TORONTO DOMINION BANK
Form 6-K
November 26, 2003

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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

450, 5th Street
Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of November, 2003.

The Toronto-Dominion Bank
(Translation of registrant's name into English)

c/o General Counsel's Office
P.O. Box 1, Toronto Dominion Centre,
Toronto, Ontario, M5K 1A2
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F o Form 40-F ý

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____________

This Form 6-K is incorporated by reference into the Registration Statement on Form F-3 of The Toronto-Dominion Bank dated February 21, 2002 and the Registration Statement on Form F-10 of The Toronto-Dominion Bank dated December 16, 2002.

FORM 6-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TORONTO-DOMINION BANK

DATE: November 26, 2003

By: /s/ NORIE C. CAMPBELL

Name: Norie C. Campbell
Title: *Vice President, Corporate Governance*

148th Annual Statement 2003

Year Ended October 31

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Consolidated Financial Statements

Independent auditors' report to the directors

We have audited the Consolidated Balance Sheets of The Toronto-Dominion Bank as at October 31, 2003 and 2002 and the Consolidated Statements of Operations, Changes in Shareholders' Equity and Cash Flows for each of the years in the three year period ended October 31, 2003. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Ernst & Young LLP
Chartered Accountants

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
November 26, 2003

Comments by auditors for U.S. readers on Canada-U.S. reporting difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of The Toronto-Dominion Bank's Consolidated Financial Statements, such as the changes described in Note 1 to the Consolidated Financial Statements. Our report to the directors dated November 26, 2003 is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the Consolidated Financial Statements.

Ernst & Young LLP
Chartered Accountants

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
November 26, 2003

CONSOLIDATED BALANCE SHEET

	As at October 31	
	2003	**2002**
	(millions of dollars)	
ASSETS		
Cash resources		
Cash and non-interest-bearing deposits with other banks	**$ 1,468**	$ 1,902
Interest-bearing deposits with other banks	**6,251**	4,636
	7,719	6,538

	As at October 31	
Securities purchased under resale agreements	**17,475**	13,060
Securities (Note 2)		
Investment	**24,775**	28,802
Trading	**54,890**	53,395
	79,665	82,197
Loans (Note 3)		
Residential mortgages	**52,566**	52,810
Consumer instalment and other personal	**43,185**	36,601
Business and government	**24,319**	36,716
	120,070	126,127
Allowance for credit losses	**(2,012)**	(3,500)
Loans (net of allowance for credit losses)	**118,058**	122,627
Other		
Customers' liability under acceptances	**6,645**	7,719
Trading derivatives' market revaluation **(Note 18)**	**28,451**	25,739
Intangible assets **(Note 5)**	**2,737**	3,383
Goodwill **(Note 5)**	**2,263**	3,134
Land, buildings and equipment **(Note 6)**	**1,417**	1,634
Other assets **(Note 7)**	**9,102**	12,009
	50,615	53,618
Total assets	**$ 273,532**	$ 278,040
LIABILITIES		
Deposits (Note 8)		
Personal	**$ 105,996**	$ 100,942
Banks	**11,958**	16,800
Business and government	**64,926**	71,448
	182,880	189,190
Other		
Acceptances	**6,645**	7,719
Obligations related to securities sold short	**15,346**	17,058
Obligations related to securities sold under repurchase agreements	**7,845**	8,655
Trading derivatives' market revaluation **(Note 18)**	**28,000**	25,954
Other liabilities **(Note 9)**	**12,568**	10,830
	70,404	70,216
Subordinated notes and debentures (Note 10)	**5,887**	4,343
Non-controlling interest in subsidiaries (Note 11)	**1,250**	1,250

	As at October 31	
Contingent liabilities, commitments and guarantees **(Note 19)**		
SHAREHOLDERS' EQUITY		
Capital stock **(Note 12)**		
Preferred	**1,535**	1,485
Common (millions of shares issued and outstanding 656.3 in 2003 and 645.4 in 2002)	**3,179**	2,846
Contributed surplus	**9**	
Foreign currency translation adjustments	**(130)**	418
Retained earnings	**8,518**	8,292
	13,111	13,041
Total liabilities and shareholders' equity	**$ 273,532**	$ 278,040

John M. Thompson
Chairman of the Board

W. Edmund Clark
President and
Chief Executive Officer

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

	For the years ended October 31		
	2003	**2002**	**2001**
		(millions of dollars)	
Interest income			
Loans	**$ 7,542**	$ 7,796	$ 10,154
Securities			
Dividends	**721**	595	540
Interest	**2,727**	3,083	3,386
Deposits with banks	**212**	132	191
	11,202	11,606	14,271
Interest expense			
Deposits	**4,202**	4,754	8,077
Subordinated notes and debentures	**259**	201	304
Other obligations	**1,125**	1,351	1,499
	5,586	6,306	9,880
Net interest income	**5,616**	5,300	4,391
Provision for credit losses (Note 3)	**186**	2,925	920
Net interest income after credit loss provision	**5,430**	2,375	3,471

