TD BANK FINANCIAL GROUP
Q1 2009 EARNINGS CONFERENCE CALL
WEDNESDAY, FEBRUARY 25, 2009

DISCLAIMER

FORWARD-LOOKING INFORMATION

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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. 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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. 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PRESENTATION

Tim Thompson - TD Bank Financial Group - SVP - IR

Good afternoon, and welcome to the TD Bank Financial Group's first-quarter 2009 investor presentation. My name is Tim Thompson, and I'm Head of Investor Relations at the bank.

We will begin today's presentation with strategic remarks from Ed Clark, the bank's CEO, after which, Colleen Johnston, the bank's CFO, will present our first-quarter operating performance. Bharat Masrani, Group Head of US P&C Banking, will then provide an update on our integration initiatives in the US P&C segment. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality. After that, we'll entertain questions from those present and from prequalified analysts and investors on the phone.

Also present today to answer your questions are Bob Dorrance, Group Head, Wholesale Bank; Bernie Dorval, Group Head Global Insurance; Bill Hatanaka, Group Head Wealth Management; and Tim Hockey, Group Head Canadian P&C Banking. As in the past, we're trying to keep the call to about an hour, with Ed, Colleen, Bharat and Mark's comments taking up about half that time.

We know that this presentation contains forward-looking statements and actual results could differ materially from what is discussed. These statements are 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. Certain material factors or assumptions were applied in making these statements.

For additional information, we refer you to our 2008 annual report and Q1 2009 MD&A. These documents include a description of factors that could cause actual results to differ and can be found on our website at www.TD.com. Let me turn the presentation over to Ed.

Ed Clark - TD Bank Financial Group - President and CEO

Thanks, Tim, and good afternoon, everyone. Colleen is going to be up shortly to provide the details of how we did in the first quarter of 2009. I'd like to start by sharing my thoughts on TD's performance and provide an update on our outlook for the rest of the year.

To get straight to the headline, we had a solid quarter, making over $1.1 billion on an adjusted basis, up 8% year over year. Earnings per share, however, declined 8%, reflecting the equity we raised last year as well as the shares we issued to complete the Commerce acquisition.

At the risk of sounding like a broken record, it is important that we restate the obvious. We are living in unprecedented times. So what we consider solid performance in the current environment is certainly not what we would be happy with in the long term. Nevertheless, we definitely view these results as positive in the current context, even though earnings per share are down from last year. And these results are consistent with our view of the challenges that we'll continue to face in the current operating environment.

In short, our outlook is for a tough 2009. While governments around the world have acted boldly to try to counteract the downturn, the effect of those actions won't likely be felt until late 2009 or early 2010.

Now, predicting results in this environment is, clearly, extremely difficult and it is easy to be too pessimistic. On the other hand, one has to take into account what I read economists and market participants are saying. And it certainly feels, when you do that, like maintaining flat earnings per share year over year will be an accomplishment. We would obviously like to do better, but that may be tough.

The bottom line is that TD has emerged as one of the most reliably profitable banks in the world. We are going to take some bruises if the situation gets worse, but we're still going to be able to deliver solid earnings to our shareholders.

Before I get into some investor issues, I would like to comment on some public policy issues. Why? Because, clearly, in today's environment, public policy issues are relevant to our performance and the outlook.

For many Canadians, it's likely hard to fully appreciate the difference in performance between the Canadian banks and other banking systems around the world. But the contrast is sharp. Canadian banks are among the strongest in the world. There are only three AAA-rated banks listed on the New York Stock Exchange and Canada has two of them. TD is one of those. Our banks are profitable and have had no need for government equity or guarantees for our debt. The result for Canadians is that we are continuing to ensure that credit is available, filling in the gaps left by nonbanks and foreign banks, whose weak financial positions have forced them to withdraw from the marketplace.

In fact, not only are Canadian banks lending more, they are making those loans at narrower spreads. Our prime is 3%, the lowest rate in 70 years and below the US prime rate, even though, over the last 17 months, the Federal Reserve has cut its rate 175 basis points more than the Bank of Canada. TDCT offers a 4.39% five-year mortgage. Go call your branch and try to get one of those. It would be difficult to find a lower rate in the United States, even though the US Federal Bank rate is 100 basis points below our rate here in Canada.

There's a whole range of reasons why our banking system has emerged from the financial crisis as the strongest in the world. First, we have strong retail and commercial banks that have been conservative lenders. Second, the reaction of the Canadian government to the crisis has been both responsive, but also judicious. For example, the extension of the CMHC program to buy back government-guaranteed mortgages was a win-win policy. The banks and other lenders were able to get access to liquidity by selling these mortgages and the taxpayers will benefit to the tune of several billion dollars. It's a great example of government innovation, sound public policy, and good cooperation between the banks and the government.

