

**TD BANK FINANCIAL GROUP  
TD BANKNORTH PRIVATIZATION CONFERENCE CALL  
MONDAY MAY 7, 2007**

## **DISCLAIMER**

THE INFORMATION CONTAINED IN THIS TRANSCRIPT IS A TEXTUAL REPRESENTATION OF THE TORONTO-DOMINION BANK'S ("TD") CONFERENCE CALL ON THE TD BANKNORTH PRIVATIZATION AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALL. IN NO WAY DOES TD ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON TD'S WEB SITE OR IN THIS TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE CONFERENCE CALL ITSELF AND TD BANKNORTH'S AND TD'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

## **FORWARD-LOOKING INFORMATION**

From time to time, the Bank makes written and oral forward-looking statements, including in this report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. All such statements are made pursuant to the "safe harbour" provisions of applicable securities legislation. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets for 2007 and beyond and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. The economic assumptions for 2007 for each of the business segments are set out in the 2006 Annual Report under the headings "Economic Outlook" and "Business Outlook and Focus for 2007". Forward-looking statements are typically identified by words such as "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, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors that could cause such differences include: credit, market, liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the management discussion and analysis section in other regulatory filings made in Canada and with the SEC, including the Bank's 2006 Annual Report; 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 monetary policy 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; legislative and regulatory developments; 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 integration, growth and acquisition strategies, including those of its subsidiaries, particularly in the U.S.; the impact of the factors enumerated here and similar factors on TD Banknorth's financial results, businesses, financial condition or liquidity; changes in accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital market activity; 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; 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 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; the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply; management's ability to anticipate and manage the risks associated with these factors and execute the Bank's strategies. A substantial amount of the Bank's business involves making loans or otherwise committing



resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. The preceding list is not exhaustive of all possible factors. Additional factors that could cause the Bank's and TD Banknorth's results to differ materially from those described in the forward looking statements can be found in the 2006 Annual Report filed with the SEC (on Form 40-F) and TD Banknorth's 2005 Annual Report on Form 10-K filed with the SEC. Both are available at the SEC's Internet site (<http://www.sec.gov>) and the Bank's 2006 Annual Report is also available on <http://www.sedar.com>. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the forward-looking statements. 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.

### **CORPORATE PARTICIPANTS**

**Colleen Johnston**

*CFO of TD Bank Financial Group*

**Ed Clark**

*President and CEO of TD Bank Financial Group*

**Bharat Masrani**

*President and CEO of TD Banknorth*

**Steve Boyle**

*Chief Financial Officer and Executive Vice President, Specialty Business of TD Banknorth*

### **CONFERENCE CALL PARTICIPANTS**

**Ian de Verteuil**

*BMO Capital Markets - Analyst*

**Jim Bantis**

*Credit Suisse - Analyst*

**Mario Mendonca**

*Genuity Capital Markets - Analyst*

**Michael Goldberg**

*Desjardins Securities - Analyst*

**Darko Mihelic**

*CIBC World Markets - Analyst*

## PRESENTATION

---

### **Colleen Johnston - CFO of TD Bank Financial Group**

Good and welcome to the TD Financial Group TD Banknorth's post-privatization investor presentation. My name is Colleen Johnston, and I'm the CFO of the Bank. With me today are Ed Clark, President and CEO of TD Bank Financial Group; Bharat Masrani, President and CEO of TD Banknorth; and Steve Boyle of TD Banknorth.

I know that this presentation contains forward-looking statements and actual results could differ materially from what is discussed. Certain material factors or assumptions were applied in making these statements. For additional information, we refer you to our annual report. This document includes a description of factors that could cause actual results to differ and can be found on our Website at [td.com](http://td.com).

On page three, we show the agenda for this morning. We will begin today's presentation with introductory remarks from Ed Clark. Next, I will present TD Banknorth's results for their quarter and the expected contribution to TDBFG's second quarter results. I will also highlight key items resulting from the close of privatization on April 10. I will then turn the presentation over to Bharat Masrani to talk about strategies for growing TD Banknorth. After we have completed our presentation we will entertain questions from prequalified analysts and investors on the phone. Ed, over to you.

---

### **Ed Clark - President and CEO of TD Bank Financial Group**

Thanks Colleen. I would like to thank you for joining us today for our investor presentation to discuss the completion of the TD Banknorth privatization and the expected impact of TD Banknorth's first quarter earnings on TDBFG's second quarter results. As many of you are already aware, our second quarter financial results will be released on May 24, just a few weeks away. I want to start off, though, by saying how pleased we are about the successful outcome of the privatization. and on TD Banknorth becoming a wholly owned subsidiary of the TD Bank.

We've had privilege of working with a wonderful group of people from TD Banknorth since early 2005. And it's their desire to build a better bank and continue to serve their customers' needs but will continue to be TD Banknorth's biggest strength as we move forward. Growing in the United States through TD Banknorth and TD Ameritrade is an important part of our future. We're very positive about both TD Banknorth's and TD Ameritrade's long-term potential to grow organically and deliver value to our shareholders. This strategy is an integral part of our goal to become an leading North American financial institution.

While our U.S. earnings remain small as a proportion of our total bank earnings, and as I have said before, our U.S. earnings don't materially affect our ability to outperform on earnings in 2007 and 2008 at the total bank level. I recognize that the earnings prospects for TD Banknorth carry an usually large weight in how investors view our stock. Therefore, in advance of our second quarter, we felt it was important to provide you with an update on our successful privatization and expected second quarter results for our U.S. personal and commercial segment.

