



**TD BANK FINANCIAL GROUP**  
**THIRD QUARTER 2000 REPORT TO SHAREHOLDERS**

Nine months ended July 31, 2000

# News

## **TD Bank Financial Group continues momentum with solid 3rd quarter earnings**

*Canada Trust integration proceeding on track*

### **THIRD QUARTER HIGHLIGHTS**

- **Earnings per share on a cash basis were \$.80, up 21% from the same period last year (after excluding the special gain from the sale of 11.5% of TD Waterhouse Group, Inc. a year ago).**
- **Cash basis return on common equity for the quarter was 18.1%, compared to 18.2% the prior year.**
- **Net income on a cash basis for the quarter of \$511 million, up by 27% from the prior year.**
- **Total revenue, which includes the results of Canada Trust, climbed by 41% over the prior year.**
- **TD continued to build on its position as one of the world's top three online financial services firms, with more than 2.8 million online customers.**
- **TD Waterhouse's total account base grew to over 4.2 million, and topped 1 million in Canada alone.**

**TORONTO** – TD Bank Financial Group today announced results for the third quarter, reporting net income on a cash basis of \$511 million or \$.80 per common share compared to \$402 million or \$.66 per share the prior year, excluding last year's special gain from the sale of 11.5% of TD Waterhouse Group, Inc.

“Our core businesses successfully executed their customer-focused strategies, delivering solid results in this quarter,” said A. Charles Baillie, Chairman and Chief Executive Officer.

In particular, he noted the stellar performance of TD Canada Trust, which continued to demonstrate its strength as Canada's largest retail banking operation in terms of customers by turning in strong growth in revenues, market share and operating income.

Further, despite a decline in retail equity market trading volumes, TD Waterhouse demonstrated an ability to contribute strongly to the overall results in the quarter of TD Bank Financial Group, noted Baillie.

“TD Waterhouse delivered excellent year-over-year gains while reinforcing its position as one of the largest global discount brokers as it successfully executed aggressive expansion strategies in key markets such as the U.K., Japan and India,” said Baillie.

“TD Securities delivered solid levels of revenues and income for the quarter, with particularly strong results in foreign exchange, merchant banking and derivative trading,” he said. “During the quarter, TD Securities was a key financier and advisor in major media and telecom transactions, and made significant progress as a lead underwriter in the Australian dollar debt market.”

“As well, TD Asset Management achieved very good results while planning for the integration of the TD and Canada Trust mutual funds businesses into a new family of funds called TD Mutual Funds,” Baillie said. That integration is scheduled to be completed in October and will provide customers with access to a wider range of funds and greater depth in fund management.

During the quarter, Baillie was pleased to announce the appointment of W. Edmund Clark as President and Chief Operating Officer of TD Bank Financial Group, a move that reflects the increasing complexity of TD's operations. In addition to heading the retail banking operations, Clark now oversees commercial banking as well as other areas in which TD takes an enterprise-wide view.

#### **CANADA TRUST INTEGRATION**

"The integration process remains on plan and on schedule," said Clark. "We have now successfully integrated most head office functions, as well as the brokerage businesses, and are on track to merge mutual fund operations before the fiscal year end," he said.

Careful preparations continue for the integration of the retail branch networks, scheduled to begin in the second fiscal quarter of 2001.

"Throughout integration, our focus will continue to be our customers and our employees," said Clark. "We have been updating customers on an ongoing basis through merger update advertising and will continue to do so as we move forward on the integration of the retail networks next year."

Clark added: "We firmly believe that Canada Trust became a service leader because we measured our employees' performance by asking our customers for their assessment of how we're serving them. We have now instituted Canada Trust's industry-leading customer satisfaction measurement approach at TD branches across the country."

#### **COMPETITION BUREAU REMEDIES UPDATE**

TD has reached agreements to complete the divestiture of assets that were part of Competition Bureau conditions to the approval of the Canada Trust acquisition. These remedies included the sale of the retail banking business of 13 TD Bank and Canada Trust branches in Southern Ontario, along with the Canada Trust MasterCard consumer and merchant issuing credit card businesses.

"It was extremely important for us, through the divestitures, to work with the purchasers to ensure that our customers and our employees were looked after," said Clark. "It is a tribute to the quality of our people that active employees of these branches and the credit card businesses have been offered employment by the new owners."

#### **E-COMMERCE LEADERSHIP**

During the quarter, TD's businesses made further strides in their leadership in online delivery of financial services.

