Q2 2011
Strategic Overview

Ed Clark, Group President and CEO

Thank you Rudy, and thanks everyone for joining us this afternoon. Colleen will be up shortly to discuss our second-quarter results in detail, but let me start by sharing a few thoughts on the quarter and telling you how we feel half way through the year.

This was another very strong quarter for TD. All of our retail businesses delivered double-digit earnings growth and total adjusted retail earnings remained near the record $1.4 billion level set in the prior quarter, up 17% from a year earlier. Our Canadian and U.S. Personal and Commercial Banking operations performed very well and Wealth had a record quarter. Our Wholesale Banking results were in line with our expectations and reflected the difficult global environment.

Overall, the underlying fundamentals of our business remain strong and, based on how 2011 has shaped up so far, we're confident we will deliver a very good year. Our Tier 1 capital ratio in the quarter was 12.7%, unchanged from the first quarter, despite absorbing the impact of the Chrysler Financial acquisition. This underscores TD's capability for strong organic capital growth.

Let me now spend a few moments on each of our businesses.

TD Canada Trust had its second best quarter on record, with earnings up 11% from the same period last year, despite fewer days in the quarter. We saw continued healthy loan and deposit growth, especially in business banking. Customer satisfaction also hit a record this quarter. Lower loan loss provisions were the key driver of earnings this quarter -- a tailwind that is unlikely to continue. Operating leverage was negative this quarter, and we don't expect to see any improvement into the third quarter. We do however, expect positive operating leverage for the full year. We remain committed to investing in our retail franchise, so I'm comfortable with a narrowing of our operating leverage as our revenue growth slows. The fundamentals remain strong and we expect TDCT's earnings growth for the year will still be in the double-digit range.

TD Bank, America's Most Convenient Bank, turned in another very strong quarter, with adjusted earnings growing 37% year-over-year. We're seeing very strong organic growth in both loans and deposits, as well as stabilizing credit. What's really impressive is that our U.S. franchise is able to deliver this growth despite having fully absorbed the impact of Reg E. We continue to expect that the run rate for earnings in this business is in the U.S. $300 million per quarter range, as we indicated last quarter. The major potential headwind we face is implementation of the Durbin Amendment, whose timing and form remain today uncertain.

Wealth Management earnings hit a record this quarter, rising 35% year over year, excluding the contribution from TD Ameritrade. We saw very high levels of trading activity during the first six weeks of the quarter, which, combined with the upward momentum of the markets, helped our revenue growth. We continued to do a good job at gathering assets and margins also expanded. We believe these results were exceptional and for the second half of the year, while difficult to forecast, we expect earnings will pull back to a level more in line with what we saw in the first quarter. However, we still expect Wealth to deliver a very strong performance for all of 2011.

Our Wholesale Bank didn’t have particularly strong earnings this quarter. The results were at the lower end of our $175 million to $225 million earnings range for this business, reflecting the global economic uncertainty in the quarter. The markets in which we compete continue to be impacted by slow levels of activity and macroeconomic uncertainty. Having said that, we’re still comfortable with our target earnings range of $175 to $225 million per quarter.

We also completed our acquisition of Chrysler Financial during the quarter. We’re excited to bring this great growth platform into the TD family and early response from dealers and manufacturers has been great. As you know, Tim Hockey is heading this business on a North American basis and in a moment, he’ll provide you with an update. To give him some additional capacity, we’ve made the decision to have our Insurance business report to Mike Pedersen. To balance Mike’s new role, we’ve distributed some of his existing responsibilities to Teri Currie, one of our Group Head executives.

Outlook

In terms of outlook, we continue to expect that 2011 will be a very strong year for TD, thanks to the strength and stability of our retail businesses.

We've said previously that the economic recovery will be gradual and today that view remains largely unchanged. Many of the same issues that I highlighted last quarter, from the U.S. fiscal situation to uncertainty in Asia, Europe and the Middle East, continue to cloud the picture. Our customers and clients are also dealing with this uncertainty, and while the situation is improving, it will still take some time.

Our business model has clearly shown we have the ability to deliver long-term, profitable growth and we're in a great position to continue to build and strengthen our franchises for the future. We expect to see somewhat of a rotation in the source of our earnings growth as we enter the second half of the year. This speaks to the diversified nature of our businesses – when growth in one of them slows, another is able to pick up the slack.