In addition, we would like to provide you with an understanding of how we will be reporting our segments, now that TD Banknorth is a wholly owned subsidiary. I'll be handing the presentation over to Colleen Johnston, our Chief Financial Officer, to walk you through those numbers shortly. Following Colleen, Bharat Masrani, President and CEO of TD Banknorth, will be providing an overview of his vision to shape TD Banknorth's future and the progress he and his team have made to date.

I also want to take the opportunity to let you know that we're planning an investor day on June 28 that will be dedicated to introducing you to the great leadership we have in TD Banknorth. We feel it's important for us to spend more time walking you through where we hope to see our U.S. retail platform development over the next 18 to 24 months. This will be a great opportunity for you to meet directly and ask questions of the team members of the TD Banknorth leadership team, the people who are directly responsible for executing these growth plans.

We'll be sending out a press release with all of the conference details by the beginning of June. In just a moment, Colleen will walk you through the details of our expected U.S. P&C earnings. As you would expect in a situation like this, once again in the details, there's some complexity to grapple with. There are many moving parts. There's a one-time that we did not treat as an item of note. There are restructuring charges taken before privatization, some taken at privatization, and some charges taken at the TDBFG level; all treated as items of note.

We will try to make all of this simple. Of most use to you, however, is giving you a glimpse of the future. Where are we going with TD Banknorth? We have taken the decisive actions that we believe are necessary. We do not expect any further restructuring charges in the foreseeable future of a material nature. TD's fourth quarter of 2007 will be the first quarter where we will own 100% and therefore, will report 100% ownership.

If TD Banknorth continues to perform at its current level, by the fourth quarter TDBFG's U.S. P&C segment earnings will about C\$120 million a quarter, an annualized rate of about C\$500 million, up from C\$62 million this quarter. We believe that we will do better as our expense actions take hold and our revenue measures kick in. Better than \$120 million in the fourth quarter and certainly better than \$500 million in the 2008.

From my point of view, there are four things I hope you take away from today's presentation. One, TD Banknorth has a clear strategy that's focused on delivering both short-term and long-term earnings goals. Two, the team is actively managing and monitoring their credit portfolio. We saw PCL's go up this quarter and we're watching this very carefully. However, we don't expect PCL to affect our ability to meet our earnings expectations. Three, we are taking a disciplined approach to cost management in the short term. Growth doesn't come from simply cutting costs. In the medium term, we expect expenses will increase as we focus on revenue growth for the future.

That said, our goal is to improve TD Banknorth earning's growth rate to be in the 7% to 10% range, in line with TD's overall long term growth objective. Built into this is our business philosophy that says you always should grow your revenues faster than expenses. The fourth, we're seeing some powerful synergies development through the sharing of best practices that have led to TD's success. For TD Banknorth, these are low-cost ways of fostering growth. Bharat will be talking to a number of initiatives in progress that leverage our world-class retail banking platform, as well as other proven process improvements. We believe that this is a great story. Colleen, over to you. Make it simple.

---

**Colleen Johnston - CFO of TD Bank Financial Group**

Thanks, Ed. Let me begin by showing you TD Banknorth's overall results. Slide five shows TD Banknorth Inc.'s latest quarter and an overview of some Q1 2007 themes. TD Banknorth announced adjusted earnings for their first quarter of U.S. \$99 million, down from U.S. \$116 million in the prior year. The decline was due to higher provision for credit losses and a one-time charitable foundation contribution of U.S. \$8 million. Additional earnings from Hudson and Interchange were offset by lower earnings in the remainder of the business. These earnings reflect the fact that banking in the northeastern U.S. remains challenging, with intense competition for loans and deposits continuing to moderate volumes and revenue growth.

Please turn to slide six. Turning to TDBFG's U.S. P&C segment, revenue for Q2 '07 is expected to be C\$504 million, up 9% year-over-year. This revenue growth was largely due to acquisitions, notably Interchange, which closed in January, and improvement in deposit service. Of note, TD Banknorth's first quarter is traditionally slower due to seasonality for both business and individual customers and reduced net interest income due to fewer days. Net interest income has also been negatively impacted by the inverted yield curve, as customers favor lower spread loans and deposits.

With respect to net interest margins, it continues to compress, primarily due to deposit mix, as savings and money market accounts are being replaced by CD's and government banking. This will remain an issue, albeit an increasingly smaller one, as long as the yield curve remains inverted or flat. The key to overcoming the negative yield impact will be to continue stimulating organic growth, which has begun in commercial lending and money markets. With respect to volume growth, average loans and leases increased 11% versus last year to U.S. \$27 billion, due primarily to the timing of our Hudson and Interchange transaction. Excluding acquisitions, loans were down 1% quarter-over-quarter reflecting competition and seasonality. Organic loan growth did begin to pick up near the end of the quarter.

Deposit growth of 16% year-over-year to U.S. \$28 billion was also due primarily to acquisitions versus last quarter and excluding acquisitions, deposits were essentially flat, reflecting intense competition within the footprint. In response to the competitive environment, TD Banknorth successfully introduced a high-yield money market account late in the quarter, which has allowed for the attraction of new deposits and the reduction of outflow caused by existing customers seeking higher yields. and you'll hear more about this from Bharat in a few minutes.

Turning to slide seven, you can see credit quality weakened in the quarter with PCL totaling C\$35 million versus C\$17 million last quarter. Our PCL's have increased, reflecting the significant increase in non-performing assets at TD Banknorth this quarter. TD Banknorth's NPA's were up from U.S. \$132 million to U.S. \$225 million quarter over quarter. Net charge-offs were up as well, from U.S. \$14 million to U.S. \$20 million but not to the same extent as NPA's. Problem loans are concentrated in for-sale real estate, these loans are relatively well secured today but will take some time to work out.