"Our strategic focus is on being where banking is going, supporting our belief that we can capitalize on future growth opportunities in e-commerce," said Baillie. "We have achieved outstanding growth in this area, with TD Canada Trust now ranking #2 in online banking penetration in North America. In addition, our online banking transactions and sales are up by close to 50% since the first quarter of the year." At the same time, TD Waterhouse deployed leading-edge wireless and other technology to the benefit of its customers, he added.

"We are the only bank in Canada in the Bain & Company "e25" survey of the top 25 e-businesses in Canada," said Baillie. He also noted that the TD and Canada Trust websites combined are visited by more Canadians than any other individual financial site in Canada, according to the June 2000 *Canada at Home Report* by Media Metrix Canada.

Baillie pointed to a range of e-commerce developments and achievements during the quarter:

- **TD MarketSite:** Following the successful launch last quarter of Canada's first business-to-business (B2B) electronic marketplace and trading portal for TD's internal procurement, TD MarketSite began extending its e-commerce services to business customers.
- **Integrated banking/brokerage:** TD launched an enhanced version of TD WebBanking that offers its customers a direct link to WebBroker, in association with TD Waterhouse.
- **Webcasting:** TD Asset Management and TD Waterhouse have teamed up to provide live market updates via TD Waterhouse websites in the U.S., Australia and Japan.

- Wireless delivery channels: In the U.K. and Hong Kong, TD Waterhouse launched MobileBroker, a wireless online investing service for customers with web-enabled phones, and in Canada, TD Canada Trust and TD Waterhouse jointly launched an integrated banking and brokerage service for Canadian customers with web-enabled phones.

#### **OTHER ACHIEVEMENTS**

TD's core businesses maintained momentum on other key strategic fronts during the quarter. Among the highlights:

- TD Securities was ranked by *Euromoney* magazine as the Best Foreign Bond House in the U.S. and earned top rankings for Eurobond debt trading in six currencies, and government bond trading in Australia and Canada. TD Securities was also ranked the #2 investment dealer in Canada by the *Financial Post 500*.
- TD Securities' and TD Waterhouse's private equity initiative – TD iCapital – committed capital of US\$27 million to new e-commerce ventures during the quarter.
- TD Securities committed resources to further strengthen its leveraged finance team in New York.
- TD Asset Management achieved a new milestone as total assets under management were \$103 billion, a 6% increase over last quarter.
- TD Waterhouse rose to the #1 spot in the U.K. discount broker marketplace during the quarter as it completed the acquisition of Dealwise Limited.
- TD Waterhouse began operations in Japan as part of its joint venture with The Bank of Tokyo-Mitsubishi, Ltd.
- TD Waterhouse also made its first move into continental Europe with the announcement of a joint venture with Banque Generale du Luxembourg to create a unique multi-market, multi-channel, multi-language brokerage service for high net worth European investors.

- *SmartMoney* magazine, the Wall Street Journal's Magazine of Personal Business, ranked TD Waterhouse the top brokerage firm in the United States for "The Do-It-Yourselfer" in its August 2000 issue. TD Waterhouse has now been at the top of their ranking of discount brokerage firms in three of the last four years. In addition, TD Waterhouse in Australia was named "Online Broker of the Year" by *yourbroker.com.au*, and received top ranking from Australia's *Personal Investor* magazine in a survey of investor satisfaction. These honors follow TD Waterhouse being named Canada's best discount broker by *Canadian Business* magazine in its most recent survey published last September.
- For the second consecutive year, TD Bank Financial Group was presented with a Fini award by Wal-Mart Stores, Inc., the world's largest retailer, for being "Best Overall Banking Partner." TD is one of Wal-Mart's more than 1,000 banks worldwide. TD also opened two in-store Wal-Mart branches this quarter, bringing the total to 42 TD in-store branches in Wal-Mart stores across Canada.

#### **OUTLOOK**

"We are seeing continued economic growth in our key markets in Canada, the United States and around the world – providing an excellent environment for pursuit of our growth strategies," Baillie said. "We fully expect to see further gains by each of our core businesses in fiscal 2000, building shareholder value and opening up new opportunities."

(As reported Thursday, August 17, 2000)

## Shareholder and Investor Information

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For further information, please contact:

### Shareholder Information

Call the Shareholders Relations department collect at (416) 944-5743.

Call toll free in Canada: 1-800-4NEWS-TD (1-800-463-9783). In Toronto, call: 982-News (982-6397). Outside of Canada, call collect: (416) 944-5743.

