	(74)	(5.8)
Provision for (benefit of) income taxes and effective income tax rate	**$ 322**	**21.6%**	$(445)	99.3%	$(206)	(16.3)%

The net future tax asset which is reported in other assets is comprised of:

(millions of dollars)	**2003**	2002
Future income tax assets		
Allowance for credit losses	**$ 653**	$ 1,047
Premises and equipment	**248**	205
Deferred income	**22**	67
Securities	**185**	111
Goodwill	**117**	–
Employee benefits	**149**	113
Other	**98**	70
Total future income tax assets	**1,472**	1,613
Valuation allowance	**(41)**	(15)
Future income tax assets	**1,431**	1,598
Future income tax liabilities		
Intangible assets	**(840)**	(1,122)
Employee benefits	**(122)**	(100)
Other	**(83)**	(64)
Future income tax liabilities	**(1,045)**	(1,286)
Net future income tax asset	**$ 386**	$ 312

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 the undistributed earnings of the international operations of these subsidiaries were repatriated, estimated taxes payable would be $206 million at October 31, 2003 (2002 – $235 million).

NOTE 16 Fair value of financial instruments

(millions of dollars)	**2003**		2002	
Consolidated Balance Sheet	**Carrying value**	**Estimated fair value**	Carrying value	Estimated fair value
Assets				
Securities	**$ 79,665**	**$ 80,226**	$ 82,197	$ 82,768
Loans	**118,058**	**118,658**	122,627	123,591
Liabilities				
Deposits	**182,880**	**183,397**	189,190	189,860
Subordinated notes and debentures	**5,887**	**6,246**	4,343	4,662

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

For assets and liabilities 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 18.

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 and debentures is determined by reference to quoted market prices.

NOTE 17 Interest rate risk

The Bank's management of interest rate risk is described in the Managing risk section of the Management's Discussion and Analysis contained in the Bank's Annual Report. The Canadian Institute of Chartered Accountants' Handbook Section 3860, *Financial Instruments – Disclosure and Presentation*, requires disclosure of exposure to interest rate risk in a prescribed format, as set out in the following table.

Interest rate risk[1]

(billions of dollars) 2003	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	$ .4	$ 7.1	$ –	$ 7.5	$ –	$ –	$ .2	$ 7.7
Effective yield		*1.2%*	*2.1%*					
Securities purchased under resale agreements	$ 3.1	$ 11.6	$ 2.4	$ 17.1	$ –	$ –	$ .4	$ 17.5
Effective yield		*2.3%*	*2.4%*					
Investment securities	$ .3	$ 5.8	$ 5.7	$ 11.8	$ 11.8	$ .8	$ .4	$ 24.8
Effective yield		*2.3%*	*3.5%*		*3.8%*	*8.0%*		
Trading securities	$ 54.9	$ –	$ –	$ 54.9	$ –	$ –	$ –	$ 54.9
Loans	$ 42.7	$ 17.6	$ 15.2	$ 75.5	$ 39.0	$ 3.0	$ .5	$ 118.0
Effective yield		*4.1%*	*5.2%*		*5.6%*	*5.5%*		
Other	$ 35.1	$ –	$ –	$ 35.1	$ –	$ –	$ 15.5	$ 50.6
Total assets	**$136.5**	**$ 42.1**	**$ 23.3**	**$ 201.9**	**$ 50.8**	**$ 3.8**	**$ 17.0**	**$ 273.5**
Liabilities and shareholders' equity								
Deposits	$ 47.1	$ 57.3	$ 23.6	$ 128.0	$ 29.3	$ 1.1	$ 24.5	$ 182.9
Effective yield		*1.4%*	*2.7%*		*3.7%*	*4.4%*		
Obligations related to securities sold short	$ 15.3	$ –	$ –	$ 15.3	$ –	$ –	$ –	$ 15.3
Obligations related to securities sold under repurchase agreements	$ –	$ 5.8	$ 1.3	$ 7.1	$ .1	$ –	$ .7	$ 7.9
Effective yield		*2.4%*	*2.8%*		*1.2%*			
Subordinated notes and debentures	$ –	$ .2	$ –	$ .2	$ 4.0	$ 1.7	$ –	$ 5.9
Effective yield		*7.9%*			*5.7%*	*6.7%*		
Other	$ 34.6	$ –	$ –	$ 34.6	$ –	$ 1.3	$ 12.5	$ 48.4
Shareholders' equity	$ –	$ –	$ .2	$ .2	$ .8	$ .6	$ 11.5	$ 13.1
Total liabilities and shareholders' equity	**$ 97.0**	**$ 63.3**	**$ 25.1**	**$ 185.4**	**$ 34.2**	**$ 4.7**	**$ 49.2**	**$ 273.5**
On-balance sheet position	**$ 39.5**	**$ (21.2)**	**$ (1.8)**	**$ 16.5**	**$ 16.6**	**$ (.9)**	**$(32.2)**	**$ –**
Total pay side instruments[2]	$ –	$(104.6)	$(15.4)	$(120.0)	$(33.8)	$(1.9)	$ –	$(155.7)
Effective yield		*2.4%*	*4.3%*		*4.8%*	*4.4%*		
Total receive side instruments[2]	$ –	$ 91.5	$ 21.8	$ 113.3	$ 39.3	$ 3.1	$ –	$ 155.7
Effective yield		*2.0%*	*3.2%*		*4.3%*	*5.9%*		
Off-balance sheet position	**$ –**	**$ (13.1)**	**$ 6.4**	**$ (6.7)**	**$ 5.5**	**$ 1.2**	**$ –**	**$ –**
Net position	**$ 39.5**	**$ (34.3)**	**$ 4.6**	**$ 9.8**	**$ 22.1**	**$ .3**	**$(32.2)**	**$ –**

[1] The above table details the earlier of maturity or repricing date of interest sensitive instruments. Contractual repricing may be adjusted according to management estimates for prepayments or early redemptions that are independent of changes in interest rates. Off-balance sheet transactions include only transactions that are put into place as hedges of items not included in the trading account. Certain assets and liabilities are shown as non-rate sensitive although the profile assumed for actual management may be different. Trading securities are presented in the floating rate category.

[2] Notional principal amounts.

Interest rate risk by currency

(billions of dollars)								
2003	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	$14.7	$ 6.8	$ 1.1	$ 22.6	$12.8	$(1.3)	$(34.3)	$ (.2)
Foreign currency on-balance sheet position	24.8	(28.0)	(2.9)	(6.1)	3.8	.4	2.1	.2
On-balance sheet position	**39.5**	**(21.2)**	**(1.8)**	**16.5**	**16.6**	**(.9)**	**(32.2)**	**–**
Canadian currency off-balance sheet position	–	(23.7)	1.2	(22.5)	7.9	1.3	–	(13.3)
Foreign currency off-balance sheet position	–	10.6	5.2	15.8	(2.4)	(.1)	–	13.3
Off-balance sheet position	**–**	**(13.1)**	**6.4**	**(6.7)**	**5.5**	**1.2**	**–**	**–**
Net position	**$39.5**	**$(34.3)**	**$ 4.6**	**$ 9.8**	**$22.1**	**$ .3**	**$(32.2)**	**$ –**

Interest rate risk

(billions of dollars)								
2002	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	$131.4	$ 41.2	$ 26.2	$198.8	$48.3	$5.1	$ 25.8	$278.0
Total liabilities and shareholders' equity	97.8	62.9	39.8	200.5	32.7	3.7	41.1	278.0
On-balance sheet position	33.6	(21.7)	(13.6)	(1.7)	15.6	1.4	(15.3)	–
Off-balance sheet position	–	(15.8)	9.5	(6.3)	6.2	.1	–	–
Net position	$ 33.6	$(37.5)	$ (4.1)	$ (8.0)	$21.8	$1.5	$(15.3)	$ –

NOTE 18 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

(billions of dollars)

Notional principal	Trading: Over-the-counter	Trading: Exchange traded	Trading: Total	Non-trading	2003 Total	2002 Total
Interest rate contracts						
Futures	**$ –**	**$195.1**	**$ 195.1**	**$ –**	**$ 195.1**	$ 186.9
Forward rate agreements	**173.4**	**–**	**173.4**	**44.4**	**217.8**	227.6
Swaps	**667.7**	**–**	**667.7**	**159.3**	**827.0**	833.0
Options written	**61.8**	**–**	**61.8**	**–**	**61.8**	46.4
Options purchased	**70.6**	**–**	**70.6**	**19.3**	**89.9**	54.3
Foreign exchange contracts						
Forward contracts	**317.5**	**–**	**317.5**	**31.6**	**349.1**	513.3
Swaps	**11.0**	**–**	**11.0**	**–**	**11.0**	10.3
Cross-currency interest rate swaps	**89.9**	**–**	**89.9**	**15.2**	**105.1**	106.9
Options written	**44.6**	**–**	**44.6**	**–**	**44.6**	29.3
Options purchased	**41.4**	**–**	**41.4**	**–**	**41.4**	22.7
Other contracts[1]	**102.8**	**9.6**	**112.4**	**8.1**	**120.5**	133.6
Total	**$1,580.7**	**$204.7**	**$1,785.4**	**$277.9**	**$2,063.3**	$2,164.3

[1] Includes equity, commodity and credit derivatives.

Derivative financial instruments by term to maturity

(billions of dollars)

Notional principal	Remaining term to maturity: Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	2003 Total	2002 Total
Interest rate contracts						
Futures	**$ 148.5**	**$ 46.6**	**$ –**	**$ –**	**$ 195.1**	$ 186.9
Forward rate agreements	**183.4**	**34.4**	**–**	**–**	**217.8**	227.6
Swaps	**328.6**	**175.5**	**129.1**	**193.8**	**827.0**	833.0
Options written	**30.0**	**19.2**	**5.0**	**7.6**	**61.8**	46.4
Options purchased	**48.0**	**25.3**	**8.2**	**8.4**	**89.9**	54.3
Foreign exchange contracts						
Forward contracts	**320.5**	**27.7**	**.9**	**–**	**349.1**	513.3
Swaps	**2.3**	**1.3**	**2.2**	**5.2**	**11.0**	10.3
Cross-currency interest rate swaps	**27.3**	**25.9**	**17.2**	**34.7**	**105.1**	106.9
Options written	**43.2**	**1.3**	**.1**	**–**	**44.6**	29.3
Options purchased	**39.5**	**1.3**	**.3**	**.3**	**41.4**	22.7
Other contracts[1]	**38.2**	**35.8**	**29.1**	**17.4**	**120.5**	133.6
Total	**$1,209.5**	**$394.3**	**$192.1**	**$267.4**	**$2,063.3**	$2,164.3

[1] Includes equity, commodity and credit derivatives.

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

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 determined using valuation models that incorporate prevailing market rates and prices on underlying instruments with similar maturities and characteristics. The fair value of over-the-counter derivative financial instruments also reflects the impact of valuation adjustments which recognize the need to cover market, liquidity, model and credit risks, as well as the cost of capital and administrative expenses over the life of the contract.

Fair value of derivative financial instruments

(millions of dollars)	2003				2002	
	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	**$ 83**	**$ 115**	**$ 47**	**$ 55**	$ 161	$ 166
Swaps	**15,108**	**15,136**	**13,581**	**13,581**	13,297	13,294
Options written	**–**	**1,049**	**–**	**1,084**	–	1,008
Options purchased	**919**	**–**	**859**	**–**	912	–
Total interest rate contracts	**16,110**	**16,300**	**14,487**	**14,720**	14,370	14,468
Foreign exchange contracts						
Forward contracts	**6,364**	**5,884**	**6,217**	**4,759**	5,124	4,360
Swaps	**528**	**405**	**928**	**281**	416	501
Cross-currency interest rate swaps	**2,796**	**3,759**	**3,571**	**4,318**	2,327	3,051
Options written	**–**	**275**	**–**	**487**	–	122
Options purchased	**273**	**–**	**407**	**–**	159	–
Total foreign exchange contracts	**9,961**	**10,323**	**11,123**	**9,845**	8,026	8,034
Other contracts[2]	**2,973**	**3,185**	**2,841**	**3,435**	3,343	3,452
Fair value – trading	**$29,044**	**$29,808**	**$28,451**	**$28,000**	$25,739	$25,954
Derivative financial instruments held or issued for non-trading purposes:						
Interest rate contracts						
Forward rate agreements			**$ 4**	**$ 9**	$ 27	$ 25
Swaps			**821**	**862**	1,311	1,548
Options written			**–**	**6**	–	–
Options purchased			**74**	**–**	95	–
Total interest rate contracts			**899**	**877**	1,433	1,573
Foreign exchange contracts						
Forward contracts			**1,444**	**2,090**	785	1,110
Cross-currency interest rate swaps			**771**	**760**	286	197
Total foreign exchange contracts			**2,215**	**2,850**	1,071	1,307
Other contracts[2]			**29**	**21**	97	27
Fair value – non-trading			**3,143**	**3,748**	2,601	2,907
Total fair value			**$31,594**	**$31,748**	$28,340	$28,861

[1] The average fair value of trading derivative financial instruments for the year ended October 31, 2002 was: Positive $21,584 million and Negative $21,478 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)	2003			2002		
	Current replace-ment cost[1]	**Credit equivalent amount**	**Risk-weighted amount**	Current replace-ment cost[1]	Credit equivalent amount	Risk-weighted amount
Interest rate contracts						
Forward rate agreements	**$ 51**	**$ 223**	**$ 45**	$ 188	$ 273	$ 58
Swaps	**14,402**	**18,719**	**4,810**	14,608	18,120	4,501
Options purchased	**878**	**1,171**	**282**	925	1,089	294
Total interest rate contracts	**15,331**	**20,113**	**5,137**	15,721	19,482	4,853
Foreign exchange contracts						
Forward contracts	**7,366**	**11,437**	**2,579**	5,826	11,030	2,671
Swaps	**928**	**1,520**	**465**	416	1,015	294
Cross-currency interest rate swaps	**4,342**	**9,369**	**2,131**	2,613	7,482	1,754
Options purchased	**247**	**748**	**171**	66	324	81
Total foreign exchange contracts	**12,883**	**23,074**	**5,346**	8,921	19,851	4,800
Other contracts[2]	**1,487**	**10,218**	**2,756**	2,163	11,567	3,129
Total derivative financial instruments	**$29,701**	**$53,405**	**$13,239**	$26,805	$50,900	$12,782
Less impact of master netting agreements and collateral	**20,149**	**28,824**	**7,252**	18,176	26,974	6,523
	$ 9,552	**$24,581**	**$ 5,987**	$ 8,629	$23,926	$ 6,259

[1] Exchange traded instruments and forward foreign exchange contracts with an original maturity of 14 days or less 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, 2003 was $1,893 million (2002 – $1,535 million).

