TD Bank Financial Group
Investor Relations

TD BANK FINANCIAL GROUP
BARCLAYS CAPITAL FINANCIAL SERVICES CONFERENCE
THURSDAY, MAY 7, 2009

DISCLAIMER

FORWARD-LOOKING INFORMATION

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 2009 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 2009 for the Bank are set out in the Bank's 2008 Annual Report under the heading "Economic Summary and Outlook" and for each of our business segments, under the heading "Business Outlook and Focus for 2009." Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may" and "could". By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the current, unprecedented financial and economic environment, such risks and uncertainties 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 and the effects of which can be difficult to predict – that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the Bank's 2008 Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the U.S. and other countries in which the Bank conducts business, as well as the effect of changes in existing and the introduction of new monetary and economic policies in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; defaults by other financial institutions in Canada, the U.S. and other countries; the accuracy and completeness of information the Bank receives on customers and counterparties; the development and introduction of new products and services in markets; developing new distribution channels and realizing increased revenue from these channels; the Bank's ability to execute its strategies, including its integration, growth and acquisition strategies and those of its subsidiaries, particularly in the U.S.; changes in accounting policies (including future accounting changes) and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; changes to our credit ratings; global capital market activity; increased funding costs for credit due to market illiquidity and increased competition for funding; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; the failure of third parties to comply with their obligations to the Bank or its affiliates as such obligations relate to the handling of personal information; technological changes; the use of new technologies in unprecedented ways to defraud the Bank or its customers and the organized efforts of increasingly sophisticated parties who direct their attempts to defraud the Bank or its customers through many channels; legislative and regulatory developments; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the adequacy of the Bank's risk management framework, including the risk that the Bank's risk management models do not take into account all relevant factors; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; and the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply. 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 risk factors and other factors could also adversely affect the Bank's results. For more information, see the discussion starting on page 64 of the Bank's 2008 Annual Report. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank's forward-looking statements. Any forward-looking information or statements contained in this document represent the views of management only as of the date hereof. 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, except as required under applicable securities legislation.

PARTICIPANTS

Ed Clark	President & CEO, TD Bank Financial Group
Bruce Harting	Analyst, Barclays Capital

PRESENTATION

Bruce Harting – Barclays Capital – Analyst

Our next presenter is TD Bank Financial Group. Ed Clark is President and Chief Executive Officer. Ed was appointed President and CEO of TD Bank Financial on December 20, 2002. Prior to his appointment, he was President and Chief Operating Officer, a position he had since July of 2000.

Following TD's acquisition of Canada Trust Financial Services in February of 2000, Ed joined TD Bank as Chairman and Chief Executive of TD Canada Trust, and in this role he oversaw the successful integration of the TD and Canada Trust retail and electronic banking operations.

We were just -- we just had a quick little meeting, and one thing I learned that I really like, I may do myself to avoid drowning, is that in your call centers you said that they have mirrors in front of everybody so that you just absolutely can't grimace. I think that's a great idea.

But, Ed, look forward to your comments and hearing why you're so successful in terms of avoiding a lot of the pitfalls that the US banks had and then also hear about your strategy in the US and Canada. Thanks.

Ed Clark – TD Bank Financial Group – President & CEO

Thank you. A lot us I guess, probably a lot of bankers have been grimacing for the past couple of years. So, I'm delighted to be here. Make sure this is working. What am I doing wrong here? Oh, there we go, just pointed in the wrong spot.

So, normally I skip over this page because you've all read it a thousand times, but we are in a particularly quiet period, so as you know we're going to end up reporting our second quarter for us results in the end of May and so we're -- I think we'll take the period up to April the 30th. So obviously, you're not going to expect me to tell you anything that I shouldn't tell you as a result of that.

Why don't I -- I thought I'd just start off and talk a little bit about how I see the world and the major sort of macro forces that are operating on the world. If you step back and say, "My, we -- you've gone through three phases." The first phase was a liquidity crisis that really went from August 2007 to August 2008, and that liquidity crisis created a -- brought down a number of institutions and how those institutions fell, and the reaction to that produced a great financial panic that essentially has lasted up 'til now.