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### General Information

Financial: Contact Corporate & Public Affairs (416) 982-8578

Products and services: Contact TD Access Telephone Banking – toll free, in Canada and the United States: 1-800-9TD-BANK (1-800-983-2265), Toronto: (416) 983-2265, French: 1-800-895-4463, Cantonese/Mandarin: 1-800-387-2828, telecommunication devices for the deaf, call collect: (416) 982-4258.

### Annual Meeting

Thursday, April 5, 2001, 10:30 a.m.  
The Lombard, Winnipeg, Manitoba

**Online investor presentation:** Full financial statements and a presentation to investors and analysts are available on the TD Bank Financial Group website at [www.tdbank.ca/tdtoday/share.html](http://www.tdbank.ca/tdtoday/share.html).

**Webcast of call:** A live internet webcast of TD Bank Financial Group's quarterly conference call with investors and analysts has taken place on August 17, 2000 at 10:30 a.m. EDT. The call is available via the TD Bank Financial Group website at [www.tdbank.ca/tdtoday/share.html](http://www.tdbank.ca/tdtoday/share.html).

**Earnings conference call:** Instant replay of the teleconference will be available from August 17 to September 17, 2000. Please call 1-877-289-8525 toll free from anywhere in North America; or in Toronto (416) 640-1917, passcode 12900.

**Software required for webcast:** A Netscape 3.0 browser or better is required to access the broadcast via the internet. To access the webcast, Real Player is required. Those who wish to can download Real Player via the website at <http://209.61.133.144/events/tdbank/081700/index.cfm>.

*This press release may contain forward-looking statements, including statements regarding the business and anticipated financial performance of TD. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where TD operates.*

## Review of Operating Performance

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Net income for the quarter was \$511 million on a cash basis (excluding amortization of goodwill and intangibles), up \$109 million or 27% over last year after excluding the special gain from the sale of 11.5% of TD Waterhouse Group, Inc. in the third quarter of 1999. Net interest income on a taxable equivalent basis rose \$180 million to \$959 million, a year-over-year increase of 23%, which reflected the acquisition of Canada Trust, as well as continued growth in TD's personal and commercial banking businesses. Due to strong performance by all of our businesses, along with the inclusion of Canada Trust, other income rose \$567 million or 53% to \$1,632 million. As a result, total revenue reached \$2,591 million, an increase of \$747 million or 41% over last year. Expense growth of 43% exceeded our total revenue growth, resulting in a modest deterioration in our efficiency ratio to 62.6% from 61.4% in the third quarter last year.

Earnings per share on a cash basis were \$.80 this quarter compared to \$.66 a year ago (excluding last year's special gain). Canada Trust contributed approximately \$.10 per share to overall cash earnings per share. Cash return on total common equity was 18.1% compared to 18.2% last year (excluding the special gain).

### NET INTEREST INCOME

Net interest income on a taxable equivalent basis was \$959 million this quarter, \$180 million or 23% higher than the same quarter last year, as average earning assets grew by 30% to \$246 billion. While much of the asset growth was due to the addition of Canada Trust, both personal and commercial banking and TD Waterhouse experienced solid growth in underlying lending activities. Net interest margin declined to 1.55% from 1.63% in the third quarter of 1999. This decrease in margin was attributed to two factors: our continuing securitization of loan assets, which reduces net interest income while increasing other income; as well as the growth of trading activities which record revenues in other income whereas the related funding expense is recorded as a reduction of net interest income. Margins in TD Canada Trust were 3.84% compared to 3.66% last year.

### CREDIT QUALITY AND PROVISION FOR CREDIT LOSSES

The full-year estimate of \$480 million for the provision for credit losses remains unchanged from last quarter, with \$135 million of the full-year estimate expensed this quarter, and we are comfortable that the full-year estimate remains adequate. The allowance for credit losses exceeded gross impaired loans by \$56 million at July 31, 2000, compared to a \$174 million excess at the end of last quarter.

The Bank's total accumulated general allowance for credit losses increased slightly to \$851 million at July 31, 2000 from \$849 million in the prior quarter. These general allowances relate to both loans and off-balance sheet instruments and qualify as Tier 2 capital under guidelines issued by the Office of the Superintendent of Financial Institutions.

### OTHER INCOME

Other income reached \$1,632 million this quarter, up \$567 million or 53% from the same quarter last year. Within other income, trading income generated by TD Securities increased 73% this quarter, reaching \$328 million compared to \$190 million for the same period last year. This increase was offset in part by higher associated funding costs in net interest income, which together resulted in total trading related revenue (both net interest income and other income) increasing 28% compared to the third quarter last year. Net investment securities gains almost doubled to \$115 million from \$65 million last year, and the surplus over book value of our investment securities portfolio was \$530 million at July 31, 2000, compared to \$432 million at the end of the last quarter.