With respect to geography, the issues span the footprint but are more significant in the mid-Atlantic region where loan sizes tended to be higher. We are actively managing our credit portfolios. We would expect net charge-offs to be in the U.S. \$15 million to U.S. \$20 million range per quarter over the next several quarters. in terms of PCL, we expect to reserve at least our net charge-off.

Please turn to slide eight. Adjusted non-interest expenses of C\$304 million were up 7% year-over-year, due mainly to acquisitions and are up the 2% versus the prior quarter. The impact of adding Interchange plus the C\$9 million contribution to the charitable foundation was largely offset by lower ongoing restructuring costs included in TD's regular earnings. Restructuring charges this quarter are an item of note, which I will describe later. TD Banknorth continues to manage expenses closely.

Slide nine shows the contribution made by TD Banknorth to TD Bank Financial Group. TD's second quarter 2007 U.S. personal and commercial banking segment net income expected to be C\$62 million on an adjusted basis, down C\$2 million from last quarter but up C\$3 million from Q2 2006.. The impact of higher ownership and lower ongoing restructuring charges more than offset the higher PCL and charitable foundation charge.

On slide 10, we provide an overview of TDBFG's restructuring charges. Let me start by clarifying that at the TD bank level, restructuring charges will cover TD Banknorth's quarters to March 31, plus additional charges recognized to April 30, the end of TD's second quarter. TD's charge will reflect 59% of these amounts pre-close and 100% post-close. Those charges booked after April 20. Taking into account the minority interest and the translation to Canadian dollars, the total after-tax amount applicable to TDBFG in Q2 '07, is expected to be C\$43 million. This will be shown as an item of note with components in two segments.

TD's U.S. P&C segment will absorb C\$49 million of the charges, while our corporate segment will absorb C\$4 million. We transferred functions of TD Bank USA from corporate to TD Banknorth, necessitating a restructuring charge in corporate. In total, the U.S. \$77 million pre-tax charge is in line with the range of U.S. \$40 million to U.S. \$100 million, previously disclosed in the going private circular. Please turn to slide 11.

On slide 11 we provide some additional color on TD Banknorth's restructuring charges, showing the various categories of expense items. Of the total restructuring charges of U.S. \$77 million, the majority of the charges apply to human resources. With smaller amounts allocated to real estate, technology, the completion of the privatization and amounts related to the Interchange and Hudson transactions. About 400 positions will be eliminated, as part of our restructuring, by the end of TD Banknorth's second quarter. These numbers also reflect the retirement of Peter Verrill and Bill Ryan's move to the position of Chairman of TD Banknorth.

In addition, we have announced plans to close or consolidate 24 branches and we are consolidating a data center with TD. privatization costs consist mainly of legal and investment banking fees. As we move into 2008, we expect our divisive action on costs to reduce ongoing expenses. Currently, we have a number of initiatives underway, including; process improvements, capacity utilization, adoption of TD's performance culture and two-way synergies with TDBFG.

We have also, over the last six months, reduced our staffing levels through attrition and also through reductions in the work force through April and May. We remain very comfortable with the 5% to 8% expense reduction target we have set. We should achieve most the the reductions of calendar year and savings should be fully phased in in 2008. These expense savings will allow TD Banknorth to accelerate revenue generating investments, including longer branch hours, footprint improvement, advertising, products and technologies. All while maintaining positive operating leverage during a challenging revenue environment.

Please turn to slide 12. There are a variety of items impacting the earnings of the U.S. P&C segment over the next few quarters. We are providing a bridge to help you understand the segment post-privatization through to Q4 2007. We will continue to report TD Banknorth as a separate segment and we will fully align the segment reporting with TD's methodology. The starting point in this reconciliation process is the C\$62 million expected for the U.S. P&C segment in Q2 2007.

Added to the C\$62 million are the earnings related to the minority interest. Please note, Q3 '07 is less than Q4, as TD's ownership position did reach 100% until April 20, part way into TD Banknorth Inc.'s second quarter. We have also taken in to account the impact of the seasonally weak Q1 and the impact of the donation made to TD Banknorth's foundation.

The corporate reallocation adjust consists of two items. The first is corporate support costs in TD Banknorth that will now be charged to the corporate segment, consistent with our methodology for other segments at TD. The second item reflects the decision to move TD Bank USA into TD Banknorth to consolidate our U.S. banking platform. TD Bank USA is currently reported in our corporate segment. TD Bank U.S. is a U.S. banking entity that was originally part of TD Waterhouse USA and is now working closely with TD Ameritrade to provide banking-related services to their customers.

So, that brings us to base-level adjusted earnings of C\$108 for Q3 and C\$123 million for Q4. Bear in mind that this is in Canadian dollars and exchange rate fluctuations will affect our earnings. Let me stress that this is a base-level earnings only. We will not be satisfied with earnings at these levels. We are working to deliver better results, in particular, as we move in to Q4 of this year.

In a moment, Bharat will talk to you about initiatives to grow TD Banknorth's earnings organically and the impact of decisive actions taken on our cost structure. This quarter, TD Banknorth issued a press release detailing their financial information. Going forward, TD's U.S. P&C segment, which includes TD Banknorth, will follow TDBFG's standard segment reporting format and disclosure.



On slide 13, we have included a brief TD Banknorth privatization summary. Minority shareholders approved the privatization on April 18 of this year and the transaction closed on April 20. The closing price was U.S. \$32.33 per share, for a total of \$3.2 billion. We show our accretion estimates for 2007. These were originally presented in our November 20 call. In terms of our reported numbers, given the item of note, you would expect a decrease in the 2007 EPS accretion estimate.

