

**TRANSCRIPT OF STEVE BOYLE'S PRESENTATION  
AT 2006 SCOTIA CAPITAL FINANCIALS SUMMIT  
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(CHECK AGAINST DELIVERY)**

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## CORPORATE PARTICIPANTS

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**Steve Boyle** CFO, TD Banknorth

## PRESENTATION

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**Kevin Choquette, Scotia Capital Markets - Analyst**

We are delighted to have TD Banknorth present for the second time at this conference. Joining us today from TD Banknorth Stephen Boyle, TD Banknorth's Chief Financial Officer. Stephen has been with the bank for 10 years, in his current role since October 2003.

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**Stephen Boyle - TD Banknorth - Chief Financial Officer**

All right, thank you. Glad to be here. I'm Steve Boyle. I'm the Chief Financial Officer. Peter Verrill is back in Maine.

Ed took some of my time. I'll have to talk to him about that. But, he covered some of the points that I have in here so hopefully, I can move through it quickly and still leave some time for questions. The normal legal -- who is TD Banknorth? As Ed mentioned, we're a regional bank headquartered in Portland, Maine, spanning across the northeast. We have over 9,000 employees, 1.5 million customers and we're growing strongly through acquisition and to a lesser extent, through organic growth.

How did we get there? We started as a very small \$2 billion asset bank in Maine, weathered the commercial real estate problems in the late 80s, early 90s and decided that we needed to diversify out of Maine, that the Maine was -- had a very slow growth economy and that we had too much concentration in terms of our asset quality. And, we started on a strategy to do a significant number of acquisitions to grow out of Maine. And, that's gone beyond our expectations. We've done 26 acquisitions over the -- since that time until now. And, it really developed, as Ed said, a real core competency in doing acquisitions.

We -- about a year and a half ago, we sold a 51% interest to TD. Part of the rationale behind that from the TD Banknorth perspective was to allow us to continue our expansion into the northeast, particularly in the New York City, metropolitan New York market, which is extremely competitive. The banks are bigger. We needed more capital. We needed more expertise behind us in order to be successful at that. TD, as I'll mention later, has been a terrific partner in that, and we're moving forward, first with Hudson providing a foothold in that region and then with kind of the first of the Pac-Man acquisitions in Interchange Bank providing a very nice fill-in.

I just want to spend a second on some differences between Canada and the US in terms of banking. Banking, I think, is actually quite similar in Canada and the US, but the banks are quite different. So in Canada, you really have a very mature banking industry. There's essentially the five banks, oligopoly. All the banks are very strong performers and have a full suite of products and services and businesses. In the United States, we still have upwards of 9,000 banks, lots of smaller players, lots of different-sized players going after the same loan and deposit dollar and a very different mix of businesses from the different competitors.

Some examples, in mortgages, mortgages I think are a quite attractive asset in Canada. In the US, they're subject to prepayment at any time. And so we, as a business, have actually reduced our exposure to one to four family mortgages. Credit cards in the US, most banks got out of credit cards. We had kind of a monoline structure. Those monolines are now being bought back up by the banks, but there are a lot of significant regional banks that don't, in fact, have a credit card portfolio. Ours is only private label and fairly modest in size.

We also have some differences in the retail products that we offer. In the US, we price on a regional basis. Even a relatively small bank like Banknorth has several different regions. We tend to price by state, whereas in Canada, you are priced on a nationwide basis. It probably seems silly to a lot of you, but free checking is a very significant product in the US. What we found with all the competition was that we could still be very profitable with retail checking accounts that were free due to the high level of overdraft income. And so, that spread industry wide, and pretty much all banks now sell a free-checking product.

And while both industries are highly regulated, I think in the US, we're moving into a very significant era of increases in regulation and particularly with the Anti-Money Laundering, Bank Secrecy Act, we're seeing a lot of pressure on banks in the regulatory environment. We're seeing a lot more agreements with the regulators to improve regulatory practices. And I think that's kind of a double-edged sword from our perspective. We think it's going to drive a lot of banks -- it's going to be one of the reasons it's going to drive consolidation in the industry, because a lot of these smaller banks don't want to deal with, can't afford the additional regulatory burden that's being imposed upon them.