Growth in brokerage revenues from both discount and full-service operations continues to be very strong year-over-year. TD Waterhouse contributed \$78 million to the increase in other income, reflecting a 44% increase in average trades per day to 157,000 from 109,000 a year ago. At TD Evergreen, our full service broker, brokerage revenues were up \$16 million or 43% over last year.

TD Asset Management continued to benefit from strong mutual fund performance in both the U.S. and Canada. Mutual fund management fees increased 95% to \$127 million from \$65 million a year ago, contributing \$62 million to the increase in other income.

Retail banking also reported strong year-over-year growth in other income largely due to the addition of Canada Trust. Insurance revenues more than tripled and income from securitizations more than doubled over the third quarter last year.

#### **NON-INTEREST EXPENSES**

Total cash expense growth (excluding goodwill and other purchase related intangible amortization) was 43% year-over-year, with the addition of Canada Trust accounting for 26 percentage points of the growth. The percentage growth in total revenue at 41% is slightly lower than expense growth and as a result, our efficiency ratio, excluding non-cash goodwill and intangible charges and special gains, deteriorated 120 basis points to 62.6%.

A higher pace of business activity within personal and commercial banking, excluding Canada Trust, and TD Waterhouse contributed 4% and 11%, respectively, to our underlying growth in expenses, while TD Securities and TD Asset Management together contributed a further 1%.

#### **BALANCE SHEET**

Total assets were \$273 billion at the end of the third quarter, \$50 billion or 23% higher than a year ago. While Canada Trust accounted for much of the increase, underlying growth in lending activities continued to be strong. Of the \$14 billion year-over-year increase in personal loans, underlying growth accounted for \$6.2 billion, with TD Waterhouse contributing \$3.7 billion of that. Including securitizations, underlying growth in residential mortgages increased by 4.2% or \$1.6 billion from last year.

Personal non-term deposits grew \$13 billion or 49% over last year, with Canada Trust contributing \$9.9 billion of the increase and TD Waterhouse contributing an additional \$2.6 billion. Underlying growth in personal non-term deposits accounted for the remaining \$5 billion. Personal term deposits more than doubled to \$53.9 billion, an increase of \$28.3 billion. While Canada Trust contributed \$26.2 billion of the increase, underlying growth was also strong, increasing 8% or \$2.1 billion.

#### **CAPITAL**

Total regulatory capital was \$13.6 billion at the end of the quarter, up \$952 million from the prior quarter due to the issue of \$500 million in qualifying subordinated debt on July 31, 2000 and our strong net income in the quarter. Our Tier 1 and total capital ratios increased to 7.3% and 10.7% at July 31, compared to 7.2% and 10.2% respectively at the end of the prior quarter.

## Review of TD's Businesses<sup>1</sup>

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### TD CANADA TRUST

TD Canada Trust's strong earnings growth continued in the third quarter with net income on a cash basis of \$238 million, \$98 million or 70% higher than the third quarter last year, and \$27 million or 13% higher than last quarter. These results reflect the inclusion of Canada Trust's retail banking operations effective February 1, 2000.

TD Canada Trust maintained business and earnings momentum while the integration process continued on schedule. Total revenue increased 3% over the second quarter this year, reflecting an increase in the number of days in the quarter, and an improvement in market share for both loans and deposits. Strong growth in volumes from personal loans and deposits in addition to improved margins and growth in wealth management fees resulted in a 14% increase in total revenue over the same quarter last year on a comparable basis.

Although business volumes grew, the impact of head office integration synergies allowed total expense growth to be kept to 3% over the same quarter last year on a comparable basis. Total expenses decreased 1% compared to the second quarter this year. This favourable expense performance was achieved while increasing teller hours in TD Bank branches. Expense savings were also re-invested into our TD Private Client Group, electronic banking and TD MarketSite businesses.

On a cash basis, return on total common equity improved from 14% in the second quarter to 15% this quarter, but declined from 23% a year ago as the inclusion of the additional common equity capital for the purchase of Canada Trust lowered the ratio.