	For the years ended October 31		
Other income			
Investment and securities services	**2,132**	2,085	2,205
Credit fees	**415**	415	425
Net investment securities gains	**23**	26	216
Trading income	**104**	529	1,318
Service charges	**641**	596	561
Loan securitizations **(Note 4)**	**250**	218	272
Card services	**252**	249	249
Insurance, net of claims	**420**	375	326
Trust fees	**70**	76	86
Gains on sale of investment real estate **(Note 22)**			350
Gain on sale of mutual fund record keeping and custody business **(Note 22)**		40	
Write down of investment in joint ventures	**(39)**		
Other	**156**	320	439
	4,424	4,929	6,447
Net interest and other income	**9,854**	7,304	9,918
Non-interest expenses			
Salaries and employee benefits **(Note 14)**	**3,758**	3,566	3,708
Occupancy including depreciation	**656**	605	592
Equipment including depreciation	**650**	661	656
Amortization of intangible assets **(Note 5)**	**772**	998	1,292
Amortization of goodwill **(Note 5)**			198
Goodwill impairment **(Note 5)**	**624**		
Restructuring costs **(Note 23)**	**92**		239
Other	**1,812**	1,922	1,969
	8,364	7,752	8,654
Income (loss) before provision for (benefit of) income taxes	**1,490**	(448)	1,264
Provision for (benefit of) income taxes (Note 15)	**322**	(445)	(206)
Income (loss) before non-controlling interest in subsidiaries	**1,168**	(3)	1,470
Non-controlling interest in net income of subsidiaries	**92**	64	78
Net income (loss)	**1,076**	(67)	1,392
Preferred dividends (Note 12)	**87**	93	92
Net income (loss) applicable to common shares	**$ 989**	$ (160)	$ 1,300
Average number of common shares outstanding (millions) **(Note 24)**			
basic	**649.8**	641.0	627.0
diluted	**653.9**	646.9	635.5
Earnings (loss) per common share **(Note 24)**			
basic	**$ 1.52**	$ (. 25)	$ 2.07
diluted	**1.51**	(. 25)	2.05

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	For the years ended October 31		
	2003	**2002**	**2001**
	(millions of dollars)		
Preferred shares (Note 12)			
Balance at beginning of year	**$ 1,485**	$ 1,492	$ 1,251
Proceeds from share issues	**550**		225
Translation adjustment on shares issued in a foreign currency	**(23)**	(7)	16
Share redemptions	**(477)**		
Balance at end of year	**1,535**	1,485	1,492
Common shares (Note 12)			
Balance at beginning of year	**2,846**	2,259	2,060
Issued on acquisition of subsidiaries			181
Proceeds from shares issued for cash		400	
Proceeds from shares issued on exercise of options	**47**	13	18
Proceeds from shares issued as a result of dividend reinvestment plan	**286**	174	
Balance at end of year	**3,179**	2,846	2,259
Contributed surplus			
Balance at beginning of year			
Stock option expense **(Note 1)**	**9**		
Balance at end of year	**9**		
Foreign currency translation adjustments			
Balance at beginning of year	**418**	450	279
Foreign exchange gains (losses) from investments in subsidiaries and other items	**(1,595)**	(112)	458
Foreign exchange gains (losses) from hedging activities	**1,528**	145	(478)
(Provision for) benefit of income taxes **(Note 15)**	**(481)**	(65)	191
Balance at end of year	**(130)**	418	450
Retained earnings			
Balance at beginning of year	**8,292**	9,203	8,760
Net income (loss)	**1,076**	(67)	1,392
Preferred dividends	**(87)**	(93)	(92)
Common dividends	**(754)**	(718)	(684)
Stock options settled in cash, net of income taxes		(25)	(39)
Obligations arising from adoption of accounting standard for employee future benefits, net of income taxes **(Note 1)**			(132)
Other	**(9)**	(8)	(2)
Balance at end of year	**8,518**	8,292	9,203
Total common equity	**11,576**	11,556	11,912
Total shareholders' equity	**$ 13,111**	$ 13,041	$ 13,404

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the years ended October 31		
	2003	**2002**	**2001**
		(millions of dollars)	
Cash flows from (used in) operating activities			
Net income (loss)	**$ 1,076**	$ (67)	$ 1,392
Adjustments to determine net cash flows			
Provision for credit losses	**186**	2,925	920
Gains on sale of investment real estate			(350)
Gain on sale of mutual fund record keeping and custody business		(40)	
Depreciation	**318**	312	317
Amortization of intangible assets	**772**	998	1,292
Amortization of goodwill			198
Goodwill impairment	**624**		
Restructuring costs	**98**		239
Stock option expense	**9**		
Write down of investment in joint ventures	**39**		
Net investment securities gains	**(23)**	(26)	(216)
Changes in operating assets and liabilities			
Future income taxes	**(74)**	(1,017)	(1,210)
Current income taxes payable	**669**	249	(78)
Interest receivable and payable	**145**	(422)	(249)
Trading securities	**(1,495)**	12,789	(7,887)
Unrealized gains and amounts receivable on derivatives contracts	**(2,712)**	(4,304)	(7,177)
Unrealized losses and amounts payable on derivatives contracts	**2,046**	4,184	8,968
Other	**3,475**	(1,628)	(1,030)
Net cash from (used in) operating activities	**5,153**	13,953	(4,871)
Cash flows from (used in) financing activities			
Deposits	**(6,310)**	(4,724)	8,103
Securities sold under repurchase agreements	**(810)**	(5,982)	5,782
Securities sold short	**(1,712)**	(4,378)	2,415
Debt of subsidiaries			(501)
Issuance of subordinated notes and debentures	**1,904**	557	809
Repayment of subordinated notes and debentures	**(360)**	(1,106)	(857)
Common shares issued for cash, net of expenses		392	
Common shares issued on exercise of options	**47**	13	18
Common shares issued as a result of dividend reinvestment plan	**286**	174	
Common stock options settled in cash, net of income taxes		(25)	(39)
Issuance of preferred shares	**550**		225
Redemption of preferred shares	**(477)**		
Dividends paid on preferred shares	**(87)**	(93)	(92)
common shares	**(754)**	(718)	(684)
Proceeds on issuance of subsidiary shares		350	

