Bank Financial Group

FIRST QUARTER 2001 REPORT TO SHAREHOLDERS
Three months ended January 31, 2001

News

TD BANK FINANCIAL GROUP MAINTAINS MOMENTUM IN 2001, WITH RECORD FIRST QUARTER

1ST QUARTER HIGHLIGHTS

- **On an operating cash basis[1], earnings per share for the first quarter were $.88 compared to $.72 in the same period last year.**
- **On an operating cash basis, return on common equity for the quarter was 19.5%, compared to 16.4% the prior year.**
- **On an operating cash basis, net income for the quarter was $569 million, compared to $458 million the prior year.**
- **A $150 million gain was recorded on the sale of certain investment real estate assets this quarter, offset by a corresponding $150 million increase in general reserves.**
- **Total operating revenue of $2,776 million for the quarter (excluding investment real estate gains of $150 million) was up by 32% over the prior year.**
- **Cash operating net income of $569 million[2] was driven by each of TD's core businesses – $267 million from TD Canada Trust, $231 million from TD Securities, $47 million from TD Waterhouse and $25 million from TD Wealth Management.**

TORONTO – TD Bank Financial Group today announced record results for the first quarter of fiscal 2001, reporting net income on an operating cash basis of $569 million or $.88 per common share. This compares to $458 million or $.72 per share for the prior year on the same basis.

"We have continued our momentum this quarter with positive year-over-year gains in revenues and operating income, with strong growth from TD Canada Trust and a solid quarter from TD Securities," said A. Charles Baillie, TD Chairman and Chief Executive Officer. "Each of our core businesses has been building value in pursuit of our four strategic imperatives: to achieve scale, maintain momentum, be where banking is going and engage in activities that are at least North American in scope."

Business Segment Highlights

"TD Canada Trust continued to deliver outstanding results this quarter, exceeding targets on all fronts," said Baillie. "Our retail banking franchise continues to be a significant contributor to our earnings as we see the benefits of the acquisition of Canada Trust, completed just over one year ago," he noted. "We are very proud of our employees' efforts in delivering on our promise to become the premier retail bank in North America. In particular, they have delivered a continued increase in our customer service index, with a rise of more than one percentage point to 83.7% across the combined TD and Canada Trust branch network."

TD Securities posted solid results during the quarter in which it completed the integration of Newcrest Capital Inc. The acquisition and the launch of TD Newcrest, further strengthened TD Securities' position in institutional equities and investment banking. "This integration was a significant undertaking that was achieved by the leadership of TD Securities and our new team from Newcrest with remarkable speed and efficiency," Baillie said. "We have reaped immediate benefits with measurable growth in institutional trading volumes since the transaction." During the quarter, TD recorded a pre-tax restructuring charge of $55 million in connection with the Newcrest acquisition.

[1] Operating cash basis earnings referenced in this news release exclude restructuring costs relating to the acquisition of Newcrest Capital Inc. in first quarter 2001, and the effect of tax rate reductions on future income tax amounts also reflected in the quarter. Operating results are presented on this basis in order to provide a meaningful year-over-year comparison. Financial results published to TD's website, www.tdbank.ca include both operating results and results that include special items.
[2] Includes $(1) million in Other for the quarter.

With declines in trading volumes in North American equity markets, revenues and earnings declined at TD Waterhouse after more than five consecutive years of robust growth. TD Waterhouse has among the lowest account acquisition costs in the industry, and has responded to market conditions by implementing prudent cost controls, while taking advantage of strategic global expansion opportunities. In the quarter, TD Waterhouse and The Charles Schwab Corporation jointly launched a new market making operation in the U.K. through their £60 million acquisition of Glasgow-based Aitken Campbell, a leading U.K. market maker. The transaction is expected to close in the second quarter. "With this move, TD Waterhouse is building its market presence in the U.K. while diversifying its revenue streams – a key goal during a time of market volatility," Baillie said.

Reported as a new segment this quarter, TD Wealth Management includes the businesses of TD Asset Management, TD Evergreen, TD Private Investment Counsel, Private Banking, Financial Planning and the Estates and Trust businesses. While market conditions contributed to an earnings decline from last quarter, market share increased and assets under management continued to be the largest in Canada at over $112 billion. Baillie noted that he expects the consolidation of these businesses into a single segment will translate into a more comprehensive focus on customers' investment needs, while adding shareholder value.

Canada Trust Integration

"During the first quarter, the process of integrating Canada Trust remained firmly on track," said W. Edmund Clark, President and Chief Operating Officer, TD Bank Financial Group. With most non-retail banking components of the integration complete, TD's full attention is now on its plans to bring the TD and Canada Trust retail branch networks together under the new TD Canada Trust brand over the coming six months.

