FINANCIAL RESULTS

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 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 deemed necessary to satisfy 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 the Bank's 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.

Edmund Clark

W. Edmund Clark
President and
Chief Executive Officer

C Johnston

Colleen M. Johnston
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, 2005 and 2004 and the Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows for each of the years in the three year period ended October 31, 2005. 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 Consolidated 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, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three year period ended October 31, 2005 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
November 22, 2005

FINANCIAL RESULTS

Consolidated Balance Sheet

As at October 31

(millions of Canadian dollars)	2005	2004
ASSETS		
Cash and due from banks	**$ 1,673**	$ 1,404
Interest-bearing deposits with banks	**11,745**	7,634
Securities (Note 2)		
Investment	**42,321**	31,387
Trading	**65,775**	66,893
	108,096	98,280
Securities purchased under reverse repurchase agreements	**26,375**	21,888
Loans (Note 3)		
Residential mortgage	**52,740**	51,420
Consumer instalment and other personal	**62,754**	48,857
Credit card	**2,998**	2,566
Business and government	**35,044**	22,264
	153,536	125,107
Allowance for credit losses	**(1,293)**	(1,183)
Loans (net of allowance for credit losses)	**152,243**	123,924
Other		
Customers' liability under acceptances	**5,989**	5,507
Trading derivatives' market revaluation **(Note 17)**	**33,651**	33,697
Goodwill **(Note 5)**	**6,518**	2,225
Other intangibles **(Note 5)**	**2,124**	2,144
Land, buildings and equipment **(Note 7)**	**1,801**	1,330
Other assets **(Note 9)**	**14,995**	12,994
	65,078	57,897
Total assets	**$365,210**	$311,027
LIABILITIES		
Deposits (Note 8)		
Personal	**$131,783**	$111,360
Banks	**11,505**	11,459
Business and government	**103,693**	84,074
	246,981	206,893
Other		
Acceptances	**5,989**	5,507
Obligations related to securities sold short	**24,406**	17,671
Obligations related to securities sold under repurchase agreements	**11,284**	9,846
Trading derivatives' market revaluation **(Note 17)**	**33,498**	33,873
Other liabilities **(Note 10)**	**18,545**	16,365
	93,722	83,262
Subordinated notes and debentures (Note 11)	**5,138**	5,644
Liabilities for preferred shares and capital trust securities (Note 12)	**1,795**	2,560
Non-controlling interest in subsidiaries (Note 23)	**1,708**	–
Contingent liabilities, commitments and guarantees **(Note 20)**		
SHAREHOLDERS' EQUITY		
Common shares (millions of shares issued and outstanding: 2005 – 711.8 and 2004 – 655.9) **(Note 13)**	**5,872**	3,373
Contributed surplus	**40**	20
Foreign currency translation adjustments	**(696)**	(265)
Retained earnings	**10,650**	9,540
	15,866	12,668
Total liabilities and shareholders' equity	**$365,210**	$311,027

See Notes to Consolidated Financial Statements

W. Edmund Clark
President and
Chief Executive Officer

Hugh J. Bolton
Chair, Audit Committee

FINANCIAL RESULTS

Consolidated Statement of Income

For the years ended October 31

(millions of Canadian dollars)	**2005**	2004	2003
Interest income			
Loans	**$ 8,322**	$ 6,958	$ 7,542
Securities			
Dividends	**927**	859	721
Interest	**3,112**	2,798	2,727
Deposits with banks	**415**	517	212
	12,776	11,132	11,202
Interest expense			
Deposits	**5,129**	3,853	4,202
Subordinated notes and debentures	**328**	312	259
Distributions from liabilities for preferred shares and capital trust securities **(Note 12)**	**147**	170	179
Other obligations	**1,164**	1,024	1,125
	6,768	5,359	5,765
Net interest income	**6,008**	5,773	5,437
Provision for (reversal of) credit losses (Note 3)	**55**	(386)	186
Net interest income after provision for (reversal of) credit losses	**5,953**	6,159	5,251
Other income			
Investment and securities services	**2,417**	2,296	2,132
Credit fees	**343**	343	415
Net investment securities gains **(Note 2)**	**242**	192	23
Trading income (loss) **(Note 24)**	**147**	(153)	104
Service charges	**787**	673	641
Loan securitizations **(Note 4)**	**414**	390	250
Card services	**279**	172	252
Insurance, net of claims	**826**	593	420
Trust fees	**111**	78	70
Write-down of investment in joint ventures	**–**	–	(39)
Other	**323**	299	156
	5,889	4,883	4,424
Net interest and other income	**11,842**	11,042	9,675
Non-interest expenses			
Salaries and employee benefits **(Note 15)**	**4,218**	3,780	3,758
Occupancy including depreciation	**676**	612	656
Equipment including depreciation	**609**	562	650
Goodwill impairment **(Note 5)**	**–**	–	624
Amortization of other intangibles **(Note 5)**	**546**	626	772
Restructuring costs (reversal) **(Note 24)**	**43**	(7)	92
Marketing and business development	**469**	384	348
Brokerage related fees	**226**	228	229
Professional and advisory services	**494**	446	372
Communications	**205**	207	208
Other **(Note 20)**	**1,296**	1,169	655
	8,782	8,007	8,364
Income before provision for income taxes	**3,060**	3,035	1,311
Provision for income taxes **(Note 16)**	**699**	803	322
Income before non-controlling interest in subsidiaries	**2,361**	2,232	989
Non-controlling interest in net income of subsidiaries	**132**	–	–
Net income to common shares	**$ 2,229**	$ 2,232	$ 989
Average number of common shares outstanding (millions) **(Note 25)**			
– basic	**691.3**	654.5	649.8
– diluted	**696.9**	659.4	653.9
Earnings per share **(Note 25)**			
– basic	**$ 3.22**	$ 3.41	$ 1.52
– diluted	**3.20**	3.39	1.51

See Notes to Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

For the years ended October 31

(millions of Canadian dollars)	2005	2004	2003
Common shares (Note 13)			
Balance at beginning of year	**$ 3,373**	$ 3,179	$ 2,846
Proceeds from shares issued on exercise of options	**125**	99	47
Proceeds from shares issued as a result of dividend reinvestment plan	**380**	174	286
Impact of shares (acquired) sold in Wholesale Banking	**6**	(41)	–
Repurchase of common shares	**–**	(38)	–
Issued on acquisition of TD Banknorth **(Note 23)**	**1,988**	–	–
Balance at end of year	**5,872**	3,373	3,179
Contributed surplus			
Balance at beginning of year	**20**	9	–
Stock option expense **(Note 14)**	**20**	11	9
Balance at end of year	**40**	20	9
Foreign currency translation adjustments			
Balance at beginning of year	**(265)**	(130)	418
Foreign exchange losses from investments in subsidiaries and other items	**(718)**	(739)	(1,595)
Foreign exchange gains from hedging activities	**428**	1,004	1,528
Provision for income taxes **(Note 16)**	**(141)**	(400)	(481)
Balance at end of year	**(696)**	(265)	(130)
Retained earnings			
Balance at beginning of year	**9,540**	8,518	8,292
Net income	**2,229**	2,232	989
Common dividends	**(1,098)**	(890)	(754)
Termination of equity based compensation plan	**–**	(24)	–
Premium paid on repurchase of common shares **(Note 13)**	**–**	(312)	–
Other	**(21)**	16	(9)
Balance at end of year	**10,650**	9,540	8,518
Total shareholders' equity	**$15,866**	$12,668	$11,576

See Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the years ended October 31

(millions of Canadian dollars)	2005	2004	2003
Cash flows from (used in) operating activities			
Net income	**$ 2,229**	$ 2,232	$ 989
Adjustments to determine net cash from (used in) operating activities			
Provision for (reversal of) credit losses	**55**	(386)	186
Depreciation **(Note 7)**	**322**	294	318
Goodwill impairment	**–**	–	624
Amortization of other intangibles	**546**	626	772
Stock option expense	**20**	11	9
Write-down of investment in joint ventures	**–**	–	39
Net investment securities gains	**(242)**	(192)	(23)
Gain on securitizations	**(166)**	(134)	(49)
Non-controlling interest	**132**	–	–
Changes in operating assets and liabilities			
Future income taxes **(Note 16)**	**(261)**	128	(74)
Current income taxes payable	**2**	(440)	669
Interest receivable and payable **(Note 9, 10)**	**588**	(141)	145
Trading securities	**1,118**	(12,003)	(1,495)
Unrealized gains and amounts receivable on derivatives contracts	**46**	(5,246)	(2,712)
Unrealized losses and amounts payable on derivatives contracts	**(375)**	5,873	2,046
Other	**1,248**	370	3,622
Net cash from (used in) operating activities	**5,262**	(9,008)	5,066
Cash flows from (used in) financing activities			
Deposits	**11,169**	24,013	(6,310)
Securities sold under repurchase agreements	**1,438**	2,001	(810)
Securities sold short	**5,305**	2,325	(1,712)
Issuance of subordinated notes and debentures	**270**	3	1,904
Repayment of subordinated notes and debentures	**(1,419)**	(158)	(218)
Subordinated notes and debentures (acquired) sold in Wholesale Banking	**(3)**	(26)	–
Liabilities for preferred shares and capital trust securities	**(765)**	(225)	73
Translation adjustment on subordinated notes and debentures issued in a foreign currency	**(24)**	(62)	(142)
Common shares issued on exercise of options	**125**	99	47
Common shares issued as a result of dividend reinvestment plan	**380**	174	286
Common shares (acquired) sold in Wholesale Banking	**6**	(41)	–
Repurchase of common shares	**–**	(350)	–
Dividends paid on common shares	**(1,098)**	(890)	(754)
Other	**–**	–	(23)
Net cash from (used in) financing activities	**15,384**	26,863	(7,659)
Cash flows from (used in) investing activities			
Interest-bearing deposits with banks	**(4,111)**	(1,383)	(1,615)
Activity in investment securities			
Purchases	**(23,158)**	(30,877)	(25,199)
Proceeds from maturities	**6,388**	4,688	9,110
Proceeds from sales	**12,413**	19,769	20,139
Activity from lending activities			
Origination and acquisitions	**(78,655)**	(77,827)	(143,064)
Proceeds from maturities	**62,956**	63,457	138,126
Proceeds from sales	**4,541**	3,326	1,694
Proceeds from loan securitizations	**7,365**	5,564	7,627
Land, buildings and equipment	**(814)**	(207)	(101)
Securities purchased under reverse repurchase agreements	**(4,487)**	(4,413)	(4,415)
TD Banknorth share repurchase program **(Note 23)**	**(603)**	–	–
Acquisitions and dispositions less cash and cash equivalents acquired **(Note 23)**	**(2,184)**	–	–
Net cash from (used in) investing activities	**(20,349)**	(17,903)	2,302
Effect of exchange rate changes on cash and cash equivalents	**(28)**	(16)	(143)
Net changes in cash and cash equivalents	**269**	(64)	(434)
Cash and cash equivalents at beginning of year	**1,404**	1,468	1,902
Cash and cash equivalents at end of year represented by cash and due from banks	**$ 1,673**	$ 1,404	$ 1,468
Supplementary disclosure of cash flow information			
Amount of interest paid during the year	**$ 6,433**	$ 5,468	$ 6,040
Amount of income taxes paid during the year	**968**	1,509	306
Dividends per common share	**$ 1.58**	$ 1.36	$ 1.16

See Notes to Consolidated Financial Statements

FINANCIAL RESULTS

Notes to Consolidated Financial Statements

NOTE **1** **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

BANK ACT
The accompanying Consolidated Financial Statements and 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).

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

BASIS OF CONSOLIDATION
The Consolidated Financial Statements include the assets and liabilities, and results of operations of subsidiaries after elimination of intercompany transactions and balances. Subsidiaries are corporations or other legal entities effectively controlled by the Bank. The Bank uses the purchase method to account for all business acquisitions.

When the Bank does not own all of the equity of the subsidiary, the minority shareholders' interest is disclosed in the Consolidated Balance Sheet as non-controlling interest in subsidiaries. The net income is disclosed as a separate line item in the Consolidated Statement of Income.

Entities 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, gains and losses realized on disposition and write downs to reflect other than temporary impairment in the value of such entities is reported in interest income and other income in the Consolidated Statement of Income.

Variable interest entities (VIEs) are entities in which the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinate financial support. The Bank identifies VIEs in which it has an interest, determines whether it is the primary beneficiary of such entities and if so, consolidates them.

The proportionate consolidation method is used to account for investments in which the Bank exercises joint control. Only our specific pro rata share of assets, liabilities, income and expenses is consolidated.

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. Loan losses, fair value of financial instruments held in trading portfolios, variable interest entities, income taxes, valuation of investment securities, securitizations, valuation of goodwill and other intangibles, pensions and post-retirement benefits and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the Consolidated Financial Statements.

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 fiscal year.

Unrealized translation gains and losses related to the Bank's investment positions in certain foreign operations, net of any offsetting gains or losses arising from 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 Income.

COMPARATIVE FIGURES
Certain comparative figures have been reclassified to conform with the presentation adopted in 2005.

SPECIFIC ACCOUNTING POLICIES
To facilitate a better understanding of the Bank's Consolidated Financial Statements, we have disclosed the significant accounting policies in the applicable notes with related financial disclosures as follows:

ACCOUNTING POLICY CHANGES IN 2005
As of November 1, 2004, the Bank adopted the Canadian Institute of Chartered Accountants (CICA) amendments to the accounting standard on financial instruments – disclosure and presentation on a retroactive basis with restatement of prior period comparatives. See Note 12.

Restatement of Net Interest Income

(millions of Canadian dollars)	**2005**	2004	2003
Net interest income – prior to restatement	**$6,155**	$5,943	$5,616
Less: Preferred dividends	**79**	78	87
Non-controlling interest in innovative capital structures	**68**	92	92
Total	**$6,008**	$5,773	$5,437

As of November 1, 2004, the Bank prospectively adopted the CICA accounting guideline on the consolidation of variable interest entities (VIEs). See Note 12.

FUTURE ACCOUNTING AND REPORTING CHANGES

Financial Instruments, Hedges and Comprehensive Income

The CICA has issued three new accounting standards – Financial Instruments – Recognition and Measurement, Hedges and Comprehensive Income. These standards are substantially harmonized with U.S. GAAP and are effective for the Bank beginning in fiscal 2007. The principal impacts of the standards are as follows:

Financial assets will be classified as available for sale, held to maturity, trading or loans and receivables. Held to maturity assets will be limited to fixed maturity instruments that the Bank intends to and is able to hold to maturity and will be accounted for at amortized cost. Trading assets will continue to be accounted for at fair value with realized and unrealized gains and losses reported through net income. The remaining assets will potentially be classified as available for sale and measured at fair value with unrealized gains and losses recognized through other comprehensive income.

Other comprehensive income will be a new component of shareholder's equity and a new statement entitled Statement of Comprehensive Income will be added to the Bank's primary financial statements. Comprehensive income is comprised of the Bank's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale securities, foreign currency translation and derivative instruments designated as cash flow hedges, net of income taxes.

For fair value hedges, where the Bank is hedging changes in the fair value of assets, liabilities or firm commitments, the change in the value of derivatives and hedged items will be recorded in the Consolidated Statement of Income. For cash flow hedges where the Bank is hedging the variability in cash flows related to variable rate assets, liabilities or forecasted transactions, the effective portion of the changes in the fair values of the derivative instruments will be recorded through other comprehensive income until the hedged items are recognized in the Consolidated Statement of Income.

NOTE 2 SECURITIES

SECURITIES

Investment securities, excluding loan substitutes, are securities where the Bank's original intention is to hold to maturity or be selectively sold given that market conditions render alternative investments more attractive. Investment securities include investments in the merchant banking portfolio that are not publicly traded and are generally held for longer terms than most other securities. Investment 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 securities are purchased with the intention of ultimate resale. Trading securities, including trading securities sold short included in liabilities, are carried at market value. Gains and losses on disposal and adjustments to market value are reported in other income.