Third, OSFI does deserve credit here. They've instilled confidence in our system. They have insisted on conservative capital rules, but since the crisis began, they have also worked with us to ensure the rules work as intended.

Fourth, Canadian investors have been willing to fund Canadian banks. This means we've been able to build capital ratios with private capital, not public dollars.

And finally, the Bank of Canada has responded aggressively and innovatively to ensure adequate liquidity for the banking system.

All these factors have contributed to our position of strength, and this strength is underpinned by a strong profit position, one that we have. But it also demands that we be sensitive to the needs and opinions of Canadians as we head into this sharp downturn. Rising unemployment, reduced working hours, wage pressures, all mean that many Canadians face hard times. TD Bank has 11 million Canadian customers. And we know that lots of them face economic challenges today or worry about what they may face tomorrow.

So what are we doing to help? We have launched a program in our branches encouraging customers and clients to come talk to us. We want to help customers get ahead of issues and challenges that they are facing. That's why we significantly increased our capacity to have conversations with our customers about credit restructuring. We've also given authority to our teams to postpone mortgage payments and work out lower cost debt consolidation options. And as you have heard, TDCT has frozen personal and small business banking fees for this year.

Now, TD's brand is built around customer service. We are the number one customer service bank in North America. That service means something different in a downturn of this magnitude. We have to be there for our clients and our customers. Our employees get that and we get that. To our customers and clients, we say come talk to us. Let's work together to address your financial challenges.

Now let me touch briefly on the results and then address some key investor issues. Once again, we have earned more than $1 billion in retail on an adjusted basis with earnings for this group flat quarter over quarter. TDCT's results reflect the issues that we've just been talking about -- strong volume growth, offset by declining margins and rising PCLs.

Going forward, we expect three things to happen. First, we expect volume growth to slow as demand falls off. Second, we think margins will expand as we begin to see the results of our repricing of credit products, which we did to partially recover our increased borrowing costs. And third, we expect PCLs to continue to grow.

Our Wealth Management business has clearly been impacted by the dramatic drop in asset values and by narrowing spreads. This will take some time to recover. We remain, however, committed to strategically growing our diversified wealth offering, focusing our resources on key growth opportunities.

Turning to our Personal and Commercial operations in the United States, margins remain tight. PCLs are increasing and there is upward pressure on non-performing loans. On the other hand, we remain a positive outlier because of how we have run this business. And we have had strong loan growth and positive deposit growth. Going forward, we would expect loan growth to slow and deposit competition to remain tough.

Our wholesale earnings rebounded nicely this quarter. The release of a reserve related to a canceled loan commitment was offset by other charges, particularly by security losses in the quarter. Wholesale's overall results, therefore, do reflect the strength of our ongoing business this quarter. Going forward, however, it is not likely that we can sustain this level of earnings. At the same time, we have made significant progress in shaping our business to move to a more tightly focused on franchise plays, and this resulted in lower risk-weighted assets.

Despite these solid results, I am aware that some investors are worried. Some of these worries are specific to TD, but most are related to general anxiety about financials worldwide and the deteriorating economic environment. As business operators, we can only deal with what we can control and make the best judgments in how to protect the bank from the unexpected.

Clearly, today, the world's economic and financial systems remain very fragile. Moreover, while governments are intervening on a massive scale to help, their interventions, at the same time, also create uncertainty. And the sooner we have business certainty, the sooner private capital will begin to flow into this sector, and solutions will require private capital if the financial system is to become stable. We as a bank are determined to get through this difficult period stronger with our business model intact and with momentum on our side. But, to get through this has to be the order of the day and governs all our actions.

So are we comfortable with where we sit? The short answer is absolutely. We have an excellent balance sheet. Our Tier 1 is strong. Our lending has been conservative. Our dividend policy cautious. And we have a strength that I believe the market continues to underplay -- strong, consistent, retail earnings.

At TDCT, we have earned through rising PCLs. They were up 27% quarter over quarter, but earnings were off just 3%. And it's a similar story at TD Bank, America's Most Convenient Bank, where in US dollars, PCLs are up 53% quarter over quarter, but our adjusted earnings are off by just 5%.

At the same time, I think the world knows that our liquidity position remains the envy of every bank in the world. And how bad will the economy get and what will it mean for PCLs and growth? Well, frankly, it's hard to say. Colleen will address in more detail the issue of our US investment portfolio, which I know remains a concern. But let me give you a brief comment.