	For the years ended October 31		
Other	**(23)**	(7)	16
Net cash from (used in) financing activities	**(7,746)**	(15,547)	15,195
Cash flows from (used in) investing activities			
Interest-bearing deposits	**(1,615)**	(652)	(1,318)
Activity in investment securities			
Purchases	**(25,199)**	(16,620)	(15,098)
Proceeds from maturities	**9,110**	7,024	3,751
Proceeds from sales	**20,139**	11,830	7,985
Loans	**(3,221)**	(6,396)	(1,232)
Proceeds from loan securitizations	**7,604**	517	1,528
Land, buildings and equipment	**(101)**	(114)	994
Securities purchased under resale agreements	**(4,415)**	7,145	(6,231)
Acquisitions and dispositions less cash and cash equivalents acquired **(Note 22)**		(1,194)	(296)
Net cash from (used in) investing activities	**2,302**	1,540	(9,917)
Effect of exchange rate changes on cash and cash equivalents	**(143)**	(5)	32
Net changes in cash and cash equivalents	**(434)**	(59)	439
Cash and cash equivalents at beginning of year	**1,902**	1,961	1,522
Cash and cash equivalents at end of year represented by cash and non-interest-bearing deposits with other banks	**$ 1,468**	$ 1,902	$ 1,961
Supplementary disclosure of cash flow information			
Amount of interest paid during the year	**$ 5,861**	$ 6,962	$ 10,447
Amount of income taxes paid during the year	**306**	565	834
Dividends per common share	**$ 1.16**	$ 1.12	$ 1.09

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bank Act

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

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

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

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

(a)

Basis of consolidation

The Consolidated Financial Statements include the assets and liabilities and results of operations of subsidiaries, namely corporations effectively controlled by the Bank after elimination of intercompany transactions and balances. As of November 1, 2001, the Bank prospectively adopted the new accounting standard on business combinations. The Bank uses the purchase method to account for all business acquisitions.

When the Bank effectively controls a subsidiary but does not own all of the common and preferred shares, the non-controlling interest in the net book value of the subsidiary is disclosed in the Consolidated Balance Sheet separately from the Bank's shareholders' equity. The non-controlling interest in the subsidiary's net income is disclosed as a separate line item in the Consolidated Statement of Operations.

Corporations over which the Bank has significant influence are reported in investment securities in the Consolidated Balance Sheet and are accounted for using the equity method of accounting. The Bank's share of earnings of such corporations is reported in interest income in the Consolidated Statement of Operations.

(b)

Use of estimates in the preparation of financial statements

The preparation of the Consolidated Financial Statements of the Bank requires management to make estimates and assumptions based on information available as of the date of the financial statements. Therefore, actual results could differ from those estimates.

(c)

Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at prevailing year-end rates of exchange. Foreign currency income and expenses are translated into Canadian dollars at the average exchange rates prevailing throughout the year.

Unrealized translation gains and losses related to the Bank's investment positions in foreign operations, net of any offsetting gains or losses arising from economic hedges of these positions and applicable income taxes, are included in shareholders' equity. All other unrealized translation gains and losses and all realized gains and losses are included in other income in the Consolidated Statement of Operations.

(d)

Cash resources

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

(e)

Securities purchased under resale and sold under repurchase agreements

Securities purchased under resale agreements consist of the purchase of a security with the commitment by the Bank to resell the security to the original seller at a specified price. Securities sold under repurchase agreements consist of the sale of a security with the commitment by the Bank to repurchase the security at a specified price. Securities purchased under resale and obligations related to securities sold under repurchase agreements are carried at cost on the Consolidated Balance Sheet. The difference between the sale price and the agreed repurchase price on a repurchase agreement is recorded as interest expense. Conversely, the difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as interest income. The Bank takes possession of the underlying collateral, monitors its market value relative to the amounts due under the agreements and when necessary, requires transfer of additional collateral or reduction in the balance to maintain contractual margin protection. In the event of counter-party default, the financing agreement provides the Bank with the right to liquidate the collateral held.