Interest income earned, amortization of premiums and discounts on debt securities and dividends received from investment and trading securities 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.

SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND SOLD UNDER REPURCHASE AGREEMENTS

Securities purchased under reverse repurchase 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 reverse repurchase agreements and obligations related to securities sold under repurchase agreements are carried at amortized 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 security 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.

Securities Maturity Schedule

(millions of Canadian dollars)						Remaining term to maturity[1]		
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	2005 Total	2004 Total
Investment securities								
Government and government-insured securities								
Canada	$ 5,583	$ 930	$ 376	$ 160	$ 25	$ –	$ 7,074	$ 3,954
Mortgage-backed securities	705	9,532	5,830	–	–	–	16,067	12,482
Total Canada	6,288	10,462	6,206	160	25	–	23,141	16,436
Provinces	45	123	140	46	5	–	359	289
Total	6,333	10,585	6,346	206	30	–	23,500	16,725
Other debt securities								
Canadian issuers	62	201	304	191	62	–	820	658
U.S. federal government	3,170	579	290	90	88	–	4,217	4,464
Other foreign governments	1,140	1,095	860	2	–	–	3,097	3,748
Other issuers	386	1,519	665	319	4,638	–	7,527	2,932
Total	4,758	3,394	2,119	602	4,788	–	15,661	11,802
Equity securities								
Preferred shares	150	109	53	–	–	606	918	935
Common shares	–	–	–	–	13	2,229	2,242	1,925
Total	150	109	53	–	13	2,835	3,160	2,860
Total investment securities	11,241	14,088	8,518	808	4,831	2,835	42,321	31,387
Trading securities								
Government and government-insured securities								
Canada	1,813	1,774	1,040	941	1,789	–	7,357	5,825
Provinces	399	209	811	701	1,371	–	3,491	3,033
Total	2,212	1,983	1,851	1,642	3,160	–	10,848	8,858
Other debt securities								
Canadian issuers	298	432	481	850	1,016	–	3,077	2,881
U.S. federal government	166	149	238	71	26	–	650	796
Other foreign governments	1,710	583	559	489	200	–	3,541	4,140
Other issuers	4,764	3,429	3,768	4,492	2,301	–	18,754	21,565
Total	6,938	4,593	5,046	5,902	3,543	–	26,022	29,382
Equity securities								
Preferred shares	–	–	–	12	113	199	324	379
Common shares	–	–	–	–	–	28,581	28,581	28,274
Total	–	–	–	12	113	28,780	28,905	28,653
Total trading securities	9,150	6,576	6,897	7,556	6,816	28,780	65,775	66,893
Total securities	$ 20,391	$ 20,664	$15,415	$8,364	$11,647	$ 31,615	$108,096	$98,280

[1] Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

Unrealized Securities Gains and Losses

(millions of Canadian dollars)				2005				2004
	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	$ 7,074	$ 22	$ 16	$ 7,080	$ 3,954	$ 11	$ 5	$ 3,960
Mortgage-backed securities	16,067	24	42	16,049	12,482	42	34	12,490
Total Canada	23,141	46	58	23,129	16,436	53	39	16,450
Provinces	359	5	1	363	289	3	1	291
Total	23,500	51	59	23,492	16,725	56	40	16,741
Other debt securities								
Canadian issuers	820	10	2	828	658	11	2	667
U.S. federal government	4,217	–	2	4,215	4,464	–	–	4,464
Other foreign governments	3,097	30	7	3,120	3,748	39	4	3,783
Other issuers	7,527	39	61	7,505	2,932	23	1	2,954
Total	15,661	79	72	15,668	11,802	73	7	11,868
Equity securities								
Preferred shares	918	93	1	1,010	935	80	2	1,013
Common shares	2,242	749	53	2,938	1,925	428	40	2,313
Total	3,160	842	54	3,948	2,860	508	42	3,326
Total investment securities	42,321	972	185	43,108	31,387	637	89	31,935
Trading securities	65,775	–	–	65,775	66,893	–	–	66,893
Total securities	$108,096	$972	$185	$108,883	$98,280	$637	$89	$98,828

Net Investment Securities Gains

(millions of Canadian dollars)	**2005**	2004	2003
Realized gains	**$293**	$268	$ 446
Realized losses	**(15)**	(29)	(153)
Write-downs	**(36)**	(47)	(270)
Total	**$242**	$192	$ 23

NOTE 3 LOANS, IMPAIRED LOANS AND ALLOWANCE FOR CREDIT LOSSES

LOANS AND IMPAIRED 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. When a loan is identified as impaired, the accrual of interest is discontinued and any previously accrued but uncollected interest relating to the loan is reversed. Interest on impaired loans subsequently received is recorded initially to recover collection costs, principal balances written off and then as interest income. Interest income on impaired loans is only recorded once 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 the government of Canada, the provincial governments in Canada 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. Government of Canada guaranteed loans are classified as impaired at 365 days in arrears. A loan will be reclassified back to performing status when it is determined that there is reasonable assurance of full and timely repayment of interest and principal in accordance with the original or restructured contractual conditions of the loan and all criteria for the impaired classification are rectified.

Collateral or power of attorney is frequently obtained by the Bank before a lending commitment takes place. Collateral can vary by type of loan and may include cash, securities, real property, accounts receivable, guarantees, inventory or other capital assets.

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 syndicate. In such cases an appropriate portion of the fee is recognized as a yield adjustment to interest income over the term of the loan.

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.

ALLOWANCE FOR CREDIT LOSSES

An allowance is maintained which is considered adequate to absorb all credit-related losses in a portfolio of instruments which are both on and off the Consolidated Balance Sheet. Assets in the portfolio which are included on the Consolidated Balance Sheet are deposits with banks, loans, mortgages, loan substitutes and acceptances. Items which are off the Consolidated Balance Sheet include guarantees and letters of credit. The allowance is deducted from the applicable asset in the Consolidated Balance Sheet except for acceptances and off-balance sheet items. The allowance for acceptances and for off-balance sheet items is included in other liabilities.

The allowance consists of specific and general allowances. Previously the Bank utilized 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. In these instances, the estimated realizable amount is generally measured by discounting the expected future cash flows at the effective interest rate inherent in the loan immediately prior to impairment. Alternatively, for personal and small business loans, excluding credit cards, specific provisions are calculated using a formula 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 considered to have occurred but 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. This allowance, although reviewed quarterly, reflects model and estimation risks in addition to management judgement.

Sectoral allowances were previously established for losses which had not been specifically identified for industries that were not adequately covered by the general allowances noted above. The Bank eliminated all sectoral allowances in 2004.

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses is the amount that is charged to the Consolidated Statement of Income to bring the total allowances (specific and general) to a level which management considers adequate to absorb probable credit-related losses.

Loans and Impaired Loans

(millions of Canadian dollars) 2005	Gross amount of loans	Gross impaired loans	Specific allowance	Impaired loans net of specific allowance	General allowance	Total allowance for credit losses	Net amount of loans
Residential mortgages	**$ 52,740**	**$ 19**	**$ 11**	**$ 8**	**$ 37**	**$ 48**	**$ 52,692**
Consumer instalment and other personal	**62,754**	**125**	**62**	**63**	**302**	**364**	**62,390**
Credit card	**2,998**	**–**	**–**	**–**	**58**	**58**	**2,940**
Business and government	**35,044**	**205**	**80**	**125**	**743**	**823**	**34,221**
Total	**$153,536**	**$349**	**$153**	**$196**	**$1,140**	**$1,293**	**$152,243**
2004							
Residential mortgages	$ 51,420	$ 21	$ 6	$ 15	$ 40	$ 46	$ 51,374
Consumer instalment and other personal	48,857	90	49	41	199	248	48,609
Credit card	2,566	–	–	–	56	56	2,510
Business and government	22,264	426	211	215	622	833	21,431
Total	$125,107	$537	$266	$271	$ 917	$1,183	$123,924

	2005	2004
Average gross impaired loans during the year	**$ 455**	$ 946

Included in gross residential mortgages are Canadian government-insured mortgages of $33,219 million at October 31, 2005 (2004 – $32,146 million). Gross impaired loans include foreclosed assets held for sale with a gross carrying value of $21 million at October 31, 2005 (2004 – $10 million) and a related allowance of $11 million (2004 – $3 million).

Included in consumer instalment and other personal loans are Canadian government-insured real estate personal loans of $12,111 million at October 31, 2005 (2004 – $8,386 million).

Allowance for Credit Losses

(millions of Canadian dollars)			**2005**				2004	2003
	Specific allowance	**General allowance**	**Total**	Specific allowance	General allowance	Sectoral allowance	Total	Total
Balance at beginning of year	**$266**	**$ 917**	**$1,183**	$487	$984	$541	$2,012	$3,500
Acquisition of TD Banknorth	**27**	**289**	**316**	–	–	–	–	–
Provision for (reversal of) credit losses	**107**	**(52)**	**55**	336	(67)	(655)	(386)	186
Transfer from sectoral to specific	**–**	**–**	**–**	6	–	(6)	–	–
Write-offs[1]	**(487)**	**–**	**(487)**	(687)	–	–	(687)	(1,601)
Recoveries[2]	**245**	**–**	**245**	123	–	150	273	177
Other[3]	**(5)**	**(14)**	**(19)**	1	–	(30)	(29)	(250)
Allowance for credit losses at end of year	**$153**	**$1,140**	**$1,293**	$266	$917	$ –	$1,183	$2,012

[1] For the year ended October 31, 2005, there were no write-offs related to restructured loans (2004 – $7 million; 2003 – $39 million).
[2] Represents $229 million of sectoral recoveries.
[3] Includes foreign exchange rate changes and losses on loan sales booked to sectoral allowance.

NOTE 4 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 securities and are carried at cost or amortized cost. A gain or loss on sale of the loan receivables is recognized immediately in other income after the effects of hedges on the assets sold, if applicable. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions – credit losses, prepayment rates, forward yield curves, and discount rates – which are commensurate with the risks involved.

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.

The following table summarizes the Bank's securitization activity. In most cases the Bank retained the responsibility for servicing the assets securitized.

New Securitization Activity

(millions of Canadian dollars)	2005									2004	2003
	Residential mortgage loans	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	**Total**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Total	Total
Gross proceeds	**$5,928**	**$4,208**	**$5,200**	**$661**	**$15,997**	$5,605	$2,673	$5,600	$720	$14,598	$14,093
Retained interests	**131**	**30**	**95**	**–**	**256**	131	–	102	3	236	221
Cash flows received on retained interests	**197**	**50**	**167**	**4**	**418**	151	43	185	7	386	263

The following table summarizes the impact of securitizations on the Bank's Consolidated Statement of Income.

Securitization Gains and Servicing Income

(millions of Canadian dollars)	2005									2004	2003
	Residential mortgage loans	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	**Total**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Total	Total
Gain on sale[1]	**$ 42**	**$22**	**$90**	**$12**	**$166**	$ 29	$ –	$95	$10	$134	$ 49
Servicing income	**122**	**50**	**76**	**–**	**248**	123	43	90	–	256	201

¹ For term loans, the gain on sale is after the impact of hedges on assets sold.

The key assumptions used to value the retained interests are shown in the table below.

Key Assumptions

	2005				2004				2003			
	Residential mortgage loans	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans
Prepayment rate[1]	**20.0%**	**5.9%**	**41.6%**	**2.1%**	20.0%	5.9%	40.0%	3.3%	20.0%	5.9%	39.4%	5.0%
Excess spread[2]	**.7**	**1.1**	**13.2**	**–**	.7	1.1	12.4	–	.8	1.2	12.0	–
Discount rate	**5.2**	**3.2**	**4.0**	**9.8**	5.1	2.8	4.4	9.8	6.7	3.3	4.4	4.8
Expected credit losses[3]	**–**	**–**	**2.9**	**.1**	–	–	3.0	.1	–	–	3.2	.1

¹ Represents monthly payment rate for personal and credit card loans.
² The excess spread for credit card loans reflects the net portfolio yield, which is interest earned less funding costs and losses.
³ There are no expected credit losses for residential mortgage loans and personal loans as the loans are government guaranteed.

During fiscal 2005, there were maturities of previously securitized loans and receivables of $8,632 million (2004 – $9,033 million, 2003 – $3,580 million). As a result, the net proceeds from loan securitizations were $7,365 million (2004 – $5,564 million, 2003 – $7,627 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. As the sensitivity is hypothetical, it should be used with caution.

Sensitivity of Key Assumptions to Adverse Changes

(millions of Canadian dollars)				
2005	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans
Fair value of retained interests	**$273**	**$ 32**	**$ 24**	**$ 3**
Discount rate	**5.2%**	**3.2%**	**4.0%**	**9.8%**
+10%	**$ (2)**	**$ (3)**	**$ –**	**$ –**
+20%	**(4)**	**(6)**	**–**	**(1)**
Prepayment rate	**20.0%**	**5.9%**	**41.6%**	**2.1%**
+10%	**$ (8)**	**$ –**	**$ –**	**$ –**
+20%	**(15)**	**(1)**	**–**	**–**
Expected credit losses	**–%**	**–%**	**2.9%**	**.1%**
+10%	**$ –**	**$ (3)**	**$ –**	**$ –**
+20%	**–**	**(6)**	**–**	**–**

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.

Loans Managed

(millions of Canadian dollars)	2005			2004		
	Loans[1]	**Gross impaired loans**	**Net write offs**	Loans[1]	Gross impaired loans	Net write offs
Type of loan						
Residential mortgage loans	**$ 68,168**	**$ 19**	**$ 7**	$ 64,445	$ 21	$ 5
Personal loans	**71,430**	**131**	**294**	56,443	96	367
Other loans	**36,519**	**205**	**(23)**	23,249	426	84
Total loans reported and securitized	**176,117**	**355**	**278**	144,137	543	456
Less: loans securitized	**23,874**	**6**	**36**	20,213	6	42
Total loans reported on the Consolidated Balance Sheet	**$152,243**	**$349**	**$242**	$123,924	$537	$414

¹ Net of allowance for credit losses.

NOTE 5 GOODWILL AND OTHER INTANGIBLES

For business acquisitions, the Bank allocates the purchase price paid to the assets acquired (excluding identifiable intangible assets) and the liabilities assumed. Goodwill represents any excess of the purchase price over the fair value of the assets acquired. Goodwill is not amortized but is subject to impairment tests, on at least an annual basis. Goodwill is allocated to reporting units that are either the operating business segment or the business unit below the segment. Any goodwill impairment is identified by comparing the carrying value of the reporting unit with its fair value. Any impairment in goodwill is charged to the Consolidated Statement of Income in the period in which the impairment is identified.

Intangible assets are allocated between indefinite and finite life assets. Intangible assets with a finite life are amortized over their estimated useful life. Impairment in long-lived assets is tested whenever the circumstances indicate that the carrying value of finite life intangibles may not be recoverable and is measured as the amount by which the asset's carrying value exceeds fair value. There were no such circumstances in 2005. 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 5 to 18 years, based on their estimated useful lives. The Bank does not hold any indefinite life intangibles.

GOODWILL

The changes in the Bank's carrying value of goodwill, by business segment and in total, are in the table below:

Goodwill by Segment

(millions of Canadian dollars) 2005	Canadian Personal and Commercial Banking	U.S. Personal and Commercial Banking	Wholesale Banking	Wealth Management	Total
Carrying value of goodwill at beginning of year	**$884**	**$ –**	**$146**	**$1,195**	**$2,225**
Goodwill acquired during the year	**–**	**4,642**	**–**	**–**	**4,642**
Foreign currency translation adjustments	**–**	**(314)**	**–**	**(35)**	**(349)**
Carrying value of goodwill at end of year	**$884**	**$4,328**	**$146**	**$1,160**	**$6,518**
2004					
Carrying value of goodwill at beginning of year	$841	N/A	$146	$1,276	$2,263
Goodwill acquired during the year	43		–	–	43
Foreign currency translation adjustments	–		–	(81)	(81)
Carrying value of goodwill at end of year	$884		$146	$1,195	$2,225
2003					
Carrying value of goodwill at beginning of year	$841	N/A	$526	$1,767	$3,134
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

During fiscal 2003, the Bank reviewed the value of goodwill assigned to the international reporting unit of the Wealth Management segment and determined that an impairment in value existed in this business. It was determined that the Bank's ability to profitably operate a global brokerage business had been impacted by declining volumes in the discount brokerage business worldwide. As a result, a goodwill impairment charge of $274 million was recorded to the Consolidated Statement of Income.