As we expected, the pace of growth in our Canadian personal banking business cannot be maintained at the same exceptional growth rates that we've seen in recent quarters. We'll still see good growth from this business, but it's more likely you'll see our other businesses leading the way. Our domestic commercial bank is performing very well and our insurance business should provide additional growth. Our U.S. Personal and Commercial Bank is also a fantastic growth story and we also expect a strong performance from our Wealth business.

So overall, we expect to see continued strong growth from TD, but the mix of that growth will likely shift.

Clearly there is a risk that revenue growth slows as we go forward. This will require us to slow expense growth as well. Operating leverage will likely narrow from previous levels.

Our decision to invest in future growth during the downturn has been a key reason why we've been able to deliver strong growth throughout some of the toughest operating conditions on record. We believe it's critical to continue to invest in our franchises where it makes sense. Given our philosophy, we want to maintain positive operating leverage while investing in the business. You might see some bumpier expense trends from quarter to quarter as we manage this transition.

On the capital front, we remain comfortable with our Basel III projected capital levels, as I outlined last quarter. We're also very comfortable with our U.S. regulatory capital positions in our operating subsidiaries including the implications of Dodd-Frank. We remain confident we will also be able to meet all of our capital requirements without issuing new equity.

With that, let me wrap up.

We're very pleased with how we performed in the second quarter. Each of our retail businesses posted double-digit earnings growth and Wholesale performed in line with our targeted earnings range. We’re confident that we have the right strategy to make 2011 a very good year for the bank, despite some of the challenges that I highlighted earlier.

Last quarter, I mentioned that for 2011, we’ll be able to at least meet our medium-term target for adjusted EPS growth of 7-10%. I remain confident we can do so. Based on our current outlook, and even though it's a bit early days, we are also confident about the outlook for 2012.

Now, let me turn the call over to Colleen.

Call Closing

In simple terms, I think our global outlook hasn't changed. I think we still have this disconnect, in that we have a lot of global uncertainty. We are trying to come back from what will be a slow recovery in the Western World.

At the same time, when we actually look at our volumes on the ground, and particularly in the commercial area, both Canada and the United States, these are some pretty good numbers.

There is some slowing down in the retail banking space in Canada, and there is margin pressure. I would caution you not to swing the other way. We are just getting back down to more normal levels. There may be some narrowing of the operating leverage here. But, we get paid to manage those things, and we will manage through this. TD Canada Trust will have some pretty good profit growth numbers next year, even given those changing conditions.

Clearly in the US, I think we've got traction. And so, we have a branch domestic machine that clearly is continuously taking market share on the lending side and on the deposit side. And then, we strapped on Chrysler Financial that has some pretty high growth rate.

I would say the one big thing we worry about is, the regulatory world, and when governments can make changes that knock off 10 percent of your after tax income, you've got to be careful about that. And so, that's the big uncertainty, I would say, as we look forward.

And I think our wholesale business is doing exactly what we want it to do. It's operating within our target earnings range. It's producing good ROEs. It's not responding to the new world by changing strategy and going out the risk curve. It's continuing to run a franchise driven strategy of serving its clients and sticking within the overall TD Bank Group strategy. So, we're pretty pleased with where we are.

Thank you.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and/or oral forward-looking statements, including in this presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding the Bank's objectives and priorities for 2011 and beyond and strategies to achieve them, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may", and "could".

By their very nature, these statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the financial, economic and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause such differences include: credit, market (including equity, commodity, foreign exchange, and interest rate), liquidity, operational, reputational, insurance, strategic, regulatory, legal, environmental, and other risks, all of which are discussed in the Management's Discussion and Analysis ("MD&A") in the Bank's 2010 Annual Report. Additional risk factors include the impact of recent U.S. legislative developments, as discussed under "Significant Events in 2010" in the "How We Performed" section of the 2010 MD&A; changes to and new interpretations of capital and liquidity guidelines and reporting instructions; increased funding costs for credit due to market illiquidity and competition for funding; and the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information. We caution that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please see the "Risk Factors and Management" section of the 2010 MD&A. All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to the Bank and we caution readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the Bank's 2010 Annual Report under the headings "Economic Summary and Outlook", as updated in the Second Quarter 2011 Report to Shareholders; for each business segment, "Business Outlook and Focus for 2011", as updated in the Second Quarter 2011 Report to Shareholders under the headings "Business Outlook"; and for the Corporate segment in the report under the heading "Outlook".

Any forward-looking statements contained in this presentation represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's investors and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.