This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation of the contrary is an offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States or to a U.S. Person. Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada (the permanent information record in Quebec). Copies of the documents incorporated herein by reference may be obtained on request without charge from the Executive Vice President, General Counsel and Secretary, The Toronto-Dominion Bank, Toronto-Dominion Centre, Toronto, Canada, M5K 1A2.

Initial Public Offering *March 14, 2000*

TD Capital Trust™

(a trust established under the laws of Ontario)

$900,000,000 Capital Trust Securities — Series 2009 (TD CaTS™)

CaTS

TD Capital Trust (the "Trust") is a closed-end trust established under the laws of Ontario by TD Trust Company (the "Trustee"), a subsidiary of The Toronto-Dominion Bank (the "Bank"), pursuant to a declaration of trust (the "Declaration of Trust"). The Trust proposes to issue and sell to investors pursuant to this prospectus (the "Offering") transferable trust units called Capital Trust Securities-Series 2009 or "TD CaTS", each of which represents an undivided beneficial ownership interest in the Trust Assets (as defined herein). The Offering will provide investors with the opportunity to invest, through the holding of TD CaTS, in the Trust Assets, and will provide the Bank with a cost-effective means of raising capital for Canadian bank regulatory purposes. The Trust will also issue securities called Special Trust Securities (the "Special Trust Securities" and, collectively with the TD CaTS, the "Trust Securities") to the Bank or affiliates of the Bank. See "Description of the Trust Securities".

The Trust will distribute its Net Distributable Funds (as defined below) on the last day of June and December of each year (each, a "Distribution Date"). On each Distribution Date, unless the Bank has failed to declare Dividends (as defined herein) on the basis described herein, a holder of TD CaTS will be entitled to receive a non-cumulative fixed cash distribution of $38 per TD CaTS (an "Indicated Yield"), representing a per annum yield of 7.60% of the $1,000 initial issue price. The initial Indicated Yield payable on June 30, 2000 will be $21.03 per TD CaTS, based on an anticipated closing date for the Offering (the "Closing Date") of March 21, 2000. Each Distribution Date will be either a Regular Distribution Date (as defined herein) or a Distribution Diversion Date (as defined herein). A Distribution Date will be a Regular Distribution Date if the Bank has declared Dividends in the ordinary course as described under "Description of the Trust Securities — The Capital Trust Securities — Indicated Yield". On a Regular Distribution Date, the Indicated Yield will be payable by the Trust on the TD CaTS and the Bank, as holder of the Special Trust Securities, will be entitled to receive the Net Distributable Funds (as defined herein), if any, of the Trust remaining after payment of the Indicated Yield on the TD CaTS. Any Distribution Date will be a Distribution Diversion Date if the Bank has failed to declare Dividends on the basis described herein. **The Indicated Yield will not be payable by the Trust on the TD CaTS on a Distribution Diversion Date and, instead, the Net Distributable Funds of the Trust as at such Distribution Diversion Date will be payable to the Bank as the sole holder of the Special Trust Securities.** For the purposes of this prospectus, the periods commencing on the calendar day immediately following the Closing Date to and including June 30, 2000 and thereafter from and including the calendar day immediately following each Distribution Date to and including the next following Distribution Date are referred to as "Distribution Periods".

Pursuant to the terms of a Bank Share Exchange Trust Agreement between the Bank, the Exchange Trustee (as defined herein) and the Trust (the "Bank Share Exchange Agreement"), the Bank has covenanted for the benefit of holders of TD CaTS (the "Dividend Stopper Undertakings") that if, on any Regular Distribution Date, the Trust fails to pay the Indicated Yield in full on the TD CaTS, the Bank will not declare dividends of any kind on any Class A First Preferred Shares (the "Bank Class A Preferred Shares"), Common Shares of the Bank ("Bank Common Shares"), Bank Parity Preferred Shares (as defined herein), if any, or Bank Junior Preferred Shares (as defined herein) (collectively, the "Dividend Restricted Shares") until the month commencing ten calendar months and one day following such Regular Distribution Date unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of TD CaTS. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the TD CaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings.** See "Description of the Trust Securities — The Capital Trust Securities — Bank Dividend Stopper Undertakings" and "Risk Factors."

On June 30, 2010 and on any Distribution Date thereafter, each TD CaTS may be exchanged at the option of the holder (the "Holder Exchange Right"), on not less than 60 nor more than 90 days' prior written notice by the holder, for one Non-cumulative Redeemable Class A First Preferred Share, Series A1 of the Bank (a "Bank Preferred Share Series A1"). The Holder Exchange Right is subject to the right of the Bank to arrange substituted purchasers for the TD CaTS or, with Superintendent Approval (as defined herein), to purchase the TD CaTS for a purchase price (the "Redemption Price"), in either case, in respect of each TD CaTS tendered for exchange equal to the sum of $1,000 and the unpaid Indicated Yield payable thereon, if any, for the current Distribution Period to the date of payment (the "Current Unpaid Indicated Yield") and the Indicated Yield remaining unpaid in respect of previous Regular Distribution Dates, if any, (the "Accumulated Unpaid Indicated Yield") and further subject to any redemption rights of the Trust in respect of the TD CaTS tendered for exchange. The Current Unpaid Indicated Yield and the Accumulated Unpaid Indicated Yield collectively constitute the "Unpaid Indicated Yield". The Bank Preferred Shares Series A1 are convertible at the option of the holders into Bank Common Shares, provided that a Loss Absorption Event has not occurred and is then continuing, on the last day of June and December in each year commencing on June 30, 2010 on not more than 90 and not less than 60 days' prior written notice before the date fixed for conversion into that number of fully-paid and freely tradeable Bank Common Shares determined by dividing $1,000, together with declared and unpaid dividends, if any, on the Bank Preferred Shares Series A1 to the date of conversion by the greater of $1.00 and 95% of the weighted average trading price of a Bank Common Share on The Toronto Stock Exchange (the "TSE") during the 20 consecutive trading day period ending on the fourth trading day immediately prior to the date of conversion. See "Description of the Trust Securities — The Capital Trust Securities — Holder Exchange Right", "Description of the Trust Securities — The Capital Trust Securities — Trust Redemption Right" and "Description of Bank Preferred Shares".

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Each TD CaTS will be exchanged automatically (the "Automatic Exchange"), without the consent of the holder thereof, for one Bank Preferred Share Series A1 if: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-Up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the *Bank Act* (Canada) (the "Bank Act"); (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein (each, a "Loss Absorption Event"). Following the Automatic Exchange, holders of TD CaTS will cease to have any claim or entitlement in relation to the Trust Assets. **If the Automatic Exchange were to occur and Bank Preferred Shares Series A1 were issued in exchange for TD CaTS, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the TD CaTS would be lost. Accordingly, it is in the interest of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the control of the Bank**. See "Description of the Trust Securities — The Capital Trust Securities — Automatic Exchange" and "Description of Bank Preferred Shares Series A1".

Upon the occurrence of a Tax Event (as defined herein) or a Capital Disqualification Event (as defined herein and, collectively with the Tax Event, a "Special Event"), in each case prior to June 30, 2005, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 90 days' prior written notice, redeem the TD CaTS (the "Trust Special Event Redemption Right") in whole (but not in part) without the consent of the holders thereof, for a cash amount per TD CaTS (the "Early Redemption Price") equal to the greater of: (i) the Redemption Price; and (ii) the TD CaTS Canada Yield Price (as defined herein). See "Description of the Trust Securities — The Capital Trust Securities — Trust Special Event Redemption Right".

On June 30, 2005 and on any Distribution Date thereafter, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 60 days' prior written notice, redeem the TD CaTS (the "Trust Redemption Right") in whole (but not in part) without the consent of the holders thereof, for a cash amount per TD CaTS equal to: (i) the Early Redemption Price if the redemption occurs prior to December 31, 2009; or (ii) the Redemption Price if the redemption occurs on or after December 31, 2009. See "Description of the Trust Securities — The Capital Trust Securities — Trust Redemption Right".

It is expected that the Trust Assets will be purchased primarily from the Bank and/or its affiliates. The Bank will act as Administrative Agent (as defined herein) to the Trust and the Bank and/or its affiliates will, collectively, act as Servicer (as defined herein) of the Trust Assets. See "The Trust — Business of the Trust", "The Trust — Servicing of Trust Assets" and "The Trust — Administration and Advisory Agreement".

An investment in TD CaTS could be replaced in certain circumstances, without the consent of the holder, by an investment in Bank Preferred Shares Series A1. Investors should therefore carefully consider the disclosure with respect to the Bank included and incorporated by reference in this prospectus. An investment in TD CaTS is subject to certain risks. See "Risk Factors". The Trust is a newly-formed entity and, accordingly, it is not possible to determine interest or asset coverages with respect to the TD CaTS.

The TSE has conditionally approved the listing of the TD CaTS subject to the fulfilment of the usual requirements of such exchange on or prior to June 1, 2000.

The Trust is expected to be a registered investment for purposes of the *Income Tax Act* (Canada) (the "Tax Act") and, as such, the TD CaTS will be qualified investments, and will not be foreign property, for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. See "Eligibility for Investment".

Price: $1,000 per TD CaTS

The Underwriters (as defined herein), as principals, conditionally offer the TD CaTS, subject to prior sale if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" subject to the approval of certain legal matters on behalf of the Trust and the Bank by McCarthy Tétrault and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. **TD Securities Inc. is a wholly-owned subsidiary of the Bank. Each of the Trust and the Bank is a related issuer of TD Securities Inc. under applicable securities legislation by virtue of the Bank's interest in the Trust and TD Securities Inc. See "Plan of Distribution".** This prospectus also qualifies for distribution the Exchange Provisions (as defined herein) and the Subscription Right (as defined herein).

	Price to the Public	Underwriters' Fee (1)	Net Proceeds to Trust (2)
Per TD CaTS	$1,000	$30	$970
Total	$900,000,000	$27,000,000	$873,000,000

(1) The Underwriters' fee is $10 for each TD CaTS sold to certain institutions and $30 for all other TD CaTS sold. The per TD CaTS and total amounts represent the Underwriters' fee and net proceeds to the Trust assuming that no TD CaTS are sold to such institutions. See "Plan of Distribution".

(2) Before deduction of expenses of the Offering, estimated at $1,750,000 which, together with the Underwriters' fee, are payable by the Trust.

Subscriptions for the TD CaTS will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing Date will be on or about March 21, 2000 or such later date as the Trust, the Bank and the Underwriters may agree, but in any event not later than April 25, 2000. The TD CaTS will be issued in "book-entry only" form and, accordingly, physical certificates representing TD CaTS will not be available except in limited circumstances. See "Description of the Trust Securities — The Capital Trust Securities — Book-Entry Only Form".

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ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault, counsel to the Trust and the Bank, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions and restrictions of the statutes referred to below and, where applicable, the regulations thereunder and, in certain cases, subject to satisfaction of additional requirements relating to investments or lending policies or goals and, in certain cases, the filing of such policies or goals, the TD CaTS to be issued by the Trust hereunder would not, if issued on the date hereof, be precluded as investments, under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Financial Institutions Act (British Columbia)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Quebec)
an Act respecting insurance (Quebec) (other than by a guarantee fund corporation)
an Act respecting trust companies and savings companies (Quebec) (for a trust company investing its own funds and funds received as deposits and for a savings company)

The Trust is expected to be a registered investment for purposes of the Tax Act and, as such, in the opinion of such counsel, the TD CaTS would, if issued on the date hereof, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans and may be held in such plans subject to the terms of the particular plan trust and will not be prohibited investments for registered pension plans. The TD CaTS will not be foreign property for purposes of the Tax Act.

THE TD CaTS, WHILE EXCHANGEABLE IN CERTAIN CIRCUMSTANCES FOR PREFERRED SHARES OF THE BANK, DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN AND ARE NOT GUARANTEED OR INSURED BY, THE TORONTO-DOMINION BANK, TD TRUST COMPANY OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE TD CaTS ARE NOT INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed by the Trust or the Bank, as the case may be, with the Superintendent and the various securities commissions or similar authorities in Canada are incorporated by reference into this prospectus:

(a) the Bank's Annual Information Form dated February 28, 2000 which incorporates by reference the Bank's:

  (i) Annual Report to Shareholders for the year ended October 31, 1999, which includes comparative consolidated audited financial statements and the auditors' report thereon and Management Discussion and Analysis of Operating Performance; and

  (ii) Management Proxy Circular dated January 25, 2000 (excluding those portions which, pursuant to National Policy Statement No. 47 of the Canadian Securities Administrators, are not required to be incorporated by reference herein); and

(b) the Bank's First Quarter Report to Shareholders for the three months ended January 31, 2000, which includes comparative consolidated interim financial statements (unaudited).

Material change reports (excluding confidential reports), comparative consolidated interim financial statements (unaudited), information circulars and any annual information forms all as filed by the Bank with the various securities commissions or any similar authorities in Canada pursuant to the requirements of applicable securities legislation, after the date of this prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded in its unmodified or superseded form shall not be deemed to constitute a part of this prospectus. Copies of the documents incorporated by reference herein may be obtained on request without charge from Christopher A. Montague, Esq., Executive Vice President, General Counsel and Secretary, The Toronto-Dominion Bank, Toronto-Dominion Centre, Toronto, Ontario, M5K 1A2, Telephone: (416) 308-3009.

PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by and should be read in conjunction with the more detailed information appearing elsewhere in this prospectus. Reference is made to the Glossary section for the meaning of certain defined terms.

THE OFFERING

Issuer:	TD Capital Trust, a closed-end trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.
Offering:	900,000 Capital Trust Securities — Series 2009 (TD CaTS), being a class of units of the Trust.
Amount of Offering:	$900,000,000.
Price:	$1,000 per TD CaTS.
Ratings:	The TD CaTS are rated "A"yn by Dominion Bond Rating Service Limited ("DBRS"), A by Standard & Poor's Corporation ("S&P") and P-2 by CBRS Inc. ("CBRS"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.
Use of Proceeds:	The estimated net proceeds to the Trust from the Offering of approximately $888,250,000 (after deducting the estimated Underwriters' fee and the estimated expenses of the Offering) together with the net proceeds received on the Closing Date by the Trust of $125,000,000 from the subscription by the Bank for Special Trust Securities will be used to fund the acquisition by the Trust of the Initial Trust Assets (as herein defined) from the Bank and/or its Mortgage Subsidiaries. See "Use of Proceeds".
Indicated Yield:	Each TD CaTS entitles the holder to receive the Indicated Yield of $38 on the last day of June and December of each year provided that such date is a Regular Distribution Date, representing a per annum yield of 7.60% of the initial issue price. The initial Indicated Yield, payable on June 30, 2000, will be $21.03 per TD CaTS based on an anticipated Closing Date of March 21, 2000. A Distribution Date will be a Regular Distribution Date unless the Bank has failed to declare (such failure being a "Distribution Diversion Event") regular dividends on the Bank Class A Preferred Shares of any series and the Bank Parity Preferred Shares, or, if no such shares are then outstanding, on Bank Common Shares, in accordance with the Bank's ordinary dividend practice in effect from time to time (in either case, a "Dividend") in the Reference Dividend Declaration Month. The Reference Dividend Declaration Month in respect of any Distribution Date (other than June 30, 2000) is the most recent Dividend Declaration Month (as defined herein) preceding the commencement of the Distribution Period ending on such Distribution Date. The Reference Dividend Declaration Month in respect of the June 30, 2000 Distribution Date is the month of February, 2000. Accordingly, whether the Indicated Yield on the TD CaTS will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ended on such Distribution Date. On any Regular Distribution Date, the Indicated Yield will be payable by the Trust to each holder of TD CaTS and the Net Distributable Funds, if any, of the Trust, after payment of the Indicated Yield, will be payable to the Bank as the sole holder of the Special Trust Securities. In the event of the occurrence of a Distribution Diversion Event in any Reference Dividend Declaration Month, the Distribution Date occurring on the last day of the first Distribution Period commencing following such Distribution Diversion Event will be a

Distribution Diversion Date. The Indicated Yield on the TD CaTS will not be payable by the Trust on a Distribution Diversion Date and, instead, the Net Distributable Funds of the Trust will be distributed to the Bank as the sole holder of the Special Trust Securities. See "Description of the Trust Securities — The Capital Trust Securities — Indicated Yield".

Bank Dividend Stopper Undertakings:

Pursuant to the terms of the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of TD CaTS that, in the event that the Trust fails to pay the Indicated Yield in full on the TD CaTS on any Regular Distribution Date, the Bank will not declare dividends of any kind on the Dividend Restricted Shares, being the Bank Class A Preferred Shares, Bank Common Shares, Bank Parity Preferred Shares (if any) and Bank Junior Preferred Shares, until the Dividend Declaration Resumption Month, being the month commencing ten calendar months and one day after such Regular Distribution Date, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of TD CaTS. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the TD CaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings.** See "Description of the Trust Securities — The Capital Trust Securities — Bank Dividend Stopper Undertakings" and "Risk Factors".

Set forth below is a table indicating the relationship among the Reference Dividend Declaration Month, the Distribution Period, the Distribution Date and the Dividend Declaration Resumption Month:

Reference Dividend Declaration Month (1)	Commencement of Current Distribution Period (2)	Distribution Date	Dividend Declaration Resumption Month (3)
February, 2000	March 22, 2000	June 30, 2000	May, 2001
May, 2000	July 1, 2000	December 31, 2000	November, 2001
November, 2000	January 1, 2001	June 30, 2001	May, 2002
May, 2001	July 1, 2001	December 31, 2001	November, 2002

(1) The Reference Dividend Declaration Months are based on the Bank's current practice with respect to declaring Dividends. If such practice were to change in the future in terms of the timing or frequency of the declaration of Dividends, the Reference Dividend Declaration Months referred to above may change. However, the Reference Dividend Declaration Month in respect of any Distribution Date would, in all events, continue to be the Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ended on such Distribution Date.

(2) The March 22, 2000 date for the commencement of the initial Distribution Period assumes a Closing Date of March 21, 2000. Each Distribution Date is the last day of the Distribution Period which commences following the Reference Dividend Declaration Month with the result that, prior to the commencement of any Distribution Period, the question of whether the Distribution Date falling on the last day of such Distribution Period will be a Regular Distribution Date or a Distribution Diversion Date, and the entitlement of holders of TD CaTS, will have been determined.

(3) The Dividend Declaration Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the TD CaTS on any Regular Distribution Date.

Voting Rights:

The TD CaTS are non-voting except in certain limited circumstances. See "Description of the Trust Securities — The Capital Trust Securities — Voting Rights".

Holder Exchange Right:

On June 30, 2010 and on any Distribution Date thereafter, each TD CaTS may, at the option of the holder on not less than 60 nor more than 90 days' prior written notice by the holder to the Bank, be exchanged for one Bank Preferred Share Series A1. The right of a holder to exchange TD CaTS for Bank Preferred Shares Series A1 is subject to the prior right of the Bank to arrange substituted purchasers therefor or, with Superintendent Approval, to purchase such TD CaTS for a purchase price, in each case, of a cash amount

	per TD CaTS equal to the Redemption Price and is subject to the prior right of the Trust, with Superintendent Approval, to redeem the TD CaTS upon payment in cash of an amount per TD CaTS equal to the Redemption Price. The Bank Preferred Shares Series A1 are convertible at the option of the holders into Bank Common Shares, provided that a Loss Absorption Event has not occurred and is then continuing, on the last day of June and December in each year commencing on June 30, 2010 on not more than 90 and not less than 60 days' prior written notice before the date fixed for conversion into that number of fully-paid and freely tradeable Bank Common Shares determined by dividing \$1,000, together with declared and unpaid dividends on the Bank Preferred Shares Series A1 to the date of conversion, if any, by the greater of \$1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth trading day immediately prior to the date of conversion. See "Description of the Trust Securities — The Capital Trust Securities — Holder Exchange Right", "Description of the Trust Securities — The Capital Trust Securities — Trust Redemption Right", "Description of the Trust Securities — The Capital Trust Securities — Capital Reorganizations and Amalgamations" and "Description of Bank Preferred Shares Series A1".
Automatic Exchange:	Each TD CaTS will be exchanged automatically, without the consent of the holder thereof, for one Bank Preferred Share Series A1 upon the occurrence of a Loss Absorption Event, being any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein. The Automatic Exchange shall occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. Following the Automatic Exchange, holders of TD CaTS will cease to have any claim or entitlement in relation to the Trust Assets. If, for any reason, the Automatic Exchange does not result in the exchange of all TD CaTS then outstanding for Bank Preferred Shares Series A1, the Trust will redeem each TD CaTS not so exchanged for consideration consisting of one Bank Preferred Share Series A1. **If the Automatic Exchange were to occur and Bank Preferred Shares Series A1 were issued in exchange for the TD CaTS, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the TD CaTS would be lost. Accordingly, it is in the interests of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the Bank's control.** See "Description of the Trust Securities — The Capital Trust Securities — Automatic Exchange" and "Description of the Bank Preferred Shares Series A1".
No Redemption at the Option of the Holder:	The TD CaTS are not redeemable at the option of the holder.

Trust Special Event Redemption Right:	Upon the occurrence of a Tax Event or a Capital Disqualification Event, in each case prior to June 30, 2005, the TD CaTS will, upon not less than 30 nor more than 90 days' prior written notice by the Trustee, with Superintendent Approval, be redeemable by the Trust at its option in whole (but not in part) and without the consent of the holders thereof, for a cash amount per TD CaTS equal to the Early Redemption Price, being the greater of: (i) the Redemption Price; and (ii) a price per TD CaTS calculated to provide an annual yield thereon to December 31, 2009 equal to the Government of Canada Yield (as defined herein) plus 0.375% determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the TD CaTS as a consequence of the exercise of the Trust Special Event Redemption Right plus the Unpaid Indicated Yield (the "TD CaTS Canada Yield Price"). For such purpose, the Government of Canada Yield means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by the Bank as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption with a maturity date of December 31, 2009. See "Description of the Trust Securities — The Capital Trust Securities — Trust Special Event Redemption Right".
Trust Redemption Right:	On June 30, 2005 and on any Distribution Date thereafter, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 60 days' prior written notice, redeem the TD CaTS in whole (but not in part) and without the consent of the holders thereof, for a cash amount per TD CaTS equal to: (i) the Early Redemption Price if the redemption occurs prior to December 31, 2009; or (ii) the Redemption Price if the redemption occurs on or after December 31, 2009. See "Description of the Trust Securities — The Capital Trust Securities — Trust Redemption Right".
Purchase for Cancellation:	On or after the date that is five years after the Closing Date, the TD CaTS may be purchased, in whole or in part, by the Trust, with Superintendent Approval, in the open market or by tender or private contract at any price. TD CaTS purchased by the Trust shall be cancelled and shall not be reissued.
Rights on Termination of the Trust:	As long as any TD CaTS are outstanding, the Trust may only be terminated with the approval of the Bank, as holder of the Special Trust Securities, and with Superintendent Approval: (i) upon the occurrence of a Special Event prior to June 30, 2005; or (ii) for any reason on June 30, 2005 or any Distribution Date thereafter. The Declaration of Trust provides that holders of TD CaTS are not entitled to initiate proceedings for the termination of the Trust. Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of TD CaTS that, as long as any TD CaTS are outstanding, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. Holders of TD CaTS and the Bank and/or its affiliates, as holders of the Special Trust Securities, will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of the claims of creditors, if any. See "Description of the Trust Securities — The Capital Trust Securities — Rights on Termination of the Trust."

Additional Bank Covenants:	In addition to the Dividend Stopper Undertakings, the Bank has covenanted for the benefit of the holders of TD CaTS, pursuant to the Bank Share Exchange Agreement, that: (i) all of the outstanding Special Trust Securities will be held at all times, directly or indirectly, by the Bank; (ii) as long as any TD CaTS are outstanding, the Bank will not take any action to cause the termination of the Trust except as set forth under "Description of the Trust Securities — The Capital Trust Securities — Rights on Termination of the Trust" and with Superintendent Approval; and (iii) the Bank will not assign or otherwise transfer its obligations under the Bank Share Exchange Agreement, except in the case of a merger, consolidation, amalgamation, reorganization or a sale of substantially all of the assets of the Bank.
Book-Entry Only Form:	The TD CaTS will be issued under the book-entry only system operated by The Canadian Depository for Securities Limited or its nominees ("CDS") and must be purchased or transferred through participants (collectively, "Participants") in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the TD CaTS will not be available except in the limited circumstances described under "Description of the Trust Securities — The Capital Trust Securities — Book-Entry Only Form".

THE TRUST

General

The Trust is a closed-end trust established under the laws of the Province of Ontario by the Trustee pursuant to a Declaration of Trust. The Offering will provide investors with the opportunity to invest, through the holding of TD CaTS, in the Trust Assets and will provide the Bank with a cost-effective means of raising capital for Canadian bank regulatory purposes. All of the Special Trust Securities will be owned by the Bank, directly or indirectly. See "Description of the Trust Securities — The Special Trust Securities". As a result of the Offering, the Trust will become a reporting issuer for the purposes of applicable securities laws in Canada and will be required, among other things, to make continuous disclosure filings with applicable securities regulatory authorities.

Business of the Trust

The Trust's business objective is to acquire and hold the Trust Assets that will generate net income for distribution to holders of Trust Securities. The Initial Trust Assets will consist primarily of undivided co-ownership interests ("Mortgage Co-Ownership Interests") in one or more pools of Canada Mortgage and Housing Corporation ("CMHC") insured first mortgages on residential property situated in Canada such as single family dwellings, duplexes, townhouses, condominium units or multiple-unit family dwellings (collectively, "Residential Mortgages") originated by the Initial Sellers. The Initial Sellers will enter into one or more Mortgage Sales, Pooling and Servicing Agreements and Series 2000-1 Purchase Agreements (as defined herein) which, together, will provide for the transfer of co-ownership interests in Residential Mortgages and the Mortgage Co-Ownership Interests. The Trust intends to acquire the Trust Assets primarily from the Bank and/or its affiliates. The Trust Assets will be serviced directly or indirectly by the Bank and/or its affiliates. The Trust will, from time to time, purchase additional Eligible Trust Assets out of proceeds received in connection with the Trust Assets. The price of any Trust Asset purchased by the Trust is intended to be equal to the fair market value thereof. See "Business of the Trust — Description of Initial Trust Assets".

Capitalization

As a newly-formed entity, the Trust has no prior operating history. Immediately after the issuance by the Trust of the TD CaTS pursuant to the Offering, the subscription by the Bank for the Special Trust Securities and the purchase by the Trust of the Initial Trust Assets, the Trust will have approximately $1.013 billion in Trust Assets, $900,000,000 of capital attributable to the TD CaTS, and $125,000,000 of capital attributable to the Special Trust Securities. See "Business of the Trust — Certain Transactions Incidental to the Offering", "Capitalization of the Trust" and "Risk Factors".