"Our key focus is on our customers – ensuring that we make this transition as comfortable as possible for them – and on our employees, who are critical to our success," said Clark. "We have dedicated a significant portion of our resources to ensure that we communicate well with our customers, and that we train our 30,000 TD Canada Trust employees for this integration. I'm pleased to report that employee morale continues to be high as we move into this next, important phase."

The retail banking integration is expected to be completed by August, 2001. Beginning in the second quarter, activities will include:

- Converting TD customers to the existing Canada Trust personal and small business deposit account selection, in keeping with our decision to adopt the Canada Trust customer service model;
- Beginning to convert Canada Trust branches to the TD system platform and to equip TD branches with CT's industry leading paperless teller system, in waves, beginning in Atlantic Canada; and
- Launching electronic banking nationally under the TD Canada Trust brand, with EasyWeb internet banking and EasyLine telephone banking.

Other Achievements

All TD divisions worked to build scale and momentum during the quarter, recording a number of significant achievements, noted Baillie.

TD Securities was one of the most active investment banks in the mergers and acquisitions market during the quarter, playing a key role in a number of significant transactions:

- Leveraging its global leadership in media, telecommunications and technology, TD Securities acted as financial advisor to Corus Entertainment Inc. in its $625 million acquisition of Nelvana Inc.; Moffat Communications Ltd. in the $1.3 billion acquisition of Moffat by Shaw Communications; and CGI Group Inc. in its $100 million acquisition of Star Data Systems Inc.
- Demonstrating its strength and expertise in the utilities industry, TD Securities acted as financial advisor to Epcor Utilities Inc. in its $110 million acquisition of Utilicorp Network Canada, Alberta's retail electricity business; and to The City of Mississauga regarding Hydro Mississauga's strategic alliance with Borealis Energy Corporation (a division of OMERS). Both the EPCOR and the Hydro Mississauga deals were the first of their kind ever done in Canada.

In addition, TD Securities experienced significant positive momentum with increased business volumes in its high yield, investment grade debt and structured finance businesses.

As well during the quarter:

- TD announced it had reached an agreement for the acquisition by Cadillac Fairview of TD's interests in the real estate assets they jointly owned. The agreement is representative of TD's commitment to focus its efforts and resources on core businesses which generate superior returns for shareholders. The sale excludes the real estate portfolio of Truscan Property Corporation, the real estate subsidiary of Canada Trust, as well as certain other real estate assets of TD Realty Limited. It is anticipated that these remaining properties will also be sold as soon as is practicable and when market conditions permit. TD Securities acted as advisor on this transaction.

- TD Canada Trust closed its transaction with Canada Life, whereby Canada Life has acquired TD's group retirement and pension business and the TD Meloche Monnex insurance subsidiary acquired Canada Life's property and casualty insurance subsidiary – achieving scale and consolidating TD's position as the second largest direct response property and casualty insurer in Canada.
- TD Waterhouse expanded its multi-channel e-commerce reach in Canada with a groundbreaking marketing agreement with Clarica Life Insurance Company, enabling Clarica clients to access TD Waterhouse directly through the Clarica web site – providing TD Waterhouse with access to a high value client base with significant investment needs.
- TD Asset Management announced a strategic alliance with CI Mutual Funds Inc., making CI's funds available through most TD branches, and building on TD's position as the leading third party mutual fund distributor in Canada.

Online Leadership in Financial Services

During the quarter, TD Bank Financial Group maintained its focus on e-commerce and online delivery, and continues to rank within the world's top three online financial services firms, with 3.3 million online customers.

"We are absolutely focused on being where banking is going, and as a result of these efforts, we are the third largest online financial services firm in the world, and growing in major global markets," said Baillie. He noted that online customer usage has continued to grow, with TD Canada Trust and TD Waterhouse at the leading edge of multi-channel delivery.

During the first quarter:

- TD strengthened its e-banking position in the U.S. by forging agreements with leading U.S. financial services providers whereby TD will sell their credit card, home equity lines of credit and mortgage products. These products will be branded TD Waterhouse and will be marketed and distributed by TD through TD Waterhouse channels. "By outsourcing to other manufacturers of financial services, TD can leverage their scale and offer a better value proposition to customers while building the brand in the United States," noted Baillie.
- TD Waterhouse launched a new service for active investors in the U.S. This two-tiered program, called Select and Select Plus, provides active investors with one-screen access to all of the resources they need to make swift investment decisions. This enhanced service is offered at a discount to TD Waterhouse's standard commission rate, making it one of the most competitive offerings for active investors in the industry.
- In the U.K., TD Waterhouse won the "Most Innovative New Entrant Award" from the Institute of Financial Services, which recognizes the best and brightest innovators and innovations in the financial services sector across the U.K.
- TD Waterhouse's joint venture in Japan won first place among the internet brokerages in two of the three categories in the "The First Complete Guide to Online Trading" in the *Nikkei Net Trading* magazine (Vol. 2, 2001, published on January 18, 2001 by Nikkei Business Publications Inc., sold by Nikkei BP Publishing Center, Inc.)
- TD Waterhouse enhanced online delivery around the world, launching Hong Kong's first interactive TV trading service, introducing the first wireless service in Australia to provide Australian investors with market information, and delivering wireless news and market information in the U.S. and Japan.
- TD Canada Trust forged an agreement with Curomax – a multi-lender automotive finance portal – becoming the first major Canadian bank to support automotive dealers in Canada with loan financing through such a portal.

