TD BANK FINANCIAL GROUP
GOLDMAN SACHS U.S. FINANCIAL SERVICES CONFERENCE
THURSDAY, DECEMBER 11, 2008

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PARTICIPANTS

Colleen Johnston	Group Head Finance and CFO, TD Bank Financial Group
Brian Foran	Analyst, Goldman Sachs & Company

PRESENTATION

Brian Foran – Goldman Sachs & Company – Analyst

Well, thank you to all of you who stayed here. Five years ago, many of you, many of us in the US might not have known a lot about TD. Now, it's kind of hard to miss. By market cap, TD's the eighth largest bank in North America. By deposits, they're the 14th largest US depository institution. The way things are going recently, it'll probably be in the top 10 pretty quick.

Against this backdrop, however, there's an increasingly difficult US environment and recently Canadian environment as well from a macroeconomic standpoint, with employment statistics and recently some of the Canadian Bank actions, cut rates 75 basis points in response to that.

So with that, we're very happy to have Colleen Johnston here from TD to tell us a little bit more about it.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Well, thanks very much, Brian and good afternoon, everyone. It is a real pleasure to be here today. This presentation contains statements that may be considered forward-looking statements. And certain material assumptions or factors were applied in making these statements that could cause actual results to differ materially from what is discussed. For additional information, I refer you to our 2008 annual report, which you can find on our website at td.com.

Let me start by saying these are unprecedented times for global banks. And I know that everyone in this room is looking for insight, not only on the banking crisis, but also on what lies ahead as banks head into a global economic recession in the next two years. It's only a question of how long and how deep.

And it's also clear that the Canadian banks have attracted significant global investor interest these days. In relative terms, the Canadian banks look much stronger than our counterparts in other countries around the world. And of course, I'm here to talk about TD Bank Financial Group and why we've emerged as even more of a global banking leader in the last year. I'll start with some history and background on TD and touch on these topics later in the presentation.

So, who is TD Bank Financial Group? We're a 150-year-old bank that's anchored in Canada. At TD, we have an enduring strategy focused on retail banking. We've been executing on that strategy with success for the past six years. And it's just as relevant today in these tough markets. That strategy has created and will continue to create a sustainable competitive advantage for TD.

As you've heard, we're a top 10 North American bank in terms of market cap, branches, assets, and deposits. We have strong Canadian operations. We believe that if you want to go abroad, you must first secure your home base. We have a very strong Canadian franchise.

We also know that there's enormous opportunity in the United States. In 2005, we entered the US personal and commercial business with an investment in TD Banknorth. With our recent acquisition of Commerce Bank, we now have as many branches in the US as we have in Canada. Growing in the

United States through TD Bank, America's Most Convenient Bank, and our investment in TD Ameritrade is an important part of our future. And we're confident in that future. We have a lower risk retail focus.

In 2002, we declared an optimal earnings mix of 80% retail and 20% wholesale. With the Commerce acquisition, our target mix is now 85/15. This year, our earnings were 98% retail. In terms of absolute dollars, we have more earnings coming from retail operations than any other Canadian bank.

We get a better return for risk undertaken compared to our North American peers. Our adjusted return on risk-weighted assets is 2.18% versus the average of our Canadian peers at 1.83% and our US peers at 0.93%. What this highlights is that we get a better return on every dollar of risk we take compared to our competition. This result is consistent with our strategy of growing without going out the risk curve.

We are focused on disciplined execution. What does that mean at TD? It means having great organic growth capabilities. And because our retail businesses aren't capital intensive, organic growth offers significant returns. It also means being disciplined acquirers, deploying our capital for prudent medium-term growth. It means investing in our businesses for growth, knowing where we truly have a competitive advantage, and relentlessly investing energy and resources to increase share. It means having a disciplined credit culture and a strong balance sheet.

We're focused on achieving sustainable cost advantage, not reactive short-term cost cutting. We understand liquidity and risk management. Yes, that's about best-in-class policies and practices, but also about common sense, which is definitely coming back into vogue these days.