(f)

Securities

Investment account securities, excluding loan substitutes, are securities where the Bank's original intention is to hold to maturity or until market conditions render alternative investments more attractive, and which are generally available for sale. Investment account securities include nonmarketable equity securities that are not publicly traded. Investment account securities are carried at cost or amortized cost, adjusted to net realizable value to recognize other than temporary impairment. Gains and losses realized on disposal are determined on the average cost basis. Such gains, losses and write downs are included in other income.

Trading account securities, including trading securities sold short included in liabilities, are carried at market value. Gains and losses on disposal and adjustments to market are reported in other income.

Interest income earned, amortization of premiums and discounts on debt securities and dividends received are included in interest income.

Loan substitutes are securities which have been structured as after-tax instruments rather than conventional loans in order to provide the issuers with a borrowing rate advantage and are identical in risk and security to bank loans of comparable term. Loan substitutes are carried at cost less any allowance for anticipated credit losses as described in (h).

(g)

Loans

Loans are stated net of unearned income and an allowance for credit losses.

Interest income is recorded on the accrual basis until such time as the loan is classified as impaired. Interest on impaired loans subsequently received is recorded as income only when management has reasonable assurance as to the timely collection of the full amount of the principal and interest.

An impaired loan is any loan where, in management's opinion, there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest. In addition, any loan where a payment is contractually past due 90 days is classified as impaired, other than a deposit with a bank, a credit card loan, or a loan that is guaranteed or insured by Canada, the provinces or an agency controlled by these governments.

Deposits with banks are considered impaired when a payment is contractually past due 21 days. Credit card loans with payments 180 days in arrears are considered impaired and are entirely written off.

Loan origination fees are considered to be adjustments to loan yield and are deferred and amortized to interest income over the term of the loan. Commitment fees are amortized to other income over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are deferred and amortized to interest income over the term of the resulting loan. Loan syndication fees are recognized in other income unless the yield on any loans retained by the Bank is less than that of other comparable lenders involved in the financing. In such cases an appropriate portion of the fee is deferred and amortized to interest income over the term of the loan.

(h)

Allowance for credit losses

An allowance is maintained which is considered adequate to absorb all credit-related losses in a portfolio of items which are both on and off the Consolidated Balance Sheet. Assets in the portfolio which are included in the Consolidated Balance Sheet are deposits with banks, loans, mortgages, loan substitutes, securities purchased under resale agreements, acceptances and derivative financial instruments. Items not included in the Consolidated Balance Sheet and referred to as off-balance sheet items include guarantees and letters of credit. The allowance is deducted from the applicable asset in the Consolidated Balance Sheet except for acceptances and off-balance sheet items. The allowance for acceptances and for off-balance sheet items is included in other liabilities.

The allowance consists of specific, general and sectoral allowances.

Specific allowances include the accumulated provisions for losses on particular assets required to reduce the book values to estimated realizable amounts in the ordinary course of business. Specific provisions are established on an individual facility basis to recognize credit losses on large and medium-sized business and government loans. For personal and small business loans, excluding credit cards, specific provisions are calculated using a formula method taking into account recent loss experience. No specific provisions for credit cards are recorded and balances are written off when payments are 180 days in arrears.

General allowances include the accumulated provisions for losses which are prudential in nature and cannot be determined on an item-by-item or group basis. The level of the general allowance depends upon an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition and other relevant indicators. General allowances are computed using credit risk models developed by the Bank. The models consider probability of default (loss frequency), loss given default (loss severity) and expected exposure at default.

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

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

(i)

Loan securitizations

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

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

(j)

Acceptances

The potential liability of the Bank under acceptances is reported as a liability in the Consolidated Balance Sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an offsetting asset of the same amount.

(k)

Derivative financial instruments

Derivative financial instruments are financial contracts which derive their value from changes in interest rates, foreign exchange rates, credit spreads, commodity prices, equities and other financial measures. Such instruments include interest rate, foreign exchange, equity, commodity and credit derivative contracts. These instruments are traded by the Bank and are also used by the Bank for its own risk management purposes. To be designated as a non-trading derivative contract and receive hedge accounting treatment, the contract must substantially offset the effects of price, interest rate or foreign exchange rate exposures to the Bank, must be documented at inception as a non-trading derivative contract, and must have a high correlation at inception and throughout the contract period between the derivative contract and the Bank's exposure. If these criteria are not met, the contract is accounted for as a trading derivative.

Trading derivatives are entered into by the Bank to meet the needs of its customers and to take trading positions. Derivative trading portfolios are marked to market with the resulting realized and unrealized gains or losses recognized immediately in other income. The market value for over-the-counter trading derivatives is determined net of valuation adjustments which recognize the need to cover market, liquidity, model, and credit risks, as well as the cost of capital and administrative expenses over the life of each contract.

Non-trading derivatives are entered into by the Bank in order to meet the Bank's funding, investing and credit portfolio management strategies. Unrealized gains and losses on non-trading derivatives are accounted for on a basis consistent with the related on-balance sheet financial instrument. Realized gains and losses resulting from the early termination, sale, maturity or extinguishment of such derivatives are generally deferred and amortized over the remaining term of the related on-balance sheet instruments. Premiums on purchased options are deferred at inception and amortized into other income over the contract life.