Outlook

"While economic growth has slowed in the United States and to a lesser degree in Canada, the economic environment remains positive, albeit more challenging, given the combination of slower growth and volatile capital markets," Baillie said, noting that recent cuts in interest rates in North America would benefit the economy.

"Our businesses are adjusting to changing markets well, by opening up new opportunities while focusing on our strategies. We expect to make further progress during the balance of the year as we enter the final phase of integrating Canada Trust," he concluded.

(As reported Thursday, February 15, 2001)

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.

Shareholder and Investor Information

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

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

Internet website: www.td.com
Internet e-mail: customer.service@td.com

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

Products and services: Contact TD Canada Trust, 24 hours a day, seven days a week: 1-866-567-8888 (effective March 5, 2001), French: 1-800-895-4463, Cantonese/Mandarin: 1-800-387-2828, telephone device for the deaf: 1-800-361-1180 (effective March 5, 2001).

Annual Meeting
Thursday, April 5, 2001, 10:30 a.m.
The Fairmont Winnipeg (formerly The Lombard)

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.

Webcast: A live internet webcast of TD Bank Financial Group's quarterly conference call with investors and analysts has taken place on February 15, 2001 at 10:30 a.m. EST. The call is available via the TD Bank Financial Group website at www.tdbank.ca/tdtoday/share.html.

Conference call: An instant replay of the conference call will be available to investors and analysts until March 16, 2001. Please call 1-877-289-8525 toll free, in Toronto (416) 640-1917, passcode 86498#.

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/021501/index.cfm.

Review of Operating Performance

Net operating[1] income for the quarter was a record $569 million on a cash basis (excluding amortization of goodwill and intangibles arising from business combinations), up $111 million or 24% over last year. Net interest income on a taxable equivalent basis (TEB) rose $242 million to $1,060 million, a year-over-year increase of 30%, primarily reflecting the acquisition of Canada Trust on February 1, 2000. Excluding the impact of the $150 million pre-tax gain recognized on the sale of certain investment real estate assets in the quarter, other income increased 34% or $437 million to $1,716 million. This increase also reflects the acquisition of Canada Trust, as well as the strong performance by TD Securities. Expenses, excluding non-cash goodwill and intangible amortization and the $55 million restructuring charge related to the purchase of Newcrest, increased $504 million or 41%.

Operating earnings per share on a cash basis were $.88 this quarter compared to $.72 in the same quarter last year. On an operating basis, cash return on total common equity was 19.5% compared to 16.4% last year.

Net Interest Income
Net interest income on a taxable equivalent basis was $1,060 million this quarter, $242 million or 30% higher than the same quarter last year. This growth was largely attributable to the increase in average earning assets of 23% to $247 billion, reflecting the acquisition of Canada Trust. Net interest margin overall increased by 8 basis points to 1.70% compared to 1.62% for the same quarter last year. The increase in the overall net interest margin as a result of the acquisition of Canada Trust was reduced by the growth of TD Securities trading activities. These trading activities are recorded as part of other income, whereas the related funding expense is recorded as a reduction in net interest income.

[1] Operating results referenced in this news release exclude restructuring costs related to business combinations (the acquisition of Newcrest in Q1, 2001 and Canada Trust in Q2, 2000) and the effects of future tax rate reductions on future tax balances in Q1, 2001. Operating results are presented on this basis in order to provide a meaningful year-over-year comparison.

Credit Quality and Provision for Credit Losses

During the quarter the Bank announced the sale of certain real estate assets resulting in a $350 million pre-tax gain, $150 million of which was recognized in the current quarter. Although comfortable with its current specific credit loss provisioning levels, the Bank will offset $300 million of the gains – $150 million in each of the current and the second quarters – by increasing its general allowance for credit losses. General allowances relate to both loans and off-balance sheet instruments and qualify – to an amount equal to 75 basis points of risk-weighted assets – as Tier 2 capital under guidelines issued by the Office of the Superintendent of Financial Institutions.