We also show our expected capital ratios after privatization, as initially presented in our November 20 call. For Q2, we expect these ratios to come in just slightly lower than expected, reflecting growth in the rest of our businesses. Our ratios will fully satisfy our regulators and rating agencies. As I outlined, we will have additional earnings coming through our U.S. P&C segments.

However, there are other segments -- other affects from the close, mainly on our corporate segment. As you know we had excess capital, which is now reduced with the TD Banknorth close. The impact of the capital reduction will be largely in corporate. This means that our corporate segment will come in closer to the upper end of our minus C\$20 to minus C\$40 million range. I will expand on this further on our May 4 call when we discuss TD's Q2 earnings.

Please turn to slide 14. As Ed mentioned in his remarks, we are focused on both the short term and the long term performance of TD Banknorth. The short term results reflect tougher economic and credit conditions. Managing in these conditions remains one of our highest priorities. Let me turn it over to Bharat for some reflections on the quarter and his plans for long term growth at TD Banknorth. Bharat?

---

**Bharat Masrani - *President and CEO of TD Banknorth***

Thank you, Colleen. I would like to share with you my thoughts on where TD Banknorth is headed over the next several years and what we are doing get there. But first, I acknowledge that our earnings are not where we would like them to be. As Colleen mentioned, the operating environment in the U.S. continues to be challenging.

We are experiencing pressure on our loans and deposits and have seen a weakening in asset quality, primarily related to the downturn in the housing industry, which led to increase in PCL's in the first quarter. Let me say a few words about asset quality. We have seen a marked increase in NPA's and PCL's in the first quarter, and to a lesser extent net charge-offs. While there appears to be sufficient buffer before our principal is at risk, I have been in this business a long time and know that surprises sometimes do occur. As Ed mentioned, we are totally focused on monitoring these portfolios very carefully.

Absent a major downturn, I anticipate net charge-offs to be in the C\$15 to C\$20 million range over the next several quarters, consistent with our recent experience. As it relates to our level of PCL's, we anticipate reserving at least our net charge-offs but will review our position quarterly and will make adjustments accordingly. As it relates to our performance in the short-run, I don't see the operating environment for the U.S. banks getting any friendlier. At the same time, we are not sitting idly by hoping the environment changes around us.

We've taken decisive action to improve our core operating performance. And as Colleen mentioned, have announced plans to reduce our operating expenses by between 5% and 8% by 2008. We have re-engineered processes to make them more customer focused and more efficient. In some cases this has resulted in the need for fewer employees and we have recently announced plans to reduce our headcount by approximately 400. In August of last year we implemented a hiring slowdown, which has had the affect of reducing our headcount further, largely through attrition. Since that time, we have seen a net reduction of over 1,000 employees or a little over 10% of our work force.

In addition, we have announced plans to close or consolidate 24 branches across our franchise. As a result of these and other steps we are taking, we are well on our way to achieving the 5% to 8% reduction

in our core operating expense. We anticipate realizing the majority of savings in this calendar year, with the balance being fully phased in in 2008. These savings will allow us to simultaneously invest in some of the initiatives I will share with you shortly, while maintaining positive operating leverage in a challenging revenue environment. We are managing the business in the short-term in response to difficult operating environment, while ensuring we invest in long-term revenue drivers.

At TD Banknorth, our goal is to create a leading retail and commercial bank in the U.S. We have shifted our focus from mergers and acquisitions to driving organic growth. To do this, we will leverage TD's retail banking strength, while adopting specific strategies for the U.S. market. We are tapping into the best that TD has to offer in terms of products, processes and where appropriate, people. While making sure that the strategies we pursue are appropriate in the United States.

As CEO, my job is to continue to transform TD Banknorth to enable us to organically grow our earnings in the 7% to 10% range, consistent with TDBFG's corporate objectives and to deliver the kinds of returns our shareholders expect. I am incredibly excited about the opportunity and am confident we will succeed. I have been at TD Banknorth for just over seven months and I have to say how impressed I am with the quality of our people. Since the first of this year, I have traveled throughout the system and met with literally thousands of employees. And in each instance, I have been impressed with their desire to meet their customers' needs, to embrace the kind of changes we are talking about and to move the Company forward.

We need to focus our attention on revenue growth while managing our expenses closely. Today, I will share some of our high-level plans with you. As Ed mentioned on June 28 at our investors day, I and other members of my management team will go in to more detail regarding some of these initiatives. To be successful we need to focus on four things. First, we need to enhance the sales and service culture at TD Banknorth. We have reorganized the TD Banknorth management team to eliminate ambiguity, while clarifying accountability for results.

We are creating a performance culture and have modified incentive plans to reward employees for superior performance. We will pilot SR, a sales incentive system perfected at TDCT to drive referrals and sales at the branches and other channels. And we are investing in technology throughout our network to take it easier for employees to cross-sell additional products and services to our growing customer base.

Second, we need to focus on the overall customer experience through all of our touch points, whether through the branch, online banking, call centers or through our ATM network. And view our actions from the customer perspective looking in, rather than the bank's perspective looking out. As we move forward, we need to continuously ask ours; Are we making it easier for customers to do business with us? Are our branches in convenient locations? Are we open when it is convenient for our customers? Are we providing our customers with a superior customer experience through all of our channels?