And I think now we're going into what most people refer to as the Great Recession. What they don't know is how deep that recession is. And what I think more particularly, and I think this is probably the shift in the mood, is that they're starting to get a sense of how deep that recession is. And what they don't know is how long that recession will be.

And I think it's important to understand that as you move from the panic to the Great Recession, the things that caused banks to have trouble from August 2007 until today were a whole set of factors where banks frankly, in my view, either didn't know what they were doing or decided to ignore fundamental laws of banking because the financial rewards were too enticing for them.

I think as you move into the Great Recession, what will happen in the Great Recession is that good loans will go bad, that in fact people who have been prudent will still find that they have loan losses because you don't run your banks assuming a Great Recession or you don't have any growth at all, and so I think they have to assume that even great banks will suffer rising PCLs.

But, I think the factors that differentiate banks in the next phase in the Great Recession will actually turn out to be some of the factors that did differentiate banks as they did in the great financial panic. And so things like what is the strength of your overall capital base that you're going into the Great Recession with, obviously matters. What is your business mix, so are you heavily into corporate lending, or do you have a very strong retail base that will give you a secured source of earnings?

How good you were in risk management, so when you wrote those loans did you write better loans, did you have better covenants? Do you -- how many of the legacy issues that you had are you bringing in from the great financial panic, and do you have any of those? And are you in the process of needing to shift your business model, or have you actually got a business model that is the right business model for the regulatory and economic environment? And I think all those factors will determine who are the winners in the -- in this next phase.

Overall, I would say my view today would be more hopeful than my view was a few months ago. I do think that we are starting to see where the bottom is. I think by the end of 2009 that we are going to have a bottom in this. And certainly for our bank, we have seen nothing in the world going forward that endangers our ability to execute our business strategy.

I think there are some fundamental forces that are headwinds and tailwinds that are different this time. Two sort of global factors is there is a reintermediation going on, and so banks are around the world going to have a source of growth, which is reintermediation. We certainly find this in Canada with the exit of the capital markets and the exit of the foreign lenders, but we also find it in the United States with the weakness of the Canadian banks.

These two factors, sort of deglobalization and reintermediation means that it is possible that for the first time ever, we will actually be growing in a recession just because of the amount of market share that we're taking from the wider defined market.

On the other hand, a negative factor is that as this recession goes on central banks will continue to have -- want to have downward pressure on interest rates and banks do less well in low interest rate environments than they do in higher interest rate environments.

The way we tackled this whole issue is what we said to our internally, very simple view, we've got to get across this valley, and that means the most important thing you do is make sure you go into it with lots of clarity, lots of capital, you make sure that you eliminate any risks that you can. It's important though that we're not just here to cross the valley.

We're here to cross the valley with our model intact, and therefore we are not going to pull back on our emphasis on our core strategic advantages. We have been a growth company. We're going to continue to be a growth company, so we're going to continue to invest in our core areas of growth, and that's why we want to emerge on the other side with better momentum.

I'd say if you want to look at where the regulatory environment is looking today, you would say they would hold out TD Bank as a -- probably the prototype of the kind of banks that in fact they want to see coming out of this valley.

And I also think that when we look at -- when we talk to investors, it's -- clearly, there's a mood shift to investors who say, "What are the -- what kind of banks will emerge with momentum on the other side of the valley? What kind of earnings strength will they have?" And that obviously is something that plays to our advantage.

Five years ago when I took over as CEO of -- in 2002. I guess it's getting to be more than 5 years now. When I took over in 2002 I set out a very simple vision for the bank. I said, "You know, most banks have tremendous franchises embedded in them. They make lots of money. They're sources of lots of growth. But somehow, top management find ways to blow those banks up every 5 or 7 years and destroy all the value that's created by these great core franchises that are embedded in them."

And so what we said we're going to do is be the bank that doesn't do that and that when you see the next great blow-up in the world, you're going to see that we will come through it relatively unscathed. And I think we have actually met that promise.

As part of doing that, we decided to make a mix shift. So back in 1999, TD Bank would have had 55% of its earnings in the wholesale side. Today, that number would be about 15%. It's varying between sort of 10% and 20%, but I think as a long-range number you can think of 15%, so a pretty dramatic shift.