[2] Includes equity, commodity and credit derivatives.

NOTE 19 Contingent liabilities, commitments and guarantees

(a) In the normal course of business, the Bank enters into various off-balance sheet commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. The Bank's policy for requiring collateral security with respect to these contracts and the types of collateral security held is generally the same as for loans made by the Bank.

Financial and performance standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse and collateral security requirements as loans extended to customers.

Documentary and commercial letters of credit are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Bank up to a certain amount subject to specific terms and conditions. The Bank is at risk for any drafts drawn that are not ultimately settled by the customer, and the amounts are collateralized by the goods to which they relate.

Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans and customers' liability under acceptances.

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

Credit instruments

(millions of dollars)	**2003**	2002
Financial and performance standby letters of credit	**$ 6,275**	$ 8,767
Documentary and commercial letters of credit	**754**	1,497
Commitments to extend credit		
Original term to maturity of one year or less	**32,357**	45,472
Original term to maturity of more than one year	**16,346**	22,097
	$55,732	$77,833

(b) During the year, the Bank entered into an agreement with an external party whereby the external party will provide network and computer desktop support services for seven years at a total projected cost of $720 million.

The premises and equipment net rental expense charged to net income for the year ended October 31, 2003 was $552 million (2002 – $507 million).

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

(millions of dollars)	
2004	$ 314
2005	269
2006	223
2007	179
2008	150
2009 and thereafter	505
	$1,640

(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, 2003 securities and other assets with a carrying value of $20 billion (2002 – $23 billion) were pledged in respect of securities sold short or under repurchase agreements. In addition, as at October 31, 2003, assets with a carrying value of $3 billion (2002 – $2 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, 2003 amounted to $4 billion (2002 – $4 billion).

(f) As of February 1, 2003, the Bank prospectively adopted the new accounting guideline on disclosure of guarantees. A guarantee is defined to be a contract that contingently requires the Bank to make payments to a third party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement, or (iii) failure of another third party to pay its indebtedness when due.

Significant guarantees that the Bank has provided to third parties include the following:

Financial and performance standby letters of credit

Financial and performance standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse and collateral security requirements as loans extended to customers. Generally, the terms of these letters of credit do not exceed four years.

Assets sold with recourse

In connection with certain asset sales, the Bank typically makes representations about the underlying assets in which the Bank may have an obligation to repurchase the assets or indemnify the purchaser against any loss. The term of these guarantees does not exceed four years.

Credit enhancements

The Bank guarantees payments to counterparties in the event that third party credit enhancements supporting asset pools are insufficient. The term of these credit facilities ranges from ten to seventeen years.

Written options

Written options are agreements under which the Bank grants the buyer the future right, but not the obligation, to sell/buy at or by a specified date, a specific amount of a financial instrument at a price agreed when the option is arranged and which can be physically or cash settled.

Written options can be used by the counterparty to hedge foreign exchange, equity, credit, commodity and interest rate risks. The Bank does not track, for accounting purposes, whether its clients enter into these derivative contracts for trading or hedging purposes and has not determined if the guaranteed party has the asset or liability related to the underlying. Accordingly, the Bank cannot ascertain which contracts are "guarantees" under the definition contained in the accounting guideline. The Bank employs a risk framework to define risk tolerances and establishes limits designed to ensure that losses do not exceed acceptable, predefined limits. Due to the nature of these contracts, the Bank cannot make a reasonable estimate of the potential maximum amount payable to the counterparties. The total notional principal amount of the written options as at October 31, 2003 is $114 billion.

Indemnification agreements

In the normal course of operations, the Bank provides indemnification agreements to various counterparties in transactions such as service agreements, leasing transactions, and agreements relating to acquisitions and dispositions. We also indemnify directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the Bank. Under these agreements, the Bank is required to compensate counterparties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The nature of the indemnification agreements prevents the Bank from making a reasonable estimate of the maximum potential amount that the Bank would be required to pay such counterparties.

The table below summarizes at October 31, 2003, the maximum potential amount of future payments that could be made under the guarantee agreements without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

(millions of dollars)	
Financial and performance standby letters of credit	$6,275
Assets sold with recourse	1,887
Credit enhancements	130
	$8,292

NOTE 20 Concentration of credit risk

Concentration of credit 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.

On-balance sheet assets

The percentage of total loans outstanding by geographic location of borrowers was as follows at September 30.

	2003	2002
Canada[1]	**90%**	83%
United States	**7**	12
Other countries	**3**	5

[1] The largest concentration in Canada is Ontario at 55% (2002 – 53%).

No single industry segment accounted for more than 5% of the total loans and customers' liability under acceptances.

Off-balance sheet financial instruments

(a) Credit instruments

At October 31, 2003, the Bank had commitments and contingent liability contracts in the amount of $55,732 million (2002 – $77,833 million). Included are commitments to extend credit totalling $48,703 million (2002 – $67,569 million), of which the credit risk was dispersed as follows at October 31.

	2003	2002
Canada	**61%**	51%
United States	**30**	39
United Kingdom	**6**	5
Other countries	**3**	5

Of the commitments to extend credit, industry segments which equalled or exceeded 5% of the total concentration were as follows at October 31.

	2003	2002
Financial institutions	**44%**	39%
Government	**7**	10
Utilities	**6**	8
Oil and gas	**5**	6
Telecommunications	**5**	5

(b) Derivative financial instruments

At October 31, 2003, the current replacement cost of derivative financial instruments amounted to $29,701 million (2002 – $26,805 million). Based on the location of the ultimate counterparty, the credit risk was allocated as follows at October 31.

	2003	2002
Europe – excluding the United Kingdom	**28%**	32%
United States	**29**	32
Canada	**22**	16
United Kingdom	**9**	13
Other countries	**12**	7

The largest concentration by counterparty type was with financial institutions, which accounted for 87% of the total (2002 – 87%). The second largest concentration was with governments which accounted for 6% of the total. No other industry segment exceeded 3% of the total.

NOTE 21 Segmented information

The Bank's operations and activities are organized around the following operating business segments: Personal and Commercial Banking, Wholesale Banking and Wealth Management.

Personal and Commercial Banking provides financial services to consumers and small and medium-sized businesses. The Wholesale Banking segment provides services in the areas of investment banking, merchant banking, mergers and acquisitions, fixed income, foreign exchange, derivative products, money market, equities and corporate banking in Canada and internationally. Wealth Management provides investment management services to institutional and retail investors as well as global self-directed brokerage services.

The Corporate segment includes non-controlling interests in subsidiaries, certain gains on dispositions of businesses, real estate investments, the effect of securitizations, treasury management, general provisions for credit losses, certain taxable equivalent adjustments, corporate level tax benefits, and residual unallocated revenues and expenses.

Results of each business 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 and evaluates the performance of each segment based on net income (loss) before non-cash goodwill and intangible amortization (net income (loss) – cash basis).

Results by business segment

(millions of dollars)

2003	Personal and Commercial Banking	Wholesale Banking	Wealth Management	Corporate[1]	Total
Net interest income (on a taxable equivalent basis)	**$ 4,086**	**$ 1,508**	**$ 431**	**$ (409)**	**$ 5,616**
Provision for credit losses	**460**	**(80)**	**–**	**(194)**	**186**
Other income	**1,803**	**669**	**1,746**	**206**	**4,424**
Non-interest expenses excluding non-cash intangible amortization	**3,463**	**1,761**	**2,107**	**261**	**7,592**
Income (loss) before provision for (benefit of) income taxes and non-controlling interest	**1,966**	**496**	**70**	**(270)**	**2,262**
Provision for (benefit of) income taxes (on a taxable equivalent basis)	**689**	**133**	**145**	**(364)**	**603**
Non-controlling interest in net income of subsidiaries	**–**	**–**	**–**	**92**	**92**
Net income (loss) – cash basis	**$ 1,277**	**$ 363**	**$ (75)**	**$ 2**	**$ 1,567**
Non-cash intangible amortization, net of income taxes					**491**
Net income (loss) – reported basis					**$ 1,076**
Total assets	**$115,900**	**$126,800**	**$21,100**	**$9,732**	**$273,532**
2002					
Net interest income (on a taxable equivalent basis)	$ 4,058	$ 1,505	$ 426	$ (689)	$ 5,300
Provision for credit losses	505	2,490	–	(70)	2,925
Other income	1,710	1,163	1,737	319	4,929
Non-interest expenses excluding non-cash intangible amortization	3,501	1,235	1,922	96	6,754
Income (loss) before provision for (benefit of) income taxes and non-controlling interest	1,762	(1,057)	241	(396)	550
Provision for (benefit of) income taxes (on a taxable equivalent basis)	648	(400)	116	(445)	(81)
Non-controlling interest in net income of subsidiaries	–	–	–	64	64
Net income (loss) – cash basis	$ 1,114	$ (657)	$ 125	$ (15)	$ 567
Non-cash intangible amortization, net of income taxes					634
Net income – reported basis					$ (67)
Total assets	$111,900	$136,400	$19,800	$9,940	$278,040
2001					
Net interest income (on a taxable equivalent basis)	$ 3,951	$ 898	$ 468	$ (926)	$ 4,391
Provision for credit losses	380	327	–	213	920
Other income	1,688	2,265	1,820	674	6,447
Non-interest expenses excluding non-cash goodwill/intangible amortization and restructuring costs	3,467	1,373	2,026	59	6,925
Restructuring costs	–	–	–	239	239
Income (loss) before provision for (benefit of) income taxes and non-controlling interest	1,792	1,463	262	(763)	2,754
Provision for (benefit of) income taxes (on a taxable equivalent basis)	702	537	120	(704)	655
Non-controlling interest in net income of subsidiaries	–	–	6	72	78
Net income (loss) – cash basis	$ 1,090	$ 926	$ 136	$ (131)	$ 2,021
Non-cash intangible amortization, net of income taxes					440
Non-cash goodwill amortization, net of income taxes					189
Net income – reported basis					$ 1,392

[1] The taxable equivalent basis adjustment is reflected in each segments' results and eliminated in the Corporate segment.

Results by geographic distribution
The Bank earns revenue in Canada and in international locations. Reporting is based on the geographic location of the unit responsible for recording the revenues or assets.

(millions of dollars)				
2003	Total revenue	Income (loss) before provision for income taxes and non-controlling interest	Net income (loss)	Total assets
Canada	**$ 7,381**	**$ 1,094**	**$ 761**	**$191,817**
International[1]	**2,659**	**396**	**315**	**81,715**
Total	**$10,040**	**$ 1,490**	**$1,076**	**$273,532**
2002				
Canada	$ 7,593	$ 1,072	$ 785	$171,562
International[1]	2,636	(1,520)	(852)	106,478
Total	$10,229	$ (448)	$ (67)	$278,040
2001				
Canada	$ 7,692	$ 365	$ 604	$171,587
International[1]	3,146	899	788	116,251
Total	$10,838	$ 1,264	$1,392	$287,838

[1] Includes United States total revenue of $1,588 million (2002 – $1,553 million; 2001 – $1,660 million).

NOTE 22 Acquisitions and dispositions

(a) Acquisition of branches from Laurentian Bank of Canada
On October 31, 2003, the Bank completed the acquisition of 57 branches outside the Province of Quebec from the Laurentian Bank of Canada. The all-cash purchase price reflects the value of assets acquired, less liabilities assumed. Intangible assets arising from the acquisition of $126 million are being amortized on a straight-line basis over the expected period of benefit of five years.

(b) Sale of mutual fund record keeping and custody business
During fiscal 2002, the Bank sold its mutual fund record keeping and custody business and recorded a pre-tax gain of $40 million.

(c) Acquisition of Stafford and LETCO
On March 1, 2002, the Bank completed the acquisition of the securities and trading technology platform and listed equity options market-making businesses of the Stafford group of firms (Stafford) and the LETCO group (LETCO). The purchase price consisted of an initial cash payment of approximately $428 million. The acquisition was accounted for by the purchase method and the results of Stafford and LETCO's operations have been included in the Consolidated Statement of Operations from March 1, 2002. As discussed in Note 5, the goodwill arising from the acquisition was written off in the second quarter of fiscal 2003.

(d) Acquisition of TD Waterhouse shares
On November 26, 2001, the Bank completed the acquisition of the outstanding common shares of TD Waterhouse Group, Inc. (TD Waterhouse) that it did not own for total consideration of approximately $605 million. Goodwill arising from the acquisition was $233 million. On November 1, 2001, the Bank issued approximately 11 million common shares for cash proceeds of $400 million to partially fund the transaction.

(e) Acquisition of R.J. Thompson Holdings, Inc.
On November 1, 2001, TD Waterhouse acquired R.J. Thompson Holdings, Inc. (RJT), a direct access brokerage firm, for total cash consideration of $122 million. Goodwill arising from the acquisition was $120 million. The results of RJT have been included in the Consolidated Statement of Operations from November 1, 2001. In addition, contingent purchase price payments of up to $24 million were payable upon achievement of certain results. In the fourth quarter of 2002, $8 million was paid relating to the contingent purchase price payments and in the first quarter of 2003 an additional $14 million was paid to satisfy the remaining contingent purchase price payments required under the purchase agreement. These payments relate to finite life intangible assets which are amortized on a straight-line basis over the expected period of benefit of three years.