Conflicts of Interest

Due to the nature of the Trust's relationship with the Bank and its affiliates, it is possible that conflicts of interest may arise with respect to certain transactions between the parties. It is intended that any agreements or transactions between the Trust, on the one hand, and the Bank or its affiliates, on the other hand, will be fair to all parties and consistent with market terms for such types of transactions. However, there can be no assurance that any such agreement or transaction will be on terms as favourable to the Trust as would have been obtained from unaffiliated third parties. See "Business of the Trust — Conflict of Interest Policies".

Servicing of Trust Assets

The Trust Assets will be serviced directly or indirectly by the Bank and/or its affiliates. The Trust Assets will generally be acquired by the Trust on a fully-serviced basis. See "Business of the Trust — Description of Eligible Trust Assets — General".

Administration and Advisory Agreement

The Trustee will enter into an administration and advisory agreement with the Bank (the "Administration and Advisory Agreement") pursuant to which the Trustee will delegate certain of its duties in relation to the Trust to the Bank. The Bank, in its role as advisor and administrative agent under the Administration and Advisory Agreement (the "Administrative Agent"), will provide the Trust advice and counsel with respect to the management of the Trust Assets and other advice or counsel as may be requested from time to time by the Trust. The Administrative Agent may from time to time delegate or sub-contract all or a portion of its obligations under the Administration and Advisory Agreement to one or more of its affiliates. The Bank and certain of its affiliates and their respective personnel have substantial experience in mortgage finance and in the administration of Trust Assets. See "Business of the Trust — The Administrative Agent".

Liquidity

The Trust will only borrow funds from the Bank pursuant to a credit facility extended by the Bank to the Trust (the "Credit Facility") and will use borrowed funds only for the purposes of ensuring liquidity in the normal course of the Trust's activities. The Bank will charge interest rates that are not higher than prevailing market rates on any borrowings by the Trust. See "Business of the Trust — Liquidity".

RISK FACTORS

The purchase of TD CaTS is subject to certain risks including the following: (i) in certain specified circumstances, including at a time when the Bank's financial condition is deteriorating or proceedings for the winding-up of the Bank have been commenced, the TD CaTS will be automatically exchanged for Bank Preferred Shares Series A1 without the consent of the holders of TD CaTS and, as a result, holders of TD CaTS will have no claim or entitlement to the Trust Assets other than indirectly in their capacity as preferred shareholders of the Bank; (ii) there can be no assurance that the income of the Trust from the Trust Assets will be sufficient to pay the Indicated Yield on the TD CaTS in full on Regular Distribution Dates; (iii) the ownership of shares of the Bank is subject to certain restrictions; (iv) the Trust will be dependent in virtually every phase of its operations on the diligence and skill of the Bank or its sub-contractors and delegates under the Administration and Advisory Agreement and the Bank and its Mortgage Subsidiaries as Servicer; (v) there can be no assurance that an active trading market in the TD CaTS will develop or be sustained or that the TD CaTS may be resold at or above the initial public offering price; (vi) the Indicated Yield is not cumulative and, as a result, if the Indicated Yield is not paid on a Distribution Date by reason of the occurrence of a Distribution Diversion Event, a holder of TD CaTS will not be entitled to receive such Indicated Yield subsequently; and (vii) the TD CaTS have no fixed final maturity date and holders of TD CaTS have no rights to call for the redemption of the TD CaTS. See "Risk Factors".

GLOSSARY

In this prospectus, unless the context otherwise requires:

Accumulated Unpaid Indicated Yield means, at any time, an amount, if any, per TD CaTS equal to the Indicated Yield thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust.

Acquisition means the acquisition by the Bank of all of the issued and outstanding common shares of CT.

Administration and Advisory Agreement means the agreement between the Trust and the Bank pursuant to which the Bank will serve as Administrative Agent to the Trust.

Administrative Action means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of an intention to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction.

Administrative Agent means the Bank in its capacity as advisor and administrative agent to the Trust pursuant to the Administration and Advisory Agreement or any successor to the Bank in such capacity.

Automatic Exchange means the automatic exchange of each TD CaTS for one Bank Preferred Share Series A1 upon the occurrence of a Loss Absorption Event.

Bank means The Toronto-Dominion Bank.

Bank Act means the *Bank Act* (Canada), as amended from time to time.

Bank Class A Preferred Shares means the Class A First Preferred Shares of the Bank (including the Bank Preferred Shares Series A1).

Bank Common Shares means the Common Shares of the Bank.

Bank Exchange Rate means, in respect of the Bank Preferred Shares Series A1, the greater of $1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth day prior to the date of conversion.

Bank Junior Preferred Shares means preferred or preference shares issued by the Bank ranking junior to the Bank Class A Preferred Shares.

Bank Parity Preferred Shares means preferred or preference shares issued by the Bank ranking *pari passu* with the Bank Class A Preferred Shares.

Bank Preferred Shares Series A1 means the Non-cumulative Redeemable Class A First Preferred Shares, Series A1 of the Bank.

Bank Share Exchange Agreement means the Bank Share Exchange Trust Agreement between the Bank, the Trust and the Exchange Trustee providing for, among other things, the Dividend Stopper Undertakings and other covenants of the Bank as well as the respective rights and obligations of the Bank, the Trust and the holders of the TD CaTS with respect to the exchange of TD CaTS for Bank Preferred Shares Series A1 in connection with the Exchange Provisions.

Board of Directors means the board of directors of the Bank.

Business Day means a day on which the Bank is open for business in the City of Toronto, other than a Saturday, Sunday or any statutory holiday in Ontario.

Capital Disqualification Event means a Tier 1 Capital Disqualification Event or a Total Capital Disqualification Event.

Capital Guidelines means the Canadian bank regulatory guidelines issued by the Superintendent or other governmental authority in Canada concerning the maintenance of adequate capital reserves by Canadian chartered banks, including the Bank, from time to time.

CBRS means CBRS Inc.

CDS means The Canadian Depository for Securities Limited and its nominees, or any successor thereto carrying on the business of a depository.

CDS Procedures mean the customary practices and procedures of CDS.

Closing Date means the date of closing of the Offering.

CMHC means Canada Mortgage and Housing Corporation.

Co-Owner means each person who acquires a co-ownership interest in the assets held by the Custodian.

Co-Ownership Assets means assets held by the Custodian from time to time on behalf of the co-owners.

Credit Facility means the credit facility to be provided by the Bank to the Trust.

CT means CT Financial Services Inc.

Current Unpaid Indicated Yield means, at any time, an amount per TD CaTS equal to the unpaid Indicated Yield payable by the Trust thereon, if any, in respect of the current Distribution Period.

Custodian means CIBC Mellon Trust Company as agent, nominee and bare trustee under the Mortgage Sales, Pooling and Servicing Agreements.

DBRS means Dominion Bond Rating Service Limited.

Declaration of Trust means the declaration of trust by the Trustee dated February 14, 2000 establishing the Trust and the rights, privileges, restrictions and conditions attached to the Trust Securities, as amended and restated.

Deferred Income Plans mean registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered pension plans.

Distribution Date means the last day in June and December of each year, which will be either: (i) a Regular Distribution Date if the Bank declares Dividends in the Reference Dividend Declaration Month; or (ii) a Distribution Diversion Date if the Bank does not declare Dividends in the Reference Dividend Declaration Month.

Distribution Diversion Date means a Distribution Date, other than a Regular Distribution Date, on which the Indicated Yield on the TD CaTS is not payable by the Trust and, instead, the Bank as sole direct or indirect holder of the Special Trust Securities is entitled to receive the Net Distributable Funds of the Trust.

Distribution Diversion Event means the failure of the Bank to declare Dividends in a Reference Dividend Declaration Month, in which event the Distribution Date occurring on the last day of the first Distribution Period commencing following such month shall be a Distribution Diversion Date.

Distribution Period means the periods from but excluding the Closing Date to and including June 30, 2000 and thereafter from and including the calendar day immediately following each Distribution Date to and including the next following Distribution Date.

Dividend Declaration Months means the months in which the Bank ordinarily declares Dividends, currently being February, May, August and November in each year.

Dividend Declaration Resumption Month means the month commencing ten calendar months and one day after a Regular Distribution Date on which the Trust fails to pay the Indicated Yield in full on the TD CaTS, being the month in which the Bank may resume declaring dividends on the Dividend Restricted Shares following such Regular Distribution Date.

Dividend Restricted Shares means, collectively, the Bank Class A Preferred Shares, the Bank Parity Preferred Shares (if any), the Bank Junior Preferred Shares and the Bank Common Shares, being the shares of the Bank that are subject to the Dividend Stopper Undertakings.

Dividend Stopper Undertakings means the undertakings of the Bank, for the benefit of the holders of TD CaTS which are set forth in the Bank Share Exchange Agreement, to refrain from declaring dividends of any kind on the Dividend Restricted Shares until the Dividend Declaration Resumption Month in the event that, on any Regular Distribution Date, the Trust fails to pay the Indicated Yield in full on the TD CaTS.

Dividends means the regular cash dividends declared by the Bank on the Bank Class A Preferred Shares and the Bank Parity Preferred Shares (if any) or, if no such shares are then outstanding, on the Bank Common Shares in accordance with the Bank's ordinary dividend practice in effect from time to time.

Early Redemption Price means a cash amount per TD CaTS equal to the greater of: (i) the Redemption Price; and (ii) the TD CaTS Canada Yield Price.

Eligible Investments means money and any debt obligation that is a qualified investment under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan unless the Trust is satisfied that such conditions are satisfied.

Eligible Trust Assets means Residential Mortgages, Mortgage Co-Ownership Interests, Mortgage-Backed Securities, Eligible Investments and contractual rights in respect of the business and operations of the Trust.

Exchange Provisions means, collectively, the Holder Exchange Right and the Automatic Exchange.

Exchange Trustee means CIBC Mellon Trust Company, as trustee for the holders of TD CaTS pursuant to the Bank Share Exchange Agreement.

Government of Canada Yield means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by the Bank as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of December 31, 2009.

Holder Exchange Right means the right of a holder of a TD CaTS, at its option, to exchange each TD CaTS for one Bank Preferred Share Series A1 on June 30, 2010 and on any Distribution Date thereafter.

Indicated Yield means the non-cumulative fixed cash distribution per TD CaTS payable by the Trust on Regular Distribution Dates in the amount of $38, except in the case of the Regular Distribution Date occurring on June 30, 2000, on which the Indicated Yield payable by the Trust will be $21.03 assuming a Closing Date of March 21, 2000.

Ineligible Person means any person whose address is in or whom the Bank or its transfer agent has reason to believe is a resident of any jurisdiction outside of Canada to the extent that the issuance by the Bank to such person, pursuant to the Exchange Provisions, of Bank Preferred Shares Series A1 would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction.

Initial Sellers means the Bank and/or its Mortgage Subsidiaries.

Initial Trust Assets means the Trust Assets to be acquired by the Trust from the Initial Sellers on the Closing Date pursuant to the Mortgage Sales, Pooling and Servicing Agreements and the Series 2000-1 Purchase Agreements.

Loss Absorption Event means an event giving rise to the Automatic Exchange, being the occurrence of any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein.

Mortgage-Backed Securities means securities representing undivided co-ownership interests in a pool of Residential Mortgages.

Mortgage Co-Ownership Interests means undivided co-ownership interests in one or more pools of Residential Mortgages or Eligible Investments.

Mortgage Sales, Pooling and Servicing Agreements means one or more Master Mortgage Sales, Pooling and Servicing Agreements between the Bank and the Initial Sellers as sellers and initial servicers and the Custodian as agent, nominee and bare trustee for and on behalf of such sellers, the co-owners as defined therein and persons who from time to time are parties to series purchase agreements providing for the transfer of and servicing of Mortgage Co-Ownership Interests.

Mortgage Subsidiaries means any or all of TDMC, TDPMC, The Canada Trust Company, Canada Trustco Mortgage Company and other subsidiaries of the Bank, from time to time, engaged in mortgage operations.

Net Distributable Funds means, at any time, the amount by which the sum of: (i) income and gains derived by the Trust from the Eligible Trust Assets; and (ii) amounts received by the Trust from the Bank that are designated by the Bank as such, in each case that have not previously been distributed to holders of TD CaTS or the Bank as holder of the Special Trust Securities, exceeds expenses of the Trust and any required reserves for expenses established by the Trust.

New Bank Preferred Shares means the Bank Class A Preferred Shares of a new series that may be created by the Bank as contemplated by the Bank Preferred Shares Series A1.

Offer means the take-over bid made by the Bank in respect of the common shares of CT.

Offering means the offering of TD CaTS by the Trust pursuant to this prospectus.

Participants means the participants in the depository service of CDS.

Redemption Price means, at any time in respect of each TD CaTS, an amount equal to $1,000 plus the Unpaid Indicated Yield thereon, if any.

Reference Dividend Declaration Month means, in respect of any Distribution Date (other than June 30, 2000), the most recent Dividend Declaration Month occurring prior to the commencement of the Distribution Period ended on such Distribution Date, such months currently being November and May under existing Bank Dividend declaration practice and, in respect of the June 30, 2000 Distribution Date, the month of February 2000.

Regular Distribution Date means a Distribution Date on which the Indicated Yield on the TD CaTS is payable by the Trust, by virtue of the Bank having declared Dividends in the Reference Dividend Declaration Month.

Residential Mortgages means CMHC-insured first mortgages on residential property situated in Canada such as single family dwellings, duplexes, townhouses, condominium units or multiple-unit family dwellings.

Series 2000-1 Purchase Agreements means one or more Series 2000-1 Purchase Agreements among the Initial Sellers, the Custodian and the Trust providing for the transfer to the Trust of the Mortgage Co-Ownership Interests.

Servicer means, collectively, the Bank and its Mortgage Subsidiaries, in their respective capacities as servicer of the Trust Assets pursuant to the terms of the Mortgage Sales, Pooling and Servicing Agreements.

Significant Shareholder means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, shares of any class of the Bank in excess of 10% of total number of outstanding shares of that class, provided that a person who, as a result of the exercise of the Holder Exchange Right, would become a Significant Shareholder through the acquisition of Bank Preferred Shares Series A1 shall not be deemed to be a Significant Shareholder if such person has elected to concurrently convert all or any of such Bank Preferred Shares Series A1 into Bank Common Shares with the result that such person, immediately following the effective date of exercise of the Holder Exchange Right, would, directly or indirectly, hold 10% or less of the total number of outstanding Bank Class A Preferred Shares and Bank Common Shares, respectively.

Special Event means a Tax Event or a Capital Disqualification Event, as the case may be.

Special Trust Securities mean the Special Trust Securities to be issued by the Trust to the Bank.

Subscription Agreement means an agreement between the Bank and the Trust pursuant to which the Bank subscribes for Special Trust Securities.

Subscription Right means the right of the Trust to subscribe for Bank Preferred Shares Series A1 granted by the Bank to the Trust pursuant to the Bank Share Exchange Agreement so as to enable the Trust to redeem TD CaTS, if any, remaining outstanding following the Automatic Exchange.

Superintendent means the Superintendent of Financial Institutions (Canada).

Superintendent Approval means the prior approval of the Superintendent in respect of an act or event which shall not, for greater certainty, be required in the case of an act or event constituting or arising as a consequence of a Total Capital Disqualification Event.

Tax Act means the *Income Tax Act* (Canada), as amended from time to time.

Tax Event means the receipt by the Bank of an opinion of a nationally recognized law firm in Canada experienced in such matters (who may be counsel to the Bank or the Trust) to the effect that, as a result of: (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws, or any regulations thereunder, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation; (ii) any Administrative Action; or (iii) any amendment to, clarification of, or change in, the official position or the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after the date of issue of the TD CaTS, there is more than an insubstantial risk that: (x) the treatment of any of the Bank's or the Trust's items of income or expense (including the treatment by the Bank or the Trust of distributions made on the Trust Securities) as reflected in the tax returns filed (or to be filed) will not be respected by a taxing authority, which subjects the Bank or the Trust to more than a de minimus amount of additional taxes, duties or other governmental charges or civil liabilities; or (y) the Bank or the Trust is, or will be, subject to more than a de minimus amount of taxes, duties or other governmental charges or civil liabilities.

TD CaTS mean the Capital Trust Securities-Series 2009 to be issued by the Trust to investors in Canada pursuant to the Offering.

TD CaTS Canada Yield Price means a price per TD CaTS calculated to provide an annual yield thereon to December 31, 2009 equal to the Government of Canada Yield plus 0.375% determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the TD CaTS (whether pursuant to the Trust Special Event Redemption Right or the Trust Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield. For such purposes, it is assumed that the Indicated Yield will be paid on each Distribution Date to December 31, 2009.

TDMC means TD Mortgage Corporation, a subsidiary of the Bank.

TDPMC means TD Pacific Mortgage Corporation, a subsidiary of the Bank.

TD Waterhouse means TD Waterhouse Group, Inc.

Termination Distribution Ratio means a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities in connection with a termination of the Trust and the denominator of which is an amount equal to the sum of: (i) the aggregate of the Early Redemption Price of all TD CaTS then outstanding (if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2009) or the aggregate of the Redemption Price of all TD CaTS then outstanding (in all other cases); and (ii) the total invested amount of the Bank in respect of the Special Trust Securities then outstanding.

Tier 1 Capital Disqualification Event means the determination by the Bank, after consultation with the Superintendent, that the TD CaTS cannot be included in calculating the risk-based Tier 1 Capital of the Bank on a consolidated basis under the Capital Guidelines but that they can be included in calculating the risk-based Total Capital of the Bank on a consolidated basis under the Capital Guidelines.

Total Capital Disqualification Event means the determination by the Bank, after consultation with the Superintendent, that the TD CaTS cannot be included in calculating the risk-based Total Capital of the Bank on a consolidated basis under the Capital Guidelines.

Trust means TD Capital Trust, the issuer of the Trust Securities.

Trust Assets means the Eligible Trust Assets held by the Trust from time to time.

Trust Redemption Right means the right of the Trust, at its option, to redeem all, but not less than all, of the TD CaTS at a price per TD CaTS equal to: (i) the Early Redemption Price, if the redemption occurs on June 30, 2005 or on any Distribution Date thereafter and prior to December 31, 2009; or (ii) the Redemption Price, if the redemption occurs on December 31, 2009 or on any Distribution Date thereafter subject, in each case, to Superintendent Approval.

Trust Securities means, collectively, the TD CaTS and the Special Trust Securities.

Trust Special Event Redemption Right means the right of the Trust, at its option, to redeem all, but not less than all, of the TD CaTS at a price per TD CaTS equal to the Early Redemption Price upon the occurrence of a Special Event prior to June 30, 2005, subject to Superintendent Approval.

Trustee means TD Trust Company, trustee of the Trust.

TSE means The Toronto Stock Exchange.

U.S. Securities Act means the United States Securities Act of 1933, as amended.

Underwriters means, collectively, TD Securities Inc., Scotia Capital Inc., Goldman Sachs Canada Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Merrill Lynch Canada Inc., National Bank Financial Inc. and Trilon Securities Corporation.

Underwriting Agreement means the agreement dated March 2, 2000 between the Trust, the Bank and the Underwriters.

Unpaid Indicated Yield means, at any time, an amount per TD CaTS equal to the sum of the Accumulated Unpaid Indicated Yield and the Current Unpaid Indicated Yield.

Unless otherwise indicated, all dollar amounts in this prospectus are expressed in Canadian dollars.

THE TRUST

The Trust is a closed-end trust formed by the Trustee under the laws of Ontario pursuant to the Declaration of Trust. The Trust has been formed for the purposes of creating and selling the Trust Securities and acquiring the Trust Assets, which will generate income for distribution to holders of Trust Securities, and providing the Bank with a cost-effective means of raising capital for Canadian bank regulatory purposes.

It is expected that the Trust will acquire the Trust Assets from the Bank and/or its affiliates. However, the Trust may also from time to time acquire Trust Assets from unrelated third parties. Pursuant to the Administration and Advisory Agreement, the Trustee will delegate certain of its duties with respect to the Trust to the Bank as Administrative Agent. As Administrative Agent, the Bank will provide advice and counsel to the Trust as set forth under "Business of the Trust — The Administrative Agent". The Bank and/or its affiliates will service the Trust Assets in their collective role as Servicer under the Mortgage Sales, Pooling and Servicing Agreements. Immediately following the Offering, the Trust will have outstanding 900,000 TD CaTS and the Special Trust Securities. Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of TD CaTS that, for so long as any TD CaTS are outstanding, the Bank will maintain ownership, directly or indirectly, of 100% of the Special Trust Securities. For a further description of the operations of the Trust, see "Business of the Trust".

As a result of the Offering, the Trust will become a reporting issuer for the purposes of applicable securities laws in Canada and will be required, among other things, to make continuous disclosure filings with applicable securities regulatory authorities.

The principal office of the Trust is located at the Canadian Pacific Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1A2. The Trustee is a wholly-owned subsidiary of the Bank.

THE BANK

General

The Bank, a chartered bank subject to the provisions of the Bank Act, was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869).

The Bank offers a wide range of financial services to individuals, corporate and commercial enterprises, financial institutions and governments throughout Canada. In the United States, the Bank offers a broad range of credit and non-credit services to corporations, financial institutions and governments as well as discount brokerage services through TD Waterhouse Group, Inc. ("TD Waterhouse"). Outside North America, the Bank conducts treasury and wholesale corporate operations in the world's major financial centres as well as discount brokerage services through TD Waterhouse. As of October 31, 1999, the Bank was the fifth largest bank in Canada in terms of total assets and, after giving effect to the Acquisition (as defined herein), would have been the second largest in Canada in terms of total assets as at such date.

The Bank's principal executive offices are located in the Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1A2.

Certain information regarding the Bank is incorporated by reference into this prospectus. See "Documents Incorporated by Reference".

Acquisition of CT Financial Services Inc.

The Bank has, pursuant to a take-over bid made by the Bank (the "Offer"), acquired on February 1, 2000 99.3% of the outstanding common shares of CT Financial Services Inc. ("CT") at a price of $67 per share (the "Acquisition") and has initiated statutory proceedings to acquire all other CT common shares not acquired pursuant to the Offer. The aggregate purchase price for the Acquisition of approximately $8.0 billion has been funded from the cash resources of the Bank.

CT, a holding company, oversees a group of companies which together operate as a Canadian personal financial services institution, under the brand name "Canada Trust". CT was continued under the *Canada Business Corporations Act* on November 5, 1987. CT's head and principal office is at 275 Dundas Street, London, Ontario. CT's Toronto executive offices are located at 161 Bay Street, Toronto, Ontario. CT offers a wide range of products and services to individuals and small business customers. The transactional banking needs of individuals and small business owners across Canada are met through a variety of products and services, including Canadian and U.S. dollar chequing and savings accounts, money transfers and bill payments, foreign exchange, letters of credit, drafts and related services. The wealth management services of CT include mutual funds and financial planning services, brokerage services, will, estate and trust planning services and counsel, as well as group savings plans and private investment counsel. In addition, CT provides a wide range of guaranteed investment products, registered retirement savings and income plans and registered education savings plans. To meet the borrowing needs of individuals and small business owners, CT offers residential mortgages, automobile financing, secured and unsecured lines of credit, term loans and credit cards. An integrated package of lending and deposit services is available to small business owners to help manage their business and personal financial needs. CT is a leader in the bank assurance business, with superior creditor insurance operations and an individual life insurance offering which is advanced within CT's peer group. CT is the third largest Canadian participant in direct property and casualty insurance. Through CT Financial Assurance Company, a subsidiary, borrowing customers are provided with creditor life, disability and critical illness insurance, while customers generally are offered a full range of individual life and personal accident insurance. Meloche Monnex Inc., a subsidiary, directly and indirectly provides home, automobile and travel insurance to more than 215,000 members of professional and alumni associations across Canada. As of December 31, 1999, CT maintained a network of 440 retail branches and 883 ABM machines across Canada. Service is also offered through EasyWeb Internet and EasyLine telephone services for added convenience. CT's two largest operating subsidiaries are its loan company, Canada Trustco Mortgage Company, and its trust company, The Canada Trust Company.

The Bank has announced that it expects to incur charges of approximately $475 million (pre tax) to provide for costs related to the integration of the Bank and CT. Integration costs will include the consolidation of retail branches and transaction processing and systems technology operations and will be incurred over a number of years. Corporate head office, electronic banking, trust, insurance, non-branch lending and wealth management functions will also be consolidated, but at a faster pace. It is expected that the resulting cost reductions will be substantial, and represent a significant proportion of CT's expense base.

The Bank intends to select the best of both institutions' products, personnel, systems and branch resources. The Bank believes that this approach will help it maintain customer loyalty, while presenting an opportunity to leverage the Bank's existing capabilities in discount brokerage, wealth management and small business and commercial banking, as well as to augment personal loan and deposit growth through the cross-selling of retail products, including insurance. The Bank anticipates that the resulting revenue synergies will take several years to develop.

Other Recent Developments

In July 1999, TD Waterhouse, an indirect subsidiary of the Bank, completed an initial public offering of 43.4 million shares of its common stock in Canada, the United States and internationally, at a price of U.S. $24.00 per share, for total gross proceeds of U.S. $1,042 million. As part of the transaction, the Bank reorganized its global discount brokerage operations. In connection therewith, the Canadian Green Line discount brokerage operations were transferred to a Canadian incorporated subsidiary of TD Waterhouse. TD Waterhouse also acquired certain United Kingdom, Hong Kong and Australian discount brokerage operations from the Bank. In connection with the offering, the Bank and TD Waterhouse entered into an agreement governing various services to be provided between the Bank and its affiliates and TD Waterhouse and its affiliates. As a result of the offering, the Bank holds, directly or indirectly, approximately 88.5% of the outstanding shares of common stock of TD Waterhouse.

On May 27, 1999, the Board of Directors of the Bank declared a one-for-one stock dividend on the Bank Common Shares (the "Stock Dividend"), which Stock Dividend had a record date of July 8, 1999 and was paid on July 31, 1999.

Changes in Capitalization

In March and April 1999, the Bank issued approximately $241 million principal amount of The Toronto-Dominion Bank/Fidelity International Portfolio Fund Linked Notes, approximately $59 million principal amount of The Toronto-Dominion Bank/Fidelity European Growth Fund Linked Notes and approximately $53 million principal amount of The Toronto-Dominion Bank/Fidelity Growth America Fund Linked Notes, all of which are debt obligations of the Bank, the value of which is determined by reference to the economic performance of Fidelity International Portfolio Fund, Fidelity European Growth Fund and Fidelity Growth America Fund, respectively. In March and April, 1999, the Bank also issued approximately $29 million principal amount of The Toronto-Dominion Bank/Templeton International Stock Fund Linked Notes, which are debt obligations of the Bank, the value of which is determined by reference to the economic performance of Templeton International Stock Fund.

As a result of the TD Waterhouse initial public offering, the Bank recognized a tax-free gain and recorded non-controlling interest. Total regulatory capital of the Bank increased as a result of the offering by an amount equal to the net proceeds of the offering, being approximately $1.5 billion.

On August 15, 1999, the Bank redeemed the U.S. $150 million outstanding balance of its 7.875% Subordinated Notes due August 15, 2004 at a price of 100.00%.