During 2003, the Bank reviewed the value of goodwill assigned to the U.S. equity options business in the Wholesale Banking segment and determined that impairment in value existed in this component of business. Consequently, a $350 million goodwill impairment charge was recorded to the Consolidated Statement of Income and a related future income tax asset of $117 million was recorded for a net of tax charge of $233 million.

OTHER INTANGIBLES

The table below presents details of the Bank's other intangible assets as at October 31:

Other Intangibles[1]

(millions of Canadian dollars)	**2005**			2004
	Carrying value	**Accumulated amortization**	**Net carrying value**	Net carrying value
Core deposit intangible assets	**$2,399**	**$1,445**	**$ 954**	$ 777
Other intangible assets	**3,959**	**2,789**	**1,170**	1,367
Total intangible assets	**$6,358**	**$4,234**	**$2,124**	$2,144

[1] Future amortization expense for the carrying amount of intangible assets is estimated to be as follows for the next five years: 2006 – $475 million, 2007 – $389 million, 2008 – $325 million, 2009 – $251 million, 2010 – $213 million.

NOTE 6 VARIABLE INTEREST ENTITIES

Variable interest entities (VIEs) are entities in which the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinate financial support. The Bank identifies VIEs in which it has an interest, determines whether it is the primary beneficiary of such entities and if so, consolidates them. The primary beneficiary is an entity that is exposed to a majority of the VIE's expected losses or entitled to a majority of the VIE's expected residual returns, or both.

As of October 31, 2005, the Bank was not considered the primary beneficiary of any significant VIEs. The Bank did hold significant variable interests in VIEs where it is not considered the primary beneficiary. The Bank's position in these non-consolidated VIEs is discussed below.

MULTI-SELLER CONDUITS

Multi-seller conduits provide liquidity to the Bank's clients by facilitating investor access to specific portfolios of assets and risks. The Bank may provide credit enhancements, swap facilities or liquidity facilities to the VIEs as well as securities distribution services. Liquidity facilities are only available in the event of a general market disruption and the probability of loss is negligible. The Bank does not provide employees to the VIEs, nor does it have ownership interests in these VIEs. In addition, all fees earned by the Bank in respect of these activities are at market rates.

As of October 31, 2005, the Bank held positions in multi-seller conduits. These multi-sellers held a total of $10 billion in assets as of October 31, 2005. While the probability of loss is negligible, the Bank's maximum potential exposure to loss from these conduits through sole provision of liquidity facilities available only in the event of a general market disruption was $10 billion as at October 31, 2005.

SINGLE-SELLER CONDUITS

The Bank uses single-seller conduits to enhance its liquidity position, diversify its sources of funding and to optimize the management of its balance sheet. The Bank may use single-seller conduits to securitize residential mortgages, real estate secured personal loans, and commercial mortgages.

As of October 31, 2005, the Bank held positions in a single-seller conduit created in fiscal 2000 with $3 billion of assets. The Bank's maximum potential exposure to loss for this conduit is $3 billion as of October 31, 2005 (through sole provision of liquidity facilities only available in the event of a general market disruption), however, the probability of loss is negligible.

OTHER FINANCIAL TRANSACTIONS

The Bank sells trading securities to VIEs 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, 2005 amounted to $1 billion. 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.

The Bank is also involved in collateralized debt obligation vehicles (CDOs). The Bank may serve in the capacity of an underwriter, a third party investor or a derivative counterparty for CDOs. CDOs raise capital by issuing debt securities and use their capital to invest in portfolios of securities and derivatives. Any net income or loss is shared by the CDO's variable interest holders. As of October 31, 2005 the Bank did not have a significant position in CDOs.

In addition, the Bank offers equity linked notes and credit linked notes to various VIEs and third party clients. As at October 31, 2005, the Bank's exposure to risk from these transactions was not significant.

The Bank through The Canada Trust Company acts as a trustee for personal and corporate trust. Fees are earned by the Bank for its role as a trustee. These fees are not significant for the Bank.

In addition to the transactions and products above, the Bank also offers other financial products including mutual funds to clients. These financial products are, on occasion, created using a VIE as the issuer or obligor of the financial products. The Bank may provide certain administrative services and other financial products to the VIEs in exchange for market rate compensation. The Bank's position for these transactions is not considered to be significant.

NOTE 7 LAND, BUILDINGS AND EQUIPMENT

Buildings, equipment, leasehold improvements and land are recorded on the Consolidated Balance Sheet. Buildings, equipment and leasehold improvements are reported at cost less accumulated depreciation. Land is reported at cost. 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 Income. 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	Depreciation rate and method
Buildings	5% or 10%, declining balance
Computer equipment	30%, declining balance
Computer software	3 to 7 years, straight-line
Furniture, fixtures and other equipment	20%, declining balance
Leasehold improvements	estimated useful life, straight-line

There was no impairment of the Bank's land, buildings and equipment during the year.

(millions of Canadian dollars)			**2005**	2004
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
Land	**$ 180**	**$ –**	**$ 180**	$ 139
Buildings	**668**	**310**	**358**	240
Computer equipment and software	**1,144**	**662**	**482**	387
Furniture, fixtures and other equipment	**866**	**490**	**376**	257
Leasehold improvements	**738**	**333**	**405**	307
Total	**$3,596**	**$1,795**	**$1,801**	$1,330

Accumulated depreciation at the end of 2004 was $1,286 million. Depreciation expense for buildings and equipment amounted to $322 million for 2005 (2004 – $294 million; 2003 – $318 million).

NOTE 8 DEPOSITS

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, some of which earn interest.

Notice deposits are those for which the Bank can legally require notice prior to withdrawal. These deposits are in general savings accounts.

Term deposits are those payable on a fixed date of maturity purchased by customers to earn interest over a fixed period. The terms are from one day to 10 years. Accrued interest on deposits is included in other liabilities on the Consolidated Balance Sheet. The deposits are generally term deposits, guaranteed investment certificates and similar instruments. The aggregate amount of term deposits in denominations of $100,000 or more as at October 31, 2005 were $81 million (2004 – $70 million).

Deposits by Type

(millions of Canadian dollars)				**2005**	2004
	Demand	**Notice**	**Term**	**Total**	Total
Personal	**$ 18,771**	**$ 54,270**	**$ 58,742**	**$ 131,783**	$ 111,360
Banks	**2,663**	**55**	**8,787**	**11,505**	11,459
Business and government	**18,063**	**23,795**	**61,835**	**103,693**	84,074
Total	**$ 39,497**	**$ 78,120**	**$ 129,364**	**$ 246,981**	$ 206,893
Non-interest-bearing deposits included above					
In domestic offices				**$ 6,459**	$ 6,121
In foreign offices				**3,067**	3
Interest-bearing deposits included above					
In domestic offices				**162,640**	148,756
In foreign offices				**73,577**	51,306
U.S. federal funds deposited				**1,238**	707
Total				**$ 246,981**	$ 206,893

Term Deposits

(millions of Canadian dollars)							**2005**	2004
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**	Total
Personal	**$ 13,835**	**$23,441**	**$4,594**	**$1,695**	**$15,089**	**$ 88**	**$ 58,742**	$ 51,919
Banks	**8,233**	**49**	**45**	**222**	**21**	**217**	**8,787**	10,816
Business and government	**50,287**	**1,434**	**801**	**839**	**6,155**	**2,319**	**61,835**	52,275
Total	**$ 72,355**	**$24,924**	**$5,440**	**$2,756**	**$21,265**	**$2,624**	**$129,364**	$115,010

NOTE 9 OTHER ASSETS

(millions of Canadian dollars)	**2005**	2004
Amounts receivable from brokers, dealers and clients	**$ 7,484**	$ 7,725
Accrued interest	**1,199**	1,452
Accounts receivable, prepaid expenses and other items	**4,692**	2,311
Insurance related assets, excluding investments	**1,014**	1,037
Prepaid pension expense	**606**	469
Total	**$14,995**	$12,994

NOTE 10 OTHER LIABILITIES

(millions of Canadian dollars)	**2005**	2004
Amounts payable to brokers, dealers and clients	**$ 6,677**	$ 6,815
Accrued interest	**1,867**	1,532
Accounts payable, accrued expenses and other items	**3,740**	3,853
Insurance related liabilities	**2,681**	2,374
Accrued benefit liability	**503**	515
Accrued salaries and employee benefits	**1,089**	629
Cheques and other items in transit	**1,988**	647
Total	**$18,545**	$16,365

NOTE 11 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. In some cases, the Bank has entered into interest rate options, interest rate swaps and currency swaps to modify the related interest rate and foreign currency risks. All redemptions, cancellations, exchanges and modifications of subordinated debentures are subject to the consent and approval of the Superintendent of Financial Institutions Canada.

Subordinated Notes and Debentures

(millions of Canadian dollars)					
Maturity date	Interest rate (%)	Earliest redemption date	Foreign currency amount	**2005**	2004
January 2004 to September 2007	Various[1]	–		**$ 4**	$ 8
August 2008[3]	6.50	–	US$149 million	**–**	182
October 2008[3]	6.15	–	US$146 million	**–**	178
November 2008[3]	6.13	–	US$100 million	**–**	122
January 2009[3]	6.45	–	US$149 million	**–**	181
April 2010[5]	6.60	April 2005		**–**	741
December 2010[2]	8.40	December 2005		**150**	148
June 2011[4]	7.63	–	US$200 million	**232**	–
July 2011	6.00	July 2006		**796**	798
July 2012	6.55	July 2007		**500**	494
September 2012	5.20	September 2007		**547**	550
September 2013	4.54	September 2008		**984**	1,004
August 2014	10.05	–		**149**	149
June 2018	5.69	June 2013		**900**	893
September 2022[4]	4.64	September 2017		**270**	–
May 2025	9.15	–		**196**	196
February 2027[4]	9.06	February 2017	US$65 million	**75**	–
May 2027[4]	10.52	May 2017	US$31 million	**36**	–
July 2030[4]	11.30	July 2020	US$13 million	**15**	–
October 2030[4]	10.88	October 2010	US$28 million	**33**	–
February 2031[4]	10.20	February 2021	US$4 million	**5**	–
July 2031[4]	7.27	July 2011	US$5 million	**6**	–
April 2032[4]	8.00	April 2007	US$206 million	**240**	–
				$5,138	$5,644

[1] Interest is payable at various rates, from 0% to 2.95%.
[2] On October 27, 2005 the Bank announced the intention to redeem on December 1, 2005 all the 8.4% subordinated debentures due December 2010.
[3] On October 31, 2005 the Bank converted 4 subordinated debentures into notes which are not subordinated to claims of depositors and other creditors.
[4] Obligation of a subsidiary.
[5] Redeemed on April 14, 2005.

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

(millions of Canadian dollars)	**2005**	2004
Within 1 year	**$ 153**	$ 5
Over 1 to 2 years	**1**	3
Over 3 to 4 years	**–**	360
Over 4 to 5 years	**–**	303
Over 5 years	**4,984**	4,973
Total	**$5,138**	$5,644

NOTE 12 LIABILITIES FOR PREFERRED SHARES AND CAPITAL TRUST SECURITIES

As of November 1, 2004, the Bank adopted the Canadian Institute of Chartered Accountants (CICA) amendments to the accounting standard on financial instruments – disclosure and presentation on a retroactive basis with restatement of prior period comparatives. As a result of these amendments, the Bank reclassified into liabilities on the Consolidated Balance Sheet existing preferred shares totaling $1,310 million and certain capital trust structures totaling $900 million, as at October 31, 2004. Dividends and yield distributions on these instruments have been reclassified to interest expense on our Consolidated Statement of Income.

Restatement of Net Interest Income

(millions of Canadian dollars)	**2005**	2004	2003
Net interest income – prior to restatement	**$6,155**	$5,943	$5,616
Less: Preferred dividends	**79**	78	87
Non-controlling interest in innovative capital structures	**68**	92	92
Total	**$6,008**	$5,773	$5,437

Liabilities

(millions of Canadian dollars)	**2005**	2004
Preferred Shares		
Preferred shares issued by the Bank (thousands of shares):		
Class A – 16 Series I	**$ –**	$ –
Class A – 16,384 Series J	**–**	410
Class A – 14,000 Series M	**350**	350
Class A – 8,000 Series N	**200**	200
	550	960
Preferred shares issued by TD Mortgage Investment Corporation (thousands of shares): 350 non-cumulative preferred shares, Series A	**345**	350
Total Preferred shares	**895**	1,310
Capital Trust Securities		
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
Total Capital Trust Securities	**900**	1,250
Total Preferred Shares and Capital Trust Securities	**$1,795**	$2,560

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 7 million outstanding Class A First Preferred Shares, Series G at the price of US$25 per share.

Class A First Preferred Shares, Series H
On May 3, 2004, the Bank redeemed all outstanding Class A First Preferred Shares, Series H at the price of $25.00 per share together with declared and unpaid interest of $.014589 per share for the three day period ended May 3, 2004.

Class A First Preferred Shares, Series I
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 interest to the date of redemption.

Class A First Preferred Shares, Series J
On October 31, 2005 the Bank redeemed all 16 million Class A First Preferred Shares Series J at the price of $25.80 per share.

Class A First Preferred Shares, Series K
On February 3, 2003, the Bank redeemed all the 6 million 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 2 million 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 million 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 interest 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 interest 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 interest to the date of conversion.

Class A First Preferred Shares, Series N
On April 30, 2003, the Bank issued 8 million 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 interest 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 interest 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 interest 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 interest 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 interest 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 interest 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 interest on the Series A shares; (b) the Bank fails to pay interest 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.

Interest Distributions on Preferred Shares

(per share)	Distribution frequency	Interest rate
Series G (redeemed 2003)	Quarterly	US$.33750
Series H (redeemed 2004)	Quarterly	$.44375
Series I	Quarterly	$.01000
Series J (redeemed 2005)	Quarterly	$.31875
Series K (redeemed 2003)	Quarterly	$.45940
Series L (redeemed 2003)	Quarterly	US$.40000
Series M	Quarterly	$.29375
Series N	Quarterly	$.28750
TDMIC, Series A	Semi-annually	$32.30

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 each TD CaTS. Should the trust fail to pay the semi-annual distributions in full, the Bank's ability to declare dividends and interest distributions 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, Series A1 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 Non-cumulative Class A Redeemable First Preferred Share, Series A1 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. The Bank has not issued any non-cumulative Class A Redeemable First Preferred Share, Series A1 as at October 31, 2005. If issued, these shares would have a dividend rate of 7.6%.

TD CAPITAL TRUST SECURITIES – SERIES 2012

As of November 1, 2004, the Bank prospectively adopted the CICA Accounting Guideline on the consolidation of variable interest entities (VIEs). The primary impact of adopting the revised guideline is that the Bank no longer consolidates the capital structure TD Capital Trust II Securities of $350 million. For regulatory capital purposes, the Bank's innovative capital structures have been grandfathered by the Superintendent of Financial Institutions Canada, and the Bank's capital ratios are unaffected. As a result of the deconsolidation, the senior deposit note of the same amount that was issued to the trust is no longer considered inter-company and is reflected in deposits on our Consolidated Balance Sheet in 2005.

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.

NOTE 13 SHARE CAPITAL

COMMON SHARES

The Bank is authorized by the shareholders to issue an unlimited number of common shares, without par value, for unlimited consideration. Our common shares are not redeemable or convertible. Dividends are declared by us on a quarterly basis and the amount may vary from quarter to quarter.