We have a number of initiatives underway to continuously enhance the customer experience at TD Banknorth. Let me share a few examples with you. Earlier this year, we launched our new brand throughout the franchise. At TD Banknorth we are committed to freeing our customers from the hassles of banking and the worries of managing their money. We are remodeling many of our branches and have plans to substantially increase the number of branches we open or relocate to attractive markets within our footprint.

We have launched a pilot in 225 of our branches, over 1/3 of our network, to offer our customers longer hours. In Canada, TDCT is recognized as a convenience leader. We will implement a similar model at TD Banknorth. And in fact, we'll be open longer than most of our competitors. To support this initiative and to ensure that we exceed our customers' expectations, we have added over 200 branch personnel to our retail distribution network. At TDCT we use a customer experience index, which measures how willing a customer is to recommend the bank to their friends and family. To measure the customer experience on a daily basis. We have plans to roll out a similar model at TD Banknorth later this year, with full implementation in 2008.



In addition, TD Banknorth is an award-winning online bank offering and we are working to make this channel even more robust. Third, we need to ensure that we have the financial service product that our customers expect and demand. We will leverage TD's product research capabilities to ensure that there are no gaps in our offerings, and if there are we will fill them rapidly. We recently introduced a high-yield money-market account in response to local consumer demand. To date, we have attracted over \$1 billion dollars in deposits, including over \$300 million in new moneys to the bank.

In June we will pilot an instant-issue debit card that can be issued instantly in the branch at the time of account opening. Believe it or not, this will put us at the forefront of instant debit card issuance among U.S. banks and will create a competitive advantage for us in our markets. In partnership with TD, we have plans to launch a TD Banknorth credit card for retail and small business consumers this fall. The offering will tap into TD's expertise in the credit card business and will again be adapted to U.S. consumer needs and preferences. We are also working closely with TD Securities to offer capital market capabilities and expertise to our middle market clients.

Fourthly, we will leverage TD's capabilities at the segment level for the benefit of the TDBFG family. As Colleen mentioned, we are in the process of transferring TD Bank USA, which provides banking-related services to TD Ameritrade's customers to the TD Banknorth segment. This will tap in to our core banking capabilities and will allow us to offer additional banking services to TD Ameritrade's customers.

We are working closely with TD Wealth Management and TD Asset Management to create an integrated wealth offering. At TDCT, we have spent years perfecting our model of co-locating financial planners in our branches, which has proven extremely effective at gathering assets and meeting our customers' needs. We will leverage this model at TD Banknorth and have plans to significantly increase the number of financial planners in our branches over the next several years. In addition, we are working with TD Asset Management to enhance the depth and breath of investment products that TD Banknorth Wealth Management can offer their clients.

In conclusion, we have shifted our focus from growth through acquisition to organic growth. We are continuing the transformation of TD Banknorth to create a leading retail and commercial banking franchise in the U.S. To do this, we will leverage TD's strength while adapting strategies and techniques for the U.S. market. We will invest in our core businesses while keeping a close eye on expenses and will execute our strategy with excellence. At TD Banknorth, we are building a better bank. It was done at TD Canada Trust. I am confident we will do it at TD Banknorth.

It won't happen overnight but we are moving in the right direction and we are making progress. I'm incredibly optimistic about the opportunities before us and look forward to sharing with you some of our plans in more detail in June. At this point, we be happy to answer your questions.

---

**Ed Clark - President and CEO of TD Bank Financial Group**

And we'll open it up for questions now.

## **QUESTION AND ANSWER**

---

**Operator**

We have no questions at this time. Your first question comes from Ian de Verteuil of BMO Capital Markets. Please go ahead.

---

**Ian de Verteuil - BMO Capital Markets - Analyst**

Just wanted to make sure you guys didn't get off easily, actually. Colleen, slide nine, I'm right the basis under which you're consolidating TD Banknorth have changed? You used to, I believe include all restructuring charges in your contribution to TD and now you are excluding them. Is that right? Because all of the restructuring charges that went through before you used to call them one-time -- you used to leave them in the results and now you are calling them one-time. Is that right?

---

**Colleen Johnston - CFO of TD Bank Financial Group**

Yes, Ian it's Colleen. In terms of the restructuring charges that we have taken traditionally through the TD Banknorth segment, those items do in fact -- in terms of the nature of the items would qualify as an item of note. But historically, have not been large enough. We do apply a sort of a size test before we would capture something as an item of note. So this particular quarter, because we've had a number of restructuring items, including those related largely to Interchange, we have included those in the larger restructuring charge. And that has been classified as an item of note but it's not a change in our policy.

---

**Ian de Verteuil - BMO Capital Markets - Analyst**

So it's just that it was bigger this time, so you've added it back?

---

**Colleen Johnston - CFO of TD Bank Financial Group**

Correct.

---

**Ian de Verteuil - BMO Capital Markets - Analyst**

Okay. The second thing is the -- slides nine and 10, just to make sure I understand. The C\$43 that you've indicated, how does that relate relate to the C\$39 you've referenced in slide nine?

---

**Colleen Johnston - CFO of TD Bank Financial Group**

There's sort of two aspects to C\$43. The majority of it, the C\$39, is TD Banknorth related. And then the remaining amount will actually go through our corporate segment because it relates to TD Bank USA, which currently has been booked there. So that's the difference between the C\$39 and the C\$43.

---

**Ian de Verteuil - BMO Capital Markets - Analyst**

Okay. That's clear to me now. Thank you.

---

**Operator**

Your next question comes from Jim Bantis of Credit Suisse. Please go ahead.