On August 23, 1999, the Bank completed a public offering of 25,700,000 Common Shares at a price of $27.25 per share for net proceeds, after deducting underwriters' fees but before deducting expenses of the offering, of $672,312,000.

On November 1, 1999, the Bank completed a public offering of 16,400,000 units, each consisting of one Non-cumulative Redeemable Class A First Preferred Share, Series I and one Non-cumulative Redeemable Class A First Preferred Share, Series J Purchase Warrant, at a price of $6.25 per unit for net proceeds, after deducting underwriters' fees but before deducting expenses of the offering, of $90,200,000.

Effective on completion of the Acquisition, the Non-Cumulative Redeemable Third Preference Shares, Series 1 of Canada Trustco Mortgage Company and the Non-Cumulative First Preference Shares, Series 4 and the Non-Cumulative First Preference Shares, Series 5 of CT Financial Services Inc. qualify as risk-based Tier 1 Capital of the Bank on a consolidated basis.

Certain information regarding the Bank is incorporated by reference into this prospectus. See "Documents Incorporated by Reference".

Limitations Affecting Holders of Bank Shares

The Bank Act contains restrictions on the allotment, transfer, acquisition, beneficial ownership, holding and voting of all shares of a chartered bank. By way of summary, no person, or persons acting jointly or in concert, shall have a significant interest in any class of shares of any "Schedule 1" bank, a category which includes the Bank. For the purposes of the Bank Act, currently, a person (a "Significant Shareholder") has a significant interest in a class of shares of a bank if the total number of shares of that class beneficially owned by that person and entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds or would thereby exceed 10% of the outstanding shares of that class. For greater certainty, a person who, as a result of the exercise of the Holder Exchange Right would become a Significant Shareholder by virtue of the acquisition of Bank Preferred Shares Series A1 shall not be deemed to be a Significant Shareholder if such person has elected to concurrently convert all or any of such Bank Preferred Shares Series A1 into Bank Common Shares with the result that such person, immediately following the effective date of the exercise of the Holder Exchange Right, would, directly or indirectly, hold 10% or less of the total number of outstanding Bank Class A Preferred Shares and Bank Common Shares, respectively. Purchasers of TD CaTS (and Participants) may be required to furnish declarations relating to ownership (and ownership by clients of such Participants) in a form prescribed by the Bank.

Under the Bank Act, the Bank cannot redeem or purchase any of its shares, including the Bank Preferred Shares Series A1, unless the consent of the Superintendent has been obtained. In addition, the Bank Act prohibits the payment to purchase or redeem any shares or the payment of a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the Bank Act requirement to maintain, in relation to its operations, adequate capital and appropriate forms of liquidity and to comply with any regulations or directions of the Superintendent in relation thereto.

Capital Adequacy Requirements

The Bank Act requires the Bank to maintain adequate capital in relation to its operations. The Superintendent has established risk-based capital targets for Canadian chartered banks of 7% (Tier 1 Capital) and 10% (Total Capital). The Superintendent has issued guidelines concerning the maintenance of adequate capital (the "Capital Guidelines") and has statutory authority pursuant to subsection 485(3) of the Bank Act to direct the Bank to increase its capital even if the Bank is in compliance with the Capital Guidelines. The Bank has no reason to believe that the Superintendent intends to direct the Bank to increase its capital beyond that contemplated by the Bank's announced financing plans. Pursuant to the Capital Guidelines, requirements are applied to the Bank on a consolidated basis including all subsidiaries except insurance subsidiaries or other regulated financial institutions whose leverage is inappropriate for a deposit-taking institution and which, because of their size, would have a material impact on the leverage of the consolidated entity.

The following table sets forth the risk-based Tier 1 Capital ratios and risk-based Total Capital ratios of the Bank as at the dates indicated:

	Risk-Based Tier 1 Capital ratio	Risk-Based Total Capital ratio
October 31, 1999	10.1%	13.3%
October 31, 1998	7.2%	11.0%
October 31, 1997	6.6%	10.2%
October 31, 1996	6.8%	9.3%
October 31, 1995	7.4%	10.3%
October 31, 1994	6.9%	10.2%
October 31, 1993	6.7%	9.7%
October 31, 1992	7.4%	9.9%

The Bank has received approval from the Superintendent to include the TD CaTS as risk-based Tier 1 Capital of the Bank under the Capital Guidelines, subject to the Superintendent's review of the documentation relating to the Offering. The Offering is part of the Bank's announced financing plans in connection with the Acquisition.

BUSINESS OF THE TRUST

General and Capitalization

The Trust's business objective is to acquire and hold Trust Assets that will generate income for distribution to holders of Trust Securities. As a newly-formed entity, the Trust has no prior operating history. Immediately after the issuance by the Trust of the TD CaTS pursuant to the Offering, the subscription by the Bank for the Special Trust Securities and the purchase by the Trust of the Initial Trust Assets, the Trust will have approximately $1.013 billion in Trust Assets, $900,000,000 of capital attributable to the TD CaTS and $125,000,000 of capital attributable to the Special Trust Securities. See "Capitalization of the Trust".

Certain Transactions Incidental to the Offering

Prior to or simultaneously with the closing of the Offering, the Trust, the Bank, the relevant Mortgage Subsidiaries and the Trustee will engage in the transactions described below which are designed to facilitate the Offering and transfer to the Trust the Initial Trust Assets:

(i) Prior to the Closing Date, the Trust will create the TD CaTS.

(ii) Prior to the closing of the Offering, the Bank and the Trust will enter into the Subscription Agreement, the Trust will issue Special Trust Securities to the Bank and the Bank will pay $125,000,000 on closing on account of the subscription price for the Special Trust Securities. See "Description of the Trust Securities — The Special Trust Securities".

(iii) Concurrently with the closing of the Offering, the Trustee will enter into the Administration and Advisory Agreement with the Bank, as Administrative Agent, pursuant to which the Bank will provide certain advice to the Trust and administer the day-to-day operations of the Trust. See "Business of the Trust — The Administrative Agent".

(iv) Concurrently with the closing of the Offering, the Initial Sellers will enter into one or more Mortgage Sales, Pooling and Servicing Agreements with the Custodian as agent, nominee and bare trustee and the Initial Sellers, the Trust and the Custodian will enter into the Series 2000-1 Purchase Agreements which, together, provide for the transfer and servicing of the Mortgage Co-ownership Interests.

(v) Concurrently with the closing of the Offering, the Bank, the Trust and the Exchange Trustee, as trustee for the holders of the TD CaTS, will enter into the Bank Share Exchange Agreement providing for, among other things, the Dividend Stopper Undertakings, the Subscription Right and the respective rights and obligations of the Bank, the Trust and such holders with respect to the exchange of TD CaTS for Bank Preferred Shares Series A1 in connection with the Exchange Provisions. See "Description of the Trust Securities — The Capital Trust Securities — Bank Share Exchange Agreement".

(vi) Concurrently with the closing of the Offering, the Bank and the Trust will enter into the Credit Facility. See "Business of the Trust — Liquidity."

(vii) Immediately following the closing of the Offering, the Trust will acquire the Initial Trust Assets from the Initial Sellers on a fully-serviced basis, for an aggregate purchase price equal to approximately $1.013 billion, pursuant to the terms of the Series 2000-1 Purchase Agreements.

Liquidity

The Trust will only borrow funds from the Bank pursuant to the Credit Facility extended by the Bank to the Trust and will use borrowed funds only for the purposes of ensuring liquidity in the normal course of the Trust's business. The Bank will charge interest rates that are not higher than prevailing market rates on any borrowings by the Trust.

Description of the Initial Trust Assets

The Initial Trust Assets will consist primarily of Mortgage Co-Ownership Interests acquired by the Trust under the Mortgage Sales, Pooling and Servicing Agreements and the Series 2000-1 Purchase Agreements.

On the Closing Date, one or more Mortgage Sales, Pooling and Servicing Agreements will be entered into by the Initial Sellers, and the Custodian, as agent, nominee and bare trustee for the Initial Sellers and each person who acquires a co-ownership interest in the assets held by the Custodian (each, a "Co-Owner"), which will provide: (i) for the sale and conveyance by the Initial Sellers to the Custodian, as agent, nominee and bare trustee for the Initial Sellers and the Co-Owners from time to time under separate series purchase agreements (the first of which in respect of the Initial Trust Assets are the Series 2000-1 Purchase Agreements) of all of the Initial Sellers' right, title and interest in pools of Residential Mortgages designated by the Initial Sellers; (ii) that the Custodian will hold such Residential Mortgages, the proceeds thereof and any additional assets acquired with such proceeds (collectively, the "Co-Ownership Assets") as agent, nominee and bare trustee for the Initial Sellers and each Co-Owner as undivided co-owners thereof; (iii) that the Initial Sellers as initial servicer will service the Co-Ownership Assets and remit collections thereof to the Custodian and, if replaced, shall pay the reasonable fees and expenses of any successor servicer; and (iv) the Custodian, or the servicer on its behalf, will perform certain other duties, including providing monthly reports to the Co-Owners on the performance of the Co-Ownership Assets and investing the proceeds of the Co-Ownership Assets in other Eligible Trust Assets on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners.

The Trust, the Initial Sellers and the Custodian will, on the Closing Date, enter into the Series 2000-1 Purchase Agreements in respect of the Initial Trust Assets which will provide, among other things, for: (i) the sale and conveyance to the Trust of a Mortgage Co-ownership Interest representing undivided co-ownership interests in the Initial Trust Assets to be held by the Custodian on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners, and (ii) the principal terms and attributes of such Mortgage Co-ownership Interest in respect of the Initial Trust Assets, including the right of the Trust to participate as an undivided co-owner in the income and gains derived from the Initial Trust Assets and to receive its proportionate share of principal collections from the Initial Trust Assets. The Residential Mortgages forming part of the Co-Ownership Assets will remain registered in the name of the Initial Sellers unless the Initial Sellers are replaced as servicer. It is expected that substantially all of the collections of principal from the Co-Ownership Assets held by the Custodian on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners, will be invested by the Custodian on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners, in additional Residential Mortgages acquired from the Bank and/or its affiliates.

Description of Eligible Trust Assets

General

The Trust Assets may consist of Residential Mortgages, Mortgage Co-Ownership Interests, Mortgage-Backed Securities and Eligible Investments and contractual rights in respect of the business and operations of the Trust (the "Eligible Trust Assets"). On the Closing Date, the Trust Assets will consist only of the Initial Trust Assets. Collections received in respect of Trust Assets will be reinvested in additional Eligible Trust Assets. The Trust Assets will consist primarily of Mortgage Co-Ownership Interests. The Trust intends to acquire the Trust Assets primarily from the Bank and/or its affiliates. The Trust Assets will be serviced directly or indirectly by the Bank and/or its affiliates. The price of any Trust Asset purchased by the Trust is intended to be equal to the fair market value thereof. The net income and gains received by the Trust from the Trust Assets will be distributed by way of payment of the aggregate Indicated Yield on the TD CaTS on Regular Distribution Dates. Any balance will be distributed to the Bank as holder of the Special Trust Securities. There can be no assurance that the net income and gains derived from the Trust Assets by the Trust, from time to time, will be sufficient to satisfy the Indicated Yield in full on the TD CaTS on any Regular Distribution Date. However, it is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the TD CaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings. See "Description of the Trust Securities — The Capital Trust Securities — Bank Dividend Stopper Undertakings" and "Risk Factors."

Residential Mortgages

"Residential Mortgages" mean CMHC-insured first mortgages on residential property situated in Canada such as single family dwellings, duplexes, townhouses, condominium units or multiple-unit family dwellings. CMHC-insured mortgages are mortgages securing loans made by an approved lender in respect of which the principal amount is insured by CMHC as agent of the Government of Canada. The insurable amount of these mortgages is determined by CMHC and, under current regulations, the loans may be up to 95% of the lesser of the purchase price and the appraised value. These loans are generally drawn for a term of one to five years and have an amortization period which is generally between 25 and 30 years.

Mortgage Co-Ownership Interests

Mortgage Co-Ownerships Interests are undivided co-ownership interests in one or more pools of Residential Mortgages.

Mortgage-Backed Securities

While no Mortgage-Backed Securities (as defined herein) will be included in the Initial Trust Assets, the Trust may from time to time acquire fixed-rate or variable-rate Mortgage-Backed Securities. "Mortgage-Backed Securities" mean securities representing undivided interests in a pool of Residential Mortgages. The Trust Assets underlying such Mortgage-Backed Securities will be secured by single-family residential properties located throughout Canada. The Trust intends to acquire only investment-grade Mortgage-Backed Securities. The Trust does not intend to acquire any interest-only, principal-only or high-risk Mortgage-Backed Securities.

Eligible Investments

To the extent that the proceeds of the Trust Assets are not invested in Residential Mortgages, Mortgage Co-Ownership Interests or Mortgage-Backed Securities, the Trust will invest any remaining proceeds in "Eligible Investments", which is money and certain debt obligations that are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

Conflict of Interest Policies

Due to the nature of the Trust's relationship with the Bank and its affiliates, it is likely that conflicts of interest will arise with respect to certain transactions including, without limitation, the Trust's acquisition of Trust Assets from, or disposition of Trust Assets to, the Bank and/or its affiliates. In addition, the Trustee is a subsidiary of the Bank. It will be the Trust's policy that the terms of any financial dealings with the Bank or any of its affiliates will be consistent with those available from third parties.

Conflicts of interest between the Trust and the Bank or its affiliates may also arise in connection with making decisions that bear upon the credit arrangements that the Bank or one of its affiliates may have with a borrower or in connection with actions taken by the Bank as the controlling person in the Trust. It is intended that any agreements and transactions between the Trust, on the one hand, and the Bank or its affiliates, on the other hand, including, without limitation, the Mortgage Sales, Pooling and Servicing Agreements and the Administration and Advisory Agreement, will be fair to all parties and consistent with market terms for such types of transactions. The Mortgage Sales, Pooling and Servicing Agreements provide that dispositions of the Trust Assets are to be made with a view toward maximizing the recovery by the Trust as owner of the Trust Assets, and the Servicer shall service the Trust Assets solely with a view toward the interests of the Trust, and without regard to the interests of the Bank or any of its affiliates. However, there can be no assurance that any such agreement or transaction will be on terms as favourable to the Trust as would have been obtained from unaffiliated third parties.

The Administrative Agent

The Trustee will enter into the Administration and Advisory Agreement with the Bank, pursuant to which the Trustee will delegate to the Bank certain of its obligations in relation to the administration of the Trust. The Bank and its affiliates and their respective personnel have substantial experience in mortgage finance and in the administration of assets such as the Trust Assets.

The Administrative Agent will, at the request of the Trustee, provide advice and counsel with respect to the acquisition, disposition and origination of Trust Assets and such other matters as may be requested by the Trustee from time to time. The Administrative Agent may, from time to time, delegate or sub-contract all or a portion of its obligations under the Administration and Advisory Agreement to one or more of its qualified affiliates. The Administrative Agent will not, in connection with the delegation or sub-contracting of any of such obligations, be discharged or relieved in any respect from its obligations under the Administration and Advisory Agreement. The Administrative Agent will be entitled to receive an annual administration fee.

The Administration and Advisory Agreement has an initial 10-year term and will be automatically renewed each year thereafter subject to the right of the Trustee to terminate the Administration and Advisory Agreement at any time upon 90 days' prior written notice upon the occurrence of one or more events generally related to the failure of the Administrative Agent to perform its obligations under the Administrative and Advisory Agreement in a proper and timely manner.

As a result of the relationship between the Bank and the Trust, certain conflicts of interest may arise. See "Risk Factors — Dependence Upon the Bank as Administrative Agent".

CAPITALIZATION OF THE TRUST

The following table sets forth the capitalization of the Trust as of the date of this prospectus and as adjusted to reflect: (i) the closing of the Offering; and (ii) the transactions described in "Business of the Trust — Certain Transactions Incidental to the Offering" and the use of the proceeds of the Offering as described under "Use of Proceeds".

	Outstanding as at February 14, 2000	Outstanding as at February 14, 2000 after giving effect to the Offering (1)
TD CaTS	$ 0	$ 900,000,000
Special Trust Securities	$ 0	$ 125,000,000
Cash (2)	$1,000	$ 1,000
Trust Capital	$1,000	$1,025,001,000

(1) Issue costs are estimated to be $11,750,000.

(2) Amounts settled on the Trust.

Subject to Superintendent Approval, the Bank has committed to contribute up to a total of $900,000,000 to the Trust in certain circumstances. The Superintendent has, to date, approved the contribution of $225,000,000 by the Bank to the Trust.

DESCRIPTION OF THE TRUST SECURITIES

The Capital Trust Securities

The following is a summary of the rights, privileges, restrictions and conditions attaching to the TD CaTS. This summary is qualified in its entirety by the provisions of the Declaration of Trust. For information concerning the Bank Preferred Shares Series A1 into which the TD CaTS are, in certain circumstances, exchangeable as described below, see "Description of Bank Preferred Shares Series A1". Holders of TD CaTS shall have no recourse to the assets of the Trustee in connection with any payments in respect of the TD CaTS.

Indicated Yield

Holders of TD CaTS will be entitled to receive the Indicated Yield, being a cash amount of $38 per TD CaTS, on each Distribution Date unless the Bank fails to declare Dividends in the Reference Dividend Declaration Month. Each period from but excluding the Closing Date to and including June 30, 2000 and, thereafter from and including the calendar day immediately following a Distribution Date to and including the next following Distribution Date will be a Distribution Period. **The initial Indicated Yield, payable on June 30, 2000, shall be $21.03 per TD CaTS based on an anticipated Closing Date of March 21, 2000.**

The Indicated Yield is payable by the Trust on the TD CaTS on each Distribution Date that is a Regular Distribution Date. The determination of whether any Distribution Date is a Regular Distribution Date or a

Distribution Diversion Date will depend on whether the Bank has declared Dividends in the Reference Dividend Declaration Month. The Reference Dividend Declaration Month in respect of any Distribution Date will be that Dividend Declaration Month (currently being February, May, August and November in each year) closest to but preceding the commencement of the Distribution Period terminating on such Distribution Date. If the Bank declares Dividends in the Reference Dividend Declaration Month, the Distribution Date in question will be a Regular Distribution Date, with the result that the Trust will be obligated to pay the Indicated Yield on the TD CaTS to the holders thereof and the Net Distributable Funds, if any, of the Trust following payment of the Indicated Yield, will be payable to the Bank as the sole holder of the Special Trust Securities. If the Bank fails to declare Dividends in such Reference Dividend Declaration Month, the Distribution Date in question will be a Distribution Diversion Date, with the result that the Trust will not be obligated to and will not pay the Indicated Yield on the TD CaTS and, instead, the Net Distributable Funds of the Trust will be payable to the Bank as holder of the Special Trust Securities. On any Regular Distribution Date, in circumstances where the Net Distributable Funds of the Trust are insufficient to meet the obligation of the Trust to pay the Indicated Yield on all TD CaTS then outstanding, the Trust will, nevertheless, pay such portion of the Indicated Yield as may then be paid with such Net Distributable Funds and the amount of the Indicated Yield payable on such Regular Distribution Date and remaining unpaid shall form part of the Accumulated Unpaid Indicated Yield until such time as it is paid. Holders of TD CaTS shall have no right to sue the Trust to accelerate payment of that portion of the Indicated Yield payable by the Trust on a Regular Distribution Date, but not so paid, in excess of the Net Distributable Funds of the Trust on such Regular Distribution Date. Such amounts, which will form part of the Accumulated Unpaid Indicated Yield, will be paid by the Trust to holders of TD CaTS at the time and in the manner provided herein.

Bank Dividend Stopper Undertakings

In the event that the Trust fails, on any Regular Distribution Date, to pay the Indicated Yield on the TD CaTS in full, the Bank has, pursuant to the Bank Share Exchange Agreement, covenanted for the benefit of holders of TD CaTS that it will not declare dividends of any kind on the Dividend Restricted Shares until the Dividend Declaration Resumption Month, being the month that commences ten calendar months and one day following the Regular Distribution Date in question, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of TD CaTS. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of TD CaTS on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield and is payable on the occurrence of any event giving rise to the obligation of the Trust or the Bank, as the case may be, to pay or cause the payment of the Early Redemption Price or the Redemption Price, as the case may be, as part of such price and not prior thereto. The first dividend in respect of the Dividend Restricted Shares declared by the Bank in or following the Dividend Declaration Resumption Month shall be paid by the Bank no earlier than would ordinarily be the case. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the TD CaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings.**

Set forth below is a table indicating the relationship among the Reference Dividend Declaration Month, the Distribution Period, the Distribution Date and the Dividend Declaration Resumption Month:

Reference Dividend Declaration Month (1)	Commencement of Current Distribution Period (2)	Distribution Date	Dividend Declaration Resumption Month (3)
February, 2000	March 22, 2000	June 30, 2000	May, 2001
May, 2000	July 1, 2000	December 31, 2000	November, 2001
November, 2000	January 1, 2001	June 30, 2001	May, 2002
May, 2001	July 1, 2001	December 31, 2001	November, 2002

(1) The Reference Dividend Declaration Months are based on the Bank's current practice with respect to declaring Dividends. If such practice were to change in the future in terms of the timing or frequency of the declaration of Dividends, the Reference Dividend Declaration Months referred to above may change. However, the Reference Dividend Declaration Month in respect of any Distribution Date would, in all events, continue to be the Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ended on such Distribution Date. Accordingly, whether the Bank declares Dividends in the months of February or August on the Bank Class A Preferred Shares and the Bank Parity Preferred Shares or, if no such shares are then outstanding, on Bank Common Shares, will have no effect on whether the Indicated Yield is payable on the TD CaTS on any Distribution Date.

(2) The March 22, 2000 date for the commencement of the initial Distribution Period assumes a Closing Date of March 21, 2000. Each Distribution Date is the last day of the Distribution Period which commences following the Reference Dividend Declaration Month with the

result that, prior to the commencement of any Distribution Period, the question of whether the Distribution Date falling on the last day of such Distribution Period will be a Regular Distribution Date or a Distribution Diversion Date, and the entitlement of holders of TD CaTS, will have been determined.

(3) The Dividend Declaration Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the TD CaTS on any Regular Distribution Date.

Holder Exchange Right

On June 30, 2010 and on any Distribution Date thereafter, each TD CaTS will be exchangeable, at the option of the holder upon not less than 60 nor more than 90 days' prior written notice by the holder to the Bank, for one Bank Preferred Share Series A1. The right of a holder to exchange each TD CaTS for one Bank Preferred Share Series A1, such shares to have an issue price of $1,000 per share, pursuant to the exercise of the Holder Exchange Right is subject to the prior right of the Bank upon not less than two Business Days' written notice prior to the date fixed for exchange to arrange substituted purchasers therefor or, with Superintendent Approval, to purchase, in each case, for a purchase price in cash of an amount per TD CaTS equal to the Redemption Price, and is subject to the prior right of the Trust, with Superintendent Approval, to redeem the TD CaTS upon payment in cash of an amount per TD CaTS equal to the Redemption Price. The Bank Preferred Shares Series A1 are convertible at the option of the holder into Bank Common Shares, provided that a Loss Absorption Event has not occurred and is then continuing, on the last day of June and December in each year commencing June 30, 2010 on not more than 90 and not less than 60 days' prior written notice to the Bank before the date fixed for conversion into that number of fully-paid and freely tradeable Bank Common Shares determined by dividing $1,000, together with declared and unpaid dividends, if any, on the Bank Preferred Shares Series A1 to the date of conversion by the greater of $1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth trading day immediately prior to the date of conversion. Fractional Bank Common Shares will not be issued but, in lieu thereof, the Bank will make cash payments. See "Description of Bank Preferred Shares Series A1".

The Holder Exchange Right may be effected by the registered holder of a TD CaTS depositing with the Exchange Trustee, within the time periods referred to above, a certificate representing the TD CaTS with a duly completed exchange panel in the form contemplated by the Declaration of Trust. As long as the TD CaTS are held in the CDS book-entry only system, beneficial owners of TD CaTS may exercise the Holder Exchange Right by providing instructions to the Participants through whom they hold TD CaTS, and such Participants will communicate such exchange instructions to the Exchange Trustee who may require the Participant to furnish a declaration on behalf of any beneficial holder of TD CaTS purporting to exercise such Holder Exchange Right for the purpose of establishing whether any such beneficial holder would as a result of the exercise of the Holder Exchange Right be a Significant Shareholder or an Ineligible Person (as defined herein).

Concurrently with the exercise of the Holder Exchange Right, the registered holder of TD CaTS may, as provided on the exchange panel, indicate its election to convert the Bank Preferred Shares Series A1 to be received by it in connection with the exercise of the Holder Exchange Right into Bank Common Shares in accordance with the terms of the Bank Preferred Shares Series A1. Such election will, pursuant to the terms of the Bank Preferred Shares Series A1, constitute a valid conversion notice with the result that such holder will receive Bank Common Shares on the date that the Holder Exchange Right is effected. See "Description of Bank Preferred Shares Series A1 — Conversion at the Option of the Holder".

Upon the exchange for Bank Preferred Shares Series A1 pursuant to the Holder Exchange Right, the Bank reserves the right not to issue Bank Preferred Shares Series A1 to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada (an "Ineligible Person"), to the extent that such issue would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction. In such circumstances, all Bank Preferred Shares Series A1 that would otherwise be issued to Ineligible Persons will be delivered to the Exchange Trustee, as agent for Ineligible Persons, and the Exchange Trustee will attempt to sell such Bank Preferred Shares Series A1 (to parties other than the Bank and its affiliates) on behalf of such Ineligible Persons. Such sales, if any, will be made at such times and at such prices as the Exchange Trustee may, in its sole discretion, determine. Neither the Bank, the Trustee or the Exchange Trustee will be subject to any liability for failure to sell such Bank Preferred Shares Series A1 on behalf of any such Ineligible Persons or at any particular price on any particular day. The net proceeds received by the Exchange Trustee from the sale of any such Bank Preferred Shares Series A1 will be divided among the Ineligible

Persons in proportion to the number of Bank Preferred Shares Series A1 that would otherwise have been issuable to them, after deducting the costs of sale, net of any applicable withholding taxes. The Exchange Trustee will provide a cheque representing the aggregate net proceeds to CDS (if the TD CaTS are then held in the book-entry only system) or to the Trustee (in all other cases) for distribution to such Ineligible Persons in accordance with CDS Procedures or otherwise. A similar procedure will be followed with respect to each person who by virtue of the Holder Exchange Right would become a Significant Shareholder but only to the extent of that number of Bank Preferred Shares Series A1 in excess of the maximum number of Bank Preferred Shares Series A1 that could be issued to such person pursuant to the Holder Exchange Right without such person becoming a Significant Shareholder.

Automatic Exchange

Each TD CaTS will be exchanged automatically (the "Automatic Exchange"), without the consent of the holder thereof, for one Bank Preferred Share Series A1 if: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the *Bank Act*; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or to provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein.