(f) Acquisition of Newcrest Holdings Inc.
The Bank acquired all of the outstanding Class A and Class B common shares of Newcrest Holdings Inc. (Newcrest), a holding company for the securities dealer Newcrest Capital Inc., effective November 1, 2000. The total consideration in respect of this purchase amounted to $225 million, paid in Bank common shares of $181 million and cash of $44 million. The acquisition was accounted for by the purchase method and the results of Newcrest's operations have been included in the Consolidated Statement of Operations from November 1, 2000. Until October 31, 2001, goodwill arising from the transaction of $160 million was amortized on a straight-line basis over the expected period of benefit of 10 years. Beginning November 1, 2001, the remaining goodwill is tested for impairment as discussed in Note 1.

(g) Sale of investment real estate
During fiscal 2001, the Bank sold certain investment real estate for a pre-tax gain on sale of $350 million, net of deferrals.

NOTE 23 Restructuring costs

During the second quarter of fiscal 2003, the Bank announced a restructuring of the international unit of its wealth management business. Declining volumes in the discount brokerage business worldwide have resulted in excess capacity, which impacted the Bank's ability to profitably run a global brokerage model. The Bank recognized a total of $26 million of pre-tax restructuring costs, with $21 million recognized in the second quarter and $5 million recognized in the third quarter of fiscal 2003. The restructuring was completed by the end of the third quarter of fiscal 2003. Of the $26 million in pre-tax restructuring costs, $7 million relates to lease termination costs and other premises related expenses and the remainder of the restructuring costs of $19 million relates to write downs of software and systems development costs.

During the second quarter of fiscal 2003, the Bank also announced a restructuring of its U.S. equity options business in Wholesale Banking. Dramatic volume and margin declines had a significantly negative impact on this business. Consequently, the Bank determined that it was necessary to shift its strategy and focus solely on the equity options group centered in Chicago. As a result, the Bank recognized a total of $72 million of pre-tax restructuring costs in the second quarter of fiscal 2003. Of the $72 million in pre-tax restructuring costs, $31 million relates to severance and employee support costs, $10 million relates to lease termination costs and other premises related expenses and the remainder of the restructuring costs of $31 million relates to other expenses and revenue reserves directly related to the restructuring. The $31 million in severance and employee support costs reflects the cost of eliminating approximately 104 positions in the U.S. and 24 positions in Europe. The Bank expects the restructuring to be substantially complete by the end of fiscal 2004.

During the fourth quarter of fiscal 2001, Wholesale Banking announced a restructuring of its operations and as a result recorded pre-tax restructuring costs of $130 million. The restructuring costs related primarily to employee severance. The restructuring was substantially completed by the end of the fourth quarter of fiscal 2002.

In the third quarter of fiscal 2001, TD Waterhouse announced a restructuring of its operations and pre-tax costs of $54 million were charged to income, primarily for employee severance and real estate rationalization. The restructuring was completed by the end of the third quarter of fiscal 2002.

At the time of acquisition of Newcrest in 2001, the Bank determined it was necessary to restructure the combined operations. Pre-tax restructuring costs of $55 million were charged to income in the first quarter of fiscal 2001, primarily for employee severance. The restructuring was completed by the end of the second quarter of fiscal 2001.

In 2000, following the acquisition of CT, the Bank determined that it was necessary to restructure the combined operations. Pre-tax restructuring costs of $475 million were recorded in the second quarter of fiscal 2000. The restructuring costs related primarily to severance and employee support costs, branch closures, rationalization of regional and head office space requirements, lease termination, and other expenses. The restructuring was completed by the end of the fourth quarter of fiscal 2003.

As at October 31, 2003, the total unutilized balance of restructuring costs of $19 million shown below is included in other liabilities in the Consolidated Balance Sheet.

					2003	2002
(millions of dollars)	**Human Resources**	**Real Estate**	**Technology**	**Other**	**Total**	Total
Balance at beginning of year	**$ 6**	**$29**	**$ 1**	**$ –**	**$36**	$337
Restructuring costs arising during the year						
Wholesale Banking[1]	**31**	**10**	**4**	**27**	**72**	–
Wealth Management	**–**	**7**	**19**	**–**	**26**	–
Amount utilized during the year						
Personal and Commercial Banking	**–**	**27**	**1**	**–**	**28**	165
Wholesale Banking	**34**	**4**	**3**	**21**	**62**	15
Wealth Management	**–**	**6**	**19**	**–**	**25**	121
Balance at end of year	**$ 3**	**$ 9**	**$ 1**	**$ 6**	**$19**	$ 36

[1] Includes $6 million of revenue reserves directly related to the restructuring.

NOTE 24 Earnings (loss) per common share

Basic and diluted earnings (loss) per common share at October 31 are as follows:

(millions of dollars)	**2003**	2002	2001
Basic earnings (loss) per common share			
Net income (loss)	**$1,076**	$ (67)	$1,392
Preferred dividends	**87**	93	92
Net income (loss) applicable to common shares	**989**	(160)	1,300
Average number of common shares outstanding (millions)	**649.8**	641.0	627.0
Basic earnings (loss) per common share	**$ 1.52**	$ (.25)	$ 2.07
Diluted earnings (loss) per common share			
Net income (loss) applicable to common shares	**$ 989**	$ (160)	$1,300
Average number of common shares outstanding (millions)	**649.8**	641.0	627.0
Stock options potentially exercisable as determined under the treasury stock method[1]	**4.1**	5.9	8.5
Average number of common shares outstanding – diluted	**653.9**	646.9	635.5
Diluted earnings (loss) per common share[2]	**$ 1.51**	$ (.25)	$ 2.05

[1] Excluded from the computation of diluted earnings (loss) per common share were weighted average options outstanding of 10,908,010 with a weighted exercise price of $39.40 (2002 – 7,944,584 at $40.14; 2001 – 2,586,705 at $41.69) as the options' exercise prices were greater than the average market price of the Bank's common shares.

[2] For 2002, the effect of stock options potentially exercisable on earnings (loss) per common share was anti-dilutive, therefore basic and diluted earnings (loss) per common share are the same.

NOTE 25 Reconciliation of Canadian and United States generally accepted accounting principles

The accounting principles followed by the Bank including the accounting requirements of the Superintendent of Financial Institutions Canada conform with Canadian generally accepted accounting principles (GAAP).

Significant differences between Canadian GAAP and United States generally accepted accounting principles (U.S. GAAP) are described below.

Net Income (Loss)

For the years ended October 31

(millions of dollars)	**2003**	2002	2001
Net income (loss) based on Canadian GAAP	**$1,076**	$ (67)	$1,392
Stock-based compensation	**–**	60	64
Employee future benefits	**(7)**	(9)	5
Restructuring costs	**(18)**	(101)	(50)
Loan securitizations	**(10)**	(15)	(3)
Non-controlling interest in TD Mortgage Investment Corporation	**(23)**	(23)	(22)
Future income taxes	**–**	17	54
Available for sale securities	**81**	(73)	(48)
Derivative instruments and hedging activities	**95**	116	142
Guarantees	**(13)**	–	–
Asset retirement obligations	**(19)**	–	–
Other	**–**	–	(3)
Net income (loss) based on U.S. GAAP	**1,162**	(95)	1,531
Preferred dividends	**64**	70	70
Net income (loss) applicable to common shares based on U.S. GAAP	**$1,098**	$(165)	$1,461
Basic earnings (loss) per common share – U.S. GAAP	**$ 1.69**	$ (.26)	$ 2.32
– Canadian GAAP	**1.52**	(.25)	2.07
Diluted earnings (loss) per common share – U.S. GAAP	**$ 1.68**	$ (.26)	$ 2.30
– Canadian GAAP	**1.51**	(.25)	2.05

Consolidated Statement of Comprehensive Income (Loss)

For the years ended October 31

(millions of dollars)	**2003**	2002	2001
Net income (loss) based on U.S. GAAP	**$1,162**	$ (95)	$1,531
Other comprehensive income (loss), net of income taxes			
Net change in unrealized gains and losses on available for sale securities[1]	**16**	(226)	282
Reclassification to earnings in respect of available for sale securities[2]	**(78)**	75	48
Change in unrealized foreign currency translation gains and losses[3,8]	**(548)**	(32)	171
Change in gains and losses on derivative instruments designated as cash flow hedges[4]	**126**	180	(328)
Reclassification to earnings of gains and losses on cash flow hedges[5]	**46**	21	15
Gains arising from adoption of new accounting standard for derivative instruments[6]	**–**	–	20
Minimum pension liability adjustment[7]	**114**	(114)	–
Comprehensive income (loss)	**$ 838**	$(191)	$1,739

[1] Net of income taxes (benefit) of $7 million (2002 – $(157) million; 2001 – $171 million).
[2] Net of income taxes (benefit) of $(45) million (2002 – $48 million; 2001 – $35 million).
[3] Net of income taxes (benefit) of $481 million (2002 – $65 million; 2001 – $(191) million).
[4] Net of income taxes (benefit) of $72 million (2002 – $114 million; 2001 – $(235) million).
[5] Net of income taxes (benefit) of $27 million (2002 – $15 million; 2001 – $11 million).
[6] Net of income taxes (benefit) of nil (2002 – nil; 2001 – $14 million).
[7] Net of income taxes (benefit) of $72 million (2002 – $(72) million; 2001 – nil).
[8] Fiscal 2003 includes $971 million (2002 – $90 million; 2001 – $(278) million) of after-tax gains (losses) arising from hedges of the Bank's investment positions in foreign operations.

Stock-based compensation

Until October 5, 2002, under the Bank's stock option plan, option holders could elect to receive cash for the options equal to their intrinsic value, being the excess of the market value of the share over the option exercise price at the date of exercise. 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 the then current Canadian GAAP, no expenses were recorded and cash payments to option holders were charged to retained earnings on a net of tax basis. As a result, income for U.S. GAAP purposes was increased for 2002 and 2001, $60 million and $64 million, respectively as a result of decreases in intrinsic value during the periods. Effective October 6, 2002, the plan was amended so that new grants of options and all outstanding options can only be settled for shares. As a result, for the purposes of U.S. GAAP the accrued liability for stock options of $39 million after-tax was reclassified to capital as at October 6, 2002. Beginning in fiscal 2003, the Bank has expensed stock option awards for both Canadian and U.S. GAAP purposes using the fair value method of accounting for stock options. The only continuing Canadian and U.S. GAAP difference relates to the draw down of the accrued liability reclassified to capital for exercises and forfeitures of stock options that existed at October 6, 2002.

Condensed Consolidated Balance Sheet

As at October 31

(millions of dollars)	2003			2002		
	Canadian GAAP	**Adjustments**	**U.S. GAAP**	Canadian GAAP	Adjustments	U.S. GAAP
Assets						
Cash resources	**$ 7,719**	**$ –**	**$ 7,719**	$ 6,538	$ –	$ 6,538
Securities purchased under resale agreements	**17,475**	**–**	**17,475**	13,060	–	13,060
Securities						
Investment	**24,775**	**1,844**	**26,619**	28,802	1,838	30,640
Trading	**54,890**	**195**	**55,085**	53,395	–	53,395
Loans (net)	**118,058**	**3,996**	**122,054**	122,627	6,454	129,081
Derivatives' market revaluation	**28,451**	**3,732**	**32,183**	25,739	3,104	28,843
Intangible assets	**2,737**	**34**	**2,771**	3,383	29	3,412
Goodwill	**2,263**	**64**	**2,327**	3,134	64	3,198
Other assets	**17,164**	**42**	**17,206**	21,362	36	21,398
Total assets	**$273,532**	**$9,907**	**$283,439**	$278,040	$11,525	$289,565
Liabilities						
Deposits	**$182,880**	**$ –**	**$182,880**	$189,190	$ –	$189,190
Derivatives' market revaluation	**28,000**	**4,006**	**32,006**	25,954	3,328	29,282
Other liabilities	**42,404**	**1,003**	**43,407**	44,262	1,322	45,584
Subordinated notes, debentures and other debt	**5,887**	**4,224**	**10,111**	4,343	6,524	10,867
Non-controlling interest in subsidiaries	**1,250**	**350**	**1,600**	1,250	350	1,600
Total liabilities	**260,421**	**9,583**	**270,004**	264,999	11,524	276,523
Shareholders' equity						
Preferred shares	**1,535**	**(350)**	**1,185**	1,485	(350)	1,135
Common shares	**3,179**	**17**	**3,196**	2,846	–	2,846
Contributed surplus	**9**	**22**	**31**	–	–	–
Foreign currency translation adjustments	**(130)**	**174**	**44**	418	(374)	44
Retained earnings	**8,518**	**249**	**8,767**	8,292	189	8,481
Accumulated other comprehensive income						
Net unrealized gains on available for sale securities	**–**	**306**	**306**	–	368	368
Foreign currency translation adjustments	**–**	**(174)**	**(174)**	–	374	374
Derivative instruments	**–**	**80**	**80**	–	(92)	(92)
Minimum pension liability adjustment	**–**	**–**	**–**	–	(114)	(114)
Total shareholders' equity	**13,111**	**324**	**13,435**	13,041	1	13,042
Total liabilities and shareholders'equity	**$273,532**	**$9,907**	**$283,439**	$278,040	$11,525	$289,565

Employee future benefits

Under Canadian GAAP, the Bank adopted the employee future benefits standard in fiscal 2001 on a retroactive basis without restatement. The Canadian standard requires the accrual of employee future benefits. Previous Canadian GAAP permitted non-pension benefits to be expensed as paid. U.S. GAAP similarly requires the accrual of employee future benefits. For purposes of U.S. GAAP, the Bank adopted the employee future benefits standard on a prospective basis. Consequently, differences between U.S. and Canadian GAAP remain, as the transitional impacts will be amortized over the expected average remaining service life of the employee group for U.S. GAAP.

U.S. GAAP also requires an additional minimum liability to be recorded if the accumulated benefit obligation is greater than the fair value of plan assets. Canadian GAAP has no such requirement. For U.S. GAAP purposes, the Bank recognized the amounts noted in the table below in the Consolidated Balance Sheet.