(l)

Goodwill and intangible assets

As of November 1, 2001, the Bank prospectively adopted the accounting standard on goodwill and other intangible assets. Goodwill represents the difference between the acquisition cost of an investment and the fair value of the net tangible assets acquired after an allocation is made for indefinite and finite life intangible assets. Goodwill is not amortized but is subject to fair value impairment tests, on at least an annual basis. Goodwill is allocated to reporting units and any goodwill impairment is identified by comparing the carrying value of the reporting unit with its fair value. If any impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit. Intangibles with a finite life are amortized over their estimated useful life and also are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. Finite life intangible assets are considered impaired and written down to their net recoverable amount when their net carrying value exceeds their estimated future net cash flows. Any impairment of goodwill or intangible assets is charged to income in the period in which the impairment is determined. The Bank's finite life intangible assets consist primarily of core deposit intangibles that represent the intangible value of depositor relationships acquired when deposit liabilities are assumed in an acquisition. Other significant finite life intangible assets include term deposit, loan and mutual fund intangibles resulting from acquisitions. The majority of these finite life intangible assets are amortized to income on a double declining basis over eight years, based on their estimated useful lives.

(m)

Land, buildings and equipment

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

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

(n)

Stock-based compensation plans

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

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

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

(o)

Employee future benefits

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

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

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

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

(p)

Provision for income taxes

The Bank recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements. Future income tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes. The Bank records a valuation allowance when it is not more likely than not that all of the future tax assets recognized will be realized prior to their expiration.

(q)

Earnings per share

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

(r)

Restructuring costs

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

(s)

Insurance

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

(t)

Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 2003.

NOTE 2 SECURITIES

Securities maturity schedule at year end

	Remaining term to maturity							
	Within 1 year	**1 to 3 years**	**3 to 5 years**	**5 to 10 years**	**Over 10 years**	**No specific maturity**	**2003 Total**	**2002 Total**
				(millions of dollars)				
Investment securities								
Government and government-insured securities								
Canada	$ 2,610	$ 211	$ 85	$ 45	$ 6	$	$ 2,957	$ 4,637
Mortgage-backed securities	33	9,771	1,120				10,924	8,118
Total Canada	2,643	9,982	1,205	45	6		13,881	12,755
Provinces	16	68	36	18	4		142	231
Total	2,659	10,050	1,241	63	10		14,023	12,986
Other debt securities								
Canadian issuers	226	151	126	68	53		624	326
U.S. federal government	1,836	65	25	23	2		1,951	2,853
Other foreign governments	1,293	1,850	200	1			3,344	4,257
Other issuers	676	731	145	400	19		1,971	3,912
Total	4,031	2,797	496	492	74		7,890	11,348
Equity securities								
Preferred shares	187	272	138	66		464	1,127	1,491
Common shares						1,735	1,735	2,977
Total	187	272	138	66		2,199	2,862	4,468
Total investment securities	6,877	13,119	1,875	621	84	2,199	24,775	28,802
Trading securities[1]								
Government and government-insured securities								
Canada	846	957	1,237	544	557		4,141	6,419
Provinces	478	371	554	726	587		2,716	2,860
Total	1,324	1,328	1,791	1,270	1,144		6,857	9,279
Other debt securities								

	Remaining term to maturity							
Canadian issuers	**63**	**229**	**256**	**673**	**451**		**1,672**	1,928
U.S. federal government	**203**	**76**	**171**	**232**	**37**		**719**	1,644
Other foreign governments	**344**	**755**	**384**	**775**	**1,126**		**3,384**	2,848
Other issuers	**2,941**	**4,209**	**5,517**	**6,187**	**3,634**		**22,488**	23,154
Total	**3,551**	**5,269**	**6,328**	**7,867**	**5,248**		**28,263**	29,574
Equity securities								
Preferred shares			**7**		**604**	**135**	**746**	962
Common shares						**19,024**	**19,024**	13,580
Total			**7**		**604**	**19,159**	**19,770**	14,542
Total trading securities	**4,875**	**6,597**	**8,126**	**9,137**	**6,996**	**19,159**	**54,890**	53,395
Total securities[2]	**$ 11,752**	**$ 19,716**	**$ 10,001**	**$ 9,758**	**$ 7,080**	**$ 21,358**	**$ 79,665**	$ 82,197

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

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

Securities Unrealized gains and losses

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

	2003				2002			
Trading securities	**54,890**			**54,890**	53,395			53,395
Total securities	**$ 79,665**	**$ 662**	**$ 101**	**$ 80,226**	$ 82,197	$ 870	$ 299	$ 82,768

NOTE 3 LOANS, IMPAIRED LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and impaired loans

