Financial Results

Net income declined $25 million to $96 million, but increased $14 million excluding non-recurring items. As indicated on the previous page, Private Client Group completed three acquisitions in fiscal 2002 as we expanded our U.S. wealth management operations into selective new markets. This expansion followed the 2001 acquisition of Guardian Group of Funds, which added to our product lines and provided expanded access to mutual fund distribution in Canada. Note 10 on page 78 of the financial statements provides acquisition details. Comparisons of revenue, expense and net income for fiscal 2002 relative to 2001 are significantly affected by the inclusion of the operating results of these businesses. In addition, results for 2002 include $62 million ($39 million after tax) of acquisition-related costs that are categorized as non-recurring for reporting purposes. These costs substantially relate to re-branding, vacating leased premises, contract termination expenses and other costs of integrating operations. To facilitate comparisons, the remainder of this section analyzes results excluding these costs. On this basis, as indicated above, Private Client Group net income increased $14 million or 12% to $135 million. After further adjusting results of 2002 to remove the additive effect of businesses acquired in 2001 and 2002, net income on a comparable basis rose $21 million.

Improved earnings were attributable to increased revenues from our expanded sales force and acquired businesses, focused cost management balanced against continued investment in strategic initiatives, and the discontinuance of goodwill amortization due to a change in generally accepted accounting principles.

Revenues increased $191 million or 13%, driven by acquired businesses and the benefits of strategic initiatives. Excluding acquisitions, revenues on a comparable basis were down $8 million from 2001. This reduction was modest and was achieved despite weaker equity markets and lower client trading volumes that primarily affected our full-service and direct investing businesses. Our success in sustaining revenues was attributable to our expanded sales force, more effective cross-business referrals, award-winning investment tools and our strengthened fee-based business.

Non-interest expenses increased $197 million or 15% due to acquisitions. Excluding acquired businesses, non-interest expenses on a comparable basis were reduced $10 million from 2001 due to the success of cost management initiatives. The reduction is reflective of the group's efforts to refine its businesses to achieve profitability in all market conditions.

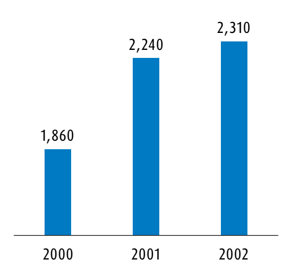
2001 Compared with 2000

Net income of $121 million in 2001 declined $74 million or 38% due to weaker market conditions in both Canada and the United States that resulted in lower trading volumes and related equity valuations. These conditions most affected our full-service and direct investing businesses as revenues declined $66 million or 4%, despite increased revenues from acquired businesses. Expenses rose $63 million or 5%, driven by incremental expenses from acquired businesses and increased investment spending, partially offset by lower performance-based compensation. The acquisition of Guardian Group of Funds in the third quarter of 2001 added $2 billion of assets under management in Canada.

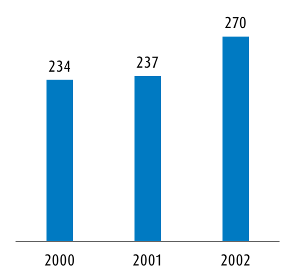
Private Client Group ($ millions, except as noted)

Reported (As at or for the year ended October 31)	2002	2001	2000
Net interest income (teb)	565	540	513
Non-interest revenue	1,132	966	1,059
Total revenues (teb)	1,697	1,506	1,572
Provision for credit losses	1	2	1
Non-interest expense	1,534	1,275	1,212
Income before provision for income taxes, non-controlling interest in subsidiaries and goodwill amortization	162	229	359
Income taxes (teb)	66	98	156
Amortization of goodwill, net of applicable income taxes	–	10	8
Net income	96	121	195
Net economic profit	(7)	59	142
Cash return on equity (%)	10.0	17.7	35.8
Average net interest margin (%)	10.26	10.12	11.95
Non-interest expense-to-revenue ratio (%)	90.4	84.7	77.1
Average common equity	1,322	821	572
Average assets	5,509	5,340	4,289
Total risk-weighted assets	5,184	4,420	4,855
Average current loans	3,060	3,477	2,938
Average deposits	39,720	39,869	38,331
Assets under administration	160,210	130,548	130,937
Assets under management	74,981	72,980	69,353
Full-time equivalent staff	5,420	5,127	4,735
Excluding non-recurring items			
Net income	135	121	195
Non-interest expense	1,472	1,275	1,212
Cash return on equity (%)	12.9	17.7	35.8
Non-interest expense-to-revenue ratio (%)	86.7	84.7	77.1

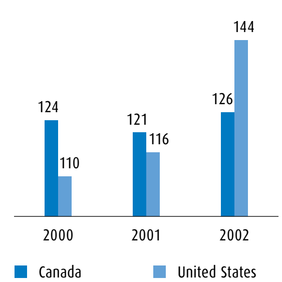
North American Investment Sales Professionals



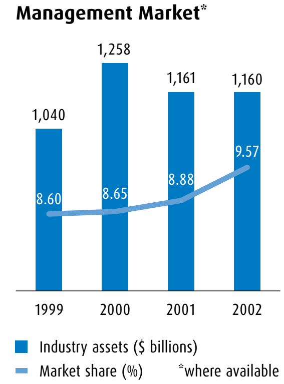
Assets under Management and Administration including Term Deposits ($ billions)



Assets under Management and Administration including Term Deposits ($ billions)



Canadian Wealth Management Market*



*where available