Shares Issued and Outstanding

(millions of shares and millions of Canadian dollars)	**2005**		2004		2003	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Common:						
Balance at beginning of year	**655.9**	**$3,373**	656.3	$3,179	645.4	$2,846
Issued on exercise of options	**4.3**	**125**	4.4	99	2.9	47
Issued as a result of dividend reinvestment plan	**7.3**	**380**	3.8	174	8.0	286
Impact of shares (acquired) sold in Wholesale Banking	**–**	**6**	(1.0)	(41)	–	–
Issued on the acquisition of TD Banknorth	**44.3**	**1,988**	–	–	–	–
Purchased for cancellation	**–**	**–**	(7.6)	(38)	–	–
Balance at end of year	**711.8**	**$5,872**	655.9	$3,373	656.3	$3,179

PREFERRED SHARES

On November 1, 2005, the Bank issued 17 million Class A First Preferred Shares, Series O shares for gross cash consideration of $425 million, which will be classified as equity on the Consolidated Statement of Changes in Shareholders' Equity and qualify as Tier 1 capital. On or after November 1, 2010, the Bank may redeem all, or from time to time, part of the outstanding Series O shares by payment in cash of $26.00 per share if redeemed prior to October 30, 2011; $25.75 if redeemed on or after October 30, 2011 and prior to October 30, 2012; $25.50 if redeemed on or after October 30, 2012 and prior to October 30, 2013; $25.25 if redeemed on or after October 30, 2013 and prior to October 30, 2014; and $25.00 if redeemed thereafter together with the unpaid dividends to the date of redemption.

NORMAL COURSE ISSUER BID

On February 24, 2005, the Bank renewed a normal course issuer bid, effective for up to one year, to repurchase for cancellation up to 14 million common shares, representing approximately 2.1% of the Bank's outstanding common shares. No common shares were repurchased under this program during fiscal 2005. During fiscal 2004, 7.6 million common shares were repurchased at a cost of $350 million.

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. At the option of the Bank, the common shares may be issued 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 7.3 million common shares have been issued from the Bank's treasury at a discount of 1% under the dividend reinvestment plan. In 2004, 3.4 million common shares were issued from the Bank's treasury at a discount of 1% of the average market price and .4 million shares at no discount.

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 and interest distributions 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 from paying dividends 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 interest distributions and dividends on the preferred shares have been declared and paid or set apart for payment. Currently, these limitations do not restrict the payment of interest on preferred shares or dividends on common shares.

NOTE 14 STOCK-BASED COMPENSATION

The Bank operates various stock-based compensation plans. 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 23.9 million stock options awarded and outstanding prior to November 1, 2002. As of October 31, 2005, 11.6 million stock options remained unexercised.

STOCK OPTION PLAN

The Bank maintains a stock option program for certain key employees and non-employee directors. The Bank does not grant stock options to members of the Board of Directors. Under the employee plan, options on common shares are periodically granted to eligible employees of the Bank for terms of 7 years (effective December 11, 2003) and 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, 14.3 million common shares have been reserved for future issuance (2004 – 16.4 million, 2003 – 18.5 million). The outstanding options expire on various dates to March 2013. A summary of the Bank's stock option activity and related information for the years ended October 31 is as follows:

Stock Option Activity

(millions of shares)	**2005**	**Weighted average exercise price**	2004	Weighted average exercise price	2003	Weighted average exercise price
Number outstanding, beginning of year	**22.1**	**$35.21**	24.4	$32.28	23.9	$30.35
Granted	**2.2**	**49.41**	2.4	40.95	4.0	33.42
Exercised	**(4.3)**	**28.95**	(4.4)	22.12	(2.9)	16.25
Forfeited/cancelled	**(.1)**	**38.46**	(.3)	37.79	(.6)	40.00
Number outstanding, end of year	**19.9**	**$38.08**	22.1	$35.21	24.4	$32.28
Exercisable, end of year	**13.2**	**$36.30**	14.1	$33.44	14.8	$28.87

The following table summarizes information relating to stock options outstanding and exercisable at October 31, 2005.

Range of Exercise Prices

	Options outstanding			Options exercisable	
	Number outstanding (millions of shares)	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable (millions of shares)	Weighted average exercise price
$10.13 – $11.81	.1	1.00	$11.81	.1	$ 11.81
$17.45 – $25.43	1.5	2.77	23.63	1.5	23.63
$29.80 – $40.43	7.4	5.50	34.33	5.5	34.61
$40.92 – $44.30	8.7	5.45	41.23	6.1	41.34
$49.40 – $55.90	2.2	6.00	49.41	–	–

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 3.7% (2004 – 4.10%, 2003 – 4.29%), (ii) expected option life of 5.3 years (2004 – 5 years, 2003 – 5.5 years), (iii) expected volatility of 25.7% (2004 – 27.6%, 2003 – 27.7%), and (iv) expected dividend yield of 2.84% (2004 – 2.93%, 2003 – 3.37%). During the year, 2.2 million (2004 – 2.4 million, 2003 – 4.1 million) of options were granted with a weighted average fair value of $10.64 per option (2004 – $9.37 per option, 2003 – $7.60 per option).

TD Banknorth also maintains various stock option plans for key employees and non-employee directors. Under the TD Banknorth plans, options are periodically granted to eligible employees of TD Banknorth. The options provide holders with the right to purchase common shares of TD Banknorth Inc. at a fixed price. Activity for all stock option plans during the seven months ended September 30, 2005 is summarized below:

TD Banknorth Stock Option Activity

(millions of shares)	**2005**	**Weighted average exercise price**
Number outstanding, beginning of year	**6.3**	**$28.36**
Granted	**2.2**	**36.31**
Exercised	**(.4)**	**29.11**
Forfeited/cancelled	**(.1)**	**35.95**
Number outstanding, end of year	**8.0**	**$30.38**
Exercisable, end of year	**5.0**	**$28.14**

During fiscal 2005, the Bank recognized compensation expense in the Consolidated Statement of Income of $20 million (2004 – $11 million, 2003 – $9 million) for the stock option awards granted.

OTHER STOCK-BASED COMPENSATION PLANS
In addition, the Bank operates restricted share unit plans which are offered to certain employees of the Bank. Under these plans participants are granted restricted share units equivalent to the Bank's common shares that generally vest over three to four years. A liability is accrued by the Bank related to the restricted share units awarded and an incentive compensation expense is recognized in the Consolidated Statement of Income over the vesting period. At the maturity date, the participant receives cash representing the value of the restricted share units. The number of Bank restricted share units under these plans at October 31, 2005 is 11 million (2004 – 7.9 million; 2003 – 5.1 million).

The Bank also offers deferred share unit plans to eligible executives and non-employee directors. 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 not redeemable by the participant until retirement, permanent disability or termination of employment or directorship and must be redeemed for cash by the end of the next calendar year. Dividend equivalents accrue to the participants.

A senior executive deferred share unit plan is offered to eligible executives of the Bank. As at October 31, 2005, a total of 2.1 million deferred share units were outstanding (2004 – 1.8 million; 2003 – 1.4 million).

Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of restricted share units and deferred share units are recorded, net of the effects of related hedges, in the Consolidated Statement of Income. For the year ended October 31, 2005, the Bank recognized compensation expense, net of the effects of hedges, for these plans of $113 million (2004 – $93 million; 2003 – $63 million).

In addition, TD Banknorth and its subsidiaries maintain 401(k) plans covering substantially all permanent employees; an employee stock purchase plan that is available to employees with one year of service; restricted stock plans for non-employee directors and incentive plans covering all full and part-time employees other than executive officers.

EMPLOYEE SAVINGS PLAN
The Bank also operates a share purchase plan available to employees. 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 the Bank's 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, 2005, the Bank's contributions totaled $36 million (2004 – $33 million; 2003 – $32 million). As at October 31, 2005, an aggregate of 5.9 million common shares were held under the ESP (2004 – 5.4 million; 2003 – 5.2 million). The shares in the ESP are purchased in the open market and are considered outstanding for computing the Bank's basic and diluted 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 15 EMPLOYEE FUTURE BENEFITS

The Bank's principal pension plan, The Pension Fund Society of The Toronto-Dominion Bank, is a defined benefit plan for which membership is voluntary. Benefits under the plan are determined based upon the length of service and the final five year average salaries of the employees. As a result of the acquisition of CT Financial Services Inc. (CT), the Bank sponsors a pension plan consisting of a defined benefit portion and a defined contribution portion. Funding for both defined benefit plans is provided by contributions from the Bank and members of the plans. In addition, the Bank maintains other partially funded benefit plans for eligible employees. Related retirement benefits are paid from the Bank's assets and contributions.

The Bank also provides certain post-retirement benefits, post-employment benefits, compensated absence 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. Some retirees may be required to pay a portion of the cost of their benefits. Employees eligible for the post-employment benefits are those on disability and maternity leave.

For the defined benefit plans and the non-pension employee benefit plans, actuarial valuations are prepared at least every three years (and extrapolated in the interim) to determine the present value of the accrued benefits liability. 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's assets, compensation increases, retirement ages of employees and estimated health care costs. The discount rate used to value liabilities is based on long term corporate AA bond yields 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 market values and the amortization of plan amendments on a straight-line basis over the expected average remaining service life of the employee group (expected average remaining period to full eligibility for non-pension post-retirement benefits). The excess, if any, of the net actuarial gain or loss over 10% of the greater of the projected benefit obligation and the fair market value of plan assets is also amortized over the expected average remaining service life of the employee group. The expected average remaining service life of active employees of the Bank's principal pension plan and the principal non-pension post-retirement benefit plans is 10 years and 17 years respectively. The expected average remaining period to full eligibility for the principal non-pension post-retirement plans is 13 years. The cumulative difference between expense and funding contributions is reported on the Consolidated Balance Sheet in other assets or other liabilities.

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

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.

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.

The Bank's contributions to the principal pension plan during fiscal 2005 were $57 million. These contributions were made in accordance with the actuarial valuation report for funding purposes as at October 31, 2004. The next valuation for funding purposes must be as of a date no later than October 31, 2007.

To develop the expected long term rate of return on assets assumption for the Bank's principal pension plan, the Bank considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the fund. This resulted in the selection of a long term rate of return on assets assumption of 6.75%.

The effect of a one percentage point increase or decrease in the expected return on assets assumption on the 2005 pension expense would be a $16 million decrease or increase, respectively.

The Bank's principal pension plan weighted average asset allocations at July 31, by asset category are as follows:

Asset Allocation

Security	**2005**	2004	2003
Equity	**60%**	56%	52%
Debt	**39**	43	48
Cash equivalents	**1**	1	–
Total	**100%**	100%	100%

For 2005 the Bank's principal pension plan's net assets included funded investments in the Bank and its affiliates which had a market value of $6 million (2004 – $3 million; 2003 – $65 million).

The investments of the Bank's principal pension plan are managed utilizing a balanced approach with the primary objective of achieving a real rate of return of 3%. Accordingly, the allowable asset mix range are detailed in the following table:

Asset Mix

Security	Acceptable range
Equity	50%-65%
Debt	33%-48%
Cash equivalents	0%-4%

The investment policy for the Bank's principal pension plan is detailed below. The plan was in compliance with its investment policy throughout the year.

Futures contracts and options can be utilized provided they do not create additional financial leverage for the plans. Substantially, all assets must have readily ascertainable market values.

The equity portfolio will be generally fully invested and broadly diversified primarily in medium to large capitalization quality companies with no individual holdings exceeding 10% of the equity portfolio at any time. Foreign equities and American Depository Receipts of similar high quality may also be included to further diversify the portfolio.

Debt investments of a non-government entity must not exceed 10% of the total debt portfolio. Corporate debt issues generally must meet or exceed a credit rating of BBB at the time of purchase and during the holding period. There are no limitations on the maximum amount allocated to each credit rating within the debt portfolio.

Plan Benefit Obligations, Assets and Funded Status

(millions of Canadian dollars)	**2005**	2004	2003
Accumulated benefit obligation at end of period	**$1,810**	$1,446	$1,331
Change in projected benefit obligation			
Projected benefit obligation at beginning of period	**1,535**	1,418	1,271
Service cost – benefits earned	**46**	38	31
Interest cost on projected benefit obligation	**101**	94	90
Members' contributions	**26**	26	25
Benefits paid	**(93)**	(95)	(92)
Actuarial (gains) losses	**(9)**	2	7
Change in actuarial assumptions	**318**	44	86
Plan amendments	**54**	8	–
Projected benefit obligation at end of period	**1,978**	1,535	1,418
Change in plan assets			
Plan assets at fair market value at beginning of period	**1,650**	1,507	1,164
Actual income on plan assets	**78**	61	55
Gain on disposal of investments	**286**	204	80
Members' contributions	**26**	26	25
Employer's contributions	**64**	46	291
Decrease in unrealized gains on investments	**(95)**	(86)	(11)
Benefits paid	**(93)**	(95)	(92)
General and administrative expenses	**(9)**	(14)	(9)
Other	**–**	1	4
Plan assets at fair market value at end of period	**1,907**	1,650	1,507
Excess (deficit) of plan assets over projected benefit obligation	**(71)**	115	89
Unrecognized net loss from past experience, different from that assumed, and effects of changes in assumptions	**416**	265	299
Unrecognized prior service costs	**62**	14	7
Employer's contributions	**15**	22	13
Prepaid pension expense	**$ 422**	$ 416	$ 408
Annual expense			
Net pension expense includes the following components:			
Service cost – benefits earned	**$ 46**	$ 38	$ 31
Interest cost on projected benefit obligation	**101**	94	90
Actual return on plan assets	**(260)**	(165)	(115)
Actuarial losses	**309**	46	93
Plan amendments	**54**	8	–
Difference between costs arising in the period and costs recognized in the period in respect of:			
Return on plan assets[1]	**149**	64	30
Actuarial gains[2]	**(300)**	(31)	(80)
Plan amendments[3]	**(48)**	(7)	1
Pension expense	**$ 51**	$ 47	$ 50
Actuarial assumptions used to determine the annual expense			
Weighted average discount rate for projected benefit obligation	**6.40%**	6.50%	7.00%
Weighted average rate of compensation increase	**3.50**	3.50	3.50
Weighted average expected long term rate of return on plan assets[4]	**6.75**	6.75	6.75
Actuarial assumptions used to determine the benefit obligation at end of period			
Weighted average discount rate for projected benefit obligation	**5.20%**	6.40%	6.50%
Weighted average rate of compensation increase	**3.50**	3.50	3.50
Weighted average expected long term rate of return on plan assets[4]	**6.75**	6.75	6.75

[1] Includes expected return on plan assets of $111 million (2004 – $101 million; 2003 – $85 million) less actual return on plan assets of $260 million (2004 – $165 million; 2003 – $115 million).

[2] Includes loss recognized in fiscal 2005 of $9 million (2004 – $15 million; 2003 – $13 million) less actuarial losses on projected benefit obligation in the year of $309 million (2004 – $46 million; 2003 – $93 million).

[3] Includes amortization of costs for plan amendments in fiscal 2005 of $6 million (2004 – $1 million; 2003 – $1 million) less actual cost of plan amendments in the year of $54 million (2004 – 8 million; 2003 – nil).

[4] Net of fees and expenses.

OTHER PENSION PLANS

CT Pension Plan

As a result of the acquisition of CT, the Bank sponsors a pension plan consisting of a defined benefit portion and a defined contribution portion. The defined benefit portion 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 pension plan. Funding for the defined benefit portion is provided by contributions from the Bank and members of the plan. The following table presents the financial position of the defined benefit portion of CT's plan. The pension plan assets and obligations are measured as at July 31.

CT Pension Plan Obligations and Assets

(millions of Canadian dollars)	**2005**	2004	2003
Projected benefit obligation at end of period	**$352**	$308	$307
Plan assets at fair market value at end of period	**365**	308	309
Prepaid pension expense	**79**	53	54
Pension expense	**5**	4	3

TD Banknorth Pension Plan

TD Banknorth has a noncontributory defined benefit retirement plan covering most permanent, full-time employees. Supplemental retirement plans have also been adopted for certain key officers. In addition, TD Banknorth and its subsidiaries sponsor limited post-retirement benefit programs which provide medical coverage and life insurance benefits to a closed group of employees and directors who meet minimum age and service requirements.

