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	Years Ended March 31,				
(in thousands, except per share data)	2011(1)(2)	2010(1)	2009(1)	2008(1)	2007(1)(3)
Statements of Income Data:					
Revenues	$1,207,448	$1,257,733	$1,298,525	$1,265,090	$1,197,407
Gross profit	446,162	539,181	526,742	510,603	492,253
Restructuring expenses	1,202	4,848	3,554	15,461	6,584
Income from continuing operations	85,212	203,712	175,445	123,545	137,701
Income taxes	22,554	63,349	55,800	42,693	51,833
Gain on the sale of discontinued operations, net of tax	—	—	—	—	1,058
Net income	51,265	128,467	110,685	77,106	82,155
Basic income per common share:					
Income from continuing operations	$0.86	$2.18	$1.88	$1.22	$1.24
Income from discontinued operations	—	—	—	—	0.02
Net income	$0.86	$2.18	$1.88	$1.22	$1.26
Shares used in computing net income per common share – basic	59,306	58,826	58,778	63,300	65,174
Diluted income per common share:					
Income from continuing operations	$0.85	$2.16	$1.86	$1.20	$1.23
Income from discontinued operations	—	—	—	—	0.02
Net income	$0.85	$2.16	$1.86	$1.20 64,077	$1.25
Shares used in computing net income per common share – diluted	60,148	59,423	59,448	Net amortization of intangibles	

14

13

5

27

5

TD Ameritrade (included in equity in net income of associated company)

7

-

1

	-
	7
	-
Other	
	5
	5
	5
	10
	10
Amortization of intangibles, net of income taxes[1]	
$	**86**
$	82
$	90
$	**168**
$	177

1 Amortization of intangibles is included in the Corporate segment.

Economic Profit and Return on Invested Capital

The Bank utilizes economic profit as a tool to measure shareholder value creation. Economic profit is adjusted net income available to common shareholders less a charge for average invested capital. Average invested capital is equal to average common equity for the period plus the average cumulative after-tax goodwill and intangible assets amortized as of the reporting date. The rate used in the charge for capital is the equity cost of capital calculated using the capital asset pricing model. The charge represents an assumed minimum return required by common shareholders on the Bank's invested capital. The Bank's goal is to achieve positive and growing economic profit.

Return on invested capital (ROIC) is adjusted net income available to common shareholders divided by average invested capital. ROIC is a variation of the economic profit measure that is useful in comparison to the equity cost of capital. Both ROIC and the cost of capital are percentage rates, while economic profit is a dollar measure. When ROIC exceeds the equity cost of capital, economic profit is positive. The Bank's goal is to maximize economic profit by achieving ROIC that exceeds the equity cost of capital.

Economic profit and ROIC are not defined terms under GAAP. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and therefore, may not be comparable to similar terms used by other issuers.

The following table reconciles between the Bank's economic profit, return on invested capital and adjusted net income. Adjusted earnings and related terms are discussed in the "How the Bank Reports" section.

Reconciliation of Economic Profit, Return on Invested Capital and Adjusted Net Income

	For the three months ended			*For the six months ended*	
(millions of Canadian dollars)	**April 30 2006**	January 31 2006	April 30 2005	**April 30 2006**	April 30 2005
Average common equity	**$ 18,183**	$ 16,476	$ 14,298	**$ 17,227**	$ 13,625
Average cumulative goodwill/intangible assets amortized, net of income taxes	**3,511**	3,432	3,166	**3,471**	3,123
Average invested capital	**$ 21,694**	$ 19,908	$ 17,464	**$ 20,698**	$ 16,748
Rate charged for invested capital	**9.5%**	9.5%	10.1%	**9.5%**	10.1%
Charge for invested capital	**$ (503)**	$ (477)	$ (430)	**$ (975)**	$ (839)
Net income available to common shareholders - reported	**732**	2,302	599	**3,034**	1,229
Items of note impacting income, net of income taxes	**42**	(1,472)	73	**(1,430)**	128
Net income available to common shareholders - adjusted	**774**	830	672	**1,604**	1,357
Economic profit	**$ 271**	$ 353	$ 242	**$ 629**	$ 518
Return on invested capital	**14.6%**	16.5%	15.8%	**15.6%**	16.3%

Significant Events and Acquisitions in 2006

Acquisition of VFC Inc.

On April 19, 2006, the Bank acquired 90.2% of the issued and outstanding common shares of VFC Inc. ("VFC"), a leading provider of automotive purchase financing and consumer instalment loans, for approximately $294 million, paid in cash and common shares of the Bank in the amounts of $224 million and $70 million, respectively. Since more than 90% of the common shares of VFC were acquired, the Bank exercised its right to acquire the remaining VFC shares pursuant to a compulsory acquisition under the Canada Business Corporations Act, completed on May 19, 2006, for additional consideration of approximately $32 million in cash and Bank shares. As a result, the total consideration was $328 million, including acquisition costs of $2 million.

TD Banknorth

<u>Hudson United Bancorp</u>

On January 31, 2006, TD Banknorth completed the acquisition of Hudson United Bancorp ("Hudson") for total consideration of $2.2 billion (U.S.$1.9 billion), consisting of cash consideration of $1,073 million (U.S.$941.8 million) and the remainder in TD Banknorth common shares. The cash consideration was funded by the sale of TD Banknorth common shares to the Bank. TD Banknorth consolidates the financial results of Hudson. The transaction resulted in a dilution loss for the Bank of $72 million, which was recorded in the first quarter of 2006. The acquisition of Hudson by TD Banknorth contributed $6.0 billion of personal/business loans and mortgages, $3.2 billion of securities, $1.9 billion of goodwill and intangibles, $.8

billion of other assets, $8.4 billion of deposits and $3.5 billion of other liabilities to the Bank's interim consolidated balance sheet. The allocation of the purchase price will be finalized in the third quarter of 2006.

On February 1, 2006, the Bank announced its intention to commence open market purchases of TD Banknorth shares. The Bank intends to at least maintain its ownership percentage in TD Banknorth at the level prior to the acquisition of Hudson or, as market conditions warrant, to potentially increase its position.

Increase in ownership in TD Banknorth

During the second quarter of 2006, TD Banknorth repurchased 8.5 million of its own shares for $290 million (U.S.$255 million), and the Bank acquired .8 million additional shares of TD Banknorth for $27 million (U.S.$23 million) in the course of open market purchases. The Bank also acquired .9 million shares of TD Banknorth pursuant to TD Banknorth's dividend reinvestment program. These transactions resulted in the Bank's ownership interest in TD Banknorth increasing from 53.5% as at January 31, 2006 to 56.2% as at April 30, 2006.

Interchange Financial Services Corporation

On April 13, 2006, TD Banknorth announced an agreement to acquire Interchange Financial Services Corporation ("Interchange"), for US$480.6 million cash consideration. The deal is expected to close in TD Banknorth's first calendar quarter of 2007 and is subject to regulatory approvals and Interchange shareholders' approval.

The cash for the transaction will be financed primarily through TD Banknorth's sale of approximately 13 million of its common shares to the Bank at a price of US$31.17 per share, for a total of approximately US$405 million. On a pro forma basis the Bank's percentage ownership of TD Banknorth will increase to approximately 58.6% after giving effect to the transaction.

TD Waterhouse U.S.A. and Ameritrade

On January 24, 2006, the Bank closed the transaction involving the sale of its U.S. brokerage business TD Waterhouse U.S.A. at a fair market value of $2.69 billion to Ameritrade Holding Corporation in exchange for a 32.5% ownership in the combined legal entity operating under the name TD Ameritrade. The transaction had resulted in a net dilution gain on sale of U.S.$1.45 billion ($1.67 billion) after-tax in the first quarter of 2006 ($1.64 billion pre-tax). The dilution gain was reduced by $5 million due to final adjustments to the purchase and sale price in the second quarter of 2006.

The fair value of the Bank's investment in TD Ameritrade, excluding TD Waterhouse U.S.A., at the date of acquisition, in excess of the Bank's share of TD Ameritrade's net book value was approximately $3.7 billion and consists primarily of intangibles ($930 million) and goodwill.

The Bank's equity share of TD Ameritrade's results from January 25, 2006 to TD Ameritrade's calendar quarter end date has been reported in the Bank's second quarter results. Thereafter, the Bank's equity share of TD Ameritrade's results for TD Ameritrade's calendar quarter end date will be reported in the Bank's results for the fiscal quarter.

In connection with the transaction, TD Waterhouse Canada acquired 100% of Ameritrade's Canadian brokerage operations for $77 million (U.S.$67 million) cash consideration, which consisted primarily of intangibles and goodwill.

TD Ameritrade

As reported in the first quarter 2006, the Bank committed to purchase at least 15 million shares of TD Ameritrade by August 22, 2006 pursuant to one or more stock trading plans in accordance with Rule 10b5-1 under the U.S. Securities Exchange Act with all purchases being made in the open market, including through block trades.

During the second quarter of 2006, the Bank acquired 12.9 million additional shares of TD Ameritrade for $301 million (U.S.$263 million), which resulted in the Bank's ownership interest in TD Ameritrade increasing from 32.5% as at January 31, 2006 to 34.3% as at April 30, 2006. Subsequent to the second quarter, the Bank increased its ownership interest in TD Ameritrade to 39.4%. The Bank intends to reach an ownership level of 39.9% of the outstanding TD Ameritrade common stock.

See Notes 13 and 17 for more details of acquisitions and dispositions.

FINANCIAL RESULTS OVERVIEW

Performance Summary

The following is an analysis of the Bank's performance on an adjusted basis for the second quarter of 2006 against the shareholder indicators the Bank included in the 2005 Annual Report. Shareholder performance indicators help guide and benchmark the Bank's accomplishments. For the purpose of this analysis, the Bank utilizes adjusted earnings, which exclude items of note from the reported results that are prepared in accordance with Canadian GAAP. Adjusted earnings and reported results are explained in detail on page 5 under the "How the Bank Reports" section.

Economic profit increased by $29 million, or 12%, from a year ago.

The total shareholder return was 27.7% for the twelve months ended April 30, 2006. The result was driven primarily by appreciation of the Bank's share price as the closing price of $62.45 on April 30, 2006 was $12.11 higher than a year earlier.

Adjusted diluted earnings per share was up 9% from a year ago. The increase was the result of strong earnings in Canadian Personal and Commercial Banking and Wealth Management segments.

Revenue growth exceeded expense growth for the Bank.

Adjusted return on risk-weighted assets was 2.3%, compared with 2.4% a year ago.

Net Income

Year-over-year comparison

Reported net income for the second quarter was $738 million, up $139 million, or 23%, from the second quarter last year. Adjusted net income was $780 million, up $108 million, or 16%, from a year ago. The increase reflected the inclusion of a full quarter of TD Banknorth's results and solid results across all our businesses.

Prior quarter comparison

Reported net income decreased by $1,569 million, or 68%, primarily due to the dilution gain recorded on the transaction with TD Ameritrade in the prior quarter. Adjusted net income decreased by $55 million or 7%, reflecting three fewer days in the current quarter and lower trading-related revenues in Wholesale Banking.

Year-to-date comparison

Reported net income increased by $1,816 million, or 148%, primarily due to the dilution gain recorded on the transaction with TD Ameritrade in the first quarter of 2006, the inclusion of TD Banknorth's results and solid results across all our businesses. Adjusted net income was up $258 million, or 19%, from a year ago.

Net Interest Income

Year-over-year comparison

Net interest income was $1,427 million for the second quarter, an increase of $34 million, or 2%, compared with the same quarter last year. Average earning assets totaled $318 billion, up $39 billion or 14%. The net interest margin as a percentage of average earning assets declined by 21 basis points, to 1.84%, compared with 2.05% a year ago. The decline in net interest margin is due to lower trading-related net interest income in Wholesale Banking.

Net interest income in TD Banknorth increased $228 million or 230%, due primarily to the inclusion of the full quarter of TD Banknorth's results versus only one month of results in the same period last year and the acquisition of Hudson. Net interest income in Canadian Personal and Commercial Banking increased $117 million, or 11%, largely driven by volume growth across most banking products, particularly in real estate secured lending, core banking, business deposits and credit cards, as well as improved margins. These increases were partially offset by a decrease of $225 million (on a taxable equivalent basis), or 75%, in Wholesale Banking, largely due to reduced trading-related net interest income within the credit products and equity derivatives businesses. There was also a decrease of $94 million, or 60%, in net interest income in Wealth Management, primarily due to the sale of TD Waterhouse U.S.A. to Ameritrade.

Prior quarter comparison

Net interest income decreased by $180 million, or 11%. Average earning assets were $10 billion or 3% higher compared with the prior quarter. The net interest margin as a percent of average earning assets declined by 23 basis points.

Net interest income was primarily affected by lower income in Wealth Management, which dropped by $116 million, or 65%, primarily attributable to the sale of TD Waterhouse U.S.A. to Ameritrade. Wholesale Banking experienced lower net interest income notably in the credit products and equity derivatives businesses. Net interest income in Canadian Personal and Commercial Banking decreased by $30 million, or 3%, primarily due to three fewer days in the current quarter. U.S. Personal and Commercial Banking rose by $43 million, or 15%, due to the acquisition of Hudson.

Year-to-date comparison

Net interest income was up $230 million, or 8%, compared with the same period last year. The increase in net interest income was primarily a result of the inclusion of TD Banknorth results, which contributed $611 million to the total net interest income in the current period, compared with $99 million in the prior period. Net interest income in Canadian Personal and Commercial Banking increased $205 million, or 10%, mainly due to volume growth in real estate secured lending, core banking, business deposits and credit cards. These increases were partially offset by a decrease of $365 million, or

63%, in Wholesale Banking, primarily due to reduced trading-related net interest income within the credit and equity businesses. There was also a decrease of $61 million, or 20%, in net interest income in Wealth Management, mainly due to the sale of TD Waterhouse U.S.A. to Ameritrade.

Other Income

Year-over-year comparison

Reported other income increased by $174 million, or 11%, from the same quarter last year to $1,691 million, mainly driven by increases in trading revenues, service charges and net investment securities gains. There was also growth in card services, insurance revenues and full service brokerage and other securities services. These increases were partially offset by lower discount brokerage revenues due to the sale of TD Waterhouse U.S.A. to Ameritrade and lower loan securitizations revenues. TD Banknorth contributed $134 million to other income this quarter. Adjusted other income amounted to $1,675 million for the quarter, up $209 million, or 14%, from a year ago.

Investment and securities services revenues were $532 million, down $75 million, or 12%, compared with the same quarter last year. Self-directed brokerage fees decreased by $89 million, or 40%, primarily due to the sale of TD Waterhouse U.S.A. to Ameritrade. Capital market fee revenue (which includes revenues from mergers and acquisitions, underwriting, and equity sales commissions) decreased by $5 million, or 5%, mainly due to a decline in underwriting and merger and acquisition revenues. The decrease was partially offset by higher investment management fees, full service brokerage fees and mutual fund management fees.

Trading revenues were $247 million, up $168 million, or 213%, from the same quarter last year. Trading-related income (which is the total of trading income reported in other income and net interest income on trading positions reported in net interest income) decreased by $47 million, or 21%, compared with the same quarter last year, primarily due to a decline in trading results in the credit, interest rate and equity portfolios, offset somewhat by strong trading results in foreign exchange and energy.

Insurance revenues, net of claims, increased by $13 million, or 6%, compared with the same quarter last year, primarily due to increased penetration of existing domestic customers and better loss and claims experience.

Service charges increased by $49 million, or 29%, largely reflecting inclusion of the TD Banknorth results and an increase in domestic branches revenues.

Securitization income decreased by $28 million, or 28%, due to lower securitization activity during the quarter.

Card services increased by $25 million, or 41%, largely due to the inclusion of results from TD Banknorth and increased volume.

Net investment securities gains were $82 million, up $35 million, or 74%, compared with the same quarter last year.

The Bank also recognized income of $16 million in the current quarter on a reported basis, related to derivatives not afforded hedge accounting as a result of the adoption of the hedging relationships accounting guideline (AcG-13). This income is not recognized on an adjusted basis.

Prior quarter comparison

Reported other income decreased by $106 million, or 6%, primarily due to lower self-directed brokerage fees. Adjusted other income decreased by $159 million or 9%.

Investment and securities services revenues were down $110 million or 17%. Self-directed brokerage fees and mutual fund management fees decreased by $88 million, or 40%, and by $8 million, or 5%, respectively due to the sale of TD Waterhouse U.S.A. to Ameritrade and were slightly offset by growth in domestic assets. Full service brokerage revenues increased by $8 million or 12%. Capital market fees decreased by $12 million, or 11%, mainly due to a decline in merger and acquisitions, which reported strong results in the prior quarter, and underwriting revenues.

Trading revenues decreased by $45 million, or 15%, compared with the prior quarter. Trading-related income decreased by $130 million, or 42%, primarily due to a decline in trading results in the credit, interest rate and equity portfolios. This was partially offest by increases in foreign exchange and energy trading-related income.

Net investment securities gains increased by $59 million, or 257%, - reflecting a TD Banknorth balance sheet deleveraging charge of $52 million recorded in the prior quarter.

Year-to-date comparison

Reported other income increased $576 million, or 20%, primarily due to higher trading revenues. Adjusted other income rose by $632 million or 22%.

Investment and securities services revenues were $1,174 million, down $33 million, or 3%, compared with the same period last year. Self-directed brokerage fees decreased by $97 million, or 21%, primarily due to the sale of TD Waterhouse U.S.A. to Ameritrade. Mutual fund management fees rose by $18 million or 6%. Investment management fees and full service brokerage revenues rose by $24 million, or 33%, and by $7 million, or 5%, respectively, primarily due to continued solid growth in assets under management and assets under administration. Capital market fee revenue rose by $6 million, or 3%, mainly due to higher equity sales commissions.

Trading revenues were $539 million, up $384 million, or 248%, compared with the same period last year. Trading-related income increased by $26 million, or 6%, primarily due to improved trading results in foreign exchange and energy.

Insurance revenues, net of claims, increased by $53 million, or 13%, compared with the same period last year, primarily due to the inclusion of results from the TD Banknorth acquisition and increased penetration of existing domestic customers. Insurance revenues also improved as a result of improved loss and claims experience.

Service charges increased by $100 million, or 29%, largely reflecting the inclusion of TD Banknorth results and an increase in domestic branches revenues.

Securitization income decreased by $29 million, or 15%, mainly due to lower securitization activity.

Credit fees decreased by $15 million, or 8%, primarily due to a decrease in corporate fees, partially offset by higher retail fees.

Card services increased by $54 million, or 48%, largely due to the inclusion of results from TD Banknorth and increased volume.

Net investment securities gains were $105 million, up $6 million, or 6%, compared with the same period last year.

Provision for Credit Losses

Year-over-year comparison

During the quarter, the Bank recorded a provision for credit losses of $16 million, a reduction of $4 million from the same quarter last year, primarily due to a general loan loss provision release of $60 million. This reduction was partially offset by higher net specific provision for credit losses recorded during the quarter.

Prior quarter comparison

Provision for credit losses was down $98 million, from $114 million in the prior quarter, primarily due to the $60 million general loan loss provision release and a $45 million decline in specific provisions.

Year-to-date comparison

Provision for credit losses increased $100 million over the prior year. The increase was primarily attributable to a $78 million recovery in the non-core lending portfolio related to amounts previously provided for under sectoral provisions that did not recur and higher net provision for credit losses recorded during the current year. The increase was partially offset by a higher release of the general loan loss provision.

Provision for Credit Losses

	For the three months ended			*For the six months ended*	
	April 30	January 31	April 30	**April 30**	April 30
(millions of Canadian dollars)	**2006**	2006	2005	**2006**	2005
Net new specifics (net of reversals)	**$ 106**	$ 151	$ 79	**$ 257**	$ 178
Recoveries	**(32)**	(31)	(55)	**(63)**	(109)
Provision for credit losses - specifics	**74**	120	24	**194**	69
Change in general allowance					
TD Bank	**(60)**	-	-	**(60)**	(35)
TD Banknorth	**2**	(6)	(4)	**(4)**	(4)
Total	**$ 16**	$ 114	$ 20	**$ 130**	$ 30

Non-Interest Expenses and Efficiency Ratio

Year-over-year comparison

Reported expenses for the quarter were $2,103 million, an increase of $46 million, or 2%, from the same quarter last year, mainly reflecting higher salaries and employee benefits expenses, occupancy, professional and advisory services expenses and other expenses. These increases were partially offset by lower marketing and business development expenses, equipment expenses and brokerage-related fees. Adjusted expenses were $1,978 million for the quarter, up $77 million, or 4%, from a year ago.