The next slide shows you the breakdown of our 2008 earnings of $3.8 billion into our main business segments. Our Canadian personal and commercial bank, which includes our global insurance business, provides a full range of financial products and services to approximately 11 million personal and small business customers. Under the key Canada Trust brand, we have over 1,000 branches and 32,000 full-time employees.

We have a Canadian wealth management business, which includes our mature online brokerage operation, the largest in Canada, a large mutual fund business, and our younger advice business. In total, these Canadian retail businesses contributed over 70% of total earnings in fiscal 2008.

In the US, we have a personal and commercial banking business through TD Bank, America's Most Convenient Bank. With the Commerce acquisition, we now have more than 1,000 branches and 19,000 full-time employees, largely in the Northeastern United States with a small operation in Florida. We also have a US online brokerage business through our equity investment in TD Ameritrade.

On a combined basis, our US retail businesses comprise 27% of total earnings in 2008. Note that Commerce Bancorp, which we acquired at the end of March, was included in our earnings for the first time in Q3 of 2008. In total, our retail businesses made $4 billion in 2008, achieving the target we set out earlier in the year.

And lastly, we have our wholesale bank, TD Securities, which consists of our investment banking and capital markets business, our equity investment businesses, comprised of public and private equity, and corporate banking. Let me briefly outline our strategy for each segment.

Let's start with our Canadian personal and commercial bank. Simply put, we have a best-in-class retail operation, which is the envy of North American banks. We are the undisputed leader in service and convenience in Canada. We own the premium service brand in Canada. This year, we won the J.D. Power Award for the third year in a row, sweeping all categories. We also won the Synovate Award, which is a Canadian study on quality of customer service, for four years in a row. Our hours of operation are 50% longer than our competition, open at 8 six days straight for most of our markets.

We have delivered sustained revenue growth over the past five years. We have the number one or number two market share in most retail products and continue to invest for the future, opening new branches every year. In 2008, we added 30 new branches on the heels of 32 branches in 2007. In the last three years, from 2005 to 2007, we've added 66 branches, or 59% of total new branches for the entire Canadian banking market.

We have an excellent record of producing consistent growth in TD Canada Trust. Our earnings were up 8% compared to last year. In the past five years, we posted compound annual growth and earnings of 14% per year, which means our earnings have almost doubled over this period.

We have a similar success story in wealth management. We have leading market positions, being number one in online brokerage in Canada, number two in mutual funds amongst the banks. Wealth management is an important and growing part of our business. And we continue to build out our full offering of financial services for customers. We continue to invest in our distribution network, growing the number of client-facing advisors and new products, while leveraging the customer referrals from our TD Canada Trust network.

In the US, we're very pleased with our investment in TD Ameritrade. You heard from the CEO Fred Tomczyk earlier. TD Ameritrade has a best-in-class technology platform for online trading and continues to maintain its leadership position in active trading, being number one in online retail trades per day globally. We have an excellent organic growth opportunity in the long-term investor space by focusing on the vast but underserved mass affluent market in the United States.

We've had very strong growth in wealth earnings. In the past five years, our earnings grew by 26% on a compound annual growth basis. Our 2008 Canadian wealth earnings were more than 2.5 times the level of five years ago. For TD Ameritrade, our share of earnings in 2008 was almost three times the level in 2005, when we owned 100% of TD Waterhouse USA. The TD Ameritrade deal was definitely a home run for us, both strategically and financially.

Let's move to the US personal and commercial bank. As I said earlier, we're excited about the opportunity to leverage our success in Canada and grow in the US. Just like we do in Canada through TD Canada Trust, we aim to lead the service and convenience space in the US through TD Bank, America's Most Convenient Bank. For the third year in a row, Commerce Bank was rated highest in customer satisfaction by J.D. Power. In October, for the second year in a row, Commerce Bank won the Small Business Banking Satisfaction Award, also by J.D. Power. And again, we have 50% longer hours than the competition. All of this sounds pretty familiar.

