Q1 2009
Strategic Overview
(Check Against Delivery)
Ed Clark, President and CEO

- Thanks Tim and good afternoon everyone.

- Colleen will be up shortly to provide the details on how we did in our first quarter of 2009. I'll start by sharing my thoughts on TD's performance and provide an update on our outlook for the rest of the year.

Solid Performance

- To get straight to the headline, we had a solid quarter – making over $1.1 billion on an adjusted basis, up 8% year over year. Earnings per share, however, declined 8%, reflecting the equity we raised late last year, as well as the shares we issued to complete the Commerce acquisition.

- At the risk of sounding like a broken record, it's important to restate the obvious – we are living in unprecedented times. And so what we consider "solid" performance in the current environment is certainly not what we would be happy with in the long term.

- Nevertheless, we definitely view these results as positive in the current context, even though earnings per share are down from last year. And these results are consistent with our view of the challenges we'll continue to face in the current operating environment.

- In short our outlook is for a tough 2009. While governments around the world have acted boldly to try to counteract the downturn, the effects of those actions won't likely be felt until late 2009 or early 2010. Predicting results in this environment is clearly very difficult. It is easy to be too pessimistic. On the other hand, one has to be realistic. As I read what economists and market participants are saying it certainly feels like maintaining flat earnings per share year over year will be an accomplishment. We would obviously like to do better, but that may be tough.

- But the bottom line is that TD has emerged as one of the most reliably profitable banks in the world. We'll take some bruises if the situation gets worse, but we're still going to deliver solid earnings to our shareholders.

- Now before I get into some investor issues, I'd like to comment on some public policy issues. Why? Because clearly in today's environment public policy issues are relevant to our performance and outlook.

Public Policy

- For many Canadians it's likely hard to fully appreciate the difference in performance between the Canadian banks and other banking systems around the world. But the contrast is sharp. Canadian banks are among the strongest in the world. There are only three Aaa-rated banks listed on the NYSE -- and Canada has two of them. TD is one of those.

- Our banks are profitable and have had no need for government equity, or guarantees for our debt. The result for Canadians is that we are continuing to ensure that credit is available – filling in the gaps left by non-banks and foreign banks, whose weak financial positions have forced them to withdraw from the marketplace.

- In fact not only are Canadian banks lending more, but they're making those loans at narrower spreads. Our prime is 3% - the lowest in 70 years and below the U.S. prime rate, even though over last 17 months the Federal Reserve has cut its rate 175 basis points more than the Bank of Canada. TDCT offers a 4.39% five-year mortgage. It would be difficult to find a lower rate in the U.S., even though the U.S. federal bank rate is 100 basis points below us.

- There's a whole range of reasons why our banking system has emerged from the financial crisis as one of the strongest in the world today. First, we have strong retail and commercial banks that have been conservative lenders. Second, the reaction of the Canadian government to the crisis has been both responsive and judicious. For example, the extension of the CMHC program to buy back government-guaranteed mortgages was a win-win policy. The banks and other lenders were able to get access to liquidity by selling these mortgages. And taxpayers will benefit to the tune of several billion dollars. It's a great example of government innovation, sound public policy, and good cooperation between the banks and government.

- Third, OSFI also deserves credit. They've instilled confidence into our system. They've insisted on conservative capital rules, but since the crisis began have worked with us to ensure that the rules work as intended.

- Fourth, Canadian investors have been willing to fund Canadian banks. This means we have been able to build capital ratios with private, not public dollars.

- And finally, the Bank of Canada has responded aggressively and creatively to ensure adequate liquidity for the banking system.

- All these factors have contributed to our position of strength. This strength – underpinned by a strong profit position – demands that we be sensitive to the needs and opinions of Canadians as we head into this sharp downturn. Rising unemployment, reduced working hours, and wage pressures all mean that many Canadians face hard times.

- TD has 11 million Canadian customers, and we know that lots of them face economic challenges today or worry about what they may face tomorrow.

- So what are we doing to help? We have launched a program in our branches encouraging customers and clients to come talk to us. We want to help customers get ahead of issues or challenges they're facing. That's why we've significantly increased our capacity to have conversations with our customers about credit restructuring. We've also given authority to our teams to postpone mortgage payments and workout lower-cost debt-consolidation options. And, as you've heard, TDCT has frozen personal and small business banking fees this year.

- TD's brand is built around customer service – we are the number one customer service bank in North America. That service means something different in a downturn of this magnitude. We have to be there for our clients and customers. Our employees get that – we get that.

- To our customers and clients we say – come talk to us – let's work together to address your financial challenges.

Q1 Segment Results

- Now, let me touch briefly on the results and then address some key investor issues.

- Once again we've earned more than $1 billion in retail on an adjusted basis, with earnings for this group flat quarter over quarter.

- TDCT's results reflect the issues we have been talking about – strong volume growth offset by declining margins and rising PCLs. Going forward we expect three things to happen. First, we expect volume growth to slow as demand falls off. Second, we think margins will expand, as we begin to see the results of our re-pricing of credit products, which we did to partially recover our increased borrowing costs. And third, we expect PCLs to continue to grow.