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

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

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

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

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

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

Allowance for credit losses

	2003	2002	2001

	Specific allowance	General allowance	Sectoral allowance	Total	Specific allowance	General allowance	Sectoral allowance	Total	Total1[1]
					(millions of dollars)				
Balance at beginning of year	**$ 1,074**	**$ 1,141**	**$ 1,285**	**$ 3,500**	$ 179	$ 1,141	$	$ 1,320	$ 1,148
Provision for credit losses charged to the Consolidated Statement of Operations	**423**	**(157)**	**(80)**	**186**	1,455		1,470	2,925	920
Transfer from sectoral to specific	**577**		**(577)**		205		(205)		
Write-offs[2]	**(1,601)**			**(1,601)**	(893)			(893)	(844)
Recoveries	**120**		**57**	**177**	127			127	90
Other, including foreign exchange rate changes	**(106)**		**(144)**	**(250)**	1		20	21	6
Allowance for credit losses at end of year	**$ 487**	**$ 984**	**$ 541**	**$ 2,012**	$ 1,074	$ 1,141	$ 1,285	$ 3,500	$ 1,320

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

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

NOTE 4 LOAN SECURITIZATIONS

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

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

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

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

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

2003	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans

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

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

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

NOTE 5 GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

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

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

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

Intangible assets

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

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

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

	(millions of dollars)
2004	$ 621
2005	484
2006	379

	(millions of dollars)
2007	299
2008	237
	$ 2,020

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

	For the years ended October 31		
	2003	**2002**	**2001**
	(millions of dollars)		
Net income (loss)			
Reported net income (loss) applicable to common shares	**$ 989**	$ (160)	$ 1,300
Add back: goodwill amortization, net of income taxes			189
Net income (loss) applicable to common shares excluding goodwill amortization	**$ 989**	$ (160)	$ 1,489
Basic earnings (loss) per common share			
Reported basic earnings (loss) per common share	**$ 1.52**	$ (.25)	$ 2.07
Add back: goodwill amortization, net of income taxes			.30
Basic earnings (loss) per common share excluding goodwill amortization	**$ 1.52**	$ (.25)	$ 2.37
Diluted earnings (loss) per common share			
Reported diluted earnings (loss) per common share	**$ 1.51**	$ (.25)	$ 2.05
Add back: goodwill amortization, net of income taxes			.30
Diluted earnings (loss) per common share excluding goodwill amortization	**$ 1.51**	$ (.25)	$ 2.35

NOTE 6 LAND, BUILDINGS AND EQUIPMENT

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

Accumulated depreciation at the end of 2002 was $1,178 million.

Depreciation for land, buildings, and equipment amounted to $318 million for 2003 (2002 $312 million; 2001 $317 million).

NOTE 7 OTHER ASSETS

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

NOTE 8 DEPOSITS

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

1 Demand deposits are those for which the Bank does not have the right to require notice prior to withdrawal. These deposits are in general, chequing accounts.

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

3 Term deposits are those payable on a fixed date of maturity. These deposits are generally term deposits, guaranteed investment certificates and similar instruments.

NOTE 9 OTHER LIABILITIES

	2003	2002
	(millions of dollars)	
Amounts payable to brokers, dealers and clients	$ **2,883**	$ 3,477
Accrued interest	**1,642**	1,917
Accounts payable, accrued expenses and other items	**4,319**	2,210
Accrued salaries and employee benefits	**752**	530

	2003	2002
Insurance related liabilities	**1,325**	1,122
Cheques and other items in transit	**1,277**	1,240
Accrued benefit liability **(Note 14)**	**370**	334
	$ 12,568	$ 10,830

NOTE 10 SUBORDINATED NOTES AND DEBENTURES

The notes and debentures are direct unsecured obligations of the Bank or its subsidiaries and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank or its subsidiaries. Where appropriate, the Bank has entered into interest rate options, interest rate swaps and currency swaps to modify the related interest rate and foreign currency risks.

Interest rate (%)	Maturity date	Redeemable at par by issuer beginning[4]	Foreign currency amount	Outstanding October 31 2003	Outstanding October 31 2002
				(millions of dollars)	
Various[1]	Jan. 2004 to Apr. 2006			**$ 12**	$ 20
Floating rate[2]	Aug. 2003		US$75 million		116
Floating rate[3]	Oct. 2003				100
8.00	Dec. 2003			**150**	150
6.50	Aug. 2008		US$150 million	**198**	234
6.15	Oct. 2008		US$150 million	**198**	234
6.13	Nov. 2008		US$100 million	**131**	155
6.45	Jan. 2009		US$150 million	**198**	234
6.60	Apr. 2010	Apr. 2005		**750**	750
8.40	Dec. 2010	Dec. 2005		**150**	150
6.00	July 2011	July 2006		**800**	800
6.55	July 2012	July 2007		**500**	500
5.20	Sept. 2012	Sept. 2007		**550**	550
4.54	Sept. 2013	Sept. 2008		**1,000**	
10.05	Aug. 2014			**150**	150
5.69	June 2018	June 2013		**900**	
9.15	May 2025			**200**	200
				$ 5,887	$ 4,343

1 Interest is payable at various rates, from .13% to 2.95%.

2 Interest at three-month U.S. dollar LIBOR, subject to a minimum of 4.10%.

3 Interest at three-month customers' liability under acceptance rate less .30%, subject to minimum and maximum rates of 6.50% and 9% respectively.