I think Ed showed you this footprint as well, but we extend all the way from Maine all the way down into really the Philadelphia area, south New Jersey. And, I'll go through our relative presence in a second. I think it's interesting to note, the Interchange branches are essentially all in one county, Bergen County, which is essentially right across the Hudson River from Manhattan. So, we're going to get tremendous synergies there in terms of marrying up our branch network and their branch network and begin to start to get some scale in our footprint in New Jersey.

Speaking of scale, you can see we're in a number of states, but we really think of our selves in three fairly distinct regions or three regions in terms of the way we run our business. So in northern New England, we really have a dominant presence. We're the number one or two bank in all those states, and on a combined basis, we have a number one market share. Those tend to be a little bit slower growth states and a little bit smaller in size.

In the mid-Atlantic, we're really just establishing a presence there. So, we really just have a very small foothold in those very important states. But, you can see that the magnitude of the banking market there is just extraordinary so, \$850 billion in deposits in just those three states alone.

And, then probably the key area for us is southern New England, Massachusetts and Connecticut where we're -- we've established a very significant presence there, and we're really poised to grow significantly into the future. And I think Massachusetts and Connecticut provide a good model for what we can do in New Jersey and Pennsylvania and New York. When we entered into Massachusetts and Connecticut, I think in Massachusetts, we were about one-ninth the size that we are today. And in Connecticut, our initial acquisition was about one-fifteenth of the size that we are today. So, we continue with a strategy of buying smaller banks, getting organic growth and eventually becoming a scale player in those markets.

You can see that several of our markets are extremely attractive in terms of demographics, particularly in terms of income and wealth. In addition to New Hampshire, Massachusetts, Connecticut and New Jersey are all about 25% above the median income level and very similar levels in terms of wealth. So, there's a lot of deposits there. Even though the population growth isn't as significant as it is in Florida or in the southwest, the growth in banking assets is quite significant.

It's interesting how you take those -- our relative position in the markets and the size of the markets, and what does it mean to you? So, we have about 42% of our deposits in Massachusetts and Connecticut, about 32% in northern New England and about 25% in New York and New Jersey and Pennsylvania. So, I would expect to continue to see the vast majority of the growth come in that southern New England and New York franchise and those percentages continue to grow over time.

Ed mentioned in terms of banks in the United States, we think of ourselves as a commercial bank, even though we had a thrift heritage. So, whereas most the -- our initial bank, at most of the banks that we bought were thrift, so they had mostly residential mortgages and time deposits. We really transformed that into more of what we call, in the US, a commercial bank. So almost 60% of our loans are commercial loans. Only 11% of our loans are residential real estate. And on the deposit side, over 22% of our deposits are very high profit, demand deposits. And only about 25% of our deposits are time deposits.

Likewise, we continue to expand our product offerings. Now, about 25% of our fee revenue comes from non-bank businesses. You can see it's about evenly split between our insurance agency, which is the largest insurance agency in New England and our wealth and investment businesses in the US.

Asset quality has set a hallmark of Banknorth. We've had extraordinarily good numbers through the whole of the last credit cycle. You can see that our MPAs have dropped significantly over time from 39 basis points in 2001 to 22 basis points at the second quarter. And similarly or even more dramatically, our net charge-offs have dropped from 33 basis points to 14 basis points. The 14 basis points would be among the lowest that you would find of any significantly sized bank in the United States. Obviously, asset quality is at probably a point where it's gotten about as good as it can get. But, we don't see any huge storm clouds on the horizon. And, we think that our asset quality will continue to be strong.

You can see over the last five years that we've posted very consistent, significant growth in earnings. On an adjusted basis, we've gone from 266 to 439 over that period, about a 12% compound annual growth rate. And, we should have a similar result in 2006.

Ed talked about Hudson United. Hudson United was a very significant acquisition for us. Not only was it the largest acquisition that we've done, but it was probably the most troubled franchise that we've bought. We went in and did our due diligence and saw that there was a significant amount of work that needed to be done on the retail side. There were in good locations. They had a footprint that we liked, but they had really under-invested in the retail bank and needed significant change in the way that things were done in order to rejuvenate the organic growth. And so, we're making tremendous progress at Hudson United.

First, we kind of got to the nitty-gritty, did the systems conversion. As Ed mentioned, that went flawlessly. We are really pleased with how the conversion went. There was really no customer disruption to speak of. We almost immediately after the conversion realized the synergies that we had projected of 25% of the expense phase. And now, we're doing the more long-term work of trying to turn around the whole retail culture and make significant investments in the retail infrastructure.