(millions of dollars)	**2003**	2002
Prepaid pension expense	**$ 236**	$ (23)
Intangible assets	**34**	29
Accumulated other comprehensive income before income taxes	**–**	186
Net amount recognized	**$ 270**	$192

Restructuring costs
Under previous Canadian GAAP, restructuring costs incurred in respect of an acquired company could be accrued as a liability provided that a restructuring plan detailing all significant actions to be taken had been approved by an appropriate level of management, and significant changes to the plan were not likely. U.S. GAAP and current Canadian GAAP require that restructuring costs related to an acquired company be included as a liability in the allocation of the purchase price, thereby increasing goodwill. U.S. GAAP and current Canadian GAAP also require that all restructuring costs be incurred within one year of a restructuring plan's approval by management and that all employees to be involuntarily terminated be notified of their termination benefit arrangement. In accordance with U.S. GAAP, restructuring costs of $82 million after-tax have been recognized during fiscal 2003 (2002 – $101 million; 2001 – $188 million). The restructuring costs under Canadian GAAP amounted to $64 million after-tax for fiscal 2003 (2002 – nil; 2001 – $138 million).

Loan securitizations
U.S. GAAP and current Canadian GAAP require gains on loan securitizations to be recognized in income immediately. Under previous Canadian GAAP, gains were recognized only when received in cash by the Bank.

During fiscal 2003, the Bank adopted the new U.S. interpretation on the consolidation of variable interest entities (VIEs) which is applicable to all VIEs created after January 31, 2003. The interpretation requires the Bank to identify VIEs in which it has an interest, determine whether it is the primary beneficiary of such entities and if so, consolidate them. A VIE is an entity that either lacks sufficient equity to carry on principal operations without additional subordinated financial support from other parties, or has equity holders unable to make decisions about the entities' activities or has equity holders who do not absorb losses nor receive benefits of the entities' activities. As a result of implementing this U.S. interpretation in fiscal 2003, certain VIEs have been consolidated with total assets of $195 million. In addition, during fiscal 2001, the Bank adopted the U.S. accounting standard for transfers and servicing of financial assets and extinguishments of liabilities. The principal impact of this U.S. standard on the Bank's financial statements was to require consolidation of special purpose entities (SPEs) in circumstances where the SPE is considered a single seller and either its activities are not sufficiently limited or it does not have a minimum 3% external equity investment. Canadian GAAP requires consolidation of such entities only when the Bank retains substantially all the residual risks and rewards of the entity.

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 Operations. Under Canadian GAAP, these preferred shares are included within the total preferred shares presented on the Consolidated Balance Sheet.

Future income taxes
Under Canadian GAAP, the effects of income tax rate reductions are recorded when considered substantively enacted. Under U.S. GAAP, the effects of rate changes do not impact the measurement of tax balances until passed into law.

Investment securities
U.S. GAAP requires that investment securities be classified as either "available for sale" or "held to maturity", and requires available for sale securities to be reported on the Consolidated Balance Sheet at their estimated fair values. Unrealized gains and losses arising from changes in fair values of available for sale securities are reported net of income taxes in other comprehensive income. Other than temporary declines in fair value are recorded by transferring the unrealized loss from other comprehensive income to the Consolidated Statement of Operations. For U.S. GAAP, the Bank accounts for the majority of investment securities as available for sale. Under Canadian GAAP, investment securities are carried at cost or amortized cost, with other than temporary declines in value recognized based upon expected net realizable values.

In addition, under U.S. GAAP certain non-cash collateral received in securities lending transactions is recognized as an asset and a liability is recorded for obligations to return the collateral. Under Canadian GAAP, non-cash collateral received as part of a securities lending transaction is not recognized in the Consolidated Balance Sheet.

Derivative instruments and hedging activities
The Bank adopted the U.S. standard relating to derivative instruments and hedging activities on November 1, 2000 and recorded a cumulative transition adjustment recognizing after-tax gains of $10 million in net income and $20 million in other comprehensive income in fiscal 2001. U.S. GAAP requires 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 Operations. U.S. GAAP provides specific guidance on hedge accounting including the measurement of hedge ineffectiveness, limitations on hedging strategies and hedging with intercompany derivatives. For fair value hedges, the Bank is hedging changes in the fair value of assets, liabilities or firm commitments and changes in the fair values of the derivative instruments are recorded in income. For cash flow hedges, the Bank is hedging the variability in cash flows related to variable rate assets, liabilities or forecasted transactions and the effective portion of the changes in the fair values of the derivative instruments are recorded in other comprehensive income until the hedged items are recognized in income. For fiscal 2003, deferred net losses on derivative instruments of $27 million (2002 – $68 million; 2001 – $132 million) included in other comprehensive income are expected to be reclassified to earnings during the next 12 months. Cash flow hedges also include hedges of certain forecasted transactions up to a maximum of 11 years, although a substantial majority is under two years. The ineffective portion of hedging derivative instruments' changes in fair values are immediately recognized in income. For fiscal 2003, under U.S. GAAP, the Bank recognized pre-tax gains (losses) of $(19) million (2002 – $3 million; 2001 – $13 million) for the ineffective portion of cash flow hedges.

Under Canadian GAAP, the Bank recognizes only derivatives used in trading activities at fair value on the Consolidated Balance Sheet, with changes in fair value included in income.

Foreign currency translation adjustments
U.S. GAAP requires foreign currency translation adjustments arising from subsidiaries where the functional currency is other than the Canadian dollar to be presented net of taxes in other comprehensive income. Under Canadian GAAP, the Bank presents foreign currency translation adjustments as a separate component of shareholders' equity.

Guarantees
During the year, the Bank adopted the U.S. interpretation on guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. As a result, for U.S. GAAP purposes, the initial liability for obligations assumed with respect to guarantees issued or modified after December 31, 2002 is recorded on the Consolidated Balance Sheet at fair value. The total amount of the current liability recorded on the Consolidated Balance Sheet is $20 million for U.S. GAAP purposes in 2003. Under Canadian GAAP, a liability is not recognized at the inception of a guarantee.

Asset retirement obligations
During the year, the Bank prospectively adopted the U.S. standard relating to accounting for asset retirement obligations. This standard requires that a liability for an asset retirement obligation related to a long-lived asset be recognized in the period in which it is incurred and recorded at fair value. The offset to the liability is capitalized as part of the carrying amount of the related long-lived asset. There are no similar requirements under current Canadian GAAP. The cumulative effect of the change in accounting policy on prior years was a charge to income of $15 million after-tax in the current year, two cents per share on a basic and fully diluted basis and the effect of the new standard for fiscal 2003 was a charge of $4 million after-tax. As at October 31, 2003, the Bank has recognized a liability for asset retirement obligations related to capitalized leasehold improvements of $53 million for U.S. GAAP reporting purposes.

NOTE 26 Future accounting changes

Hedging relationships
During fiscal 2002, the Canadian Institute of Chartered Accountants (CICA) issued an accounting guideline on hedging relationships. The guideline is effective for the Bank beginning November 1, 2003. The guideline sets out the criteria that must be met in order to apply hedge accounting for derivatives and is based on many of the principles outlined in the U.S. standard relating to derivative instruments and hedging activities. Specifically, the guideline provides detailed guidance on the identification, designation, documentation and effectiveness of hedging relationships, for purposes of applying hedge accounting; and the discontinuance of hedge accounting. The Bank implemented the guideline on November 1, 2003 and as a result the Bank's credit default swap portfolio with a notional value of $4 billion will no longer qualify for hedge accounting and will be carried at fair value. The resulting transition loss of $32 million will be deferred and recognized in income in the same period as the corresponding gains, losses, revenues or expenses associated with the original hedged item. The Bank will continue using credit default swaps to manage credit risk which may result in reported earnings volatility in future periods. The impact on future results will depend on the Bank's hedging strategies and market volatility.

Consolidation of variable interest entities
During the second quarter, the Canadian Accounting Standards Board approved a new accounting guideline on the consolidation of variable interest entities (VIEs). The guideline is harmonized with a recently issued U.S. Financial Accounting Standards Board interpretation and will be effective for the Bank in fiscal 2005, except for the disclosure requirements which will be effective in the Bank's second quarter of fiscal 2004. The Bank is currently evaluating the impact of the new guideline and has not yet completed its analysis. There are significant uncertainties surrounding the application and interpretation of this guidance, as a result the following summarizes the Bank's preliminary assessment of the impact of adopting the new guideline.

Bank-originated assets
Based on a preliminary assessment, it is reasonably possible that the Bank will need to consolidate securitized bank-originated assets of approximately $4 billion. The Bank continues to investigate restructuring alternatives for these assets.

Third party originated assets
Based on a preliminary assessment, it is reasonably possible that the Bank will need to consolidate third party originated assets of approximately $9 billion. The Bank continues to investigate restructuring alternatives for these third party originated assets.

Mutual funds
Mutual funds in Canada may be considered VIEs with the possibility that the Bank sponsors be considered the primary beneficiary. The Bank is the sponsor of several mutual funds with assets of approximately $47 billion.

Compensation trusts
Certain of the Bank's stock-based compensation plans are funded through trusts established for these purposes. It is reasonably possible that the Bank may be considered the primary beneficiary of these trusts and consequently, may need to consolidate.

Innovative capital structures
The Bank's innovative capital structures typically involve the creation of a trust whose voting securities are 100% owned by Bank sponsors and the trust issues beneficial ownership interests in the form of trust securities to investors. The Bank currently accounts for these securities as non-controlling interests in its Consolidated Financial Statements. These structures are likely considered VIEs under the new guideline and the determination of whether the structures continue to be consolidated depends on the details of the structure.

Other financial transactions
The Bank is also involved with other entities and/or structures such as personal trusts and investment vehicles that could be deemed VIEs. The Bank continues to assess the impact of the new guideline on these transactions.

Asset retirement obligations
During the year, the CICA issued an accounting standard on asset retirement obligations that is applicable to the Bank in fiscal 2005. The new standard harmonizes Canadian GAAP with current U.S. GAAP and requires that a liability for an asset retirement obligation related to a long-lived asset be recognized in the period in which it is incurred and recorded at fair value.

Impairment of long-lived assets
During the year, the CICA issued an accounting standard on impairment of long-lived assets that is applicable to the Bank in fiscal 2004. The new standard requires that impairment of long-lived assets be measured as the amount by which the asset's carrying value exceeds its fair value.

Principal subsidiaries

(millions of dollars)		As at October 31, 2003
Canadian	Head office	Book value of shares owned by the Bank
Commercial Mortgage Operations Company of Canada	Toronto, Canada	$ 50
CT Financial Assurance Company	Toronto, Canada	12
First Nations Bank of Canada (89%)	Walpole Island, Canada	8
Meloche Monnex Inc. Security National Insurance Company Primmum Insurance Company TD General Insurance Company	Montreal, Canada Montreal, Canada Toronto, Canada Toronto, Canada	188
TD Asset Management Inc.	Toronto, Canada	169
TD Capital Canadian Private Equity Partners Ltd.	Toronto, Canada	–
TD Capital Group Limited	Toronto, Canada	347
TD Capital Trust	Toronto, Canada	360
TD Capital Trust II	Toronto, Canada	2
TD Investment Management Inc.	Toronto, Canada	–
TD Investment Services Inc.	Toronto, Canada	223
TD Life Insurance Company	Toronto, Canada	18
TD Mortgage Corporation Canada Trustco Mortgage Company TD Waterhouse Bank N.V. Canada Trustco International Limited The Canada Trust Company TD Pacific Mortgage Corporation	Toronto, Canada London, Canada Amsterdam, The Netherlands Bridgetown, Barbados Toronto, Canada Toronto, Canada	7,098
TD Mortgage Investment Corporation	Calgary, Canada	88
TD Nordique Inc.	Vancouver, Canada	637
TD Securities Inc.	Toronto, Canada	128
United States		
TD North America Limited Partnership	Delaware, U.S.A.	297
TD Waterhouse Group, Inc. CTUSA, Inc. TD Bank USA, F.S.B. Drewmark, Inc. R.J. Thompson Holdings, Inc. National Investor Services Corp. TD Waterhouse Asset Management, Inc. TD Waterhouse Bank, N.A. TD Waterhouse Canada Inc. TD Waterhouse Capital Markets, Inc. TD Waterhouse Investor Services, Inc.	New York, U.S.A. New Jersey, U.S.A. New Jersey, U.S.A. Omaha, U.S.A. Omaha, U.S.A. New York, U.S.A. New York, U.S.A. New Jersey, U.S.A. Toronto, Canada New Jersey, U.S.A. New York, U.S.A	2,520
Toronto Dominion Holdings (U.S.A.), Inc. TD Equity Options, Inc. TD Options LLC TD Securities (USA) Inc. TD Professional Execution, Inc. Toronto Dominion (New York), Inc. Toronto Dominion (Texas), Inc.	Houston, U.S.A. Chicago, U.S.A. Chicago, U.S.A. New York, U.S.A. Chicago, U.S.A. New York, U.S.A. Chicago, U.S.A.	848
Other foreign		
Carysforth Investments Limited (70%)	Grand Cayman, Cayman Islands	659
Haddington Investments Limited (70%)	St. Peter Port, Guernsey CI	659
NatWest Personal Financial Management Limited (50%) NatWest Stockbrokers Limited	London, England London, England	72
TD Financial International Ltd. TD Reinsurance (Barbados) Inc.	Hamilton, Bermuda St. Michael, Barbados	–
TD Haddington Services B.V. Belgravia Securities Investments Limited (66.7%) TD Guernsey Services Limited TD European Funding Limited (60.99%)	Amsterdam, The Netherlands Grand Cayman, Cayman Islands St. Peter Port, Guernsey CI St. Peter Port, Guernsey CI	989
TD Ireland TD Global Finance	Shannon, Ireland Dublin, Ireland	133
TD Securities (Japan) Inc.	St. Michael, Barbados	60
TD Waterhouse Investor Services (UK) Limited TD Waterhouse Investor Services (Europe) Limited	London, England London, England	381
Toronto Dominion International Inc. The TD Bermuda Trust TD Trust (Bermuda) Limited	St. Michael, Barbados Hamilton, Bermuda Hamilton, Bermuda	388
Toronto Dominion Investments B.V. TD Bank Europe Limited Toronto Dominion Holdings (U.K.) Limited TD Securities Limited	Amsterdam, The Netherlands London, England London, England London, England	782
Toronto Dominion Jersey Holdings Limited	St. Helier, Jersey CI	1,403
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	497

Unless otherwise noted, the Bank, either directly or through its subsidiaries, owns 100% of any issued and outstanding voting securities and non-voting securities of the entities listed, except the non-voting securities of First Nations Bank of Canada, TD Capital Trust, TD Capital Trust II, and TD Mortgage Investment Corporation. Each subsidiary is incorporated in the country in which its head office is located.