The increase in non-interest expenses of TD Banknorth of $201 million, or 242%, reflected the inclusion of a full quarter of results of TD Banknorth and the acquisition of Hudson. Expenses in Canadian Personal and Commercial Banking increased $69 million, or 7%, mainly due to higher salaries and benefits, higher project development costs and higher marketing costs. In Wealth Management, non-interest expenses decreased by $181 million, or 34%, primarily due to the sale of TD Waterhouse U.S.A. to Ameritrade, partially offset by increases in domestic discount brokerage and advice-based and investment management businesses. The domestic increases resulted from higher volume-related execution, clearing costs, mutual fund costs and higher sales force compensation due to growth in the advice-based businesses. In Wholesale Banking, non-interest expenses decreased by $44 million, or 12%, mainly due to lower restructuring charges, lower variable compensation reflecting weaker performance and lower staffing levels.

Reported efficiency ratio improved to 67.6% from 70.7% in the same quarter last year. The Bank's adjusted efficiency ratio was 63.8%, compared with 66.5% a year ago.

Prior quarter comparison

Reported non-interest expenses were down $187 million, or 8%, compared with $2,290 million last quarter, primarily due to lower salaries and employee benefits expenses, marketing and business development expenses and equipment expenses. This was partially offset by higher professional and advisory services expenses and occupancy expenses. Adjusted expenses decreased by $134 million or 6%. Expenses in Canadian Personal and Commercial Banking increased by $9 million, or 1%, reflecting higher salaries and benefits, increased technology investments, partially offset by fewer days in the current quarter. In U.S. Personal and Commercial Banking, non-interest expenses increased by $59 million, or 26%, largely due to the Hudson acquisition. In Wealth Management, non-interest expenses decreased $176 million, or 34%, due to the sale of TD Waterhouse U.S.A. The decline of $74 million, or 19%, in Wholesale banking was primarily due to lower restructuring charges, lower variable compensation reflecting weaker performance and lower staffing levels, partially offset by an increase in severance costs.

Reported efficiency ratio was 67.6%, compared with 46.1% in the prior quarter. The Bank's adjusted efficiency ratio was 63.8%, compared with 61.4% in the prior quarter.

Year-to-date comparison

Reported non-interest expenses were up $391 million, or 10%, compared with $4,002 million last year, mainly reflecting higher salaries and employee benefits expenses, occupancy expenses and restructuring charges. Adjusted expenses increased by $378 million or 10%. Non-interest expenses were primarily affected by higher expenses in U.S. Personal and Commercial Banking. Non-interest expenses in TD Banknorth were $509 million this year, compared with $83 million in the prior period due to the inclusion of a full period of results. Expenses in Canadian Personal and Commercial Banking increased $130 million, or 7%, mainly due to higher salaries and benefits, higher project development costs and higher marketing costs. In Wealth Management, non-interest expenses decreased by $164 million, or 16%, due to the sale of TD Waterhouse U.S.A.

Reported efficiency ratio improved to 54.4% from 70.0%. The Bank's adjusted efficiency ratio improved to 62.5% from 65.3%.

Taxes

Year-over-year comparison

As discussed in the "How the Bank Reports" section, the Bank adjusts its reported earnings to assess each of its businesses and to measure overall Bank performance. As such, the provision for income taxes is stated on a reported and an adjusted basis.

Reported effective tax rate of 24.5% for the quarter was slightly lower than 25.6% in the same quarter last year. The provision for income taxes, on a reported and an adjusted basis, was $244 million and $260 million, respectively.

Prior quarter comparison

The Bank's reported effective tax rate increased significantly from 8.6% in the prior quarter, primarily due to the fact that there was a minimal tax impact on the TD Ameritrade dilution gain in the prior quarter.

Year-to-date comparison

The Bank's reported effective tax rate dropped significantly from 25.8% to 13.0%. The decline was mainly due to the fact that there was a minimal tax impact on the TD Ameritrade dilution gain in the prior quarter.

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

Taxes

	For the three months ended						*For the six months ended*			
(millions of Canadian dollars)	**April 30 2006**		January 31 2006		April 30 2005		**April 30 2006**		April 30 2005	
Income taxes at Canadian statutory income tax rate	**$ 347**	**34.9%**	$ 897	35.0%	$ 291	35.0%	**$ 1,244**	**35.0%**	$ 590	35.0%
Increase (decrease) resulting from:										
Dividends received	**(53)**	**(5.3)**	(62)	(2.4)	(68)	(8.2)	**(115)**	**(3.2)**	(116)	(6.9)
Rate differentials on international operations	**(45)**	**(4.5)**	(53)	(2.1)	(61)	(7.3)	**(98)**	**(2.8)**	(98)	(5.8)
Federal large corporations tax	**2**	**.2**	2	.1	4	.5	**4**	**.1**	4	.3
Items related to dilution gains and losses	**2**	**.2**	(584)	(22.8)	25	3.0	**(582)**	**(16.4)**	25	1.5

Other - net	**(9)**	**(1.0)**	20	.8	22	2.6	**11**	**.3**	29	1.7
Provision for income taxes and effective income tax rate - reported	**$ 244**	**24.5%**	$ 220	8.6%	$ 213	25.6%	**$ 464**	**13.0%**	$ 434	25.8%

Certain comparative amounts have been restated.

Reconciliation of non-GAAP provision for income taxes

	For the three months ended			*For the six months ended*	
	April 30	January 31	April 30	**April 30**	April 30
(millions of Canadian dollars)	**2006**	2006	2005	**2006**	2005
Provision for income taxes - reported	**$ 244**	$ 220	$ 213	**$ 464**	$ 434
Increase (decrease) resulting from items of note:					
Amortization of intangibles	**43**	46	44	**89**	91
Dilution gain on Ameritrade, net of costs	**-**	34	-	**34**	-
Balance sheet restructuring charge in TD Banknorth	**-**	18	-	**18**	-
Wholesale Banking restructuring charge	**-**	15	7	**15**	7
Hedging impact due to AcG-13	**(6)**	(5)	(18)	**(11)**	(13)
Other tax items	**-**	-	(25)	**-**	(25)
Non-core loan loss recoveries (sectoral related)	**-**	-	(19)	**-**	(34)
General allowance release	**(21)**	-	-	**(21)**	(12)
Tax effect - items of note	**16**	108	(11)	**124**	14
Provision for income taxes - adjusted	**$ 260**	$ 328	$ 202	**$ 588**	$ 448

HOW OUR BUSINESSES PERFORMED

For management reporting purposes, the Bank's operations and activities are organized around the following operating business segments: Canadian Personal and Commercial Banking, U.S. Personal and Commercial Banking, Wholesale Banking and Wealth Management, including TD Ameritrade. Canadian Personal and Commercial Banking comprises the Bank's personal and business banking in Canada, as well as the Bank's global insurance operations (excluding the U.S.). Results of each business segment reflect revenues, expenses, assets and liabilities generated by the business in that segment. The Bank measures and evaluates the performance of each segment based on adjusted earnings where applicable, and for those segments the Bank notes that the measure is adjusted. For further details see the "How the Bank Reports" section on page 5. For information concerning the Bank's measures of economic profit and return on invested capital, see page 7. Segmented information also appears in Note 12 on page 30.

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

Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking net income for the second quarter was $465 million, an increase of $64 million, or 16%, from the same quarter last year and a decrease of $11 million, or 2%, from the previous quarter. For the six months ended April 30, 2006, net income was $941 million, an increase of $116 million, or 14%, from the previous year. The annualized return on invested capital increased to 25% this quarter compared to 23% a year ago and is unchanged from the previous quarter. On a year-to-date basis, the return on invested capital was 25%, up 2% from the previous year. Economic profit grew by $66 million, or 27%, compared with the same quarter last year and decreased by $7 million, or 2%, compared with the previous quarter. On a year-to-date basis, economic profit was $621 million, an increase of $122 million, or 24%, from the previous year.

Revenue grew by $154 million, or 10%, compared with the same quarter last year and decreased by $33 million, or 2%, from last quarter. On a year-to-date basis, total revenue increased $295 million or 9%. Volume growth continued across most banking products and was the main contributor to the revenue increase, particularly in personal and business deposits, real estate secured lending and credit cards. Net interest income also increased from margin improvements in personal deposits related to the rising interest rate environment. Growth in credit card and business deposit fee income also contributed to the higher revenue growth, compared with the second quarter last year.

Compared with the same quarter last year, real estate secured lending volume (including securitizations) grew by $11 billion or 10%, personal deposit volume grew by $5 billion or 5% and consumer loans grew by $400 million or 2%. Business deposits grew by $4 billion or 12% and business loans and acceptances increased by $1 billion or 6%. Gross originated insurance premiums grew by $34 million or 6%. As of February 2006, personal deposit market share was 21.5%, up .2% compared with last year and up .1% from last quarter. Personal lending market share was 20.1%, down .3% from last year and remained unchanged from last quarter. Small business lending (credit limits of less than $250,000) market share as of December 2005 was 17.3%, up 1.4% from last year and up .4% from last quarter.

Margin on average earning assets increased by 3 basis points (bps) from 2.95% to 2.98% when compared with the same quarter last year, as deposit margins improved from the rising interest rate environment. Compared with last quarter, margins decreased 3 bps due to a change in portfolio mix as volume growth continued to shift towards lower margin real estate secured lending products.

Expenses increased by $69 million, or 7%, compared with the same quarter last year and $9 million, or 1%, from the previous quarter. On a year-to-date basis, expenses increased by $130 million or 7%. Employee compensation, marketing, computing network costs and continued investment in infrastructure were the main factors contributing to the expense increases. The full time equivalent (FTE) staffing levels increased by 578, or 2%, as compared with the same quarter last year, primarily due to the addition of sales and service personnel in branches and call centres as well as continued growth in the insurance business. Positive spread between revenue and expense growth of 3% resulted in a 1.1% improvement in the efficiency ratio from the same quarter last year to 56.1%.

Provision for credit losses for the quarter decreased by $13 million, or 14%, compared with the same quarter last year and $21 million, or 21%, from the previous quarter. On a year-to-date basis, provision for credit losses decreased by $9 million or 5%. Personal provision for credit losses of $86 million was down $2 million from $88 million in the same quarter last year. Business banking provision for credit losses was a reversal of $8 million compared with a provision for credit losses of $3 million in the same quarter last year on net reversals and recoveries. Annualized provision for credit losses as a percentage of credit volume was .19%, improving .05% from the same quarter last year.

The outlook for revenue growth continues to be strong for both personal and business banking products as net interest income and fee growth remain strong. Provision for credit losses on personal loans are expected to remain stable, however, business banking provision for credit losses is likely to increase moderately going forward. Expense growth is expected to remain comparable with the first half of 2006, reflecting investments in systems development and infrastructure and marketing efforts. Expense growth will be managed to deliver a positive gap to revenue growth in keeping with TD Canada Trust's commitment to deliver continuing double-digit earnings growth over time.

U.S. Personal and Commercial Banking

The U.S. Personal and Commercial Banking segment was established March 1, 2005, as a result of the acquisition of a majority interest in TD Banknorth. The results of TD Banknorth are recorded on a one-month lag basis. On January 31, 2006, TD Banknorth closed on the acquisition of Hudson for approximately $2.2 billion (U.S. $1.9 billion) in stock and cash. At January 31, 2006, Hudson had 200 banking offices located in four Northeastern States, total loans of approximately $6 billion and total deposits of approximately $8 billion. The results of the U.S. Personal and Commercial Banking segment include Hudson's results starting on February 1, 2006.

U.S. Personal and Commercial Banking net income for the second quarter was $59 million, the annualized return on invested capital was 4.4% and the economic loss was $61 million. These amounts are below first quarter adjusted results due to increased merger and restructuring charges, margin compression, and a weaker US dollar relative to the Canadian dollar. There were no adjustments in the second quarter 2006. The adjustment in the first quarter 2006 in the amount of $19 million related to a balance sheet deleveraging.

Total revenues were $461 million, compared with adjusted revenues of $409 million in the first quarter. Total revenues increased largely due to the acquisition of Hudson, which was partially offset by margin compression. The margin on average earning assets was 3.83% compared with 3.96% in the first quarter, a decline of 13 basis points due primarily to higher short-term rates. A balance sheet deleveraging was completed in March 2006 under which approximately $2.8 billion (U.S.$2.5 billion) of fixed rate investment securities were sold with the proceeds used to pay down short-term borrowings. It is expected that this restructuring will modestly increase and help steady margins in the future. Excluding the effects of the Hudson acquisition, compared with the prior quarter, commercial loans and consumer loans increased by 1.7%, while residential mortgage loans have continued to decline as lower originations resulted from the higher interest rate environment. Compared with the prior quarter, excluding the effects of the Hudson acquisition, deposits declined by 1.5%.

Provision for credit losses was $8 million, up slightly from the prior two quarters, and reflects continued strong asset quality. Net impaired loans increased by $22 million (U.S.$18 million) over the prior quarter due largely to the Hudson's acquisition; net impaired loans as a percentage of total loans and leases was 0.31% at the end of the second quarter, compared with 0.30% at the end of the prior quarter.

Expenses were $284 million, 17.7% higher than the prior quarter, reflecting merger related and restructuring charges and the Hudson acquisition. The FTE staffing level was approximately 9,100 at the end of the quarter compared with 7,400 at the end of the first quarter; this increase was due largely to Hudson. It is expected that staffing levels will decline slightly in the third quarter after the conversion of the Hudson systems. The efficiency ratio was 61.6%; excluding merger related and restructuring charges, the efficiency ratio was 56.2%.

TD Banknorth management is focused on stabilizing the net interest income, the integration and development of the Hudson franchise, and organic growth of loans and deposits. Net interest income is expected to continue to be under pressure from intense competition. The balance sheet restructuring will help mitigate interest rate risk. Results of Hudson have been included since February 1, 2006 and revenue growth is expected to accelerate later in 2006 after the systems conversion and name change in May 2006. Investments in infrastructure and increased marketing in the Hudson region will partially offset the cost savings expected after the conversion of the Hudson systems.

On April 13, 2006, TD Banknorth announced it had entered into a definitive agreement to acquire Interchange Financial Services Corporation ("Interchange") for approximately U.S.$480 million in cash. Interchange has 30 bank branches in New Jersey. The acquisition, which is subject to the approval of Interchange shareholders, as well as regulatory approvals, is anticipated to close early in calendar 2007.

Wholesale Banking

Wholesale Banking reported net income of $140 million in the second quarter, $10 million lower than the second quarter of last year and $24 million lower than in the previous quarter. On an adjusted basis net income this quarter was $140 million, $25 million lower than the second quarter of last year and $59 million lower than the previous quarter. For the six months ended April 30, 2006, reported and adjusted net income was up $13 million, or 4%, and

$33 million, or 11%, respectively. The annualized return on invested capital for the quarter was 25%, compared with 27% in the same quarter of last year and 34% last quarter. On a year-to-date basis, the return on invested capital was 30%, up 5% from the previous year. Economic profit was $75 million in the quarter, compared with $86 million in the same quarter of last year and $132 million last quarter. On a year-to-date basis, economic profit was $207 million, an increase of $60 million, or 41%, from the previous year.

Adjusted net income in the prior quarter excluded the impact of a restructuring charge of $35 million after-tax ($50 million before tax). Additionally, the adjusted net income in the second quarter last year excluded the impact of a $15 million after-tax restructuring charge ($22 million before tax). These noted adjustments relate to the repositioning of the global structured products businesses, which was announced in 2005. There are no items of note affecting earnings in the current quarter.

Wholesale Banking revenue is derived primarily from capital markets, lending and investment banking activities. Revenue for the quarter was $534 million, compared with $604 million in the same quarter of last year and $661 million last quarter. The decrease is associated predominately with weaker trading results in the interest rate, credit and equity portfolios, offset somewhat by stronger trading results in foreign exchange and energy. The equity investment portfolio delivered higher revenue compared with the same quarter last year and the previous quarter due to higher security gains. On a year-to-date basis, total revenue was up $21 million or 2%.

Provision for credit losses comprised allowances for credit losses and the accrual costs for credit protection. The change in the market value of the credit protection, in excess of the accrual cost, is reported in the Corporate segment. Provisions for credit losses were $11 million in the quarter, compared with $13 million in the same quarter of last year and $29 million last quarter. On a year-to-date basis, provision for credit losses increased by $14 million or 54%. The provision last quarter included a specific allowance of $17 million related to a single credit exposure in the Bank's merchant banking business. The current provision relates primarily to the cost of credit protection.

Wholesale Banking continues to proactively manage its credit risk and currently holds $2.9 billion in notional credit default swap protection, a decrease of $0.9 billion from the same quarter last year and a decrease of $0.1 billion from last quarter. The decrease from the same quarter last year was largely a result of rebalancing within the protection portfolio coupled with the strengthening of the Canadian dollar relative to the U.S. dollar, as most of the protection is denominated in U.S. currency. The decrease from last quarter was mainly related to rebalancing within the portfolio.

Adjusted expenses were $321 million, a decrease of $22 million compared with the same quarter last year and $24 million lower than last quarter. On a year-to-date basis, expenses decreased by $9 million or 1%. The reduction from the same quarter last year was primarily due to lower variable compensation reflecting weaker performance and lower staffing levels.. The reduction from last quarter was primarily due to lower variable compensation reflecting weaker performance and lower staffing levels, partially offset by an increase in severance costs.

Overall, Wholesale Banking had a solid quarter as it continued to implement the repositioning of the global structured products businesses. The solid performance of the domestic franchise and other trading businesses reinforces management's confidence in the strategy to grow this portion of the business while continuing to prudently manage the Wholesale Bank's market, credit and operational risk profile.

Wealth Management

Wealth Management's net income for the second quarter of 2006, including equity share in TD Ameritrade, was $152 million, an increase of $53 million, or 54%, from the same quarter last year and an increase of $14 million, or 10%, from the first quarter 2006. For the six months ended April 30, 2006, net income, including the Bank's equity share in TD Ameritrade, was $290 million, an increase of $93 million, or 47%, from the previous year. The annualized return on invested capital for the quarter was 26%, up 11% from the same quarter last year and 5% from the previous quarter. On a year-to-date basis, the return on invested capital was 23%, up 8% from the previous year. Economic profit for the quarter was $90 million, an increase of $69 million, or over 100%, year over year and $26 million, or 41%, quarter over quarter. On a year-to-date basis, economic profit was $154 million, an increase of $115 million, or over 100%, from the previous year.

Total revenue decreased $164 million, or 24%, from the same quarter last year and $220 million, or 30%, from the first quarter of 2006 to $522 million. On a year-to-date basis, total revenue decreased by $85 million or 6%. Total revenue declined due to the sale of TD Waterhouse U.S.A. to Ameritrade on January 24, 2006, partially offset by stronger results in the domestic businesses. Domestically, interest revenue grew due to higher margin balances. Other revenue growth in Canadian Wealth was a result of strong markets which generated higher transaction revenue and higher mutual fund fees.

Expenses were $349 million in the second quarter, a decrease of $181 million, or 34%, compared with the same quarter last year and $176 million, or 34%, compared with the prior quarter. On a year-to-date basis, total expenses of $874 million declined by $164 million or 16%. The decline was a result of the sale of TD Waterhouse U.S.A. to Ameritrade, partially offset by increases in domestic discount brokerage and advice-based and investment management businesses. The domestic increases resulted from higher volume related execution, clearing costs, mutual fund costs and higher sales force compensation due to growth in the advice-based businesses. The efficiency ratio improved from both comparable periods; 10% from the second quarter of 2005 and 4% from the prior quarter.

Assets under management of $139 billion at April 30, 2006 increased $9 billion, or 7%, from October 31, 2005 due to market growth, strong sales of mutual funds and growth in institutional assets. Assets under administration totaled $154 billion at the end of the quarter, decreasing $161 billion, or 51%, from October 31, 2005 due to the sale of TD Waterhouse U.S.A. to Ameritrade. This was partially offset by significant growth in domestic assets, primarily due to the addition of new assets in all businesses combined with market appreciation.