We are not concerned about recovering our book values on these investments. And we have enough capital to carry this portfolio comfortably if we had to take temporary charges, which we would, obviously, recover over time.

So let me to conclude, as I think it bears repeating, that the Canadian banks are in the best shape of any banking system in the world. Thanks to judicious regulation, good business decisions and smart, but minimal, government intervention. Within that environment, TD has emerged as one of the most reliably profitable banks in the world. And that profitability will continue to benefit millions of people directly as those profits support our ability to continue to increase our lending, create significant government tax revenue, offer jobs and career experiences and provide earnings and dividend income to our many investors. The bottom line, we are in good shape. And even if things get much worse, we are going to do more than just survive, we are going to be the bank that thrives. And in this environment, that may mean simply maintaining flat earnings per share year over year, but we will get through the valley with our business model intact, and we are determined to emerge on the other side with business momentum on our side.

And on that note, I will hand things over to Colleen.

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

Thanks, Ed, and good afternoon. Let's turn to the Q1 2009 highlights. Total bank adjusted net income was 1.149 billion, up 8% from last year. Adjusted diluted earnings per share of $1.34 represented an 8% decline from Q1 2008.

Total retail earnings were over 1 billion, up 11% from a year ago, primarily as a result of the addition of Commerce Bancorp. Our Canadian retail businesses were down 9% versus last year to 659 million for the quarter.

Net income from our US retail businesses, TD Bank and TD Ameritrade, was 384 million. This is the third quarter we are including Commerce earnings in our results, and as such, year-over-year comparisons are not yet applicable.

Our wholesale net income of 265 million, was up 63% versus Q1 of 2008. On an adjusted basis, the corporate segment posted a loss of 159 million compared with a 44 million loss last year, a negative swing of 115 million year over year.

The higher loss was driven by the impact of securitization, hedging and treasury activities, increase costs associated with corporate financing activity and unfavorable tax items, partly offset by the Winstar litigation gain.

Our Q1 Tier 1 capital ratio was 10.1%. This will be discussed in more detail in a moment.

I'll now give an overview of each of the business segments, and similar to last quarter, our regular quarterly slides can be found in the appendix.

Please turn to slide 5. Here we see reported net income was 712 million or 82 cents per share, and adjusted net income was 1.1 billion or $1.34 per share. The difference between reported and adjusted results is due to five items of note. The first three are recurring.

The change in fair value of derivatives hedging the reclassified portfolio totaled 200 million after tax. The loss relates to hedges on the bond portfolio transferred from trading to available-for-sale last quarter. Given the declining rate environment and worsening credit markets, the interest rate hedges lost money, which was partially offset by gains in the credit default swaps. These losses and gains will be reversed as the portfolio unwinds. This quarter, we increased our general allowance by 80 million pretax due to volume growth and credit quality declines, particularly in certain wholesale exposures.

Please turn to slide 6. Canadian Personal and Commercial Banking reported net income of 584 million in Q1, down 2% from last year and down 3% from Q4. Revenue was 2.3 billion, up 7% from last year, driven by strong volume growth and the transfer of the US businesses, partially offset by margin compression. Volumes grew across most products, particularly in real estate secured lending, which grew 16 billion, or 11% from last year; consumer loans, which grew 1.8 billion, or 10.6%; personal deposits which grew 17 billion or 16.3%; and insurance, which grew 9%.

The margin decline of 16 basis points from last year was due to higher funding costs, competitive deposit pricing and product mix, partially offset by improved Prime-BA spread. Going forward, we do expect margins to improve.

Provisions for credit losses were up year over year, primarily due to personal lending provisions, reflecting credit quality challenges, higher bankruptcies and higher credit card volumes. Business banking provisions were 21 million for the quarter, up 15 million versus last year.

Expenses of 1.2 billion were up 8% over last year, and down 1% versus last quarter due to continued investment in growth, higher salaries and benefits, higher litigation charges, and the transfer of the US businesses. Excluding the transfer of the US businesses and the higher litigation charges, we actually had small positive operating leverage in the quarter.

Our Global Wealth Management business, we're now on slide 7, excluding TD Ameritrade, reported net income of 75 million, down 41% from Q1 of '08 and 32% from last quarter. Total revenue of 528 million decreased 7% from last year, primarily due to lower revenues in mutual funds and advice-based businesses, driven by lower asset levels and lower average fees.

Net interest margin compression and lower margin loans also contributed to the overall revenue decline. These declines were partially offset by strong trading volumes in online brokerage, and the inclusion of the US Wealth Management business.