We have significant scale and footprint. We now operate in five of the top 10 MSAs in the United States. We've owned Commerce Bancorp since March 31st, 2008. The more we see, the more we like, in particular, the distinctive business model, the WOW! factor, and organic growth capabilities. We are building the better bank. In fact, we hope you're seeing us more and more. Our key focus now is on the integration of our US personal and commercial banking business. Ensuring that it's well down is our number one priority.

I'm pleased to report that it's going very well. On November 1st, we achieved a major milestone as we launched our US brand, TD Bank, America's Most Convenient Bank, to our Commerce Bank and TD Banknorth stores in the mid-Atlantic, metro Washington DC, and Florida markets. Customers of these stores are now able to bank at any of the more than 575 re-branded TD Bank stores and enjoy our legendary customer service, including seven-day branch banking with extended hours, free penny arcade coin-counting machines, hassle-free products, and treats for kids and dogs.

We've also launched a multi-million dollar television, print, online, and in-store marketing campaign featuring the very popular Regis and Kelly. The TD Banknorth stores in New England along with parts of Connecticut and upstate New York will be re-branded in the fall of 2009.

We included Commerce Bank in our P&L for the first time in Q3 of 2008. From the time we entered the US P&C business in 2005 with our investment in TD Banknorth, the end of our latest quarter, our quarterly earnings have quadrupled, largely through acquired growth.

Let's move to wholesale. There isn't a wholesale bank in the world that hasn't been impacted by the significant market turmoil. We certainly are not immune. However, our wholesale operations have fared relatively well compared to many in the industry. In the early 2000s, we made a strategic decision to run a franchise wholesale operation with established strength in Canada.

In 2002, we significantly reduced our corporate lending book and changed our risk profile. In 2005, we exited the complex structured products business in North America, a business that is now causing a lot of the turmoil in the markets.

You can see that our wholesale earnings are down 92% compared to last year. Because of the lack of liquidity in the market in Q4, we booked an after-tax loss of $350 million in our credit trading business. In addition, we reclassified a large part of our bond portfolio to the available for sale book.

We'll continue to run a core credit trading business with a focus on North America. And we'll wind down our non-North American credit trading business. The credit trading operation will remain closely aligned with and leverage the synergies from our franchise businesses.

Even though the wholesale bank had a tough year, even including the credit losses, it still earned a 5% return since the start of the global financial crisis, quite remarkable when compared to other wholesale banks around the world. Despite the market challenges, we're staying focused on our top three dealer strategy and remain committed to our franchise focused wholesale strategy.

This next chart shows our industry leading performance. Our results reflect the strength of our strategy and our disciplined execution. A few things to note -- given the challenging year for many financial institutions, we show our peers before and after write-downs. We also show our earnings as well as our analysts' view of our earnings. They took our wholesale losses -- we took our wholesale losses into income, while they excluded them. As you can see, we outperformed our peers in North America. And we're very pleased with how we're positioned as we head into fiscal 2009.

So, let me say a few things about the current banking crisis. When the turmoil in financial markets began in July of 2007, the question we all asked ourselves was whether this would be a financial market phenomenon only or whether it would spread into the real economy. We all know the verdict on this. We are still in the middle of a financial sector-led downturn that is now being followed by an old-fashioned economic downturn, likely a severe one, a double whammy for banks.

Yesterday in Toronto, we had 900 of our most senior leaders at a conference. Our CEO's message to our leaders was clear. We are heading into the most difficult economic downturn that any of us have faced in our careers. So we need to get across the valley. We don't know how wide or how deep it will be. But we need to get across with our model intact and with momentum on our side.

So let's talk about capital and liquidity, which are very key to banks. We've seen significant destruction of bank capital in the last year. There are estimates that destruction of capital globally will exceed $1.5 trillion during this credit crisis. That could mean reduced lending capacity of more than $20 trillion globally, which directly impacts GDP growth. Roughly $4 of credit are needed to support $1 of GDP growth.

At TD, we expect to continue to build capital into 2009. After our year end, we issued $1.4 billion common shares and $200 million in pref shares. It was clear that investors are looking for an extra layer of assurance in these markets. That brings our pro forma Tier I capital ratio to 9.1% as at November 1st.