While Wealth Management will continue to benefit from strong client asset growth, increases in client-facing advisors and continued investment in supporting infrastructure, the near-term horizon may prove challenging due to projected interest rate increases and a possible equity market slowdown.

Also included in net income for the second quarter of 2006 in Wealth Management's results is $39 million related to the Bank's equity share in TD Ameritrade from January 25, 2006 to March 31, 2006. The investment in TD Ameritrade was made on January 24, 2006, when TD Waterhouse U.S.A. was sold to Ameritrade. There is a one month lag in reporting TD Ameritrade's results, as TD Ameritrade reports on a calendar quarter basis. As a result of the one month lag, the impact on earnings per share was approximately (2) cents per share. The effect will not repeat in the future.

Even with the one month lag, the record quarter results were higher by approximately 18% from TD Waterhouse U.S.A. earnings in the prior quarter.

Wealth Management

	For the three months ended			*For the six months ended*	
(millions of Canadian dollars)	**April 30 2006**	January 31 2006	April 30 2005	**April 30 2006**	April 30 2005
Canadian Wealth	**$ 113**	$ 105	$ 88	**$ 218**	$ 166
TD Ameritrade / TD Waterhouse U.S.A.	**39**	33	11	**72**	31
Net income	**$ 152**	$ 138	$ 99	**$ 290**	$ 197

Corporate

During the second quarter 2006, the Corporate segment reported a net loss of $78 million and an adjusted net loss of $36 million. The results included a $5 million after-tax negative adjustment to the dilution gain on the Ameritrade transaction recorded in the first quarter. The segment also included a gain of $16 million ($10 million after-tax) this quarter as a result of the impact of hedging relationships accounting guideline (AcG-13), which requires management to mark-to-market the value of credit protection on the corporate lending portfolio among other economic hedges. The results also reflect the benefit of the Bank's general allowance release of $60 million ($39 million after-tax), which was more than offset by amortization of intangibles of $125 million ($86 million after-tax) in the quarter. The Bank's total equity share in TD Ameritrade of $35 million consists of $39 million reported in Wealth Management and negative $4 million reported in Corporate. The Corporate portion represents amortization of intangibles, net of corporate allocation recoveries.

The reported and adjusted net loss in the second quarter last year was $70 million and $12 million, respectively. Prior year results included income relating to a $43 million ($24 million after-tax) recovery in the non-core lending portfolio related to amounts previously provided for under sectoral provisions offset by amortization of intangibles of $134 million ($90 million after-tax).

Compared with the prior quarter, the reported net income decline was largely due to the $1,670 million dilution gain on the Ameritrade transaction recorded in that quarter. The prior quarter also included a dilution loss of $72 million after-tax related to the purchase of Hudson by TD Banknorth.

On a reported basis, for the six months ended April 30, 2006, the Corporate segment reported net income of $1,405 million and on an adjusted basis, a net loss of $79 million.

BALANCE SHEET REVIEW

Total assets were $389 billion at the end of the second quarter 2006, $24 billion higher than October 31, 2005. The increase in assets was partially driven by the acquisition of Hudson by TD Banknorth which added $12 billion of assets to the TD Banknorth balance sheet as at January 31, 2006. Within Wholesale Banking, securities purchased under reverse repurchase agreements and trading securities increased by $6 billion and $4 billion, respectively, compared with October 31, 2005. Business and government loans increased by $5 billion, compared with October 31, 2005, mainly due to the acquisition of Hudson. Personal loans, including securitizations, increased by $1 billion compared with October 31, 2005 primarily due to the inclusion of Hudson, partially offset by the sale of TD Waterhouse U.S.A. in the first quarter 2006. Residential mortgages, including securitizations, were $68 billion, unchanged from October 31, 2005. Bank-originated securitized assets not included on the balance sheet amounted to $25 billion, compared with $24 billion as at October 31, 2005.

Total deposits were $253 billion at the end of the second quarter 2006, an increase of $6 billion, compared with October 31, 2005. The inclusion of Hudson results contributed $8 billion to this increase. Personal term and non-term deposits increased by $5 billion and $2 billion, respectively, primarily due to the Hudson acquisition as well as organic growth within the Bank's retail businesses. Growth in personal non-term deposits was partially offset by the sale of TD Waterhouse U.S.A. in the first quarter of 2006. Obligations related to securities sold short under repurchase agreements increased by $6 billion, primarily due to funding a higher level of assets within Wholesale Banking.

The Bank enters into structured transactions on behalf of clients which results in assets recorded on the Bank's interim consolidated balance sheet for which market risk has been transferred to third parties via total return swaps. As at April 30, 2006, assets under such arrangements amounted to $16 billion, compared with $14 billion as at October 31, 2005. The Bank also acquires market risk on certain assets via total return swaps, without acquiring the cash instruments directly. Assets under such arrangements amounted to $5 billion as at April 30, 2006, unchanged from October 31, 2005. Market risk for all such positions is tracked and monitored, and regulatory market risk capital is maintained.

CREDIT PORTFOLIO QUALITY

Gross impaired loans were $349 million at April 30, 2006, a decrease of $133 million from $482 million at April 30, 2005. The decline was primarily due to lower corporate gross impaired loans in the non-core lending portfolio that is being wound down. As compared with the prior quarter, gross impaired loans decreased by $16 million. Gross impaired loans were at the same level as October 31, 2005. Net impaired loans totaled $(942) million, compared with $(928) million in the same quarter last year and $(993) million in the previous quarter.

The total allowance for credit losses of $1,291 million at the end of the second quarter was comprised of total specific allowances of $135 million and a general allowance of $1,156 million. Specific allowances decreased by $115 million from a year ago and by $20 million from the previous quarter, mainly due to the winding down of the non-core loan portfolio. General allowance for credit losses at the end of the quarter was at the same level as at the end of the second quarter of last year, mainly due to a general loan loss provision release of $60 million during the quarter, partially offset by provisions arising from acquisitions. General allowance for credit losses declined by $47 million from the prior quarter, primarily due to a general loan loss provision release of $60 million. The total allowance for credit losses was at the same level as October 31, 2005. The Bank establishes general allowances to recognize losses that management estimates to have occurred in the portfolio at the balance sheet date for loans or credits not yet specifically identified as impaired.

Changes in Gross Impaired Loans and Acceptances

	For the three months ended	*For the six months ended*

(millions of Canadian dollars)		**April 30 2006**		January 31 2006		April 30 2005		**April 30 2006**		April 30 2005
Balance at beginning of period	**$**	**365**	$	349	$	513	**$**	**349**	$	537
Additions		**214**		263		159		**477**		370
Return to performing status, repaid or sold		**(97)**		(95)		(164)		**(192)**		(293)
Arising on acquisition of TD Banknorth		**-**		-		86		**-**		86
Write-offs		**(130)**		(152)		(113)		**(282)**		(224)
Foreign exchange and other adjustments		**(3)**		-		1		**(3)**		6
Balance at end of period	**$**	**349**	$	365	$	482	**$**	**349**	$	482

Allowance for Credit Losses

(millions of Canadian dollars)		**April 30 2006**		January 31 2006		*As at* April 30 2005
Specific allowance	**$**	**135**	$	155	$	250
General allowance		**1,156**		1,203		1,160
Total allowance for credit losses	**$**	**1,291**	$	1,358	$	1,410
Total net impaired loans	**$**	**(942)**	$	(993)	$	(928)
Net impaired loans as a percentage of net loans		**(.6)%**		(.6)%		(.6)%
Provision for credit losses as a percentage of net average loans		**.04**		.29		.06

CAPITAL POSITION

The Bank's capital ratios are calculated using the guidelines of the Office of the Superintendent of Financial Institutions (OSFI). As at April 30, 2006, the Bank's Tier 1 capital ratio was 12.1%, compared with 10.1% at October 31, 2005 and 10.0% at April 30, 2005. The Bank's overall Tier 1 capital was up $3.3 billion from October 31, 2005 and up $3.6 billion compared with April 30, 2005. The increase in the Tier 1 capital ratio from October 31, 2005 was primarily the result of the TD Ameritrade transaction, including the dilution gain of $1,665 million, as well as strong earnings in the first half of this year. Risk weighted assets were up $5.8 billion from October 31, 2005 essentially due to TD Banknorth's acquisition of Hudson. The Bank continues to hold sufficient capital levels to ensure that flexibility is maintained to grow operations, both organically and through strategic acquisitions. The strong capital ratios are the result of the Bank's internal capital generation, monitoring of asset growth and periodic issuance of capital generating securities.

During the second quarter of 2006, the Bank issued $500 million of medium-term notes constituting subordinated indebtedness pursuant to its medium-term note program, which qualify as Tier 2B regulatory capital.

Capital Structure and Ratios - reported

						As at
		April 30		Oct. 31		April 30
(billions of Canadian dollars)		**2006**		2005		2005
Tier 1 capital	**$**	**16.4**	$	13.1	$	12.8
Tier 1 capital ratio		**12.1%**		10.1%		10.0%
Total capital	**$**	**19.2**	$	17.2	$	17.1
Total capital ratio		**14.1%**		13.2%		13.4%
Risk-weighted assets	**$**	**135.8**	$	130.0	$	127.6
Tangible common equity	**$**	**12.3**	$	9.6	$	8.8
Tangible common equity as a percentage of risk-weighted assets		**9.0%**		7.4%		6.9%

MANAGING RISK

Interest Rate Risk

The objective of interest rate risk management for the non-trading portfolio is to ensure that stable and predictable earnings are realized over time. In this context, the Bank has adopted a disciplined hedging approach to profitability management for its asset and liability positions, including a modeled maturity profile for non-rate sensitive assets, liabilities and equity. Key aspects of this approach are:

• minimizing the impact of interest rate risk on net interest income and economic value within Canadian Personal and Commercial Banking; and

• measuring the contribution of each product on a risk adjusted, fully-hedged basis, including the impact of financial options granted to customers.

The Bank uses derivative financial instruments, wholesale instruments and other capital market alternatives and, less frequently, product pricing strategies to manage interest rate risk. As at April 30, 2006, an immediate and sustained 100 basis point increase in rates would have increased the economic value of shareholders' equity by $2 million after-tax or .01%. An immediate and sustained 100 basis point decrease in rates would have decreased the economic value of shareholders' equity by $68 million after-tax or .36%.

Liquidity Risk

The Bank holds a sufficient amount of liquidity to fund its obligations as they become due under normal operating conditions as well as under a base case stress scenario that defines the minimum amount of liquidity that must be held at all times. The surplus liquid asset position is defined as total available liquid assets, less the Bank’s total maturing wholesale funding, potential non-wholesale deposit run-off and contingent liabilities, measured at a number of points in time up to and including 90 days forward. As at April 30, 2006, the Bank’s consolidated surplus liquid asset position, on a cumulative basis, up to 90 days forward was $14.6 billion, compared with a consolidated surplus liquid asset position of $23.6 billion on October 31, 2005. The Bank ensures that funding obligations are fulfilled by managing its cash flows and holding highly liquid assets that can be readily converted into cash. The Bank manages liquidity on a global basis, ensuring the prudent management of liquidity risk in all its operations. In addition to a large base of stable retail and commercial deposits, the Bank has an active wholesale funding program, including asset securitization. This funding is highly diversified as to source, type, currency and geographical location.

Market Risk

The Bank manages market risk in its trading books by using several key controls. The Bank’s market risk policy sets out detailed limits for each trading business, including Value at Risk (VaR), stress test, stop loss, and sensitivity to various market risk factors. Policy controls are augmented through active oversight by independent market risk staff and frequent management reporting. VaR is a statistical loss threshold which should not be exceeded, on average, more than once in 100 days. It is also the basis for regulatory capital for market risk. The following table presents average and end-of-quarter general market risk VaR usage for the three and six months ended April 30, 2006, as well as average VaR for the three and six months ended April 30, 2005. For the three and six months ended April 30, 2006, net daily capital markets revenues were positive for 90.5% and 90.7% of the trading days, respectively. Losses in the second quarter never exceeded the Bank’s statistically predicted VaR for the total of the Bank’s trading-related businesses.

Value at Risk Usage

(millions of Canadian dollars)	**April 30, 2006 As at**	*For the three months ended* **April 30, 2006 Average**	April 30, 2005 Average	*For the six months ended* **April 30, 2006 Average**	April 30, 2005 Average
Interest rate risk	**$ 13.0**	**$ 10.8**	$ 7.9	**$ 9.4**	$ 8.3
Equity risk	**6.1**	**5.4**	6.1	**5.1**	5.9
Foreign exchange risk	**1.2**	**1.9**	2.6	**2.1**	2.7
Commodity risk	**1.1**	**1.1**	1.3	**1.0**	1.3
Diversification effect	**(9.2)**	**(8.1)**	(8.2)	**(7.1)**	(8.9)
General Market Value at Risk	**$ 12.2**	**$ 11.1**	$ 9.7	**$ 10.5**	$ 9.3

QUARTERLY RESULTS

The following table provides summary information related to the Bank's eight most recently completed quarters.

Quarterly Results

							For the three months ended	
		2006				2005		2004
(millions of Canadian dollars)	**Apr. 30**	Jan. 31	Oct. 31	July 31	Apr. 30	Jan. 31	Oct. 31	July 31
Net interest income	**$ 1,427**	$ 1,607	$ 1,641	$ 1,563	$ 1,393	$ 1,411	$ 1,435	$ 1,452
Other income	**1,691**	1,797	1,442	1,535	1,517	1,395	1,118	1,181
Total revenues	**3,118**	3,404	3,083	3,098	2,910	2,806	2,553	2,633
Provision for (reversal of) credit losses	**16**	114	(15)	40	20	10	(73)	(17)
Dilution gain, net	**(5)**	1,564	-	-	-	-	-	-
Non-interest expenses	**2,103**	2,290	2,203	2,577	2,057	1,945	1,904	1,907
Provision for income taxes	**244**	220	253	12	213	221	127	178
Non-controlling interests	**47**	37	53	58	21	-	-	-
Equity in net income of associated company, net of tax	**35**	-	-	-	-	-	-	-
Net income - reported	**738**	2,307	589	411	599	630	595	565
Adjustments for items of note, net of taxes	**42**	(1,472)	176	328	73	55	2	36
Net income - adjusted	**780**	835	765	739	672	685	597	601
Preferred dividends	**6**	5	-	-	-	-	-	-
Net income available to common shareholders - adjusted	**$ 774**	$ 830	$ 765	$ 739	$ 672	$ 685	$ 597	$ 601
(Canadian dollars)								
Basic earnings per share								
- reported	**$ 1.02**	$ 3.23	$ .83	$ .58	$ .87	$ .96	$ .91	$ .87

- adjusted	**1.10**	1.16	1.08	1.04	1.00	1.04	.91	.92
Diluted earnings per share								
- reported	**1.01**	3.20	.82	.58	.86	.95	.90	.86
- adjusted	**1.09**	1.15	1.06	1.04	1.00	1.04	.91	.91
Return on common shareholders' equity	**16.5%**	55.4%	14.8%	10.4%	17.2%	19.5%	19.1%	18.4%

ACCOUNTING POLICIES AND ESTIMATES

The Bank's unaudited interim consolidated financial statements, as presented on pages 21 to 34 of this Report to Shareholders, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These consolidated financial statements should be read in conjunction with the Bank's audited consolidated financial statements for the year ended October 31, 2005. The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the Bank's October 31, 2005 audited consolidated financial statements.

Critical Accounting Policies and Estimates

The critical accounting policies and estimates remain unchanged from those disclosed in the Bank's 2005 Annual Report.

Changes in Accounting Policies and Estimates

There were no new significant accounting policies adopted during the quarter for purposes of preparing the Bank's financial statements under Canadian GAAP.

Future Changes in Accounting Policies and Estimates

The Canadian Institute of Chartered Accountants (CICA) has issued three new accounting standards - Financial Instruments - Recognition and Measurement, Hedges and Comprehensive Income. These standards are substantially harmonized with U.S. GAAP and are effective for the Bank beginning in fiscal 2007.

See Note 1 of the Bank's 2005 Annual Report for more details of future accounting and reporting changes.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

INTERIM CONSOLIDATED BALANCE SHEET (unaudited)

(millions of Canadian dollars)		**Apr. 30 2006**		*As at* Oct. 31 2005
ASSETS				
Cash and due from banks	**$**	**2,046**	$	1,673
Interest-bearing deposits with banks		**10,295**		11,745
		12,341		13,418
Securities				
Investment		**42,847**		42,321
Trading		**69,809**		65,775
		112,656		108,096
Securities purchased under reverse repurchase agreements		**32,344**		26,375
Loans				
Residential mortgages		**50,868**		52,740
Consumer instalment and other personal		**63,308**		62,754
Credit card		**3,764**		2,998
Business and government		**39,923**		35,044
		157,863		153,536
Allowance for credit losses **(Note 3)**		**(1,291)**		(1,293)
Loans (net of allowance for credit losses)		**156,572**		152,243
Other				
Customers' liability under acceptances		**7,035**		5,989
Investment in TD Ameritrade **(Note 13(c))**		**3,783**		-
Trading derivatives' market revaluation		**35,430**		33,651
Goodwill		**7,652**		6,518
Other intangibles		**2,185**		2,124
Land, buildings and equipment		**1,857**		1,801
Other assets		**16,741**		14,995
		74,683		65,078
Total assets	**$**	**388,596**	$	365,210
LIABILITIES				
Deposits				
Personal	**$**	**138,826**	$	131,783
Banks		**13,597**		11,505
Business and government		**100,568**		103,693
		252,991		246,981
Other				
Acceptances		**7,035**		5,989
Obligations related to securities sold short		**27,037**		24,406
Obligations related to securities sold under repurchase agreements		**16,983**		11,284
Trading derivatives' market revaluation		**36,295**		33,498
Other liabilities		**16,908**		18,545
		104,258		93,722

Subordinated notes and debentures (Note 6)		**7,748**		5,138
Liabilities for preferred shares and capital trust securities (Note 7)		**1,786**		1,795
Non-controlling interests in subsidiaries		**2,530**		1,708
SHAREHOLDERS' EQUITY				
Common shares (millions of shares issued and outstanding: 718.8 and 711.8) **(Note 8)**		**6,245**		5,872
Preferred shares (millions of shares issued and outstanding: 17.0 and nil) **(Note 8)**		**425**		-
Contributed surplus		**51**		40
Foreign currency translation adjustments		**(507)**		(696)
Retained earnings		**13,069**		10,650
		19,283		15,866
Total liabilities and shareholders' equity	**$**	**388,596**	$	365,210

Certain comparative amounts have been restated to conform to the current period's presentation. The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME
(unaudited)

(millions of Canadian dollars)	*For the three months ended* **April 30 2006**	April 30 2005	*For the six months ended* **April 30 2006**	April 30 2005
Interest income				
Loans	**$ 2,514**	$ 1,893	**$ 4,966**	$ 3,725
Securities				
Dividends	**190**	268	**412**	497
Interest	**776**	747	**1,813**	1,603
Deposits with banks	**78**	105	**158**	200
	3,558	3,013	**7,349**	6,025
Interest expense				
Deposits	**1,754**	1,223	**3,288**	2,331
Subordinated notes and debentures	**99**	83	**185**	162
Preferred shares and capital trust securities	**28**	34	**67**	63
Other liabilities	**250**	280	**775**	665
	2,131	1,620	**4,315**	3,221
Net interest income	**1,427**	1,393	**3,034**	2,804
Other income				
Investment and securities services	**532**	607	**1,174**	1,207
Trading income	**247**	79	**539**	155
Insurance, net of claims	**228**	215	**452**	399
Service charges	**220**	171	**441**	341
Loan securitizations **(Note 4)**	**72**	100	**164**	193
Credit fees	**82**	85	**168**	183
Card services	**86**	61	**167**	113
Trust fees	**37**	28	**66**	45
Net investment securities gains	**82**	47	**105**	99
Other	**105**	124	**212**	177
	1,691	1,517	**3,488**	2,912
Total revenues	**3,118**	2,910	**6,522**	5,716
Provision for credit losses (Note 3)	**16**	20	**130**	30
Dilution gain (loss), net (Note 13 (c))	**(5)**	-	**1,559**	-
Non-interest expenses				
Salaries and employee benefits	**1,093**	1,029	**2,267**	2,010
Occupancy, including depreciation	**172**	164	**338**	312
Equipment, including depreciation	**138**	147	**285**	279
Amortization of other intangibles	**125**	134	**253**	268
Restructuring costs	**-**	22	**50**	22
Marketing and business development	**96**	126	**229**	230
Brokerage related fees	**39**	57	**92**	115
Professional and advisory services	**126**	114	**231**	222
Communications	**48**	49	**97**	95