The Automatic Exchange shall occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. As of the time of exchange, each holder of TD CaTS shall be deemed to have exchanged and transferred to the Bank all of such holder's right, title and interest in and to its TD CaTS and shall cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease and such person shall therefrom be deemed to be and shall be for all purposes a holder of Bank Preferred Shares Series A1. If, for any reason, the Automatic Exchange does not result in the exchange of all TD CaTS then outstanding for Bank Preferred Shares Series A1, the Trust will redeem each TD CaTS not so exchanged for consideration consisting of one Bank Preferred Share Series A1. Each holder of TD CaTS so redeemed shall cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease and such person shall therefrom be deemed to be and shall be for all purposes a holder of Bank Preferred Shares Series A1 unless payment in the form of Bank Preferred Shares Series A1 is not made. It shall not be necessary for the Trust, in such circumstances, to provide any prior written notice of redemption to holders of TD CaTS. The Trust will acquire the Bank Preferred Shares Series A1 required by it for purposes of such redemption, if any, from the Bank pursuant to the Subscription Right. The Bank will mail notice of the occurrence of the Loss Absorption Event to the Trustee within 10 days of such event.

Upon an Automatic Exchange or a redemption of the TD CaTS for Bank Preferred Shares Series A1, the Bank reserves the right not to issue Bank Preferred Shares Series A1 to Ineligible Persons or to persons who would as a result of the Automatic Exchange become Significant Shareholders. The procedures to be followed in respect of the disposition of Bank Preferred Shares Series A1 on behalf of such Ineligible Persons and on behalf of any person who would as a result of the Automatic Exchange become a Significant Shareholder will be as set forth under "Description of the Trust Securities — The Capital Trust Securities — Holder Exchange Right".

If the Automatic Exchange were to occur and Bank Preferred Shares Series A1 were issued in exchange for TD CaTS as a result thereof, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the TD CaTS would be lost. Accordingly, it is in the interests of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the Bank's control.

Redemption at the Option of the Holder

The TD CaTS are not redeemable at the option of the holder.

Trust Special Event Redemption Right

Upon the occurrence of a Tax Event or a Capital Disqualification Event, in each case prior to June 30, 2005, the TD CaTS will, upon not less than 30 nor more than 90 days' prior written notice by the Trustee, with

Superintendent Approval, be redeemable by the Trust at its option in whole (but not in part) and without the consent of the holders thereof, for a cash price per TD CaTS equal to the Early Redemption Price, being the greater of: (i) the Redemption Price, and (ii) the TD CaTS Canada Yield Price, being a price per TD CaTS calculated to provide an annual yield thereon to December 31, 2009 equal to the Government of Canada Yield plus 0.375% determined on the Business Day immediately preceding the date on which the Trust has given notice of the Redemption of the TD CaTS as a consequence of the exercise of the Trust Special Event Redemption Right plus the Unpaid Indicated Yield. The Government of Canada Yield means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by the Bank as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption with a maturity date of December 31, 2009.

Trust Redemption Right

On June 30, 2005 and on any Distribution Date thereafter, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 60 days' prior written notice, redeem the TD CaTS in whole (but not in part) and without the consent of the holders thereof, for a cash amount per TD CaTS equal to: (i) the Early Redemption Price if the redemption occurs prior to December 31, 2009; or (ii) the Redemption Price if the redemption occurs on or after December 31, 2009.

Purchase for Cancellation

On or after the date that is five years after the Closing Date, the TD CaTS may be purchased, in whole or in part, by the Trust, with Superintendent Approval, in the open market or by tender or private contract at any price. TD CaTS purchased by the Trust shall be cancelled and shall not be reissued.

Rights on Termination of the Trust

As long as any TD CaTS are outstanding, the Trust may only be terminated with the approval of the Bank and/or its affiliates, as the holders of the Special Trust Securities, and with Superintendent Approval: (i) upon the occurrence of a Special Event prior to June 30, 2005; or (ii) for any reason on June 30, 2005 or any Distribution Date thereafter. The Declaration of Trust provides that holders of TD CaTS are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of TD CaTS that, as long as any TD CaTS are outstanding, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable.

Holders of TD CaTS and holders of Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of claims of creditors, if any. The entitlement of the holder of each TD CaTS on a termination of the Trust will be determined by multiplying the Early Redemption Price (if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2009) or the Redemption Price (in all other cases), in either case, by a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities and the denominator of which is an amount equal to the sum of: (i) the aggregate Early Redemption Price of all TD CaTS then outstanding (if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2009) or the aggregate Redemption Price of all TD CaTS then outstanding (in all other cases); and (ii) an amount equal to the invested amount of the Bank and its affiliates in respect of all Special Trust Securities then outstanding (such fraction being the "Termination Distribution Ratio"). The entitlement of the Bank and/or its affiliates, as the holders of the Special Trust Securities, shall be determined by multiplying the invested amount of the Bank in respect of all Special Trust Securities then outstanding by the Termination Distribution Ratio.

Additional Bank Covenants

In addition to the Dividend Stopper Undertakings, the Bank has covenanted, for the benefit of holders of TD CaTS pursuant to the Bank Share Exchange Agreement, that:

(i) all of the outstanding Special Trust Securities will be held at all times, directly or indirectly, by the Bank;

(ii) as long as any TD CaTS are outstanding, the Bank will not take any action to cause the termination of the Trust except as set forth under "Description of the Trust Securities — The Capital Trust Securities — Rights on Termination of the Trust" and only with Superintendent Approval; and

(iii) the Bank will not assign or otherwise transfer its obligations under the Bank Share Exchange Agreement, except in the case of a merger, consolidation, amalgamation or reorganization or a sale of substantially all of the assets of the Bank.

Issue of Bank Preferred Shares Series A1 in Connection with Exchange Provisions

All corporate action necessary for the Bank to issue Bank Preferred Shares Series A1 pursuant to the Exchange Provisions will be completed prior to the closing of the Offering. The issuance of Bank Preferred Shares Series A1 pursuant to certain of the Exchange Provisions is subject to approval, or the obtaining of an exemptions, under applicable securities legislation in certain of the provinces and territories of Canada and Superintendent Approval. Applications for the foregoing approvals and exemptions have been or will be filed by the Bank.

Bank Share Exchange Agreement

Contemporaneously with the completion of the Offering, the Trust, the Bank and the Exchange Trustee, as trustee for the holders of the TD CaTS, will enter into the Bank Share Exchange Agreement providing for the Dividend Stopper Undertakings as well as the grant of and certain rights and obligations relating to the Exchange Provisions. Pursuant to that agreement, the Bank will grant to the Exchange Trustee for the benefit of the holders of TD CaTS the Holder Exchange Right and the right to exchange TD CaTS for Bank Preferred Shares Series A1 upon an Automatic Exchange and the Exchange Trustee on behalf of the holders of TD CaTS will grant to the Bank the right to exchange TD CaTS for Bank Preferred Shares Series A1 upon an Automatic Exchange. Pursuant to the Bank Share Exchange Agreement, the Bank will covenant to take or refrain from taking certain actions so as to ensure that holders of TD CaTS will receive the benefit of the Exchange Provisions, including obtaining the requisite approval of holders of the TD CaTS to any amendment to the provisions of the Bank Preferred Shares Series A1 (other than any amendments relating to the Bank Preferred Shares as a class).

Voting Rights

The TD CaTS are non-voting, except in the limited circumstances set forth in the Declaration of Trust involving changes to the terms and conditions of the TD CaTS. The Declaration of Trust provides that such terms and conditions may be changed if authorized by the holders of TD CaTS by way of extraordinary resolution. Any such change must be approved by the Bank and, in addition, any such change that would affect the status of the TD CaTS as capital of the Bank is subject to the approval of the Superintendent. The term "extraordinary resolution" is defined in the Declaration of Trust to mean, in effect, a resolution passed by the holders of TD CaTS representing not less than 66⅔% of the total number of outstanding TD CaTS represented and voted at a meeting of holders of TD CaTS, or a resolution in writing signed by the holders of TD CaTS representing not less than 66⅔% of the outstanding TD CaTS. The quorum at any such meeting shall be one or more registered holders of TD CaTS present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of TD CaTS then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those registered holders present in person or represented by proxy shall constitute a quorum notwithstanding that they may not represent not less than 25% of the aggregate number of TD CaTS then outstanding. Notwithstanding the foregoing, the Trustee may, without the consent of holders of TD CaTS, execute instruments supplemental to the Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of TD CaTS and making such changes as may be required to conform with applicable regulatory requirements from time to time.

Capital Reorganizations and Amalgamations

In the event of a capital reorganization, merger or amalgamation of the Bank, the terms and conditions of the TD CaTS provide that holders of TD CaTS shall be entitled to receive pursuant to the Exchange Provisions, after such capital reorganization, merger or amalgamation, the number of Bank Shares or other securities or consideration of the Bank or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had his or her TD CaTS been exchanged, pursuant to the Exchange Provisions, for Bank Preferred Shares Series A1 immediately prior to the record date of the capital reorganization, merger or amalgamation.

Issue of Additional Trust Securities

The Trust may, at any time and from time to time, issue additional Special Trust Securities or Capital Trust Securities of any series without the authorization of holders of TD CaTS. In the event that the Trust issues additional series of Capital Trust Securities, the rights, privileges, restrictions and conditions attached to such additional series may vary materially from those of the TD CaTS. In such event, the right of the holders of TD CaTS to receive the Indicated Yield from the Net Distributable Funds of the Trust on any Regular Distribution Date and the right of the holder of TD CaTS to receive property of the Trust on a termination of the Trust may rank *pari passu* with the rights of the holders of Capital Trust Securities of such other series.

Book-Entry Only Form

Except as otherwise provided below, the TD CaTS will be issued in "book entry only" form and must be purchased or transferred through Participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the Closing Date, the Trust will cause a global certificate representing the TD CaTS to be delivered to, and registered in the name of, CDS. Except as described below, no holder of TD CaTS will be entitled to a certificate or other instrument from the Trust or CDS evidencing that holder's ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of TD CaTS will receive a customer confirmation of purchase from the registered dealer from which the TD CaTS are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the TD CaTS. If: (i) required to do so by applicable law or the rules of any securities exchange; (ii) the book-entry only system ceases to exist; (iii) the Trust determines that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the TD CaTS and the Trust is unable to locate a qualified successor; or (iv) the Trust at its option elects, or is required by law, to withdraw the TD CaTS from the book-entry only system, then physical certificates representing the TD CaTS will be issued to holders thereof or their nominees.

None of the Bank, the Trustee or the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the TD CaTS held by CDS or the payments or deliveries relating thereto; (ii) maintaining, supervising or reviewing any records relating to the TD CaTS; or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS, and persons other than Participants having an interest in the TD CaTS must look solely to Participants, for payments or deliveries made by or on behalf of the Trust or the Bank to CDS in respect of the TD CaTS.

Transfers

Transfers of ownership of the TD CaTS will be effected only through records maintained by CDS for such TD CaTS with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of TD CaTS who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the TD CaTS, may do so only through Participants. The ability of a holder to pledge TD CaTS or otherwise take action with respect to such holder's interest in TD CaTS (other than through a Participant) may be limited due to the lack of a physical certificate. See "Risk Factors — Liquidity of and Dealings in TD CaTS".

Payments and Deliveries

Payments of the Indicated Yield in respect of TD CaTS will be made by the Trust to CDS as the registered holder of the TD CaTS and the Trust understands that such payments will be forwarded by CDS to Participants in accordance with the customary practices and procedures of CDS ("CDS Procedures"). Deliveries of Bank Preferred Shares Series A1 in respect of the exercise or operation of the Exchange Provisions or upon a redemption of the TD CaTS by the Trust in the limited circumstances described under "Description of the Trust Securities —

The Capital Trust Securities — The Automatic Exchange" will be made by the Bank or the Trust, as the case may be, to CDS as the registered holder of the TD CaTS and the Bank and the Trust understand that such shares will be forwarded by CDS to Participants in accordance with CDS Procedures. As long as CDS is the registered owner of the TD CaTS, CDS will be considered the sole owner of the TD CaTS for the purposes of receiving payments on the TD CaTS or the delivery of Bank Preferred Shares Series A1 upon the exercise or operation of the Exchange Provisions or upon a redemption of the TD CaTS by the Trust. As long as the TD CaTS are held in the CDS book-entry only system, the responsibility and liability of the Trustee and/or the Bank in respect of the TD CaTS is limited to making payment of any amount due on the TD CaTS and/or making delivery of Bank Preferred Shares Series A1 in respect thereof to CDS.

The Special Trust Securities

Voting Rights

The Declaration of Trust provides that the Special Trust Securities are voting. Pursuant to the Declaration of Trust, holders of Special Trust Securities are entitled to vote in respect of, among other things: (i) the termination of the Trust as set forth under "Description of the Trust Securities — The Capital Trust Securities — Rights on Termination of the Trust"; (ii) the removal and replacement of the Trustee; and (iii) the removal and replacement of the Administrative Agent.

Distributions

On any Regular Distribution Date, the Bank and/or its affiliates, as holders of the Special Trust Securities, shall be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield on the TD CaTS. On a Distribution Date that is a Distribution Diversion Date, the Bank, as sole holder of the Special Trust Securities, shall be entitled to receive the Net Distributable Funds of the Trust and no payment of the Indicated Yield shall be made on the TD CaTS.

Redemption

The Special Trust Securities are not redeemable at the option of the Trust or at the option of the holder.

Rights on Termination of the Trust

In the event of a termination of the Trust, after the discharge of the obligations of the Trust to creditors, the Bank and/or its affiliates, as holders of the Special Trust Securities, will be entitled to participate, *pari passu* with the holders of the TD CaTS, in the distribution of the remaining property of the Trust. On a termination of the Trust, the Bank, as holder of the Special Trust Securities, will be entitled to receive an amount equal to the invested amount of the Bank in respect of all Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

DESCRIPTION OF BANK PREFERRED SHARES SERIES A1

Certain Provisions of the Bank Class A Preferred Shares as a Class

Priority

The Bank Class A Preferred Shares rank in priority to the Bank Common Shares and to any other shares of the Bank ranking junior to the Bank Class A Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank. Each series of Bank Class A Preferred Shares ranks on a parity with every other series of Bank Class A Preferred Shares.

Restrictions

Pursuant to the Bank Act, the approval of the holders of the Bank Class A Preferred Shares is required for the creation of any class of shares ranking prior to or on a parity with the Bank Class A Preferred Shares.

Amendment of Class Provisions

Approval by by-law of amendments to the provisions of the Bank Class A Preferred Shares as a class may be given in writing by the holders of all the outstanding Bank Class A Preferred Shares or by a resolution carried by an affirmative vote of at least two-thirds of the votes cast at a meeting at which the holders of a majority of the outstanding Bank Class A Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at a meeting following such adjourned meeting at which the shareholders then present or represented by proxy may transact the business for which the meeting was originally called.

Priority on Liquidation, Dissolution or Winding-up

In the event of the liquidation, dissolution or winding-up of the Bank, before any amount shall be paid to or any assets distributed among the holders of the Bank Common Shares or shares of any other class of the Bank ranking junior to the Bank Class A Preferred Shares, the holder of a Bank Class A Preferred Share of a series shall be entitled to receive to the extent provided for with respect to such Bank Class A Preferred Share by the conditions attaching to such series: (i) an amount equal to the amount paid up thereon; (ii) such premium, if any, as has been provided for with respect to a Bank Class A Preferred Share of such series; and (iii) all unpaid cumulative dividends, if any, on such Bank Class A Preferred Share and, in the case of non-cumulative Bank Class A Preferred Shares, all declared and unpaid non-cumulative dividends. After payment to the holders of the Bank Class A Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Bank.

Voting Rights

There are no voting rights attaching to the Bank Class A Preferred Shares except to the extent provided in any series or by the Bank Act.

Creation and Issue of Additional Shares

The Bank shall not, without the prior approval of the holders of the Bank Class A Preferred Shares, create or issue any shares ranking in priority to or *pari passu* with the Bank Class A Preferred Shares unless all cumulative dividends and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment.

Description of Bank Preferred Shares Series A1

Issue Price

The Bank Preferred Shares Series A1 will have an issue price of $1,000 per share.

Dividends

The holders of the Bank Preferred Shares Series A1 will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors, equal to $38 per share, payable on the last day of June and December in each year. If the Board of Directors has not declared a dividend or any part thereof on the Bank Preferred Shares Series A1 on or before the dividend payment date therefor, then the rights of the holders of Bank Preferred Shares Series A1 to such dividend, or to any part thereof, will be extinguished.

Redemption

The Bank Preferred Shares Series A1 will not be redeemable prior to June 30, 2010. On and after June 30, 2010, but subject to the provisions of the Bank Act and the prior approval of the Superintendent and the provisions described below under "Description of the Bank Preferred Shares Series A1 — Restrictions on Dividends and Retirement of Shares", the Bank may redeem at any time all, or from time to time any part, of the outstanding Bank Preferred Shares Series A1, at the Bank's option without the consent of the holder, by either:

(a) the payment of an amount in cash for each such share so redeemed equal to $1,000 together with the amount of declared and unpaid dividends to the date fixed for redemption; or

(b) subject to the approval of any applicable stock exchange, the issuance and delivery of that number of fully-paid Bank Common Shares determined by dividing $1,000, together with declared and unpaid dividends to the date fixed for redemption, if any, by the Exchange Rate, being the greater of $1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth day prior to the date specified for redemption. Fractional Bank Common Shares will not be issued on any redemption of Bank Preferred Shares Series A1 but, in lieu thereof, the Bank will make cash payments.

Written notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Bank Preferred Shares Series A1 are at any time to be redeemed, the shares to be redeemed will be selected by lot or *pro rata* disregarding fractions or in such other manner as the Bank may determine. Reference is also made to "Description of the Bank Preferred Shares Series A1 — Conversion of Bank Preferred Shares Series A1" and to "The Bank — Limitations Affecting Holders of Bank Shares".

Upon exercise by the Bank of its right to redeem Bank Preferred Shares Series A1 for Bank Common Shares, the Bank reserves the right not to issue Bank Common Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdiction. See "The Bank — Limitations Affecting Holdings of Bank Shares".

Conversion of Bank Preferred Shares Series A1 at the Option of the Holder

Subject as set forth below, on the last day of June and December in each year (each, a "Conversion Date"), commencing June 30, 2010, each Bank Preferred Share Series A1 will be convertible, at the option of the holder on not more than 90 and not less than 60 days' prior written notice (which notice shall be irrevocable), into that number of whole fully-paid and freely tradeable Bank Common Shares determined by dividing $1,000, together with the amount of declared and unpaid dividends to the date fixed for conversion, by the Bank Exchange Rate. In the event of the occurrence of a Loss Absorption Event or the issuance by the Superintendent of a direction pursuant to the Bank Act requiring the Bank to increase its capital or provide additional liquidity, in either case at any time or from time to time on or after March 31, 2010, the right of holders of Bank Preferred Shares Series A1 to submit notice to the Bank of their intention to convert such shares into Bank Common Shares as aforesaid will be suspended until the Loss Absorption Event is no longer continuing or the Bank has complied, in full, with the terms and conditions of any such direction, as the case may be and conversion notices may thereafter only be submitted in respect of the second and subsequent Conversion Dates occurring after the cessation of such Loss Absorption Event or compliance with such direction, as the case may be in accordance with the timing provisions referred to above. All notices of conversion delivered prior to the occurrence of the Loss Absorption Event or the issuance of such direction in respect of any Conversion Date falling after such occurrence or issuance shall be null and void. Rights of conversion under the terms of the Bank Preferred Shares Series A1 shall be revived only in respect of the second Conversion Date next following the cessation of the Loss Absorption Event or Bank's compliance, in full, with the terms and conditions of any such direction, as the case may be. The Bank will issue press releases notifying holders of Bank Preferred Shares Series A1 as to the occurrence and cessation of any event giving rise to a suspension of the conversion privilege attached to the Bank Preferred Share Series A1. Any holder of Bank Preferred Shares Series A1 that has submitted a conversion notice rendered null and void by the foregoing events will be required to submit a further conversion notice in order to subsequently convert such shares. The terms of the Bank Preferred Shares Series A1 provide that a holder of TD CaTS exercising the Holder Exchange Right who wishes to immediately convert the Bank Preferred Shares Series A1 to be so received into Bank Common Shares may do so by completing the conversion instructions contained in the exchange panel of such TD CaTS. In such circumstances, the conversion instructions so completed shall be deemed to constitute a valid conversion notice pursuant to the terms of the Bank Preferred Shares Series A1 with the result that, upon issuance of the Bank Preferred Shares Series A1 pursuant to the Holder Exchange Right, such shares shall be immediately converted into Bank Common Shares as aforesaid. Accordingly, the aforesaid holder of TD CaTS will, on the effective date of exercise of the Holder Exchange Right, receive Bank Common Shares if so elected. Fractional shares will not be issued on any conversion of the Bank Preferred Shares Series A1, but in lieu thereof the Bank will make cash payments.

The Bank, subject to the provisions of the *Bank Act*, including the requirement for Superintendent Approval, and to the provisions described below under "Description of the Bank Preferred Shares Series A1 — Restrictions on Dividends and Retirement of Bank Preferred Shares Series A1", as applicable, may by prior written notice given not later than 40 days before the date fixed for conversion to all holders who have given a conversion notice either: (i) redeem on the Business Day after the date fixed for conversion all but not less than all of the Bank Preferred Shares Series A1 forming the subject matter of the applicable conversion notice; or (ii) cause the holder of such Bank Preferred Shares Series A1 to sell on the Business Day after the date fixed for conversion such Bank Preferred Shares Series A1 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all but not less than all of such Bank Preferred Shares Series A1 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of $1,000 per share, together with the amount of declared and unpaid dividends to the date fixed for redemption or purchase. In such event, the Bank Preferred Shares Series A1 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Upon exercise by the holder of its right to convert Bank Preferred Shares Series A1, the Bank reserves the right not to issue Bank Common Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdictions. See also "The Bank — Limitations Affecting Holders of Bank Shares".

Conversion into Another Series of Bank Class A Preferred Shares at Option of the Holder

The Bank may, by resolution of its Board of Directors, constitute a further series of Bank Class A Preferred Shares (the "New Bank Preferred Shares") having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Bank Preferred Shares as risk-based Tier 1 Capital or equivalent of the Bank under the then current Capital Guidelines if applicable, and if not applicable having such rights, privileges, restrictions and conditions as the Board of Directors may determine, provided that, in each case, such New Bank Preferred Shares do not constitute "short term preferred shares" under the Tax Act. In such event, the Bank may, with Superintendent Approval, give holders of the Bank Preferred Shares Series A1 written notice that they have the right, pursuant to the terms of the Bank Preferred Shares Series A1, at their option, to convert their Bank Preferred Shares Series A1 on the date specified in the notice into fully-paid New Bank Preferred Shares on a share for share basis. Notice shall be given by the Bank in writing not more than 60 days and not less than 30 days prior to such Conversion Date.

Upon exercise by the holder of this right to convert Bank Preferred Shares Series A1 into New Bank Preferred Shares, the Bank reserves the right not to issue New Bank Preferred Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdiction. See "The Bank — Limitations Affecting Holders of Bank Shares".

Presentation for Conversion, Redemption or Sale

A conversion, redemption or sale to the Bank of Bank Preferred Shares Series A1 will be effected by the holder transferring such holder's Bank Preferred Shares Series A1 to be converted, redeemed or sold, as the case may be, to the account of the Bank in CDS (or, in the event that the Bank Preferred Shares Series A1 are not then issued in book-entry only form, by depositing with the transfer agent for the Bank Preferred Shares Series A1, at one of its principal offices, certificates representing such Bank Preferred Shares Series A1).

Purchase for Cancellation

Subject to Superintendent Approval and to the provisions described below under "Description of the Bank Preferred Shares Series A1 — Restrictions on Dividends and Retirement of Shares", the Bank may at any time purchase for cancellation any Bank Preferred Share Series A1 at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Bank Preferred Shares Series A1 shall be entitled to receive $1,000 per share, together with the amount of declared and unpaid dividends to the date of payment before any amount shall be paid or any assets of the Bank distributed to the holders of Bank Common Shares or any shares ranking junior to the Bank Preferred Shares Series A1. The holders of the Bank Preferred Shares Series A1 shall not be entitled to share in any further distribution of the property or assets of the Bank.

Restrictions on Dividends and Retirement of Shares

So long as any of the Bank Preferred Shares Series A1 are outstanding, the Bank will not, without the approval of the holders of the Bank Preferred Shares Series A1 given as specified below:

(a) declare any dividend on the Bank Common Shares or any other shares ranking junior to the Bank Preferred Shares Series A1 (other than stock dividends on shares ranking junior to the Bank Preferred Shares Series A1); or

(b) redeem, purchase or otherwise retire any Bank Common Shares or any other shares ranking junior to the Bank Preferred Shares Series A1 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Bank Preferred Shares Series A1); or

(c) redeem, purchase or otherwise retire: (i) less than all the Bank Preferred Shares Series A1; or (ii) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank, any other shares ranking on a parity with the Bank Preferred Shares Series A1;

unless, in each case, all dividends on the Bank Preferred Shares Series A1, up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable and in respect of which the rights of holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or on a parity with the Bank Preferred Shares Series A1, have been declared and paid or set apart for payment.

Issue of Additional Series of Bank Class A Preferred Shares

The Bank may issue other series of Bank Class A Preferred Shares without the authorization of the holders of the Bank Preferred Shares Series A1.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Bank Preferred Shares Series A1 may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of Bank Preferred Shares Series A1 at which a majority of the outstanding Bank Preferred Shares Series A1 is represented or, if no quorum is present at meeting, at a meeting following such adjourned meeting at which no quorum would apply. Pursuant to the Bank Share Exchange Agreement, the Bank will covenant that for so long as the TD CaTS are outstanding no amendment will be made to the rights, privileges, restrictions and conditions of the Bank Preferred Shares Series A1 (other than any amendments relating to the Bank Preferred Shares as a class) without the prior approval of 66⅔% of the holders of the TD CaTS. In addition to the aforementioned approval, the Bank may from time to time with the approval of the Superintendent, make such deletion or variation which might affect the classification afforded to the Bank Preferred Shares Series A1 for capital adequacy requirements pursuant to the Bank Act.

Voting Rights

The holders of the Bank Preferred Shares Series A1 as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished as described under "Description of Bank Preferred Shares Series A1 — Restrictions on Dividends and Retirement of Shares". In that event, the holders of the Bank Preferred Shares Series A1 will be entitled to receive notice of, and to attend, all meetings of shareholders at which directors are to be elected and will be entitled to one vote for each share held. The voting rights of the holders of the Bank Preferred Shares Series A1 shall forthwith cease upon payment by the Bank of the first dividend on the Bank Preferred Shares Series A1 to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Bank Preferred Shares Series A1 have again become extinguished, such voting rights shall become effective again and so on from time to time.

Book-Entry Only Form

Unless the Bank elects otherwise, the Bank Preferred Shares Series A1 will be issued in "book-entry only" form, and may be purchased, held and transferred in substantially the same manner as the TD CaTS. See "Description of the Trust Securities — The Capital Trust Securities — Book-Entry Only Form".