Our solid base of growing retail earnings is a tremendous advantage in these markets. And it will allow us to capitalize on organic growth opportunities in our core businesses, while many competitors will likely see more pressure on capital. We increased our dividend twice during 2008, only one of two banks in Canada to increase dividends this year. We are very comfortable with our current payout ratio of 50%.

An area of concern is credit quality and how it will hold up. Let me first say that our disciplined credit culture has resulted in a solid credit position. Our lending portfolio at the end of fiscal 2008 was approximately $232 billion, approximately two-thirds as in Canada, of which about two-thirds is in real estate secured lending, mortgages, and home equity lines of credit. About two-thirds of the real estate secured lending book is insured, mainly by the Canada Mortgage and Housing Corporation, a crown corporation. Our uninsured real estate secured lending book has a current loan-to-value ratio of about 55%.

The US loan book is approximately $53 billion, of which about 66% is commercial. This portfolio is highly diversified across industries and geography, all within footprint. Credit metrics here have held up well with non-performing loans as a percent of total loans at the lowest level of the peer group, which is better than peers in most regions of the United States. The personal loan portfolio in the US consists primarily of mortgages and home equity lines of credit.

There are three factors that have set us apart -- where we lent, what we lent, and how we lent. Where did we lend? In our market, the US Northeast, one of the areas of the US that has had a better housing experience than the rest of the country over the past year. What did we lend? Conservative loan products built on conservative lending standards at both TD Banknorth and Commerce. How did we lend? Using our own people and distribution systems, not third-party commissioned salespeople. That's our triple play.

Although we can't outrun an economic slowdown, we expect ourselves to be a positive outlier on credit quality. As we indicated in Q4, we expect our provision for credit loss run rate in the US to move a bit higher from $75 million per quarter to about $100 million to $125 million a quarter as we head into 2009. Wholesale loans and BA represent the remainder of the loan portfolio, approximately 10%, a relatively small portfolio.

So, let's go back to real estate secured lending in Canada. Given everything that's happened in the US, the fact that we have a large real estate secured lending book may not be a comfort to a US audience. So, let me tell you about the differences between Canada and the US

We haven't seen the deterioration in Canada that you have seen in the US for a number of reasons. Mortgage insurance is mandatory in Canada if loan-to-value ratios are over 80%. Broker deals represent about a quarter of the overall mortgage market. And banks still dominate the space. Terms of five years or less are most common, renewable at maturity. Low and no-doc loans are uncommon in Canada. And most mortgages are recourse in Canada versus non-recourse in the United States. This is a key structural difference.

Investor mortgages make up 2% to 3% of total mortgages in Canada versus about 9% in the US. Mortgage interest is not tax deductible in Canada. There are no exotic mortgage options in Canada. Adjustable rate mortgages, teaser rate, or interest-only mortgages are not offered by the banks. And the subprime market in Canada in 2006 represented about 5% of mortgage origination, compared to the US at about 22%. We do not have any subprime products on our books.

So, where is the Canadian housing market heading? The Canadian domestic economy is cooling after strong growth in recent years. One key element of this is a moderation in Canadian real estate. However, Canadian markets did not experience the loosening of credit conditions that occurred in the US. Accordingly, the Canadian housing market is forecast to soften but should avoid the type of hardship that has characterized the US and UK real estate markets. Canadian house prices are in line with fundamentals.

Let me wrap up with the three key messages I hope you'll take away from today's presentation. One, we are building the first truly North American bank. Two, we have a lower risk retail focus with a strong balance sheet. This provides a solid base of growing earnings. Three, we're focused on how we grow. We'll continue to invest in our businesses while managing our expenses, leverage strengths and synergies across TD Bank, and manage risks and liquidity. In other words, we will execute with excellence.

Thank you. And with that, I'll pause and take your questions.