4 Subject to prior approval of the Superintendent of Financial Institutions Canada.

Repayment schedule

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

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

NOTE 11 NON-CONTROLLING INTEREST IN SUBSIDIARIES

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

TD Capital Trust Securities Series 2009

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

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

On or after June 30, 2010, each TD CaTS may, at the option of the holder, be converted semi-annually into one Non-cumulative Class A Redeemable First Preferred Share of the Bank. By giving at least 60 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of $1,000 per TD CaTS together with unpaid distributions to the date of conversion.

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

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

TD Capital Trust Securities Series 2012

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

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

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

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

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

NOTE 12 CAPITAL STOCK

The share capital of the Bank consists of:

Authorized

An unlimited number of Class A First Preferred Shares, without par value, issuable in series.

An unlimited number of common shares, without par value.

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

Preferred shares

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

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

Class A First Preferred Shares, Series G

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

Class A First Preferred Shares, Series H

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

At any time, the Bank may convert the outstanding Series H shares in whole or in part into common shares, determined by dividing the then applicable redemption price per Series H share together with declared and unpaid dividends to the date of conversion by the greater of $1.00 and 95% of the average trading price of such common shares at that time.

On or after January 31, 2005, each Series H share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of $25.00 cash per share together with declared and unpaid dividends to the date of conversion.

Class A First Preferred Shares, Series I

On November 1, 1999, the Bank issued 16,400,000 units for cash consideration of $102.5 million. Each unit consisted of one Non-cumulative Class A Redeemable First Preferred Share, Series I and one Non-cumulative Class A Redeemable First Preferred Share, Series J Purchase Warrant.

On or prior to October 31, 2000, the unitholders had the option of exercising one Series J Purchase Warrant together with a cash payment of $18.75 per share to convert one Series I share into one Series J share. A total of 16,383,935 Series I shares were converted into Series J shares.

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

Class A First Preferred Shares, Series J

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

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

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of $25.00 cash per share together with declared and unpaid dividends to the date of conversion.

Class A First Preferred Shares, Series K

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

Class A First Preferred Shares, Series L

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

Class A First Preferred Shares, Series M

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

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

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

On or after October 31, 2013, each Series M share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of $25.00 cash per share together with unpaid dividends to the date of conversion.

Class A First Preferred Shares, Series N

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

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

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

On or after January 31, 2014, each Series N share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of $25.00 cash per share together with unpaid dividends to the date of conversion.

TD Mortgage Investment Corporation Preferred Shares, Series A

Semi-annually, on or after October 31, 2007, TD Mortgage Investment Corporation (TDMIC) has the option of redeeming the outstanding Series A shares for $1,000.00 per share.

Semi-annually, on or after October 31, 2007, the Bank may exchange the outstanding Series A shares in whole into common shares of the Bank, determined by dividing $1,000.00 plus the declared and unpaid dividends to the date of exchange by 95% of the average trading price of such common shares at that time.

Semi-annually, on or after October 31, 2007, each Series A share may, at the option of the holder, be exchanged into common shares of the Bank, determined by dividing $1,000.00 plus the declared and unpaid dividends to the date of exchange by the greater of $1.00 and 95% of the average trading price of such common shares at that time.

By giving at least two business days of notice prior to the date of exchange to all holders who have given an exchange notice, TDMIC may redeem or the Bank may find substitute purchasers at the purchase price of $1,000.00 plus the declared and unpaid dividends to the date of conversion.

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

Dividend rates on preferred shares

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

Common shares

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

Dividend reinvestment plan

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

Dividend restrictions

The Bank is prohibited by the Bank Act from declaring dividends on its preferred or common shares if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the capital adequacy and liquidity regulations of the Bank Act or directions of the Superintendent of Financial Institutions Canada. The Superintendent of Financial Institutions Canada administers a restriction under the Bank Act on the Bank's ability to pay dividends on common and preferred shares which assesses the ongoing maintenance by the Bank of satisfactory regulatory capital and liquidity. The Bank does not anticipate that these conditions will restrict it from paying dividends in the normal course of business.

The Bank is also restricted in the event that either TD Capital Trust or TD Capital Trust II fails to pay semi-annual distributions in full to holders of TD Capital Trust Securities. In addition, the ability to pay dividends on its common shares without the approval of the holders of the outstanding preferred shares is restricted unless all dividends on the preferred shares have been declared and paid or set apart for payment. Currently, these limitations do not restrict the payment of dividends on preferred or common shares.

NOTE 13 STOCK-BASED COMPENSATION

Stock option plan

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

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

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

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

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

Other stock-based compensation plans

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

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

Employee savings plan

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

NOTE 14 EMPLOYEE FUTURE BENEFITS

Pension benefit plan

The Bank's principal pension plan, The Pension Fund Society of The Toronto-Dominion Bank, is a defined benefit plan funded by contributions from the Bank and from members. In accordance with legislation, the Bank contributes amounts determined on an actuarial basis to the plan and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time.