Retail businesses are great businesses. They are sustainable businesses. They have core franchises, and they're extremely high ROE businesses on an operating basis.

We also went through and took a view on risk management. I hate tail risk. I think it's the most undercompensated risk in the financial services end and it's the most insidious, because employees love it. They think they can paid today for risks that they'll leave behind in the institution some time from now.

And we have gone through the organization, and everywhere we can find tail risk we eliminate it, either by getting out of that business, as we did with the structured product areas, or by buying credit protection, as we do where we have large, single-name exposure.

And finally what we said to the investors is, "We will grow." And so we continue to grow in Canada organically, and we went into the United States where we do believe that there is still a huge opportunity for someone who can deliver a retail universal bank that owns the customer convenience and service space.

Today, we have indicated in terms of further expansion in the United States we're not interested in taking asset risk. We will do assisted deals, but today I still don't know how low the United States is going to go in terms of economic performance and what the real value of assets are, so we're focusing on assisted deals at the moment.

Just to give you a quick summary, that sort of gives you in the highlights what we are. I'd say by most measures today in North America we're somewhere between the fifth largest and seventh largest bank in North America. We obviously have very strong capital. We like to keep our tier-one ratio above 10%, and more than 75% of that should be tangible common equity.

We are today on the New York Stock Exchange one of only three AAA-rated banks and that does mean, and it's turned out surprising to us but it's because it's the first time in my retail experience that it's occurred, that actually down on the streets in New York and New Jersey and Philadelphia, where we operate, we are the only AAA-rated bank where consumers can go. And that has turned out for consumers and small business and commercial people actually to be a bigger draw than we would have thought.

In terms of earnings mix, you can see, right now our retail operations in the US would be about 29%. This is off of the first quarter earnings. As you can see, we had a very good first quarter at the wholesale business. We expect that number will drop down, as I say, 15% would be a better longer run for that number. So, we would still be 70% Canadian and 30%, although some of the wholesale business would also be North American or European business.

Let me take you through quickly each of the businesses that we have here. So in Canada, ourselves and the Royal Bank would be the two largest personal and commercial banks, about the same size on the personal side. Royal would be slightly bigger than us on the commercial side. We've had a tremendous float here in the last previous five years.

We took a -- our revenue growth grew about 50% faster than the other four big Canadian banks. We are open 50% longer. We win the J.D. Power every year for the best service. We've had tremendous growth in earnings, very high operating ROE business, and we open somewhere between 20 and 30 branches a year and we dominate that space in Canada where we open way more branches per year than our other Canadian banks.

This is a great success story, probably one of the best mergers ever to have occurred in financial services where we were able to take the brand and convenience model of Canada Trust and actually leverage it up using the power of TD.

In the wealth management space, we run -- throughout this you'll see we are running a retail universal bank. We're off of our core retail franchises, and we then have other businesses that hang off that business, wealth management being an example in Canada. We are full-service wealth management. We dominate the online brokerage space, but we'd be the number one on the high net worth space. We have a significant retail brokerage arm and a significant financial planner arm.

We're the fourth largest mutual fund company in Canada. We do every element of it, and we feed that wealth management from our retail branch system. And we run an integrated model where everyone in the branch is incented to look after the customer and not worry about holding customers back from the right channel.

We also own 45% of TD Ameritrade. This has been a tremendous success story. It's the number one online broker in terms of trades per day. It's now growing its retail customer base faster than Schwab, an excellent story.

This -- I guess the surprise for all of us in this downturn has been the tremendous volumes that have stayed up despite all the volatility in this space. Together, our wealth management business, of the Canadian banks we would have the largest global earnings in wealth management.

I think you know a fair amount, or most people do, about our US operations. We actually have more branches in the United States than in Canada. They don't have the same deposit base that we have in Canada, and our US operations earns about half of what our Canadian operation earns but it has tremendous growth potential.

It too is open 50% longer than our competition. It too wins the J.D. Power awards every year. It's been a tremendous success story, and it is a complete outlier in the US in terms of its performance on the credit side.

And finally in our wholesale business where we have significantly revamped our wholesale business over the years, we changed it dramatically in 2002 where we got out of the major world telecom and utilities lending and then in 2005 and 2006 when we got out of the structured product area that's giving everyone so much difficulty in the last few years and turned it into a franchise business.