Expenses of 419 million were up 40 million or 11% year over year, primarily due to the inclusion of the US business, the continued investment in growing client-facing advisers, and a provision related to indirect exposure to one or more Madoff-managed accounts.

TD Ameritrade reported fourth-quarter earnings of US 184 million. The CAD77 million contribution to our earnings was announced on January the 20th.

Turning to US P&C. US P&C delivered strong results this quarter. Adjusted net income of US 253 million was down 5% from last quarter, mainly on higher provisions. Revenue for the quarter was 985 million. The large increase year over year was primarily due to the inclusion of Commerce. On a quarter-over-quarter basis, revenue was down 1%. Strong volume growth was offset by margin compression and lower security gains.

PCLs were US 115 million. This is in line with our guidance last quarter and we continue to build reserves with net charge-offs of US 76 million. Adjusted expenses were US 573 million, down 2% versus last quarter, as we start to realize integration savings.

Please turn to slide 9. Wholesale had net income of 265 million, up 63% from Q1 of '08, and 493 million higher than last quarter. Revenue growth in the quarter was driven by strong interest rate and foreign exchange trading, recovery from the cancellation of a loan commitment, higher equity trading and underwriting revenue and lower credit trading losses, partially offset by an increase in credit risk valuation adjustments and write-downs due to other than temporary impairment in the head office portfolio.

Provisions for credit losses were 66 million this quarter, up from 56 million a year ago and 10 million last quarter. This quarter's figures included specific allowances related to credit exposures in the corporate lending and merchant banking portfolios, as well as 10 million for the cost of credit protection. We currently hold 2.4 billion in notional CDS protection, all with highly-rated global financial institutions.

Expenses for the quarter were 388 million, up 21% from last year and 27% from last quarter. The year-over-year increase was primarily due to higher severance, higher variable compensation on stronger results, and investments in risk and control initiatives.

Please turn to slide 10. Let me take you through the Q1 capital update. Our Tier 1 capital ratio was 10.1% at January 31, 2009, up from 9.8% at year end. The big movements in the quarter were due to Tier 1 capital issuance of 3.3 billion, which added 170 basis points to our ratio. This was almost entirely offset by the 50% deduction for substantial investments, a Basel II requirement, which cost us 150 basis points.

Risk-weighted assets were flat this quarter and down 2 billion if you exclude the impact of FX. The cancellation of a loan commitment reduced RWA by 3.5 billion, which was partially offset by loan volume growth and some credit migration. We are very comfortable with Tier 1 at 10.1%.

We expect to continue growing total capital through retained earnings growth and, if necessary, through preferred share issuance. We still have capacity to issue about 2 billion in preferreds and our access to capital has been very good, albeit expensive in current markets. However, our focus on profitable asset growth and declines in credit quality in our lending and securities portfolios will put pressure on capital going forward.

Let me comment briefly on tangible common equity. Comparisons to other banks in Canada and the US are difficult due to the lack of a common standard. That said, we can look at tangible common equity as a percentage of total Tier 1 capital. In our case, that percentage is over 70%, which points to the high quality of our capital base. And capital needs to be assessed in the context of risk-weighted assets, not total assets.

At TD, our risk-weighted assets as a percentage of total assets is 37%, better than the peer average in Canada and at roughly half the level of US banks. In fact, more than 120 billion, or over 20% of our tangible assets are fully insured by the Government of Canada.

Please turn to slide 11. This slide shows you a breakdown of our securities held in TD Bank, N.A. The fair value of our nonagency CMO portfolio was US 7 billion at January 31, 2009, down from US 7.2 billion at October 31, 2008. So the good news is that the fair values have remained relatively stable quarter over quarter. And to date, our expected credit loss from the portfolio remains within the ranges we established when we valued the securities at the time the Commerce deal closed. Therefore, there were no impairment charges in the quarter.

We know that this portfolio continues to be an area of investor concern. So let me deal with those concerns head on. First, downgrades. We've seen a number of downgrades in the portfolio, most notably in the Alt-A portfolio. These downgrades are based on par value. They were largely expected by us when we looked at the underlying credit quality when valuing the securities at the time of close. As you know, we wrote down the total securities portfolio by almost 2 billion at the time of close. And if we were to rerate them today on this basis, they would clearly be AAA. Some of these downgrades are now impacting capital, but we are actively looking at ways to mitigate this impact.

Second, will we lose money on the securities? We are very confident that we will more than fully recover our carrying value on the securities, but not fully recover up to par value. The difference being the expected loss number assumed when we closed the deal. So if we took any impairment write-downs, we would also recover those amounts over the remaining life of the securities.