- Our Wealth Management businesses have clearly been impacted by the dramatic drop in asset values and by narrowing spreads. These will take some time to recover. We remain, however, committed to strategically growing our diversified wealth offering, focusing our resources on our key growth opportunities.

- Turning to our personal and commercial operations in the U.S., margins remain tight, PCLs are increasing, and there's upward pressure on non-performing loans. On the other hand, we remain a strong positive outlier because of how we've run the business. And we have had strong loan growth and positive deposit growth. Going forward, we would expect loan growth to slow and deposit competition to remain tough.

- Wholesale earnings rebounded nicely this quarter. The release of a reserve related to a cancelled loan commitment was offset by other charges, particularly by securities losses in the quarter. Wholesale's overall results, therefore, do reflect the strength of our ongoing businesses this quarter. Going forward, however, it is not likely that we can sustain this level of earnings. At the same time, we have made significant progress in shaping our business to more tightly focus on franchise plays, resulting in lower risk-weighted assets.

Investor Concerns

- Despite these solid results, I'm well aware that some investors are worried. Some of their worries are specific to TD, but most are related to the general anxiety about financials worldwide and the deteriorating economic environment.

- As business operators, we can only deal with what we can control, and make the best judgments on how to protect the bank from the unexpected. Clearly the world economic and financial systems remain fragile. Moreover, while governments are intervening on a massive scale to help, their interventions create uncertainty. And the sooner we have business certainty, the sooner private capital will begin to flow into this sector. Any solution will require private capital if the financial system is to become stable.

- We are determined to get through this difficult period stronger, with our business model intact and with momentum on our side – but to get through has to be the order of the day, and governs our actions.

- So are we comfortable with where we sit? The short answer is yes – we have an excellent balance sheet, our Tier 1 is strong, our lending has been conservative, our dividend policy cautious, and we have a strength that I believe the market underplays – strong, consistent retail earnings.

- At TD Canada Trust, we have earned through rising PCL's – they were up 27% quarter over quarter but our earnings were off by just 3%. And it's a similar story at TD Bank – America's Most Convenient Bank, where in US dollars PCL's are up 53% quarter over quarter but adjusted earnings are off by just 5%. At the same time our liquidity position remains the envy of banks worldwide.

- As to how bad will the economy get and what will it mean for PCLs and growth? It's frankly hard to say. Colleen will address in more detail the issue of our U.S. investment portfolio, which I know remains a concern. But let me give a brief comment. We are not concerned about recovering our book values on these investments. And we have enough capital to carry this portfolio comfortably -- if we had to take temporary charges, we would recover them over time.

Conclusion

- Let me conclude – as I think it bears repeating - that the Canadian banks are in the best shape of any in the world, thanks to judicious regulation, good business decisions, and smart but minimal government intervention.

- Within that environment TD has emerged as one of the most reliably profitable banks in the world. That profitability will continue to benefit millions of people directly, as those profits support our ability to continue increasing our lending, create significant government tax revenue, offer great jobs and career experiences, and provide earnings and dividend income to our many investors.

- The bottom line? We're in good shape, and even if things get much worse, we're going to do more than just survive – we're going to be a bank that thrives. And in this environment that may mean simply maintaining flat earnings per share year over year. We will get through this valley with our business model intact and emerge with business momentum on our side.

- On that note, I'll turn things over to Colleen.

Overall Call Closing

- Let me wrap up with the four key themes I hope you'll take away from today's call.

- One – Our operations are delivering solid results.

- Two – Our outlook is for a tough 2009.

- Three – We're focused on empowering our employees to help our customers through these tough times.

- Four – We're in good shape, and while things will be tough, we're going to be a bank that thrives.

- Thanks for your time.

Caution regarding forward-looking statements

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The forward-looking information contained in this document is presented for the purpose of assisting our shareholders and analysts in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes. The economic assumptions for 2009 for the Bank are set out in the Bank's 2008 Annual Report under the heading "Economic Summary and Outlook" and for each of our business segments, under the heading "Business Outlook and Focus for 2009." 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 us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors – many of which are beyond our control – that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the Bank's 2008 Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the U.S. and other countries in which the Bank conducts business, as well as the effect of changes in existing and the introduction of new monetary and economic policies in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; defaults by other financial institutions in Canada, the U.S. and other countries; the accuracy and completeness of information the Bank receives on customers and counterparties; the development and introduction of new products and services in markets; developing new distribution channels and realizing increased revenue from these channels; the Bank's ability to execute its strategies, including its integration, growth and acquisition strategies and those of its subsidiaries, particularly in the U.S.; changes in accounting policies (including future accounting changes) and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; changes to our credit ratings; global capital market activity; increased funding costs for credit due to market illiquidity and increased competition for funding; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; the failure of third parties to comply with their obligations to the Bank or its affiliates as such obligations relate to the handling of personal information; technological changes; the use of new technologies in unprecedented ways to defraud the Bank or its customers and the organized efforts of increasingly sophisticated parties who direct their attempts to defraud the Bank or its customers through many channels; legislative and regulatory developments; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the adequacy of the Bank's risk management framework, including the risk that the Bank's risk management models do not take into account all relevant factors; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; and the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply. 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