Excluding the increase in the general allowance, the full-year estimate for the provision for credit losses in 2001 is $480 million, unchanged from last year. One fourth, or $120 million of the full-year estimate, was expensed this quarter which, together with the increase in the general allowance of $150 million, resulted in a total provision for credit losses of $270 million this quarter.

The allowance for credit losses exceeded gross impaired loans by $286 million at the end of the quarter, compared to $104 million a year ago.

Other Income

Excluding the impact of the $150 million pre-tax real estate gain, other income reached $1,716 million this quarter, an increase of 34% or $437 million from the same quarter last year. Within other income, trading income generated by TD Securities increased 84% this quarter, reaching $449 million compared to $244 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 69% compared to the first quarter last year. These higher trading revenues were partially offset by lower net investment securities gains of $40 million compared to $88 million a year ago. The surplus over book value of our equity investment securities portfolio was $690 million at the end of the fiscal quarter, compared to $362 million a year ago.

Retail banking also reported strong growth in other income, largely due to the addition of Canada Trust. Insurance revenues more than tripled from $19 million to $71 million over the first quarter last year and income from securitizations tripled from $23 million to $69 million.

TD Wealth Management is reported as a new segment this quarter and historical data has been adjusted for comparison. At TD Wealth Management, the addition of the CT family of mutual funds contributed significantly to a 63% increase in mutual fund management fees, which reached $122 million from $75 million in the same quarter of 2000. TD Evergreen, our full service broker whose results are now included in TD Wealth Management, earned $48 million in other income this quarter, unchanged from a year ago.

At TD Waterhouse, average trades per day dropped from 190,000 a year ago to 149,000 this quarter. This was reflected in the drop in fee and commission revenue to $315 million from $383 million a year ago.

Non-Interest Expenses

Total cash expense growth from a year ago – excluding one-time restructuring charges related to the acquisition of Newcrest – was 41%, primarily due to the acquisition of Canada Trust. On a comparable basis, the growth in expenses was 8%, primarily related to increased performance compensation expense in TD Securities, which earned record trading revenue. The Bank's overall efficiency ratio, on a cash operating basis, deteriorated to 62.6% from 58.8% a year ago, reflecting the higher growth in expenses than in revenues. The efficiency ratio is viewed as a more relevant measure of retail operations, and TD Canada Trust reported an efficiency ratio, excluding non-cash items and funding costs for the acquisition of Canada Trust, of 58% compared to 62% a year ago.

Balance Sheet

Total assets were $284 billion at the end of the first quarter, $50 billion or 21% higher than a year ago. The majority of this increase, $46 billion, reflects the addition of Canada Trust. Personal loans, including securitizations, grew $15.1 billion or 55% year-over-year. All of this growth was attributable to our retail banking operations, primarily as a result of the acquisition of Canada Trust. Margin loans at TD Waterhouse declined by $3.8 billion from a year ago to $9.1 billion. Residential mortgages, including securitizations, grew 66%, or $25.1 billion over last year. Canada Trust accounted for 62% of this growth and our underlying retail banking operations accounted for 4%.

Personal non-term deposits grew $13.2 billion or 48% over last year. Canada Trust contributed $10.2 billion of that increase, TD Waterhouse contributed an additional $2.1 billion with underlying growth in personal non-term deposits accounting for the remaining $.9 billion. Personal term deposits almost doubled to $53.5 billion, up $26.4 billion over 2000 due primarily to Canada Trust, which accounted for $25.7 billion of the increase.

Capital

As at January 31, 2001, our Tier 1 ratio increased to 7.5% from 7.2% at October 31, 2000. This improvement resulted from an increase in Tier 1 capital of $269 million during the quarter, while risk-weighted assets decreased. Risk-weighted assets were reduced primarily through the purchase of $4 billion of mortgage insurance and the securitization of $500 million of credit card loans during the quarter.

Review of TD's Businesses

TD Canada Trust

TD Canada Trust's earnings momentum continued in the first quarter as net income on a cash basis increased for the third consecutive quarter since the inclusion of Canada Trust's retail banking operations on February 1, 2000. Net income on a cash basis was $267 million, $122 million or 84% higher than the same period last year, and $19 million or 8% higher than last quarter.

Total revenue increased 13% over last year on a comparable basis from strong growth in business volumes along with improved margins. Since the closing date of the Canada Trust acquisition, market share has improved for both lending and deposits products. In addition to the growth in revenues, expense growth was 1% over last year on a comparable basis. The expense growth was kept at a low rate, primarily through savings achieved through the integration of head office operations during 2000 and employee attrition realized in advance of the upcoming retail branch network consolidation. As a result, the operating cash basis efficiency ratio improved to 58% during the quarter from 62% in the first quarter of 2000.