The following tables presents the financial position of the defined benefit portion of TD Banknorth's pension plan. The plan assets and obligations are measured as at December 31, 2004.

TD Banknorth Plan Obligations and Assets

(millions of Canadian dollars)	**2005**	2004	2003
Projected benefit obligation at end of period	**$278**	N/A	N/A
Plan assets at fair market value at end of period	**307**		
Prepaid pension expense	**112**		
Pension expense[1]	**5**		

[1] Pension expense for the seven months ended September 30, 2005.

Supplemental Employee Retirement Plans

The following table presents the financial position of the Bank's largest other benefit plans. These plans are supplemental employee retirement plans which are partially funded for eligible employees. The benefit plans assets and obligations are measured as at July 31.

(millions of Canadian dollars)	**2005**	2004	2003
Projected benefit obligation at end of period	**$328**	$289	$267
Plan assets at fair market value at end of period	**5**	9	11
Accrued benefit liability	**226**	205	187
Pension expense	**29**	28	25

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

Amounts Recognized in the Consolidated Balance Sheet

(millions of Canadian dollars)	**2005**	2004
Other Assets		
CT Pension Defined Benefit Plan	**$ 79**	$ 53
Principal Pension Plan	**422**	416
TD Banknorth Defined Benefit Plan and others-net	**105**	–
Prepaid pension expense	**606**	469
Other Liabilities		
Non-Pension Post Retirement Benefit Plan	**277**	252
Supplemental Employee Retirement Plan	**226**	205
Other employee future benefits	**–**	58
Accrued benefit liability	**503**	515
Net amount recognized as at October 31	**$103**	$ (46)

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 below presents the financial position of the Bank's principal non-pension post-retirement benefit plans. The principal non-pension post-retirement plan obligations are measured as at July 31.

Other Post-retirement Obligations

(millions of Canadian dollars)	**2005**	2004	2003
Change in projected benefit obligation			
Projected benefit obligation at beginning of period	**$302**	$268	$220
Service cost – benefits earned	**10**	9	8
Interest cost on projected benefit obligation	**20**	19	16
Benefits paid	**(7)**	(8)	(5)
Actuarial losses	**111**	14	29
Projected benefit obligation at end of period	**436**	302	268
Unrecognized net loss from past experience, different from that assumed, and effects of changes in assumptions	**157**	48	34
Employer's contributions	**2**	2	1
Accrued benefit liability	**$277**	$252	$233
Annual expense			
Net non-pension post-retirement benefit expense includes the following components:			
Service cost – benefits earned	**$ 10**	$ 9	$ 8
Interest cost on projected benefit obligation	**20**	19	16
Actuarial losses	**111**	14	29
Difference between costs arising in the period and costs recognized in the period in respect of:			
Actuarial gains[1]	**(110)**	(14)	(29)
Non-pension post-retirement benefit expense	**$ 31**	$ 28	$ 24
Actuarial assumptions used to determine the annual expense			
Weighted average discount rate for projected benefit obligation	**6.60%**	6.75%	7.00%
Weighted average rate of compensation increase	**3.50**	3.50	3.50
Actuarial assumptions used to determine the benefit obligation at end of period			
Weighted average discount rate for projected benefit obligation	**5.30%**	6.60%	6.75%
Weighted average rate of compensation increase	**3.50**	3.50	3.50

[1] Includes loss recognized in fiscal 2005 of $1 million (2004 – nil; 2003 – nil) less actuarial gains on projected benefit obligation in the year of $110 million (2004 – $14 million; 2003 – $29 million).

The assumed health care cost increase rate for the next year used to measure the expected cost of benefits covered for the principal non-pension post-retirement benefit plans is 7.5%. The rate is assumed to decrease gradually to 4.7% by the year 2014 and remain at that level thereafter.

For 2005, the effect of a one percentage point increase or decrease in the assumed health care cost trend rate on the benefit expense is a $6 million increase and a $4 million decrease, respectively, and on the benefit obligation, a $97 million increase and a $76 million decrease, respectively.

CASH FLOWS

The Bank's contributions to its pension plans and its principal non-pension post-retirement benefit plans are as follows:

Pension Plan Contributions

(millions of Canadian dollars)	**2005**	2004	2003
Principal pension plan	**$ 57**	$55	$152
CT Defined Benefit Pension Plan	**31**	2	40
Supplemental employee retirement plans	**8**	8	8
Non-pension post-retirement benefit plans	**7**	8	7
Total	**$103**	$73	$207

Estimated Contributions

In 2006, the Bank or its subsidiaries expect to contribute $57 million to the principal pension plan, $3 million to the CT Defined Benefit Pension Plan, $32 million to the TD Banknorth Defined Benefit Pension Plan, $8 million to the Bank's supplemental employee retirement plans and $11 million for the principal non-pension post-retirement benefit plans. Future contribution amounts may change upon the Bank's review of its contribution levels during the year.

Estimated Future Benefit Payments

Estimated future benefit payments under the Bank's principal pension plan are $104 million for 2006; $104 million for 2007; $104 million for 2008; $104 million for 2009; $105 million for 2010; $554 million for 2011 to 2015.

Estimated future benefit payments under the principal non-pension post-retirement benefit plans are $11 million for 2006; $11 million for 2007; $12 million for 2008; $13 million for 2009; $14 million for 2010; $89 million for 2011 to 2015.

NOTE 16 INCOME TAXES

The Bank recognizes both the current and future income tax of all transactions that have been recognized in the Consolidated 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 less likely that all of the future tax assets recognized will be realized prior to their expiration.

Included in the 2005 total provision for income taxes on the Consolidated Statement of Income is approximately $138 million relating to TD Waterhouse. Internal steps have been taken to reorganize the TD Waterhouse group of companies to allow the Bank to proceed with its transaction with Ameritrade (see Note 23). These steps have been essentially completed in fiscal 2005.

Provision for Income Taxes

(millions of Canadian dollars)	**2005**	2004	2003
Provision for (benefit of) income taxes – Consolidated Statement of Income			
Current income taxes	**$ 960**	$ 675	$392
Future income taxes	**(261)**	128	(70)
	699	803	322
Provision for (benefit of) income taxes – Consolidated Balance Sheet			
Current income taxes	**96**[1]	399	481
Future income taxes	**–**	–	(4)
	96	399	477
Total	**$ 795**	$1,202	$799
Current income taxes			
Federal	**$ 454**	$ 586	$582
Provincial	**230**	289	229
Foreign	**372**	199	62
	1,056	1,074	873
Future income taxes			
Federal	**(220)**	62	(56)
Provincial	**(105)**	35	(16)
Foreign	**64**	31	(2)
	(261)	128	(74)
Total	**$ 795**	$1,202	$799

[1] Includes current income tax expenses provided through the Consolidated Balance Sheet at October 31, 2005 of $141 million recorded through the foreign currency translation adjustments. Also a benefit of $45 million for the TD Banknorth currency hedging loss is recorded in goodwill.

Indicated below are the statutory income tax rates and income taxes reconciled to the effective income tax rates and provisions for income taxes that we have recorded in the Consolidated Statement of Income.

Reconciliation to Statutory Tax Rate

(millions of Canadian dollars)	**2005**		2004		2003	
Income taxes at Canadian statutory income tax rate	**$1,072**	**35.0%**	$1,065	35.1%	$477	36.4%
Increase (decrease) resulting from:						
Goodwill impairment	**–**	**–**	–	–	114	8.7
Dividends received	**(232)**	**(7.6)**	(205)	(6.8)	(179)	(13.7)
Rate differentials on international operations	**(215)**	**(7.0)**	(215)	(7.1)	(146)	(11.1)
Internal restructuring	**163**	**5.3**	8	.2	–	–
Future federal and provincial tax rate increases (reductions)	**–**	**–**	52	1.7	(3)	(.2)
Federal large corporations tax	**9**	**.3**	12	.4	13	1.0
Other – net	**(98)**	**(3.2)**	86	2.9	46	3.5
Provision for income taxes and effective income tax rate	**$ 699**	**22.8%**	$ 803	26.4%	$322	24.6%

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

Net Future Tax Asset

(millions of Canadian dollars)	2005	2004
Future income tax assets		
Allowance for credit losses	**$ 333**	$ 339
Premises and equipment	**251**	267
Deferred income	**20**	28
Securities	**201**	185
Goodwill	**85**	109
Employee benefits	**361**	170
Other	**382**	275
Total future income tax assets	**1,633**	1,373
Valuation allowance	**(58)**	(68)
Future income tax assets	**1,575**	1,305
Future income tax liabilities		
Intangible assets	**(711)**	(701)
Employee benefits	**(146)**	(144)
Other	**(198)**	(202)
Future income tax liabilities	**(1,055)**	(1,047)
Net future income tax asset[1]	**$ 520**	$ 258

[1] Included in the October 31, 2005 net future income tax asset are future income tax assets (liabilities) of $254 million (2004 – $(72) million) in Canada, $247 million (2004 – $277 million) in the United States and $19 million (2004 – $53 million) in International jurisdictions.

Earnings of certain subsidiaries would be taxed only upon repatriation. 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 operations of these subsidiaries were repatriated, estimated taxes payable would be $264 million at October 31, 2005 (2004 – $186 million).

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the fair value of both on and off balance sheet financial instruments, based on the valuation approach set out below. Fair value represents the Bank's estimate of the price at which a financial instrument could be exchanged in an arm's length transaction between willing parties. Fair value is subjective in nature, requiring a variety of valuation techniques and assumptions. The values are based upon the estimated amounts for individual assets and liabilities and do not include an estimate of the fair value of any of the legal entities or underlying operations that comprise the Bank's business. All fair value amounts represent point-in-time estimates that may change subject to market conditions. The Bank calculates fair values based on the following methods of valuation and assumptions:

For certain 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 below.

The estimated fair value of securities, both trading and investment, is considered to be the estimated market values reported in Note 2.

The estimated fair value of loans reflects changes in interest rates which have occurred since the loans were originated and changes in the creditworthiness of individual borrowers. For fixed rate performing 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 fair value of loans is not adjusted for the value of any credit protection the Bank has purchased to mitigate credit risk. For floating rate performing loans, changes in interest rates have minimal impact on fair value since loans reprice to market frequently. On that basis, fair value is assumed to equal carrying value. The fair value of credit derivatives is disclosed separately.

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. For deposits with no defined maturities, the Bank considers fair value to equal cash value based on book value being the equivalent to the amount payable on the reporting date.

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

Financial Assets and Liabilities

(millions of Canadian dollars)	**2005**		2004	
Consolidated Balance Sheet	**Carrying value**	**Estimated fair value**	Carrying value	Estimated fair value
Assets				
Securities	**$108,096**	**$108,883**	$ 98,280	$ 98,828
Loans	**152,243**	**152,359**	123,924	124,224
Liabilities				
Deposits	**246,981**	**247,009**	206,893	207,198
Subordinated notes and debentures	**5,138**	**5,497**	5,644	5,920

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.

Fair value is determined using the midpoint between quoted market prices whenever possible. The market value of over the counter trading derivatives is estimated using well established models but is recorded net of valuation adjustments which recognize the need to cover market, liquidity, model and credit risks not appropriately captured by the models. If the model includes inputs that are not observable in the market, inception gains and losses associated with these contracts are deferred and recognized as the input becomes observable.

Fair Value of Derivative Financial Instruments (See also Note 19)

(millions of Canadian dollars)				**2005**		2004
	Average fair value for the year[1]		**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	**$ 34**	**$ 40**	**$ 28**	**$ 19**	$ 33	$ 51
Swaps	**14,521**	**15,081**	**11,683**	**12,032**	13,563	13,990
Options written	**–**	**1,556**	**–**	**1,567**	–	1,196
Options purchased	**1,018**	**–**	**1,014**	**–**	798	–
Total interest rate contracts	**15,573**	**16,677**	**12,725**	**13,618**	14,394	15,237
Foreign exchange contracts						
Forward contracts	**6,468**	**5,066**	**4,656**	**3,727**	6,780	6,093
Swaps	**2,278**	**466**	**2,786**	**525**	1,653	356
Cross-currency interest rate swaps	**5,589**	**6,306**	**5,118**	**6,573**	5,771	5,803
Options written	**–**	**949**	**–**	**986**	–	1,025
Options purchased	**896**	**–**	**869**	**–**	908	–
Total foreign exchange contracts	**15,231**	**12,787**	**13,429**	**11,811**	15,112	13,277
Credit derivatives	**737**	**672**	**484**	**674**	719	581
Other contracts[2]	**4,143**	**5,265**	**7,013**	**7,395**	3,472	4,778
Fair value – trading	**$35,684**	**$35,401**	**$33,651**	**$33,498**	$33,697	$33,873
Derivative financial instruments held or issued for non-trading purposes:						
Interest rate contracts						
Forward rate agreements			**$ –**	**$ –**	$ 2	$ 1
Swaps			**506**	**361**	720	783
Options written			**–**	**–**	–	–
Options purchased			**32**	**–**	45	–
Total interest rate contracts			**538**	**361**	767	784
Foreign exchange contracts						
Forward contracts			**697**	**59**	546	301
Cross-currency interest rate swaps			**6**	**612**	–	779
Total foreign exchange contracts			**703**	**671**	546	1,080
Credit derivatives			**35**	**42**	4	63
Other contracts[2]			**539**	**–**	276	2
Fair value – non-trading			**1,815**	**1,074**	1,593	1,929
Total fair value			**$35,466**	**$34,572**	$35,290	$35,802

[1] The average fair value of trading derivative financial instruments for the year ended October 31, 2004 was: Positive $30,199 million and Negative $29,842 million. Averages are calculated on a monthly basis.
[2] Includes equity and commodity derivatives.

NOTE 18 INTEREST RATE RISK

The Bank earns and pays interest on certain assets and liabilities. To the extent that our assets, liabilities and financial instruments mature or reprice at different points in time, we are exposed to 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 of this Annual Report. The table on the following page details the earlier of the maturity or repricing date of interest sensitive instruments. Contractual repricing dates 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.