And it's in that sense I would say regulators would say what kind of wholesale dealers do they think will emerge here? From their point of view, TD Securities is now the prototype of the kind of dealer that they're looking at where, in fact, all your business model is built around serving clients.

What does this produce? Well, we -- as I said, we started out to produce 7% to 10% earnings growth for the shareholders, and if you take the period from 2002 up to 2008 including all the issues in 2007 and 2008, we produced 10% earnings share per share for the shareholders. So at the end, we were able to deliver what we said we were going to do.

So, what are the headwinds and tailwinds that I see in the current earnings environment? The biggest one is -- and from our point of view, it's -- you'll find is not PCLs but is the threat on spreads, is having -- are we done with the interest rate reductions. I think if we are, then this issue will gradually go away.

But if in fact we continue to go into a deflationary cycle and we keep on driving rates down, banks do less well in low nominal rates than they do in high nominal rates because there are effectively floors on the deposit side. In Canada, the prime rate is now 2.25%. Mortgage rates, you can get a variable rate mortgage for 3.25%. You don't have to pay very much for your deposits, do not have much margin left to lend. And so, I'd say that's probably the core issue for us.

Obviously, our wealth management businesses have been affected by the capital markets. At least for this week, that's looking much better, but we're still -- the reality is our wealth management businesses are driven off net asset values, and so that's a potential negative.

And then finally, we obviously have PCLs. In Canada, the fundamental issue for us, would not be on the corporate and commercial side because of how we cleaned up those books. Haven't seen significant losses, don't expect to see significant losses there. It continues to be the personal side unsecured lending and credit cards, because as the unemployment -- they really are a function of the unemployment rate. And we're not through in my view increases in unemployment, and therefore we're not through with increases in PCLs in that area.

On the other hand, offsetting this is the fact, as I said earlier, this may well be the first recession where we grew through this. And so, our volumes remain very high. We are filling in for lenders across the board, dramatic increases in our auto loans to consumers, continued increases across the boards in our commercial and small-business lending. And so we're continuing to have very good volumes, and so that's an offset. And so as long as your revenue's going up, you may well be able to absorb increases in PCLs.

As I mentioned earlier, the online brokerage business, the activity remains very high, and our net new asset gathering remains very high and we're still accumulating the large new customers. That hasn't slowed down in all this process, so it does mean when some of these others -- activities if they act -- if the market starts to move up, we're going to have a tremendous surge in earnings here because there's huge operating leverage in these businesses.

And finally, of course, we have the synergies coming at the end of 2009. In the case of Commerce, we're continuing to manage prudently our costs, but I'm -- I'd say we are not into a cost panic in the organization. We are consistent players. We're going to not suddenly change our business model, and we're going to continue to invest.

We think there's still lots of opportunity to cross-sell our customer base, and I think one of our surprises in here has been how powerful our brand has come out of this particular downturn. And that continues to attract clients, both on the personal side and on the commercial side.

So, as I've mentioned before, we have a culture that's conservative in lending, and I think that's proved out to be a good thing in these circumstances and will prove out to be a good thing in the next phase of this. We've had a philosophy where we have not increased our payout ratio from the 35% to 45% ratio, so we resisted attempts to do that. That means that we have a very sustainable dividend policy.

And that sustainable dividend policy is very much geared to the fact that we are a growth company and we want to generate excess capital to in fact fund that growth. And we have that ability because in fact we're a very high operating ROE, or very high return to regulatory capital, which is the generator or the core number that you actually want to look at when you're looking at the capital generation.

And we have, as I said earlier, we have very, very solid asset growth because of the quality of our portfolio. We haven't seen much Basel II pressure on our risk weighted assets in our corporate commercial area. There might be a small pressure in the retail, but it's not a significant factor. And so we are very strongly capitalized in order to sustain the growth going forward, so, a very simple message.

We are the first truly North American bank. We're operating in a very integrated fashion across the 2 borders, running the same strategy. Inherent in that strategy is a risk management that turned out to work when it needed to in the great downturn. And we're confident will work in the next 2 years, as we go through the Great Recession.