Glossary of Financial and Banking Terms

Acceptances: A bill of exchange or negotiable instrument drawn by the borrower for payment at maturity and accepted by a bank. Acceptances constitute a guarantee of payment by the Bank.

Assets under administration and management: Assets owned by customers, for which the Bank provides management, operational support and/or custodial services. These assets are not reported on the Bank's Consolidated Balance Sheet.

Average earning assets: The average of deposits with banks, loans and securities based on daily balances for the period ending October 31 in each fiscal year.

Basis point: A measurement unit defined as one hundredth of one percent.

Capital asset pricing model: A model that describes the relationship between risk and expected return for securities. The model states that the expected return of a security or portfolio equals the rate on a risk-free security plus a risk premium.

Commitments to extend credit: Represent unutilized portions of authorizations to extend credit in the form of loans, customers' liability under acceptances, guarantees and letters of credit.

Current replacement cost: The estimated amount that would be paid or received by the Bank if the rights and obligations under contract were assigned to another counterparty.

Derivative financial instruments: See individual definitions of foreign exchange forwards, forward rate agreements, futures, options and swaps.

Dividend yield: Dividends per common share divided by current year's opening market price per common share.

Documentary and commercial letters of credit: Instruments issued on behalf of a customer authorizing a third party to draw drafts on the Bank up to a certain amount subject to specific terms and conditions.

Earnings per share, basic: Net income less preferred share dividends divided by the average number of common shares outstanding.

Earnings per share, diluted: Net income less preferred share dividends divided by the average number of common shares outstanding adjusted for the dilutive effects of stock options.

Economic profit: Economic profit is a tool to measure shareholder value creation. Economic profit is the Bank's operating cash basis net income applicable to common shares after providing a charge for invested capital.

Efficiency ratio: Non-interest expenses as a percentage of total revenue. The efficiency ratio measures the efficiency of the Bank's operations.

Foreign exchange forwards: Contracts to buy or sell foreign currencies on a specified future date at a predetermined fixed rate.

Forward rate agreements: Contracts fixing an interest rate to be paid or received on a notional principal of specified maturity commencing on a specified future date.

Futures: Contracts to buy or sell a security at a predetermined price on a specified future date. Each contract is between the Bank and the organized exchange on which the contract is traded.

Guarantees and standby letters of credit: Irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse and collateral security requirements as loans extended to customers.

Hedging: A risk management technique intended to mitigate the Bank's exposure to fluctuations in interest rates, foreign currency exchange rates, or other market factors. The elimination or reduction of such exposure is accomplished by engaging in capital markets activities to establish offsetting positions.

Impaired loans: Loans 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 principal and interest.

Invested capital: Invested capital is equal to common equity plus the cumulative amount of goodwill and intangible assets amortized as of the reporting date.

Location of ultimate risk: The location of residence of the customer or, if guaranteed, the guarantor. However, where the customer or guarantor is a branch office, the location of residence of the head office is used, and where most of the customer's or guarantor's assets or the security for the asset are situated in a different country, that country is deemed to be the location of ultimate risk. Foreign currency assets are not necessarily utilized in or repaid from the geographic areas in which they are included.

Mark-to-market: The valuation at market rates, as at the balance sheet date, of securities and derivatives held for trading purposes.

Master netting agreements: Legal agreements between two parties that have multiple derivative contracts with each other that provide for the net settlement of all contracts through a single payment, in a single currency, in the event of default on or termination of any one contract.

Net interest income: The difference between the interest and dividends earned from loans and securities, and the interest paid on deposits and other liabilities.

Net interest rate margin: Net interest income as a percentage of average earning assets.

Notional principal: A reference amount on which payments for derivative financial instruments are based.

Options: Contracts in which the writer of the option grants the buyer the future right, but not the obligation, to buy or to sell, a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date.

Provision for credit losses: Amount added to the allowance for credit losses to bring it to a level that management considers adequate to absorb all credit related losses in its portfolio.

Return on common shareholders' equity: Net income applicable to common shareholders as a percentage of average common shareholders' equity. A broad measurement of a bank's effectiveness in employing shareholders' funds.

Risk-weighted assets: Assets calculated by applying a regulatory predetermined risk-weight factor to the face amount of each asset. The face amount of off-balance sheet instruments are converted to balance sheet (or credit) equivalents, using specified conversion factors, before the appropriate risk-weights are applied. The risk-weight factors are established by the Superintendent of Financial Institutions Canada to convert assets and off-balance sheet exposures to a comparable risk level.

Securities purchased under resale agreements: The purchase of a security, normally a government bond, with the commitment by the buyer to resell the security to the original seller at a specified price.

Securities sold under repurchase agreements: The sale of a security with the commitment by the seller to repurchase the security at a specified price.

Securitization: The process by which financial assets, mainly loans, are transferred to a trust, which normally issues a series of different classes of asset-backed securities to investors to fund the purchase of loans. The Bank normally accounts for these transfers as a sale, provided certain conditions are met, and accordingly, the loans are removed from the Consolidated Balance Sheet.

Swaps: Contracts that involve the exchange of fixed and floating interest rate payment obligations and/or currencies on a notional principal for a specified period of time.

Taxable equivalent basis (TEB): Net interest income is adjusted to recognize non-taxable or tax exempt income such as dividends at their equivalent before tax value. This permits uniform measurement and comparison of net interest income.

Total market return: The change in market price plus dividends paid during the year as a percentage of the current year's opening market price per common share.

Ten-year Statistical Review

(millions of dollars)		**2003**	2002	2001
Condensed Consolidated Balance Sheet	**Assets**			
	Cash resources	**$ 7,719**	$ 6,538	$ 5,945
	Securities purchased under resale agreements	**17,475**	13,060	20,205
	Securities	**79,665**	82,197	97,194
	Loans (net)	**118,058**	122,627	119,673
	Other	**50,615**	53,618	44,821
	Total	**$273,532**	$278,040	$287,838
	Liabilities			
	Deposits	**$182,880**	$189,190	$193,914
	Other	**70,404**	70,216	74,356
	Subordinated notes and debentures	**5,887**	4,343	4,892
	Non-controlling interest in subsidiaries	**1,250**	1,250	1,272
		260,421	264,999	274,434
	Shareholders' equity			
	Capital stock – preferred	**1,535**	1,485	1,492
	– common	**3,179**	2,846	2,259
	Contributed surplus	**9**	–	–
	Foreign currency translation adjustments	**(130)**	418	450
	Retained earnings	**8,518**	8,292	9,203
		13,111	13,041	13,404
	Total	**$273,532**	$278,040	$287,838

(millions of dollars)		**2003**	2002	2001
Condensed Consolidated Statement of Operations – reported basis	Net interest income	**$ 5,616**	$ 5,300	$ 4,391
	Provision for credit losses	**186**	2,925	920
	Net interest income after credit loss provision	**5,430**	2,375	3,471
	Other income	**4,424**	4,929	6,447
	Net interest and other income	**9,854**	7,304	9,918
	Non-interest expenses	**8,364**	7,752	8,654
	Income (loss) before provision for (benefit of) income taxes and non-controlling interest in net income of subsidiaries	**1,490**	(448)	1,264
	Provision for (benefit of) income taxes	**322**	(445)	(206)
	Non-controlling interest in net income of subsidiaries	**92**	64	78
	Net income (loss)	**1,076**	(67)	1,392
	Preferred dividends	**87**	93	92
	Net income (loss) applicable to common shares	**$ 989**	$ (160)	$ 1,300

(millions of dollars)		**2003**	2002	2001
Condensed Consolidated Statement of Operations – operating cash basis[1]	Net interest income (TEB)	**$ 5,846**	$ 5,522	$ 4,636
	Provision for credit losses	**186**	2,925	620
	Net interest income after credit loss provision	**5,660**	2,597	4,016
	Other income	**4,424**	4,889	6,097
	Net interest and other income	**10,084**	7,486	10,113
	Non-interest expenses	**7,592**	6,754	6,925
	Income before provision for income taxes and non-controlling interest in net income of subsidiaries	**2,492**	732	3,188
	Provision for income taxes (TEB)	**833**	133	939
	Non-controlling interest in net income of subsidiaries	**92**	64	82
	Net income	**1,567**	535	2,167
	Preferred dividends	**87**	93	92
	Net income applicable to common shares	**$ 1,480**	$ 442	$ 2,075

2000	1999	1998	1997	1996	1995	1994
$ 4,187	$ 6,226	$ 3,079	$ 7,587	$ 5,216	$ 4,351	$ 3,148
13,974	25,708	12,291	23,321	13,063	6,363	2,736
85,387	69,093	49,719	33,422	24,224	22,128	19,310
120,721	87,485	84,926	79,702	72,391	66,295	66,125
40,549	25,905	31,816	19,820	15,403	16,208	8,440
$264,818	$214,417	$181,831	$163,852	$130,297	$115,345	$99,759
$185,808	$140,386	$120,677	$110,626	$ 87,563	$ 81,131	$80,463
60,121	58,946	49,015	42,532	33,720	25,757	11,347
4,883	3,217	3,606	3,391	2,335	2,404	2,510
1,656	335	–	–	–	–	–
252,468	202,884	173,298	156,549	123,618	109,292	94,320
1,251	833	845	546	534	535	397
2,060	2,006	1,301	1,297	1,305	882	879
–	–	–	–	–	–	–
279	277	426	156	36	44	57
8,760	8,417	5,961	5,304	4,804	4,592	4,106
12,350	11,533	8,533	7,303	6,679	6,053	5,439
$264,818	$214,417	$181,831	$163,852	$130,297	$115,345	$99,759

2000	1999	1998	1997	1996	1995	1994
$ 3,605	$ 2,981	$ 2,941	$ 2,822	$ 2,467	$ 2,378	$ 2,451
480	275	450	360	152	180	345
3,125	2,706	2,491	2,462	2,315	2,198	2,106
6,400	5,932	3,197	2,650	1,749	1,461	1,179
9,525	8,638	5,688	5,112	4,064	3,659	3,285
8,127	4,561	3,957	3,383	2,654	2,413	2,209
1,398	4,077	1,731	1,729	1,410	1,246	1,076
266	1,081	601	641	496	452	393
97	5	–	–	–	–	–
1,035	2,991	1,130	1,088	914	794	683
66	53	54	31	32	38	40
$ 969	$ 2,938	$ 1,076	$ 1,057	$ 882	$ 756	$ 643

2000	1999	1998	1997	1996	1995	1994
$ 3,804	$ 3,173	$ 3,140	$ 2,983	$ 2,603	$ 2,498	$ 2,560
480	275	450	360	152	180	345
3,324	2,898	2,690	2,623	2,451	2,318	2,215
6,400	4,092	3,197	2,650	1,749	1,461	1,179
9,724	6,990	5,887	5,273	4,200	3,779	3,394
6,307	4,508	3,888	3,326	2,654	2,413	2,209
3,417	2,482	1,999	1,947	1,546	1,366	1,185
1,292	995	807	802	632	572	502
97	5	–	–	–	–	–
2,028	1,482	1,192	1,145	914	794	683
66	53	54	31	32	38	40
$ 1,962	$ 1,429	$ 1,138	$ 1,114	$ 882	$ 756	$ 643

[1] Operating cash basis measurements are explained in the "How the Bank reports" section on page 10 of this Annual Report.

(millions of dollars)			**2003**	2002	2001
Condensed Consolidated Statement of Changes in Shareholders' Equity		Preferred shares	**$ 1,535**	$ 1,485	$ 1,492
		Common shares	**3,179**	2,846	2,259
		Contributed surplus	**9**	–	–
		Foreign currency translation adjustments	**(130)**	418	450
		Retained earnings	**8,518**	8,292	9,203
		Total common equity	**11,576**	11,556	11,912
		Total shareholders' equity	**$ 13,111**	$ 13,041	$ 13,404

Other statistics – reported basis

			2003	2002	2001
Per common share[1]	**1**	Basic net income	**$ 1.52**	$ (.25)	$ 2.07
	2	Diluted net income[2]	**1.51**	(.25)	2.05
	3	Dividends	**1.16**	1.12	1.09
	4	Book value	**17.64**	17.91	18.97
	5	Closing market price	**43.86**	29.35	35.94
	6	Closing market price to book value	**2.49**	1.64	1.89
	7	Closing market price appreciation	**49.4%**	(18.3)%	(14.3)%
	8	Total market return	**53.4**	(15.2)	(11.7)
Performance ratios	**9**	Return on common shareholders' equity	**8.7%**	(1.3)%	11.3%
	10	Return on risk-weighted assets	**.92**	(.05)	1.08
	11	Efficiency ratio	**83.3**	75.8	79.8
	12	Net interest rate margin	**2.23**	2.07	1.75
	13	Common dividend payout ratio	**76.2**	–	52.6
	14	Dividend yield[3]	**3.2**	3.2	2.7
	15	Price earnings ratio[4]	**29.2**	–	17.5
Asset quality	**16**	Net impaired loans as a % of net loans[5]	**(.5)%**	(.7)%	–%
	17	Net impaired loans as a % of common equity	**(5.5)**	(8.4)	(.4)
	18	Provision for credit losses as a % of net average loans[5]	**.15**	2.24	.71
Capital ratios	**19**	Tier 1 capital to risk-weighted assets	**10.5%**	8.1%	8.4%
	20	Total capital to risk-weighted assets	**15.6**	11.6	11.9
	21	Common equity to total assets	**4.2**	4.2	4.1
Other	**22**	Number of common shares outstanding (thousands)[1]	**656,261**	645,399	628,451
	23	Market capitalization (millions)	**$ 28,784**	$ 18,942	$ 22,587
	24	Number of employees[6]	**41,934**	43,208	45,565
	25	Number of domestic retail outlets[7]	**1,093**	1,178	1,294
	26	Number of retail brokerage offices	**270**	283	284
	27	Number of Automated Banking Machines	**2,638**	2,608	2,777

Other statistics – operating cash basis[8]