Other		**266**		215		**551**		449
		2,103		2,057		**4,393**		4,002
Income before provision for income taxes, non-controlling interests in subsidiaries and equity in net income of associated company		**994**		833		**3,558**		1,684
Provision for income taxes		**244**		213		**464**		434
		750		620		**3,094**		1,250
Non-controlling interests in subsidiaries, net of tax		**47**		21		**84**		21
Equity in net income of associated company, net of tax (Note 13(c))		**35**		-		**35**		-
Net income		**738**		599		**3,045**		1,229
Preferred dividends		**6**		-		**11**		-
Net income available to common shareholders	**$**	**732**	$	599	**$**	**3,034**	$	1,229
Average number of common shares outstanding (millions)								
Basic		**715.7**		690.8		**714.1**		673.4
Diluted		**722.5**		696.1		**720.7**		678.7
Earnings per share (in dollars)								
Basic	**$**	**1.02**	$	.87	**$**	**4.25**	$	1.83
Diluted		**1.01**		.86		**4.21**		1.81
Dividends per share (in dollars)		**.44**		.40		**.86**		.76

Certain comparative amounts have been restated to conform to the current period's presentation. The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

		For the six months ended		
		April 30		April 30
(millions of Canadian dollars)		**2006**		2005
Common shares				
Balance at beginning of period	**$**	**5,872**	$	3,373
Proceeds from shares issued on exercise of options		**80**		72
Proceeds from shares issued as a result of dividend reinvestment plan		**207**		174
Impact of shares sold in Wholesale Banking		**16**		25
Issued on acquisition of TD Banknorth		**-**		1,988
Issued on acquisition of VFC **(Note 13 (a))**		**70**		-
Balance at end of period		**6,245**		5,632
Preferred Shares				
Proceeds from share issues **(Note 8)**		**425**		-
Balance at end of period		**425**		-
Contributed surplus				
Balance at beginning of period		**40**		20
Stock options **(Note 9)**		**11**		8
Balance at end of period		**51**		28
Foreign currency translation adjustments				
Balance at beginning of period		**(696)**		(265)
Foreign exchange (losses) gains from investments in subsidiaries and other items		**(399)**		279
Impact of reduction in investment in TD Waterhouse U.S.A. **(Note 13 (c))**		**66**		-
Foreign exchange gains (losses) from hedging activities		**774**		(477)
(Provision for) benefit of income taxes		**(252)**		165
Balance at end of period		**(507)**		(298)
Retained earnings				
Balance at beginning of period		**10,650**		9,540
Net income		**3,045**		1,229
Common dividends		**(615)**		(517)
Preferred dividends		**(11)**		-
Other		**-**		(22)
Balance at end of period		**13,069**		10,230
Total shareholders' equity at end of period	**$**	**19,283**	$	15,592

Certain comparative amounts have been restated to conform to the current period's presentation. The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

	For the three months ended		*For the six months ended*	
(millions of Canadian dollars)	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005
Cash flows from (used in) operating activities				
Net income	**$ 738**	$ 599	**$ 3,045**	$ 1,229
Adjustments to determine net cash flows from (used in) operating activities				
Provision for credit losses	**16**	20	**130**	30
Restructuring costs	**-**	22	**50**	22
Depreciation	**77**	73	**162**	135
Amortization of other intangibles	**125**	134	**253**	268
Stock option expense	**4**	4	**11**	8
Dilution loss (gain), net	**5**	-	**(1,559)**	-
Net investment securities gains	**(82)**	(47)	**(105)**	(99)
Gain on securitizations	**(20)**	(49)	**(53)**	(88)
Equity in net income of associated company	**(35)**	-	**(35)**	-
Non-controlling interests	**47**	21	**84**	21
Changes in operating assets and liabilities				
Future income taxes	**(64)**	206	**105**	158
Current income taxes payable	**39**	(109)	**(8)**	(268)
Interest receivable and payable	**9**	(100)	**(35)**	265
Trading securities	**5,191**	4,229	**(4,034)**	(4,855)
Unrealized gains and amounts receivable on derivatives contracts	**(1,649)**	973	**(1,779)**	(1,252)
Unrealized losses and amounts payable on derivatives contracts	**1,361**	(417)	**2,797**	476
Other	**(2,500)**	(1,353)	**(3,535)**	175
Net cash from (used in) operating activities	**3,262**	4,206	**(4,506)**	(3,775)
Cash flows from (used in) financing activities				
Change in deposits	**(3,670)**	(2,367)	**1,330**	12,702
Securities sold under repurchase agreements	**4,463**	(439)	**4,993**	403
Securities sold short	**680**	(2,368)	**2,631**	1,352
Issue of subordinated notes and debentures	**541**	-	**2,341**	-
Repayment of subordinated notes and debentures	**-**	(750)	**(150)**	(752)
	(21)	(1)	**(20)**	4

Subordinated notes and debentures (acquired) sold in Wholesale Banking				
Liability for preferred shares and capital trust securities	**(7)**	-	**(9)**	(350)
Translation adjustment on subordinated notes and debentures issued in a foreign currency	**3**	(10)	**3**	3
Common shares issued on exercise of options	**35**	45	**80**	72
Common shares issued as a result of dividend reinvestment plan	**107**	101	**207**	174
Common shares (acquired) sold in Wholesale Banking	**18**	23	**16**	25
Dividends paid on common shares	**(315)**	(281)	**(615)**	(517)
Issuance of preferred shares	**-**	-	**425**	-
Dividends paid on preferred shares	**(6)**	-	**(11)**	-
Net cash from (used in) financing activities	**1,828**	(6,047)	**11,221**	13,116
Cash flows from (used in) investing activities				
Interest-bearing deposits with banks	**931**	(198)	**1,450**	(1,423)
Activity in investment securities				
Purchases	**(65,983)**	(4,656)	**(77,071)**	(14,786)
Proceeds from maturities	**62,098**	985	**67,443**	3,901
Proceeds from sales	**7,496**	5,031	**12,215**	8,822
Activity from lending activities				
Origination and acquisitions	**(55,040)**	(16,111)	**(104,188)**	(34,271)
Proceeds from maturities	**51,246**	14,752	**97,756**	28,292
Proceeds from sales	**265**	426	**598**	1,487
Proceeds from loan securitizations	**2,335**	2,525	**3,392**	4,165
Land, buildings and equipment	**(233)**	(566)	**(308)**	(539)
Securities purchased under reverse repurchase agreements	**(7,497)**	2,493	**(5,961)**	(1,839)
TD Banknorth share repurchase program	**(290)**	(603)	**(290)**	(603)
Acquisition and disposition less cash and cash equivalents acquired	**(516)**	(2,184)	**(1,335)**	(2,184)
Net cash from (used in) investing activities	**(5,188)**	1,894	**(6,299)**	(8,978)
Effect of exchange rate changes on cash and cash equivalents	**(14)**	15	**(43)**	30
Net increase (decrease) in cash and cash equivalents	**(112)**	68	**373**	393
Cash and cash equivalents at beginning of period	**2,158**	1,729	**1,673**	1,404
Cash and cash equivalents at end of period, represented by cash and due from banks	**$ 2,046**	$ 1,797	**$ 2,046**	$ 1,797
Supplementary disclosure of cash flow information				
	$ 2,020	$ 1,587	**$ 4,301**	$ 3,101

Amount of interest paid during the period				
Amount of income taxes paid during the period	**260**	214	**603**	545

Certain comparative amounts have been restated to conform to the current period's presentation. The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1: BASIS OF PRESENTATION

These Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and follow the same accounting policies and methods of application as the Bank's Consolidated Financial Statements for the year ended October 31, 2005. Under Canadian GAAP, additional disclosures are required in the annual financial statements and accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2005 and the accompanying notes included on pages 71 to 109 of the Bank's 2005 Annual Report. The Interim Consolidated Financial Statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods presented.

Note 2: CHANGES IN ACCOUNTING POLICIES

There were no changes in the Bank's accounting policies during the quarter.

Note 3: ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is recorded in the Consolidated Balance Sheet and maintained at a level which is considered adequate to absorb credit-related losses on loans, customers' liability under acceptances and other credit instruments. The change in the Bank's allowance for credit losses for the six months ended April 30 is shown in the table below.

Allowance for Credit Losses

	For the six months ended **April 30, 2006**			*For the six months ended* April 30, 2005		
(millions of Canadian dollars)	**Specific Allowance**	**General allowance**	**Total**	Specific allowance	General allowance	Total
Balance at beginning of year	**$ 153**	**$ 1,140**	**$ 1,293**	$ 266	$ 917	$ 1,183
Acquisitions of TD Banknorth (includes Hudson) and VFC	**-**	**87**	**87**	27	289	316
Provision for (reversal of) credit losses	**194**	**(64)**	**130**	69	(39)	30
Write-offs	**(282)**	**-**	**(282)**	(224)	-	(224)

Recoveries	**63**	**-**	**63**	109	-	109
Other[1]	**7**	**(7)**	**-**	3	(7)	(4)
Allowance for credit losses at end of period	**$ 135**	**$ 1,156**	**$ 1,291**	$ 250	$ 1,160	$ 1,410

[1] Includes foreign exchange rate changes and losses on loan sales booked to sectoral allowance.

Note 4: LOAN SECURITIZATIONS

The following tables summarize the Bank's securitization activity for the three and six months ended April 30. In most cases, the Bank retained the responsibility for servicing the assets securitized.

New Securitization Activity

	For the three months ended **April 30, 2006**					*For the three months ended* April 30, 2005				
(millions of Canadian dollars)	**Residential mortgage loans**	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	**Total**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Total
Gross proceeds	**$ 1,748**	**$ 721**	**$ 1,300**	**$ 292**	**$ 4,061**	$ 1,441	$ 2,100	$ 1,300	$ 299	$ 5,140
Retained interest	**22**	**5**	**19**	**-**	**46**	32	16	24	-	72
Cash flows received on retained interests	**49**	**6**	**44**	**1**	**100**	44	9	41	1	95

New Securitization Activity

	For the six months ended **April 30, 2006**					*For the six months ended* April 30, 2005				
(millions of Canadian dollars)	**Residential mortgage loans**	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	**Total**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Total
Gross proceeds	**$ 3,081**	**$ 1,448**	**$ 2,600**	**$ 292**	**$ 7,421**	$ 3,090	$ 2,571	$ 2,600	$ 299	$ 8,560
Retained interest	**42**	**10**	**45**	**-**	**97**	67	19	48	-	134
Cash flows received on retained interests	**106**	**14**	**92**	**1**	**213**	88	19	84	3	194

The following tables summarize the impact of securitizations on the Bank's Interim Consolidated Statement of Income for the three and six months ended April 30.

Securitization Gains and Servicing Income

	For the three months ended **April 30, 2006**					*For the three months ended* April 30, 2005				
(millions of Canadian dollars)	**Residential mortgage loans**	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	**Total**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Total
Gain on sale (loss)[1]	**$ (1)**	**$ 5**	**$ 14**	**$ 2**	**$ 20**	$ 12	$ 8	$ 22	$ 7	$ 49
Servicing income	**17**	**5**	**30**	**-**	**52**	22	10	19	-	51
Total	**$ 16**	**$ 10**	**$ 44**	**$ 2**	**$ 72**	$ 34	$ 18	$ 41	$ 7	$ 100

Securitization Gains and Servicing Income

	For the six months ended **April 30, 2006**					*For the six months ended* April 30, 2005				
(millions of Canadian dollars)	**Residential mortgage loans**	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	**Total**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans	Total
Gain on sale (loss)[1]	**$ (2)**	**$ 10**	**$ 43**	**$ 2**	**$ 53**	$ 26	$ 11	$ 44	$ 7	$ 88
Servicing income	**55**	**12**	**44**	**-**	**111**	45	20	40	-	105
Total	**$ 53**	**$ 22**	**$ 87**	**$ 2**	**$ 164**	$ 71	$ 31	$ 84	$ 7	$ 193

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

The key assumptions used to value the retained interests as at April 30 are shown in the table below.

Key Assumptions

	2006				2005			
	Residential mortgage loans	**Personal loans**	**Credit card loans**	**Commercial mortgage loans**	Residential mortgage loans	Personal loans	Credit card loans	Commercial mortgage loans
Prepayment rate[1]	**20.0%**	**5.9%**	**44.4%**	**2.2%**	20.0%	6.1%	41.3%	2.7%
Excess spread[2]	**.6**	**1.0**	**12.8**	**-**	.7	1.1	13.1	-
Discount rate	**5.4**	**3.8**	**5.2**	**9.8**	5.1	3.3	4.1	9.8
Expected credit losses[3]	**-**	**-**	**2.5**	**.1**	-	-	2.6	.1

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

During the three months ended April 30, 2006, there were maturities of previously securitized loans and receivables of $2,011 million (Q2/05 - $2,615 million). Proceeds from new securitizations were $2,335 million for the three months ended April 30, 2006 (Q2/05 - $2,525 million). During the six months ended April 30, 2006, there were maturities of previously securitized loans and receivables of $4,029 million (six months ended April 30, 2005 - $4,395 million). Proceeds from new securitizations were $3,392 million for the six months ended April 30, 2006 (six months ended April 30, 2005 - $4,165 million).

Note 5: VARIABLE INTEREST ENTITIES

There were no significant changes in the Bank's position in non-consolidated variable interest entities during the quarter.

Note 6: SUBORDINATED NOTES AND DEBENTURES

During the first quarter 2006, the Bank issued two medium term notes constituting subordinated indebtedness pursuant to its medium term note program. The first is an $800 million issue which will pay 4.97% until October 30, 2015 and then reset every 5 years thereafter to the 5-year Government of Canada yield plus 1.77% until maturity on October 30, 2104. The notes are redeemable at the Bank's option at par on October 30, 2015 and qualify as Tier 2A regulatory capital. The second is a $1 billion issue which will pay 4.317% until January 18, 2011 and the bankers' acceptance rate plus 1.00% thereafter until maturity on January 18, 2016. The notes are redeemable at the Bank's option at par on January 18, 2011 and qualify as Tier 2B regulatory capital.

During the first quarter 2006, the Bank also redeemed all of the outstanding $150 million 8.40% subordinated debentures, due December 1, 2010, which qualified as Tier 2B regulatory capital.

During the second quarter 2006, the Bank issued $500 million of medium term notes constituting subordinated indebtedness pursuant to its medium term note program. The notes will pay 4.87% until October 28, 2011 and the banker's acceptance rate plus 1.00% thereafter until maturity on October 28, 2016. The notes are redeemable at the Bank's option at par on October 28, 2011 and qualify as Tier 2B regulatory capital.

Note 7: LIABILITIES FOR PREFERRED SHARES AND CAPITAL TRUST SECURITIES

The Bank's liabilities for preferred shares and capital trust securities are:

Liabilities (millions of Canadian dollars)	**April 30, 2006**	**Oct. 31, 2005**
Preferred Shares		
Preferred shares issued by the Bank (thousands of shares):		
Class A - 16 Series I	**$ -**	$ -
Class A - 14,000 Series M	**350**	350
Class A - 8,000 Series N	**200**	200
	550	550
Preferred shares issued by TD Mortgage Investment Corporation (thousands of shares):		
350 non-cumulative preferred shares, Series A	**339**	345
Total Preferred shares	**889**	895
Capital Trust Securities (thousands of units)[1]		
Trust units issued by TD Capital Trust (900)	**897**	900
Total Preferred Shares and Capital Trust Securities	**$ 1,786**	$ 1,795

[1]Included in deposit liabilities on the Interim Consolidated Balance Sheet is $350 million due to TD Capital Trust II.

Note 8: SHARE CAPITAL

Shares Issued and Outstanding

(millions of shares and millions of Canadian dollars)	*For the six months ended* **April 30, 2006** **Number of shares**		**Amount**	*For the six months ended* April 30, 2005 Number of shares		Amount
Common:						
Balance at beginning of period	**711.8**	**$**	**5,872**	655.9		3,373
Issued on exercise of options	**2.3**		**80**	2.5		72
Issued as a result of dividend reinvestment plan	**3.4**		**207**	3.5		174
Impact of shares sold in Wholesale Banking	**.2**		**16**	.5		25
Issued on the acquisition of VFC	**1.1**		**70**	-		-
Issued on the acquisition of TD Banknorth	**-**		**-**	44.3		1,988
Balance at end of period - Common	**718.8**	**$**	**6,245**	706.7		5,632
Balance at October 31, 2005 - Common	711.8	$	5,872			
Preferred (Class A - Series O):						
Balance at end of period - Preferred	**17.0**	**$**	**425**	-	$	-
Balance at October 31, 2005 - Preferred	-	$	-			

Preferred Shares Issued

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

Note 9: STOCK BASED COMPENSATION

The following table summarizes the compensation expense recognized by the Bank for stock option awards for the three and six months ended April 30.

	For the three months ended		*For the six months ended*	
	April 30	April 30	**April 30**	April 30
(millions of Canadian dollars)	**2006**	2005	**2006**	2005
TD Bank	**$ 4**	$ 4	**$ 11**	$ 8
TD Banknorth	**2**	1	**4**	1
Total	**$ 6**	$ 5	**$ 15**	$ 9

During the three months ended April 30, 2006 and April 30, 2005 neither the Bank nor TD Banknorth granted stock option awards.

During the six months ended April 30, 2006, 1.9 million (six months ended April 30, 2005 - 2.2 million) options were granted by the Bank with a weighted average fair value of $11.27 per option (six months ended April 30, 2005 - $10.63 per option). During the six months ended April 30, 2006, 2.3 million (six months ended April 30, 2005 - 2.1 million) options were granted by TD Banknorth with a weighted average fair value of $6.01 per option (six months ended April 30, 2005 - $6.60 per option).

The fair value of options granted by the Bank was estimated at the date of grant using the Black-Scholes valuation model with the following assumptions:

	For the six months ended	
	April 30	April 30
	2006	2005
Risk-free interest rate	**3.91%**	3.70%
Expected option life	**5.1 years**	5.3 years
Expected volatility	**21.9%**	25.7%
Expected dividend yield	**2.88%**	2.84%

Note 10: EMPLOYEE FUTURE BENEFITS

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

Principal Pension Plan Expense

	For the three months ended		*For the six months ended*	
	April 30	April 30	**April 30**	April 30
(millions of Canadian dollars)	**2006**	2005	**2006**	2005
Elements of pension plan expense before adjustments to recognize the long term nature of the cost:				
Service cost - benefits earned	**$ 18**	$ 11	**$ 36**	$ 23
Interest cost on projected benefit obligation	**26**	26	**53**	51
Actual return on plan assets	**(141)**	(88)	**(128)**	(119)
Plan amendments	**7**	4	**7**	57
Adjustments to recognize the long term nature of plan cost				
Difference between costs arising in the period and costs recognized				
In the period in respect of:				
Return on plan assets[1]	**109**	60	**64**	63
Actuarial losses[2]	**5**	2	**11**	5
Plan amendments[3]	**(5)**	(2)	**(3)**	(54)
Total	**$ 19**	$ 13	**$ 40**	$ 26

[1] For the three months ended April 30, 2006, includes expected return on plan assets of $32 million (Q2/05 - $28 million) less actual return on plan assets of $141 million (Q2/05 - $88 million). For the six months ended April 30, 2006, includes expected return on plan assets of $64 million (six months ended April 30, 2005 - $56 million) less actual return on plan assets of $128 million (six months ended April 30, 2005 - $119 million).

[2] For the three months ended April 30, 2006, includes loss recognized of $5 million (Q2/05 - $2 million) less actuarial losses on projected benefit obligation of nil (Q2/05 - nil). For the six months ended April 30, 2006, includes loss recognized of $11 million (six months ended April 30, 2005 - $5 million) less actuarial losses on projected benefit obligation of nil (six months ended April 30, 2005 - nil).