---

**Jim Bantis - Credit Suisse - Analyst**

Hi, good morning. Ed, I'm just looking back at the package when the TD Banknorth transaction was made and that was in August of 2004. And when I think of some of the things that Bharat kindly pointed out in terms of some of the initiatives. A few of these things, if not all of them, were referenced to part of

the catalyst when the transaction was first announced. So maybe you can give us a sense of how much of these initiatives were actually started? If they didn't, how come? And what have you learned and what surprised you about TD Banknorth over the past couple of years?

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Jim, it's a big and good question. I think the fundamental is that when we did the Banknorth, I think as everyone was aware, we said our number one priority was to do M&A activity. That we saw the U.S. consolidating over the next five years. We liked the geographies that we were in but we wanted to be ensured that in the counties in which we were operating, that we got ourselves in the top-five positions in each of the major counties in which we were targeting. And while we had ideas of things that we could do between us, and I would say we started some of those ideas and worked away at them, I would say the priority remained getting the acquisitions done. And we then subsequently did two acquisitions. And we discovered, as you always discover in these things, that these acquisitions take up a lot of your energy. And you spend your energies absorbing these acquisitions.

And then as I've said before, I think during all of this process, the other thing that happened is that the U.S. business environment turned far more hostile. And so we were scrambling, in a sense, to deal with that environment. And I think that's -- it was scrambling to deal with that environment and seeing that the acquisition target prices weren't coming down. And so that there was no adjustment in what people expected in acquisition prices, notwithstanding the fact that we looked out and said the earnings that they were going to generate in the next few years, at least, had been materially impacted. But that's when we made this decision to say, "okay, let's shift the basis."

So I think there are elements of -- as you are correct, there's many of our thoughts, you would put them, and I would say there was some progress. We would not -- if you said today some of the things that we were doing now came that we did get some things, such as understanding the profitability by business segment in Banknorth and getting the treasuries integrated were important first steps that if we hadn't taken we would be slower in getting off the mark.

We had done some of the process re-engineering and studies and backgrounds, so that we understood what the opportunities were there. So I think the time wasn't wasted, but there's no question, we didn't put anywhere near the focus and urgency on it because our main focus was; "Well, let's continue the acquisition." Once the business environment changed, we needed to speed up the rate at which we improved the organic performance. And then making this shift where we said, "Well let's get the machine working, and let's wait and see when the prices will change." Or we get more confident in what the future business environment is, then -- until that time, we then said, "Well, let's shift it on the focus." So I think it's a shift in focus that's gone on.

---

**Jim Bantis - Credit Suisse - Analyst**

No, I certainly appreciate that. And when you try to roll out now the customer experience model in to the U.S., which has been so successful in Canada, is the U.S. banking customer much different than the Canadian customer? Have you learned that over the past couple of years?

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Well, let me start and then Bharat can go to what is learned. One of the points I make with people, if we actually look -- I started working on this model in 1991, so it's not like this sort of a new thought. And if you took a look at the research that we used and still use, frankly today, the overwhelming proportion of the research is American research. And so their analysis, the technique, the ideas, the thoughts. I would say the big thing that we have done is we have actually done it rather than talked about it. And so people

talk about customer satisfaction but we measure it every night, as you know. So, I'm not sure but the actual thought and our research says, that at the research level, what matters to Americans is what matters to Canadians. And that's why we implemented those thoughts in Canada, but they are in fact the basis of most of the work was done in the U.S. Bharat, do you want to give your and maybe you want to talk about some of the things that you see that are different?

---

**Bharat Masrani - President and CEO of TD Banknorth**

Yes, I fully agree, I think American customers want similar service, similar products, superior experience that Canadians want. I have not come across anything suggesting there's a huge difference in those expectations or demands. What is different obviously is the competitive environment as to how these products and services are delivered to those consumers. And that is different, because from where I sit, I see hundreds of banks competing for those customers. As compared to Canada where we might have five or six banks competing. So as to how we deliver, based on the research that comes forward would be different, would have to be adapted to the U.S. market. But apart from that, I do not see any fundamental change in how customers want to be served in the U.S. or in Canada.

---

**Jim Bantis - Credit Suisse - Analyst**

Great. Thanks very much and I appreciate the call.

---

**Operator**

Your next question comes from Mario Mendonca of . Please go ahead.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

Good morning. Colleen, I'm going to back on some of the more number questions. On slide 12, you were very clear in saying that the C\$62 the million is a base case. And then when you discussed the expense cuts again-- and I know you have previously talked about this, the 5% to 8% of operating expenses what base are you thinking about when you talk about 5% to 8%? Because it's a larger base now with Interchange. If I look at the financial statements, we're looking at non-interest expenses of about C\$318 million this quarter, is that the appropriate base to start with?

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Why I don't move -- I'll turn that over to Bharat, Mario, to talk about expenses and where we're going there. Colleen and I agreed at the start if we got a really tough question, Mario, we'd give it over to Bharat here. To try him out on this call.

---

**Bharat Masrani - President and CEO of TD Banknorth**

You can see I am already converted, I am from South now.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

I see.

---

**Bharat Masrani - President and CEO of TD Banknorth**

And so I only talk in U.S. dollars, Mario. But our expense line-- to give you a framework, is around is around \$1 billion dollars at TD Banknorth. so when we're looking at 5% to 8% reduction, that's the base I'm starting from. And I think it is reasonable to assume that in '08, that expense line will not grow, that we will stay at the lower level. That's the expectation based on the framework that we have used there. And that would make sense given all of the changes we are making with the restructuring charges that Colleen mentioned. Does that give you a bit better sense?

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

Yes. And when you say the expense line won't grow, you are saying that naturally either inflation and other sort of natural sort of growth initiatives would have caused it to be up say 5% to 8%, and that's the amount you are lopping off? Is that an appropriate characterization.