We continued to deliver outstanding results this quarter and remain focused on exceeding consumer expectations for the conversion of the retail branch network.

TD Securities

TD Securities' first quarter revenue was $794 million, a 26% improvement over last year's performance. Net income on a cash basis for the quarter was $231 million, compared with $195 million last year, and $168 million last quarter. On a cash basis, return on common equity for the quarter was 23%, up from 22% last year, and 19% last quarter.

Solid performances and momentum were achieved in most business groups during the quarter. TD Securities' institutional equities business showed considerable strength as institutional trading volumes rose substantially. Our acquisition of Newcrest Capital Inc. closed successfully, and the integration of TD Securities and Newcrest has gone forward smoothly and efficiently.

As well, TD Securities' fixed income business, including derivatives, experienced a strong quarter due to new issue activity and very active secondary trading markets.

TD Securities experienced somewhat less favourable markets in corporate loan syndication and merchant banking, but our merger and acquisitions business was ahead of last year. TD Securities was one of the most active investment banks in the market during the quarter, playing a key role in a number of significant transactions.

Our structured finance, foreign exchange and investment grade credit business groups turned in excellent results based on innovative transactions and strong deal flow. Despite a slow month of November, TD Securities experienced a significant positive turnaround in high yield and investment grade businesses as the quarter ended.

Earnings by Business Segment

	TD Canada Trust[1]		TD Securities	
For the three months ended	**Jan. 31 2001**	Jan. 31 2000	**Jan. 31 2001**	Jan. 31 2000
Net interest income (on a taxable equivalent basis)	**$ 958**	$ 587	**$ 101**	$ 161
Provision for credit losses	**97**	58	**41**	30
Other income	**414**	226	**693**	471
Non-interest expenses excluding non-cash goodwill/intangible amortization and restructuring costs	**828**	501	**365**	263
Restructuring costs	**–**	–	**–**	–
Net income before provision for income taxes and non-controlling interest	**447**	254	**388**	339
Provision for income taxes (TEB)	**180**	109	**157**	144
Non-controlling interest in net income of subsidiaries	**–**	–	**–**	–
Net income – cash basis	**$ 267**	$ 145	**$ 231**	$ 195
Non-cash goodwill/intangible amortization, net of income taxes				
Net income – accrual basis				
Total assets *(billions of dollars)* – balance sheet	**$ 106.9**	$ 61.9	**$ 144.7**	$ 131.9
– securitized	**27.3**	7.8	**.2**	.2
Operating cash basis return on common equity[2]	**28%**	22%	**23%**	22%

[1] Commencing in Q1, 2001, net interest income and other income of TD Canada Trust exclude the impact of securitizations. The offsetting impact is included in Other. Prior period figures have been restated to reflect this change and also to reflect the transfer of certain businesses from TD Canada Trust to TD Wealth Management.

[2] Excludes restructuring costs related to the acquisition of Newcrest Capital Inc. and the effects of future tax rate reductions on future tax balances in Q1, 2001.

TD Waterhouse

Despite volatile market conditions, TD Waterhouse earned cash basis net income of $47 million in the quarter. This represents a decrease of $56 million or 54% over the buoyant market conditions experienced in the same quarter last year. On a cash basis, return on common equity declined year-over-year by sixteen percentage points to 12%.

For the quarter, average trades per day were 149,100, representing a decrease of 21% over last year, and online penetration increased year-over-year by two percentage points to 74%. The number of active customer accounts now exceeds 3.2 million, a one year increase of 37%. Total customer assets ended the quarter at $231 billion, an increase of 5% over the same quarter last year (this compares to the year-over-year decline in the NASDAQ Composite Index of 30% and Dow Jones Industrial Average of .5%).

Total revenue for TD Waterhouse amounted to $497 million, a decrease of $80 million or 14% from the same quarter last year due to the decreased market activity, offset slightly by higher mutual fund revenue. Net interest income is flat year-over-year as average margin loan balances are down over the same quarter last year, offset by a 30 basis point improvement in the margin loan spread. Operating expenses increased $21 million or 5% year-over-year, reflecting our continued focus on infrastructure and technology advances.

TD Wealth Management

Reported as a new segment this quarter, TD Wealth Management includes the businesses of TD Asset Management, TD Evergreen, TD Private Investment Counsel, Private Banking, Financial Planning and the Estates and Trust businesses. Results for prior quarters have been restated to reflect this change.