QUESTION AND ANSWER

Unidentified Speaker

Great. Thank you. Maybe to start -- I'm sure there'll be a lot of questions on the challenges, so some of the opportunities that you currently have. Low interest rates or lower interest rates, weak equity markets are usually good for deposit growth. You have a retail-led franchise and presumably with the benefit of flight to quality on both sides of the border. So, what kind of outlook can you give us for deposit growth? And what does that mean for your net interest margin and your ability to grow the balance sheet?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Well, we do have a very strong base of deposits, first of all, on commercial deposits in both Canada and the United States. We see enormous growth in those deposit balances, certainly in the last couple of quarters. And there has been a flight to quality and to safety over that period.

In terms of the fact that interest rates are declining, that actually is going to compress our margins to a certain extent in Canada. Unlike a lot of banks, we don't run a carry trade in our Canadian or US personal and commercial businesses. So what that means is that we take each of our asset areas, our assets as well as our deposits, and we match funds, both those assets and deposits.

So what that means, as rates come down, and we have obviously a slower in terms of your low-cost deposits, that means that those deposits are worth less to you in a declining rate environment. So, we do expect that to have an effect, but mostly I think strong deposit growth in Canada. We'll see growth in the United States, but probably at a more modest rate.

Unidentified Audience Member

And then the last presenter, we had an interesting slide on M&A and especially foreign M&A. You were a notable outlier on that slide because there were red circles around things that would make you sell. And you didn't have any red circles. I would imagine also you kind of look around the US banking industry right now, especially in some of the markets that you inherited the acquisition, and kind of looks like a yard sale. So is the opportunity further acquisitions? Or is the opportunity capitalizing on competitors' weakness?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Our primary focus at this stage is going to be on organic growth. And I would say our perspective has probably changed a little bit on that over the last few months. I think if you go back two or three months, I think the view was that there were going to be probably some exceptional opportunities in the United

States, in particular some of the distressed sales. And we would obviously have been very, very cautious on that. But there may have been some very good economics in some of those transactions.

I think the TARP Program has changed things to a certain extent in that it's definitely lengthening the life of some of the financial institutions in the United States. And this as well has provided US banks with a cheaper form of capital to pursue acquisitions.

I think the other factor is that the visibility in today's market is really quite limited. And we're of the view that we don't want to take on additional asset risk in this environment. So that doesn't completely rule out acquisitions, again, if there was something that was so attractive and within our risk appetite. But at the moment, we're really taking a view that I think we can afford to be patient. We can afford to wait for those opportunities. I think you're going to see continuing weakness of banks in the US, given the economy and the credit issues. So I think it will pay to be patient in this environment. And we will do that but, as I say, not ruling out something if it was really that desirable.

Unidentified Audience Member

And then maybe lastly to start, you mentioned both TD Ameritrade and TD Banknorth. Banknorth was an investment that worked well for you and ultimately you chose to own outright. How do you think about the long-term relationship with TD Ameritrade?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Well, we currently have an economic interest in TD Ameritrade of 45%. And we're quite happy with that. We have the option in January of 2009 to go to 45%, although we have a structure in place currently that provides us with that level of economic ownership. We like TD Ameritrade very much. And again, we like our current investment. There is obviously another major shareholder that's in TD Ameritrade. And they also like the Company for obvious reasons. So, I think you'll see us at 45% for the foreseeable future.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Well, when you look at the US, it's certainly -- let's talk about acquiring Commerce first of all. What we liked so much about the Commerce acquisition is that it's -- there's such a tremendous affinity between our model in Canada around convenience and service and then also what we see in the Commerce model. So that was absolutely fantastic in terms of convenience, service, longer hours, et cetera.

We had been certainly moving that way with TD Banknorth prior to the acquisition of Commerce and looking to leverage some of our best practices from Canada, but also appreciating that the US banking market is a different market. So this isn't about Canadianizing initially a US bank, but really around adding value through some of our expert areas, our treasury folks as an example, who have been very, very helpful, and taking some of our best practices as well in terms of sales management in our branches. We run a very, very sophisticated model in Canada, putting that into the United States. And that's also something that we're doing now with the combined operation, the TD Banknorth and Commerce Bank.