DESCRIPTION OF BANK COMMON SHARES

General

The authorized common share capital of the Bank includes an unlimited number of Bank Common Shares without par value, of which 620,343,168 were outstanding as at October 31, 1999. The holders of Bank Common

Shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of Bank Common Shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the preferred shares of the Bank. After payment to the holders of preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of Bank Common Shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof. See also "The Bank — Limitations Affecting Holders of Bank Shares".

Price Range and Trading Volume of Bank Common Shares

The Bank Common Shares are listed on the Toronto and Winnipeg stock exchanges as well as on the Canadian Venture Exchange and the New York, London and Tokyo stock exchanges. The following table sets forth the market price range and trading volume of the Bank Common Shares on the TSE for the periods indicated.

	The Toronto Stock Exchange		
	Price Range		
	High	Low	Volume (000's)
1997			
1st Quarter	$20.500	$17.050	122,631
2nd Quarter	21.925	17.125	116,810
3rd Quarter	23.875	19.750	117,588
4th Quarter	27.625	22.700	128,510
1998			
1st Quarter	32.675	24.700	140,461
2nd Quarter	37.375	30.150	147,643
3rd Quarter	34.025	18.750	164,037
4th Quarter	27.500	18.750	117,283
1999			
1st Quarter	35.400	26.900	179,530
2nd Quarter	45.500	32.500	247,752
3rd Quarter	36.800	24.400	133,809
4th Quarter	40.050	28.400	120,990
2000			
January	40.250	32.850	43,835
February	37.900	34.300	38,170
March 1 to 13	37.200	33.500	17,827

(1) On March 13, 2000, the closing price of a Bank Common Share on the TSE was $36.30.

Dividends Paid on Bank Common Shares

The Bank has paid a dividend on the Common Shares in each year since 1857. The following table sets forth the dividends paid or payable on the Common Shares for the financial periods of the Bank indicated.

	Dividends Paid (1)
1989	$0.355
1990	0.380
1991	0.380
1992	0.380
1993	0.380
1994	0.395
1995	0.440
1996	0.500
1997	0.560
1998	0.660
1999	0.720
2000 First Quarter	0.210

(1) Dividends per Common Share have been restated to reflect the Stock Dividend declared May 27, 1999, paid July 31, 1999.

DIVIDEND AND INTEREST COVERAGE

The following sets forth dividend and interest coverage amounts of the Bank assuming, for such purposes only, that the TD CaTS are securities of the Bank, based on the annual Indicated Yield requirements of the TD CaTS on an after-tax equivalent basis of $39.3 million and the annual dividend requirements of the Bank's 7,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series G, the 9,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series H, the 16,400,000 Non-cumulative Redeemable Class A First Preferred Shares, Series J and the 350,000 Non-cumulative Preferred Shares, Series A of TD Mortgage Investment Corporation (a subsidiary of the Bank) outstanding at October 31, 1999 as adjusted (collectively, the "Outstanding Preferred Shares"). The annual interest requirement and amortization of discounts and premiums and issue expenses on the Bank's subordinated indebtedness (the "debentures") outstanding at October 31, 1999 and January 31, 2000 adjusted to reflect debenture redemptions and new issues would amount to $209 million and $207 million, respectively. The annual Indicated Yield and dividend requirements on the Outstanding Preferred Shares would amount to $179 million at both October 31, 1999 and January 31, 2000 when grossed up to a pre-tax equivalent basis assuming an effective marginal tax rate of approximately 43%. The adjusted income of the Bank before the deduction of interest and amortization of discounts and premiums and issue expenses on the debentures, and income taxes for the 12 months ended October 31, 1999 amounted to $2,417 million and for the 12 months ended January 31, 2000 amounted to $2,644 million excluding special gains recognized in such periods of $1,553 million after tax, relating to the sale of shares of TD Waterhouse and Knight/Trimark ("special gains"). These amounts are approximately 6.2 and 6.9 times, respectively, the aggregate debenture interest and amortization of discounts and premiums and issue expenses and grossed up Indicated Yield and dividend requirements of $389 million for the 12 months ended October 31, 1999 and $386 million for the 12 months ended January 31, 2000. The Bank has compiled pro forma consolidated financial statements to reflect the Acquisition. The Bank's pro forma annual interest requirement and amortization of discounts and premiums and issue expenses as reflected on the pro forma consolidated financial statements at October 31, 1999 would amount to $243 million. The annual Indicated Yield and dividend requirements on the Outstanding Preferred Shares and CT's 6,000,000 Non-cumulative First Preference Shares, Series 4, CT's 2,000,000 Non-cumulative First Preference Shares, Series 5 and Canada Trustco Mortgage Company's 6,000,000 Non-cumulative Redeemable Third Preference Shares, Series 1 (collectively, the "pro forma preferred shares") on a pro forma basis would amount to $224 million at October 31, 1999 when grossed up to a pre-tax equivalent. The adjusted pro forma income of the Bank before the deduction of interest and amortization of discounts and premiums and issue expenses on the debentures, and income taxes for the 12 months ended October 31, 1999 would amount to $1,547 million excluding special gains. This amount is approximately 3.3 times the aggregate pro forma debenture interest and amortization of discounts and premiums and issue expenses and grossed up pro forma Indicated Yield and dividend requirements of $467 million for the 12 months ended October 31, 1999.

The annual Indicated Yield requirement of the TD CaTS on an after-tax equivalent basis and the annual dividend requirements of the Outstanding Preferred Shares would amount to approximately $103 million at each of October 31, 1999 and January 31, 2000. The Bank's net income as adjusted for the 12 months ended October 31, 1999 was $1,419 million and for the 12 months ended January 31, 2000 was $1,557 million, excluding special gains. These amounts are approximately 13.8 and 15.1 times, respectively, such annual Indicated Yield and dividend requirements. The Bank's pro forma annual Indicated Yield and dividend requirements on the pro forma preferred shares would amount to approximately $129 million at October 31, 1999. The Bank's adjusted pro forma net income for the 12 months ended October 31, 1999 is $489 million excluding special gains. This amount is approximately 3.8 times the pro forma annual Indicated Yield and such dividend requirements.

On a cash basis, the adjusted pro forma income of the Bank before the deduction of interest and amortization of discounts and premiums and issue expenses on the debentures, and income taxes for the 12 months ended October 31, 1999 would amount to $2,717 million excluding special gains. This amount is approximately 5.8 times the aggregate pro forma debenture interest and amortization of discounts and premiums and issue expenses and grossed up pro forma Indicated Yield and dividend requirements on the pro forma preferred shares. Cash basis measurement is based on excluding non-cash goodwill and intangible asset amortization expense from the pro forma consolidated statement of income and is considered by the Bank to be a more meaningful measurement since it reflects the cash flows available to meet such annual Indicated Yield and dividend requirements. On a cash basis, the Bank's adjusted pro forma net income for the 12 months ended October 31, 1999 is $1,659 million excluding special gains. This cash basis amount is approximately 12.9 times the pro forma annual Indicated Yield and dividend requirements on the pro forma preferred shares.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the Trust and a holder of TD CaTS who acquires TD CaTS under the Offering and who, for purposes of the Tax Act at all relevant times, is resident or deemed to be resident in Canada, deals at arm's length and is not affiliated with the Bank and the Trust, holds the TD CaTS as capital property and is not exempt from tax under Part I of the Tax Act and does not hold the TD CaTS, any Bank Preferred Shares Series A1 acquired on an exchange or redemption of TD CaTS for Bank Preferred Shares Series A1 or any Bank Common Shares in a Deferred Income Plan. This summary does not take into account (other than in respect of the Trust) the "mark-to-market" rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the part of this summary dealing with the Bank Preferred Shares Series A1 does not apply to a "specified financial institution" (as defined in the Tax Act) that, either alone or together with non-arms' length persons, receives (or is deemed to receive) in the aggregate dividends in respect of more than 10% of the Bank Preferred Shares Series A1 outstanding at the time a dividend is received.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, investors are urged to consult their own tax advisers with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and counsel's understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account any changes in law or administrative and assessing policies, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or provincial, territorial or foreign tax considerations. With respect to the proposed amendments to the Tax Act and the regulations, no assurance can be given that the proposed amendments will become law as proposed or at all.

TD CaTS

Taxation of the Trust

In each taxation year of the Trust, the net income and net realized capital gains, if any, of the Trust as would otherwise be taxable in the Trust will be payable to holders of TD CaTS or the Bank as holder of the Special Trust Securities. Consequently, the Trust will not be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Trust cannot be allocated to holders of the TD CaTS or the Bank as holder of the Special Trust Securities but may, subject to certain limitations, be deducted by the Trust from taxable capital gains or net income realized in other years.

As a registered investment, the Trust is potentially subject to special taxes under the Tax Act. The Trust intends to restrict its investments in a manner that it will not be subject to any of these special taxes.

The Tax Act provides for a special tax on the designated income of certain trusts which have designated beneficiaries. This special tax will not apply to the Trust.

Taxation of Holders of TD CaTS

Distributions

A holder of TD CaTS will be required to include in computing the holder's income for a taxation year all net income and net realized capital gains, if any, payable to the holder in such taxation year. Substantially all of the amounts payable to holders of TD CaTS are expected to be treated as income from a trust, rather than capital gains, for income tax purposes.

Disposition

A holder of TD CaTS who disposes of or is deemed to dispose of the TD CaTS will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the TD CaTS to the holder thereof. A disposition or deemed disposition of a holder's TD CaTS will be considered to occur on, amongst other events (a) an exchange of the TD CaTS for Bank Preferred Shares Series A1 pursuant to the Exchange Provisions (on which event a holder's proceeds of disposition will be equal to the fair market value of the Bank Preferred Shares Series A1 received on the exchange), (b) a redemption of the TD CaTS on the Trust Special Event Redemption Right or the Trust Redemption Right (on which event a holder's proceeds of disposition will be equal to the Early Redemption Price or the Redemption Price, as the case may be), and (c) a termination of the Trust.

Generally, two-thirds of any such capital gain will be included in computing the holder's income as a taxable capital gain and two-thirds of any such loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of 6⅔% of such taxable gains. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act.

Exchange Provisions

The Bank and the Exchange Trustee have been advised by TD Securities Inc., Scotia Capital Inc. and Goldman Sachs Canada Inc. that the value to holders of the TD CaTS of the Exchange Provisions is nominal. Accordingly, no gain will be realized by holders of TD CaTS upon the granting of such rights.

Bank Common Shares and Bank Preferred Shares Series A1

Dividends

Dividends (including deemed dividends) received on the Bank Common Shares or the Bank Preferred Shares Series A1 by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends (including deemed dividends) on the Bank Common Shares or the Bank Preferred Shares Series A1 received by a corporation will be included in computing its income and will generally be deductible in computing its taxable income.

The Bank Preferred Shares Series A1 will be taxable preferred shares as defined in the Tax Act. The terms of the Bank Preferred Shares Series A1 require the Bank to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Bank Preferred Shares Series A1.

A private corporation, as defined in the Tax Act, or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Bank Common Shares or the Bank Preferred Shares Series A1 to the extent such dividends are deductible in computing its taxable income.

Disposition

A holder of Bank Common Shares or Bank Preferred Shares Series A1 who disposes of or is deemed to dispose of the Bank Common Shares or the Bank Preferred Shares Series A1 (either on purchase for cancellation or redemption of the shares for cash or otherwise but not on a conversion of the Bank Preferred Shares Series A1) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Bank of the Bank Common Shares or the Bank Preferred Shares Series A1 will generally not be included in computing a holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such shares. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. See "TD CaTS — Taxation of Holders of TD CaTS — Disposition" for a discussion of the tax treatment of capital gains or losses.

Redemption and Conversion

If the Bank redeems for cash or otherwise acquires the Bank Common Shares or the Bank Preferred Shares Series A1, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market or by reason of a conversion of the Bank Preferred Shares Series A1, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

The conversion of the Bank Preferred Shares Series A1 for Common Shares by either the Bank or the holder will be deemed not to be a disposition of property and accordingly will not give rise to any deemed dividend or capital gain or capital loss. The cost to a holder of Common Shares received on the conversion will, subject to the averaging rules, be deemed to be equal to the holder's adjusted cost base of the Bank Preferred Shares Series A1 so converted immediately before the conversion. A holder of Bank Preferred Shares Series A1 who receives cash not exceeding $200 in lieu of a fractional share will have the option of recognizing the capital gain or capital loss arising on the disposition of the fractional share in computing the holder's income for the taxation year in which the conversion occurs, or alternatively, of reducing the adjusted cost base of the Common Shares received on the conversion by the amount of cash received by the holder.

The value of any Common Shares received on a conversion of Bank Preferred Shares Series A1 in respect of declared and unpaid dividends will be included in a holder's income as a dividend and will be the cost to the holder of such Common Shares. See "Dividends" above.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Underwriting Agreement") dated March 2, 2000 between the Trust, the Bank and TD Securities Inc., Scotia Capital Inc., Goldman Sachs Canada Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Merrill Lynch Canada Inc., National Bank Financial Inc. and Trilon Securities Corporation (collectively, the "Underwriters"), the Trust has agreed to sell, and the Underwriters have agreed to purchase, on March 21, 2000, or on such other date not later than April 25, 2000 as may be agreed upon all but not less than all of the 900,000 TD CaTS at a price of $1,000 per TD CaTS, subject to the terms and conditions set forth therein. The Trust has agreed to pay to the Underwriters a fee per TD CaTS equal to $10 with respect to TD CaTS sold to certain institutions and $30 with respect to all other TD CaTS. Assuming that no TD CaTS are sold to such institutions, the aggregate Underwriters' fee will be $27,000,000.

The Underwriting Agreement provides that in the event an Underwriter fails to purchase the TD CaTS that it has severally agreed to purchase under the Underwriting Agreement, the other Underwriters shall be severally obligated to purchase those TD CaTS in accordance with their respective percentages provided that if the percentage of the total number of TD CaTS in respect of which such failure occurs exceeds a certain level, the other Underwriters shall have the right but not the obligation to purchase severally those TD CaTS.

The Underwriting Agreement also provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events. The Underwriters have agreed, subject to the terms and conditions set forth in the Underwriting Agreement, to purchase all of the TD CaTS to be purchased by them if any of the TD CaTS being sold pursuant to the Underwriting Agreement are purchased.

The Offering is being made concurrently in all provinces and territories of Canada. The TD CaTS have not been and will not be registered under the *United States Securities Act of 1933*, as amended, (the "U.S. Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of TD CaTS within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption under the U.S. Securities Act.

TD Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of the Bank. As a result, each of the Bank and the Trust is a related issuer of TD Securities Inc. The terms of the Offering were negotiated at arm's length between the Bank, the Trust and the Underwriters. TD Securities Inc. will not receive any benefit in connection with the Offering other than as described herein. Scotia Capital Inc. and Goldman Sachs Canada Inc., two of the underwriters in respect of which the Trust and the Bank are not related or connected issuers, participated in the due diligence, pricing and structuring of the Offering as well as in the preparation of this prospectus.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase TD CaTS. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSE relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Pursuant to the first mentioned exception, in connection with this Offering and subject to applicable law, the Underwriters may effect the transactions which stabilize or maintain the market price of such securities at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RATINGS

The TD CaTS are rated "A"yn by DBRS, the third highest of five rating categories granted by DBRS for debt generally. The TD CaTS are rated A by S&P, the third highest of ten rating categories granted by S&P for debt generally. The TD CaTS are rated P-2 by CBRS, the second highest of five rating categories granted by CBRS for preferred shares generally.

None of the foregoing ratings should be construed as a recommendation to buy, sell or hold the TD CaTS offered hereby. Any of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

USE OF PROCEEDS

The gross proceeds to the Trust from the sale of the TD CaTS offered hereby will be $900,000,000. The Trust will use the aggregate estimated net proceeds received on closing of approximately $888,250,000 in connection with both the Offering and the subscription by the Bank for the Special Trust Securities to purchase the Initial Trust Assets on a fully serviced basis from the Initial Sellers upon the closing of the Offering. See "Business of the Trust."

The following table illustrates the use of the net proceeds received by the Trust on the Closing Date from the sale of the TD CaTS offered hereby and the subscription by the Bank for the Special Trust Securities described above.

Gross proceeds from the sale of Special Trust Securities to the Bank	$ 125,000,000
Gross proceeds from the Offering	$ 900,000,000
Estimated underwriting fee and expenses applicable to the Offering	(11,750,000)
Net proceeds to be applied to the purchase of the Trust Assets	$1,013,250,000

MATERIAL CONTRACTS

The material contracts to be entered into by the Trust and/or the Bank in connection with the Offering are as follows:

1. the Administration and Advisory Agreement described under "Business of the Trust — The Administrative Agent";
2. the Declaration of Trust described under "The Trust";
3. the Mortgage Sales, Pooling and Servicing Agreements described under "Business of the Trust — Description of Initial Trust Assets";
4. the Series 2000-1 Purchase Agreements described under "Business of the Trust — Description of Initial Trust Assets";

5. the Bank Share Exchange Agreement described under "Description of the Trust Securities — The Capital Trust Securities — Bank Share Exchange Agreement";
6. the Credit Facility described under "Business of the Trust — Liquidity";
7. the Subscription Agreement described under "Business of the Trust — Certain Transactions Incidental to the Offering"; and
8. the Underwriting Agreement described under "Plan of Distribution".

RISK FACTORS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this prospectus before purchasing TD CaTS.

Automatic Exchange of TD CaTS for Bank Preferred Shares Series A1

The purchase of TD CaTS involves risk with respect to the performance and capital levels of the Bank. In the event of decline in the performance and capital levels of the Bank or the Bank becoming insolvent or bankrupt or resolving to wind-up or liquidate or being ordered wound-up or liquidated or the occurrence of any other event constituting a Loss Absorption Event, the TD CaTS will be automatically exchanged for Bank Preferred Shares Series A1, without the consent of the holders thereof, which shares would be an investment in the Bank and not in the Trust. As a result, holders of TD CaTS could become shareholders of the Bank at a time when the Bank's financial condition was deteriorating or when the Bank had become insolvent or bankrupt or resolved to wind-up or had been ordered wound-up or liquidated or upon the occurrence of any other event constituting a Loss Absorption Event. An investment in the Bank is also subject to certain risks that are distinct from the risks associated with an investment in the Trust including the general risks inherent in equity investments in depository institutions. In the event of a liquidation of the Bank, the claims of depositors and creditors of the Bank would be entitled to a priority of payment over the claims of holders of equity interests such as the Bank Preferred Shares Series A1. As a result, if the Bank were to be become insolvent or bankrupt or resolved to wind-up or was ordered wound-up or liquidated after the Automatic Exchange or if the Automatic Exchange were to occur after the insolvency of the Bank, the holders of the Bank Preferred Shares Series A1 may receive, if anything, substantially less than the holders of the TD CaTS would have received had the TD CaTS not been exchanged for Bank Preferred Shares Series A1. In the event of the occurrence of the Automatic Exchange, with the result that the holder of a TD CaTS receives Bank Preferred Shares Series A1 in exchange for such TD CaTS, such holder shall thereupon cease to have any direct claim or entitlement with respect to the assets of the Trust and the only claim or entitlement of such holder will be in its capacity as a shareholder of the Bank. Potential investors in the TD CaTS should carefully consider the description of the Bank set forth under "The Bank". See also "Description of the Trust Securities — The Capital Trust Securities — Automatic Exchange".

Interest Rate Risk

The Trust's income will consist primarily of interest payments on the Trust Assets held by it. Because the Indicated Yield in respect of the TD CaTS is fixed, there can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Trust's ability to pay the Indicated Yield on the TD CaTS in full on each Regular Distribution Date. It is, however, in the Bank's interest to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the TD CaTS on each Regular Distribution Date to avoid triggering the Dividend Stopper Undertakings.

Restrictions on Ownership of Bank Shares

Under the Bank Act, no person, or persons acting jointly or in concert, is permitted to have a significant interest in the Bank. See "The Bank — Limitations Affecting Holders of Bank Shares". Accordingly, the right of a holder to exchange all or some of the TD CaTS held by it may be restricted. In addition, certain holders of TD CaTS who are to acquire Bank Preferred Shares Series A1 upon the exercise or operation of the Exchange Provisions may have some or all of such shares disposed of on their behalf pursuant to the procedures referred to under "Description of the Trust Securities — The Capital Trust Securities — Holder Exchange Right" and "Description of the Trust Securities — The Capital Trust Securities — Automatic Exchange". Furthermore, holders of Bank Preferred

Shares Series A1 who acquire Bank Common Shares upon conversion of such Bank Preferred Shares Series A1 may be required to dispose of some or all of such Bank Common Shares.

Dependence Upon the Bank and its Affiliates

The Trust will be dependent for the selection, structuring and monitoring of the Trust Assets on the diligence and skill of the employees of the Bank as Administrative Agent. In addition, potential conflicts of interest may arise between the Trust and the Bank and its affiliates. See "Business of the Trust". The Administrative Agent may also delegate or subcontract all or a portion of its obligations under the Administration and Advisory Agreement to one or more affiliates, and under certain conditions to non-affiliates, involved in the business of managing assets such as the Trust Assets. In the event that the Administrative Agent delegates or subcontracts its obligations in such a manner, the Trust will be dependent upon the subcontractor to provide services. See "Business of the Trust — The Administrative Agent".

The Trust will be dependent upon the expertise of the Servicer for the servicing of the Trust Assets. In addition, potential conflicts of interest may arise between the Trust and the Bank and its affiliates. The Servicer of the Trust Assets may also subcontract all or a portion of its obligations under the Mortgage Sales, Pooling and Servicing Agreements to one or more affiliates, and under certain conditions to non-affiliates, involved in the business of managing assets such as the Trust Assets. In the event that the Servicer subcontracts its obligations in such a manner, the Trust will be dependent upon the subcontractor to provide services.

The Trustee is a wholly-owned subsidiary of the Bank. See "The Trust".

Liquidity of and Dealings in TD CaTS

There can be no assurance that an active trading market will develop or be sustained or that the TD CaTS may be resold at or above the initial public offering price. The ability of a holder to pledge TD CaTS or otherwise take action with respect to such holder's interest in TD CaTS (other than through a Participant) may be limited due to the lack of a physical certificate.

Indicated Yield is Non-Cumulative

The Indicated Yield on the TD CaTS is not cumulative. The Indicated Yield on the TD CaTS is payable by the Trust on each Regular Distribution Date out of Net Distributable Funds of the Trust. If the Indicated Yield on the TD CaTS for any Distribution Date is not paid by reason of the occurrence of a Distribution Diversion Event, holders of TD CaTS will not be entitled to receive such Indicated Yield. See "Description of the Trust Securities — The Capital Trust Securities — Indicated Yield".

Perpetual Nature of TD CaTS

The TD CaTS have no fixed final maturity date and holders of TD CaTS have no rights to call for the redemption of the TD CaTS.

PRINCIPAL HOLDERS OF SECURITIES

It is intended that, at all times following the Closing Date, the Bank and/or its affiliates will own all of the Special Trust Securities. See "Capitalization of the Trust" and "Use of Proceeds".

INTERESTS OF THE BANK AND ITS AFFILIATES IN MATERIAL TRANSACTIONS

Pursuant to the Administration and Advisory Agreement, the Bank will provide certain advice to the Trust and will administer the day-to-day operations of the Trust. In addition, the Bank and its Mortgage Subsidiaries will service the Trust Assets pursuant to the Mortgage Sales, Pooling and Servicing Agreements. In addition, TD Securities Inc. is an affiliate of the Bank and will receive a portion of the underwriting fee payable by the Trust on account of services rendered in connection with the Offering. See "Plan of Distribution".

The Bank and its affiliates may have interests which are not identical to those of the Trust. Consequently, conflicts of interest may arise with respect to transactions, including, without limitation, the sale of the Initial Trust Assets, future acquisitions and dispositions of the Trust Assets from or to the Bank and/or its affiliates, and the renewal, termination or modification of the Administration and Advisory Agreement or the Mortgage Sales, Pooling and Servicing Agreements. It is the intention of the Trust and the Bank that any agreements and transactions between the Trust, on the one hand, and the Bank and/or its affiliates, on the other hand, are fair to all parties and consistent with market terms, including the prices paid and received for Trust Assets or in connection with the servicing of Trust Assets.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon by McCarthy Tétrault, on behalf of the Trust and the Bank, and by Osler, Hoskin & Harcourt LLP, on behalf of the Underwriters. The partners, counsel and associates of McCarthy Tétrault and Osler, Hoskin & Harcourt LLP, respectively as a group, beneficially own, directly or indirectly, less than one per cent of any class of security issued by the Trust or the Bank. A partner and a counsel to McCarthy Tétrault are officers and/or directors of various affiliates of the Bank through which the Bank administers certain of its real estate investments.

TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE

CIBC Mellon Trust Company will be appointed as transfer agent, registrar and Exchange Trustee in respect of the TD CaTS. The TD CaTS will be issued in book-entry only form through CDS. See "Description of the Trust Securities — The Capital Trust Securities — Book-Entry Only Form". Subject to the CDS Procedures, registration and transfer of the TD CaTS may be effected at the principal offices of CIBC Mellon Trust Company in Toronto.

AUDITORS

Ernst & Young LLP, Chartered Accountants, Toronto, Ontario have been appointed as auditors of the Trust.

LEGAL PROCEEDINGS

Neither the Trust nor the Bank is involved in any litigation or arbitration proceedings which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Trust or the Bank and its subsidiaries, taken as a whole, nor is the Trust or the Bank aware that any such proceedings are pending or threatened.

PROMOTER

The Bank is the promoter of the Trust by reason of its taking the initiative in creating, structuring and promoting the Trust. The Bank will not receive any benefits, directly or indirectly, from the issuance of the TD CaTS other than as described in this prospectus. The Initial Sellers will sell the Initial Trust Assets to the Trust. See "Business of the Trust — Acquisition of the Initial Trust Assets". The Bank will receive an administrative fee pursuant to the Administration and Advisory Agreement. The Servicer may receive a servicing fee.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces and territories provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

INDEX TO THE FINANCIAL STATEMENTS

UNAUDITED PRO FORMA
BALANCE SHEET
OF TD CAPITAL TRUST

(Prepared in Accordance with Accounting Principles
Generally Accepted in Canada)

See the Compilation Report and the notes accompanying
the unaudited pro forma balance sheet
for the basis of presentation.

COMPILATION REPORT

The Trustee
TD Capital Trust

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of TD Capital Trust as at February 14, 2000 which has been prepared for inclusion in the prospectus relating to the sale and issue of Capital Trust Securities-Series 2009 of TD Capital Trust. In our opinion, the pro forma balance sheet has been properly compiled to give effect to the proposed transactions and assumptions described in the accompanying notes thereto.