During the quarter, assets under management (AUM) remained steady at $113 billion versus $112 billion at the end of last quarter, despite declines in equity markets and a slowing economic environment. Uncertainty among retail investors hindered the sales of longer term products (equity mutual funds and managed accounts), but money market fund sales were strong in Canada and the U.S. Significant new institutional mandates in TD Quantitative Capital also aided in bolstering AUM.

Net income on a cash basis for the quarter was $25 million, a 24% decline from $33 million the prior quarter, but up 67% from $15 million a year ago. Contributing to the decline from last quarter were lower gains in Portfolio Management & Research, higher transfer pricing, and significant investments in the new financial planning, global funds, and external fund sales initiatives. Growth versus last year can be attributed to new customers, additional assets from Canada Trust and the acquisitions of Greydanus Boeckh and Harbour Capital.

(unaudited, in millions of dollars)

TD Waterhouse		TD Wealth Management		Other		Total	
Jan. 31 2001	Jan. 31 2000	**Jan. 31 2001**	Jan. 31 2000	**Jan. 31 2001**	Jan. 31 2000	**Jan. 31 2001**	Jan. 31 2000
$ 119	$ 118	**$ 18**	$ 14	**$ (136)**	$ (62)	**$ 1,060**	$ 818
–	–	**–**	–	**132**	(13)	**270**	75
378	459	**156**	111	**225**	12	**1,866**	1,279
409	388	**130**	97	**6**	(15)	**1,738**	1,234
–	–	**–**	–	**55**	–	**55**	–
88	189	**44**	28	**(104)**	(22)	**863**	788
35	76	**19**	13	**(33)**	(22)	**358**	320
6	10	**–**	–	**12**	–	**18**	10
$ 47	$ 103	**$ 25**	$ 15	**$ (83)**	$ –	**$ 487**	$ 458
						50	12
						$ 437	$ 446
$ 21.4	$ 24.0	**$ 4.5**	$ 4.8	**$ 6.5**	$ 11.3	**$ 284.0**	$ 233.9
–	–	**–**	–	**(6.5)**	–	**21.0**	8.0
12%	28%	**36%**	43%			**20%**	16%

Consolidated Interim Statement of Income

(unaudited, in millions of dollars)

	For the three months ended	
	Jan. 31 2001	Jan. 31 2000
Interest income		
Loans	**$ 2,770**	$ 1,971
Securities		
Dividends	**119**	78
Interest	**817**	501
Deposits with banks	**158**	131
	3,864	2,681
Interest expense		
Deposits	**2,500**	1,701
Subordinated notes and debentures	**80**	41
Other obligations	**278**	171
	2,858	1,913
Net interest income	**1,006**	768
Provision for credit losses (Note 1)	**270**	75
Net interest income after credit loss provision	**736**	693
Other income		
Investment and securities services	**611**	584
Credit fees	**131**	129
Net investment securities gains	**40**	88
Trading income	**449**	244
Service charges	**132**	76
Loan securitizations	**69**	23
Card services	**64**	52
Insurance	**71**	19
Other **(Note 2)**	**299**	64
	1,866	1,279
Net interest and other income	**2,602**	1,972
Non-interest expenses		
Salaries and staff benefits	**964**	662
Occupancy including depreciation	**139**	91
Equipment including depreciation	**146**	105
Amortization of intangible assets from business combinations	**355**	1
Restructuring costs **(Note 3)**	**55**	–
Other	**489**	376
Non-interest expenses excluding goodwill amortization	**2,148**	1,235
Net income before provision for income taxes	**454**	737
Provision (benefit) for income taxes (Note 4)	**(45)**	270
Net income before non-controlling interest in subsidiaries	**499**	467
Non-controlling interest in net income of subsidiaries	**18**	10
Net income before goodwill amortization	**481**	457
Goodwill amortization, net of tax	**44**	11
Net income	**437**	446
Preferred dividends	**20**	12
Net income applicable to common shares		
– including goodwill amortization	**$ 417**	$ 434
– excluding goodwill amortization	**$ 461**	$ 445
Earnings per common share		
– including goodwill amortization	**$ .67**	$ .70
– excluding goodwill amortization	**.74**	.72
Dividends per common share	**.25**	.21
Average number of common shares outstanding *(millions)*	**623.7**	620.6
Number of common shares outstanding	**627.7**	621.5
Number of options outstanding[1]	**25.1**	25.3

Certain comparative amounts have been reclassified to conform with current year presentation.
[1]Options are, or will be, exercisable for an equivalent number of common shares.