[3] For the three months ended April 30, 2006, includes amortization of costs for plan amendments of $2 million (Q2/05 - $2 million) less actual cost amendments of $7 million (Q2/05 - $4 million). For the six months ended April 30, 2006, includes amortization of costs for plan amendments of $4 million (six months ended April 30, 2005 - $3 million) less actual cost amendments of $7 million (six months ended April 30, 2005 - $57 million).

Other Pension Plans' Expense

	For the three months ended		*For the six months ended*	
	April 30	April 30	**April 30**	April

(millions of Canadian dollars)		**2006**		2005		**2006**		2005
CT defined benefit pension plan	**$**	**1**	$	1	**$**	**3**	$	2
TD Banknorth defined benefit pension plans		**2**		1		**4**		1
Supplemental employee retirement plans		**8**		6		**17**		12
Total	**$**	**11**	$	8	**$**	**24**	$	15

Principal Non-Pension
Post-Retirement Benefit Plans Expense

		For the three months ended				*For the six months ended*		
		April 30		April 30		**April 30**		April 30
(millions of Canadian dollars)		**2006**		2005		**2006**		2005
Service cost - benefits earned	**$**	**3**	$	3	**$**	**6**	$	6
Interest cost on projected benefit obligation		**5**		5		**10**		10
Plan amendments				-		**(65)**		-
Difference between costs arising in the period and costs recognized in the period in respect of:								
Actuarial losses		**2**		-		**4**		-
Plan amendments		**(2)**		-		**62**		-
Total	**$**	**8**	$	8	**$**	**17**	$	16

Cash Flows

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

Pension Plan Contributions

		For the three months ended				*For the six months ended*		
		April 30		April 30		**April 30**		April 30
(millions of Canadian dollars)		**2006**		2005		**2006**		2005
Principal pension plan	**$**	**15**	$	13	**$**	**30**	$	27
CT defined benefit pension plan		**-**		-		**1**		1
TD Banknorth defined benefit pension plans		**1**		-		**33**		-
Supplemental employee retirement plans		**2**		3		**4**		5
Non-pension post-retirement benefit plans		**2**		2		**4**		4
Total	**$**	**20**	$	18	**$**	**72**	$	37

As at April 30, 2006, the Bank expects to contribute an additional $31 million to its principal pension plan, $1 million to its CT defined benefit pension plan, $.4 million to its TD Banknorth defined benefit pension plans, $4 million to its supplemental employee retirement plans and $4 million to its non-pension post-retirement benefit plans by the end of the year. However, future contribution amounts may change upon the Bank’s review of the current contribution levels during the year.

Note 11: EARNINGS PER SHARE

The Bank’s basic and diluted earnings per share at April 30 are as follows:

Basic and Diluted Earnings per Share

	For the three months ended		*For the six months ended*	
	April 30	April 30	**April 30**	April 30
(millions of Canadian dollars)	**2006**	2005	**2006**	2005
Basic Earnings per Share				
Net income available to common shares ($ millions)	**$ 732**	$ 599	**$ 3,034**	$ 1,229
Average number of common shares outstanding (millions)	**715.7**	690.8	**714.1**	673.4
Basic earnings per share ($)	**$ 1.02**	$ .87	**$ 4.25**	$ 1.83
Diluted Earnings per Share				
Net income available to common shares ($ millions)	**$ 732**	$ 599	**$ 3,034**	$ 1,229
Average number of common shares outstanding (millions)	**715.7**	690.8	**714.1**	673.4
Stock options potentially exercisable as determined under the treasury stock method[1]	**6.8**	5.3	**6.6**	5.3
Average number of common shares outstanding - diluted (millions)	**722.5**	696.1	**720.7**	678.7
Diluted earnings per share ($)	**$ 1.01**	$ .86	**$ 4.21**	$ 1.81

1 For the six months ended April 30, 2006, the computation of diluted earnings per common share excluded weighted average options outstanding of 480 thousand (six months ended April 30, 2005 - 547 thousand) with a weighted exercise price of $60.02 (six months ended April 30, 2005 - $49.40) as the options’ price was greater than the average market price of the Bank’s common shares.

Note 12: SEGMENTED INFORMATION

The Bank’s operations and activities are organized around the following businesses: Canadian Personal and

Commercial Banking, U.S. Personal and Commercial Banking, Wholesale Banking and Wealth Management. Results for these segments for the three and six months ended April 30 are presented in the following tables:

Results by Business Segment

(millions of Canadian dollars)	**Canadian Personal and Commercial Banking**		**U.S. Personal and Commercial Banking**		**Wholesale Banking[1]**		**Wealth Management**		**Corporate[1]**		**Total**	
	April 30	April 30	**April 30**	April 30	**April 30**	April 30	**April 30**	April 30	**April 30**	April 30	**April 30**	April 30
For the three months ended	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Net interest income	**$ 1,147**	$ 1,030	**$ 327**	$ 99	**$ 76**	$ 301	**$ 62**	$ 156	**$ (185)**	$ (193)	**$ 1,427**	$ 1,393
Other income	**624**	587	**134**	39	**458**	303	**460**	530	**10**	58	**1,686**	1,517
Total revenue	**1,771**	1,617	**461**	138	**534**	604	**522**	686	**(175)**	(135)	**3,113**	2,910
Provision for (reversal of) credit losses	**78**	91	**8**	(7)	**11**	13	**-**	-	**(81)**	(77)	**16**	20
Non-interest expenses	**994**	925	**284**	83	**321**	365	**349**	530	**155**	154	**2,103**	2,057
Income (loss) before provision for (benefit of) income taxes	**699**	601	**169**	62	**202**	226	**173**	156	**(249)**	(212)	**994**	833
Provision for (benefit of)income taxes	**234**	200	**60**	22	**62**	76	**60**	57	**(172)**	(142)	**244**	213
Non-controlling interests	**-**	-	**50**	21	**-**	-	**-**	-	**(3)**	-	**47**	21
Equity in net income of associated company, net of tax	**-**	-	**-**	-	**-**	-	**39**	-	**(4)**	-	**35**	-
Net income (loss)	**$ 465**	$ 401	**$ 59**	$ 19	**$ 140**	$ 150	**$ 152**	$ 99	**$ (78)**	$ (70)	**$ 738**	$ 599
Total assets (billions of Canadian dollars)												
- balance sheet	**$ 137.9**	$ 123.6	**$ 46.5**	$ 37.4	**$ 165.5**	$ 156.6	**$ 12.0**	$ 26.4	**$ 26.7**	$ 15.5	**$ 388.6**	$ 359.5
- securitized	**34.3**	34.5	**-**	-	**-**	-	**-**	-	**(9.2)**	(11.6)	**25.1**	22.9

(millions of Canadian dollars)	**Canadian Personal and Commercial Banking**		**U.S. Personal and Commercial Banking**		**Wholesale Banking[1]**		**Wealth Management**		**Corporate[1]**		**Total**	
For the six months ended	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005
Net interest income	**$ 2,324**	$ 2,119	**$ 611**	$ 99	**$ 214**	$ 579	**$ 240**	$ 301	**$ (355)**	$ (294)	**$ 3,034**	$ 2,804
Other income	**1,251**	1,161	**207**	39	**981**	595	**1,024**	1,048	**1,584**	69	**5,047**	2,912
Total revenue	**3,575**	3,280	**818**	138	**1,195**	1,174	**1,264**	1,349	**1,229**	(225)	**8,081**	5,716
Provision for (reversal of) credit losses	**177**	186	**15**	(7)	**40**	26	**-**	-	**(102)**	(175)	**130**	30
Non-interest expenses	**1,979**	1,849	**509**	83	**716**	697	**874**	1,038	**315**	335	**4,393**	4,002
Income (loss) before provision for (benefit of) income taxes	**1,419**	1,245	**294**	62	**439**	451	**390**	311	**1,016**	(385)	**3,558**	1,684
Provision for (benefit of) income taxes	**478**	420	**102**	22	**135**	160	**139**	114	**(390)**	(282)	**464**	434
Non-controlling interests	**-**	-	**87**	21	**-**	-	**-**	-	**(3)**	-	**84**	21
Equity in net income of associated company, net of tax	**-**	-	**-**	-	**-**	-	**39**	-	**(4)**	-	**35**	-
Net income (loss)	**$ 941**	$ 825	**$ 105**	$ 19	**$ 304**	$ 291	**$ 290**	$ 197	**$ 1,405**	$ (103)	**$ 3,045**	$ 1,229

[1] The taxable equivalent basis adjustment is reflected primarily in the Wholesale Banking segment's results and eliminated in the Corporate segment.

Note 13: ACQUISITIONS AND DISPOSITIONS

(a) VFC Inc.

On April 19, 2006, the Bank acquired 90.2% of the issued and outstanding common shares of VFC Inc. (“VFC”) for approximately $294 million, paid in cash and common shares of the Bank in the amounts of $224 million and $70 million, respectively. The acquisition was accounted for by the purchase method. VFC’s results will be reported in the Canadian Personal and Commercial Banking segment. Since more than 90% of the common shares of VFC were acquired, the Bank exercised its right to acquire the remaining VFC shares pursuant to a compulsory acquisition under the *Canada Business Corporations Act*, completed on May 19, 2006, for additional consideration of approximately $32 million in cash and Bank shares, resulting in a total purchase consideration of $328 million, including acquisition costs of $2 million.

The acquisition of VFC by the Bank contributed $36 million of cash and cash equivalents, $435 million of loans, $245 million of goodwill and intangibles, $6 million of other assets, $325 million of secured debt and $18 million of other liabilities to the Bank’s interim consolidated balance sheet. The excess of the total purchase consideration paid over the fair value of the identifiable net assets acquired has been allocated entirely to goodwill. The Bank is in the process of valuing certain intangible assets and therefore, the allocation of the purchase price is subject to finalization. Goodwill arising from the acquisition is not amortized but assessed for impairment on at least an annual basis.

Unaudited pro forma combined results of operations have not been presented as the Bank’s results would not be materially different from as reported. As a result of the Bank’s subsequent acquisition of the remaining 9.8% interest in VFC, the non-controlling interest has not been reflected in the allocation of the purchase price (see Subsequent Events Note 17).

(b) TD Banknorth

Hudson United Bancorp

On January 31, 2006, TD Banknorth completed the acquisition of Hudson United Bancorp (“Hudson”) for total consideration of $2.2 billion (U.S.$1.9 billion), consisting of cash consideration of $1,073 million (U.S.$941.8 million) and the remainder in TD Banknorth common shares. The cash consideration was funded by the sale of TD Banknorth common shares to the Bank. TD Banknorth consolidates the financial results of Hudson. The transaction had resulted in a dilution loss for the Bank of $72 million. The acquisition of Hudson by TD Banknorth contributed $6.0 billion of personal/business loans and mortgages, $3.2 billion of securities, $1.9 billion of goodwill and intangibles, $.8 billion of other assets, $8.4 billion of deposits and $3.5 billion of other liabilities to the Bank’s interim consolidated balance sheet. The allocation of the purchase price will be finalized in the third quarter of 2006.

On February 1, 2006, the Bank announced its intention to commence open-market purchases of TD Banknorth shares. The Bank intends to at least maintain its ownership percentage in TD Banknorth at the level prior to the acquisition of Hudson or, as market conditions warrant, to potentially increase its position.

Increase in ownership in TD Banknorth

During the three months ended April 30, 2006, TD Banknorth repurchased 8.5 million of its own shares for $290 million (U.S.$255 million) and the Bank acquired .8 million additional shares of TD Banknorth for $27 million (U.S.$23 million) in the course of open-market purchases. The Bank also acquired .9 million shares of TD Banknorth pursuant to TD Banknorth’s dividend reinvestment program. The Bank began reinvesting in TD Banknorth’s dividend reinvestment program in November 2005 and, as of April 30, 2006, had acquired a total of approximately 1.5 million shares of TD Banknorth pursuant to the program. As of April 30, 2006, the Bank’s ownership interest in TD Banknorth was 56.2%, an increase from 53.5% as at January 31, 2006.

Interchange Financial Services Corporation

On April 13, 2006, TD Banknorth announced an agreement to acquire Interchange Financial Services Corporation ("Interchange"), for US$480.6 million cash consideration. The deal is expected to close in TD Banknorth's first calendar quarter of 2007 and is subject to regulatory approvals and Interchange shareholders' approval.

The cash for the transaction will be financed primarily through TD Banknorth's sale of approximately 13 million of its common shares to the Bank at a price of US$31.17 per share, for a total of approximately US$405 million. On a pro forma basis the Bank's percentage ownership of TD Banknorth will increase to approximately 58.6% after giving effect to the transaction.

Foreign Exchange

The Bank consolidated TD Banknorth using the exchange rate as at March 31, 2006 as the Bank consolidates TD Banknorth's results on a one month lag basis. If the April 30, 2006 exchange rate had been used, there would have been an increase in the foreign currency translation adjustment account debit of $257 million, with a corresponding reduction in the Bank's net assets.

(c) TD Waterhouse U.S.A. and Ameritrade

On January 24, 2006, the Bank closed the transaction involving the sale of its U.S. brokerage business TD Waterhouse U.S.A. at a fair market value of $2.69 billion to Ameritrade Holding Corporation in exchange for a 32.5% ownership in the combined legal entity operating under the name TD Ameritrade. The transaction resulted in a net dilution gain on sale of U.S.$1.45 billion ($1.67 billion) after-tax during the three months ended January 31, 2006 ($1.64 billion pre-tax). There was a reduction to the TD Ameritrade dilution gain of $5 million due to final adjustments to the purchase and sale price during the three months ended April 30, 2006.

Accordingly, on acquisition the Bank's investment in TD Ameritrade over the Bank's share of TD Ameritrade's net book value was approximately $3.7 billion and consists primarily of intangibles (approximately $930 million) and goodwill.

The Bank reports the investment in TD Ameritrade using the equity method of accounting. The fiscal periods of the Bank and TD Ameritrade are not coterminus. The Bank's equity share of TD Ameritrade's results from the January 25, 2006 acquisition date to TD Ameritrade's calendar quarter end date has been reported in the Bank's results for the three months ended April 30, 2006. Thereafter, the Bank's equity share of TD Ameritrade's results for TD Ameritrade's calendar quarter end date will be reported in the Bank's results for the fiscal quarter. The Bank translated its investment in TD Ameritrade at March 31, 2006 using the exchange rate on that date. If the investment had been translated at the exchange rate on April 30, 2006, there would have been a foreign exchange impact of $158 million, reducing the Bank's investment in TD Ameritrade, with a corresponding increase in the foreign currency translation adjustment account debit.

In connection with the transaction, TD Waterhouse Canada acquired 100% of Ameritrade's Canadian brokerage operations for $77 million (U.S.$67 million) cash consideration, which consisted primarily of intangibles and goodwill.

On February 22, 2006, the Bank announced that it committed to purchase at least 15 million shares of TD Ameritrade by August 22, 2006 pursuant to one or more stock trading plans in accordance with Rule 10b5-1 under the U.S. Securities Exchange Act and that all purchases would be made in the open market, including through block trades, in compliance with Rule 10b-18 under the U.S. Securities Exchange Act. During the three months ended April 30, 2006, the Bank acquired 12.9 million additional shares of TD Ameritrade for $301 million (U.S.$263 million), which resulted in the Bank's ownership interest in TD Ameritrade to increase from 32.5% to 34.3% as at April 30, 2006.

Note 14: RESTRUCTURING COSTS

For the three months ended January 31, 2006, the Bank recorded an additional $50 million of restructuring costs, consisting primarily of severance costs in relation to the restructuring of the global structured products businesses within Wholesale Banking.

As at April 30, 2006, the remaining balance of the liability was $34 million ($25 million at October 31, 2005).

Note 15: CONTINGENCIES

As at April 30, 2006, the total contingent litigation reserve for Enron-related claims was approximately $607 million (U.S.$543 million, unchanged since the August 2005 announcement). The two principal legal actions regarding Enron to which the Bank is a party are the securities class action and the bankruptcy proceeding. It is possible that additional reserves above this level could be required. Additional reserves, if required, cannot be reasonably determined for many reasons, including that other settlements are not generally appropriate for comparison purposes, the lack of consistency in other settlements and the difficulty in predicting the future actions of other parties to the litigation. In 2005, the Bank agreed to settle bankruptcy court claims in this matter for approximately $145 million (U.S.$130 million). Payment of this settlement, when made, will reduce the current total reserve for this matter to approximately $462 million.

The Bank and its subsidiaries are involved in various other legal actions in the ordinary course of business, many of which are loan-related. In management's opinion, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Bank.

Note 16: RECONCILIATION OF CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

Significant differences between Canadian GAAP and United States generally accepted accounting principles (U.S. GAAP) are described in the Bank's 2005 Annual Report with their impact detailed below.

Net Income

	For the three months ended		*For the six months ended*	
(millions of Canadian dollars)	**April 30 2006[1]**	April 30 2005	**April 30 2006[2]**	April 30 2005
Net income based on Canadian GAAP	**$ 738**	$ 599	**$ 3,045**	$ 1,229
Employee future benefits	**-**	(1)	**2**	(1)
Securitizations	**-**	(1)	**-**	(3)
Available for sale securities	**2**	1	**8**	3
Derivative instruments and hedging activities	**49**	(79)	**16**	(167)
Guarantees	**(6)**	(6)	**(12)**	(9)
Liabilities and equity	**29**	34	**68**	63
Amortization of intangible assets	**(15)**	(5)	**(30)**	(5)
Other	**5**	-	**(21)**	-
Income taxes and net change in income taxes due to the above items	**(38)**	65	**(13)**	108
Non-controlling interests	**(8)**	(17)	**(14)**	(40)
Net income based on U.S. GAAP	**756**	590	**3,049**	1,178
Preferred dividends	**12**	12	**35**	18
Net income applicable to common shares based on U.S. GAAP	**$ 744**	$ 578	**$ 3,014**	$ 1,160
Average number of common shares outstanding (millions)				
Basic - U.S. GAAP/Canadian GAAP	**715.7**	690.8	**714.1**	673.4
Diluted - U.S. GAAP/Canadian GAAP	**722.5**	696.1	**720.7**	678.7
Basic earnings per share - U.S. GAAP	**$ 1.04**	$ .84	**$ 4.22**	$ 1.72
- Canadian GAAP	**1.02**	.87	**4.25**	1.83
Diluted earnings per share - U.S. GAAP	**1.03**	.83	**4.18**	1.71
- Canadian GAAP	**1.01**	.86	**4.21**	1.81

1 For the three months ended April 30, 2006, the effect of U.S. GAAP adjustments to the Canadian GAAP Consolidated Statement of Income is as follows: $77 million increase to net interest income, $8 million increase to other income and $67 million increase to non-interest expenses.

2 For the six months ended April 30, 2006, the effect of U.S. GAAP adjustments to the Canadian GAAP Consolidated Statement of Income is as follows: $148 million increase to net interest income, $77 million decrease to other income and $67 million increase to non-interest expenses.