### TD WATERHOUSE

After realizing strong growth in both earnings and key financial indicators during the first two quarters, TD Waterhouse's financial performance in the third quarter reflected a slowdown in trading activity around the world. Despite the slowdown, TD Waterhouse earned net income on a cash basis of \$53 million during the quarter, an increase of \$6 million or 13% over the same quarter last year excluding the prior year special gain arising from the initial public offering. Earnings were down by 50% from the previous quarter's record results. In addition, TD Waterhouse continued to invest heavily in branding awareness and technology. On a cash basis, return on total common equity improved year-over-year by two percentage points to 15%, excluding the prior year special gain.

For the quarter, average trades per day were 157,000, representing an increase of 44% over last year, and online penetration remained steady versus last quarter at 74%. Average trades per day were down 38% from the previous quarter. The number of total active customer accounts now exceeds 3 million, a one-year increase of 46%, while customer assets grew to \$242 billion, a year-over-year increase of 41%.

TD Waterhouse's total revenue was \$500 million, an increase of \$140 million or 39% from the same quarter last year (excluding the prior year special gain) and is largely a result of the increased market activity from a larger customer base and increased margin loan volume.

<sup>1</sup> See table on page 8 and 9.

**TD ASSET MANAGEMENT**

Net income on a cash basis was \$30 million for the quarter, an increase of \$13 million or 76% over last year, and \$10 million or 50% over last quarter.

This quarter represents a new milestone for TD Asset Management as total assets under management were \$103 billion, a 6% increase over last quarter.

The addition of the Canada Trust Investment Management Group and the continued growth in our customer base of retail, high net worth and institutional clients have further contributed to these continuing strong results.

Revenues were enhanced this quarter by the increase in the number of customer accounts, and the higher proportion of equity assets over fixed income assets as fuelled by robust equity markets. These factors have propelled our assets under management higher, and aided an asset shift towards a higher proportion of equity funds, resulting in higher management fees.

**Earnings by Business Segment**

	TD Canada Trust			TD Waterhouse		
	July 31 2000	Apr. 30 2000	July 31 1999	July 31 2000	Apr. 30 2000	July 31 1999
<i>For the three months ended</i>						
Net interest income (on a taxable equivalent basis)	\$ 828	\$ 804	\$ 523	\$ 138	\$ 142	\$ 84
Provision for credit losses	76	75	14	–	–	–
Other income	565	552	296	362	546	276
Gain on sale of TD Waterhouse Group, Inc.	–	–	–	–	–	1,082
Non-interest expenses excluding non-cash goodwill/intangible amortization and restructuring costs	904	914	559	397	486	276
Restructuring costs	–	–	–	–	–	–
Net income before provision for income taxes and non-controlling interest	413	367	246	103	202	1,166
Provision for income taxes (TEB)	175	156	106	43	85	35
Non-controlling interest in net income of subsidiaries	–	–	–	7	12	2
<b>Net income – cash basis</b>	<b>\$ 238</b>	<b>\$ 211</b>	<b>\$ 140</b>	<b>\$ 53</b>	<b>\$ 105</b>	<b>\$ 1,129</b>
Non-cash goodwill/intangible amortization, net of tax						
<b>Net income – accrual basis</b>						
Total assets ( <i>billions of dollars</i> )	\$ 104.4	\$ 110.0	\$ 62.3	\$ 24.4	\$ 24.8	\$ 17.7
Return on total common equity – cash basis <sup>1</sup>	15%	14%	23%	15%	31%	13%

	July 31 2000	July 31 1999	July 31 2000	July 31 1999
	<i>For the nine months ended</i>			
Net interest income (on a taxable equivalent basis)	\$ 2,189	\$ 1,555	\$ 398	\$ 211
Provision for credit losses	196	105	–	–
Other income	1,430	832	1,367	908
Gain on sale of TD Waterhouse Group, Inc.	–	–	–	1,082
Non-interest expenses excluding non-cash goodwill/intangible amortization and restructuring costs	2,385	1,661	1,271	790
Restructuring costs	–	–	–	–
Net income before provision for income taxes and non-controlling interest	1,038	621	494	1,411
Provision for income taxes (TEB)	442	270	204	138
Non-controlling interest in net income of subsidiaries	–	–	29	2
<b>Net income – cash basis</b>	<b>\$ 596</b>	<b>\$ 351</b>	<b>\$ 261</b>	<b>\$ 1,271</b>
Non-cash goodwill/intangible amortization, net of tax				
<b>Net income – accrual basis</b>				
Return on total common equity – cash basis <sup>1</sup>	17%	19%	25%	20%

<sup>1</sup>Excludes gain on sale of TD Waterhouse Group, Inc. in 1999 and restructuring costs in 2000.