Interest Rate Risk

(billions of Canadian dollars) 2005	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 and other	$ .1	$ 8.3	$ .1	$ 8.5	$ –	$ –	$ 4.9	$ 13.4
Effective yield		*3.9%*	*4.7%*					
Investment securities	$ .5	$ 10.1	$ 6.7	$ 17.3	$ 19.0	$ 3.6	$ 2.4	$ 42.3
Effective yield		*3.5%*	*4.1%*		*3.9%*	*4.1%*		
Trading securities	$ 65.8	$ –	$ –	$ 65.8	$ –	$ –	$ –	$ 65.8
Securities purchased under resale agreements	$ 5.4	$ 15.1	$ 3.6	$ 24.1	$ –	$ –	$ 2.3	$ 26.4
Effective yield		*2.7%*	*3.8%*					
Loans	$ 21.2	$ 67.4	$ 15.7	$104.3	$ 42.5	$ 4.1	$ 1.3	$ 152.2
Effective yield		*5.0%*	*5.3%*		*5.4%*	*5.6%*		
Other	$ 40.1	$ –	$ –	$ 40.1	$ –	$ –	$ 25.0	$ 65.1
Total assets	**$133.1**	**$100.9**	**$ 26.1**	**$260.1**	**$ 61.5**	**$ 7.7**	**$ 35.9**	**$ 365.2**
Liabilities and shareholders' equity								
Deposits	$ 30.4	$108.8	$ 39.6	$178.8	$ 29.3	$ .8	$ 38.1	$ 247.0
Effective yield		*1.7%*	*3.2%*		*2.9%*	*6.4%*		
Obligations related to securities sold short	$ 24.4	$ –	$ –	$ 24.4	$ –	$ –	$ –	$ 24.4
Obligations related to securities sold under repurchase agreements	$ 2.0	$ 5.6	$ 1.2	$ 8.8	$ –	$ 1.8	$ .7	$ 11.3
Effective yield		*2.4%*	*4.9%*			*2.8%*		
Subordinated notes and debentures	$ –	$ –	$ –	$ –	$ .3	$ 4.8	$ –	$ 5.1
Effective yield					*5.1%*	*5.7%*		
Other	$ 39.5	$ –	$ –	$ 39.5	$ .3	$ 1.4	$ 20.3	$ 61.5
Shareholders' equity	$ –	$ –	$ –	$ –	$ –	$ –	$ 15.9	$ 15.9
Total liabilities and shareholders' equity	**$ 96.3**	**$114.4**	**$ 40.8**	**$251.5**	**$ 29.9**	**$ 8.8**	**$ 75.0**	**$ 365.2**
On-balance sheet position	**$ 36.8**	**$ (13.5)**	**$ (14.7)**	**$ 8.6**	**$ 31.6**	**$ (1.1)**	**$ (39.1)**	**$ –**
Total pay side instruments[1]	$ –	$ (91.3)	$ (3.2)	$ (94.5)	$ (51.4)	$ (3.4)	$ –	$ (149.3)
Effective yield		*3.3%*	*2.8%*		*2.6%*	*5.9%*		
Total receive side instruments[1]	$ –	$ 69.5	$ 24.8	$ 94.3	$ 50.7	$ 4.3	$ –	$ 149.3
Effective yield		*3.5%*	*3.3%*		*3.7%*	*6.2%*		
Off-balance sheet position	**$ –**	**$ (21.8)**	**$ 21.6**	**$ (.2)**	**$ (.7)**	**$ .9**	**$ –**	**$ –**
Net position	**$ 36.8**	**$ (35.3)**	**$ 6.9**	**$ 8.4**	**$ 30.9**	**$ (.2)**	**$ (39.1)**	**$ –**

[1] Notional principal amounts.

Interest Rate Risk by Currency

(billions of Canadian dollars) 2005	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	**$29.3**	**$ (.4)**	**$ (4.4)**	**$ 24.5**	**$19.5**	**$(2.4)**	**$(44.8)**	**$(3.2)**
Foreign currency on-balance sheet position	**7.5**	**(13.1)**	**(10.3)**	**(15.9)**	**12.1**	**1.3**	**5.7**	**3.2**
On-balance sheet position	**36.8**	**(13.5)**	**(14.7)**	**8.6**	**31.6**	**(1.1)**	**(39.1)**	**–**
Canadian currency off-balance sheet position	**–**	**(21.8)**	**9.4**	**(12.4)**	**3.4**	**1.2**	**–**	**(7.8)**
Foreign currency off-balance sheet position	**–**	**–**	**12.2**	**12.2**	**(4.1)**	**(.3)**	**–**	**7.8**
Off-balance sheet position	**–**	**(21.8)**	**21.6**	**(.2)**	**(.7)**	**.9**	**–**	**–**
Net position	**$36.8**	**$(35.3)**	**$ 6.9**	**$ 8.4**	**$30.9**	**$ (.2)**	**$(39.1)**	**$ –**

Interest Rate Risk

(billions of Canadian dollars) 2004	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	$156.7	$ 48.2	$22.1	$227.0	$54.3	$7.4	$ 22.3	$311.0
Total liabilities and shareholders' equity	99.5	88.6	27.0	215.1	32.1	5.6	58.2	311.0
On-balance sheet position	57.2	(40.4)	(4.9)	11.9	22.2	1.8	(35.9)	–
Off-balance sheet position	–	(18.4)	6.6	(11.8)	4.0	7.8	–	–
Net position	$ 57.2	$(58.8)	$ 1.7	$ .1	$26.2	$9.6	$(35.9)	$ –

NOTE 19 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign ex-change rates, credit spreads, commodity prices, equities or other financial measures. Such instruments include interest rate, foreign exchange, equity, commodity and credit derivative contracts. The Bank uses these instruments to manage the risks associated with its funding and investing strategies or for trading purposes.

HEDGING RELATIONSHIPS

The Bank prospectively adopted the CICA accounting guideline on hedging relationships on November 1, 2003. This guideline sets out the criteria that must be met in order to apply hedge accounting for derivatives. The guideline provides detailed guidance on the identification, designation, documentation and testing of the effectiveness of hedging relationships, for purposes of applying or discontinuing hedge accounting.

The Bank's non-trading derivatives that have been designated in a hedging relationship and meet the effectiveness test, are considered effective under the guideline. Ineffective hedging relationships and hedges not designated in a hedging relationship are carried at fair value and will result in earnings volatility.

As a result of implementing the guideline, the Bank's credit default swap portfolio with a notional value of $3.2 billion does not qualify for hedge accounting and has been carried at fair value. The earnings impact of derivatives not qualifying for hedge accounting was $17 million after-tax income for fiscal 2005 (2004 – $50 million loss).

Hedges of interest rate commitments are also carried at fair value. The upfront commitment cost, net of payoffs, is deferred and amortized over the life of the underlying mortgage.

DERIVATIVES HELD FOR NON-TRADING PURPOSES

Derivatives used for risk management purposes are generally classified by the Bank as non-trading derivatives and receive hedge accounting treatment. Non-trading derivatives are generally recorded off-balance sheet as hedges with the realized and unrealized gains and losses resulting from these contracts recognized in income on a basis consistent with the hedged on-balance sheet financial asset or liability or the hedged off-balance sheet anticipated transaction. Premiums on purchased options are deferred at inception and amortized into other income over the contract life. For non-trading derivatives to receive hedge accounting treatment, the hedging relationship must be documented at inception and the non-trading derivative and the hedged exposure must be highly and inversely correlated such that changes in the value of the non-trading derivative will substantially offset the effects of the hedged exposure to the Bank throughout the term of the hedging relationship. If these criteria are not met, the non-trading derivative contract is carried at fair value with resulting gains and losses recorded in income.

A hedging relationship is terminated if the hedging relationship ceases to be highly effective; if the underlying asset or liability is liquidated or terminated or it is no longer probable that the anticipated transaction will occur and the derivative is still outstanding; or if the hedging instrument is no longer designated as a hedging instrument. When this occurs, the realized or unrealized gain or loss associated with the affected non-trading derivative is deferred and recognized as the previously hedged exposure affects the Bank's net income.

DERIVATIVES HELD FOR TRADING PURPOSES

The Bank enters into trading derivative contracts to meet the needs of its customers and to enter into trading positions, and in certain cases for risk management purposes. Trading derivatives are recorded at fair value with the resulting realized and unrealized gains or losses recognized immediately in other income.

DERIVATIVE PRODUCT TYPES

The Bank enters into derivative financial instruments, as described below.

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.

Certain of the Bank's deposit obligations that vary according to the performance of certain equity levels or indices, may be subject to a guaranteed minimum redemption amount and have an embedded derivative. As a result of the guideline, the Bank accounts for the embedded derivative of such variable obligations at fair value with changes in fair value reflected in income as they arise. The Bank does not expect any future earnings volatility to result from this accounting policy, as the embedded derivatives are effectively hedged.

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 Canadian dollars)					**2005**	2004
	Trading					
Notional principal	**Over-the-counter**	**Exchange traded**	**Total**	**Non-trading**	**Total**	Total
Interest rate contracts						
Futures	**$ –**	**$267.9**	**$ 267.9**	**$ –**	**$ 267.9**	$ 271.3
Forward rate agreements	**102.9**	**–**	**102.9**	**1.0**	**103.9**	129.0
Swaps	**903.2**	**–**	**903.2**	**114.3**	**1,017.5**	866.2
Options written	**88.2**	**1.5**	**89.7**	**–**	**89.7**	72.7
Options purchased	**62.0**	**.9**	**62.9**	**20.9**	**83.8**	76.9
Total interest rate contracts	**1,156.3**	**270.3**	**1,426.6**	**136.2**	**1,562.8**	1,416.1
Foreign exchange contracts						
Futures	**–**	**.4**	**.4**	**–**	**.4**	–
Forward contracts	**310.0**	**–**	**310.0**	**21.2**	**331.2**	337.9
Swaps	**14.2**	**–**	**14.2**	**–**	**14.2**	10.7
Cross-currency interest rate swaps	**150.6**	**–**	**150.6**	**10.0**	**160.6**	127.1
Options written	**35.2**	**–**	**35.2**	**–**	**35.2**	45.0
Options purchased	**44.9**	**–**	**44.9**	**–**	**44.9**	44.2
Total foreign exchange contracts	**554.9**	**.4**	**555.3**	**31.2**	**586.5**	564.9
Credit derivatives	**101.0**	**–**	**101.0**	**3.4**	**104.4**	83.6
Other contracts[1]	**100.4**	**81.7**	**182.1**	**2.6**	**184.7**	105.2
Total	**$1,912.6**	**$352.4**	**$2,265.0**	**$173.4**	**$2,438.4**	$2,169.8

[1] Includes equity and commodity derivatives.

Derivative Financial Instruments by Term to Maturity

(billions of Canadian dollars)					**2005**	2004
	Remaining term to maturity					
Notional principal	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**	Total
Interest rate contracts						
Futures	**$ 185.4**	**$ 82.3**	**$ .2**	**$ –**	**$ 267.9**	$ 271.3
Forward rate agreements	**100.4**	**3.4**	**–**	**.1**	**103.9**	129.0
Swaps	**380.5**	**290.7**	**139.8**	**206.5**	**1,017.5**	866.2
Options written	**38.1**	**26.6**	**10.6**	**14.4**	**89.7**	72.7
Options purchased	**36.0**	**26.1**	**7.6**	**14.1**	**83.8**	76.9
Total interest rate contracts	**740.4**	**429.1**	**158.2**	**235.1**	**1,562.8**	1,416.1
Foreign exchange contracts						
Futures	**.4**	**–**	**–**	**–**	**.4**	–
Forward contracts	**294.2**	**27.1**	**9.7**	**.2**	**331.2**	337.9
Swaps	**1.7**	**2.5**	**3.1**	**6.9**	**14.2**	10.7
Cross-currency interest rate swaps	**44.7**	**43.1**	**25.1**	**47.7**	**160.6**	127.1
Options written	**26.8**	**4.8**	**3.3**	**.3**	**35.2**	45.0
Options purchased	**35.4**	**4.1**	**3.2**	**2.2**	**44.9**	44.2
Total foreign exchange contracts	**403.2**	**81.6**	**44.4**	**57.3**	**586.5**	564.9
Credit derivatives	**13.2**	**24.3**	**39.2**	**27.7**	**104.4**	83.6
Other contracts[1]	**118.1**	**47.8**	**14.7**	**4.1**	**184.7**	105.2
Total	**$1,274.9**	**$582.8**	**$256.5**	**$324.2**	**$2,438.4**	$2,169.8

[1] Includes equity and commodity derivatives.

DERIVATIVE RELATED CREDIT RISK

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 independently by the Bank's Risk Management Group.

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. We subject our derivative-related credit risks to the same credit approval, limit and monitoring standards that we use for managing other transactions that create credit exposure. This includes evaluation of counterparties as to creditworthiness, and managing the size, diversification and maturity structure of the portfolios.

In the following table, 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

(millions of Canadian dollars)			2005			2004
	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	**$ 28**	**$ 47**	**$ 10**	$ 34	$ 116	$ 24
Swaps	**12,429**	**17,468**	**4,077**	14,283	19,294	4,787
Options purchased	**1,030**	**1,409**	**297**	797	1,092	222
Total interest rate contracts	**13,487**	**18,924**	**4,384**	15,114	20,502	5,033
Foreign exchange contracts						
Forward contracts	**5,217**	**9,618**	**2,154**	7,248	11,558	2,582
Swaps	**2,786**	**3,603**	**1,032**	1,653	2,336	665
Cross-currency interest rate swaps	**5,111**	**12,543**	**2,761**	5,772	11,952	2,682
Options purchased	**857**	**1,725**	**358**	908	1,580	341
Total foreign exchange contracts	**13,971**	**27,489**	**6,305**	15,581	27,426	6,270
Credit derivatives	**332**	**5,994**	**1,329**	719	7,396	1,327
Other contracts[2]	**5,426**	**10,378**	**3,050**	2,444	5,222	1,668
Total derivative financial instruments	**$33,216**	**$62,785**	**$15,068**	$33,858	$60,546	$14,298
Less impact of master netting agreements and collateral	**19,282**	**31,145**	**7,900**	21,849	32,439	8,030
Total	**$13,934**	**$31,640**	**$ 7,168**	$12,009	$28,107	$ 6,268

[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, 2005 was $2,250 million (2004 – $1,432 million).
[2] Includes equity and commodity derivatives.

Current Replacement Cost of Derivatives

(millions of Canadian dollars)		Canada[1]		United States[1]		Other international[1]		Total
By sector	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Financial	**$13,724**	$13,693	**$ 97**	$132	**$13,806**	$14,606	**$27,627**	$28,431
Government	**2,320**	2,094	**–**	–	**234**	263	**2,554**	2,357
Other	**1,888**	1,585	**121**	183	**1,026**	1,302	**3,035**	3,070
Current replacement cost	**$17,932**	$17,372	**$218**	$315	**$15,066**	$16,171	**$33,216**	$33,858
Less impact of master netting agreements and collateral							**19,282**	21,849
Total							**$13,934**	$12,009

By location of ultimate risk[2]	**2005**	2004	**2005 % mix**	2004 % mix
Canada	**$ 6,020**	$ 5,015	**43.2**	41.8
United States	**2,189**	1,873	**15.7**	15.6
Other international				
United Kingdom	**1,285**	703	**9.2**	5.9
Europe – other	**3,367**	2,982	**24.2**	24.8
Australia and New Zealand	**685**	1,012	**4.9**	8.4
Japan	**80**	106	**.6**	.9
Asia – other	**43**	56	**.3**	.5
Latin America and Caribbean	**90**	76	**.6**	.6
Middle East and Africa	**175**	186	**1.3**	1.5
Total other international	**5,725**	5,121	**41.1**	42.6
Total current replacement cost	**$13,934**	$12,009	**100.0**	100.0

[1] Based on geographic location of unit responsible for recording revenue.
[2] After impact of master netting agreements and collateral.

NOTE 20 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

LITIGATION

During fiscal 2005, the Bank added $365 million to its contingent litigation reserves for Enron-related claims, to bring the total reserve for this matter to approximately $641 million. The two principal legal actions regarding Enron to which the Bank is a party are the securities class action and the bankruptcy proceeding. The Bank believes it is prudent to increase the reserve to this level; however, it is possible that additional reserves above this level could be required. Additional reserves, if required, cannot be reasonably determined for many reasons, including that other settlements are not generally appropriate for comparison purposes, the lack of consistency in other settlements and the difficulty in predicting the future actions of other parties to the litigation. The Bank also agreed to settle bankruptcy court claims in this matter in 2005 for approximately $160 million.

The Bank and its subsidiaries are involved in various other 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.

COMMITMENTS

Credit Related Arrangements

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 assets 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 values of 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 Canadian dollars)	**2005**	2004
Financial and performance standby letters of credit	**$ 6,077**	$ 5,429
Documentary and commercial letters of credit	**695**	691
Commitments to extend credit:		
Original term to maturity of one year or less	**32,004**	29,900
Original term to maturity of more than one year	**18,652**	11,232
Total	**$57,428**	$47,252

Other Commitments

In 2004, the Bank entered into an agreement with an external party whereby the external party will operate the Bank's Automated Banking Machines (ABMs) network for seven years at a total projected cost of $451 million. Future minimum capital lease commitments for ABMs will be $66 million for 2006, $65 million for 2007, $59 million for 2008, $57 million for 2009, $55 million for 2010 and $69 million for 2011.

During fiscal 2003, 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. During 2005, the Bank incurred $138 million of costs and due to additional services purchased, the remaining obligation is projected to be $141 million for 2006, $135 million for 2007, $131 million for 2008, $127 million for 2009 and $123 million for 2010.