March 14, 2000	(Signed) Ernst & Young LLP
Toronto, Canada	Chartered Accountants

TD Capital Trust

Pro Forma Balance Sheet
As at February 14, 2000
(unaudited)
(in thousands)

	As at February 14, 2000	Pro Forma Adjustments	Notes	Pro Forma As at February 14, 2000
Assets				
Cash	$ 1	$ 900,000	2(a)	
		(11,750)	2(b)	
		125,000	2(c)	
		(1,013,000)	2(d)	$ 251
Mortgage Co-Ownership Interests	—	1,013,000	2(d)	1,013,000
	$ 1	$ 1,013,250		$1,013,251
Trust Capital				
Capital Trust Securities-Series 2009	$ —	$ 900,000	2(a)	$ 900,000
Special Trust Securities	—	125,000	2(c)	125,000
Original Settlement Amount	1	—		1
Issue costs	—	(11,750)	2(b)	(11,750)
	$ 1	$ 1,013,250		$1,013,251

TD Capital Trust

Notes to Pro Forma Balance Sheet
February 14, 2000
(unaudited)
(in thousands of dollars except unit amounts)

1. Basis of Presentation

The pro forma balance sheet is based upon the audited balance sheet of TD Capital Trust (the "Trust") as at February 14, 2000, adjusted to reflect the issue of Capital Trust Securities-Series 2009, the issue of Special Trust Securities to The Toronto-Dominion Bank (the "Bank") and the purchase of the Initial Trust Assets, as defined in the accompanying prospectus, from the Bank and/or the Bank's affiliates.

The pro forma balance sheet has been prepared by management in accordance with accounting principles generally accepted in Canada.

The pro forma balance sheet should be read in conjunction with the audited balance sheet of the Trust as at February 14, 2000.

2. Pro Forma Assumptions and Adjustments

The pro forma balance sheet gives effect to the following transactions as if they had occurred on February 14, 2000:

(a) the issue of 900,000 Capital Trust Securities-Series 2009 for $1,000 each, for total gross proceeds of $900,000.

(b) the payment of estimated costs, including underwriters' fees and expenses of the offering, relating to the issuance of the Capital Trust Securities of $11,750.

(c) the issue of Special Trust Securities to the Bank for total proceeds received on closing of $125,000.

(d) the purchase of the Initial Trust Assets from the Bank and/or its affiliates totalling $1,013,000.

AUDITED BALANCE SHEET
OF TD CAPITAL TRUST

AS AT FEBRUARY 14, 2000

(Prepared in Accordance with Accounting Principles
Generally Accepted in Canada)

AUDITORS' REPORT

The Trustee
TD Capital Trust

We have audited the balance sheet of TD Capital Trust as at February 14, 2000. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

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

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Trust as at February 14, 2000 in accordance with accounting principles generally accepted in Canada.

March 14, 2000
Toronto, Canada

(Signed) Ernst & Young LLP
Chartered Accountants

TD Capital Trust

Balance Sheet
As at February 14, 2000

Cash	$1,000
Trust Capital	$1,000

On behalf of the Board of Directors of the Trustee:

(Signed) J. Stubbington Director	(Signed) R.J. Gorman Director

See accompanying notes

TD Capital Trust

Notes to Balance Sheet

February 14, 2000

1. Establishment and Organization

TD Capital Trust (the "Trust") is a closed-end trust formed on February 14, 2000 by TD Trust Company, a subsidiary of The Toronto-Dominion Bank (the "Bank"), pursuant to the Declaration of Trust. An amount of $1,000 was settled on the Trust's formation and that amount will be held for the benefit of the beneficiaries. The Trust intends to make investments and to operate at all times in such a manner as to qualify as a registered investment under the provisions of the *Income Tax Act* (Canada).

2. Trust Capital

(a) Authorized Trust Capital

The Trust's authorized capital consists of Special Trust Securities and an unlimited number of Capital Trust Securities-Series 2009 ("TD CaTS"), of which 900,000 will be offered to the public pursuant to a prospectus dated March 14, 2000.

(b) TD CaTS

The TD CaTS are non-voting except in certain limited circumstances, and are not redeemable at the option of the holder.

The holders of each TD CaTS will be entitled to non-cumulative fixed cash distributions of the Trust's income in the amount of $38 ("Indicated Yield") on the last day of June and December of each year provided that the Bank is paying dividends on its preferred and common shares in accordance with ordinary Bank dividend practice.

On and after June 30, 2005 but subject to the provisions of the Act and to the prior approval of the Superintendent of Financial Institutions Canada (the "Superintendent"), the TD CaTS will be redeemable at the option of the Trust in whole (but not in part) and without the consent of the holders thereof, payable as specified in the accompanying prospectus.

Subject to the approval of the Superintendent, upon the occurrence of a Tax Event or a Capital Disqualification Event, as defined, prior to June 30, 2005, the TD CaTS will be redeemable at the option of the Trust in whole (but not in part) and without the consent of the holders thereof for a redemption amount as specified in the accompanying prospectus.

On and after June 30, 2010, each TD CaTS can be exchanged into one Bank Preferred Share Series A1 ("Bank Preferred Share") at the option of the holder. The right of the holder to exchange TD CaTS for Bank Preferred Shares is subject to the prior rights of the Bank and the Trust, with the prior approval of the Superintendent, to arrange substitute purchasers therefor or to purchase such TD CaTS for a purchase price as specified in the accompanying prospectus and the rights of the Trust to redeem the TD CaTS.

Each TD CaTS will be automatically exchanged for one Bank Preferred Share without the consent of the holder thereof in certain defined circumstances.

(c) Special Trust Securities

The holders of the Special Trust Securities are entitled to vote at all meetings of the holders of Special Trust Securities.

For as long as any TD CaTS are outstanding, the Bank intends to maintain direct or indirect ownership of 100% of the outstanding Special Trust Securities.

Holders of Special Trust Securities will be entitled, after the payment of the Indicated Yield if due to holders of TD CaTS, to the Net Distributable Funds, as defined.

3. Related party transactions

The Trust has engaged TD Securities Inc., a wholly-owned subsidiary of the Bank, and other underwriters to offer for sale to the public on a firm underwritten basis $900,000,000 TD CaTS pursuant to a prospectus dated March 14, 2000. TD Securities Inc. will receive a fee upon the issue of the TD CaTS.

The aggregate estimated net proceeds of approximately $888,250,000 received in connection with both the aforementioned offering of the TD CaTS and the Bank's subscription for Special Trust Securities will be used to purchase a co-ownership interest in a pool of residential mortgages (the "Trust Assets") from the Bank and/or its affiliates.

The Trust Assets will be serviced by the Bank and/or its affiliates collectively. Accordingly, the Bank and its affiliates will receive compensation in connection with the servicing of such Trust Assets. Further, the Trustee will enter into an Administration and Advisory Agreement with the Bank pursuant to which the Bank will serve as administrative agent to the Trust. Accordingly, the Bank will receive an administration fee pursuant to such Administration and Advisory Agreement.

TD Trust Company is the Trustee for the Trust.

4. Proposed issue

Pursuant to an underwriting agreement dated March 2, 2000, the Trust proposes to issue 900,000 TD CaTS for gross proceeds of $900,000,000. The underwriting fees and other expenses payable by the Trust are estimated at $11,750,000.

Concurrently with the closing of such offering, the Bank, the Trust and CIBC Mellon Trust Company, as exchange trustee for the holders of the TD CaTS, will enter into the Bank Share Exchange Agreement providing for, among other things, the respective rights and obligations of the Bank, the Trust and the holders of the TD CaTS with respect to the exchange of TD CaTS for Bank Preferred Shares in connection with certain exchange provisions. Immediately following the closing of such offering, the Trust will acquire the Initial Trust Assets from the Bank and/or its affiliates on a fully-serviced basis for an aggregate purchase price equal to approximately $1.013 billion pursuant to the terms of one or more Mortgage Sales, Pooling and Servicing Agreements and Series 2000-1 Purchase Agreements.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE TORONTO-DOMINION BANK

(Prepared in Accordance with Accounting Principles Generally Accepted in Canada)

See the Compilation Report and the notes accompanying the unaudited pro forma consolidated financial statements for the basis of presentation.

COMPILATION REPORT

To the Directors of
THE TORONTO-DOMINION BANK

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of The Toronto-Dominion Bank as at October 31, 1999 and the pro forma consolidated statement of income for the year ended October 31, 1999. These pro forma consolidated financial statements have been prepared solely for inclusion in this prospectus. In our opinion, these pro forma consolidated financial statements have been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

March 14, 2000	(Signed) Ernst & Young LLP
Toronto, Canada	Chartered Accountants

The Toronto-Dominion Bank

Pro Forma Consolidated Balance Sheet as at October 31, 1999
(unaudited — see Compilation Report)
(in millions of Canadian dollars)

	TD As at October 31, 1999	CT As at December 31, 1999	Pro Forma Adjustments	Note Reference	Pro Forma Consolidated
ASSETS					
Cash resources	$ 6,226	$ 735	$ (672)	3(b)	$ 6,289
Securities purchased under resale agreements	25,708	513			26,221
Securities					
Investment	18,029	15,307	(1,355)	3(e)	31,981
Trading	51,064	—			51,064
	69,093	15,307	(1,355)		83,045
Loans (net of allowances for credit losses)					
Residential mortgages	31,483	12,359			43,842
Consumer, instalment and other personal	20,443	16,763			37,206
Business and government	35,559	2,048			37,607
	87,485	31,170	—		118,655
Customers' liability under acceptances	9,040	—			9,040
Land, buildings and equipment	1,738	1,132			2,870
Unamortized goodwill and identifiable intangibles	909	93	5,143	3(a)	6,145
Other assets	14,218	1,296			15,514
Total assets	$214,417	$50,246	$ 3,116		$267,779
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Personal	$ 52,774	$38,222			$ 90,996
Banks, business and government	87,612	4,150	6,055 + (1,355)	3(d) & (e)	96,462
Total deposits	140,386	42,372	4,700		187,458
Acceptances	9,040	—			9,040
Obligations related to securities sold short	15,044	351			15,395
Obligations related to securities sold under repurchase agreement	19,241	1,885			21,126
Other liabilities	15,621	2,062			17,683
Non-controlling interest	335	150	213 + 900	3(a) & (c)	1,598
Subordinated notes and debentures	3,217	358			3,575
Shareholders' equity					
Preferred shares	833	213	(213) + 410	3(a) & (c)	1,243
Common shares	2,006	549	(549)	3(a)	2,006
Retained earnings	8,694	2,306	(39) + (2,306)	3(i) & (a)	8,655
	11,533	3,068	(2,697)		11,904
Total liabilities and shareholders' equity	$214,417	$50,246	$ 3,116		$267,779

See accompanying notes

The Toronto-Dominion Bank

Pro Forma Consolidated Statement of Income for the year ended October 31, 1999
(unaudited — see Compilation Report)
(in millions of Canadian dollars)

	TD Year ended October 31, 1999	CT Year ended December 31, 1999	Pro Forma Adjustments	Note Reference	Pro Forma Consolidated
Interest income					
Loans	$ 7,594	$2,404			$ 9,998
Securities	2,768	695	(74)	3(e)	3,389
Deposits with banks	512	—			512
	10,874	3,099	(74)		13,899
Interest expense					
Deposits	6,254	1,664	259	3(h)	8,177
Subordinated notes and debentures	181	34			215
Other obligations	1,458	159			1,617
	7,893	1,857	259		10,009
Net interest income	2,981	1,242	(333)		3,890
Provision for credit losses	275	165			440
Net interest income after credit loss provision	2,706	1,077	(333)		3,450
Other income					
Investment and securities services	1,721	296			2,017
Credit fees	463	28			491
Net investment securities gains	1,079	11			1,090
Trading income	679	—			679
Service charges	289	185			474
Card services	190	81			271
Insurance	65	152			217
Other	323	209			532
	4,809	962	—		5,771
Net interest and other income	7,515	2,039	(333)		9,221
Gain on sale of TD Waterhouse Group, Inc.	1,122	—			1,122
Net interest and other income, including gain	8,637	2,039	(333)		10,343
Non-interest expenses					
Salaries and staff benefits	2,483	854			3,337
Occupancy including depreciation	373	140			513
Equipment including depreciation	395	175			570
Other, including goodwill and intangibles amortization expense	1,310	330	1,111	3(f)	2,751
	4,561	1,499	1,111		7,171
Income before provision for income taxes and non-controlling interest	4,076	540	(1,444)		3,172
Provision for income taxes	1,090	168	(142)		1,116
	2,986	372	(1,302)		2,056
Non-controlling interest	5	10	16 + 39	3(a)&(h)	70
Net income	2,981	362	(1,357)		1,986
Preferred dividends	43	16	(16) + 21	3(a)&(h)	64
Net income applicable to common shares	$ 2,938	$ 346	$ (1,362)	5	$ 1,922
Average number of common shares outstanding (000's)	599,331				620,173
Net income per common share	$ 4.90			4,5	$ 3.10

See accompanying notes

THE TORONTO-DOMINION BANK

Notes to the Unaudited Pro Forma Consolidated Balance Sheet
And Unaudited Pro Forma Consolidated Statement of Income
As at and for the year ended October 31, 1999
(unaudited)
(in Canadian dollars)

1. Basis of Presentation

The unaudited pro forma consolidated balance sheet as at October 31, 1999 and the unaudited pro forma consolidated statement of income for the year then ended have been prepared using the following information:

(a) Audited consolidated financial statements of The Toronto-Dominion Bank ("TD" or the "Bank") for the fiscal year ended October 31, 1999 which are incorporated by reference in this prospectus.

(b) Audited consolidated financial statements of CT Financial Services Inc. ("CT") for the fiscal year ended December 31, 1999 which are included in this prospectus.

(c) Such other supplementary information as was considered necessary to reflect the proposed transaction in these pro forma consolidated financial statements.

Certain of the financial statement items of CT have been reclassified to conform to the presentation format used by TD.

The unaudited pro forma consolidated financial statements of TD should be read in conjunction with the consolidated financial statements, including notes thereto, of TD and CT.

The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position that would have actually resulted had the transaction been affected on the dates indicated or the results which may be obtained in the future.

2. Pro Forma Assumptions

For the purposes of these unaudited pro forma consolidated financial statements, the financial position and the results of operations of TD and CT have been combined to give effect to TD's acquisition of 100% of the common shares of CT and the related issue of TD common shares, preferred shares and/or similar securities qualifying as Tier 1 capital and wholesale deposits as if the transactions described below had occurred using the following assumptions on October 31, 1999 for the unaudited pro forma consolidated balance sheet presented and on November 1, 1998 for the unaudited pro forma consolidated statement of income presented:

(a) The acquisition of CT for $7.998 billion in the aggregate, or approximately $67 per share, paid by means of cash payment on February 1, 2000. This cash, net of fees and expenses of $39 million, is obtained as follows:

(i) $672 million net proceeds (after deducting underwriters' fees but before deducting expenses of the issue) from the issue of 25.7 million TD common shares ("TD Common Shares") on August 23, 1999;

(ii) $1,310 million gross proceeds by the issue of preferred shares and/or similar securities qualifying as Tier 1 capital of the Bank and/or its affiliates ("Tier 1 Capital"), including $410 million gross proceeds from the issue of Class A First Preferred Shares, Series I and J. On November 1, 1999, the Bank obtained $102.5 million of the $410 million by issuing 16,400,000 units, each unit consisting of one Non-cumulative Class A Redeemable First Preferred Share, Series I and one Non-cumulative Class A Redeemable First Preferred Share, Series J Purchase Warrant. The balance of the $410 million gross proceeds is expected to be obtained on or after April 28, 2000 on exercise of the Series J Purchase Warrants (by exercising one Series J Purchase Warrant together with a cash payment of $18.75, unitholders may convert one Series I share into one Series J share on April 28, 2000, July 31, 2000 or October 31, 2000); and

(iii) $6.055 billion gross proceeds by the issue of wholesale deposits.

Notes to the Unaudited Pro Forma Consolidated Balance Sheet
And Unaudited Pro Forma Consolidated Statement of Income
As at and for the year ended October 31, 1999 (Continued)
(unaudited)
(in Canadian dollars)

(b) The acquisition of CT has been accounted for using the purchase method.

	October 31, 1999 (in billions of Canadian dollars)
Purchase consideration net of issue expenses	$7.998
Less estimated fair value of net tangible assets acquired	2.855
Identifiable intangible assets and goodwill	$5.143
Represented by:	
Identifiable intangible assets	$3.980
Goodwill	1.163
	$5.143

The excess of the purchase price over the estimated fair value of the net tangible assets acquired has been allocated first to identifiable intangible assets and the residual excess to goodwill. Identifiable intangible assets are comprised primarily of core deposit intangibles. The intangible assets will be amortized on a double declining balance over eight years, based upon their estimated useful lives. Goodwill will be amortized on a straight-line basis over ten years.

The actual allocation of the purchase price between identifiable intangible assets and goodwill will be determined following a review by TD of CT's financial position at the date of acquisition, which is ongoing.

As part of the acquisition of CT, the Competition Bureau has requested that the Bank dispose of CT's credit card business and a small number of branches. The impact of these dispositions has not been reflected in these unaudited pro forma consolidated financial statements.

3. Pro Forma Adjustments

The pro forma adjustments contained in these unaudited pro forma consolidated financial statements are based on estimates and assumptions by management of TD based on available information. The adjustments for the actual acquisition may differ as a result of changes arising from the evaluation of the fair value of CT's net assets by TD which is ongoing. The following adjustments have been made to reflect the proposed transactions:

(a) To reflect TD's acquisition of 100% of the common shares of CT, as set out in note 2 above, and the reclassification of CT's preferred shares and dividends to non-controlling interest following the acquisition.

(b) To reflect the use of net proceeds from the issuance of TD Common Shares on August 23, 1999, in the amount of $672 million, to satisfy a portion of the purchase price.

(c) To reflect the issuance of preferred shares in the gross amount of $410 million and the TD CaTS in the gross amount of $900 million, the proceeds of which will be added to the Bank's capital base.

(d) To reflect the issuance of wholesale deposits in the gross amount of $6.055 billion, the proceeds of which will satisfy a portion of the purchase price.

(e) To reflect the use of investment securities representing the amount of CT's excess capital ($1.355 billion at October 31, 1999 (pro forma)) to reduce the wholesale deposits issued. The assumed interest rate on the foregone earnings on the capital is 5.5% per annum.

(f) To record the amortization of identifiable intangible assets over an eight year period on a double declining balance basis and goodwill over a ten year period on a straight-line basis.

(g) No adjustment has been made for restructuring costs to integrate the operations of CT with TD.

(h) To record the dividends on the Series I and Series J preferred shares at an assumed dividend rate of 5.1% per annum and distributions of 7.60% per annum on the remaining Tier 1 Capital of $900 million. The interest expense on the wholesale deposits is calculated based on an assumed interest rate of 5.5% per annum.

(i) To record Tier 1 Capital issue expenses of $39 million.

4. Earnings Per Share

The average number of TD Common Shares reflects the issuance of 25.7 million TD Common Shares arising from the acquisition of CT, as set out in Note 2 above, as if this share issuance had occurred on November 1, 1998.

5. Cash Basis Measurements

Cash basis net income applicable to common shares and cash basis earnings per common share are determined after excluding the amortization expense arising from non-cash goodwill and identifiable intangibles from the pro forma consolidated statement of income. Cash basis earnings per share has also been adjusted to exclude special gains recognized in fiscal 1999 of $1,553 million after tax, relating to the sale of shares of TD Waterhouse Group, Inc. and Knight/Trimark.

Pro forma Consolidated Net Income

	Year ended October 31, 1999
	(in millions of Canadian dollars)
Net income applicable to common shares, excluding special gains	$ 369
Impact of non-cash goodwill and identifiable intangibles amortization expense	1,161
Cash net income applicable to common shares	$ 1,530
Average number of common shares outstanding (000's)	620,173
Cash earnings per common share	$ 2.47

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CT FINANCIAL SERVICES INC. FOR THE YEAR ENDED DECEMBER 31, 1999

(Prepared in Accordance with Accounting Principles Generally Accepted in Canada)

These audited financial statements of CT Financial Services Inc. are as filed by CT Financial Services Inc. with the various securities commissions in Canada pursuant to applicable Canadian securities laws.

CT Financial Services Inc.

AUDITORS' REPORT

To The Shareholders of CT Financial Services Inc.

We have audited the consolidated balance sheets of CT Financial Services Inc. as at December 31, 1999, 1998 and 1997 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999, 1998 and 1997 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

January 27, 2000
London and Toronto, Canada

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

CT Financial Services Inc.

CONSOLIDATED STATEMENT OF EARNINGS

For the years ended December 31	1999	% Increase (Decrease)	1998	% Increase (Decrease)	1997
	(in millions except per share amounts and percentages)				
Investment income					
Short term notes	$ 121	(22)	$ 155	35	$ 115
Securities	574	22	471	12	419
Mortgages	1,005	(8)	1,089	(26)	1,467
Loans secured by real estate	521	6	493	52	325
Consumer and collateral loans	514	14	451	21	373
Corporate and commercial loans	33	22	27	59	17
Credit card loans	233	32	176	16	152
Equipment leases	47	—	47	(10)	52
Net real estate investment properties (note 7)	51	16	44	7	41
	3,099	5	2,953	—	2,961
Interest expense					
Demand deposits	343	11	310	15	269
Term deposits	1,321	(3)	1,356	(5)	1,433
	1,664	—	1,666	(2)	1,702
Other borrowings (note 11)	159	26	126	52	83
Subordinated debentures	34	(8)	37	(21)	47
	1,857	2	1,829	—	1,832
Net investment income	1,242	10	1,124	—	1,129
Provision for credit losses (note 6)	165	22	135	(17)	162
Net investment income after provision for credit losses	1,077	9	989	2	967
Fees (note 16)					
Service and product	376	13	332	5	315
Wealth management	296	20	247	21	204
Insurance	152	15	132	36	97
Other	20	(35)	31	(55)	69
	844	14	742	8	685
Gain on sale of First Federal	—	—	—	(100)	288
Other income (note 17)	118	(21)	149	(19)	185
Earnings before operating expenses	2,039	8	1,880	(12)	2,125
Operating expenses					
Salaries and employee benefits	854	13	758	15	659
Premises (note 8)	140	4	134	(8)	145
Computer, furniture and equipment (note 8)	175	(4)	183	(16)	217
Communications	135	8	125	6	118
Advisory and product fees	78	(20)	98	5	93
Capital and premium taxes	34	(8)	37	6	35
Deposit insurance	25	(52)	52	(10)	58
Other (note 18)	58	26	46	(2)	47
	1,499	5	1,433	4	1,372
Earnings before income taxes and non-controlling interest	540	21	447	(41)	753
Income taxes (note 12)	168	32	127	(43)	223
	372	16	320	(40)	530
Non-controlling interest	10	—	10	(17)	12
Net earnings	$ 362	17	$ 310	(40)	$ 518
Dividends on preference shares	$ 16	—	$ 16	—	$ 16
Net earnings available to common shareholders	346	18	294	(41)	502
	$ 362	17	$ 310	(40)	$ 518
Net earnings per common share — basic and fully diluted	$ 2.90	18	$ 2.46	(41)	$ 4.20
Net earnings to averaged common shareholders' equity — fully diluted	12.59%		11.47%		21.35%

See notes to consolidated financial statements commencing on page F-24.
The accompanying notes are an integral part of the consolidated financial statements.

CT Financial Services Inc.

CONSOLIDATED BALANCE SHEET

As at December 31	1999	% increase (Decrease)	1998	% increase (Decrease)	1997
			(in millions)		
Assets					
Investments (note 6)					
Cash	$ 735	75	$ 421	(8)	$ 457
Short term notes	4,001	60	2,501	(26)	3,372
	4,736	62	2,922	(24)	3,829
Securities (note 3, 4)	11,306	9	10,336	23	8,407
Loans					
Mortgages	13,662	(15)	16,061	(9)	17,633
Loans secured by real estate	8,776	12	7,820	12	6,956
Consumer and collateral	6,100	13	5,422	8	5,027
Corporate and commercial	434	—	435	65	263
Credit cards	1,887	20	1,571	15	1,363
Receivables under equipment leases	311	(9)	343	(3)	352
Securities purchased under resale agreements	513	(21)	652	10	592
Real estate investment properties (note 7)	741	(6)	789	10	716
Total investments	48,466	5	46,351	3	45,138
Land, premises and equipment (note 8)	391	(1)	393	10	357
Other assets (note 9)	1,389	40	995	(18)	1,208
Total Assets	$50,246	5	$47,739	2	$46,703
Liabilities					
Deposits					
Demand	$18,000	6	$16,959	5	$16,145
Term (note 10)	24,372	2	23,807	(2)	24,249
	42,372	4	40,766	1	40,394
Securities sold but not yet purchased	351	(24)	462	98	233
Securities sold under repurchase agreements	1,885	33	1,418	47	967
Other borrowings (note 11)	563	19	475	8	441
Non-controlling interest (note 13)	150	—	150	—	150
Other liabilities (note 14)	1,499	19	1,255	(4)	1,303
	46,820	5	44,526	2	43,488
Subordinated debentures (note 15)	358	—	358	(30)	512
Shareholders' Equity					
Capital stock (note 2)	762	—	762	(3)	783
Retained earnings	2,306	10	2,093	9	1,919
Unrealized gain on translation of foreign operations	—	—	—	(100)	1
	3,068	7	2,855	6	2,703
Total Liabilities and Shareholders' Equity	$50,246	5	$47,739	2	$46,703

See notes to consolidated financial statements commencing on page F-24.
The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the board

W. Edmund Clark, Director	Purdy Crawford, Director	Wilbur J. Prezzano, Director

CT Financial Services Inc.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31	1999	1998	1997
		(in millions)	
Balance beginning of year	$2,093	$1,919	$1,491
Net earnings	362	310	518
	2,455	2,229	2,009
Dividends on preference shares	16	16	16
Dividends on common shares	133	120	74
	149	136	90
Balance end of year	$2,306	$2,093	$1,919

See notes to consolidated financial statements commencing on page F-24.
The accompanying notes are an integral part of the consolidated financial statements.

CT Financial Services Inc.