**TD SECURITIES**

TD Securities' net income on a cash basis for the quarter was \$179 million, compared with \$186 million last year, and the record \$236 million last quarter. On a cash basis, return on total common equity for the quarter was 20%, identical to last year, and down from last quarter's record of 27%.

Third quarter earnings reflect continued solid performance in our foreign exchange, merchant banking and derivative products businesses. These results were reduced by higher provisions for credit losses versus last year, and weakness in the bond and U.S. high yield market. In comparison, last quarter's record results were characterized by stronger capital markets as well as substantial merchant banking gains on

global media and telecommunications investments. The decrease in net interest income during this quarter reflects increased funding costs for higher levels of trading assets, offset by increased trading and fee revenues.

TD Securities' businesses are developing more integrated solutions to meet our clients' needs. Capital is managed at the consolidated level and TD Securities has been very effective at reducing lower yielding loans and reallocating capital to those businesses generating high returns.

(unaudited, in millions of dollars)

TD Asset Management			TD Securities			Other			Total		
July 31 2000	Apr. 30 2000	July 31 1999	July 31 2000	Apr. 30 2000	July 31 1999	July 31 2000	Apr. 30 2000	July 31 1999	July 31 2000	Apr. 30 2000	July 31 1999
\$ 5	\$ 5	\$ 9	\$ 18	\$ 160	\$ 171	\$ (30)	\$ (117)	\$ (8)	\$ 959	\$ 994	\$ 779
–	–	–	60	60	13	(1)	–	(2)	135	135	25
80	63	46	632	628	439	(7)	54	8	1,632	1,843	1,065
–	–	–	–	–	–	–	–	–	–	–	1,082
31	31	24	286	340	283	5	2	(10)	1,623	1,773	1,132
–	–	–	–	–	–	–	475	–	–	475	–
54	37	31	304	388	314	(41)	(540)	12	833	454	1,769
24	17	14	125	152	128	(67)	(245)	–	300	165	283
–	–	–	–	–	–	15	11	–	22	23	2
\$ 30	\$ 20	\$ 17	\$ 179	\$ 236	\$ 186	\$ 11	\$ (306)	\$ 12	\$ 511	\$ 266	\$ 1,484
									228	225	11
									\$ 283	\$ 41	\$ 1,473
\$ 4.1	\$ 4.4	\$ 4.8	\$ 131.4	\$ 120.8	\$ 128.6	\$ 8.4	\$ 10.1	\$ 9.1	\$ 272.7	\$ 270.1	\$ 222.5
91%	62%	106%	20%	27%	20%				18%	20%	18%
July 31 2000	July 31 1999		July 31 2000	July 31 1999		July 31 2000	July 31 1999		July 31 2000	July 31 1999	
\$ 16	\$ 19		\$ 339	\$ 650		\$ (171)	\$ (66)		\$ 2,771	\$ 2,369	
–	–		150	73		(1)	97		345	275	
192	127		1,731	1,156		34	23		4,754	3,046	
–	–		–	–		–	–		–	1,082	
93	73		889	775		(8)	17		4,630	3,316	
–	–		–	–		475	–		475	–	
115	73		1,031	958		(603)	(157)		2,075	2,906	
52	33		421	404		(334)	(106)		785	739	
–	–		–	–		26	–		55	2	
\$ 63	\$ 40		\$ 610	\$ 554		\$ (295)	\$ (51)		\$ 1,235	\$ 2,165	
									465	32	
									\$ 770	\$ 2,133	
78%	82%		23%	18%					18%	17%	

## Consolidated Interim Statement of Income

(unaudited, in millions of dollars)