Consolidated Interim Statement of Comprehensive Income

	For the three months ended		*For the six months ended*	
(millions of Canadian dollars)	**April 30 2006**	April 30 2005	**April 30 2006**	April 30 2005
Net income based on U.S. GAAP	**$ 756**	$ 590	**$ 3,049**	$ 1,178
Other comprehensive income (loss), net of income taxes				
Net change in unrealized gains and losses on available for sale securities	**(96)**	(42)	**(145)**	81
Reclassification to earnings in respect of available for sale securities	**-**	-	**-**	5
Change in unrealized foreign currency translation gains and losses	**159**	(86)	**189**	(33)
Change in gains and losses on derivative instruments designated as cash flow hedges	**112**	(19)	**191**	(143)
Reclassification to earnings of gains and losses on cash flow hedges	**3**	5	**21**	10
Minimum pension liability adjustment	**3**	(3)	**3**	(3)
Comprehensive income	**$ 937**	$ 445	**$ 3,308**	$ 1,095

Condensed Consolidated Interim Balance Sheet

(millions of Canadian dollars)	**Canadian GAAP**	**Adjust-ments**	*As at* **April 30 2006 U.S. GAAP**	Canadian GAAP	Adjust-ments	*As at* Oct. 31 2005 U.S. GAAP	Canadian GAAP	Adjust-ments	*As at* April 30 2005 U.S. GAAP
Assets									
Cash resources and other	**$ 12,341**	**$ -**	**$ 12,341**	$ 13,418	$ -	$ 13,418	$ 10,854	$ -	$ 10,854
Securities									
Investment	**42,847**	**4,238**	**47,085**	42,321	3,898	46,219	39,884	3,973	43,857
Trading	**69,809**	**-**	**69,809**	65,775	-	65,775	71,748	-	71,748
Securities purchased under reverse repurchase agreements	**32,344**	**-**	**32,344**	26,375	-	26,375	23,727	-	23,727
Loans (net)	**156,572**	**-**	**156,572**	152,243	-	152,243	148,802	1	148,803
Investment in TD Ameritrade	**3,783**	**-**	**3,783**						
Trading derivatives' market revaluation	**35,430**	**913**	**36,343**	33,651	674	34,325	34,949	1,595	36,544
Goodwill	**7,652**	**1,612**	**9,264**	6,518	1,604	8,122	6,766	1,673	8,439
Intangible assets	**2,185**	**344**	**2,529**	2,124	338	2,462	2,421	400	2,821
Other assets	**25,633**	**(129)**	**25,504**	22,785	22	22,807	20,393	14	20,407
Total assets	**$ 388,596**	**$ 6,978**	**$ 395,574**	$ 365,210	$ 6,536	$ 371,746	$ 359,544	$ 7,656	$ 367,200
Liabilities									
Deposits	**$ 252,991**	**$ 35**	**$ 253,026**	$ 246,981	$ 21	$ 247,002	$ 248,514	$ (6)	$ 248,508
Trading derivatives' market revaluation	**36,295**	**740**	**37,035**	33,498	598	34,096	34,349	984	35,333
Other liabilities	**67,963**	**4,262**	**72,225**	60,224	4,037	64,261	51,634	4,317	55,951
Subordinated notes, debentures and other debt	**7,748**	**-**	**7,748**	5,138	-	5,138	5,569	(3)	5,566
Liabilities for preferred shares and Capital Trust Securities	**1,786**	**(1,786)**	**-**	1,795	(1,795)	-	2,210	(2,210)	-
Total liabilities	**366,783**	**3,251**	**370,034**	347,636	2,861	350,497	342,276	3,082	345,358
Non-controlling interests	**2,530**	**3,160**	**5,690**	1,708	3,149	4,857	1,676	3,250	4,926
Shareholders' equity									
Preferred shares	**425**	**536**	**961**	-	545	545	-	960	960
Common shares	**6,245**	**39**	**6,284**	5,872	39	5,911	5,632	39	5,671

Contributed surplus	**51**	**-**	**51**	40	-	40	28	-	28
Foreign currency translation	**(507)**	**507**	**-**	(696)	696	-	(298)	298	-
Retained earnings	**13,069**	**(266)**	**12,803**	10,650	(246)	10,404	10,230	(179)	10,051
Accumulated other comprehensive income									
Net unrealized gains on available for sale securities	**-**	**135**	**135**	-	280	280	-	384	384
Foreign currency translation adjustments	**-**	**(507)**	**(507)**	-	(696)	(696)	-	(298)	(298)
Derivative instruments	**-**	**158**	**158**	-	(54)	(54)	-	128	128
Minimum pension liability adjustment	**-**	**(35)**	**(35)**	-	(38)	(38)	-	(8)	(8)
Total shareholders' equity	**19,283**	**567**	**19,850**	15,866	526	16,392	15,592	1,324	16,916
Total liabilities and shareholders' equity	**$ 388,596**	**$ 6,978**	**$ 395,574**	$ 365,210	$ 6,536	$ 371,746	$ 359,544	$ 7,656	$ 367,200

Note 17: SUBSEQUENT EVENTS

Subsequent to April 30, 2006, the Bank purchased approximately 30.8 million common shares of TD Ameritrade for approximately $618 million (U.S.$556 million), which resulted in a further increase in the Bank's interest in TD Ameritrade to 39.4%.

The Bank acquired the remaining 9.8% of the shares of VFC for approximately $32 million in cash and Bank shares pursuant to the compulsory acquisition provisions of the Canada Business Corporations Act completed on May 19, 2006.

SHAREHOLDER AND INVESTOR INFORMATION

Shareholder Services
For shareholder inquiries relating to: missing dividends, lost share certificates, estate questions, address changes to the share register, dividend bank account changes or the dividend re-investment program, please contact our transfer agent: CIBC Mellon Trust Company, at P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario, M5C 2W9, or 1-800-387-0825 or 416-643-5500 or (www.cibcmellon.com or inquiries@cibcmellon.com).

For all other shareholder inquiries, please contact TD Shareholder Relations at 416-944-6367 or 1-866-756-8936 or email: tdshinfo@td.com.

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

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

Products and services: Contact TD Canada Trust, 24 hours a day, seven days a week:
1-866-567-8888
French: 1-866-233-2323
Cantonese/Mandarin: 1-800-328-3698
Telephone device for the deaf: 1-800-361-1180

On-line Investor Presentation: Full financial statements and a presentation to investors and analysts (available on May 25) are accessible from the home page of the TD Bank Financial Group website, www.td.com/investor/calendar.jsp.

Quarterly Earnings Conference Call: Instant replay of the teleconference is available from May 25, 2006 to June 25, 2006. Please call 1-877-289-8525 toll free, in Toronto (416) 640-1917, passcode 21185231 (pound key).

Webcast of Call: A live audio and video internet webcast of TD Bank Financial Group's quarterly earnings conference call with investors and analysts is scheduled on May 25, 2006 at 3:00 p.m. ET. The call is webcast via the TD Bank Financial Group website at www.td.com. In addition, recordings of the presentations are archived on TD's website and will be available for replay for a period of at least one month.

THE TORONTO-DOMINION BANK
EARNINGS COVERAGE ON SUBORDINATED NOTES AND DEBENTURES,
AND LIABILITIES FOR PREFERRED SHARES AND CAPITAL TRUST SECURITIES
FOR THE TWELVE MONTHS ENDED APRIL 30, 2006[1]

The Bank's interest requirements on all subordinated notes and debentures, and liabilities for preferred shares and capital trust securities after adjustment for new issues and retirement, amounted to $671 million for the 12 months ended April 30, 2006. The Bank reported net income, before interest on subordinated debt and liabilities for preferred shares and capital trust securities and income taxes of $5,467 million for the 12 months ended April 30, 2006, which was 8.1 times the Bank's interest requirements. On an adjusted earnings basis, the Bank's net income before interest on subordinated debt and liabilities for preferred shares and capital trust securities and income taxes was $4,861 million, which was 7.2 times its interest requirements.

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[1]The Bank's financial results are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Bank refers to results prepared in accordance with GAAP as "reported" results. The Bank also utilizes "adjusted" earnings to assess each of its businesses and to measure overall Bank performance. To arrive at adjusted earnings, the Bank removes "items of note", net of tax, from reported earnings. The items of note relate to items which management does not believe are indicative of underlying business performance. Commencing from the first quarter of 2006, the items of note include the Bank's amortization of intangible assets which primarily relates to the TD Banknorth acquisition in March 2005 and the Canada Trust acquisition in fiscal 2000. Previously, the Bank described adjusted earnings as earnings before the amortization of intangibles and items of note. The Bank believes that adjusted earnings provide the reader with a better understanding of how management views the Bank's performance. As explained, adjusted earnings are different from reported results determined in accordance with GAAP. Adjusted earnings and related terms are not defined terms under GAAP, and therefore may not be comparable to similar terms used by other issuers. Please see page 5 of the Bank's Second Quarter 2006 Report to Shareholders for a reconciliation between the Bank's adjusted earnings and its reported results.
t;font-size:10pt;">

U.S. qualified pension plan
5.75
%

7.50
%

6.00
%
Switzerland pension plan
3.00
%

3.25
%

3.75

%
Other post-retirement plan
5.00
%

7.00
%

6.00
%
Expected Return on Plan Assets:

U.S. qualified pension plan
8.00
%

8.00
%

8.00
%
Switzerland pension plan
4.00
%

4.50
%

4.50
%
Rate of Compensation Increase:

Switzerland pension plan
2.50
%

2.50
%

2.50
%

The net periodic benefit cost and the actuarial present value of projected benefit obligations are based upon assumptions that we review on an annual basis. These assumptions may be revised annually based upon an evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing benefits.

We develop our expected long-term rate of return on plan assets assumptions by evaluating input from third-party professional advisors, taking into consideration the asset allocation of the portfolios and the long-term asset class return expectations.

We develop our discount rate assumptions by evaluating input from third-party professional advisors, taking into consideration the current yield on country specific investment grade long-term bonds which provide for similar cash flow streams as our projected obligations.

We have made assumptions regarding healthcare costs in computing our other post-retirement benefit obligation. The assumed rates of increase generally decline ratably over a five-year period from the assumed current year healthcare cost trend rate to the assumed long-term healthcare cost trend rate noted below.

	2011	2010	2009
Healthcare cost trend rate – medical	10.0 %	11.0 %	9.0 %
Healthcare cost trend rate – prescription drug	10.0 %	11.0 %	9.0 %
Long-term healthcare cost trend rate	5.0 %	5.0 %	5.0 %

To determine the healthcare cost trend rates, we evaluate a combination of information, including ongoing claims cost monitoring, annual statistical analyses of claims data, reconciliation of forecasted claims against actual claims, review of trend assumptions of other plan sponsors and national health trends, and adjustments for plan design changes, workforce changes, and changes in plan participant behavior.

A one-percentage-point change in assumed healthcare cost trend rates (including medical, prescription drug, and long-term rates) would have had the following effect at March 31, 2011:

	One-Percentage Point	
	Increase	Decrease
Effect on total service and interest cost components	$11	$(10)
Effect on other post-retirement benefit obligation	217	(207)

Plan Assets. Our United States and Switzerland defined benefit pension plans are funded. The following table presents the targeted asset allocation of plan assets at March 31, 2011 and the actual allocation of plan assets at March 31, 2011 and 2010 for these plans:

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	Long-Term Target Allocation Percentage		Percentage of Plan Assets March 31 2011		2010	
U.S. Qualified Plan:						
Equity securities	60	%	57.7	%	59.1	%
Debt securities	40	%	41.4	%	40.0	%
Cash	0	%	0.9	%	0.9	%
Total	100	%	100	%	100	%
Switzerland Plan:						
Equity securities	0	%	0	%	38.7	%
Debt securities	0	%	0	%	9.4	%
Cash	0	%	0	%	22.9	%
Insurance contracts	100	%	100	%	29.0	%
Total	100	%	100	%	100	%

The long-term target allocations in the preceding table reflect our asset class return expectations and tolerance for investment risk within the context of the pension plans' long-term benefit obligations. Investment policies, strategies, and long-term target allocations are developed on a plan specific and country specific basis. We continually challenge the long-term target asset allocations and support the allocations by an analysis that incorporates historical and expected returns by asset class as well as volatilities across asset classes and our liability profile. Due to market conditions and other factors, actual asset allocations may vary from the long-term target allocations presented in the preceding table. Plan assets are managed by outside investment managers. If asset allocations move outside of the target ranges, the portfolios are rebalanced. For the purpose of the above analysis, debt and equity securities include fixed income and equity security mutual funds, respectively. At March 31, 2011 and 2010, the plans' assets did not include investments in STERIS common shares.

Financial instruments included in pension plan assets are categorized into three tiers. These tiers include a fair value hierarchy of three levels, based on the degree of subjectivity inherent in the valuation methodology as follows:
Level 1 - Quoted prices for identical assets in active markets.
Level 2 - Quoted prices for similar assets in active markets with inputs that are observable, either directly or indirectly.
Level 3 - Unobservable prices or inputs in which little or no market data exists.

The fair value of our pension benefits plan assets at March 31, 2011 and 2010 by asset category is as follows:

	Fair Value Measurements at March 31, 2011							
	U.S. Qualified Pension Plan				International Plan			
(In millions)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)

Cash and Short Term Securities	$359	$ 359	$—	$ —	$—	$ —	$—	$ —
Equity Securities								
Mutual Funds	24,229	24,229	—	—	—	—	—	—
Debt Securities								
Mutual Funds	17,435	17,435	—	—	—	—	—	—
Insurance Contracts	$—	—	—	—	$8,308	—	—	8,308
Total Plan Assets	$42,023	$ 42,023	$—	$ —	$8,308	$ —	$—	$ 8,308

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	Fair Value Measurements at March 31, 2010							
	U.S. Qualified Pension Plan				International Plan			
(In millions)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Cash and Short Term Securities	$361	$ 361	$—	$ —	$2,109	$ 2,109	$—	$ —
Equity Securities								
Mutual Funds	23,714	23,714	—	—	3,560	3,560	—	—
Debt Securities								
Government Bonds	—	—	—	—	192	192	—	—
Mutual Funds	16,067	16,067	—	—	673	673	—	—
Other Investments	—	—	—	—	2,686	—	2,686	—
Total Plan Assets	$40,142	$ 40,142	$—	$ —	$9,220	$ 6,534	$2,686	$ —

In fiscal 2011, we liquidated the international plan assets categorized as level 1 and 2 and reinvested in insurance contracts categorized as level 3.

Cash Flows. We contribute amounts to our defined benefit pension plans at least equal to the minimum amounts required by applicable employee benefit laws and local tax laws. We have recorded liabilities for amounts greater than the required funding levels on our accompanying Consolidated Balance Sheets. As of March 31, 2011, we expect to make contributions of approximately $2,168 to the U.S. qualified defined benefit pension plan in fiscal 2012.
Based upon the actuarial assumptions utilized to develop our benefit obligations at March 31, 2011, the following benefit payments are expected to be made to plan participants:

	Defined Benefit Pension Plans			Other Post-Retirement Benefit Plan		
	U.S. Qualified	International	Total	Gross Benefit Payments	Medicare Reimbursement	Total
2012	$4,263	$470	$4,733	$3,505	$ (231)	$3,274
2013	4,157	894	5,051	3,355	(243)	3,112
2014	4,037	696	4,733	3,177	(253)	2,924
2015	3,929	524	4,453	2,960	(262)	2,698
2016	3,868	1,118	4,986	2,733	(267)	2,466
2017-2021	18,114	4,044	22,158	9,271	(1,215)	8,056

In the preceding table, projected benefit payments denominated in foreign currencies have been calculated based upon March 31, 2011 foreign currency exchange rates.
The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") provides a prescription drug benefit for Medicare beneficiaries, a benefit we provide to Medicare eligible retirees covered by our post-retirement benefits plan. We have concluded that the prescription drug benefit provided in our post-retirement benefit plan is

considered to be actuarially equivalent to the benefit provided under the Act and thus qualifies for the subsidy under the Act. As a result, all the measures of our accumulated post-retirement benefit obligation and net periodic benefit cost in the accompanying consolidated financial statements and notes reflect the effects of the Act on the plan for the entire fiscal year. This expected future subsidy reduced our accumulated post-retirement benefit obligation and our net periodic benefit cost as of and for the fiscal year ended March 31, 2011 by $3,405 and $666, respectively. We collected subsidies totaling approximately $768 and $79, during fiscal 2011 and fiscal 2010, which reduced our net post-retirement medical payments.

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Defined Contribution Plans. We maintain a 401(k) defined contribution plan for eligible employees. We provide a match on a specified portion of an employee’s contribution as approved by the Company’s Board of Directors. The plan assets are held in trust and invested as directed by the plan participants. The aggregate fair value of plan assets was $304,882 at March 31, 2011. At March 31, 2011, the plan held 876,892 STERIS common shares with a fair value of $30,288. We paid dividends of $498, $2,253, and $262 to the plan and participants on STERIS common stock held by the plan for the years ended March 31, 2011, 2010, and 2009, respectively. We contributed $7,476, $6,226, and $5,965, to the defined contribution plan for the years ended March 31, 2011, 2010, and 2009, respectively.
We also maintain a domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of compensation for an employee-specified term or until retirement or termination. Employee contributions to this plan were $237, $594, and $567 in fiscal 2011, fiscal 2010, and fiscal 2009, respectively. We hold investments in mutual funds to satisfy future obligations of the plan. We account for these assets as available-for-sale securities and they are included in “Other assets” on our accompanying Consolidated Balance Sheets, with a corresponding liability for the plan’s obligation recorded in “Accrued expenses and other.” The aggregate value of the assets was $2,493 and $1,778 at March 31, 2011 and March 31, 2010, respectively. Realized gains and losses on these investments are recorded in “Interest and miscellaneous income” within “Non-operating expenses” on our accompanying Consolidated Statements of Income. Changes in the fair value of the assets are recorded in other comprehensive income on our accompanying balance sheets.

11. COMMITMENTS AND CONTINGENCIES

We are, and will likely continue to be, involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise in the course of our business, given our size, history, complexity, and the nature of our business, products, Customers, regulatory environment, and industries in which we participate. These legal proceedings, investigations and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), commercial claims (e.g., breach of contract, economic loss, warranty, misrepresentation), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

We believe we have adequately reserved for our current litigation and claims that are probable and estimable, and further believe that the ultimate outcome of these pending lawsuits and claims will not have a material adverse affect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome or effect of current or future litigation, investigations, claims or other proceedings (including without limitation the matters discussed below). For certain types of claims, we presently maintain product liability insurance coverage and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us.

As previously disclosed, we received a warning letter (the “warning letter”) from the FDA on May 16, 2008 regarding our SYSTEM 1 sterile processor and the STERIS 20 sterilant used with the processor (sometimes referred to collectively in the FDA letter and in this note 11 as the “device”). Among other matters, the warning letter included the FDA's assertion that significant changes or modifications had been made in the design, components, method of manufacture, or intended use of the device beyond the FDA's 1988 clearance, such that the FDA believed a new premarket notification submission (known within FDA regulations as a 510(k) submission) should have been made, and the assertion that our failure to make such a submission resulted in violations of applicable law. On July 30, 2008 (with an Addendum on October 9, 2008), we provided a detailed response contending that the assertions in the warning letter were not correct. On November 4, 2008, we received a letter from the FDA (dated November 3, 2008) in which the FDA stated without elaboration that, after reviewing our response, it disagreed with our position and that a new premarket notification submission was required. After discussions with the FDA regarding the November 3rd letter, we received an additional letter on November 6, 2008 from the FDA. The November 6th letter stated that the intent of the November 3rd letter was to inform us of the FDA's preliminary disagreement with our response to the warning letter and, before finalizing a position, the FDA reiterated that it wanted to meet with us to discuss the Company's response, issues related to the warning letter and next steps to resolve any differences between the Company and the FDA. We thereafter met with the FDA and, on January 20, 2009, we announced that we had submitted to the FDA a new liquid chemical sterilant processing system for 510(k) clearance, and we communicated to Customers that we would continue supporting the existing

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SYSTEM 1 installed base in the U.S. for at least a two year period from that date. (On April 5, 2010, we received FDA clearance of the new liquid chemical sterilant processing system (SYSTEM 1E).)

On December 3, 2009, the FDA provided a notice ("notice") to healthcare facility administrators and infection control practitioners describing FDA's "concerns about the SYSTEM 1 Processor, components and accessories, and FDA recommendations." In the notice, among other things, FDA stated its belief that the SYSTEM 1 device had been significantly modified, that FDA had not cleared or approved the modified device, and that FDA had not determined whether the SYSTEM 1 was safe or effective for its labeled claims. The notice further stated that use of a device that does not properly sterilize or disinfect a medical or surgical device poses risks to patients and users, including the transmission of pathogens, exposure to hazardous chemicals and affect the quality and functionality of reprocessed instruments. The notice stated that FDA was aware of reports of malfunctions of the SYSTEM 1 that had the potential to cause or contribute to serious injuries to patients, such as infections, or injuries to healthcare staff, such as burns. Included in FDA's December 3, 2009 notice was a recommendation from FDA that if users had acceptable alternatives to meet sterilization and disinfection needs, they should transition to that alternative as soon as possible. After its December 3, 2009 notice, we engaged in extensive discussions with the FDA regarding a comprehensive resolution of this matter. During this transition period, we continued to support the existing SYSTEM 1 installed base by providing accessories, sterilant, service and parts to U.S. Customers.