In addition, the Bank is committed to fund $514 million of merchant banking investments.

Long-term Commitments or Leases

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, is estimated at $319 million for 2006; $280 million for 2007; $254 million for 2008; $218 million for 2009; $178 million for 2010; $580 million for 2011 and thereafter.

The premises and equipment net rental expense charged to net income for the year ended October 31, 2005 was $579 million (2004 – $539 million).

Securities Lending

In the ordinary course of business, securities and other assets are pledged against liabilities. As at October 31, 2005 securities and other assets with a carrying value of $35 billion (2004 – $26 billion) were pledged in respect of securities sold short or under repurchase agreements. In addition, as at October 31, 2005, assets with a carrying value of $10 billion (2004 – $4 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.

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, 2005 amounted to $6 billion (2004 – $5 billion).

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:

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. Generally, the term of these guarantees does not exceed two 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 do not exceed 20 years.

Written Options

Written options are agreements under which the Bank grants the buyer the future right, but not the obligation, to sell or 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, 2005 is $191 billion (2004 – $139 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. The Bank also indemnifies 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, 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.

Maximum Potential Amount of Future Payments

(millions of Canadian dollars)	2005	2004
Financial and performance standby letters of credit	**$6,077**	$5,429
Assets sold with recourse	**1,174**	1,869
Credit enhancements	**117**	117
Total	**$7,368**	$7,415

NOTE 21 CONCENTRATION OF CREDIT RISK

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. Our portfolio could be sensitive to changing conditions in particular geographies.

(millions of Canadian dollars)	On-balance sheet assets[1]		Off-balance sheet financial instruments			
			Credit instruments[2,3]		Derivative financial instruments[4,5]	
	2005	2004	**2005**	2004	**2005**	2004
Canada	**80%**	92%	**60%**	70%	**28%**	27%
United States	**19**	6	**37**	24	**27**	26
United Kingdom	**–**	1	**2**	3	**10**	8
Europe – excluding the United Kingdom	**–**	–	**–**	–	**28**	29
Other International	**1**	1	**1**	3	**7**	10
Total	**100%**	100%	**100%**	100%	**100%**	100%
	$152,243	$123,924	**$57,428**	$47,252	**$33,216**	$33,858

[1] The real estate industry segment accounted for 7% (2004 - 2.6%) of the total loans and customers' liability under acceptances.

[2] At October 31, 2005, the Bank had commitments and contingent liability contracts in the amount of $57,428 million (2004 – $47,252 million). Included are commitments to extend credit totaling $50,656 million (2004 – $41,132 million), of which the credit risk is dispersed as detailed in the table above.

[3] Of the commitments to extend credit, industry segments which equaled or exceeded 5% of the total concentration were as follows at October 31, 2005: Financial institutions 45% (2004 – 53%); Real estate residential 8% (2004 – 1%).

[4] At October 31, 2005, the current replacement cost of derivative financial instruments amounted to $33,216 million (2004 – $33,858 million). Based on the location of ultimate counterparty, the credit risk was allocated as detailed in the table above.

[5] The largest concentration by counterparty type was with financial institutions, which accounted for 83% of the total (2004 – 84%). The second largest concentration was with governments which accounted for 7% of the total. No other industry segment exceeded 4% of the total.

NOTE 22 SEGMENTED INFORMATION

For management reporting purposes, the Bank's operations and activities are organized around the following operating business segments: Canadian Personal and Commercial Banking, U.S. Personal and Commercial Banking, Wholesale Banking and Wealth Management.

The Canadian Personal and Commercial Banking segment comprises the Bank's personal and business banking in Canada as well as the Bank's global insurance operations (excluding the U.S.) and provides financial products and services to personal, small business, insurance, and commercial customers. The U.S. Personal and Commercial Banking segment provides commercial banking, insurance agency, wealth management, merchant services, mortgage banking and other financial services in the northeast United States. The Wholesale Banking segment provides financial products and services to corporate, government, and institutional customers. The Wealth Management segment provides investment products and services to institutional and retail investors.

The Bank's other business activities are not considered reportable segments and are therefore grouped in the Corporate segment. The Corporate segment includes activities from the non-core lending portfolio, effects of asset securitization programs, treasury management, general provisions for credit losses, elimination of taxable equivalent adjustments, corporate level tax benefits, and residual unallocated revenues, expenses, and taxes.

Results of each business segment reflect revenues, expenses, assets and liabilities generated by the businesses in that segment. Due to the complexity of the Bank, its management reporting model uses various estimates, assumptions, allocations and risk-based methodologies for funds transfer pricing, inter-segment revenues, income tax rates, capital, indirect expenses and cost transfers to measure business segment results. Transfer pricing of funds is generally applied at market rates. Inter-segment revenues are negotiated between each business segment and approximate the value provided by the distributing segment. Income tax expense or benefit is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment.

The Bank measures and evaluates the performance of each segment based on earnings before amortization of intangibles and, where applicable, the Bank notes that the measure is before amortization of intangibles. For example, revenue is not affected by the amortization of intangibles, but expenses are affected by the amortization of intangibles. This measure is only relevant in the Canadian Personal and Commercial Banking, U.S. Personal and Commercial Banking and Wealth Management segments, as there are no intangibles allocated to the Wholesale Banking and Corporate segments.

Net interest income, primarily within Wholesale Banking 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 (increased) to its equivalent before tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The taxable equivalent basis adjustment reflected in the Wholesale Banking segment's results is eliminated in the Corporate segment.

Results by Business Segment

(millions of Canadian dollars)	Canadian Personal and Commercial Banking	U.S. Personal and Commercial Banking	Wholesale Banking[1]	Wealth Management	Corporate[1]	Total
2005						
Net interest income	**$ 4,342**	**$ 705**	**$ 977**	**$ 643**	**$ (659)**	**$ 6,008**
Provision for (reversal of) credit losses	**373**	**4**	**52**	**–**	**(374)**	**55**
Other income	**2,361**	**299**	**1,011**	**2,103**	**115**	**5,889**
Non-interest expenses before amortization of intangibles	**3,773**	**549**	**1,325**	**2,083**	**506**	**8,236**
Income (loss) before income taxes	**2,557**	**451**	**611**	**663**	**(676)**	**3,606**
Provision for (benefit of) income taxes	**855**	**161**	**189**	**231**	**(545)**	**891**
Non-controlling interest	**–**	**132**	**–**	**–**	**–**	**132**
Net income (loss) before amortization of intangibles	**$ 1,702**	**$ 158**	**$ 422**	**$ 432**	**$ (131)**	**$ 2,583**
Amortization of intangibles, net of income taxes						**354**
Net income reported basis						**$ 2,229**
Total assets	**$131,000**	**$35,700**	**$156,700**	**$25,600**	**$16,210**	**$365,210**
2004						
Net interest income	$ 4,154	N/A	$ 1,581	$ 492	$ (454)	$ 5,773
Provision for (reversal of) credit losses	373		41	–	(800)	(386)
Other income	2,066		615	2,098	104	4,883
Non-interest expenses before amortization of intangibles	3,650		1,289	2,047	395	7,381
Income before income taxes	2,197		866	543	55	3,661
Provision for (benefit of) income taxes	747		278	191	(264)	952
Non-controlling interest	–		–	–	–	–
Net income before amortization of intangibles	$ 1,450		$ 588	$ 352	$ 319	$ 2,709
Amortization of intangibles, net of income taxes						477
Net income reported basis						$ 2,232
Total assets	$123,200		$148,100	$24,900	$14,827	$311,027
2003						
Net interest income	$ 4,051	N/A	$ 1,335	$ 421	$ (370)	$ 5,437
Provision for (reversal of) credit losses	460		15	–	(289)	186
Other income	1,803		701	1,873	47	4,424
Non-interest expenses before amortization of intangibles	3,463		1,689	2,234	206	7,592
Income (loss) before income taxes	1,931		332	60	(240)	2,083
Provision for (benefit of) income taxes	689		92	145	(323)	603
Non-controlling interest	–		–	–	–	–
Net income (loss) before amortization of intangibles	$ 1,242		$ 240	$ (85)	$ 83	$ 1,480
Amortization of intangibles, net of income taxes						491
Net income reported basis						$ 989
Total assets	$115,700		$123,400	$21,100	$13,332	$273,532

[1] The taxable equivalent basis increase to net interest income reflected in the Wholesale Banking segment results is reversed in the Corporate segment.

RESULTS BY GEOGRAPHY

For reporting of geographic results, our segments are grouped into Canada, United States and International. Transactions are primarily recorded in the location responsible for recording the revenue or assets. This location frequently corresponds with the location of the legal entity through which the business is conducted and the location of the customer.

(millions of Canadian dollars)				
2005	Total revenue	Income (loss) before provision for income taxes and non-controlling interest	Net income (loss)	Total assets
Canada	**$ 8,410**	**$1,408**	**$1,117**	**$232,783**
United States	**2,624**	**1,246**	**639**	**74,306**
International	**863**	**406**	**473**	**58,121**
Total	**$11,897**	**$3,060**	**$2,229**	**$365,210**
2004				
Canada	$ 7,967	$1,940	$1,368	$216,110
United States	1,559	434	259	41,506
International	1,130	661	605	53,411
Total	$10,656	$3,035	$2,232	$311,027
2003				
Canada	$ 7,202	$ 916	$ 674	$191,817
United States	1,588	(11)	(23)	38,222
International	1,071	406	338	43,493
Total	$ 9,861	$1,311	$ 989	$273,532

NOTE 23 ACQUISITIONS AND DISPOSITIONS

TD BANKNORTH

On March 1, 2005, the Bank acquired 51% of the outstanding shares of TD Banknorth. The total consideration in respect of this purchase amounted to $5,100 million, paid in cash and common shares in the amount of $3,112 million and $1,988 million, respectively. The acquisition was accounted for by the purchase method. The fiscal periods of the Bank and TD Banknorth are not coterminus. TD Banknorth's results from the March 1, 2005 acquisition date to September 30, 2005 have been consolidated with the Bank's results for the year ended October 31, 2005. TD Banknorth is reported as a separate segment referred to as U.S. Personal and Commercial Banking.

During March 2005, TD Banknorth completed a share repurchase of 15.3 million shares. As a result of this share repurchase, the Bank increased its ownership of TD Banknorth by 4.5% resulting in a 55.5% share ownership.

The following table presents 100% of assets and liabilities of TD Banknorth as of the dates of acquisition. The assets and liabilities are carried 55.5% at fair value and 44.5% at historical cost.

Acquisition Assets and Liabilities

(millions of Canadian dollars)	
Fair value of assets acquired	
Cash and cash equivalents	$ 928
Securities	6,335
Loans	24,581
Intangible assets	
Core deposit intangibles	420
Other identifiable intangibles	137
Other assets	1,683
	$34,084
Less liabilities assumed	
Deposits	28,919
Obligations related to securities sold under repurchase agreements	1,430
Other liabilities	198
Future tax liability on intangible assets	189
Subordinated notes, debentures and other debt	670
	$31,406
Less cash used in share repurchase program by TD Banknorth	603
Fair value of identifiable net assets acquired	$ 2,075
Non-controlling interest[1]	1,617
	458
Goodwill	4,642
Total purchase consideration	$ 5,100

[1] Includes $881 million of historical cost of goodwill and intangibles allocated to non-controlling interest ($831 million of goodwill; $50 million of intangibles).

Goodwill arising from the acquisition is not amortized but assessed for impairment on at least an annual basis. Intangible assets are amortized on an economic life basis over 5 to 18 years, based upon the estimated useful lives.

Unaudited Proforma Combined Results of Operations

The following unaudited supplemental pro forma information has been prepared to give effect to the acquisition of 55.5% of TD Banknorth as if it had occurred November 1, 2004. This calculation combines the Bank's results of operations with TD Banknorth's reported earnings adjusted for core deposit and other intangibles amortization, merger related costs, capital tax and incremental deposit interest costs.

(millions of Canadian dollars)	For the twelve months ended[1] **October 31, 2005**
Net interest income	**$ 6,469**
Provision for credit losses	**(78)**
Other income	**5,976**
Non-interest expenses	**(9,307)**
Income before provision for income taxes	**3,060**
Provision for income taxes	**(707)**
Income before non-controlling interest	**2,353**
Non-controlling interest	**(137)**
Net income available to common shares	**$ 2,216**
Earnings per share ($)	
Basic	**$ 3.14**
Diluted	**3.11**

[1] Combines the results of the Bank for the twelve months ended October 31, 2005 with the results of TD Banknorth for the twelve months ended September 30, 2005.

TD WATERHOUSE U.S.A. AND AMERITRADE

On June 22, 2005 the Bank announced its intention to sell its U.S. brokerage business, TD Waterhouse U.S.A. to Ameritrade Holding Corporation in exchange for approximately a 32% ownership in the combined legal entity. As part of the transaction, promptly following closing the Bank will tender for an additional 7.9% of the shares to bring the Bank's total holdings to 39.9%. The new entity will operate under the name TD Ameritrade. The transaction is currently expected to result in a gain on sale of approximately U.S.$900 million after-tax subject to the value of Ameritrade's share price at closing. The Bank intends to account for its investment in TD Ameritrade using the equity method of accounting. On the same day, the Bank also announced its intention to purchase 100% of Ameritrade's Canadian brokerage operations for U.S.$60 million cash consideration. Both transactions are expected to close early in fiscal 2006 subject to Canadian and U.S. regulatory approvals and Ameritrade shareholder approval.

HUDSON UNITED BANCORP

On July 12, 2005, TD Banknorth announced an agreement to acquire Hudson United Bancorp ("Hudson") for total consideration of approximately U.S.$1.9 billion, consisting of cash consideration of approximately U.S.$950 million and the remainder in TD Banknorth common shares. The cash consideration is to be funded by the sale of TD Banknorth common shares to the Bank. The transaction is expected to close early in calendar 2006 and is subject to approvals by shareholders of Hudson and TD Banknorth as well as regulatory approvals. TD Banknorth will consolidate the financial results of Hudson. On a proforma basis, based on the number of TD Banknorth shares outstanding on June 30, 2005, the Bank's proportionate ownership interest in TD Banknorth will decrease slightly after giving effect to the transaction which will result in an approximate pre-tax $80 million dilution loss. The Bank also announced its intention to at least maintain its ownership of TD Banknorth at the level prior to the acquisition of Hudson through TD Banknorth share repurchases or open market purchases, in each case subject to regulatory requirements, or to potentially increase its position as market conditions warrant.

LIBERTY MUTUAL GROUP

On April 1, 2004, the Bank acquired the Canadian personal property and casualty operations of Boston-based Liberty Mutual Group. Goodwill arising from this acquisition was $43 million.

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.

NOTE 24 RESTRUCTURING COSTS

On April 1, 2003, the Bank prospectively adopted 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 guidance generally requires 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.

In 2005, the Bank restructured its global structured products businesses within Wholesale Banking to reduce focus on the less profitable and more complex activities and concentrate resources on growing the more profitable areas of the business. As a result, the Bank has recorded $43 million of restructuring costs. In addition, a $153 million loss has been incurred during the year due to a reduction in the estimated value and the exit of certain structured derivative portfolios.

During 2003, the Bank announced a restructuring of the international unit of its wealth management business. The Bank recognized a total of $26 million of restructuring costs. The costs comprised, $7 million relating to lease termination costs and other premises related expenses and the remainder of the restructuring costs of $19 million related to write downs of software and systems development costs.

During 2003, the Bank also announced a restructuring of its U.S. equity options business in Wholesale Banking. As a result, the Bank recognized a total of $72 million of pre-tax restructuring costs. The restructuring costs included $31 million related to severance and employee support costs, $10 million related to lease termination costs and other premises related expenses and the remainder of the restructuring costs of $31 million related 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 released $7 million of the restructuring costs and substantially completed the restructuring in fiscal 2004.

As at October 31, 2005, the total unutilized balance of restructuring costs of $25 million (2004 – $7 million) shown below is included in other liabilities in the Consolidated Balance Sheet.