	For the three months ended			For the nine months ended	
	July 31 2000	Apr. 30 2000	July 31 1999	July 31 2000	July 31 1999
<b>Interest income</b>	\$ 3,748	\$ 3,600	\$ 2,727	\$ 10,108	\$ 8,073
<b>Interest expense</b>	2,828	2,654	2,000	7,474	5,849
<b>Net interest income</b>	920	946	727	2,634	2,224
<b>Provision for credit losses</b>	135	135	25	345	275
<b>Net interest income after credit loss provision</b>	785	811	702	2,289	1,949
<b>Other income</b>					
Investment and securities services	606	818	464	2,008	1,321
Credit fees	123	166	118	418	336
Net investment securities gains	115	146	65	349	277
Trading income	328	290	190	862	473
Service charges	132	124	76	332	213
Loan securitizations	72	67	26	162	65
Card services	62	55	50	169	139
Insurance	56	57	17	132	47
Other	138	120	59	322	175
	1,632	1,843	1,065	4,754	3,046
<b>Net interest and other income</b>	2,417	2,654	1,767	7,043	4,995
<b>Gain on sale of TD Waterhouse Group, Inc.</b>	–	–	1,082	–	1,082
<b>Net interest and other income, including gain</b>	2,417	2,654	2,849	7,043	6,077
<b>Non-interest expenses</b>					
Salaries and staff benefits	887	982	650	2,531	1,833
Occupancy	136	134	93	361	276
Equipment	144	156	98	405	290
Intangible amortization	403	421	–	825	–
Restructuring costs	–	475	–	475	–
Other	456	501	291	1,333	917
<b>Non-interest expenses excluding goodwill amortization</b>	2,026	2,669	1,132	5,930	3,316
<b>Net income (loss) before provision (benefit) for income taxes</b>	391	(15)	1,717	1,113	2,761
<b>Provision (benefit) for income taxes</b>	45	(118)	231	197	594
<b>Net income before non-controlling interest in subsidiaries</b>	346	103	1,486	916	2,167
<b>Non-controlling interest in net income of subsidiaries</b>	22	23	2	55	2
<b>Net income before goodwill amortization</b>	324	80	1,484	861	2,165
<b>Goodwill amortization, net of tax</b>	41	39	11	91	32
<b>Net income</b>	283	41	1,473	770	2,133
<b>Preferred dividends</b>	16	12	10	40	32
<b>Net income applicable to common shares</b>					
– including goodwill amortization	\$ 267	\$ 29	\$ 1,463	\$ 730	\$ 2,101
– excluding goodwill amortization	\$ 308	\$ 68	\$ 1,474	\$ 821	\$ 2,133
<b>Earnings per common share</b>					
– including goodwill amortization	\$ .42	\$ .05	\$ 2.46	\$ 1.17	\$ 3.53
– excluding goodwill amortization	.49	.11	2.48	1.32	3.59
Average number of common shares outstanding ( <i>millions</i> )	621.8	621.6	594.5	621.3	594.4
Number of common shares outstanding	622.0	621.7	594.6	622.0	594.6
Number of options outstanding <sup>1</sup>	25.2	25.9	23.5	25.2	23.5

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

<sup>1</sup>Options are, or will be, exercisable for an equivalent number of common shares.

## Condensed Consolidated Balance Sheet

(unaudited, in millions of dollars)

	<i>As at</i>		
	<b>July 31 2000</b>	Apr. 30 2000	July 31 1999
<b>Assets</b>			
<b>Cash resources</b>	<b>\$ 6,697</b>	\$ 5,664	\$ 8,307
<b>Securities purchased under resale agreements</b>	<b>20,746</b>	16,406	27,771
<b>Securities</b>			
Investment	<b>29,018</b>	27,676	17,685
Trading	<b>59,534</b>	56,738	52,418
	<b>88,552</b>	84,414	70,103
<b>Loans (net of allowance for credit losses)</b>			
Residential mortgages	<b>43,559</b>	46,446	33,445
Consumer instalment and other personal	<b>34,201</b>	34,232	20,181
Business and government	<b>42,983</b>	40,998	36,234
	<b>120,743</b>	121,676	89,860
<b>Customers' liability under acceptances</b>	<b>8,080</b>	8,099	8,571
<b>Other assets</b>	<b>27,924</b>	33,824	17,874
	<b>\$ 272,742</b>	\$ 270,083	\$ 222,486
<b>Liabilities</b>			
<b>Deposits</b>			
Personal	<b>\$ 93,136</b>	\$ 92,758	\$ 51,889
Business and government	<b>100,011</b>	98,801	91,767
	<b>193,147</b>	191,559	143,656
<b>Acceptances</b>	<b>8,080</b>	8,099	8,571
<b>Obligations related to securities sold short</b>	<b>19,270</b>	16,110	22,612
<b>Obligations related to securities sold under repurchase agreements</b>	<b>14,328</b>	13,013	19,390
<b>Other liabilities</b>	<b>19,232</b>	23,251	14,169
<b>Subordinated notes and debentures</b>	<b>4,839</b>	4,327	3,490
<b>Non-controlling interest in subsidiaries</b>	<b>1,630</b>	1,623	380
<b>Shareholders' equity</b>			
Preferred	<b>1,237</b>	1,225	839
Common	<b>10,979</b>	10,876	9,379
	<b>\$ 272,742</b>	\$ 270,083	\$ 222,486

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

## Condensed Consolidated Statement of Shareholders' Equity

(unaudited, in millions of dollars)