			2003	2002	2001
Per common share[1]	**1**	Basic net income	**$ 2.28**	$ .69	$ 3.31
	2	Diluted net income[2]	**2.26**	.68	3.27
Performance ratios	**3**	Return on common shareholders' equity	**13.0%**	3.6%	18.0%
	4	Return on risk-weighted assets	**1.35**	.42	1.68
	5	Efficiency ratio	**73.9**	64.9	64.5
	6	Net interest rate margin (TEB)	**2.32**	2.15	1.85
	7	Common dividend payout ratio	**50.9**	162.4	33.0
	8	Price earnings ratio[4]	**19.5**	43.8	11.0

2000	1999	1998	1997	1996	1995	1994
$ 1,251	$ 833	$ 845	$ 546	$ 534	$ 535	$ 397
2,060	2,006	1,301	1,297	1,305	882	879
–	–	–	–	–	–	–
279	277	426	156	36	44	57
8,760	8,417	5,961	5,304	4,804	4,592	4,106
11,099	10,700	7,688	6,757	6,145	5,518	5,042
$ 12,350	$ 11,533	$ 8,533	$ 7,303	$ 6,679	$ 6,053	$ 5,439

2000	1999	1998	1997	1996	1995	1994
$ 1.56	$ 4.90	$ 1.81	$ 1.77	$ 1.48	$ 1.25	$ 1.07
1.53	4.81	–	–	–	–	–
.92	.72	.66	.56	.50	.44	.39
17.83	17.25	12.94	11.38	10.15	9.16	8.37
41.95	33.75	22.95	25.83	15.68	11.88	10.25
2.35	1.96	1.77	2.27	1.54	1.30	1.22
24.3%	47.1%	(11.1)%	64.8%	32.0%	15.9%	(2.4)%
27.0	50.2	(8.6)	68.3	36.2	20.1	1.4
8.9%	34.3%	15.0%	16.6%	15.4%	14.3%	13.3%
.86	2.74	1.10	1.13	1.06	.99	.90
81.2	51.2	64.5	61.8	62.9	62.9	60.9
1.54	1.60	1.82	2.22	2.40	2.52	2.83
59.0	14.7	36.4	31.7	34.3	35.1	37.0
2.3	2.1	2.4	2.7	3.7	4.0	3.8
27.4	7.0	12.7	14.6	10.6	9.5	9.6
(.1)%	(.3)%	(.3)%	(.1)%	.4%	1.0%	1.0%
(1.4)	(2.4)	(3.4)	(1.2)	5.6	12.8	14.4
.39	.28	.48	.43	.20	.23	.48
7.2%	10.1%	7.2%	6.6%	6.8%	7.4%	6.9%
10.8	13.3	11.0	10.2	9.3	10.3	10.2
4.2	5.0	4.2	4.1	4.9	5.1	5.1
622,616	620,343	594,238	593,892	605,406	602,806	602,402
$ 26,119	$ 20,937	$ 13,638	$ 15,337	$ 9,490	$ 7,158	$ 6,175
45,026	30,636	29,236	28,001	26,815	25,413	25,767
1,355	904	916	913	947	952	965
292	269	254	198	157	54	41
2,836	2,164	2,124	2,038	1,991	1,966	1,891

2000	1999	1998	1997	1996	1995	1994
$ 3.16	$ 2.39	$ 1.92	$ 1.87	$ 1.48	$ 1.25	$ 1.07
3.12	2.35	–	–	–	–	–
18.0%	16.7%	15.9%	17.4%	15.4%	14.3%	13.3%
1.67	1.35	1.15	1.18	1.06	.99	.90
61.8	62.6	63.8	61.2	61.0	60.2	59.6
1.63	1.70	1.95	2.35	2.53	2.65	2.95
29.2	30.3	34.4	30.0	34.3	35.1	37.0
13.4	14.4	11.9	13.8	10.6	9.5	9.6

[1] Adjusted to reflect the one-for-one stock dividend paid on July 31, 1999.

[2] As the information is not reasonably determinable, amounts for years prior to 1999 have not been calculated to give effect to dilution under the treasury stock method.

[3] Dividends paid during the year divided by average of high and low common share prices for the year. Yield for 1994 and prior based on dividends paid in the year divided by the opening stock price.

[4] Beginning in 1999, the price earnings ratio is computed using diluted net income per common share. Prior to 1999, the price earnings ratio is computed using basic net income per common share.

[5] Includes customers' liability under acceptances.

[6] Reflects the number of employees on a full-time equivalent basis.

[7] Includes retail bank outlets, private client centre branches, estates and trusts branches.

[8] Operating cash basis measurements are explained in the "How the Bank reports" section on page 10 of this Annual Report.

Quarterly Results

Quarterly results – reported basis

	2003				2002			
	Quarter ended				Quarter ended			
(millions of dollars)	**October 31**	**July 31**	**April 30**	**January 31**	October 31	July 31	April 30	January 31
Net interest income	**$1,379**	**$1,402**	**$1,445**	**$1,390**	$1,388	$1,404	$1,308	$1,200
Provision for credit losses	**(83)**	**59**	**98**	**112**	950	1,250	400	325
Net interest income after credit loss provision	**1,462**	**1,343**	**1,347**	**1,278**	438	154	908	875
Other income	**1,094**	**1,193**	**968**	**1,169**	1,054	1,038	1,189	1,648
Net interest and other income	**2,556**	**2,536**	**2,315**	**2,447**	1,492	1,192	2,097	2,523
Non-interest expenses	**1,960**	**1,883**	**2,564**	**1,957**	1,861	1,882	1,944	2,065
Income (loss) before provision for (benefit of) income taxes and non-controlling interest in net income of subsidiaries	**596**	**653**	**(249)**	**490**	(369)	(690)	153	458
Provision for (benefit of) income taxes	**72**	**129**	**1**	**120**	(189)	(298)	(21)	63
Non-controlling interest in net income of subsidiaries	**23**	**23**	**23**	**23**	16	13	18	17
Net income (loss)	**501**	**501**	**(273)**	**347**	(196)	(405)	156	378
Preferred dividends	**21**	**21**	**22**	**23**	23	23	24	23
Net income (loss) applicable to common shares	**$ 480**	**$ 480**	**$ (295)**	**$ 324**	$ (219)	$ (428)	$ 132	$ 355
(dollars)								
Basic net income (loss) per common share	**$ .74**	**$ .74**	**$ (.46)**	**$ .50**	$ (.34)	$ (.67)	$ .20	$ .56
Diluted net income (loss) per common share	**.73**	**.73**	**(.46)**	**.50**	(.34)	(.67)	.20	.55
Return on common shareholders' equity	**16.7%**	**17.1%**	**(10.5)%**	**11.1%**	(7.4)%	(13.9)%	4.4%	11.5%
(billions of dollars)								
Average earning assets	**$ 242**	**$ 259**	**$ 259**	**$ 248**	$ 250	$ 257	$ 261	$ 259
Net interest income as a % of average earning assets	**2.26%**	**2.15%**	**2.29%**	**2.22%**	2.20%	2.17%	2.06%	1.84%

Quarterly results – operating cash basis[1]

	2003				2002			
	Quarter ended				Quarter ended			
(millions of dollars)	**October 31**	**July 31**	**April 30**	**January 31**	October 31	July 31	April 30	January 31
Net interest income (TEB)	**$1,441**	**$1,460**	**$1,501**	**$1,444**	$1,441	$1,452	$1,368	$1,261
Provision for credit losses	**(83)**	**59**	**98**	**112**	950	1,250	400	325
Net interest income after credit loss provision	**1,524**	**1,401**	**1,403**	**1,332**	491	202	968	936
Other income	**1,094**	**1,193**	**968**	**1,169**	1,054	1,016	1,189	1,630
Net interest and other income	**2,618**	**2,594**	**2,371**	**2,501**	1,545	1,218	2,157	2,566
Non-interest expenses	**1,785**	**1,697**	**2,365**	**1,745**	1,635	1,641	1,687	1,791
Income (loss) before provision for (benefit of) income taxes and non-controlling interest in net income of subsidiaries	**833**	**897**	**6**	**756**	(90)	(423)	470	775
Provision for (benefit of) income taxes (TEB)	**197**	**254**	**129**	**253**	(66)	(167)	136	230
Non-controlling interest in net income of subsidiaries	**23**	**23**	**23**	**23**	16	13	18	17
Net income (loss)	**613**	**620**	**(146)**	**480**	(40)	(269)	316	528
Preferred dividends	**21**	**21**	**22**	**23**	23	23	24	23
Net income (loss) applicable to common shares	**$ 592**	**$ 599**	**$ (168)**	**$ 457**	$ (63)	$ (292)	$ 292	$ 505
(dollars)								
Basic net income (loss) per common share	**$ .91**	**$ .92**	**$ (.26)**	**$ .71**	$ (.10)	$ (.46)	$ .46	$ .79
Diluted net income (loss) per common share	**.90**	**.91**	**(.26)**	**.70**	(.10)	(.46)	.45	.78
Return on common shareholders' equity	**20.6%**	**21.4%**	**(6.0)%**	**15.6%**	(2.1)%	(9.5)%	9.7%	16.4%
(billions of dollars)								
Average earning assets	**$ 242**	**$ 259**	**$ 259**	**$ 248**	$ 250	$ 257	$ 261	$ 259
Net interest income (TEB) as a % of average earning assets	**2.36%**	**2.24%**	**2.38%**	**2.31%**	2.29%	2.25%	2.15%	1.93%

[1] Operating cash basis measurements are defined in the "How the Bank reports" section on page 10 of this Annual Report.

Shareholder and Investor Information

Market listings
The Toronto-Dominion Bank common stock is listed on:
the Toronto Stock Exchange
the New York Stock Exchange
the Tokyo Stock Exchange

The Toronto-Dominion Bank preferred stock with a ticker symbol are listed on the Toronto Stock Exchange.

The Preferred Shares, Series A ("HYBRIDS") of TD Mortgage Investment Corporation are listed on the Toronto Stock Exchange.

The Capital Trust Securities - Series 2009 of TD Capital Trust are listed on the Toronto Stock Exchange.

A number of deposit notes issued by the Bank and guaranteed notes issued by the Bank's wholly-owned subsidiaries are listed on one of:
the London Stock Exchange
the Irish Stock Exchange

Auditors
Ernst & Young LLP
PricewaterhouseCoopers LLP

Dividends
Direct dividend depositing:
All shareholders may have their dividends deposited directly to any bank account in Canada or the United States. For this service, please write to the Bank's transfer agent.

U.S. dollar dividends:
Dividend payments sent to U.S. addresses or made directly to U.S. bank accounts will be made in U.S. funds unless a shareholder otherwise instructs the Bank's transfer agent. Other shareholders can request dividend payments in U.S. funds by writing to the Bank's transfer agent. Dividends will be exchanged into U.S. funds at the Bank of Canada noon rate on the fifth business day after record date, or as otherwise advised by the Bank.

Dividend reinvestment plan
For information regarding the Bank's dividend reinvestment plan, please contact our transfer agent or visit our web site at www.td.com under Investor Relations/Shares and Debt Information.

Debenture services
Trustee for debentures:
Computershare Trust Company of Canada
Corporate Trust Services
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1

Dividend Dates[1] for 2004

Date Payable	Common Share Record Date
January 31, 2004	December 18, 2003
April 30, 2004	March 18, 2004
July 31, 2004	June 17, 2004
October 31, 2004	September 16, 2004

[1] Dividends, including the amounts and dates, are subject to declaration by the Board of Directors of the Bank.

Securities information[2]	Ticker symbol	CUSIP no.
Common Shares	TD	891160 50 9
Non-cumulative Redeemable Class A First Preferred Shares, Series H	TD.PR.H	891160 85 5
Non-cumulative Redeemable Class A First Preferred Shares, Series I		891160 77 2
Non-cumulative Redeemable Class A First Preferred Shares, Series J	TD.PR.J	891160 79 8
Non-cumulative Redeemable Class A First Preferred Shares, Series M	TD.PR.M	891160 71 5
Non-cumulative Redeemable Class A First Preferred Shares, Series N	TD.PR.N	891160 69 9
TD Mortgage Investment Corporation HYBRIDS	TDB.M	871949 AA 1
TD Capital Trust Capital Trust Securities - Series 2009	TDD.M	87807M AA 1
TD Capital Trust II TD Capital Trust II Securities - Series 2012-1		87807T AA 6

[2] Further information is available on our web site at www.td.com under Investor Relations/Shares and Debt Information.

Vous pouvez vous procurer des exemplaires en français du rapport annuel au service suivant :
Affaires internes et publiques
La Banque Toronto-Dominion
P.O. Box 1
Toronto-Dominion Centre
Toronto (Ontario)
M5K 1A2

財務報告書の日本語版（有価証券報告書より抜粋）をご希望の方は、下記にお申し出下さい。
〒105-0001
東京都港区虎ノ門
４丁目３番地２０号
神谷町ＭＴビル１６階
トロント・ドミニオン銀行東京支店
(Tel. 03-5473-1610)

Corporate Governance

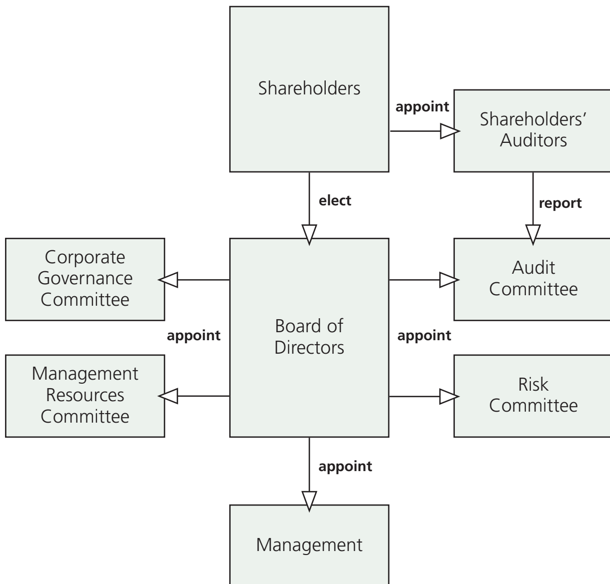
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors and the management of TD Bank Financial Group are committed to leadership in corporate governance. We have designed our corporate governance policies and our practices to ensure that we are focused on our responsibilities to our shareholders and on creating long-term shareholder value.