Restructuring Costs

			2005	2004	2003
(millions of Canadian dollars)	**Human Resources**	**Real Estate**	**Total**	Total	Total
Balance at beginning of year	**$ –**	**$ 7**	**$ 7**	$19	$36
Restructuring costs arising (reversed) during the year:					
Wholesale Banking	**43**	**–**	**43**	(7)	72
Wealth Management	**–**	**–**	**–**	–	26
Amount utilized during the year:					
Personal and Commercial Banking	**–**	**–**	**–**	–	28
Wholesale Banking	**24**	**1**	**25**	4	62
Wealth Management	**–**	**–**	**–**	1	25
Balance at end of year	**$19**	**$ 6**	**$25**	$ 7	$19

NOTE 25 EARNINGS PER SHARE

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. 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 weighted average number of common shares outstanding for the period. Such potential dilution is not recognized in a loss period.

Basic and diluted earnings per share at October 31 are as follows:

Basic and Diluted Earnings per Share

	2005	2004	2003
Basic Earnings per Share			
Net income available to common shares ($ millions)	**$2,229**	$2,232	$ 989
Average number of common shares outstanding (millions)	**691.3**	654.5	649.8
Basic earnings per share ($)	**$ 3.22**	$ 3.41	$ 1.52
Diluted Earnings per Share			
Net income available to common shares ($ millions)	**$2,229**	$2,232	$ 989
Average number of common shares outstanding (millions)	**691.3**	654.5	649.8
Stock options[1]	**5.6**	4.9	4.1
Average number of common shares outstanding – diluted (millions)	**696.9**	659.4	653.9
Diluted earnings per share[1] ($)	**$ 3.20**	$ 3.39	$ 1.51

[1] For 2005, the computation of diluted earnings per share excluded weighted average options outstanding of 271 thousand with a weighted average exercise price of $49.40 as the options price was greater than the average market price of the Bank's common shares. For 2003, the computation of diluted earnings per share excluded weighted average options outstanding of 10.9 million with a weighted exercise price of $39.40 as the options' price was greater than the average market price of the Bank's common shares. For 2004, all options outstanding were included in the computation of diluted earnings per share.

NOTE 26 RELATED PARTY TRANSACTIONS

The Bank makes loans to its officers and directors and their affiliates. Loans to directors and certain officers are on market terms. The amounts outstanding are as follows:

(millions of Canadian dollars)	2005	2004
Personal Loans	**$ 6**	$ 5
Business Loans	**45**	280
Total	**$51**	$285

In the ordinary course of business, the Bank also provides various banking services to related corporations on terms similar to those offered to non-related parties.

NOTE 27 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).

As required by the United States Securities and Exchange Commission (SEC), the significant differences between Canadian GAAP and United States generally accepted accounting principles (U.S. GAAP) are described below.

Net Income

	For the years ended October 31		
(millions of Canadian dollars)	**2005**[1]	2004	2003
Net income based on Canadian GAAP	**$2,229**	$2,232	$ 989
Employee future benefits[a]	**7**	(3)	(11)
Securitizations[b]	**(4)**	(17)	(16)
Available for sale securities[c]	**21**	2	128
Derivative instruments and hedging activities[d]	**(287)**	(475)	142
Guarantees[e]	**(22)**	(13)	(20)
Asset retirement obligations	**–**	(6)	(30)
Liabilities and equity[f]	**147**	146	179
Amortization of intangible assets[g]	**(35)**	–	–
Restructuring costs[h]	**–**	–	(28)
Other	**17**	(10)	–
Income taxes and net change in income taxes due to the above items[i]	**128**	118	(56)
Non-controlling interest[g]	**(57)**	(93)	(115)
Net income based on U.S. GAAP	**2,144**	1,881	1,162
Preferred dividends	**55**	53	64
Net income available to common shares based on U.S. GAAP	**$2,089**	$1,828	$1,098
Average number of common shares outstanding (millions)			
Basic – U.S. GAAP	**691.3**	654.5	649.8
– Canadian GAAP	**691.3**	654.5	649.8
Diluted – U.S. GAAP	**696.9**	659.4	653.9
– Canadian GAAP	**696.9**	659.4	653.9
Basic earnings per share – U.S. GAAP	**$ 3.02**	$ 2.79	$ 1.69
– Canadian GAAP	**3.22**	3.41	1.52
Diluted earnings per share – U.S. GAAP	**$ 3.00**	$ 2.77	$ 1.68
– Canadian GAAP	**3.20**	3.39	1.51

[1] For fiscal 2005, the effect of U.S. GAAP adjustments to the Canadian GAAP Consolidated Statement of Income is as follows: $297 million increase to net interest income, $400 million decrease to other income and $110 million increase to non-interest expenses.

Consolidated Statement of Comprehensive Income

	For the years ended October 31		
(millions of Canadian dollars)	**2005**	2004	2003
Net income based on U.S. GAAP	**$ 2,144**	$1,881	$1,162
Other comprehensive income (loss), net of income taxes			
Net change in unrealized gains and losses on available for sale securities[1]	**(14)**	16	16
Reclassification to earnings in respect of available for sale securities[2]	**(4)**	5	(78)
Change in unrealized foreign currency translation gains and losses[3,7]	**(431)**	(135)	(548)
Change in gains and losses on derivative instruments designated as cash flow hedges[4]	**(325)**	141	126
Reclassification to earnings of gains and losses on cash flow hedges[5]	**10**	40	46
Minimum pension liability adjustment[6]	**(33)**	(5)	114
Comprehensive income	**$ 1,347**	$1,943	$ 838

[1] Net of income taxes (benefit) of $40 million (2004 – $31 million; 2003 – $7 million).
[2] Net of income taxes (benefit) of $2 million (2004 – $2 million; 2003 – $(45) million).
[3] Net of income taxes (benefit) of $141 million (2004 – $400 million; 2003 – $481 million).
[4] Net of income taxes (benefit) of $149 million (2004 – $76 million; 2003 – $72 million).
[5] Net of income taxes (benefit) of $5 million (2004 – $21 million; 2003 – $27 million).
[6] Net of income taxes (benefit) of $(17) million (2004 – $(2) million; 2003 – $72 million).
[7] Fiscal 2005 includes $250 million (2004 – $659 million; 2003 – $971 million) of after-tax gains arising from hedges of the Bank's investment positions in foreign operations.

Condensed Consolidated Balance Sheet

	As at October 31					
(millions of Canadian dollars)			**2005**			2004
	Canadian GAAP	**Adjust-ments**	**U.S. GAAP**	Canadian GAAP	Adjust-ments	U.S. GAAP
Assets						
Cash resources and other	**$ 13,418**	**$ –**	**$ 13,418**	$ 9,038	$ 297	$ 9,335
Securities						
Investment[c,g]	**42,321**	**3,898**	**46,219**	31,387	3,917	35,304
Trading	**65,775**	**–**	**65,775**	66,893	216	67,109
Securities purchased under reverse repurchase agreements	**26,375**	**–**	**26,375**	21,888	–	21,888
Loans (net)	**152,243**	**–**	**152,243**	123,924	46	123,970
Trading derivatives' market revaluation[d]	**33,651**	**674**	**34,325**	33,697	1,827	35,524
Goodwill[a,g]	**6,518**	**1,604**	**8,122**	2,225	64	2,289
Other intangibles[a,g]	**2,124**	**338**	**2,462**	2,144	33	2,177
Other assets[a,g]	**22,785**	**22**	**22,807**	19,831	67	19,898
Total assets	**$ 365,210**	**$ 6,536**	**$ 371,746**	$311,027	$6,467	$317,494
Liabilities						
Deposits[d]	**$ 246,981**	**$ 21**	**$ 247,002**	$206,893	$ 350	$207,243
Trading derivatives' market revaluation[d]	**33,498**	**598**	**34,096**	33,873	1,138	35,011
Other liabilities[a,c,d,e,g,h,j]	**60,224**	**4,037**	**64,261**	49,389	4,640	54,029
Subordinated notes, debentures and other debt	**5,138**	**–**	**5,138**	5,644	82	5,726
Liabilities for preferred shares and capital trust securities[f]	**1,795**	**(1,795)**	**–**	2,560	(2,560)	–
Total liabilities	**347,636**	**2,861**	**350,497**	298,359	3,650	302,009
Non-controlling interest in subsidiaries[f,g]	**1,708**	**3,149**	**4,857**	–	1,368	1,368
Shareholders' equity						
Preferred shares[f]	**–**	**545**	**545**	–	960	960
Common shares[j]	**5,872**	**39**	**5,911**	3,373	37	3,410
Contributed surplus[j]	**40**	**–**	**40**	20	2	22
Foreign currency translation adjustments[k]	**(696)**	**696**	**–**	(265)	265	–
Retained earnings[a,b,c,d,e,g,h,j]	**10,650**	**(246)**	**10,404**	9,540	(104)	9,436
Accumulated other comprehensive income						
Net unrealized gains on available for sale securities[c]	**–**	**280**	**280**	–	298	298
Foreign currency translation adjustments[k]	**–**	**(696)**	**(696)**	–	(265)	(265)
Derivative instruments[d]	**–**	**(54)**	**(54)**	–	261	261
Minimum pension liability adjustment[a]	**–**	**(38)**	**(38)**	–	(5)	(5)
Total shareholders' equity	**15,866**	**526**	**16,392**	12,668	1,449	14,117
Total liabilities and shareholders'equity	**$ 365,210**	**$ 6,536**	**$ 371,746**	$311,027	$6,467	$317,494

(a) 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 Canadian dollars)	**2005**	2004
Prepaid pension expense (accrued benefit liability)	**$299**	$180
Other intangibles	**23**	33
Accumulated other comprehensive income before income taxes	**57**	7
Net amount recognized	**$379**	$220

In fiscal 2005, U.S. GAAP adjustments for employee future benefits decreased non-interest expenses by $7 million before tax.

(b) 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. In fiscal 2005, U.S. GAAP adjustments for securitizations decreased other income by $4 million before tax.

(c) AVAILABLE FOR SALE 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 the Consolidated Statement of Comprehensive Income. Other than temporary declines in fair value are recorded by transferring the unrealized loss from the Consolidated Statement of Comprehensive Income to the Consolidated Statement of Income. 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 the obligation 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. In fiscal 2005, U.S. GAAP adjustments for available for sale securities increased other income by $21 million before tax.

(d) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES
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 designated as hedges reported through the Consolidated Statement of Income. 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. At the end of fiscal 2005, deferred net gains (losses) on derivative instruments of $(40) million (2004 – $90 million; 2003 – $(27) million) included in other comprehensive income are expected to be reclassified to earnings during the next fiscal year. Cash flow hedges also include hedges of certain forecasted transactions up to a maximum of 24 years, although a substantial majority is under three years. The ineffective portion of hedging derivative instruments' changes in fair values are immediately recognized in income. For fiscal 2005, under U.S. GAAP, the Bank recognized pre-tax gains (losses) of nil (2004 – nil; 2003 – $(19) million) for the ineffective portion of cash flow hedges.

Under previous Canadian GAAP, the Bank recognized only derivatives used in trading activities at fair value on the Consolidated Balance Sheet, with changes in fair value included in income. However, as discussed in Note 1, as of November 1, 2003 the Bank prospectively adopted the CICA Accounting Guideline on hedging relationships. This guideline resulted in non-trading derivatives that are in ineffective hedging relationships or that are hedges not designated in a hedging relationship being carried at fair value.

In fiscal 2005, U.S. GAAP adjustments for derivative instruments and hedging activities increased net interest income by $130 million before tax and decreased other income by $417 million before tax.

In fiscal 2004, the majority of the net income adjustment for derivative instruments and hedging activities resulted from the Bank entering into a hedge for the cash portion of the purchase price for the proposed acquisition of Banknorth. Under U.S. GAAP, the hedge of the proposed Banknorth acquisition is not eligible for designation as a hedged transaction in a cash flow hedge given that the forecasted transaction involves a business combination. As a result, changes in the fair value of the derivative have been reported through U.S. GAAP net income and under Canadian GAAP, the forecasted transaction is eligible for hedge accounting, given that it is a hedge of foreign exchange risk.

(e) GUARANTEES
During fiscal 2003, 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 liabilities recorded on the Consolidated Balance Sheet is $55 million for U.S. GAAP purposes in 2005 (2004 – $33 million). Under Canadian GAAP, a liability is not recognized at the inception of a guarantee. In fiscal 2005, U.S. GAAP adjustments for guarantees increased non-interest expenses by $22 million before tax.

(f) LIABILITIES AND EQUITY
As of November 1, 2004, the Bank adopted the CICA amendments to its accounting standard on financial instruments – disclosure and presentation on a retroactive basis with restatement of prior periods. As a result of these amendments, the Bank was required to classify its existing preferred shares and innovative capital structures as liabilities and their corresponding distributions as interest expense for Canadian GAAP. However, under U.S. GAAP preferred shares of the Bank (except preferred shares of the Bank's subsidiary TD Mortgage Investment Corporation) continue to be considered equity and innovative capital structures continue to be considered non-controlling interest. In addition, under U.S. GAAP, preferred shares of the Bank's subsidiary, TD Mortgage Investment Corporation, continue to be presented as a non-controlling interest on the Consolidated Balance Sheet, and the net income applicable to the non-controlling interest continues to be presented separately on the Consolidated Statement of Income. Due to the prior period restatements for Canadian GAAP, the Bank has reclassified the Consolidated Financial Statements prepared on a U.S. GAAP basis. In fiscal 2005, U.S. GAAP adjustments for liabilities and equity increased net interest income by $147 million.

(g) ACQUISITION OF TD BANKNORTH
For U.S. GAAP, the survival of TD Banknorth Inc., a company created to effect the migratory merger that preceded the Bank's acquisition of TD Banknorth, has resulted in a full fair value step up of the TD Banknorth balance sheet. The impact of the step up for U.S. GAAP purposes is approximately a $2.2 billion increase to the Bank's goodwill and other intangibles offset with approximately $2 billion in non-controlling interest and $200 million in future income taxes. There is no net impact on the Bank's U.S. GAAP net income since intangible amortization and non-controlling interest have been increased by offsetting amounts. For Canadian GAAP purposes, the migratory merger is not considered substantive and only the Bank's share of TD Banknorth assets and liabilities have been stepped up to fair value as the Bank was deemed the acquiror under the purchase method of accounting.

(h) RESTRUCTURING COSTS
Under previous Canadian GAAP, restructuring costs incurred by the Bank 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.

(i) 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.

(j) 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 previous Canadian GAAP, no expenses were recorded and cash payments to option holders were charged to retained earnings on a net of tax basis. 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. There is no continuing Canadian and U.S. GAAP difference as the Bank has entirely reversed the accrued liability reclassified to capital for exercises and forfeitures of stock options that existed at October 6, 2002.

(k) 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.

NOTE 28 SUBSEQUENT EVENTS

ISSUANCE OF PREFERRED SHARES

On November 1, 2005, the Bank issued 17 million non-cumulative Class A First Preferred Shares, Series O carrying a face value of $25.00 per share to raise gross proceeds of $425 million. The Series O Shares will yield 4.85% annually and are redeemable by the Bank for cash, subject to regulatory consent, at a declining premium after approximately five years.

REDEMPTION OF SUBORDINATED DEBENTURES

On October 27, 2005, the Bank announced its intention to redeem on December 1, 2005 all $150 million, 8.4% December 1, 2010 subordinated debentures issued through its New York branch. The redemption price will be 100% of the principal amount, payable upon presentation and surrender of the debentures to Computershare Trust Company of Canada.

ISSUANCE OF SUBORDINATED DEBENTURES

On November 1, 2005 the Bank issued $800 million of reset medium term subordinated notes maturing on October 30, 2104 redeemable at par on October 30, 2015 and automatically convertible into preferred shares of the Bank under certain circumstances. The Bank will pay a coupon rate of 4.97% until October 30, 2015, and if not redeemed, the coupon will be reset every 5 years to the Government of Canada yield plus 1.77% thereafter until maturity.