CONSOLIDATED STATEMENT OF CASH FLOW

For the years ended December 31	1999	1998	1997
		(in millions)	
Cash flow from operating activities			
Net earnings	$ 362	$ 310	$ 518
Change in future income taxes	32	17	(48)
Provision for credit losses	165	135	162
Amortization	104	100	164
Gain on sale of First Federal	—	—	(288)
Other items	—	—	3
Net earnings adjusted for non-cash items	663	562	511
Credit write-offs net of recoveries	(172)	(186)	(196)
Net increase (decrease) in current income taxes	127	(175)	60
Net (increase) decrease in derivative related amounts	(485)	212	(85)
Net decrease (increase) in other assets	89	57	(324)
Net increase in other liabilities	165	60	273
Net cash provided by operating activities	387	530	239
Cash flow from financing activities			
Net increase in deposits	1,621	467	366
Net increase (decrease) in other borrowings	87	33	(60)
Net (decrease) increase in securities sold but not yet purchased	(108)	224	(222)
Net increase (decrease) in securities sold under repurchase agreements	453	449	(657)
Net decrease in interest payable	(3)	(91)	(62)
Decrease in non-controlling interest	—	—	(6)
Maturity of subordinated debentures	—	(150)	—
Redemption of preference shares	—	(21)	(25)
Increase in contributed surplus	—	—	36
Dividends on preference shares	(16)	(16)	(16)
Dividends on common shares	(133)	(120)	(74)
Dividends on common shares paid as return of capital	—	—	(36)
Unrealized gain on translation of foreign operations	—	(1)	(5)
Net cash provided by (used in) financing activities	1,901	774	(761)
Cash flow from investing activities			
Net (increase) decrease in short term notes	(1,493)	862	(1,669)
Net increase in securities	(746)	(1,916)	(2,367)
Net increase in loans	(5,641)	(2,321)	(1,674)
Net (increase) decrease in interest receivable	(7)	(5)	16
Proceeds from mortgage-backed securities sales	2,525	883	3,047
Proceeds from loan securitizations	3,436	1,361	2,411
Net decrease (increase) in real estate investment properties	29	(92)	4
Land, premises and equipment — net purchases	(77)	(112)	(65)
Investment in Meloche Monnex Inc.	—	—	(142)
Proceeds on sale of First Federal	—	—	923
Net cash (used in) provided by investing activities	(1,974)	(1,340)	484
Increase (decrease) in cash	314	(36)	(38)
Cash beginning of year	421	457	495
Cash end of year	$ 735	$ 421	$ 457

Cash consists of cash, deposits with the Bank of Canada, demand deposits with other banks and cheques and other items in transit.

Supplementary disclosure of cash flow information			
Interest paid during the year	$ 1,860	$ 1,920	$ 1,894
Income taxes paid during the year	20	236	221

See notes to consolidated financial statements commencing on page F-24.
The accompanying notes are an integral part of the consolidated financial statements.

CT Financial Services Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In addition, these statements meet the accounting requirements of the Superintendent of Financial Institutions Canada, the regulator of Canada Trustco Mortgage Company and The Canada Trust Company, under the Federal Trust and Loan Companies Act. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

(a) Consolidation

The consolidated financial statements include the accounts of CT Financial Services Inc. and its subsidiary companies as well as its proportionate share of the assets, liabilities and results of operations of joint ventures. Significant subsidiaries at December 31, 1999 are:

Canada Trustco Mortgage Company
The Canada Trust Company
CT Securities Inc.
Meloche Monnex Inc.
Truscan Property Corporation
Canada Trust Bank N.V. – Netherlands
Canada Trustco International Limited – Barbados
CT Investment Management Group Inc.
CT Insurance Company Limited – Barbados
CT Financial Assurance Company
CTUSA, F.S.B. – Florida

(b) Investments

Investments, reduced by an allowance for credit losses where applicable, and investment income are stated as follows:

(i) Securities

Securities and mortgage-backed securities are stated at amortized cost plus accrued interest. Equity securities, other than loan substitutes, are stated at cost plus dividends receivable. Any impairment in underlying value that is other than temporary is recorded as a charge to income in the year in which it occurs.

Net gains and losses on sale of securities are recorded as other income in the consolidated statement of earnings.

(ii) Loans

Mortgages are stated at cost, which includes amounts advanced, accrued interest and other charges, less repayments and unamortized mortgage discounts. Interest income is accrued on a daily basis and mortgage discounts are amortized over the term of the mortgage.

Loans secured by real estate, consumer and collateral loans, corporate and commercial loans and credit card loans are stated at cost which includes amounts advanced and interest accrued on a daily basis, less repayments.

Receivables under equipment leases are stated at gross rentals receivable net of unearned income. Unearned income, the difference between total rentals receivable and the cost of equipment leased, is reflected in earnings over the lease term to yield a constant rate of return on the lease investments. Any gains resulting from the residual values of leased equipment are reflected in earnings only when realized. Earned income is accrued on a daily basis.

Securities purchased under resale agreements are stated at cost plus accrued interest. Interest earned on resale agreements is recorded as interest income.

(iii) Real estate investment properties

Real estate investment properties are stated at the lower of cost less accumulated amortization and estimated net recoverable amount. Cost includes original cost of properties and carrying costs incurred during development. Estimated net recoverable amount is the projected undiscounted net cash flow after interest and income taxes, including residual value. Administrative expenses, salaries and benefits are not capitalized.

Amortization on investment buildings is provided on a 5% sinking fund basis over periods of 30 and 50 years. The amortization charge increases annually and consists of a fixed annual amount together with an amount equivalent to interest compounded at the rate of 5% so as to fully amortize the buildings over their estimated useful lives.

(iv) Allowance for credit losses

The allowance for credit losses is calculated as the amount required to reduce the value of impaired investments to the present value of expected cash flows from the investment, discounted at the interest rate inherent in the investment. In the absence of such information, the fair value of the security underlying the investment or an observable market price for the investment is present valued from the date of anticipated disposition.

A specific allowance is established on an investment by investment basis, where practicable. A general allowance is established to provide for losses that cannot be determined on an investment by investment basis. Management considers current economic conditions, concentrations of investments, deterioration of general credit conditions and other relevant matters in establishing the general allowance.

Each investment category has been reduced by the applicable portion of the allowance for credit losses. The allowance for credit losses of derivative financial instruments, if any, is recorded in other liabilities.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered remote.

(v) Impaired investments

Impaired investments consist of securities on which interest or preferred dividend payments have been suspended, loans in arrears, credit card loans on which interest has been stopped, and restructured and reduced rate loans. As well, management may, at any time, classify an investment as impaired if there is evidence of deterioration in the borrower's financial condition. Mortgages, loans secured by real estate, consumer and collateral loans, and credit card loans are considered impaired after 90 days in arrears. Corporate and commercial loans, and receivables under equipment leases are considered impaired after 30 days. Credit card loans, loans secured by real estate and consumer and collateral loans are written off when overdue 180 days.

Interest income recognition ceases once the investment is classified as impaired, and any changes in the value of the investments are recorded in the allowance for credit losses.

Restructured loans are reduced to the value of the net cash flows receivable under the modified terms discounted at the effective interest rate inherent in the loan at the time it was recognized as being impaired. Interest income on such loans, where it is reasonably assured, is recorded at the same effective interest rate.

(c) Land, premises and equipment

Land, premises and equipment comprise assets used in daily operations. Land is stated at cost and premises and equipment are stated at cost less accumulated amortization. Gains and losses on disposal of these assets are recorded in other income. Premises and equipment are amortized on the straight-line basis using estimated useful lives of 40 years and from 2 to 10 years respectively. Amortization on leasehold improvements is provided on the straight-line basis over estimated useful lives of 2 to 10 years.

(d) NHA mortgage-backed securities

A portion of the company's mortgage loan portfolio is securitized through the mortgage-backed securities program sponsored by the Canada Mortgage and Housing Corporation. Under this program, NHA-insured mortgages originated by the company are pooled, securitized and issued to investors as NHA-insured mortgage-backed securities ("MBS"). Interest is paid to the investors at the coupon rate stated on the securities. The MBS issued represent undivided ownership rights in the underlying mortgage pool. The company continues to service the underlying mortgages.

At the time mortgages are pooled and securitized as MBS, they are reclassified from loans to securities in the consolidated balance sheet. When the MBS are sold, the estimated present value of the net interest rate spread (the difference between the weighted average mortgage rate and the MBS coupon rate, less a normal servicing fee) is added to the proceeds from the sale of MBS in determining the gain or loss on sale. The present value of the net interest spread receivable is recorded in other assets and drawn down as mortgage payments are received. The effect of unscheduled principal repayments on the present value of the net interest rate spread is estimated when the MBS are sold. This estimate is compared to actual experience and the net interest spread receivable is updated as required.

The gain or loss on sale of MBS, net of issuance costs, is included in other income in the consolidated statement of earnings. Normal servicing fees are recognized as fee income in the consolidated statement of earnings when collected.

(e) Loan securitizations

Where groups of loans are sold to special purpose entities under terms which transfer the significant risks and rewards of ownership to third parties, the transaction is recognized as a sale and the related loan assets are removed from the consolidated balance sheet. Gains on these sales are recorded as other income in the consolidated statement of earnings only when funds have been received and there is no recourse to the funds. Fees earned for servicing the portfolio of loans are recorded as fees in the consolidated statement of earnings as they are earned.

(f) Goodwill

Goodwill is the amount paid in excess of the value of assets purchased that is not specifically attributed to the assets purchased. Goodwill is amortized over a period not to exceed the lesser of the useful life of the assets purchased or 20 years.

(g) Securities sold but not yet purchased

Securities sold but not yet purchased are marked to market with resultant gains and losses amortized to interest income or expense over the estimated life of the hedged asset or liability.

(h) Securities sold under repurchase agreements

Interest incurred on repurchase agreements is charged to interest expense.

(i) Convertible debentures

Canadian generally accepted accounting principles require that long term debt, convertible into shares of the company at the option of the holder, be considered a compound financial instrument consisting of a liability component and an equity component. The value of each component is to be established and presented in the consolidated balance sheet as part of liabilities and as part of equity. Because it has been determined that the value of the equity component of convertible debentures at December 31, 1999, is not material, no such disclosure is presented in these consolidated financial statements.

CT Financial Services Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 1999 (Continued)

(j) Hedge accounting

Where off balance sheet financial instruments and on balance sheet assets and liabilities are designated, for accounting purposes, as hedges of specific assets or liabilities or groups of assets or liabilities, or as modifying the market risk characteristics of assets or liabilities, gains and losses arising from these instruments are deferred and recorded in other assets and are amortized to income or expense in the same period as the interest income or expense on the related hedged or modified item is recognized.

(k) Derivative financial instruments

Derivative financial instruments, such as interest rate, foreign exchange and equity contracts are used to manage interest rate and foreign exchange risk. This is accomplished by creating positions that modify the interest rate or foreign exchange characteristics of financial instruments included in the consolidated balance sheet.

Accounting for derivative financial instruments is the same as the accounting for the related financial instruments included in the consolidated balance sheet. Premiums paid on options and gains and losses realized on the early termination of derivative financial instruments are deferred and recorded in other assets to be amortized to interest income or expense over the estimated life of the hedged asset or liability.

(l) Foreign exchange

Foreign currency assets and liabilities are translated into Canadian dollars at year-end rates of exchange; income and expenses at the rate prevailing at the time of the transaction. Gains and losses on foreign currency transactions are included in service and product fees.

(m) Fees

Fees are recorded as income over the term of the loan or when the service is provided.

(n) Systems development costs

Systems development costs are expensed as incurred.

(o) Pension plan

A contributory pension plan is available to all employees after three months continuous service. The plan consists of a defined benefit section and a money purchase section. Earnings are charged with the cost of benefits earned by employees as services are rendered for both sections of the plan.

Adjustments to the defined benefit section arising from pension plan amendments, experience gains and losses, changes in assumptions and any excess of market value of plan assets over the actuarial present value of the accrued plan liability, are amortized over the expected average remaining service life of the employees in the plan. The surplus assets, if any, in the defined benefit section reduce company contributions to the plan.

(p) Net earnings per common share

Net earnings per common share — basic is calculated using the weighted average number of common shares outstanding during the year.

Net earnings per common share — fully diluted is calculated on the assumption that all common share options exercised during the year or outstanding at the end of the year had been exercised at the beginning of the year.

Net earnings are adjusted for imputed earnings on the cash exercise price of options, calculated at the company's average prime rate for the year less applicable income taxes.

(q) Comparative figures

Comparative figures for 1998 and 1997 have been reclassified to conform with financial statement presentation adopted for 1999.

2. CAPITAL STOCK

(a) Authorized

Unlimited number of first preference shares without nominal or par value issuable in series

Unlimited number of second preference shares without nominal or par value issuable in series

Unlimited number of common shares without nominal or par value

(b) Issued

	Shares			Amount		
	1999	1998	1997	1999	1998	1997
	(in millions except shares)					
First preference shares						
Non-cumulative redeemable perpetual — series 4	6,000,000	6,000,000	6,000,000	$150	$150	$150
Non-cumulative redeemable perpetual — series 5 — U.S.$50 million	2,000,000	2,000,000	2,000,000	63	63	63
Cumulative redeemable perpetual — series 6	—	—	3,679,340	—	—	21
	8,000,000	8,000,000	11,679,340	213	213	234
Common shares	119,372,951	119,372,551	119,371,096	549	549	549
				$762	$762	$783

(c) Terms of issue

First preference shares series 4 — The dividend rate is 7.35%. The series is redeemable on and after February 1, 2003 at $25.00 per share plus declared and unpaid dividends to the redemption date. From time to time, the company may purchase for cancellation all or any part of the shares outstanding by invitation for tenders to all holders of these shares at the lowest price at which such shares are obtainable. The series is also convertible on and after August 1, 2003 at the option of the holder into that number of common shares determined by dividing $25.00, plus declared and unpaid dividends to the conversion date, by the greater of $2.00 and 95% of the weighted average trading price of the common shares for a specified period immediately prior to the date of conversion. The company has the right to redeem or find a substitute purchaser for the tendered shares.

First preference shares series 5 — The dividend rate is 6.40%. The series is redeemable on and after February 1, 2003 at U.S. $25.00 per share plus declared and unpaid dividends to the redemption date. From time to time, the company may purchase for cancellation all or any part of the shares outstanding by invitation for tenders to all holders of these shares at the lowest price at which such shares are obtainable. The series is convertible on and after August 1, 2003 at the option of the holder into that number of common shares determined by dividing U.S. $25.00, plus declared and unpaid dividends to the conversion date, by the greater of U.S. $2.00 and the U.S. dollar equivalent of 95% of the weighted average trading price of the common shares for a specified period immediately prior to the date of conversion. The company has the right to redeem or find a substitute purchaser for the tendered shares.

The company is subject to tax, under part VI.1 of the Income Tax Act, Canada, on dividends paid on the preference shares. In calculating its current tax, the company is using the deduction arising from such tax paid on the dividends and expects that it will continue to use such deduction on a current basis for the foreseeable future.

CT Financial Services Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 1999 (Continued)

(d) Options

At December 31, 1999, options to purchase 1,310 common shares at prices ranging from $17.75 to $20.50 per share were outstanding and are exercisable to purchase common shares or stock appreciation rights (SARs) until 2003. During 1999, 400 options were exercised to purchase common shares.

(e) Changes in capital stock

	Preference shares		Common shares	
	Shares	Amount	Shares	Amount
	(in millions except shares)			
Balance December 31, 1996	8,000,000	$213	119,371,096	$549
Issued in exchange for shares of Meloche Monnex Inc. — series 6	3,679,340	21	—	—
Balance December 31, 1997	11,679,340	234	119,371,096	549
Options exercised	—	—	1,455	—
Redeemed — series 6	(3,679,340)	(21)	—	—
Balanced December 31, 1998	8,000,000	213	119,372,551	549
Options exercised	—	—	400	—
Balance December 31, 1999	8,000,000	$213	119,372,951	$549

The weighted average number of common shares outstanding during 1999 was 119,372,669 (1998 — 119,372,084; 1997 — 119,371,096).

3. SECURITIES

(a) Remaining term to contractual maturity

	Less than 1 year	1 to 5 years	6 to 10 years	Over 10 years	No fixed maturity	1999 Total	1998 Total	1997 Total
				(in millions)				
Securities								
Canada	$2,201	$2,854	$128	$362	$ —	$ 5,545	$ 4,522	$4,680
Provincial	54	1	—	—	—	55	2	193
Corporate	335	213	—	35	—	583	835	416
Foreign governments	898	1,035	—	—	—	1,933	1,851	1,158
Accrued income	122	—	—	—	—	122	127	119
	3,610	4,103	128	397	—	8,238	7,337	6,566
Equity securities								
Preference	31	141	67	—	146	385	415	396
Loan substitutes	55	—	—	—	56	111	121	247
Common	—	—	—	—	451	451	471	515
Accrued income	6	—	—	—	—	6	7	8
	92	141	67	—	653	953	1,014	1,166
Mortgage-backed securities								
Government insured	—	2,107	—	—	—	2,107	1,975	674
Other insured	—	—	5	—	—	5	7	—
Accrued income	3	—	—	—	—	3	3	1
	3	2,107	5	—	—	2,115	1,985	675
	$3,705	$6,351	$200	$397	$653	$11,306	$10,336	$8,407

Mortgage-backed securities include $2,007 million of mortgages pooled and securitized by the company (1998 — $1,956 million; 1997 — $649 million).

(b) Unrealized gains and losses

	1999				1998			
	Stated value	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Stated value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(in millions)							
Securities								
Canada	$ 5,545	$ 73	$ 80	$ 5,538	$ 4,522	$173	$ 1	$ 4,694
Provincial	55	—	—	55	2	—	—	2
Corporate	583	—	4	579	835	8	—	843
Foreign governments	1,933	2	14	1,921	1,851	17	—	1,868
Accrued income	122	—	—	122	127	—	—	127
	8,238	75	98	8,215	7,337	198	1	7,534
Equity securities								
Preference	385	6	14	377	415	18	5	428
Loan substitutes	111	—	—	111	121	—	—	121
Common	451	37	55	433	471	110	2	579
Accrued income	6	—	—	6	7	—	—	7
	953	43	69	927	1,014	128	7	1,135
Mortgage-backed securities								
Government insured	2,107	25	—	2,132	1,975	1	—	1,976
Other insured	5	—	—	5	7	—	—	7
Accrued income	3	—	—	3	3	—	—	3
	2,115	25	—	2,140	1,985	1	—	1,986
	$11,306	$143	$167	$11,282	$10,336	$327	$ 8	$10,655

Fair value of securities is based upon the quoted market price, which may not necessarily be realized on sale. Where a quoted price is not readily available, other valuation techniques have been used to estimate the fair value. Fair value of loan substitutes approximates stated value. The net unrealized loss on common and preferred stocks of $26 million decreased to $1 million after taking into account the net effect of the derivative financial instruments associated with these securities.

4. MORTGAGE-BACKED SECURITIES AND LOAN SECURITIZATIONS

(a) Mortgage-backed securities

The principal value of mortgages pooled as mortgage-backed securities during the year was $2.8 billion (1998 — $2.3 billion; 1997 — $4.2 billion) of which $1.3 billion (1998 — $2.0 billion; 1997 — $0.7 billion) was retained by the company.

	1999	1998	1997
	(in millions except percentages)		
Outstanding principal value of mortgage-backed securities sold	$ 5,352	$ 3,461	$ 3,027
Present value of net interest rate spread	113	83	90
Weighted average mortgage rate	6.56%	6.79%	7.15%
Average coupon rates paid to investors	5.25%	5.44%	5.79%
Maturity dates of securities	2000 to 2004	1999 to 2003	1998 to 2002

(b) Loan Securitizations

The principal value of loans securitized during the year was $3.5 billion (1998 — $1.4 billion; 1997 — $2.4 billion).

	1999	1998	1997
		(in millions)	
Outstanding principal value of securitized mortgages sold	$4,385	$2,300	$2,100
Recourse for credit losses	61	25	34

5. IMPAIRED INVESTMENTS

	1999		1998		1997	
	Amount	% of portfolio	Amount	% of portfolio	Amount	% of portfolio
			(in millions except percentages)			
Loans						
Residential mortgages	$ 26	.21	$ 32	.22	$ 37	.23
Commercial mortgages	15	1.15	41	3.39	65	4.94
Loans secured by real estate	9	.10	10	.13	4	.06
Consumer and collateral	25	.41	25	.46	16	.32
Corporate and commercial	—	—	1	.23	10	3.80
Credit cards	25	1.32	18	1.15	21	1.54
Receivables under equipment leases	—	—	—	—	1	.28
Impaired investments	100	.32	127	.40	154	.49
Allowance for credit losses	217		224		275	
Net impaired investments	$(117)		$(97)		$(121)	

6. ALLOWANCE FOR CREDIT LOSSES

	1999	1998	1997
		(in millions)	
Balance beginning of year	$224	$275	$368
Provision charged to earnings	165	135	162
Adjustment regarding sale of First Federal	—	—	(59)
	389	410	471
Loan losses			
Write-offs	210	221	222
Recoveries	(38)	(35)	(21)
	172	186	201
Real estate investment properties recoveries	—	—	(5)
	172	186	196
Balance end of year	$217	$224	$275
Specific allowance	$ 10	$ 20	$ 48
General allowance	207	204	227
Balance end of year	$217	$224	$275

CT Financial Services Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 1999 (Continued)

7. REAL ESTATE INVESTMENT PROPERTIES

(a) Cost and net amortized values

	Cost	Accumulated amortization	1999 Net	1998 Net	1997 Net
		(in millions)			
Land	$173	$ —	$173	$185	$177
Buildings and leasing costs	692	124	568	604	539
	$865	$124	$741	$789	$716

(b) Net real estate investment properties income

	1999	1998	1997
		(in millions)	
Rental income	$144	$126	$113
Maintenance	75	64	54
Amortization	18	18	18
	93	82	72
	$ 51	$ 44	$ 41

8. LAND, PREMISES AND EQUIPMENT

(a) Cost and net amortized values

	Cost	Accumulated amortization	1999 Net	1998 Net	1997 Net
		(in millions)			
Land	$ 83	$ —	$ 83	$ 83	$ 83
Buildings	172	77	95	95	93
Leasehold improvements	212	140	72	67	56
Computers, furniture and equipment	649	508	141	148	125
	$1,116	$725	$391	$393	$357

(b) Premises

	1999	1998	1997
		(in millions)	
Rent	$ 56	$ 54	$ 55
Maintenance	64	64	63
Amortization	25	22	33
	145	140	151
Rental income	5	6	6
	$140	$134	$145

CT Financial Services Inc.

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For the year ended December 31, 1999 (Continued)

(c) Computer, furniture and equipment expense

	1999	1998	1997
		(in millions)	
Rent	$ 51	$ 69	$ 62
Maintenance	69	59	49
Amortization	55	55	106
	$175	$183	$217

(d) Premises and equipment leases

The aggregate minimum rentals payable at December 31, 1999, are as follows for each of the periods shown.

	Premises	Equipment	Total
		(in millions)	
2000	$ 48	$15	$ 63
2001	43	12	55
2002	36	4	40
2003	30	—	30
2004	20	—	20
thereafter	62	—	62
	$239	$31	$270

9. OTHER ASSETS

	1999	1998	1997
		(in millions)	
Amounts receivable from brokers, dealers and brokerage clients	$ 165	$131	$ 295
Reinsurance recoverable for unpaid claims	131	131	121
Present value of net interest rate spread on mortgage-backed securities sales and loan securitizations	152	116	163
	448	378	579
Accounts receivable	397	391	291
Hedge accounting deferrals			
Mortgage-backed securities sales and loan securitizations	(68)	(85)	(147)
Other, including terminated derivatives	(11)	107	134
Premiums on purchased options	44	63	93
Derivatives	324	(171)	36
Goodwill	93	95	91
Prepaid expenses	57	42	37
Current income taxes	—	67	—
Future income taxes	—	13	30
Other	105	95	64
	$1,389	$995	$1,208

10. DEPOSITS

Term deposits

Canada Trustco Mortgage Company $500 million 99 year term deposit receipts mature September 20, 2089, with interest payable at 12.75% per annum. Subsequent to issue, interest coupons payable in years 11 through 99 were purchased and cancelled. The present value of these coupons is offset against the deposit receipts included in term deposits in the consolidated balance sheet; however, there is no legal right of offset in the event of default.

The 99 year term deposit receipts are not eligible for deposit insurance coverage.

	1999	1998	1997
		(in millions)	
Deposit receipts due 2089, including accrued interest	$518	$518	$518
Cumulative value of purchased coupons	453	399	352
	$ 65	$119	$166

11. OTHER BORROWINGS

(a) Principal and accrued interest

	1999	1998	1997
		(in millions)	
Notes and mortgages			
8.00% — 12.75% — first and second real estate mortgages, with a weighted average interest rate of 10.12%, repayable to 2012, secured by assets with stated value of $77 million at December 31, 1999 (1998 — $97 million; 1997 — $109 million)	$ 79	$107	$109
11.20% — guaranteed notes repayable to 2009, secured by assets with stated value of $28 million	28	28	28
	107	135	137
Convertible debentures			
Variable rate — $200 million money market due in 2010	201	201	201
Other			
2.92% — 3.02% — loan relating to securities lending due in 2000	156	45	—
Advances from borrowers for taxes	67	61	69
11.86% — limited recourse loan due in 2003	32	33	34
	255	139	103
	$563	$475	$441

Money market convertible debentures maturing June 3, 2010, bear interest determined in a monthly auction. The debentures are convertible at the option of the company, in whole, into preference shares series 3 of CT Financial Services Inc., with a par value of $100,000 and a dividend rate to be determined in a monthly auction, on the basis of one preference share series 3 for each $100,000 principal amount of the debentures. They are also convertible at the option of the holder, in whole, at any time after May 17, 2009, on the same basis. The debentures are redeemable on the business day following any auction date, in whole or in part, at a redemption price of $100,000 per debenture plus all accrued and unpaid interest.

The convertible debentures are not eligible for deposit insurance coverage.

(b) Required contractual repayments

	1999	1998	1997
		(in millions)	
Less than 1 year (includes accrued interest)	$228	$137	$ 98
1 to 2 years	9	2	2
2 to 3 years	9	10	3
3 to 4 years	29	9	11
4 to 5 years	1	29	10
5 to 10 years	11	10	36
Over 10 years	276	278	281
	$563	$475	$441

(c) Interest expense

	1999	1998	1997
		(in millions)	
Notes and mortgages	$ 11	$ 12	$ 12
Convertible debentures	10	11	9
Repurchase agreement obligations	75	12	1
Net expense on hedging instruments	56	56	11
Other	7	35	50
	$159	$126	$ 83

12. INCOME TAXES

(a) Income taxes recorded in the financial statements

	1999	1998	1997
		(in millions)	
Consolidated statement of earnings	$168	$127	$223
Consolidated statement of retained earnings	—	—	1
	$168	$127	$224
Income taxes provided — current	$121	$115	$245
— future	47	12	(21)
	$168	$127	$224

(b) Reconciliation of statutory and effective rates of income tax on earnings

	1999 Amount	1999 Rate	1998 Amount	1998 Rate	1997 Amount	1997 Rate
	(in millions except percentages)					
Earnings before income taxes and non-controlling interest	$540		$447		$753	
Income taxes at statutory rates	$241	44.6%	$199	44.6%	$336	44.6%
Increase (decrease) from statutory rates						
Tax exempt investment income	(24)	(4.4)	(29)	(6.5)	(25)	(3.3)
Reduced rate earnings from foreign subsidiaries	(77)	(14.3)	(50)	(11.2)	(34)	(4.5)
Capital dispositions	—	—	(10)	(2.2)	(65)	(8.6)
Federal large corporations tax	7	1.3	9	2.0	5	.6
Surtax on financial institutions	2	.4	2	.4	2	.3
Amortization of goodwill	2	.4	2	.4	2	.3
Non-deductible expenses and other	17	3.1	4	.9	2	.3
Income taxes recorded	$168	31.1%	$127	28.4%	$223	29.7%

(c) Future income taxes

Certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. Full provision for income taxes is made in the consolidated statement of earnings using the tax allocation method and income taxes related to the following items are reflected in future income taxes in the consolidated balance sheet.

