

Q3 2008
Strategic Overview
(Check Against Delivery)
Ed Clark, President and CEO

- Thanks Tim and good afternoon everyone.
- Colleen will be up shortly to provide the details on how we did in our third quarter of 2008. I'll start by sharing my thoughts on TD's performance and provide an update on our outlook for the remainder of this year and into 2009.

Customer service

- Before I get into the quarter, let me start by saying how excited I am about TD Canada Trust's recent win of the JD Power customer service award. For TDCT, this is their third win in a row and comes on the heels of Commerce Bank's third win in a row. These exceptional achievements flow directly from our continued investments to own the convenience and service space in retail banking in both Canada and the United States.
- Excellence in customer service is the bedrock of franchise building and key to generating long term earnings growth in retail banking. But we all know that excellent customer service isn't something that just happens on its own. It's our front line employees who really make the difference and I'm thrilled that these awards provide the external recognition for what we've known all along internally – our employees look to WOW! our customers each and every day.

Consistent overall performance

- So, moving on to the third quarter – there's more good news on the retail front. For the bank as a whole our results are pretty similar to what we've seen all year - consistent earnings strength in all our retail businesses, but at the same time, fighting market headwinds that impacted the performance of our wholesale operations and to a much lesser degree our Canadian Wealth business.

Mispricing

- We are particularly disappointed by the mispricing in TD Securities – this is not what you've come to expect from us. I want to take this opportunity to apologize to our shareholders.
- We've reviewed the amount and are confident what we've taken this quarter is final. We're continuing to work on a thorough review of our risk practices across the organization to ensure we minimise the risk of this kind of thing happening again.



- In terms of the impact, obviously this \$96 million pre tax -- 8 cents a share after tax -- hit TD Securities hard. Wholesale earnings without the impact would have come in slightly better than last quarter - not a bad run rate particularly given the weaknesses in securities gains in the context of the market - but still representative of the continuing challenges facing wholesale banks.

Market issues

- When you look at those wholesale banks and the financial industry in general, it's clear it's taking a fair amount of time to work through issues arising from the U.S. housing crisis. At the same time, we've seen significant volatility in the equity markets which reflects the market's struggle to determine the depth and duration of the crisis. The core issue is the extent to which the housing crisis and resulting financial crisis will morph into a deeper general economic crisis.
- So, when will we see a turn? At the end of the day, my view is that there is one key issue - the U.S. housing market. When delinquencies stop rising and U.S. housing prices stop falling, we'll know we've finally hit a bottom. We think we'll be able to get a better idea of when that bottom will come some time during the first half of 2009.

Good news – retail strength

- Despite these market issues, what remains remarkable is that we continue to deliver very strong results in our retail businesses - \$1.1 billion overall - which was more than 90% of our earnings this quarter.
- We started out this year saying we were trying to get close to \$4 billion in retail earnings in 2008. At this point, we have a good chance to exceed \$4 billion with our Q3 annualized run rate for retail earnings at almost \$4.5 billion.
- In Canada, TD Canada Trust achieved record volume growth, strong share growth in deposits, record customer satisfaction scores, and a record efficiency ratio of just under 50%. These results were delivered while we continued to invest in the business, opening 11 new branches and supporting our longer-hours strategy.
- We've continued to deliver solid results in Wealth Management despite market weakness largely because of a payoff from past investments. We're going to keep investing in this business to continue our growth in the future.
- What do we see looking ahead? We're still worried that a slowing worldwide economy will hurt Canada. However we're not yet seeing evidence of a slowdown in our business volumes and our credit numbers remain stable.

Particularly pleased with U.S. results

- More good news came from U.S. Personal and Commercial Banking which now includes the earnings contribution of Commerce.
- Our estimate for U.S. P&C, as we reiterated back in June at our Investor Day, was to earn \$250 million in Q3. So we're obviously quite happy with the progress in this business having earned \$273 million, a significant over performance.
- Our main business challenge, reflecting the funding challenges of our competitors, is the deposit environment in the United States where some major banks are paying above wholesale cost of funds. It will continue to be a tough balancing act managing the trade off between deposit growth and margin compression. We are determined to defend our customer base even at the cost of margin compression. However somewhat offsetting this trend, we see strong growth for commercial loans and widening loan spreads. We also see continued solid asset quality overall. Provisions for credit losses came in at \$76 million, exceeding net charge-offs and building reserves at an appropriate pace reflecting our conservative approach.
- I know the market continues to struggle with the fact that we're not taking big writedowns on our investment portfolio or recording big loan losses in the U.S.
- On the investment portfolio purchased from Commerce, remember that we wrote it down to market value on March 31, 2008. We're comfortable with that portfolio and continue to believe the intrinsic value is greater than the fair value.
- I know some investors have expressed interest in our exposure to Fannie Mae and Freddie Mac in the United States. We have no common or preferred equity, subordinated debt or unsecured debt exposure. We do have some exposure in our investment portfolio to MBS securities consisting of prime, conforming mortgages guaranteed by these entities. Depending on how developments unfold, we could see taking on a reasonable amount of unsecured exposure in the future, provided that risk issues surrounding these institutions are resolved.
- On our loan portfolio, we continue to perform very well on almost any metric compared to our U.S. competitors. Indeed we are a clear outperformer. There are 3 key factors that set us apart: where we lent, what we lent and how we lent.
- So - where did we lend? In our market, the U.S. Northeast – one of the areas of the U.S. that has had a much 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. In our home equity book, for example, about 1/3rd of it's in a 1st lien position.