So, we put our top retail person, Wendy Suehrstedt, we moved her down to New Jersey, made her the President of the franchise. We significantly increased the incentives that are paid and the way that the incentives are paid on the retail side of the company. We have huge training initiatives underway. We're already seeing -- one of the biggest problems we found was very high turnover, upwards of 40% annual turnover in the retail ranks. We're knocking that down significantly. It's actually pretty much now to par with the rest of our franchise already at this point, so that's tremendous. And, we're making a very significant investment in the Hudson facility.

So right now, we're in the process of renovating about one-third of the Hudson facilities. We've identified what are the highest potential branches that need the most work. And, we're working on those third. And then, we have a plan to continue to move through and update the entire network.

And then, I'll talk about it more in a second, but we launched a very major branding campaign with TD's help, by far the largest and the most significant campaign that we've ever done. And, we had a real twist on it. We did a lot of market research. It's an extremely competitive environment, lots of really good players in that environment. And so, we said, "How are we going to make an impact? What's our competitive situation?" And what we found was that, while we had a pretty decent branch footprint, we were -- and we had a terrible position in terms of our ATM network.

And so, we tried to -- what we decided to do was to turn our biggest disadvantage into our biggest strength. And what we did was we created a product where we charged no ATM fees. And in addition to charging no ATM fees to our customers, we actually rebate fees if they use somebody else's ATM. So now, we're saying we have the biggest ATM network in the world. So, if one of our customers in the mid-Atlantic is up in Toronto, they won't pay an ATM fee. If they are in Florida, they won't pay an ATM fee. And most importantly, if they're somewhere in New Jersey and they don't use our ATM, they won't have an ATM fee.

And, I think that these ads were very hard-hitting. We acknowledged some of the deficiencies that we had in the Hudson environment. And but, we promised that we were going to fix them and that we're going to improve things over time. And, we've seen a tremendous response to the ads that we have there. We have what we call a 50 share in the environment there in the commuting environment there. So, if you're a commuter in metro New York, you have a 50% chance that you're going to see our ad, either on the way to work or the way home from work. And what we've seen is that, we've reached the target audience that we had, that our name recognition is going way up, and that we're beginning to open up significantly more new accounts in those markets.

So what has TD brought to the equation? We just mentioned marketing help. We had never done any kind of marketing on this scale. TD was involved in that, and that was tremendously helpful. We -- they have also helped in terms of capital, obviously a very strong bank. The access to capital in Canada, the subordinated debt is less expensive actually in Canada than it is in the United States. So, we issued subordinated debt in Canada with a TD guarantee that has substantially lower cost to us than had we issued it on our own in the US.

Not only do we get -- did we get help on the marketing side, but now we have the combined TD spend in Canada -- and the United States to help us. So when we moved into the mid-Atlantic, we thought probably egotistically that Banknorth would be what our customers would think of. But in fact, what customers think of in the mid-Atlantic is the TD shield, because they're seeing not only our advertising, but the TDBFG brand advertising and the TD Ameritrade advertising, which is about three times the annual spend of what our spend is. So, it's been very significant for us.

Ed mentioned the intellectual capital. It's been terrific working with a lot of smart folks at TD, have helped us to improve our interest rate risk management. We have extra capability in international banking, which has been great in the mid-Atlantic area where more customers do international business. So, that's been great for us. And, it's been great for our shareholders as well. Not only do we feel like we got a good price for the 51% that we sold, but obviously, we got an extremely good currency. And, that's done very well for our shareholders that held their TD shares.

It is a difficult environment in the US and particularly for banking. We think that the economy is stable. We continue to see -- we continue to expect growth of about 3% in the United States this year. Employment appears to be steady. Clearly, there's been a lot of concern in the housing market. We are relatively under-exposed to the housing market. Only 11% of our loans are residential real estate. Those loans have about a 62% loan-to-value ratio. So, you'd have to have a very significant downturn to have any kinds of problems.