---

**Bharat Masrani - President and CEO of TD Banknorth**

I think the big unknown always is, and that's why I was sticking to the U.S. dollars, is the exchange rate could change that quite dramatically. We have seen a huge shift in the exchange rate over the past few quarters, which has a significant impact on how this gets translated into the TD U.S. P&C segment. So, that is always, as you would expect, an unknown. But from a core expense management perspective, my earlier comments apply.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

When you think of the 5% to 8%, though, are you -- does that feel like the expense cuts necessary to offset other sort of forms of deterioration in the business, whether it be margins or PCO's? Or is that -- I'm trying to pin you down on, are we looking at 5% to 8% as a sort of add on to TD, or is that really just to cope with all of the other things that are going on?

---

**Bharat Masrani - President and CEO of TD Banknorth**

I think the best way to answer that is, it's all of the above. So obviously, we're getting revenue pressures because of the environment that I talked about. We are investing in other initiatives that I also outlined in my comments. So when you take that in aggregate, some of those expense savings are offset by those factors as well.

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Mario, it's Ed here. That's why recognize -- I think the question goes to the core of the question so I think - what I've tried to say in my remarks is that if you think that the fourth quarter running rate is close to C\$500 million in the segment. And you've got on the negative side what is going to happen to PCL's in 2008. The reinvestment that we want to have go on, we want Banknorth to open new branches, we want them to extend their hours. We want them to invest in new sales processes. We want them to deliver, in a sense, our model into the United States. And I think you still have a reasonably adverse U.S. economy, I think for at least that period of time. Those are all of the negatives. On the positive side, I think we've made the cut, which should come through for 2008 and we are implementing these changes. And so our experience is that some of these changes, which look to you as, "Well, geez, that's pretty obvious stuff." Our experience is yes, it's pretty obvious but when you do it, it's impact is pretty obvious too. What we're



saying to you is that Bharat's job, and he's going to succeed in his job, is to deliver you segment earnings that are significantly above \$500 million in the 2008.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

I appreciate that. And one final thing. Banknorth you can't get the same sort of level of disclosure now as we could in the past. So I just went back to the December 31, 2007 10-K. And you look at the commercial real estate, I see now that it's about -- the busier the commercial real estate mortgage, I'd say now about \$9.4 billion. I think something like \$1.5 was the-- I believe it's the construction and development loans. When you think of Banknorth and where things are vulnerable, are you really look about that segment now the \$1.5 billion and the commercial mortgages, the remaining, call it another \$8 billion or as the not vulnerable piece?

---

**Bharat Masrani - President and CEO of TD Banknorth**

This is Bharat, Mario. I think you are headed in the right spot. The portfolio that is what I would call the weakest, and it's not just at TD Banknorth, it's generally in the market is what is the U.S. they call for-sale real estate. And that would be embedded in the number you just talked about.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

The \$1.5?

---

**Bharat Masrani - President and CEO of TD Banknorth**

Yes, I think it's lower than that. I do not have the exact number here. But at TD Banknorth, we've started to focus on that sector to reduce our exposures or to manage out certain of the weaker exposures over the past one year or so. So this is not as if we are sort of responding to the latest newspaper report out there. We have consciously reduced that portfolio quite substantially over the last one year but we still have some exposures there and some of our NCA's are related to that.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

So, just for perfect clarity, the \$1.5 the construction and development, certainly there are issues there, and that's what you are working through, and have been working through.

---

**Bharat Masrani - President and CEO of TD Banknorth**

Yes.

---

**Mario Mendonca - Genuity Capital Markets - Analyst**

Again, it is fair to say the remaining part of the commercial real estate mortgages is where you still feel pretty comfortable where you haven't seen a material deterioration? Is that a fair thing to say?

---

**Bharat Masrani - President and CEO of TD Banknorth**

Yes. That would be a fair thing to say.

---

**Operator**

Your next question comes from Michael Goldberg of Desjardins Securities. Please go ahead.

---

**Michael Goldberg - Desjardins Securities - Analyst**

Thanks. What we have seen in the past little while is you have closed branches in mid-Atlantic. Wendy Suehrstedt moving out of mid-Atlantic also. And I'm just wondering if these moves reflect pulling in your horns in this mid-Atlantic region where the acquisition of Hudson United was seen as crucial to growing in the region? So, could you give us an update actually on how the environment in this region looks for TD Banknorth?

---

**Bharat Masrani - President and CEO of TD Banknorth**

Out of the branch closures and consolidations we announced, I don't have the most accurate numbers, but I think 16 or 17 out of the the 24, related to what we would call mid-Atlantic. But most of them were in the southern New Jersey footprint and not in the northern New Jersey footprint. And as we had always said, if we're in New Jersey, and generally in the whole TD Banknorth footprint, competition is at the county level. It's not at the national level or it's not at the regional level. And we need sufficient scale to make sure that we are able to drive organic growth.

Secondly, a lot of these branches were prime candidates for consolidation, so we either had another branch location that was better suited or the leases were coming up, or that the investment it would take to remodel the branch was not viable, it was better to move that customer base to another branch. This was a combination those reasons why we focused there. On the flip side, we are impressed with the potential in the New Jersey market. We've bought Interchange, we now have sufficient scale in Bergen County, which is one of the most attractive banking markets in the U.S. And it's our sort of objective to take that sufficient scale we have in Bergen County, and make sure we are able to drive the organic growth. So, I think just to think we are pulling back, is not a fair assessment of how this has been playing out.