- How did we lend? Using our own people and distribution system, not third party commissioned sales people. We didn't buy loans from outside of our footprint.
- That's our triple play. When you consider these factors it's not surprising why we're confident we'll continue to be a positive outlier on asset quality. We cannot outrun the U.S. environment but we can do better. We see no reason why we won't earn at least \$1.2 billion in U.S. P&C in 2009.
- Another piece of good news from the U.S. is that we were once again rewarded by our equity investment in TD Ameritrade, which generated net income of \$74 million for the quarter – a 25% increase from \$59 million in the third quarter of last year.

Overall

- Let's step back and look at the full picture. We feel our fundamental strategic positioning has worked out well.
- We told the market we could grow earnings without going out the risk curve.
- In our retail businesses we've seen minimal increases in non performing loans. TD Securities has averaged a 14% ROIC since the financial crisis began – including the mispricing incident – and has avoided big writedowns.
- We also said we'd shift our earnings mix to an emphasis on retail earnings anchored by the premiere Canadian banking franchise and a U.S. growth platform. And we said we would build a Top 3 dealer in Canada built on a franchise business of servicing our clients.
- So what's happened? Despite all the headwinds, TD Securities has in fact delivered a notable performance relative to many other dealers around the world. Our retail earnings have grown from \$1.5 billion in 2003 and as I mentioned earlier, we're expecting about \$4 billion in 2008. That's a 5 year compound annual growth rate of over 23%.
- Our 5 year growth rate of retail earnings per share is about 19%, a positive shareholder experience.
- Looking forward, we're going to stick to our strategy. We're continuing to do what we set out to do. We're building a lower risk, retail focused, leading North American bank. We've got a great base for 2009 if you look to our Q3 annualized run rate for retail earnings at almost \$4.5 billion – and we'll grow from there.

Dividend & outlook

- Our commitment to growth is reflected in the increase to our dividend. We've said all along that our dividend will grow in line with our earnings over the medium term. The increase this quarter demonstrates the Board's confidence in the strength and stability of our earnings as we head into 2009.
- Even with the strength of our retail businesses, we won't get to last year's level of earnings per share given the weakness in Wholesale. That said, we still believe we'll follow up in 2009 with growth in line with our medium term EPS target of 7 to 10%.
- So while we believe that the effect of the economic slowdown in the U.S. on Canada will reduce retail growth rates, we're confident our franchise strength will continue to position us as a positive outlier in both Canada and the United States. And we're optimistic and excited as we move closer to our goal of building the first truly North-American bank.
- On that note, I'll turn things over to Colleen.

Overall Call Closing

- Let me wrap up with the 4 key messages I hope you'll take away from today's meeting.
- One – On track to exceed \$4bn in retail earnings this year with excellent jump off base for growth in 2009.
- Two – Wholesale earnings are weaker given market circumstances but we're making great progress in growing our franchise and view 2008 as a transition year to a lower, more stable run rate.
- Three – Raised dividend by 2 cents – confidence in the future earnings growth.
- Four – We remain focused on executing our strategy particularly on successfully implementing the integration of Commerce and Banknorth which is right on track.

Thanks for your time.

Caution regarding forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, including in this document, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. In addition, the Bank's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. All such statements are made pursuant to the "safe harbour" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets for 2008 and beyond, and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders and analysts in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes. The economic assumptions for 2008 for each of our business segments are set out in the 2007 Annual Report under the headings "Economic Outlook" and "Business Outlook and Focus for 2008", as updated in the subsequently filed quarterly Reports to Shareholders. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may" and "could". By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors – many of which are beyond our control – that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the Bank's 2007 Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the U.S. and other countries in which the Bank conducts business, as well as the effect of changes in 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; the accuracy and completeness of information the Bank receives on customers and counterparties; the development and introduction of new products and services in markets; developing new distribution channels and realizing increased revenue from these channels; the Bank's ability to execute its strategies, including its integration, growth and acquisition strategies and those of its subsidiaries, particularly in the U.S.; changes in accounting policies (including future accounting changes) and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; changes to our credit ratings; global capital market activity; 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; legislative and regulatory developments; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the adequacy of the Bank's risk management framework, including the risk that the Bank's risk management models do not take into account all relevant factors; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; and the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply. 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