In April 2010 we reached agreement with the FDA on the terms of a consent decree ("Consent Decree"). On April 19, 2010, a Complaint and Consent Decree were filed in the U.S. District Court for the Northern District of Ohio, and on April 20, 2010, the Court approved the Consent Decree. In general, the Consent Decree addresses regulatory matters regarding SYSTEM 1, restricts further sales of SYSTEM 1 processors in the U.S., defines certain documentation and other requirements for continued service and support of SYSTEM 1 in the U.S., prohibits the sale of liquid chemical sterilization or disinfection products in the U.S. that do not have FDA clearance, describes various process and compliance matters, and defines penalties in the event of violation of the Consent Decree.

The Consent Decree also provides that we may continue to support our Customers' use of SYSTEM 1 in the U.S., including the sale of consumables, parts and accessories and service for a transition period, not to extend beyond August 2, 2011, subject to compliance with requirements for documentation of the Customer's need for continued support and other conditions and limitations (the "Transition Plan"). This transition period has since been extended by the FDA until February 2, 2012. Our Transition Plan includes the "SYSTEM 1 Rebate Program" (the "Rebate Program"). In April 2010, we began to offer rebates to qualifying Customers. Generally, U.S. Customers that purchased SYSTEM 1 processors directly from us or who are current users of SYSTEM 1 and who return their units will have the option of either a pro-rated cash rebate or a rebate toward the future purchase of new STERIS capital equipment (including SYSTEM 1E) or consumable products. In addition, we will provide credits for SYSTEM 1 consumables in unbroken packaging and within shelf life and for the unused portion of SYSTEM 1 service contracts. As a result, we recorded a pre-tax liability of $110,004 related to the SYSTEM 1 Rebate Program. Of the $110,004, $102,313 is attributable to the Customer Rebate portion of the Program and was recorded as a reduction of revenues, and $7,691 is attributable to the disposal liability of the SYSTEM 1 units to be returned and was recorded as an increase in cost of revenues. This also resulted in a $110,004 reduction in operating income. The Rebate Program balance at March 31, 2011 is $107,887.

Recording the obligations associated with the Rebate Program requires the use of estimates and assumptions. The use of estimates and assumptions involves judgments with respect to factors that may impact the ultimate outcome and may be beyond management's control. The amount recognized during the first quarter of fiscal 2011 is based upon the quantity of SYSTEM 1 processors eligible for rebates and the estimated value of rebates to be provided upon their return. Rebates of $102,313 are recognized as contra-revenue consistent with other returns and allowances offered to Customers. The estimated cost of $7,691 to facilitate the return and disposal of the processors has been recognized as cost of revenues. Both components are recorded as current liabilities. The key assumptions involved in the estimates associated with the Rebate Program include: the number and age of SYSTEM 1 processors eligible for rebates under the Rebate Program, the number of Customers that will elect to participate in the Rebate Program, the proportion of Customers that will choose each rebate option, and the estimated per unit costs of disposal.

The number and age of SYSTEM 1 processors has been estimated based on our historical sales and service records and we have assumed that 100% of eligible Customers will elect to participate in the Rebate Program. In order to estimate the portion of Customers that will choose each available rebate option, we first assessed the trend in sales of the proprietary consumable products utilized in the SYSTEM 1 processor. We noted a decline of approximately 19% in shipments during the period

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between the notice and the announcement of the Rebate Program which indicated that a portion of our Customers had already transitioned away from the SYSTEM 1 technology. The remaining 81%, provided the best available indication of the portion of Customers likely to elect the rebate for the SYSTEM 1E processor. Order and quote data for the fiscal 2011 year provides indications of the proportion of Customers that are expected to choose each of the other cash and rebate options. The per unit costs associated with disposal were estimated based on the service hours involved and quotes from our vendors which are based on current freight and disposal contracts.

The Consent Decree has defined the resolution of a number of issues regarding SYSTEM 1, and we believe our actions since January 2009 with respect to SYSTEM 1, including the Transition Plan, were and are not recalls, corrections or removals under FDA regulations. However, there is no assurance that these or other claims will not be brought or that judicial, regulatory, administrative or other legal or enforcement actions, notices or remedies will not be pursued, or that action will not be taken in respect of the Consent Decree, the Transition Plan, SYSTEM 1, the EPS System (described subsequently), or otherwise with respect to regulatory or compliance matters, as described in this note 11 or in various portions of Item 1A. of Part I of this Annual Report on Form 10-K.

Our assumptions regarding the response of our Customers to the Rebate Program could be wrong and actual results could be different from these estimates. For example, if all Customers elected the maximum incentive rebate associated with the SYSTEM 1E processor rebate, the total estimated rebate liability of $102,313 would increase to approximately $111,000. Conversely, if all Customers elected the cash rebate option, the total estimated rebate liability would decrease to approximately $52,000.

In December of 2010, we began shipping SYSTEM 1E units in limited numbers, after having received FDA clearance for the SYSTEM 1E chemical indicator, which is used in conjunction with the SYSTEM 1E. We have also requested FDA clearance or approval of an additional indicator for SYSTEM 1E, although this indicator is not required by regulation to sell or operate the device. No assurance can be made that the FDA will agree to this request.

Also in April, 2010 we voluntarily submitted information regarding modifications to the Reliance EPS Endoscope Processing System (the “EPS System”) to the FDA. These incremental modifications to the EPS System were considered minor by us. FDA subsequently advised us that it believed a new pre-market notification (510(k)) for those modifications should be submitted. We thereafter submitted this pre-market notification to the FDA. We also suspended shipments of EPS Systems in the U.S. pending FDA review of the submission but continued servicing and providing consumables necessary for the continued use of the EPS Systems. In December 2010, we received FDA clearance of the modified EPS System and immediately resumed shipment in the U.S.

On February 10, 2011, we received a warning letter from the FDA regarding our Verify® SixCess Class 6 Challenge Packs and Verify SixCess Class 6 Chemical Indicators. These devices are intended for use in steam sterilization applications. The Verify SixCess Class 6 Challenge Packs and Verify SixCess Class 6 Chemical Indicators are not related to the STERIS SYSTEM 1E Liquid Chemical Sterilant Processing System. This FDA warning letter claims that certain promotional materials related to these devices include incorrect statements and, as a result of those statements, the warning letter claims that these devices are misbranded under the U.S. Food, Drug and Cosmetic Act. We have responded to this warning letter and do not believe that the impact of this event will have a material adverse effect on our financial results.

On February 5, 2010, a complaint was filed by a Customer that claims to have purchased two SYSTEM 1 devices from STERIS, Physicians of Winter Haven LLC d/b/a Day Surgery Center v. STERIS Corp., Case No. 1:1-cv-00264-CAB (N.D. Ohio). The complaint alleges statutory violations, breaches of various warranties, negligence, failure to warn, and unjust enrichment. Plaintiff seeks class certification, damages, and other legal and equitable relief including, without limitation, attorneys' fees and an order requiring STERIS to replace, recall or adequately repair the product and/or to take appropriate regulatory action. On February 7, 2011 we entered into a settlement agreement in which we agreed, among other things, to provide various categories of economic relief for members of the settlement class and not object to plaintiff's counsel's application to the court for attorneys' fees and expenses up to a specified amount. The settlement has been preliminarily approved by the court. Both certification of a settlement class and final approval of the settlement require approval of the court and satisfaction of certain other conditions. There is no assurance that the court will take such actions, that such conditions will be satisfied, or that this matter will be resolved, or be resolved consistent with the terms and conditions of such settlement agreement. During the third quarter of fiscal 2011, we recorded in operating expenses a pre-tax charge of approximately $19,796 related to the proposed settlement of these proceedings. The assumptions regarding the amount of this charge include,

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among others, the portion of class members participating in the settlement and their choice of the categories of economic relief available for such members. These assumptions may be incorrect and the costs of the settlement may be higher or lower than the charge recorded. The actual settlement could be as low as $7,000 and as high as $22,000 depending on the options selected by the class members.

This putative class action or other civil, criminal, regulatory or other proceedings involving our SYSTEM 1, SYSTEM 1E, EPS System, or other products or services could possibly result in judgments, settlements or administrative or judicial decrees requiring us, among other actions, to pay damages or fines or effect recalls, or be subject to other governmental, Customer or other third party claims or remedies, which could materially affect our business, performance, prospects, value, financial condition, and results of operations.

For additional information regarding these matters, see the following portions of this Annual Report on Form 10-K: “Business - Information with respect to our Business in General - Government Regulation”, and the “Risk Factor” titled: “We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters, including the Warning Letter and Consent Decree.”, the “Risk Factor” titled: “Our business may be adversely affected as a result of the U.S. Food and Drug Administration notices to healthcare administrators and device manufacturers, and related matters,” and the “Risk Factor” titled “Compliance with the Consent Decree may be more costly and burdensome than anticipated.”

From time to time, STERIS is also involved in legal proceedings as a plaintiff involving contract, patent protection, and other claims asserted by us. Gains, if any, from these proceedings are recognized when they are realized.

We are subject to taxation from United States federal, state, and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual jurisdiction or the closing of statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. We describe income taxes further in Note 9 to our consolidated financial statements titled, “Income Taxes”, in this Annual Report on Form 10-K.

Additional information regarding our contingencies is included in Item 7 of Part II titled, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” and in Item 3 of Part I titled, “Legal Proceedings” contained in this Annual Report on Form 10-K.

As of March 31, 2011 and 2010, our commercial commitments totaled $34,330 and $36,706, respectively. Commercial commitments include standby letters of credit, letters of credit required as security under our self-insured risk retention policies, and other potential cash outflows resulting from an event that requires payment by us. Approximately $7,740 and $8,341, respectively, of the totals at March 31, 2011 and 2010 relate to letters of credit required as security under our self-insured risk retention policies.

As of March 31, 2011 and 2010, we had minimum purchase commitments with suppliers for raw material purchases totaling $40,455 and $17,666, respectively.

12. BUSINESS SEGMENT INFORMATION

We operate and report in three reportable business segments: Healthcare, Life Sciences, and Isomedix. “Corporate and other,” which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs.

Our Healthcare segment manufactures and sells capital equipment, accessory, consumable, and service solutions to healthcare providers, including acute care hospitals and surgery centers. These solutions aid our Customers in improving the safety, quality, and productivity of their surgical, sterile processing, gastrointestinal, and emergency environments.

Our Life Sciences segment manufactures and sells engineered capital equipment, formulated cleaning chemistries, and service solutions to pharmaceutical companies, and private and public research facilities around the globe.

Our Isomedix segment operates through a network of 18 facilities located in North America. We sell a comprehensive array of contract sterilization services using gamma irradiation, and ethylene oxide (“EO”) technologies. We provide sterilization and microbial reduction services to companies that supply products to the healthcare, industrial, and consumer products industries.

Financial information for each of our segments is presented in the following table. Operating income (loss) for each segment is calculated as the segment’s gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. These

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(dollars in thousands, except per share amounts)

allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment. “Corporate and other” includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits.

The accounting policies for segments are the same as those for the consolidated Company. For the year ended March 31, 2011, revenues from a single Customer did not equal ten percent or more of any segment’s revenues.

Years Ended March 31,	2011	2010	2009
Revenues:			
Healthcare (1)	$835,832	$892,474	$931,263
Life Sciences	215,437	218,209	216,701
Isomedix	152,242	140,871	142,645
Total Reportable Segments	1,203,511	1,251,554	1,290,609
Corporate and other	3,937	6,179	7,916
Total Revenues	$1,207,448	$1,257,733	$1,298,525
Operating Income:			
Healthcare (2)	$21,317	$151,520	$132,601
Life Sciences	33,069	30,952	18,413
Isomedix	39,833	31,103	34,763
Total Reportable Segments	94,219	213,575	185,777
Corporate and other	(9,007)	(9,863)	(10,332)
Total Operating Income	$85,212	$203,712	$175,445

(1) Includes a reduction of $102,313 resulting from the SYSTEM 1 Rebate Program.

(2) Includes reductions of $110,004, resulting from the SYSTEM 1 Rebate Program, and $19,796, resulting from the proposed class action settlement.

For the year ended March 31, 2011, pre-tax restructuring expenses of $1,020, $190 and $142 are included in the operating results of the Healthcare, Life Sciences and Isomedix segments, respectively. For the year ended March 31, 2010, pre-tax restructuring expenses of $3,839 and $555 are included in the operating results of the Healthcare and Life Sciences segments, respectively. For the year ended March 31, 2009, pre-tax restructuring expenses of $11,399, $2,562, $40 and $(1) are included in the operating results of the Healthcare, Life Sciences, and Isomedix segments, and in Corporate and other, respectively.

Assets include the current and long-lived assets directly attributable to the segment based on the management of the location or on utilization. Certain corporate assets were allocated to the reportable segments based on revenues. Assets attributed to sales and distribution locations are only allocated to the Healthcare and Life Sciences segments. Capital expenditures and depreciation and amortization are allocated to the segments based on variables such as headcount and revenues. Capital expenditures and depreciation and amortization related to research and development efforts are allocated to the Healthcare and Life Sciences segments based on the respective proportion of research and development expenses. “Corporate and other” includes assets, capital expenditures, and depreciation and amortization directly attributable to the Defense and Industrial business unit, as well as certain unallocated amounts related to being a publicly traded company.

Individual facilities, equipment, and intellectual properties are utilized for production by both the Healthcare and Life Sciences segments at varying levels over time. As a result, an allocation of total assets, capital expenditures, and depreciation and amortization is not meaningful to the individual performance of the Healthcare and Life Sciences segments. Therefore, their respective amounts are reported together.

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March 31,	2011	2010
Assets:		
Healthcare and Life Sciences	$1,072,892	$895,694
Isomedix	352,153	341,452
Total Reportable Segments	1,425,045	1,237,146
Corporate and other	1,640	1,256
Total Assets	$1,426,685	$1,238,402

Years Ended March 31,	2011	2010	2009
Capital Expenditures:			
Healthcare and Life Sciences	$36,156	$20,602	$15,278
Isomedix	41,271	23,454	25,559
Total Reportable Segments	77,427	44,056	40,837
Corporate and other	15	31	52
Total Capital Expenditures	$77,442	$44,087	$40,889
Depreciation, Depletion, and Amortization:			
Healthcare and Life Sciences	$30,188	$32,640	$34,866
Isomedix	24,183	23,553	23,848
Total Reportable Segments	54,371	56,193	58,714
Corporate and other	18	25	59
Total Depreciation, Depletion, and Amortization	$54,389	$56,218	$58,773

Financial information for each of our United States and international geographic areas is presented in the following table. Revenues are based on the location of these operations and their Customers. Property, plant and equipment, net are those assets that are identified within the operations in each geographic area.

Years Ended March 31,	2011	2010	2009
Revenues:			
United States	$882,281	$949,637	$993,487
International	325,167	308,096	305,038
Total Revenues	$1,207,448	$1,257,733	$1,298,525

March 31,	2011	2010
Property, Plant, and Equipment, Net		
United States	$318,110	$301,405
International	52,292	45,453
Property, Plant, and Equipment, Net	$370,402	$346,858

13. COMMON SHARES

We calculate basic earnings per common share based upon the weighted average number of common shares outstanding. We calculate diluted earnings per share based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method. The following is a summary of common shares and common share equivalents outstanding used in the calculations of basic and diluted earnings per share:

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	Years Ended March 31,		
(in thousands)	2011	2010	2009
Weighted average common shares outstanding – basic	59,306	58,826	58,778
Dilutive effect of common share equivalents	842	597	670
Weighted Average Common Shares and Equivalents – diluted	60,148	59,423	59,448

Options to purchase the following number of common shares were outstanding but excluded from the computation of diluted earnings per share because the combined exercise prices, unamortized fair values, and assumed tax benefits upon exercise were greater than the average market price for the common shares during the periods, so including these options would be anti-dilutive:

	Years Ended March 31,		
(shares in thousands)	2011	2010	2009
Number of common share options	383	1,138	1,286

14. REPURCHASES OF COMMON SHARES

In March 2008, we announced that the Company's Board of Directors provided authorization to repurchase up to $300,000 of STERIS common shares. The March 2008 common share repurchase authorization does not have a stated maturity date. Under this authorization, we may purchase shares from time to time through open market purchases, including transactions pursuant to Rule 10b5-1 plans, or privately negotiated transactions.

Under the stock repurchase authorization provided by our Board of Directors, we repurchased 925,848 of our common shares during fiscal 2011 in the aggregate amount of $29,462, representing an average price of $31.82 per common share. We did not repurchase any shares under this authorization during fiscal 2010. During fiscal 2009, we paid an aggregate amount of $80,466 for the repurchase of 2,646,177 of our common shares, representing an average price of $30.41 per common share. This includes certain March 2008 repurchases of 225,000 of our common shares for an aggregate amount of $6,028 that were not settled until April 2008.

We obtained 15,224 of our common shares during fiscal 2011 in the aggregate amount of $503 in connection with stock-based compensation award programs. We obtained 11,220 of our common shares during fiscal 2010 in the aggregate amount of $310 in connection with these programs. At March 31, 2011, $174,402 remained available for the repurchase of STERIS common shares pursuant to the March 2008 Board authorization.

15. SHARE-BASED COMPENSATION

We maintain a long-term incentive plan that makes available common shares for grants, at the discretion of the Compensation Committee of the Board of Directors, to officers, directors, and key employees in the form of stock options, restricted shares, restricted share units, and stock appreciation rights. Stock options provide the right to purchase our common shares at the market price on the date of grant, subject to the terms of the option plans and agreements. Generally, one-fourth of the stock options granted become exercisable for each full year of employment following the date of grant. Stock options granted generally expire 10 years after the date of grant, or earlier if an option holder is no longer employed by us. Restricted shares and restricted share units generally cliff vest over an approximately three or four-year period. As of March 31, 2011, 3,519,891 shares remain available for grant under the long-term incentive plan.

The fair value of share-based compensation awards was estimated at their grant date using the Black-Scholes-Merton option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in our option grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different. The value of the portion of the award that is ultimately expected to vest is

recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general, and administrative expenses in a manner consistent with the employee’s compensation and benefits.
The following weighted average assumptions were used for options granted during fiscal 2011, fiscal 2010, and fiscal 2009:

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	Fiscal 2011		Fiscal 2010		Fiscal 2009	
Risk-free interest rate	2.68	%	1.89	%	2.65	%
Expected life of options	5.7 years		5.5 years		5.6 years	
Expected dividend yield of stock	1.59	%	1.49	%	0.86	%
Expected volatility of stock	30.13	%	27.96	%	27.72	%

The risk-free interest rate is based upon the U.S. Treasury yield curve. The expected life of options is reflective of our historical experience, vesting schedules, and contractual terms. The expected dividend yield of stock represents our best estimate of expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a time frame similar to that of the expected life of the grant. An estimated forfeiture rate of 2.27, 2.39 and 2.86 percent was applied in fiscal years 2011, 2010, and 2009, respectively. This rate is calculated based upon historical activity and represents an estimate of the granted awards not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.
A summary of share option activity is as follows:

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2010	3,599,221		$24.96		
Granted	273,578		31.92		
Exercised	(560,908	)	22.43		
Forfeited	(28,340	)	26.40		
Canceled	(9,156	)	28.02		
Outstanding at March 31, 2011	3,274,395		$25.95	5.56	$28,133
Exercisable at March 31, 2011	2,291,039		$25.31	—4.52	—$21,153

We estimate that 971,694 of the non-vested stock options outstanding at March 31, 2011 will ultimately vest.
The aggregate intrinsic value in the table above represents the total pre-tax difference between the $34.54 closing price of our common shares on March 31, 2011 over the exercise price of the stock option, multiplied by the number of options outstanding or outstanding and exercisable. The aggregate intrinsic value is not recorded for financial accounting purposes and the value changes daily based on the daily changes in the fair market value of our common shares.
The total intrinsic value of stock options exercised during the years ended March 31, 2011, 2010, and 2009 was $6,669, $6,546, and $24,416, respectively. Net cash proceeds from the exercise of stock options were $ 12,730, $14,047, and $33,621 for the years ended March 31, 2011, 2010, and 2009, respectively. The tax benefit from stock option exercises was $2,525, $2,467, and $6,982 for the years ended March 31, 2011, 2010, and 2009, respectively.
The weighted average grant date fair value of share-based compensation grants was $8.80, $5.69, and $8.74 for the years ended March 31, 2011, 2010, and 2009, respectively.
Stock appreciation rights ("SARS") carry generally the same terms and vesting requirements as stock options except that they are settled in cash upon exercise and therefore, are classified as liabilities. The fair value of outstanding SARS as of March 31, 2011 and 2010 was $996 and $791, respectively. The fair value of each outstanding SAR is revalued each reporting date and the related liability and expense are adjusted appropriately.