---

**Michael Goldberg - Desjardins Securities - Analyst**

But are there parts of this region where you are pulling back to some degree? Maybe because you don't feel that you have the scale that you would like to have?

---

**Bharat Masrani - President and CEO of TD Banknorth**

I wouldn't want to classify -- there were -- when you've got a 600-branch network, which is what we have at TD Banknorth, you are always going to continually optimize your network. You are going to make sure that your branch goals are being met, that if demographic patterns change, if traffic patterns change; that we are dynamically responding to that. And this is very much part of those initiatives. In fact, when we first announced the Hudson acquisition, we had already indicated at that time that there will be some optimization that will take place in the network. And this is in keeping with that.

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Michael, it's Ed here. I wouldn't over read into the branches, so I don't see us-- I think we want to continue to grow in New Jersey.

---

**Michael Goldberg - Desjardins Securities - Analyst**

So, just to step back for a second, how would you describe, now that it is over, how the Bank Freely campaign has gone? Did it meet objectives and has progress been continuing?

---

**Bharat Masrani - President and CEO of TD Banknorth**

The answer is yes. I think Bank Freely campaign was very important for us. Not only did it establish us in a new market, a big market, a major market, but it as well yielded the financial objective we had set for the campaign. We got the accounts that we wanted, we are able to drive more volume. And it has created a brand for TD Banknorth that is impressive in that region. So, it's a long way of saying yes, it has met our objectives.

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Michael, one of the things I think we'll do on June 28, is we'll have our head of marketing up and he'll talk a bit about what has been happening to our brand. And we can pursue some of those questions at that meeting. We'll have all of the people there.

---

**Michael Goldberg - Desjardins Securities - Analyst**

Okay. Thank you.

---

**Operator**

Your next question comes from Darko Mihelic of CIBC World Markets. Please go ahead.

---

**Darko Mihelic - CIBC World Markets - Analyst**

Hi, good morning. Most of my questions have been asked and answered, so just a couple of quick follow-ups here. Ed, first question is, I can definitely read into your remarks that's no more material restructuring charges coming up. Can I just take it one step further and read in from that that you have tested the goodwill at Banknorth and you feel there is no necessary impairment or is that something you do at the end of the year?

---

**Ed Clark - President and CEO of TD Bank Financial Group**

I think if you look at what LaSalle went for, you don't have to worry about the goodwill at Banknorth.

---

**Darko Mihelic - CIBC World Markets - Analyst**

Fair enough. Okay. A question as well just for Bharat. Just to circle back on the idea that \$15 to \$20 million per quarter in terms of charge-offs and roughly the provision in line with that, what would lead -- or what should we look for in terms of what would cause you to sort of build reserves at Banknorth?

---

**Bharat Masrani - President and CEO of TD Banknorth**

Well, if you look at our first quarter results, we are building reserves. Our -- I think the PCO charge was -- I know Colleen or somebody will remind me, around \$30 million, where the charge-offs were \$20. So we are building reserves and that is something you would expect given the NPA growth we've had and that would be the prudent thing to do. So my expectation is that if our charge-offs remain at the level that we experienced in the first quarter, then by extension, our PCL should be in line with what we have had within the last 90 days or so.

---

**Darko Mihelic - CIBC World Markets - Analyst**

Okay. One final question for Ed. It's clear you're not satisfied with the earnings out of TD Banknorth. And I think that the last guidance was that effectively, after all accounting has been finalized for the purchase of BNK, all-in you've got about an \$8.5 billion acquisition here. Are you moving from the return you can expect on that invested capital or should we still expect something between 8% to 10% as sort of a long term stretch goal for BNK?

---

**Ed Clark - President and CEO of TD Bank Financial Group**

I hope it's not too stretchy. I think what we're focused on, to be honest, right now is that we've got to get earnings growth. We know that the operating ROE of Banknorth is quite a good operating ROE. The people love -- these are good businesses. They have very good rates of return. But when you pay four times book for something that has a operating ROE, your rate of return isn't so good.

And the only way that all works is that what you've bought grows. And so I think, as you said, what our focus is, and what Bharat's mission statement is, is to get those earnings. If we can have these earnings grow 7% to 10% every year. And given that the operating capital doesn't tend to grow in line, because of the nature of the business, at 7% to 10% a year. And you can improve the operating ROE but you then you also, obviously dramatically, because the operating ROE is small of the total capital that we've got invested in here. But in either case you can improve dramatically the return to shareholders. So, yes, we clearly want to get ourselves back to 8% and then grow it from there. But as you said -- what's our concern right now in 2008 and 2009 is that we get growth in these earnings.

---

**Darko Mihelic - CIBC World Markets - Analyst**

Okay. Thanks very much, look forward to the investor day.

---

**Operator**

There are no further questions at this time, please continue.

---

**Ed Clark - President and CEO of TD Bank Financial Group**

Well, thank you very much. We really appreciate the time that you have taken. I think you have got -- our messages are pretty clear as to what we think this is about. We're pleased, I think, with what we now have with Banknorth. I think our message is, you can trust us. Bharat has a pretty clear mission statement. He's going to manage both in the short and the long term. While we'll heavily focused on



what's happening in the credit environment in the U.S., I think it is manageable, and it won't impair his ability to meet our short and long term earnings growth.

I think we have done the actions. So that you shouldn't anticipate that we're going to have a material set of restructuring charges. We're not. We've done what we had to do. And we remain convinced that we can leverage the capabilities we have in TDCT and apply them in the Banknorth and that you'll be surprised at the kind of results that we'll get. Thank you very much.

---

**Operator**

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, and please disconnect your lines.