I think the folks at Commerce in fact would have been the first to admit that they were really at a crossroads prior to the acquisition by TD in that they had a very good business model, very growth oriented model. But they really needed to take that model to the next level as well in terms of managing all parts of the business, focusing on deposits as well as asset growth and looking at growth into areas like wealth and insurance as an example. So they were at that crossroads themselves and frankly also focusing not just on growth but on profitability.

So, we are I think, as we bring the two organizations together in the US and then obviously being part of the TD family, there are a lot of complementary strengths here. And I think there's a lot that we have added in terms of shaping now the new model in the US.

Unidentified Audience Member

Can I follow up on that? Commerce was something of a rare beast in that it generated more deposits than it could find what to do with. And in the last years, Commerce has independently made a big push into lending. As you think about the provision outlook within the US, you mentioned the step up into '09. But as the Northeast economy weakens, are there areas like Commerce's construction book or other areas which may not be that meaningful overall to the institution but what could drive a meaningful increase in provisions for the US franchise?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Well, again, as I said, I think we will see an increase in provisions. We know this book intimately. And we're quite satisfied overall with the credit standards, the quality of the underwriting. But as the economy weakens, I think it is realistic to think that we will have higher provisions. And we've said something in the $100 million to $125 million a quarter probably makes sense based on where things are going.

But the good news is that both Commerce and the legacy organizations for Commerce and TD Banknorth were very, very conservative in their lending practices, which is putting us in good stead. And you're seeing that in terms of our impaired loans. The impaired loans have really been quite steady. We think they'll continue to rise as we head into 2009. Again, the credit loss is at $75 million a quarter for the last two quarters. In fact, our provisions exceeded our charge-offs. And we built reserves in that period. So no matter how we look at this book, in a relative basis, the quality is good. But I think we'll see some strains as we go into 2009.

Unidentified Audience Member

Can you talk about I guess commodity prices, which is I guess fairly sizable contributor to the Canadian economy? And now we're seeing this overall slowing in almost all commodities. What type of impact you think that will have on your business?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

I look at it in terms of two impacts. I think that is going to be an impact on the Canadian economy most definitely. We're not seeing it yet. But the steep decline in prices has really only happened over the last couple of months. So in terms of the Canadian economy, I think it's realistic to think that we will be in a recession probably in the fourth quarter if not early into 2009. So that is going to affect the economy. It's going to affect jobs. I think it's going to affect housing prices in the West in particular.

In terms of our direct exposure to the sector, it's a relatively small exposure. And the credit quality is quite good. It's largely investment grade. So we're not concerned in terms of direct exposure. But I'd say the exposure in terms of the economy as a whole is an issue that we'll be facing.

Unidentified Audience Member

And then could you talk about I guess -- I think GM and Ford and Chrysler all have I think significant operations up in Canada. Given the troubles that we're all reading about, I guess how big is that? And then something I'm not familiar with -- can you just kind of discuss like Canadian unemployment benefits and how those work a little bit and I guess maybe sort of offset some of these rising unemployment?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

So in terms of the automakers, again, we think that will have an effect in particular on the Ontario economy. There will be some fallout from that. I think in general we probably expect to see greater weakness in Ontario than we would in some of the other provinces in Canada. There's -- in fact, our own TD Economics has come out recently saying that we do expect unemployment rates to go up by a couple of points probably into 2009 from just over 6% to over 8% as we head into the next 12 to 18 months. So that -- I think that will have an effect.

What we have to realize and when you think about the Canadian economy is we have gone into this very, very well positioned. The fundamentals have been in really good shape. Fiscal management has been superb in Canada. And in fact, unemployment heading into this is at a 30-year low. So that puts us in a better position. But I think we will definitely see some weakening. And unemployment benefits are available to people for a period of time once they're out of a job.