Consolidated Balance Sheet

(unaudited, in millions of dollars)

	As at	
	Jan. 31 2001	Oct. 31 2000
Assets		
Cash resources		
Cash, deposits with Bank of Canada and non-interest-bearing deposits with other banks	**$ 1,600**	$ 1,522
Interest-bearing deposits with other banks	**5,764**	2,665
	7,364	4,187
Securities purchased under resale agreements	**22,771**	13,974
Securities		
Investment	**28,574**	27,090
Trading	**67,636**	58,297
	96,210	85,387
Loans (net of allowance for credit losses) (Note 1)		
Residential mortgages	**45,692**	44,400
Consumer instalment and other personal	**32,182**	34,876
Business and government	**41,547**	41,445
	119,421	120,721
Other		
Customers' liability under acceptances	**9,421**	9,812
Trading derivatives' market revaluation	**12,916**	14,258
Goodwill and intangible assets from business combinations	**7,624**	7,835
Land, buildings and equipment	**2,621**	2,791
Other assets	**5,705**	5,853
	38,287	40,549
Total assets	**$ 284,053**	$ 264,818
Liabilities		
Deposits		
Personal	**$ 94,388**	$ 92,488
Banks	**26,217**	25,324
Business and government	**74,034**	67,996
	194,639	185,808
Other		
Acceptances	**9,421**	9,812
Obligations related to securities sold short	**20,884**	19,007
Obligations related to securities sold under repurchase agreements	**17,502**	8,856
Trading derivatives' market revaluation	**13,382**	12,802
Other liabilities	**9,202**	9,644
	70,391	60,121
Subordinated notes and debentures	**4,851**	4,883
Non-controlling interest in subsidiaries	**1,282**	1,656
Shareholders' equity		
Capital stock		
Preferred	**1,472**	1,251
Common	**2,248**	2,060
Retained earnings	**9,170**	9,039
	12,890	12,350
Total liabilities and shareholders' equity	**$ 284,053**	$ 264,818

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

Consolidated Statement of Changes in Shareholders' Equity

(unaudited, in millions of dollars)

	For the three months ended	
	Jan. 31 2001	Jan. 31 2000
Preferred shares		
Balance at beginning of period	**$ 1,251**	$ 833
Proceeds from share issues	**225**	103
Translation adjustment on shares issued in a foreign currency	**(4)**	(5)
Balance at end of period	**1,472**	931
Common shares		
Balance at beginning of period	**2,060**	2,006
Issued on acquisition of subsidiaries **(Note 6)**	**181**	41
Proceeds from shares issued on exercise of options	**7**	–
Balance at end of period	**2,248**	2,047
Retained earnings		
Balance at beginning of period	**9,039**	8,694
Net income	**437**	446
Preferred dividends	**(20)**	(12)
Common dividends	**(156)**	(130)
Foreign currency translation adjustments, net of income taxes	**16**	(31)
Stock options settled in cash, net of income taxes	**(14)**	(11)
Obligations arising from adoption of new accounting standard for employee future benefits **(Note 5)**	**(132)**	–
Other	**–**	(8)
Balance at end of period	**9,170**	8,948
Total common equity	**11,418**	10,995
Total shareholders' equity	**$ 12,890**	$ 11,926

Consolidated Statement of Cash Flows

(unaudited, in millions of dollars)

	For the three months ended	
	Jan. 31 2001	Jan. 31 2000
Cash flows from (used in) operating activities		
Net income	**$ 437**	$ 446
Adjustments to determine net cash flows		
Provision for credit losses	**270**	75
Restructuring costs	**55**	–
Depreciation	**70**	49
Amortization of goodwill and intangible assets from business combinations	**401**	14
Net investment securities gains	**(40)**	(88)
Changes in operating assets and liabilities		
Future income taxes	**(550)**	(93)
Current income taxes payable	**314**	(76)
Interest receivable and payable	**48**	68
Trading securities	**(9,339)**	(4,208)
Unrealized gains and amounts receivable on derivatives contracts	**1,342**	(1,737)
Unrealized losses and amounts payable on derivatives contracts	**580**	1,733
Other	**(619)**	(3,218)
Net cash used in operating activities	**(7,031)**	(7,035)
Cash flows from (used in) financing activities		
Deposits	**8,828**	17,091
Securities sold under repurchase agreements	**8,646**	(3,166)
Securities sold short	**1,864**	3,773
Debt of subsidiaries	**(87)**	–
Issuance of subordinated notes and debentures	**(12)**	–
Repayment of subordinated notes and debentures	**–**	(1)
Common shares issued on exercise of options	**7**	–
Common stock options settled in cash, net of income taxes	**(14)**	(11)
Issuance of preferred shares	**225**	103
Dividends paid on – preferred shares	**(20)**	(12)
– common shares	**(156)**	(130)
Other	**–**	(8)
Net cash from financing activities	**19,281**	17,639
Cash flows from (used in) investing activities		
Interest-bearing deposits	**(3,099)**	(2,244)
Activity in investment securities		
Purchases	**(2,959)**	(5,761)
Proceeds from maturities	**963**	6,150
Proceeds from sales	**894**	870
Loans	**498**	(7,885)
Proceeds from loan securitizations	**522**	–
Land, buildings and equipment – net	**102**	(42)
Securities purchased under resale agreements	**(8,797)**	(1,190)
Acquisitions less cash and cash equivalents acquired **(Note 6)**	**(296)**	–
Net cash used in investing activities	**(12,172)**	(10,102)
Net changes in cash and cash equivalents	**78**	502
Cash and cash equivalents at beginning of period	**1,522**	1,464
Cash and cash equivalents at end of period represented by cash, deposits with Bank of Canada and non-interest-bearing deposits with other banks	**$ 1,600**	$ 1,966
Supplementary disclosure of cash flow information		
Amount of interest paid during the period	**$ 2,697**	$ 1,851
Amount of income taxes paid during the period	**125**	505