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

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

	2003	2002	2001
		(millions of dollars)	
Change in projected benefit obligation			
Projected benefit obligation at beginning of period	**$ 1,271**	$ 1,257	$ 1,144
Service cost benefits earned	**31**	26	19
Interest cost on projected benefit obligation	**90**	86	82
Members' contributions	**25**	19	17
Benefits paid	**(92)**	(88)	(82)
Actuarial (gains) losses	**7**	9	2
Change in actuarial assumptions	**86**	(42)	76
Plan amendments		5	4
Other		(1)	(5)
Projected benefit obligation at end of period	**1,418**	1,271	1,257
Change in plan assets			
Plan assets at fair value at beginning of period	**1,164**	1,191	1,263
Actual income on plan assets	**55**	55	49
Gain (loss) on disposal of investments	**80**	(23)	67
Members' contributions	**25**	19	17
Employer's contributions	**291**	76	
Increase (decrease) in unrealized gains on investments	**(11)**	(57)	(114)
Benefits paid	**(92)**	(88)	(82)
General and administrative expenses	**(9)**	(8)	(7)
Other	**4**	(1)	(2)
Plan assets at fair value at end of period	**1,507**	1,164	1,191
Excess (deficit) of plan assets over projected benefit obligation	**89**	(107)	(66)
Unrecognized net (gain) loss from past experience, different from that assumed, and effects of changes in assumptions	**299**	253	178
Unrecognized prior service costs	**7**	8	4
Employer's contributions in fourth quarter	**13**	152	40

	2003	2002	2001
Prepaid pension expense	**$ 408**	$ 306	$ 156
Annual expense			
Net pension expense includes the following components:			
Service cost benefits earned	**$ 31**	$ 26	$ 19
Interest cost on projected benefit obligation	**90**	86	82
Expected return on plan assets	**(85)**	(81)	(98)
Amortization of net actuarial (gains) losses	**13**	6	
Amortization of prior service costs	**1**	1	
Pension expense	**$ 50**	$ 38	$ 3
Actuarial assumptions at end of period			
Weighted average discount rate for projected benefit obligation	**6.50%**	7.00%	6.75%
Weighted average rate of compensation increase	**3.50**	3.50	3.50
Weighted average expected long-term rate of return on plan assets[1]	**6.75**	6.75	6.75

1 Net of fees and expenses.

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

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

Other pension plans

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

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

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

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

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

Non-pension post-retirement benefit plans

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

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

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

NOTE 15 PROVISION FOR (BENEFIT OF) INCOME TAXES

	2003	2002	2001
		(millions of dollars)	
Provision for income taxes Consolidated Statement of Operations			
Current income taxes	**$ 392**	$ 571	$ 931
Future income taxes	**(70)**	(1,016)	(1,137)
	322	(445)	(206)
Provision for income taxes Consolidated Statement of Changes in Shareholders' Equity			
Current income taxes	**481**	46	(217)
Future income taxes	**(4)**	(1)	(74)
	477	45	(291)
Total provision for (benefit of) income taxes	**$ 799**	$ (400)	$ (497)

	2003	2002	2001
Current income taxes			
Federal	**$ 582**	$ 405	$ 370
Provincial	**229**	160	140
Foreign	**62**	52	204
	873	617	714
Future income taxes[2]			
Federal	**(56)**	(591)	(785)
Provincial	**(16)**	(184)	(343)
Foreign	**(2)**	(242)	(83)
	(74)	(1,017)	(1,211)
	$ 799	$ (400)	$ (497)

1 Includes the tax effect of goodwill amortization of $9 million in fiscal 2001.

2 Includes a net future income tax benefit of $3 million (2002 $22 million; 2001 $215 million) related to federal and provincial tax rate reductions.

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

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

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

	2003	2002
	(millions of dollars)	
Future income tax assets		
Allowance for credit losses	**$ 653**	$ 1,047
Premises and equipment	**248**	205

	2003	2002
Deferred income	**22**	67
Securities	**185**	111
Goodwill	**117**	
Employee benefits	**149**	113
Other	**98**	70
Total future income tax assets	**1,472**	1,613
Valuation allowance	**(41)**	(15)
Future income tax assets	**1,431**	1,598
Future income tax liabilities		
Intangible assets	**(840)**	(1,122)
Employee benefits	**(122)**	(100)
Other	**(83)**	(64)
Future income tax liabilities	**(1,045)**	(1,286)
Net future income tax asset	**$ 386**	$ 312

Earnings of certain international subsidiaries would be taxed only upon repatriation to Canada. The Bank has not recognized a future income tax liability for these undistributed earnings since it does not currently plan to repatriate them. If all the undistributed earnings of the international operations of these subsidiaries were repatriated, estimated taxes payable would be $206 million at October 31, 2003 (2002 $235 million).

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

For assets and liabilities which are short term in nature or contain variable rate features, fair value is considered to be equal to carrying value. These items are not listed above.

Details of the estimated fair value of derivative financial instruments are provided in Note 18.

The estimated fair value of securities is determined as the estimated market values reported in Note 2.

The estimated fair value of loans reflects changes in general interest rates which have occurred since the loans were originated and changes in the creditworthiness of individual borrowers. For fixed rate loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at market interest rates for loans with similar credit risks.

The estimated fair value of term deposits is determined by discounting the contractual cash flows using interest rates currently offered for deposits with similar terms.

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

NOTE 17 INTEREST RATE RISK

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

Interest rate risk[1]

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