Unidentified Audience Member

You mentioned some of the capital actions you've taken. And obviously, your Tier I ratio is well above what the long-term target or at least historically would have been a long-term target. Within the US and increasingly globally, there's a lot of debate about whether Tier I or tangible common or some mix of the two is the right target. How are you thinking about tangible common equity? And do you feel limited by that factor?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Our primary focus has been on Tier I capital. But what is becoming apparent in this environment is that there are different mixes within Tier I to your point. And I think you probably will see more of a renewed emphasis on tangible common equity. And our ratios there in fact are very good.

So in Canada, we've typically been more constrained in terms of the amount of non-common capital that we can hold as a percentage of our total Tier I until recently. In fact, it was increased during this year to 30% and now just up to 40%. So you really see with the Canadian banks and with us in particular a much higher percentage of common equity, much more so than you would see, for example, with US banks. So again, the quality of those capital ratios is different. So I think you will see probably more emphasis on tangible common equity. And we're quite well positioned in terms of both ratios.

Unidentified Audience Member

Just a follow up on the capital question and then I've got another question about acquisitions. On the capital question, seems like you're right around 9% now. And it seems after the recent transactions from some of your competitors, seems like the norm is now above 10%. Do you think -- what do you -- do you think that you'll -- that's something that you'll have to address that 10% is sort of the new benchmark? Or is it something that you purposely only wanted to raise the amount that you raised? And then I'll ask you the second question in a minute.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Yes, we -- our pro forma Tier I at November 1st is 9.1%. And for an institution like ourselves, we think that makes perfect sense. I think you'll see a range in Canada. You saw at the high end of the range this quarter with one of the banks was at 10.5%. And you've had another Canadian bank raise equity recently to improve their ratio more up to the 10% range.

But I think when you look at these things, you do have to look at the nature of your business. Again, the fact in our case because we have such a high percentage of retail earnings, that's a very, very solid anchor as you move forward. So I think at 9%, 9.1% starting the year, that's going to position us very well. And I do expect that we'll continue to grow that ratio over the course of the year. And that would be our projection based on where we see earnings going and growth in retained earnings over that period.

Unidentified Audience Member

Okay. Thanks. The other thing you mentioned with acquisitions, particularly in the US, was that the TARP sort of changed the rules on you. How do you think about acquisitions or growth in the US in things outside of banking, such as asset management or wealth management or wholesale or credit cards?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

I think you'll see us mainly focused on US personal and commercial banking business in the United States. TD Ameritrade will have their own strategy around the wealth sector. But we'll stick to that, again, stay largely within footprint will be mainly our focus.

Unidentified Audience Member

Another question just about credit risk -- increasingly, securities portfolios are as painful as loan books. You had the benefit at least in the US business of de-risking the balance sheet after you bought them. But what part of the securities books are most problematic for you right now? And what should we look to, to gain comfort that unrealized losses on the securities book are truly unrealized?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

So when we acquired Commerce, we inherited with that about $25 billion in securities. And we repositioned a large part of that book. The part that we decided to keep was in fact -- there is a relatively large non-agency CMO portion of the book. That’s currently, at current fair value, that's about $7.2 billion. So when we close the deal, we're required to fair value those assets at the time of close. And so that reduction in fair value at close was almost $2 billion. And then taking from March 31st to October 31st, there was another decline of about a billion and a half.

The reality of that decline in fair value is that's almost entirely liquidity driven as opposed to being credit driven. And when we did that initial adjustment from book value to fair value when we closed the transaction, we assumed a level of credit losses in that book. So we monitor those assumptions very, very carefully. And it's that assumption on credit losses that in fact will affect whether or not we have any impairment in the value of that book.

And we're at the point right now where we could see a further 15% decline in US housing prices before we would be seeing any impairment from a credit standpoint. And again, that is going to be the key test in terms of whether or not we have anything that's other than temporary in nature and that we would have to write down.