We're going to continue to stay with that strategy to be prudent, and to make sure that we continue to invest, so that in fact, we have a lot of momentum as we come out of this.

We will in fact try to use these circumstances to take advantage of the dislocation. We think the dislocation is creating lots of opportunities. But we think the winner will be those who have the patience to figure out what are good shareholder opportunities, rather than good ego segments. And I will stop there, and take questions.

QUESTION AND ANSWER

Unidentified Audience Member

Perhaps you can give an update on the success of the Commerce transaction. And that company had a unique model, and how that fits in with the TD model?

Ed Clark – TD Bank Financial Group – President & CEO

Right, so the model was unique in the United States, but it wasn't unique in Canada because the Canada Trust model, which predated Commerce, was in fact the Commerce model.

So Canada Trust was the Commerce of Canada. It went to 8 to 8, six days straight in 1976, just to give you a sense. So, it was a brand. We used to do bonfires with mortgages, where we would be burning people's mortgages and reading off their names on mortgages that we gave away.

So it had all of the jazz and razzmatazz that the Commerce had. And so, the Commerce -- we bought Commerce because it was the one place that we didn't have to change the model.

I think if we had worries about the culture integration, it was more Commerce into Banknorth, where Banknorth didn't have that same culture. But we were in the process of trying to change Banknorth to that culture.

I think it's worked out terrifically well, in the sense that that is going to speed up that change. An interesting thing was that also, the Commerce took much more to wanting to end up in a part as North American, and to import more of the attributes that we had up in TD. So we -- so far the merger has gone spectacularly well. I think it's been helped by the fact that the world has been in recession. The financial industry has been in disarray.

That has meant that we have been able to acquire employees quite easily. We are able to take customers quite easily. And it certainly meant that the people that were in the merger felt happier to be on our island than many of the other islands that they could have been on in the middle of this financial disaster.

We hope to have the -- expect to have the full conversion done by the end of September. Technically, it's all working out well. And the one point I would make is that, it's clear now in terms of our brand tracking, but our opening of new branches that in fact, having the TD logo is in fact potentially way more powerful than the Commerce logo, so that all the attributes in Commerce have now been ascribed to the TD Bank. The customer base gets that this is the Commerce. It's just a Commerce with an AAA rating.

Unidentified Audience Member

Can you comment on any idiosyncratic risk in the Canadian economy right now with regard to energy? And where you think you stand in terms of that cycle, and any exposure to that? Thank you.

Ed Clark – TD Bank Financial Group – President & CEO

Well I think what -- I assume most banks, we never lent $140. And so we always lent dramatically below that. And so in terms of lending to the major producers, we don't think of that, but that we have significant risk on that file.

Where I think everyone of us will have some risk, we don't think we have big risk there, is the Oil Service industry. So it's much more the commercial side of the book, where you have more difficulty, where the slowdown is. But again, in the sense of the size of our portfolio, it's not a significant factor.

So, as I said, generally, I think the -- when you look at our Canadian file, our provisioning risk is all on the more, on the personal side than it would be on either the commercial or the corporate side, because of how we've structured that book.

And the personal side will be very driven by the PCLs, by the unemployment rate. And it's almost mechanical of where that unemployment rate will go. I think it's pretty inevitable that your loan losses will go. But, but those are loan losses that I think we can pay for with our earnings.

Unidentified Audience Member

Are you in a unique position -- or can you -- let me restate. What's the relationship you have with, say the US regulators right now with regard to looking at failed or troubled institutions?

And recent data search would have a little story about TD possibly looking at a troubled Florida institution. I don't know if you're at liberty to comment on that? But if not -- if yes, that would be great, if not, maybe a comment on your philosophy toward looking at troubled institutions?

Ed Clark – TD Bank Financial Group – President & CEO

Yes, so we don't ever comment on specific situations, but what we have said is, we're obviously regarded as a qualified buyer in the United States. We have a platform, and therefore, we have capabilities to make acquisitions. I think US authorities would prefer to try to soft-land these institutions into large sustainable entities that have that capability. So we fit the bill that way.