A summary of the non-vested restricted share and share settled restricted share unit activity is presented below:

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	Number of Restricted Shares	Number of Restricted Share Units Settled in Shares	Weighted Average Grant Date Fair Value
Non-vested at March 31, 2010	222,590	23,000	26.80
Granted	263,397	—	31.99
Vested	(73,613)	(23,000)	28.55
Forfeited	(11,423)	—	29.90
Non-vested at March 31, 2011	400,951	—	$29.70

Restricted shares and restricted share units granted are valued based on the closing stock price at the grant date and generally cliff vest over approximately a three or four-year period based upon the terms of the grants. The total fair value of restricted shares that vested during the years ended March 31, 2011, 2010, and 2009 was $2,758, $2,630, and $1,903, respectively.

Cash-settled restricted share units carry generally the same terms and vesting requirements as share settled restricted share units except that they are settled in cash upon vesting and therefore, are classified as liabilities. The fair value of outstanding cash-settled restricted share units as of March 31, 2011, and 2010 was $1,214 and $340, respectively. The fair value of each cash-settled restricted share unit is revalued at each reporting date and the related liability and expense are adjusted appropriately.

As of March 31, 2011, there was $8,428 of total unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plans. We expect to recognize the cost over a weighted average period of 1.97 years.

16. FINANCIAL AND OTHER GUARANTEES

We generally offer a limited one-year parts and labor warranty on our capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the country where we conduct business. We record a liability for the estimated cost of product warranties at the time product revenue is recognized. The amounts we expect to incur on behalf of our Customers for the future estimated cost of these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets. Factors that affect the amount of our warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. We periodically assess the adequacy of our recorded warranty liabilities and adjust the recorded amounts as necessary.

Changes in our warranty liability during the periods presented are as follows:

Years Ended March 31,	2011	2010	2009
Balance, Beginning of Year	$6,070	$7,573	$7,825
Warranties issued during the period	11,185	8,706	11,152
Settlements made during the period	(9,746)	(10,209)	(11,404)
Balance, End of Year	$7,509	$6,070	$7,573

We also sell product maintenance contracts to our Customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from Customers under these contracts as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets. The liability recorded for deferred service revenue was $17,551 and $17,709 as of March 31, 2011 and 2010, respectively. Such deferred revenue is then amortized on a straight-line basis over the contract term and recognized as service revenue on the accompanying Consolidated Statements of Income. The activity related to the liability for deferred service revenue has been excluded from the table presented above.

17. FORWARD AND SWAP CONTRACTS

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from transactions denominated in foreign currencies, including inter-company transactions. We also enter into commodity swap contracts to hedge price changes in commodities that impact raw materials included in our cost of revenues. We do not use

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derivative financial instruments for speculative purposes. These contracts are not designated as hedging instruments and do not receive hedge accounting treatment; therefore, changes in their fair value are not deferred but are recognized immediately in the Consolidated Statements of Income.

	Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value at March 31, 2011	Fair Value at March 31, 2010	Fair Value at March 31, 2011	Fair Value at March 31, 2010
Prepaid & Other	$1,483	$992	$—	$—
Accrued expenses and other	$—	$—	$41	$—

The following table presents the impact of derivative instruments and their location within the Consolidated Statements of Income.

		Amount of gain (loss) recognized in income Years ended March 31,		
	Location of gain (loss) recognized in income	2011	2010	2009
Foreign currency forward contracts	Selling, general and administrative	$1,696	$541	$(2,064)
Commodity swap contracts	Cost of Revenues	$306	$826	$—

18. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of financial instruments using available market information and generally accepted valuation methodologies. The inputs used to measure fair value are classified into three tiers. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the entity to develop its own assumptions. The following table shows our financial assets and liabilities accounted for at fair value on a recurring basis at March 31, 2011:

		Fair Value Measurements at March 31, 2011		
	March 31, 2011	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash and cash equivalents	$193,016	$193,016	$—	$—
Forward and swap contracts (1)	1,483	—	1,483	—
Investments (2)	2,493	2,493	—	—
Liabilities:				
Forward and swap contracts (1)	$41	$—	$41	$—
Deferred compensation plans (2)	2,493	2,493	—	—

(1) The fair values of forward and swap contracts are based on period-end forward rates and reflect the value of the amount that we would pay or receive for the contracts involving the same notional amounts and maturity dates.

(2) We provide a domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of compensation for an employee-specified term or until retirement or termination. Amounts deferred can be allocated to various hypothetical investment options. We hold investments to satisfy the future obligations of the plan. Changes in the value of the investment accounts are recognized each period based on the fair value of the underlying investments. Employees making deferrals are entitled to receive distributions of their hypothetical account balances (amounts deferred, together with earnings (losses)).

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19. SUBSEQUENT EVENTS

We have evaluated subsequent events through the date the financial statements were filed with the SEC. Based upon this evaluation, we have determined that no material subsequent events occurred that require recognition in the financial statements. In May 2011 we acquired the stock of a privately held company with operations located near Sao Paulo, Brazil for approximately $30 million, including contingent consideration. The company designs and manufactures small, medium and large sterilizers used by public hospitals, clinics, dental offices and industrial companies (e.g., research laboratories and pharmaceutical research and production companies).

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20. QUARTERLY RESULTS (UNAUDITED)

Quarters Ended	March 31,	December 31,	September 30,	June 30,
Fiscal 2011 (1)				
Revenues:				
Product	$256,852	$212,622	$197,092	$77,272
Service	120,908	115,661	115,333	111,708
Total Revenues	377,760	328,283	312,425	188,980
Cost of Revenues:				
Product	153,770	123,381	110,736	106,576
Service	67,963	67,888	66,634	64,338
Total Cost of Revenues	221,733	191,269	177,370	170,914
Gross Profit	156,027	137,014	135,055	18,066
Percentage of Revenues	41.3 %	41.7 %	43.2 %	9.6 %
Restructuring Expenses	779	(23)	105	341
Net Income	$39,000	$21,765	$35,711	$(45,210)
Basic Income Per Common Share:				
Net income	$0.66	$0.37	$0.60	$(0.76)
Diluted Income Per Common Share:				
Net income	$0.65	$0.36	$0.59	$(0.76)
Fiscal 2010				
Revenues:				
Product	$212,296	$214,072	$199,135	$173,500
Service	119,833	113,760	115,094	110,043
Total Revenues	332,129	327,832	314,229	283,543
Cost of Revenues:				
Product	122,428	122,324	115,958	94,277
Service	67,493	66,025	65,616	64,430
Total Cost of Revenues	189,921	188,349	181,574	158,707
Gross Profit	142,208	139,483	132,655	124,836
Percentage of Revenues	42.8 %	42.5 %	42.2 %	44.0 %
Restructuring Expenses	5,161	14	(115)	(211)
Net Income	$29,835	$41,006	$32,084	$25,542
Basic Income Per Common Share:				
Net income	$0.50	$0.70	$0.55	$0.44
Diluted Income Per Common Share:				
Net income	$0.50	$0.69	$0.54	$0.43

(1) The fiscal 2011 quarter ended June 30 includes the impact of the SYSTEM 1 Rebate Program as a $102,313 reduction in product revenues and a $7,691 increase in product cost of revenues. The fiscal 2011 quarter ended December 31 includes the impact of the proposed class action settlement as a $19,796 increase in selling, general and administrative expenses.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charges to Costs and Expenses		Charges to Other Accounts		Deductions		Balance at End of Period
(in thousands)								
Year ended March 31, 2011								
Deducted from asset accounts:								
Allowance for trade accounts receivable(1)	$9,238	$2,016		$25	(3)	$(2,195	)(4)	$9,084
Inventory valuation reserve	10,557	(638	)(2)	203	(3)	—		10,122
Deferred tax asset valuation allowance	9,880	970		2,240		(1,669	)	11,421
Recorded within liabilities:								
Casualty loss reserves	$13,130	$2,952		$—		$(3,045	)	$13,037
Accrued SYSTEM 1 Rebate Program and proposed class action settlement	—	129,800	(5)	—		(2,117	)	127,683
Year ended March 31, 2010								
Deducted from asset accounts:								
Allowance for trade accounts receivable(1)	$10,728	$948		$101	(3)	$(2,539	)(4)	$9,238
Inventory valuation reserve	15,025	(5,205	)(2)	737	(3)	—		10,557
Deferred tax asset valuation allowance	9,957	741		75		(892	)	9,881
Recorded within liabilities:								
Casualty loss reserves	$15,277	$753		$—		$(2,900	)	$13,130
Year ended March 31, 2009								
Deducted from asset accounts:								
Allowance for trade accounts receivable(1)	$9,396	$6,982		$(242	)(3)	$(5,408	)(4)	$10,728
Inventory valuation reserve	12,940	3,433	(2)	(1,348	)(3)	—		15,025
Deferred tax asset valuation allowance	8,998	4,103		(1,602	)	(1,542	)	9,957
Recorded within liabilities:								
Casualty loss reserves	$16,400	$2,555		$—		$(3,678	)	$15,277

(1) Net allowance for doubtful accounts and allowance for sales and returns.
(2) Provision for excess and obsolete inventory, net of inventory written off.
(3) Change in foreign currency exchange, international subsidiaries.
(4) Uncollectible accounts written off, net of recoveries.
(5) Charges were classified as follows: $102,313 as a reduction of revenues, $7,691 as cost of revenues, and $19,796 as selling, general and administrative expenses.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, including the Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), has evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. Based on this evaluation, the PEO and PFO have determined that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15(d)-15(f). Under the supervision and with the participation of management, including the PEO and PFO, we conducted an evaluation of the effectiveness of internal control over financial reporting as of March 31, 2011 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation under this framework, management concluded that the internal control over financial reporting was effective as of March 31, 2011.

The effectiveness of our internal controls over financial reporting as of March 31, 2011 has been audited by our independent registered public accounting firm, Ernst & Young LLP. The Report of Management and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8 of this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROLS

During the quarter ended March 31, 2011, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

This Annual Report on Form 10-K incorporates by reference the information appearing under the caption "Nominees for Election as Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Board Meetings and Committees" and "Shareholder Nominations of Directors and Nominee Criteria" of our definitive proxy statement to be filed with the SEC in connection with our 2011 Annual Meeting of Shareholders (the "Proxy Statement").

Our executive officers serve for a term of one year from the date of election to the next organizational meeting of the Board of Directors and until their respective successors are elected and qualified, except in the case of death, resignation, or removal. Information concerning our executive officers is contained in Item 4 of Part I of this Annual Report. We have adopted a code of ethics, our Code of Business Conduct for Employees that applies to our PEO and PFO and Principal Accounting Officer as well as all our other employees. We have also adopted a code of ethics, our Director Code of Ethics, which applies to the members of the Company's Board of Directors, including our PEO. Our Code of Business Conduct for Employees and the Director Code of Ethics can be found on our Investor Relations website at www.steris-ir.com. Any amendments or waivers of either of these codes will be made available on this website.

ITEM 11. EXECUTIVE COMPENSATION

This Annual Report on Form 10-K incorporates by reference the information appearing beginning under the captions "Executive Compensation," "Non-Employee Director Compensation" and "Miscellaneous Matters" of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This Annual Report on Form 10-K incorporates by reference the information appearing under the captions "Ownership of Voting Securities" and "Summary of Equity Compensation Plans" of the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This Annual Report on Form 10-K incorporates by reference the information appearing beginning under the captions "Governance Generally," "Board Meetings and Committees" and "Miscellaneous Matters" of the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This Annual Report on Form 10-K incorporates by reference the information relating to principal accounting fees and services appearing under the caption "Independent Registered Public Accounting Firm" of the Proxy Statement.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE
LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
(a) (1) The following consolidated financial statements of STERIS Corporation and subsidiaries are included in Item 8:
Consolidated Balance Sheets – March 31, 2011 and 2010.
Consolidated Statements of Income – Years ended March 31, 2011, 2010, and 2009.
Consolidated Statements of Cash Flows – Years ended March 31, 2011, 2010, and 2009.
Consolidated Statements of Shareholders' Equity – Years ended March 31, 2011, 2010, and 2009.
Notes to Consolidated Financial Statements.
(a) (2) The following consolidated financial statement schedule of STERIS Corporation and subsidiaries is included in Item 8:
Schedule II - Valuation and Qualifying Accounts
All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.
(a)(3) Exhibits

Exhibit Number	Exhibit Description
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended on July 26, 2007 (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	Amended and Restated Non-Qualified Stock Option Plan (filed as Exhibit 10.1 to Form 10-K filed for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).*
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 10.2 to Form 10-K filed for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).*
10.3	STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan (filed as Exhibit 10.3 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).*
10.4	STERIS Corporation Form of Nonqualified Stock Option Grant Agreement for Directors (filed as Exhibit 10.4 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).*
10.5	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.2 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No.

	1-14643), and incorporated herein by reference).*
10.6	STERIS Corporation 1997 Stock Option Plan (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).*
10.7	STERIS Corporation 1998 Long-Term Incentive Stock Plan (filed as Exhibit 10.8 to Form 10-K for fiscal year ended March 31, 1999 (Commission File No. 1-14643), and incorporated herein by reference).*

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10.8	STERIS Corporation 2002 Stock Option Plan (filed as Exhibit 10.7 to Form 10-K for the fiscal year ended March 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).*
10.9	STERIS Corporation 2006 Long-Term Equity Incentive Plan (filed as Exhibit 10.1 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.10	Amendment No. 1 to STERIS Corporation 2006 Long-Term Equity Incentive Plan (filed as Exhibit 10.11 to Form 10-K for the fiscal year ended March 31, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.11	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.3 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.12	STERIS Corporation Form of Restricted Stock Agreement for Directors (filed as Exhibit 10.5 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.13	STERIS Corporation Form of Restricted Stock Unit Agreement for Employees (filed as Exhibit 10.5 to Form 10-Q filed for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.14	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.7 to Form 10-Q filed for the fiscal quarter ended September 30, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.15	STERIS Corporation Form of Nonqualified Stock Option Agreement for Nonemployee Directors (filed as Exhibit 10.8 to Form 10-Q filed for the fiscal quarter ended September 30, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.16	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.17	STERIS Corporation Form of Restricted Stock Agreement for Nonemployee Directors (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.18	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
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10.20	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended June 30, 2009 (Commission File No. 1-14643), and

	incorporated herein by reference).*
10.21	STERIS Corporation Form of Non-Qualified Stock Option Agreement for Employees (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended June 30, 2009 (Commission File No. 1-14643), and incorporated herein by reference).*
10.22	STERIS Corporation Form of Non-Qualified Stock Option Agreement for Employees*.
10.23	STERIS Corporation Form of Restricted Stock Agreement for Employees*.
10.24	STERIS Corporation Deferred Compensation Plan Document (filed as Exhibit 10.1 to Form 8-K filed September 1, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.25	STERIS Corporation Deferred Compensation Plan Document (as Amended and Restated Effective January 1, 2009) (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended December 31, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.26	Amended and Restated Adoption Agreement related to STERIS Corporation Deferred Compensation Plan (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended December 31, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*

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10.27	STERIS Corporation Incentive Compensation Plan (filed as Exhibit 10.1 to Form 8-K filed May 7, 2009 (Commission File No. 1-14643), and incorporated herein by reference).*
10.28	STERIS Corporation Senior Executive Management Incentive Compensation Plan, as Amended and Restated Effective April 1, 2010 (filed as Appendix A to Schedule 14A (Definitive Proxy Statement) filed June 8, 2010 (Commission File No. 1-14643), and incorporated herein by reference).*
10.29	Form of Change of Control Agreement between STERIS Corporation and certain executive officers of STERIS Corporation other than Mr. Walter M Rosebrough, Jr. (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1999 (Commission File No. 1-14643), and incorporated herein by reference).*
10.30	Employment Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough (filed as Exhibit 10.3 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.31	Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough (filed as Exhibit 10.4 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.32	Executive Retention Agreement dated April 1, 2010 between STERIS Corporation and Dr. Peter Burke (filed as Exhibit 10.1 to Form10-Q filed for the fiscal quarter ended June 30, 2010 (Commission File No. 1-14643), and incorporated herein by reference). *
10.33	Form of Indemnification Agreement between STERIS Corporation and each of its directors and executive officers (filed as Exhbit 10.31 to Form 10-K for the fiscal year ended March 31, 2010 (Commission File No. 1-14643), and incorporated herein by reference).
10.34	Agreement dated as of April 23, 2008 by and among STERIS Corporation, Richard C. Breeden, Robert H. Fields, and the Breeden Investors identified therein (filed as Exhibit 10.1 to Form 8-K filed April 24, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.35	Second Amended and Restated Credit Agreement, dated September 13, 2007, among STERIS Corporation, KeyBank National Association, as agent for the lenders from time to time party thereto, and such lenders (filed as Exhibit 10.1 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.36	Form of Note Purchase Agreements, dated December 17, 2003, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended December 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.37	First Amendment dated as of August 15, 2008 to Note Purchase Agreements dated as of December 17, 2003 between STERIS Corporation and certain institutional investors (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.38	Subsidiary Guaranty dated December 17, 2003, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.4 to Form 10-Q filed for the fiscal quarter ended December 31, 2003

	(Commission File No. 1-14643), and incorporated herein by reference).
10.39	Guaranty Supplement dated March 29, 2004, by SterilTek Holdings, Inc. and STERIS Corporation (filed as Exhibit 10.16 to Form 10-K for the fiscal year ended March 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
10.40	Guaranty Supplement dated January 7, 2005, by STERIS Isomedix Services, Inc. and STERIS Corporation (filed as Exhibit 10.20 to Form 10-K for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).
10.41	Guaranty Supplement dated September 25, 2007, by HSTD LLC and STERIS Corporation filed as Exhibit 10.2 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.42	Guaranty Supplement dated December 7, 2010 by PeriOptimum, Inc. and STERIS Corporation.

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10.43	Form of Note Purchase Agreements dated as of August 15, 2008, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.44	Subsidiary Guaranty dated as of August 15, 2008, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.45	Guaranty Supplement dated December 7, 2010 by PeriOptimum, Inc. and STERIS Corporation.
21.1	Subsidiaries of STERIS Corporation
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
32.1	Certification of the Principal Executive Officer and the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* A management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

STERIS or its subsidiaries are parties to indentures relating to long-term debt instruments, which, individually or in the aggregate, do not exceed 10% of the total assets of STERIS and its subsidiaries on a consolidated basis. STERIS will furnish a copy of any such indenture to the SEC upon request.

(b) Exhibits
The response to this portion of Item 15 is included under (a) (3) of this Item 15.
(c) Financial Statement Schedules
Not applicable.

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SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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, on the date indicated.

STERIS CORPORATION
(Registrant)

Date: May 27, 2011

By: /S/ MICHAEL J. TOKICH
Michael J. Tokich
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/S/ WALTER M ROSEBROUGH, JR. Walter M Rosebrough, Jr.	President, Chief Executive Officer and Director	May 27, 2011
/S/ MICHAEL J. TOKICH Michael J. Tokich	Senior Vice President and Chief Financial Officer	May 27, 2011
* John P. Wareham	Chairman and Director	May 27, 2011
* Richard C. Breeden	Director	May 27, 2011
* Cynthia L. Feldmann	Director	May 27, 2011
* David B. Lewis	Director	May 27, 2011
* Jacqueline B. Kosecoff	Director	May 27, 2011
* Kevin M. McMullen	Director	May 27, 2011
* Mohsen M. Sohi	Director	May 27, 2011
* Loyal W. Wilson	Director	May 27, 2011
* Michael B. Wood	Director	May 27, 2011

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named directors of the Registrant and filed with the Securities and Exchange Commission on behalf of such directors.

Date: May 27, 2011

By: /s/ MARK D. MCGINLEY
Mark D. McGinley,
Attorney-in-Fact for Directors

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32.1	Certification of the Principal Executive Officer and the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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