Unidentified Speaker

And for those of us who don't know this book as well, can you put some parameters around the underlying collateral and the type of securities you hold on non-agency MBS is there's obviously a wide bucket that's shown a wide range of performances?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Right, so the underlying -- if you look at how the book is rated, it's largely AAA rated in the Alt-A side that those are mainly older vintages, which is good obviously in terms of quality. On the jumbo side, again, largely AAA and relatively good loan-to-value ratios on those in terms of original loan to value. So, the underlying credit quality of the securities is good. But the key determinant around the credit losses will be US housing prices.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

So, you're referring to the BCE transaction? Today, it was announced that the deal is no longer proceeding. So we were -- just for the benefit I think of the folks here -- so we were one of four banks that stepped forward -- it was actually about 18 months ago -- that stepped forward and were part of that deal, in fact, very proud to be part of the deal. It was a marquis deal for us and very much part of our franchise strategy.

When -- after that time, we were required to mark-to-market our commitment on that lending exposure. And we have been steadily taking reserves on that position since actually the third quarter of 2007 until our fourth quarter 2008. So we do have a reserve that will come back into income. We're not disclosing the size of that reserve. So that will be positive in terms of our P&L. And as well, we did have to put up some risk-weighted assets in relation to our commitment on both the lending and the equity side. And that will mean an improvement in our Tier I capital ratio of 15 basis points, again, plus the benefit from the P&L side of things.

Unidentified Audience Member

I guess in England, we've recently seen the government [thrust] HBOS into Lloyd's hands. I know there's some push recently in Canada for some of the bigger banks to merge. And the government stepped in and said no. Do you think if economics decline sufficiently and one of the large banks runs into trouble that the Canadian government would step back a little bit and allow a merger to take place?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Yeah, that's a great question. My continuing view is that there really isn't any appetite in Canada for big-bank mergers. This issue has been kicking around for the best part of ten years now. And I don't really think there's any appetite at the policy level within Canada for mergers. To your question, I think if there was a failure of a Canadian bank, it might change the landscape. But I believe that that is highly unlikely in terms of coming to that position. As you can see, all the Canadian banks are well capitalized. So I don't see that being a concern. So I would say the likelihood is extremely low that bank mergers would be considered in Canada.

Unidentified Audience Member

Maybe just one last follow up -- when we think about the capital raise that you recently did and one of your competitors, who was originally scheduled to be here, who was otherwise engaged with their capital raise, do you view this as raising the amount of capital you need to reach the levels you need for the current problems and the current environment we see? Or was that capital viewed as covering you into further deterioration into 2009? And ultimately, if we sit here from a year from now and things have deteriorated even more and with decoupling between Canada has recoupled and all that, would that capital still sustain what you need?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

So our reason for raising equity was more in relation to investor comfort levels in these kind of markets. And I think the world really changed in the last few months post the Lehman failure. And I think the market was really demanding higher capital levels as a buffer. So what we felt is that our investors were looking for that extra layer of comfort. And frankly, we want to continue to grow in this environment. You will see us grow.

We have, as you heard, we made $3.8 billion last year. And we really don't see a scenario where that number would decline going forward. So frankly, it isn't really absorption of losses going forward. It's really more about being able to grow and make sure that, as I say, we have that extra layer of assurance for our investors on capital.

Unidentified Audience Member

To Alan's earlier question, one of the most difficult things for even healthy US banks this year has been no one's allowed to be below average, which unfortunately can't be the case because --

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

By definition, right.

Unidentified Audience Member

So as you kind of continue to ratchet up capital among your peers, how do you avoid -- and especially, since as you mentioned part of this is investor perception -- how do you avoid the trap of just needing to recapitalize simply for the reason that everyone else's capital ratios are rising as well?

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Yeah, again, I think our capital ratio now is certainly at a very acceptable level. I believe the market would agree with that, again, based on the type of model that we're running. Others may need to run higher capital ratios depending on their mix of business. If you look at our mix of retail versus wholesale, it's very, very high. That's not true of all of the banks in Canada, as an example. And I think probably some banks may need larger cushions as they go into 2009 or potentially looking at larger credit losses. I think our model is quite different. And in this case, a starting point of over 9% makes absolute sense.

Brian Foran – Goldman Sachs & Company – Analyst

Great. Well, thank you.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Thank you.