And we're interested in acquiring institutions provided that we're not taking on significant asset risk. So, obviously, then you have to get down to the details and say, well is this a franchise that's interesting to you. And, what are you prepared to pay for it versus other people who might also have the same capabilities as you do.

So we're going to stay active in this space. I think there's lots of opportunity there to come up. And the fact that we are so well established in the United States and such a positive outlier from a risk point of view, is obviously very positive to the Americans that we proven capable of running a US bank and making lots of money and avoiding serious risk.

Unidentified Audience Member

Ed, with regard to mortgage lending, how did your Company avoid the problems that the US lenders had? Can you maybe -- can you get a little granular in terms of, is there a key difference in mortgage lending practices in Canada versus the US?

Is there a tax deduction? Or is there some other basic intrinsic difference in the way loans are made? And then if you could talk about your view in terms of your Canadian versus US retail business with mortgage lending on a go forward basis?

Ed Clark – TD Bank Financial Group – President & CEO

Yes, so just to start, I'm going to talk -- Canada versus the US. Fundamentally the Canadian business is a completely different business, because all the mortgages that we originate, we intend to hold on our balance sheet. So we've always been at risk on those. And so, as an industry, Canadian banks did not want this industry to do crazy things, because we were going to end up paying the price for it.

In the case of TD, we would have had a bias to actually go out and buy Government of Canada insurance for the portfolio, so about two-thirds of our mortgage portfolio is insured. And of the other part that's not insured, using today's housing prices, is about 65% loan to value. So it has a very good coverage ratio.

And in the '80s, we had the worst downturn we've ever had in the housing market. And we lost 9 basis points on the portfolio. So the mortgage business is not a business where there's significant asset risk in Canada. As I say, when you look at Canada, it's all to do with the unsecured lending personal file. That's the core risk that we made there.

In the US, when we went into the US, we said we don't want to get into subprime lending. We want to stay away from that. We don't want to do any lending out of footprint of any sort, commercial, corporate, subprime, whatever, personal.

So we have a philosophy that you only lend to people who you know. You only lend to people who do banking with you. And if they don't want to give you their deposit business, we don't want to lend to you.

So that's been our philosophy going into the United States, and that turned out to be a good philosophy. We weren't really -- we didn't like the home mortgage business. The sub mortgage business is a pretty dangerous business in the United States frankly.

So, as I said, really we're not very keen to do this. And we were selling off whatever mortgages we ended up having to do, we sold off.

We've not recently gone back into the mortgage business, because a lot of our clients are looking for mortgages. And you can seem to be able to do mortgages at quite good spreads, at very low loan to value ratios. And so we're building up a small portfolio, but it's not a huge portfolio. And we're keeping it for the moment, on our balance sheet.

We may end up for hedging reasons sell some of it, but we do see it as part of a client business, where we have very good clients, bank with us. And they have very -- frankly, the market became so fractured that people who were great credits and were willing to borrow small amounts of money against large value houses couldn't get loans. And so that seemed to be an opportunity for us. And we're taking advantage of it.

Unidentified Audience Member

Outside of the mortgage category, you talked about; can you see an increase in the amounts of loans from your clients in other --?

Ed Clark – TD Bank Financial Group – President & CEO

Do I see what? Sorry.

Unidentified Audience Member

Have you seen increased amounts for other loans, other than mortgages across your network?

Ed Clark – TD Bank Financial Group – President & CEO

Other loans, you mean?

Unidentified Audience Member

Yes, other loan categories?

Ed Clark – TD Bank Financial Group – President & CEO

Yes, so, I would say today in the US, we could probably expand our loan book infinitely if we wanted to. I mean, there's -- we have lots of capital. We have lots of deposits. We're a deposit rich bank. And US banks are retreating.

So, really it's a question that we've struggled with is, you want to prudently grow in this downturn. And so you certainly don't want to have -- and miss the drama to catch the drama at the last end, by being foolish now.

On the other hand, you want to take advantage of the dislocation to move selective clients your way, because you'll never get this opportunity. And so, we found that at the lower end, that the community banks really haven't changed a whole lot in this crisis. And they're not even re-pricing. So we're not finding it as lucrative to gain market share at the smaller end, of the commercial side, because the prices haven't changed.