Corporate governance has been the subject of intense interest and debate over the last few years. We want to take this opportunity to assure you that all of TDBFG's policies and practices meet or exceed legal requirements. We are also monitoring all of the proposed new rules and we will be adopting new policies and practices to meet these additional requirements. An overview of our corporate governance structure is set out below. The next few pages explain the roles and responsibilities of each important part of this structure as well as other key facts about corporate governance at TDBFG.

Overview of Corporate Governance Structure at TDBFG

This diagram is a simple overview of the corporate governance structure at TDBFG.



Other Places to Find Information about Corporate Governance at TDBFG

Read our Chairman of the Board's Message to Shareholders page 4

Go to the Corporate Governance section of our web site – www.td.com/governance

Read our Proxy Circular – in February 2004 it will be mailed to shareholders and available on our web site

Attend our Annual Meeting – March 25, 2004 in Edmonton, Alberta – or watch the webcast through our web site (details will be posted on our web site in March)

Read our Corporate Responsibility Report – it will be released in March 2004 – see our web site

Email us, write us, call us – see the back cover for details

John M. Thompson
Chairman of the Board

ROLE OF THE CHAIRMAN OF THE BOARD

We have separated the roles of Chairman of the Board and Chief Executive Officer and Mr. John Thompson is now the Chairman of the Board at TDBFG. Mr. Thompson is not and has never been an executive at TDBFG. His role as Chairman of the Board is to facilitate the functioning of the Board independently of management and to maintain and enhance the quality of our corporate governance at TDBFG. His key responsibilities are set out below. He also serves as Chair of the Corporate Governance Committee.

Mr. Thompson is the recently retired Vice Chairman of IBM Corporation, having previously been the Chairman and Chief Executive Officer of IBM Canada, Ltd. In addition to being a director of Robert Mondavi Corporation, Royal Philips Electronics and The Thomson Corporation, Mr. Thompson is a trustee of the Hospital for Sick Children in Toronto. Mr. Thompson has been a member of the Board of TDBFG since 1988.

Chairman of the Board

Key Responsibilities

- Manage the affairs of the Board, including ensuring the Board is organized properly, functions effectively and meets its obligations and responsibilities;
- Facilitate the functioning of the Board independently of management and maintain and enhance the quality of the Board's governance and that of TDBFG;
- Regular interaction with the President and Chief Executive Officer on governance and performance issues including providing feedback of other Board members as well as acting as a 'sounding board' for the President and Chief Executive Officer;
- Lead the Board in the execution of its responsibilities to shareholders.

THE BOARD OF DIRECTORS

Who are They?

Our directors* are listed below. Additional biographical information about the directors is included on our web site at www.td.com/governance. Our Management Proxy Circular for the 2004 Annual Meeting will set out the director candidates proposed for election at the meeting and additional information about each candidate including education, other directorships, TDBFG committee membership, stock ownership and attendance at Board and committee meetings.

Hugh J. Bolton
Chair of the Board
EPCOR Utilities Inc.
Edmonton

W. Edmund Clark
President and Chief
Executive Officer
The Toronto-Dominion Bank
Toronto

Marshall A. Cohen
Counsel
Cassels Brock & Blackwell
Toronto

Wendy K. Dobson
Professor and Director
Institute for International Business
Joseph L. Rotman School of
Management
University of Toronto
Toronto

Darren Entwistle
President and Chief
Executive Officer
TELUS Corporation
Vancouver

Henry H. Ketcham
Chairman of the Board, President
and Chief Executive Officer
West Fraser Timber Co. Ltd.
Vancouver

Pierre H. Lessard
President and
Chief Executive Officer
METRO INC.
Montréal

Brian F. MacNeill
Chairman of the Board
Petro-Canada
Calgary

*as of December 1, 2003

Roger Phillips
Corporate Director and
Retired President and
Chief Executive Officer
IPSCO Inc.
Regina

Wilbur J. Prezzano
Corporate Director and
Retired Vice Chairman
Eastman Kodak Company
Charleston

Edward S. Rogers
President and
Chief Executive Officer
Rogers Communications Inc.
Toronto

Helen K. Sinclair
Chief Executive Officer
BankWorks Trading Inc.
Toronto

Donald R. Sobey
Chairman
Empire Company Limited
Stellarton

Michael D. Sopko
Corporate Director and
Retired Chairman and
Chief Executive Officer
Inco Limited
Toronto

John M. Thompson
Chairman of the Board
The Toronto-Dominion Bank
Toronto

Richard M. Thomson
Retired Chairman and
Chief Executive Officer
The Toronto-Dominion Bank
Toronto

What is the Role of the Board of Directors?

The Board is responsible for overseeing our management and business affairs and makes all major policy decisions for TDBFG. The Board operates under a written charter describing in plain language its key responsibilities. The main responsibilities in the Board's charter are set out below.

Board Charter:
Main Responsibilities
Provide the supervision necessary for:

1. Disclosure of Reliable and Timely Information to Shareholders:
   - The shareholders depend on the Board to get them the right information.
2. Approval of Strategy and Major Policy Decisions of TDBFG:
   - The Board must understand and approve where TDBFG is going, be kept current on its progress towards those objectives and be part of and approve any major decisions.
3. Evaluation, Compensation and Succession for Key Management Roles:
   - The Board must be sure that the key roles have the right people, that they are monitored and evaluated by the Board and that they are appropriately compensated to encourage TDBFG's long-term success.
4. Oversight of the Management of Risks and the Implementation of Internal Controls:
   - The Board must be satisfied that the assets of TDBFG are protected and that there are sufficient internal checks and balances.
5. Effective Board Governance:
   - To excel in our duties the Board needs to be functioning properly as a board – strong members with the right skills and the right information.

How are Directors Selected?

Each year, the Board recommends the director nominees to shareholders and the shareholders can vote on each new director nominee. The Corporate Governance Committee has the responsibility to determine what skills, qualities and backgrounds the Board needs to fulfill its many responsibilities with a view to diverse representation on the Board. It seeks candidates to fill any gaps in the skills, qualities and backgrounds of Board members and rigorously assesses a candidate's ability to make a valuable contribution to the Board. In addition to having the requisite skills and experience, all non-management directors must meet the qualifications for directors set out in the Position Description for Directors of TDBFG. Those key qualities are set out below.

Key Qualities for Directors at TDBFG
To serve TDBFG and the long-term interests of its shareholders by supervising the management of the business and affairs of TDBFG in a manner that:

- Meets the highest ethical and fiduciary standards;
- Demonstrates independence from management;
- Is knowledgeable and inquisitive about the issues facing TDBFG;
- Applies good sense and sound judgment to help make wise decisions;
- Displays commitment through attendance at, preparation for and participation in meetings.

All directors are encouraged to identify possible candidates to join the Board. In addition, the Corporate Governance Committee has engaged an outside consultant to help identify candidates that meet the qualifications being sought and to ensure that the Committee is considering a large and diverse pool of talent.

The Committee is also responsible for assessing the contribution of the current directors to determine if they should be recommended for re-election. For many years, this process has included considering:

- The attendance of directors;
- Mandatory retirement from the Board at age 70 and resignation (which the Board may accept or reject) upon a change of principal occupation and certain other circumstances;
- Other significant changes in the ability of a director to contribute to the Board.

This year, the Corporate Governance Committee also commenced the implementation of additional formal evaluation tools for the Board and individual directors in addition to its long-standing evaluation of the effectiveness of the Board and its Committees. These tools are expected to assist the Chairman of the Board, the Corporate Governance Committee and the Board members themselves in assessing the effectiveness of each Board member with a view to the nomination process.

How Does the Board Ensure that it is Independent of Management?

Independence is Key

Our Board of Directors understands the need for independence from management. In addition to ensuring the Board composition enhances its independent functioning, the Board has implemented the following:

- The Board meets independently of management at every regularly scheduled meeting;
- The Board and its committees have the authority to hire and fire their own independent advisors;
- A strong independent Chairman of the Board with a clear mandate to provide leadership;
- A policy requiring all directors to hold Bank shares worth six times the annual retainer;
- The provision of high-quality information for directors – orientation for new directors, meaningful educational presentations on a continual basis, access to management and sufficient time to review material in advance of meetings.

Board members understand that independence requires more – it requires preparation for meetings, understanding the issues, strength, integrity and an inquiring mind.

COMMITTEES OF THE BOARD OF DIRECTORS

We have four committees of the Board of Directors. They are the Corporate Governance Committee, the Management Resources Committee, the Risk Committee and the Audit Committee. Each committee operates under a written charter that sets out the requirements regarding committee composition and the responsibilities of the committee. The key responsibilities taken from the charter for each committee and the members of each committee are set out on the next two pages.

All committee members are directors who are not current or former executives of TDBFG. Each committee is chaired by a non-management director. The committee chair spends significant additional time on the duties of the committee and meets more extensively with members of management. The committee chairs set the agenda for committee meetings. The committee chairs also report to the full Board following each committee meeting.

In addition, the committees review their charters each year to ensure they meet or exceed the regulatory obligations as well as the obligations to shareholders. The committees evaluate themselves each year to ensure that they are meeting their responsibilities under their charters and operating effectively. Based on the results of the evaluation of the effectiveness of the Board and the committees in 2002, the Board decided to split one committee into two, forming the Audit Committee and the Risk Committee. The movement to two committees permits additional time for the important tasks assigned to each committee.

Committees can meet independently of management at any time and each committee has established its own additional practices with respect to these meetings. For example, the Audit Committee meets independently with each of the Chief Financial Officer, the shareholders' auditors, the head of Internal Audit and on its own at each of its regularly scheduled quarterly meetings. Each committee also has unfettered authority to retain its own independent consultant to provide expert advice to the committee.

Below we have set out the key responsibilities from the charter and the members of each committee. There is additional information regarding our committees in our other corporate governance disclosure (see page 98, Other Places to Find Information about Corporate Governance at TDBFG).

Committee	Members*	Key Responsibilities
Corporate Governance Committee	**John M. Thompson** (Chair) **Marshall A. Cohen** **Henry H. Ketcham** **Brian F. MacNeill** **Edward S. Rogers** **Michael D. Sopko**	**Responsibility for Corporate Governance of TDBFG:** • Set the criteria for selecting new directors; • Identify individuals qualified to become Board members and recommend to the Board the director nominees for the next annual meeting of shareholders; • Develop and recommend to the Board a set of corporate governance principles aimed at fostering a healthy governance culture at TDBFG; • Review and recommend the compensation of the directors of TDBFG; • Ensure TDBFG communicates effectively with its shareholders, other interested parties and the public through a responsive communication policy; • Oversee the evaluation of the Board and committees.
Management Resources Committee	**Brian F. MacNeill** (Chair) **Marshall A. Cohen** **Pierre H. Lessard** **Wilbur J. Prezzano** **Donald R. Sobey** **John M. Thompson**	**Responsibility for Management's Performance Evaluation, Compensation and Succession Planning:** • Set performance objectives for the President and CEO, which encourage TDBFG's long-term financial success in a way that is also compatible with depositors' interests, and regularly measure the President and CEO's performance against these objectives; • Determine the President and CEO's recommended compensation in consultation with independent advisors who help us set competitive compensation for the President and CEO that meets TDBFG's hiring, retention and performance objectives; • Review candidates for President and CEO and recommend the best candidate to the Board as part of the succession planning process for the position of President and CEO; • Oversee the selection, evaluation, development and compensation of other members of senior management; • Produce a report on executive compensation for the benefit of shareholders, which is published in TDBFG's annual proxy circular.

Committee	Members	Key Responsibilities
Risk Committee	**Roger Phillips** (Chair) **Hugh J. Bolton** **Wendy K. Dobson** **Darren Entwistle** **Wilbur J. Prezzano** **Helen K. Sinclair**	**Supervising the Management of Risk of TDBFG:** • Determining, monitoring and evaluating the management of key risks of TDBFG; • Approving risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk; • Ensuring policies are in place to manage market, operational, liquidity and credit risk; • Ensuring a forum for "big-picture" analysis of future risks including considering trends; • Critically assess TDBFG's business strategies and plans from a risk perspective.
Audit Committee	**Wendy K. Dobson** (Chair) **Hugh J. Bolton** **Henry H. Ketcham** **Pierre H. Lessard** **Roger Phillips** **Helen K. Sinclair**	**Supervising the Quality and Integrity of TDBFG's Financial Reporting:** • Oversee reliable, accurate and clear financial reporting to shareholders; • Monitor internal controls – the necessary checks and balances must be in place; • Listen to the shareholders' auditors and internal auditor, and evaluate the effectiveness and independence of each; • Oversee the establishment and maintenance of processes that ensure TDBFG is in compliance with the laws and regulations that apply to it as well as its own policies; • Be the Audit Committee and Conduct Review Committee for certain subsidiaries of TDBFG that are federally-regulated financial institutions; • Receive reports on and approve, if appropriate, transactions with related parties.

*as of December 1, 2003

THE AUDIT COMMITTEE AND THE SHAREHOLDERS' AUDITORS

At the last annual meeting in April 2003, the shareholders appointed Ernst & Young LLP and PricewaterhouseCoopers LLP as the shareholders' auditors to hold office until the next annual meeting.

The shareholders' auditors review each quarterly financial statement and audit the annual financial statements. Each year in the annual report, the shareholders' auditors report to the shareholders on the audit of TDBFG and give the shareholders their opinion on the financial statements (see page 54). The audit and this report to shareholders are very important elements of TDBFG's financial reporting process.

As the Chair of the Audit Committee reported at the last annual meeting in April 2003, the Audit Committee, not management, is responsible for the relationship with the shareholders' auditors. The Audit Committee has been implementing processes to reinforce this structure. The Audit Committee reviews the shareholders' auditors plans, and the results of their audits and reviews. The Committee also meets with the shareholders' auditors at every quarterly meeting without management present. This meeting provides a forum for the shareholders' auditors to raise any concerns they may have and to confirm that they are being provided adequate access and cooperation by the management of TDBFG.