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

Notes to Consolidated Interim Financial Statements (unaudited)

These consolidated interim financial statements should be read in conjunction with the Bank's most recent annual consolidated financial statements as they do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements. The consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except for employee future benefits as discussed in note 5.

NOTE 1: ALLOWANCE FOR CREDIT LOSSES

During the first quarter of 2001, the Bank increased its general allowance for credit losses by $150 million. The Bank maintains an allowance for loan losses which is considered adequate to absorb all credit-related losses in a portfolio of items which are both on and off the consolidated balance sheet. The level of general allowances depends upon an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition and other relevant indicators.

NOTE 2: SALE OF REAL ESTATE PROPERTIES

On December 22, 2000, the Bank announced the sale of a portion of its real estate investments and has recognized a gain of $150 million before tax in the first quarter of 2001. On the same date, the Bank also announced the proposed sale of several other key properties which is expected to close in the second quarter of fiscal 2001, subject to regulatory approval. This sale will result in a gain of $200 million before tax at closing.

NOTE 3: RESTRUCTURING COSTS

As at January 31, 2001, the total unutilized balance of restructuring costs of $322 million shown below was included in other liabilities in the consolidated balance sheet.

(millions of dollars)	Human Resources	Real Estate	Technology	Other	Total
Balance at beginning of period	$ 139	$ 142	$ 29	$ 17	$ 327
Restructuring costs arising during the period – Newcrest	54	–	–	1	55
Amount utilized during the period					
– Canada Trust	(16)	(1)	(6)	(1)	(24)
– Newcrest	(36)	–	–	–	(36)
Balance at end of period	$ 141	$ 141	$ 23	$ 17	$ 322

NOTE 4: FUTURE TAX RATE REDUCTIONS

Federal income tax rate reductions were announced in the October 18, 2000 budget and are now considered substantively enacted. The federal income tax rate will be reduced by 6% between 2002 and 2004. Consequently, the Bank has recognized the net impact of the future tax rate reductions in the first quarter of 2001. The future tax liability related to intangible assets was reduced by $(199) million and the net amount of other future tax assets and liabilities was reduced by $50 million, for a net reduction of $(149) million credited to the provision for income taxes.

NOTE 5: EMPLOYEE FUTURE BENEFITS

As of November 1, 2000, the Bank has adopted the new accounting standard – *Employee Future Benefits* on a retroactive basis without restatement. As a result, an after tax amount of $132 million has been charged to retained earnings.

NOTE 6: ACQUISITIONS

During the quarter, the Bank acquired all of the outstanding Class A and Class B common shares of Newcrest Holdings Inc. ("Newcrest"), a holding company for the securities dealer Newcrest Capital Inc. The total consideration in respect of this purchase amounted to $225 million, paid in common shares of the Bank of $181 million and cash of $44 million. The acquisition was accounted for by the purchase method and the results of Newcrest's operations have been included in the consolidated statement of income from November 1, 2000. Goodwill arising from the transaction of $160 million is being amortized on a straight-line basis over the expected period of benefit of 10 years.

As part of the acquisition of Newcrest, the Bank determined that it was necessary to restructure the combined operations. A pre-tax restructuring cost of $55 million was charged to income in the current quarter, primarily for staff severance. The Bank expects the restructuring to be completed by the end of the second quarter of fiscal 2001.

On December 31, 2000, Meloche Monnex Inc., a wholly-owned subsidiary of the Bank, acquired all of the outstanding common shares of Canada Life Casualty Insurance Company ("CLIC") for cash consideration of $80 million. The acquisition was accounted for by the purchase method and the results of CLIC's operations have been included in the consolidated statement of income from the effective date of acquisition. Goodwill arising from the transaction of $40 million is being amortized on a straight-line basis over the expected period of benefit of 10 years.