As you move up, the prices have changed more dramatically. And so you can get way more profitable loans, better secured. And so we're selectively adding on the commercial client base to there. But it is a selective adding on, because we want to be careful here. And until we see how much this turns, we don't want to blow ourselves up, as I say, in the last ending.

But it is creating -- certainly every week, we get a new commercial client that comes over from one of the great banks, that you thought you'd never be able to win a client from, that feel the uncertainty in those banks, and want to get to someone that clearly is going to be around and is safer.

Unidentified Audience Member

(inaudible question - microphone inaccessible) and are there certain aspects about any of your businesses that keeps that -- we should keep in mind that keep that elevated?

Ed Clark – TD Bank Financial Group – President & CEO

Yes, so in Canada we run our Personal & Commercial bank -- you know, Canada right now, our net interest spread is about 285. It historically has been around the 3% range. We'd like to get it back up to the 3% range, and we run an efficiency ratio around 50%.

And so, if you compare that to most banks in North America and adjust for the fact that they run at much higher NIMs than we do. That's quite a low efficiency rate.

I do think though, that as -- if margins stay down and we can't get the margins back up, we're going to have to keep on working and lowering our fundamental operating costs. We don't do fire drills and somebody went out and say we're going to layoff 500 people. That obviously is a pretty dumb way to run an institution.

But what we do do is, and we are doing this year, is we're investing a fair amount of money on process reengineering to actually permanently lower the costs in anticipation of continued pressured -- downward pressure, on margins.

So it means that we won't actually move the efficiency ratio down, we will offset -- it would have gone up if we hadn't done those investments. So I'm not sure your going to see a big improvement.

In the case of our US bank, we put together a bank that had good efficiency ratios of banks that had a terrible efficiency ratio. Part of that higher efficiency ratio in Commerce was the fact that they were opening 50 new branches a year, and that's a fairly expensive drag. It's expensive because when you acquire a bank through building, your driving it through the P&L rather than on the balance sheet.

And when you think about what Commerce is doing, is when they do 50 branches, those branches will end up in five or six years at $100 million in deposits. So, they're really building a brand new bank every single year by $1 billion every single year.

That's caused our efficiency ratio to go up. I think they're targeting, and its going to be in that sort of 55% to 60% ratio here. If we keep up in its growth model, I don't think we're going to get it significantly below that as long as we continue to grow it.

We're adding 30 new branches again this year. We added 29 last year. That was really the capacity limit given the integration that's going on. We will probably ramp-up to 50 again in 2010. So I think the cost synergy savings will partly be used up by faster growth in branches.

So I think they're going to operate in the 55% to 60% range. And I think TDCT will operate in approximately the 50% range.

Unidentified Audience Member

You know, you're known for the high retail touch, and this is my last question. But in terms of the diagnostics that you use in calling 4,000 customers every night, can you expand on that program? And how you dreamed that up? And how is the success of that?

Ed Clark – TD Bank Financial Group – President & CEO

Yes, so basically, we view ourselves as running a political campaign that we're trying to win fans every day. And so if you're running the campaign, what do you do? You poll all the time. So that's what we do.

We poll every night, 4,000 customers every night. And we do it through all the channels that have been touched that day, whether it's the call centers, the web, ATMs, our mortgage centers, wherever.

And then what we do is, we pay everybody in the bank off those scores, including me. So that, in fact, every month we have diagnostics that go back. And they not only tell you how well you did, but they tell you the areas in which you fell down, if your scores fell down, so why you didn't do as well on those scores.

And it's all rolled up, as I say, in your compensation package. So you have goals. And if you don't improve customer service, if you don't create more fans, then you don't get your bonus at the end of the year.

And so, it's, like a lot of these things, it's a powerful tool to, both send a message, but the whole bank is driven by what happens on the front lines. And so ever -- since everyone gets paid off it within the bank, it's the thing that people worry about most.

But, it also, like compensations plans, it does have a direct drive element to it. And so it's probably the most watched thing in our organization, as how well were actually doing on that score, and in the end, that's how you build a great franchise.

Unidentified Participant

Any further questions? Thank you for coming --

Ed Clark – TD Bank Financial Group – President & CEO

Thank you.

Unidentified Participant

-- and we hope you'll come in the future.