Our biggest consumer asset class is home equity loans. Those have about a 55% loan-to-value ratio. So, we're really not worried about the housing market so much in terms of what they're going to do to our loans to individuals as to the impact it might have on the economy overall, but we feel okay about that now. Ed mentioned our earnings are going to be less for the third quarter than the street had been expected. And, there's really a couple of things that go into that. I think the biggest one is the banking environment in the US is extremely difficult. We have an inverted yield curve.

That's creating issues in a number of the major products that we have. So for example, home equity loans that have been one of our best products over time, home equity, particularly lines of credit, as those rates are coming up, people are terming those loans out either to lower spread term home equity loans or to first mortgages. We're also seeing that a lot of our money market and savings accounts are moving out to the mutual funds where the prices that are being paid by mutual funds are higher than banks right now. So, the interest rate environment is having a tough impact on banks right now.

The other thing is that there's significant over-capacity in the banking environment. So, you have really too many banks, with too much capital, chasing too few good loans. And what we want to do is, we want to err on the side of only dealing loans that are going to be profitable for us and that make sense from a credit quality standpoint. So, what we're seeing is that our loan growth is starting to slow during the quarter. You put those factors together, and you add one more to it.

Probably the most important thing is that we've made a commitment to organic growth. We think that our organic growth over the last couple of quarters hasn't been as good as it should be. We want to jump-start that, and so we're pushing significant marketing dollars into not only our branding at the mid-Atlantic, former Hudson franchise, but also our product advertising throughout the footprint. So, I think you'll see much higher expenses in terms of marketing, particularly in the third quarter.

We're also having a significant focus on expense control. So, I think that you'll see some investments in expense control, whether it's consultants or other measures that are -- things that are going to hurt our earnings in the third quarter that will help us going into next year and help offset some of those headwinds in the US banking market that Ed referenced.

So, where are we headed? We're really going to continue to do what we have done and just tweak things based upon what the environment is. So, we're going to continue to grow through acquisitions. As Ed mentioned, we're going to be very cautious on additional acquisitions that we do, probably stick to the Pac-Man strategy of relatively small acquisitions. We plan on closing Interchange, probably early in the first quarter. We have a renewed focus on organic loan and particularly organic deposit growth. We're going to continue to diversify our non-interest income base and again, have a very, very strong focus on expense control to get the positive operating leverage that Ed discussed.

I'd be happy to take any questions.

## QUESTION AND ANSWER

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### Unidentified Audience Member

It seems like today's warning is quite different from the previous two. At least, that's my impression. Maybe you could compare and contrast the previous two, I guess, balance sheet restructurings with this warning.

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### Stephen Boyle - TD Banknorth - Chief Financial Officer

Well, I think that we had some restructuring to do in our balance sheet. We got those items behind us. I think that this speaks much more to probably the banking environment in the US and how we're responding to the banking environment in the US as opposed to maybe some structural changes that we're making in our business model at that point in time.

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### Unidentified Audience Member

Just a comment on the US banking industry, the President of TD mentioned that it's been a difficult environment, but some of your competitors and a couple were mentioned, are growing their loan book. Like Bank of America for example, right in your backyard, they're growing their loan book as still double digits and the deposit base, mid to high single digits. So, is it a case of not being large enough to compete? Or, is this kind of a transition in the whole industry that we're about to see in the coming months?

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### Stephen Boyle - TD Banknorth - Chief Financial Officer

Well, I think two things. So one, Bank of America is really probably the only national bank in the US, so they're exposed to a lot of different regions and not just the northeast. So, I think that that's helping their growth prospects. I thought I also read something this morning that they were expecting things to slow down as well. So, I think that my guess is that you will start to see the overall banking environment slow down. I think fifth are one on earnings, yesterday. But I do think that there is a particularly strong -- some of these factors that we're talking about in the Northeast, and Bank North perhaps had maybe too much of an emphasis on spread management and wasn't getting enough organic growth. And so we're trying to readjust that and that's having some negative impacts on our earnings today that should hopefully improve our growth and our earnings in the future.

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**Unidentified Audience Member**

Will the new ATM fee program persist after you build out your ATM network?

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**Stephen Boyle - TD Banknorth - Chief Financial Officer**

I think so. So, if you look at the numbers in the mid-Atlantic I don't think it's probably feasible for us even if we hit the growth target that Ed laid out, to build an ATM network that would compare with a Bank of America or a J.P. Morgan Chase. So I think we'll stick with it. Thank you.