	1999	1998	1997
	(in millions)		
Taxes applicable to			
Excess of capital cost allowance claimed over amortization provided	$ 39	$ 39	$ 20
Excess of allowance for credit losses over reserves claimed	(21)	(39)	(52)
Disallowed accruals	(44)	(40)	(28)
Income attributable to purchased coupons	37	32	29
Other items — net	8	(5)	1
	$ 19	$(13)	$(30)

(d) Income tax audit position

Major Canadian companies in the group are subject to regular audits by Canada Customs and Revenue Agency — Taxation. To date, audits have been substantially completed for taxation years ending prior to January 1, 1998.

13. NON-CONTROLLING INTEREST

	Shares			Amount		
	1999	1998	1997	1999	1998	1997
	(in millions except shares)					
Preference shares						
Canada Trustco Mortgage Company	6,000,000	6,000,000	6,000,000	$150	$150	$150

14. OTHER LIABILITIES

	1999	1998	1997
		(in millions)	
Amounts payable to brokers, dealers and brokerage clients	$ 367	$ 353	$ 450
Dividends	3	3	2
	370	356	452
Accounts payable and accrued liabilities	689	554	425
Insurance reserves	296	295	268
Current income taxes	60	—	108
Future income taxes	19	—	—
Other	65	50	50
	$1,499	$1,255	$1,303

15. SUBORDINATED DEBENTURES

	1999	1998	1997
		(including accrued interest) (in millions)	
Capital debentures of Canada Trustco Mortgage Company			
8.125% — $150 million series 1 due in 2003	$ —	$ —	$ 154
10.05% — $150 million series 2 due in 2014	156	156	156
9.15% — $200 million series 3 due in 2025	202	202	202
	$ 358	$ 358	$ 512

The Canada Trustco Mortgage Company capital debentures are direct unsecured obligations of the subsidiary company. They are subordinated in right of payment to the prior payment in full of the deposit liabilities and all other liabilities of that company.

The series 2 capital debentures, maturing August 4, 2014, bear interest payable at 10.05%. The subsidiary company has the right, with the consent of the Superintendent of Financial Institutions Canada, to purchase the debentures, at any price, for cancellation or to redeem the debentures at the higher of (1) par plus accrued and unpaid interest and (2) a price calculated to yield 25 basis points over a Government of Canada bond with a similar term to maturity. The subsidiary company may also give notice, on any interest payment date, to exchange or convert the series 2 capital debentures. Following notice, a registered holder of the debentures may exchange all such debentures held for an equal aggregate principal amount of investment certificates or convert all such debentures held into an equal aggregate principal amount of a new issue of subordinated indebtedness of the subsidiary company.

The series 3 capital debentures, maturing May 26, 2025, bear interest payable at 9.15%. On and after May 25, 2000, the subsidiary company has the right, with the consent of the Superintendent of Financial Institutions Canada, to purchase the debentures, at any price, for cancellation or to redeem the debentures at the higher of (1) par plus accrued and unpaid interest and (2) a price calculated to yield 25 basis points over a Government of Canada bond with a similar term to maturity. On May 25, 2000, or on any interest payment date thereafter, the subsidiary company may also give notice to exchange or convert the series 3 capital debentures. Following notice, a registered holder of the debentures may exchange all such debentures held for an equal aggregate principal amount of investment certificates or convert all such debentures held into an equal aggregate principal amount of a new issue of subordinated indebtedness of the subsidiary company.

The capital debentures are not eligible for deposit insurance coverage.

CT Financial Services Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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16. FEES

	1999	1998	1997
		(in millions)	
Service and product			
Demand deposits	$185	$167	$146
MasterCard	81	70	65
Electronic access	34	27	32
Foreign exchange	31	27	27
Loans	28	26	28
Safe deposit boxes	8	7	7
Customer service	3	4	6
Canada and provincial savings bonds	3	2	2
Other	3	2	2
	376	332	315
Wealth management			
Mutual funds	153	138	109
Trust services	113	90	80
Brokerage services	26	17	15
Commissions on mutual funds	4	2	—
	296	247	204
Insurance			
Net insurance underwriting income	112	93	64
Commissions on insurance sales	40	39	33
	152	132	97
Other			
Mortgage-backed securities and loan securitizations	19	15	23
Other	1	16	46
	20	31	69
	$844	$742	$685

17. OTHER INCOME

	1999	1998	1997
		(in millions)	
Mortgage-backed securities sales and loan securitizations	$ 67	$ 82	$ 44
Net securities gains	11	10	20
Other	40	57	30
Gain on sale of pension and institutional trust and custody business	—	—	91
	$118	$149	$185

18. OTHER EXPENSE

	1999	1998	1997
		(in millions)	
Non-investment losses	$ 26	$ 15	$ 16
Travel	13	13	13
Amortization of goodwill	6	5	7
Charitable contributions	4	3	3
Other	9	10	8
	$ 58	$ 46	$ 47

19. PENSION PLAN AND POST-RETIREMENT BENEFITS

(a) Pension plan

The pension plan for employees consists of two funds: Fund A — Defined Benefit and Fund B — Money Purchase. Fund A — Defined Benefit was closed to new members after May 31, 1987 and employees joining the plan on or after June 1, 1987 must join Fund B — Money Purchase.

The defined benefit plan has been valued using management's best estimate of the following principal assumptions: average annual investment return 7.0%, average annual increase in compensation rates 3.0%, and average annual increase in the consumer price index 2.5%.

	1999	1998	1997
		(in millions)	
Fund A — Defined Benefit			
Projected plan obligation	$266	$269	$250
Plan assets at market value	277	285	273
Funding excess	11	16	23
Net unrecognized gains	(11)	(17)	(21)
Unrecognized transition funding excess	—	—	(6)
Accrued plan liability	$ —	$ (1)	$ (4)
Fund B — Money Purchase			
Plan assets at market value	$243	$204	$186

Included in employee benefits is the company's expense for the year ended December 31, 1999 of $18 million (1998 — $10 million; 1997 — $10 million). The company contribution to the plan in 1999 was $19 million (1998 — $12 million; 1997 — $11 million).

(b) Post-retirement benefits

The company provides certain health care benefits for eligible employees upon retirement. The cost of these benefits is expensed as incurred. For the year ended December 31, 1999, the cost was $1 million (1998 — $1 million; 1997 — nil).

20. INTEREST RATE SENSITIVITY

Interest rate risk arises when principal and interest cash flows, both on and off balance sheet, including final maturities, have mismatched repricing dates. Interest rate risk, or sensitivity, is the potential impact of changes in interest rates on earnings and the present value of equity. The present value of equity is the difference between the present value of all asset cash flows and the present value of all liability cash flows, including the expected impact of interest rate options due to rate commitments or embedded product options.

An interest rate gap is a common measure of interest rate sensitivity. A positive gap occurs when more assets than liabilities reprice within a particular time period. A negative gap occurs when there is an excess of liabilities over assets repricing. The former provides a positive earnings impact in the event of an increase in interest rates during the time period. Conversely, negative gaps are positively positioned for decreases in interest rates during the particular time period. The determination of the interest rate sensitivity or gap position is based upon the earlier of the repricing or maturity date of assets, liabilities and derivatives and includes numerous assumptions.

The gap position presented is measured at close of business on December 31. That position is subject to significant change in subsequent periods based on changes in customer preferences and in the application of asset/liability management policies.

Floating rate assets and liabilities are immediately sensitive to a change in interest rates while other assets are sensitive to changing interest rates periodically, either as they mature or as contractual repricing events occur. Non-interest rate sensitive assets and liabilities are not directly affected by changes in interest rates. Yields are based upon the contractual interest rate in effect for the assets or liabilities at year-end.

While a static gap provides one representation of interest rate risk, the company identifies, monitors and analyzes interest rate sensitivity through duration analysis, analysis of float rate and short term asset and liability repricing exposures, comprehensive cash flow gap matching and by monitoring exposures across the yield curve.

Exposures to anticipated future transactions, due to rate commitments given to unfunded mortgages or term deposits, are managed as part of the interest rate risk management program. These exposures are managed through the purchase of options or through hedging techniques such as the sale of securities not yet purchased (short sales) to lock in funding costs to the expected funding date.

(a) Interest rate risk gap

	Floating rate	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest rate sensitive	1999 Total
	(in millions except percentages)						
Assets							
Cash and short term notes	$ 181	$ 4,240	$ 27	$ —	$ —	$ 288	$ 4,736
Yield	5.07%	5.12%	5.13%				
Securities	291	979	2,518	6,210	615	693	11,306
Yield	5.03%	4.75%	5.02%	5.70%	6.52%		
Loans	13,547	2,665	4,012	10,601	614	244	31,683
Yield	9.69%	7.05%	7.30%	7.09%	9.06%		
Real estate investment properties	—	—	—	—	—	741	741
Land, premises and equipment	—	—	—	—	—	391	391
Other assets	—	—	—	—	—	1,389	1,389
Total assets	$14,019	$ 7,884	$ 6,557	$16,811	$1,229	$ 3,746	$50,246
Liabilities and shareholders' equity							
Deposits	$ 6,556	$ 7,517	$11,174	$11,542	$ 236	$ 5,347	$42,372
Yield	1.40%	5.53%	4.84%	5.35%	10.57%		
Securities sold but not yet purchased	—	—	99	190	62	—	351
Yield			5.60%	5.97%	6.12%		
Securities sold under repurchase agreements	—	1,885	—	—	—	—	1,885
Yield		5.07%					
Other borrowings	287	240	—	—	28	158	713
Yield	5.10%	2.99%			10.90%		
Other liabilities	—	—	—	—	—	1,499	1,499
Subordinated debentures	—	—	—	—	358	—	358
Yield					9.54%		
Shareholders' equity	—	—	—	—	—	3,068	3,068
Total liabilities and shareholders' equity	$ 6,843	$ 9,642	$11,273	$11,732	$ 684	$10,072	$50,246
On balance sheet gap	$ 7,176	$(1,758)	$(4,716)	$ 5,079	$ 545	$(6,326)	$ —
Off balance sheet gap							
Total pay side instruments	(15,623)	(4,302)	(4,248)	(8,389)	(480)	(513)	(33,555)
Yield	5.15%	5.32%	5.77%	5.95%	5.76%		
Total receive side instruments	16,164	3,592	5,949	7,800	50	—	33,555
Yield	5.06%	5.24%	5.58%	5.64%	8.25%		
	541	(710)	1,701	(589)	(430)	(513)	—
Total interest rate sensitivity gap	$ 7,717	$(2,468)	$(3,015)	$ 4,490	$ 115	$(6,839)	$ —
Cumulative interest rate sensitivity gap	$ 7,717	$ 5,249	$ 2,234	$ 6,724	$6,839	$ —	$ —
Cumulative interest rate sensitivity gap as a % of assets	15.36%	10.45%	4.45%	13.38%	13.61%		

The above table details the earlier of maturity or repricing date of interest sensitive instruments. Certain demand deposits are shown as non-rate sensitive although the profile assumed for actual management may be different. Loans are shown to their contractual maturity even though principal (and interest) payments often occur throughout the lifetime of the loan.

(b) Interest rate risk gap by currency

	Floating rate	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest rate sensitive	1999 Total
				(in millions)			
Canadian currency on balance sheet gap	$7,656	$(2,555)	$(5,212)	$3,964	$ 545	$(6,721)	$(2,323)
Canadian currency off balance sheet gap	589	(199)	2,509	382	(430)	(513)	2,338
Canadian currency gap	8,245	(2,754)	(2,703)	4,346	115	(7,234)	15
Foreign currency on balance sheet gap	(480)	797	496	1,115	—	395	2,323
Foreign currency off balance sheet gap	(48)	(511)	(808)	(971)	—	—	(2,338)
Foreign currency gap	(528)	286	(312)	144	—	395	(15)
Total interest rate sensitivity gap	$7,717	$(2,468)	$(3,015)	$4,490	$ 115	$(6,839)	$ —
Canadian currency gap — 1998	$7,493	$(2,272)	$(3,176)	$3,847	$ 42	$(6,012)	$ (78)
Foreign currency gap — 1998	287	(8)	(152)	99	(1)	(147)	78
Total interest rate sensitivity gap — 1998	$7,780	$(2,280)	$(3,328)	$3,946	$ 41	$(6,159)	$ —

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, used to manage interest rate and foreign exchange risks, include interest rate swap contracts, interest rate options, forward rate agreements and foreign exchange contracts. Derivative financial instruments are not offered to customers nor are they used to generate gains from anticipated market movements.

The notional amount of a derivative financial instrument represents the agreed amount upon which calculations of interest payments to be exchanged are based. It does not represent a direct credit exposure or market risk nor does it represent the extent to which one position offsets another.

Forward rate agreements are contracts that effectively fix a future interest rate. The agreement provides that, at a predetermined future date, a cash settlement will be made, between the parties to the agreement, for the difference between the contracted rate and a specified current market rate, based on an agreed notional principal amount. No exchange of principal takes place.

Interest rate swap contracts exchange fixed and floating rate interest payment obligations on a specified amount of notional principal for a specified period of time and are used to manage interest rate risk.

Purchased interest rate options provide the holder with the right, but not the obligation, to buy or sell, on a specified future date or within a specified time, a particular security or to enter into a derivative contract at a stated price, in exchange for a fee.

Foreign exchange contracts include foreign exchange forward contracts and cross currency swaps. Foreign exchange forward contracts are used to manage foreign exchange exposure through a commitment to purchase or sell specified currencies at a specified date and exchange rate. Cross currency swaps are transactions in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market, or vice-versa.

(a) Notional amounts by remaining term to contractual maturity

	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	1999 Total	1998 Total
			(in millions)			
Over-the-counter						
Interest rate contracts						
Forward rate agreements	$ 4,700	$ —	$ —	$ —	$ 4,700	$ 1,390
Interest rate swaps	9,629	7,387	7,653	530	25,199	24,633
Purchased interest rate options	5,155	4,153	—	—	9,308	6,952
Foreign exchange contracts						
Foreign exchange forwards	1,235	1,024	—	—	2,259	1,806
Cross currency swaps	731	154	—	—	885	707
Equity contracts						
Equity swaps	217	296	—	—	513	527
Purchased equity options	31	157	38	—	226	232
	$21,698	$13,171	$7,691	$530	$43,090	$36,247

(b) Credit exposure

	1999			1998		
	Notional amount	Current replace-ment cost	Risk-weighted amount	Notional amount	Current replace-ment cost	Risk-weighted amount
			(in millions)			
Over-the-counter						
Interest rate contracts						
Forward rate agreements	$ 4,700	$ —	$ —	$ 1,390	$ —	$ —
Interest rate swaps	25,199	159	49	24,633	96	38
Purchased interest rate options	9,308	26	9	6,952	28	12
Foreign exchange contracts						
Foreign exchange forwards	2,259	192	51	1,806	28	18
Cross currency swaps	885	27	9	707	4	3
Equity contracts						
Equity swaps	513	1	6	527	—	2
Purchased equity options	226	83	19	232	5	8
	$43,090	488	143	$36,247	161	81
Less impact of master netting agreements		135	37		157	60
		$353	$106		$ 4	$ 21

The main risks associated with derivative financial instruments are credit risk and market risk. Credit risk includes the possibility that a counterparty will default on its contractual obligations under the terms of a derivative contract. The credit exposure amount is the potential decrease in earnings should a counterparty default. Credit exposure is measured by the cost of replacing contracts at current market rates. Credit exposure is controlled by limiting available counterparties to those of high quality and setting and observing concentration limits. Exposure under derivative contracts is included when calculating permitted and outstanding exposure for all credit risks to any counterparty.

Management monitors market risk regularly by use of modelling and simulation techniques to ensure that limits established by policy and capital requirements are not exceeded.

The current replacement cost of a derivative financial instrument represents the cost of replacing, at current market rates, all contracts with a positive market value.

The risk-weighted amount of a derivative financial instrument is prescribed by OSFI regulation. It is the sum of the positive market value and the notional amount of the derivative weighted by factors prescribed by OSFI, reflecting risks involved in the contract.

The company has entered into master netting agreements with substantially all of its derivative counterparties. Master netting agreements are beneficial to the company as they can reduce credit exposure in the event the counterparty defaults. Under a master netting agreement, if the counterparty defaults, the company has the right to terminate all transactions covered by the agreement at the then prevailing market values and to sum the resulting market values, offsetting negative against positive values, to arrive at a single "net" amount owed by either the counterparty or the company.

The company's credit exposure is presented in the table on page F-44 both before and after the impact of master netting agreements.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Estimates of fair values are dependent upon subjective assumptions and involve significant uncertainties. Fair values disclosed represent estimates of value made at a point in time that might not be particularly relevant in predicting future earnings or cash flows. Potential income taxes and other expenses that would be incurred on the actual disposition of these financial instruments are not reflected in the fair values disclosed.

(a) Methods and assumptions

The following methods and assumptions were used to estimate fair value of financial instruments:

The respective stated values of certain financial instruments approximate their fair values as they are short term in nature. These financial instruments include cash, short term notes, securities purchased and sold under resale and repurchase agreements, accrued income and expense and certain other assets and liabilities that are considered financial instruments.

Estimated fair values of securities are based on quoted market prices or dealer quotes, when available, or quoted market prices of similar securities.

For certain variable rate loans that reprice frequently, estimated fair values are assumed to be equal to stated values. Fair values of other loans are estimated using a discounted cash flow calculation that uses market interest rates currently charged for similar new loans at December 31 to expected maturity amounts, adjusted for prepayments where appropriate.

Fair value of deposits without a specified maturity is the amount payable on demand at December 31. Fair value of other deposits and other borrowings is determined by discounting the contractual cash flows, using market interest rates currently offered for liabilities with similar terms and credit risks.

Fair value of subordinated debentures is determined by reference to current market prices for the same or similar debt.

The fair value of a derivative financial instrument is the net present value of expected future cash flows. The fair value of a derivative financial instrument also represents the cost of replacing a contract at the date fair value is determined.

(b) Fair value of on balance sheet financial instruments

	1999			1998		
	Stated value	Fair value	Fair value over (under) stated value	Stated value	Fair value	Fair value over (under) stated value
	(in millions)					
Assets						
Cash	$ 735	$ 735	$ —	$ 421	$ 421	$ —
Short term notes	4,001	4,001	—	2,501	2,501	—
Securities	11,306	11,282	(24)	10,336	10,655	319
Loans	31,683	31,870	187	32,304	32,959	655
Other assets	448	448	—	378	378	—
Liabilities						
Deposits						
Demand	18,000	18,000	—	16,959	16,959	—
Term	24,372	24,582	210	23,807	24,387	580
Securities sold but not yet purchased	351	351	—	462	462	—
Securities sold under repurchase agreements	1,885	1,885	—	1,418	1,418	—
Other borrowings	563	589	26	475	511	36
Other liabilities	370	370	—	356	356	—
Subordinated debentures	358	457	99	358	520	162

(c) Fair value of derivative financial instruments

	1999			1998		
	Gross assets	Gross liabilities	Net	Gross assets	Gross liabilities	Net
	(in millions)					
Over-the-counter						
Interest rate contracts						
Forward rate agreements	$ —	$ 1	$ (1)	$ —	$ —	$ —
Interest rate swaps	159	145	14	96	216	(120)
Purchased interest rate options	26	—	26	28	—	28
Foreign exchange contracts						
Foreign exchange forwards	192	—	192	28	16	12
Cross currency swaps	27	4	23	4	218	(214)
Equity contracts						
Equity swaps	1	39	(38)	—	22	(22)
Purchased equity options	83	—	83	5	—	5
	$488	$189	$299	$161	$472	$(311)

23. CREDIT RISK MANAGEMENT

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. Such concentrations can affect operating sensitivity to circumstances affecting a particular industry or geographic area.

Policy and management judgement require diversification of lending practices by industry and geographic location in addition to diversification of borrowers and counterparties. Management considers the following concentrations to be within acceptable limits.

(a) Corporate assets

At December 31, 1999, 93% of corporate assets of $50 billion were located in Canada and 7% outside Canada, compared to 94% and 6% respectively at December 31, 1998. Loans in Canada represented 99% of total loans, of which 66% were concentrated in Ontario. At December 31, 1998, loans concentration was 99% in Canada and 68% in Ontario.

(b) Credit exposure of derivative financial instruments

Of the $488 million credit exposure of derivative financial instruments outstanding at December 31, 1999, approximately 75% related to Canada and 25% outside Canada (1998 — Canada — 88%; outside Canada — 12%). Counterparties for these derivatives were concentrated with banks accounting for 81% (1998 — 97%).

(c) Pledged assets

Securities with a carrying value of $107 million have been pledged as collateral for various types of funding arrangements. In addition, assets with carrying value of $10 million have been deposited as collateral in order to participate in clearing and payment systems and depositories.

(d) Credit commitments

These amounts represent the maximum obligation to extend credit to customers and are set out in the following table. All of the $15 billion obligation at December 31, 1999 was within Canada, as it was one year earlier.

Outstanding credit commitments

	1999	1998	1997
		(in millions)	
Standby and documentary letters of credit	$ 30	$ 27	$ 26
Securities lending	—	50	14
Commitments to extend credit			
Original term to maturity one year or less	14,323	12,389	10,338
Original term to maturity more than one year	686	564	448
	$15,039	$13,030	$10,826

24. CONTINGENT LIABILITIES

(a) Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year within software applications. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

(b) Legal proceedings

Various legal proceedings are pending against the company and its subsidiaries that arise from usual business activities. Management believes that the aggregate liability resulting from these proceedings will not be material.

25. SEGMENTED INFORMATION

Segmented information is based on the way that management organizes the business for making operating decisions and assessing performance. Business segments have been aligned as follows:

Core banking and wealth management — includes demand deposits and administration of mutual funds, personal trust assets, term and retirement services and brokerage services.

Lending and insurance — includes lending activities and insurance.

The company does not include income taxes or non-controlling interest in the determination of segment income. The reconciliation column includes the taxable equivalent adjustment that is removed for external reporting purposes and certain reclassifications between revenue and operating expenses. Discontinued operations are also included in this column.

(a) Earnings

	Core banking and wealth management	Lending and insurance	Reconciliation	Consolidated
		(in millions)		
1999				
Revenue	$ 1,397	$ 1,077	$(270)	$ 2,204
Provision for credit losses	10	155	—	165
Earnings before operating expenses	1,387	922	(270)	2,039
Operating expenses	980	644	(125)	1,499
Earnings before income taxes and non-controlling interest	$ 407	$ 278	$(145)	$ 540
Average portfolio balance	$69,643	$42,173		$111,816
1998				
Revenue	$ 1,319	$ 886	$(190)	$ 2,015
Provision for credit losses	9	126	—	135
Earnings before operating expenses	1,310	760	(190)	1,880
Operating expenses	935	557	(59)	1,433
Earnings before income taxes and non-controlling interest	$ 375	$ 203	$(131)	$ 447
Average portfolio balance	$67,145	$39,090		$106,235
1997				
Revenue	$ 1,176	$ 798	$ 313	$ 2,287
Provision for credit losses	11	104	47	162
Earnings before operating expenses	1,165	694	266	2,125
Operating expenses	852	497	23	1,372
Earnings before income taxes and non-controlling interest	$ 313	$ 197	$ 243	$ 753
Average portfolio balance	$61,178	$37,102		$ 98,280

(b) Geographic distribution

	1999	1998	1997
		(in millions)	
Revenue			
Canada	$2,070	$1,826	$2,203
Foreign	134	189	84
	$2,204	$2,015	$2,287

26. SUBSEQUENT EVENTS

On August 3, 1999, The Toronto Dominion Bank announced its intention to acquire 100% of the outstanding common shares of CT Financial Services Inc. The circular advising the CT Financial Services Inc. shareholders of the $67 per share offer was mailed on January 10, 2000 and the board of directors is recommending that the shareholders vote to approve the transaction. The acquisition is subject to approval by the shareholders of Imasco Limited, OSFI, the Competition Bureau and the Minister of Finance. The decision of the Imasco shareholders will be determined at a special meeting to be held on January 28, 2000. The Minister of Finance's decision is expected in late January based on input from the Competition Bureau and OSFI. The expected closing date of the transaction is February 1, 2000 subject to all approvals being received.

If the acquisition is approved, a change of control clause in CT Financial Services Inc.'s senior management Long Term Incentive Plan would be triggered. The clause requires a payment to be made to plan members within 30 days of the transaction closing date. The estimated amount to be charged to earnings net of income tax and amounts previously accrued is $117 million.

CERTIFICATE OF THE TRUST

Dated: March 14, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

TD CAPITAL TRUST
by its Trustee
TD TRUST COMPANY

(signed) LEW HUTCHINSON
President and Chief Executive Officer

(signed) S.W. MULCAHY
Chief Financial Officer

On behalf of the Board of Directors:

(signed) C. CLIMO
Director

(signed) R.J. GORMAN
Director

CERTIFICATE OF THE BANK

Dated: March 14, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

(signed) A.C. BAILLIE Chairman and Chief Executive Officer	(signed) D.A. MARINANGELI Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors:

(signed) H.K. SINCLAIR Director	(signed) R.M. THOMSON Director

CERTIFICATE OF THE UNDERWRITERS

Dated: March 14, 2000

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, information and belief, this prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

TD SECURITIES INC.

By: (signed) J. DAVID BEATTIE

SCOTIA CAPITAL INC.

By: (signed) MATTHEW FRANK

GOLDMAN SACHS CANADA INC.

By: (signed) MARK WISNIEWSKI

CIBC WORLD MARKETS INC.

By: (signed) PETER IRWIN

BMO NESBITT BURNS INC.

By: (signed) THOMAS E. FLYNN

RBC DOMINION SECURITIES INC.

By: (signed) JOHN M. GARROW

MERRILL LYNCH CANADA INC.

By: (signed) PATRICK S. LEUNG

NATIONAL BANK FINANCIAL INC.

By: (signed) IAN MCPHERSON

TRILON SECURITIES CORPORATION

By: (signed) TREVOR D. KERR

The following includes the name of every person having an interest, directly or indirectly, to the extent of not less than five percent in the capital of:

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

SCOTIA CAPITAL INC.: a wholly-owned subsidiary of a Canadian chartered bank;

GOLDMAN SACHS CANADA INC.: a wholly-owned subsidiary of The Goldman Sachs Group, L.P.;

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank;

BMO NESBITT BURNS INC.: a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited;
an indirect majority-owned subsidiary of a Canadian chartered bank;

RBC DOMINION SECURITIES INC.: a direct wholly-owned subsidiary of a Canadian chartered bank;

MERRILL LYNCH CANADA INC.: a wholly-owned indirect subsidiary of Merrill Lynch & Co., Inc.;

NATIONAL BANK FINANCIAL INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank; and

TRILON SECURITIES CORPORATION: a wholly-owned subsidiary of Trilon Financial Corporation.

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