With respect to independence, the shareholders' auditors confirm annually their independence to the Audit Committee and, in addition, the Audit Committee has in place a policy to restrict the provision of non-audit services by the shareholders' auditors. Any such services must be permitted services and must be pre-approved by the Audit Committee pursuant to the policy. The Audit Committee also pre-approves the audit services and the fees to be paid. Additional information regarding audit and non-audit services can be found on page 49.

This year, the Audit Committee established a formal evaluation process to review the performance of the shareholders' auditors prior to making a recommendation to the shareholders regarding the auditors to be appointed at the next annual meeting.

The members of the Board, including the members of the Audit Committee, bring significant skill and experience to their responsibilities including academic and professional experience in accounting, business and finance. The Board has determined that there is at least one Audit Committee member who has the attributes of an audit committee financial expert. Hugh Bolton, a member of TDBFG's Audit Committee, is an audit committee financial expert as defined in the U.S. Sarbanes-Oxley Act. The Board's determination does not impose greater duties, obligations or liabilities on Mr. Bolton nor does it affect the duties, obligations or liabilities of other members of the Audit Committee or Board.

Senior Officers

W. Edmund Clark[1]
Toronto
President and
Chief Executive Officer

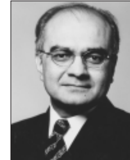
Corporate Office

Fredric J. Tomczyk[1]
London
Vice Chair
Corporate Operations

T. Christian Armstrong[1]
Toronto
Executive Vice President
Marketing

J. David Livingston[2]
Toronto
Executive Vice President
Corporate Development

Daniel A. Marinangeli
Toronto
Executive Vice President
and Chief Financial Officer



Bharat B. Masrani
Toronto
Executive Vice President
Risk Management

Christopher A. Montague
Oakville
Executive Vice President
Legal and Compliance,
General Counsel
and Secretary

Corporate Office Senior Vice Presidents:

Robert M. Aziz[1]
Oakville
Legal

James E. Chamberlain
Oakville
Computing Services

Barbara I. Cromb
Etobicoke
Marketing

John T. Davies
Mississauga
Enterprise Technology
Services

D. Suzanne Deuel
Toronto
Human Resources

Robin A. Dines
Pickering
Operational Risk

Donald E. Drummond[1]
Toronto
TD Economics

David M. Fisher
Burlington
Office of the Ombudsman

William R. Gazzard[1]
Toronto
Compliance

Philip D. Ginn
Richmond Hill
Computing Services

Alan J. Jette[1]
Toronto
Treasury and Balance
Sheet Management

Jason A. Marks
Toronto
Risk Management

Nico Meijer[1]
Toronto
Market Risk Policy

Dominic J. Mercuri[1]
Burlington
Marketing
Communications

Kerry A. Peacock[1]
Toronto
Corporate and Public
Affairs

S. Kenneth Pustai[1]
Ancaster
Human Resources

Claudia Radasanu
Toronto
Enterprise Technology
Services

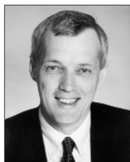
J. David Sloan
Toronto
Audit

Paul I. Verwymeren
Burlington
Commercial Credit
Risk Management

Personal and Commercial Banking

Andrea S. Rosen
Toronto
Vice Chair
President,
TD Canada Trust

Bernard T. Dorval[1]
Toronto
Executive Vice President
Deputy Chair
TD Canada Trust



Michael A. Foulkes
Etobicoke
Executive Vice President
Commercial Banking

Timothy D. Hockey[1]
Mississauga
Executive Vice President
Retail Distribution

Personal and Commercial Banking Senior Vice Presidents:

Cathy L. Backman
Etobicoke
e.Bank
Retail Distribution

Joan D. Beckett[1]
North York
Greater Toronto Area
Suburban Region
Retail Distribution

Richard C. Campbell
Oakville
Human Resources

John A. Capozzolo[1]
Etobicoke
Ontario Central Region
Retail Distribution

Paul M. Clark
Halifax
Atlantic Region
Retail Distribution

James E. Coccimiglio
Pickering
Greater Toronto Area
Commercial Banking

Alexandra P. Dousmanis-Curtis
London
Ontario South
West Region
Retail Distribution

Thomas J. Dyck[1]
Oakville
Small Business Banking

Christopher D. Dyrda
Calgary
Western District
Commercial Banking

Gary B. Flowers
Mississauga
TD Centre Branch
National Accounts
Commercial Banking

Brian J. Haier
Toronto
Retail Sales and Service
Retail Distribution

Charles A. Hounsell[1]
Oakville
Enterprise Technology
Solutions

Paul W. Huyer
Toronto
Finance

David E. Kay
Ajax
Commercial Banking

Sean E. Kilburn[1]
Toronto
TD Life Group

Richard A. Lunny
Etobicoke
Product Management
and Sales, Lending

Margo M. McConvey
Mississauga
Core Banking and
Term Products

Ronald J. McInnis
Gloucester
Ontario North and
East Region

David I. Morton
Oakville
Retail Transformation
Retail Distribution

Dwight P. O'Neill[1]
Toronto
Personal Lending
and Risk

Suzanne E. Poole
Vancouver
Pacific Region
Retail Distribution

Bruce M. Shirreff
Etobicoke
Real Estate Secured
Lending

R. Iain Strump
Calgary
Prairie Region
Retail Distribution

Alain P. Thibault[1]
Outremont
TD Meloche Monnex Inc.

Michael F. Walzak
Oakville
Ontario District
Commercial Banking

M. Suellen Wiles[1]
Mississauga
Greater Toronto
Central Region
Retail Distribution

Wealth Management – Canada

William H. Hatanaka[1]
Toronto
Executive Vice President
Wealth Management

Wealth Management – Canada Senior Vice Presidents:

Stephen J. Geist
Etobicoke
TD Mutual Funds

Gerard J. O'Mahoney
Oakville
TD Waterhouse
Operations

Steven Mantle[1]
Oakville
Managed Products, Services and Solutions

David P. Pickett[1]
Toronto
Practice Management

John G. See
Oakville
TD Waterhouse
Discount Brokerage and Financial Planning

Wealth Management – USA

Frank J. Petrilli
Irvington, New York
Executive Vice President
President and Chief Executive Officer
TD Waterhouse USA

Diane E. Walker[1]
New York, New York
Executive Vice President
Chief Administrative Officer
TD Waterhouse USA

Wealth Management – USA Senior Vice Presidents:

Joseph N. Barra
Dix Hills, New York
Customer Care USA

Janet M. Hawkins[1]
New York, New York
Marketing

Wealth Management – International[2]

Wealth Management – International Senior Vice Presidents:

Robert A. Hamilton
Edinburgh, Scotland
NatWest Stockbrokers

Timothy P. Pinnington[1]
Cheshire, United Kingdom
TD U.K. Brokerage

Wholesale Banking

Robert E. Dorrance[1]
Toronto
Vice Chair
Chairman and Chief Executive Officer
TD Securities

Michael W. MacBain
Toronto
Executive Vice President
President TD Securities

Riaz E. Ahmed
Oakville
Executive Vice President
Wholesale Banking

Wholesale Banking Senior Vice Presidents:

Sinan O. Akdeniz
London, United Kingdom
Credit Products Group

Rod F. Ashtaryeh
New York, New York
Investment Banking

Warren W. Bell
Oakville
Human Resources

Mark R. Chauvin
Burlington
Credit Risk Management

John F. Coombs
Toronto
Credit Management

Paul C. Douglas
Burlington
Credit Asset Management

Marcus J. Fedder[1]
London, United Kingdom
Region Head
Europe and Asia Pacific

Steven H. Fryer
Melbourne, Australia
Country Head

Martine M. Irman
Toronto
Global Foreign Exchange and Money Markets

Paul N. Langill[1]
Etobicoke
Finance

Patrick B. Meneley
North York
Investment Banking

Michel J. Paradis[1]
Richmond Hill
Operations

Robbie J. Pryde
Toronto
Institutional Equities

Lisa A. Reikman
Toronto
Credit Risk Management

Ian B. Struthers
Toronto
Credit Asset Management

Steven L. Tennyson
Toronto
Information Systems

Investment Management

Robert F. MacLellan
Toronto
Executive Vice President
Chief Investment Officer

Investment Management – Senior Vice Presidents:

Barbara F. Palk
Toronto
TD Asset Management

John R. Pepperell
Toronto
TD Asset Management

Satish C. Rai
Pickering
TD Asset Management

All of the senior officers listed have held management or senior management positions with the Bank for the past five years.The list of senior officers above includes their municipality of residence. This listing is as of November 26, 2003.

[1] These senior officers have not been with the Bank for the past five years. Each has previously held management or senior management positions with another financial institution, investment counsellor, public relations firm or law firm during the past five years.

[2] David Livingston also has responsibility for TD Waterhouse International.

The Future Matters

We invite you to obtain a copy of our 2003 Corporate Responsibility Report*, an account of our efforts to address the things that matter to our stakeholders, including…

All Canadians
We are sharing our expertise, leadership and resources to support the economic vitality and health of our cities and country overall. Examples in 2003 include producing research on critical urban policy issues such as affordable housing, helping Canadians deal with the devastating effects of crises and natural disasters like the forest fires in Western Canada, as well as fostering financial strength in all our communities through our lending activities.

Our Communities
As an Imagine Caring Company, we are one of the largest corporate contributors to Canadian charities and are committed to giving at least 1% of our annual domestic pre-tax profits on an operating cash basis. Our charitable giving program places a priority on three key areas closest to our hearts: children's education and literacy, children's health and the environment. The boundless community spirit of TDBFG employees was in full force as usual last year as thousands of staff actively volunteered their time and talents to charitable causes.

Our Environment
We are trying to do our part to address one of today's most serious issues – environmental sustainability. Through the TD Friends of the Environment Foundation, we sponsored and promoted over 1,000 initiatives in 2003 that helped protect and preserve the Canadian environment. Our commitment to the environment is also an integral part of how we operate within TD Bank Financial Group. As both a consumer of finished products, supplies and energy resources, and as a major lender, we've taken steps to incorporate environmental considerations in our business activities.

Our Customers
We are dedicated to making financial services a truly comfortable experience for our more than 13 million customers. Creating a more comfortable experience for our customers continued to be a priority in 2003, achieved in part through industry-leading hours of branch service, a company-wide emphasis on process improvements, and continuous monitoring of customer service issues through our Customer Satisfaction Index research. Specialized services have also been developed for customers with diverse needs such as small business, those with disabilities, and our multi-cultural and aboriginal communities.

Our People
We are committed to offering our employees a positive, supportive, healthy and rewarding workplace. To do so, we have developed a range of benefits and services that give employees flexibility in their work options, the ability to manage their changing work/life obligations, and access to development opportunities so they can achieve career satisfaction. We are focused on continually improving the work environment through workplace process improvements, plans to enhance diversity across our organization and by listening and responding to employee preferences through channels such as our organization-wide TD Pulse Survey.

Our Shareholders
We have a strong and independent Board of Directors committed to long-term shareholder value. The Board is led by a Chairman who is not an executive or former executive of TDBFG. While proud of our leadership position in corporate governance, we work constantly to meet new requirements and evolving best practices while ensuring our activities are clearly communicated to shareholders. Steps were taken in 2003 to further enhance our governance practices, including separating the role of Chairman and CEO and creating a new board-level committee focused on risk management.

*Our 2003 Corporate Responsibility Report will be available after March 15, 2004. Visit td.com or email crreport@td.com.

TD Bank Financial Group

Head office
Address:
The Toronto-Dominion Bank
P.O. Box 1
Toronto-Dominion Centre
King St. W. and Bay St.
Toronto, Ontario
M5K 1A2
(416) 982-8222

Fax:
(416) 982-5671

Products and services:
Contact TD Canada Trust,
24 hours a day, seven days a week
1-866-567-8888

French:
1-866-233-2323

Cantonese/Mandarin:
1-800-328-3698

Telephone device for the deaf:
1-800-361-1180

General and financial:
Contact Corporate and
Public Affairs,
(416) 982-8578

Internet web site:
www.td.com

Internet e-mail:
customer.service@td.com

Annual meeting
March 25, 2004
9:30 a.m.
Shaw Convention Centre
Edmonton, Alberta

Shareholder services
For shareholder inquiries
relating to:
missing dividends, lost share
certificates, estate questions,
address changes to the share
register, dividend bank account
changes or the dividend
re-investment program, please
contact our transfer agent:
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9
(800) 387-0825
(416) 643-5500
www.cibcmellon.com or
inquiries@cibcmellon.com

Co-transfer agent and registrar:
Mellon Investor Services LLC
P.O. Box 3315
South Hackensack, New Jersey 07606
or
85 Challenger Road
Ridgefield Park, New Jersey 07660
(800) 370-1163
TDD for hearing impaired:
(800) 231-5469
Foreign shareholders:
(201) 329-8660
TDD foreign shareholders:
(201) 329-8354
www.melloninvestor.com

Shareholder service agent
in Japan:
Mizuho Trust & Banking Co., Ltd.
1–17–7, Saga, Koto-ku
Tokyo, Japan
135-8722

For all other shareholder inquiries,
please contact the Shareholder
Relations department at
(416) 944-6367 or
toll-free at 1-866-756-8936 or
email tdshinfo@td.com

Shareholder information is also
available by calling toll-free in
Canada or the United States
1-800-4NEWS-TD
(1-800-463-9783); in Toronto, call
(416) 982-NEWS
[(416) 982-6397] or
(416) 944-6367 or
1-866-756-8936 toll-free.

Financial mailing list:
The Bank maintains a mailing list
so shareholders and other interested
parties can receive quarterly financial statements and annual reports.
To add your name to this list, please
write the Bank's transfer agent.

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The Bank is a Schedule 1 chartered bank subject to the provisions of the Bank Act of Canada. It was formed on February 1, 1955 through the amalgamation of The Bank of Toronto, chartered in 1855, and The Dominion Bank, chartered in 1869. The Bank is headquartered in Toronto, Canada.

Our common stock is listed on the Toronto Stock Exchange and on the New York Stock Exchange under symbol: TD, as well as on the Tokyo Stock Exchange.

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