	<i>For the nine months ended</i>	
	<b>July 31 2000</b>	July 31 1999
Balance at beginning of period	<b>\$ 11,533</b>	\$ 8,533
Issue of common shares	<b>47</b>	5
Issue of preferred shares	<b>403</b>	–
Net income	<b>770</b>	2,133
Dividends	<b>(456)</b>	(348)
Unrealized net foreign currency translation losses, net of income taxes	<b>(46)</b>	(68)
Other	<b>(35)</b>	(37)
Balance at end of period	<b>\$ 12,216</b>	\$ 10,218

**Condensed Consolidated Statement of Cash Flows**

(unaudited, in millions of dollars)

	<i>For the nine months ended</i>	
	<b>July 31 2000</b>	July 31 1999
<b>Cash flows from (used in) operating activities</b>		
Net income	\$ 770	\$ 2,133
Adjustments to determine net cash flows	(8,864)	(15,692)
	<b>(8,094)</b>	<b>(13,559)</b>
<b>Cash flows from (used in) financing activities</b>		
Deposits	11,347	22,979
Securities sold short or under repurchase agreements	(2,016)	20,547
Subordinated notes and debentures and share capital	1,649	(57)
Dividends paid	(456)	(348)
Proceeds on issuance of subsidiary shares	900	1,457
Other items, net	112	(28)
	<b>11,536</b>	<b>44,550</b>
<b>Cash flows from (used in) investing activities</b>		
Investment securities	3,443	(4,896)
Loans	(5,281)	(5,206)
Securities purchased under resale agreements	6,181	(15,480)
Interest-bearing deposits	(165)	(4,538)
Acquisition of CT Financial Services Inc., less cash and cash equivalents acquired (Note 1)	(7,167)	–
Other items	(147)	(181)
	<b>(3,136)</b>	<b>(30,301)</b>
<b>Net changes in cash and cash equivalents</b>	<b>306</b>	<b>690</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,464</b>	<b>1,379</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,770</b>	<b>\$ 2,069</b>

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

**NOTE 1:****ACQUISITION OF CT FINANCIAL SERVICES INC.**

On February 1, 2000, the Bank acquired substantially all of the common shares of CT Financial Services Inc. (CT), a holding company for a group of companies which together operate as a Canadian financial services company under the name Canada Trust. The total consideration in respect of this purchase amounted to \$7,998 million, paid in cash. The acquisition was accounted for by the purchase method and the results of CT's operations have been included in the consolidated statement of income from the date of acquisition. In accordance with remedies agreed to with the Competition Bureau relating to the acquisition of CT, the Bank has sold the CT MasterCard business and is proceeding with the previously announced sale of 13 branches – 7 CT and 6 TD – in three Southern Ontario markets.

Details of the consideration given and the fair values of the net assets acquired are as follows:

(millions of dollars)

**Fair value of assets acquired**

Cash and cash equivalents	\$ 831
Identifiable intangible assets	6,860
Other tangible assets	48,505
	<u>56,196</u>
<b>Less:</b>	
Liabilities	48,956
Non-controlling interest in subsidiaries	364
	<u>49,320</u>
<b>Fair value of identifiable net assets acquired</b>	<b>6,876</b>
Goodwill	1,122
<b>Total purchase consideration</b>	<b>\$ 7,998</b>

Goodwill arising from the transaction is being amortized on a straight-line basis over the expected period of benefit of 10 years. Identifiable intangibles are being amortized on a double declining basis over eight years, based upon their estimated useful lives. The final allocation of the purchase price will be determined following the completion of the sale of the 13 branches in the final quarter of fiscal 2000.

During the second quarter, the Bank recorded pre-tax restructuring costs of \$475 million in connection with the integration of CT. As part of the restructuring plan, the Bank anticipates staff reductions of 4,900 full-time equivalent positions over a three year period, of which 2,900 positions will represent actual job losses and 2,000 positions will be absorbed through normal staff turnover. Of the \$475 million in restructuring costs, an amount of \$251 million has been accrued for severance and employee support costs directly related to this plan. The Bank anticipates that approximately 275 branches will be closed under the restructuring plan, together with rationalization of regional and head office space requirements. Lease termination costs and other premises related expenses of \$171 million have been recognized as part of the restructuring costs. The remainder of the restructuring costs of \$53 million relates to expenses directly related to the restructuring, primarily for professional advisory and consulting fees. As of July 31, 2000, \$100 million of incurred costs had been charged against the restructuring accrual.