And third, so forget about economic value. You are concerned about potential impairment charges and their impact on our capital. Last quarter, we talked about our conservative assumptions in our valuations and the fact that the expected loss number we factored in when we closed the deal assumed that US house prices would decline on average by another 15% in the US. Given the continuing deterioration in the US, it's possible that housing prices may drop by more than our original projection, and we might start seeing some impairment losses. Impairment is assessed on an individual security basis. So any charges will likely materialize in smaller, periodic amounts.

Let me now turn things over to Bharat.

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

Thanks, Colleen. Let me provide you with an update on the integration. We continue to make significant progress in our meeting all of our commitments. We're coming together as one bank, both from a regulatory perspective and, more importantly, from a brand perspective.

We began our rebranding on November 1st, and the rollout continues to go well with our brand awareness in the 60% range, up from virtually zero before the campaign was launched. We are on track to extend the brand into New England in the second half of 2009.

In addition, our employees are coming together as one bank. We have rolled out a common benefits program and a combined employee handbook and continued to see a high level of engagement, as measured by internal employee surveys. The multibank initiative we piloted in the fall has now been extended to 484 stores and is going extremely well. As a result, we're able to consolidate 70 stores in our mid-Atlantic footprint nearly a year before our systems conversion, and this week, processed our one millionth multibank transaction.

We launched our in-state retail and small business product suite in New England. These new products mirror what is available in the mid-Atlantic and reduce the overall risk associated with the conversion. At the same time, we opened 14 new stores since November, as part of our de novo strategy, and are on track to open a total of 30 stores in fiscal 2009.

And we have done all this without losing focus on the most important thing, the customer. We talk to our customers on a daily basis and both our customer WOW! index and mystery shop scores continue to be strong. In addition, we are on track to achieve $310 million in synergies and for a successful systems conversion in the second half of 2009.

Now let me turn it over to Mark.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Thank you, Bharat. Please turn to slide 13. Let me start with a review of our overall loan portfolio.

Total loans outstanding on our balance sheet equaled 240 billion at quarter end. A few quick comments about the breakdown of the portfolio, and then I will talk about the quality of each major segment.

The loan portfolio in Canadian Personal and Commercial totaled 145 billion. Approximately two-thirds of the portfolio is real estate-secured loans consisting of mortgages and HELOCs. Of this amount, roughly two-thirds of the portfolio is insured primarily through CMHC. The remaining one-third of Canadian loans includes personal loans, credit cards, commercial and small business loans. The US Personal and Commercial loan portfolio stands at $62 billion. Approximately two-thirds or 41 billion is made up of commercial loans, which are diversified across a broad range of industries. Investment real estate is 15 billion of this amount, or about one third of the commercial portfolio, and consists primarily of amortizing mortgages on commercial, industrial, retail, and other income-producing properties, diversified by property type and geography.

The remainder of the investment real estate portfolio consists of 2 billion of residential-for-sale and 1.5 billion of commercial construction real estate.

And finally, consumer loans represent about one-third or 21 billion of the US loan portfolio, consisting of 6 billion of residential mortgages, 10 billion of first and second-lien home equity loans, 4 billion of auto loans, and 2 billion of consumer loans.

The wholesale portfolio at $26 billion makes up most of the balance of the bank's credit portfolios. Our commitments here are well-diversified and North American in focus.

Please turn to slide 14.

Let me now comment on the quality of each of the portfolios. Revolving unsecured lines of credit, Visa cards and unsecured lines of credit, represent our primary concern in the Canadian personal credit portfolio. These two books represent about 60% of TD Canada Trust's PCLs and are particularly vulnerable to an economic downturn due to the open-ended nature of the credit. While steps have been taken to enhance underwriting standards over the past few years, current economic conditions will continue to negatively impact this portfolio in the coming quarters.

Naturally, we are concerned about the impact of declining house prices and rising delinquencies on the real estate secured lending business in Canada. Having said this, we continue to be in good shape as risk in the portfolio is mitigated by our lower than average industry delinquencies and the fact that 66% of the real estate secured loan book is insured.

Average loan to values for the uninsured real estate secured loan portfolio is 54%, as at January 31 with average loan to values of 50% for mortgages and 55% for HELOCs. 68% of the HELOC book is secured by a first lien position.

The Canadian commercial portfolio continues to perform well, with PCL averaging only 13 basis points per annum during the past five years. Not surprisingly, however, we're starting to see some economic weaknesses develop in the portfolio as a result of the downturn, which will, no doubt, put upward pressure on gross impaired loans and PCLs for the remainder of the year.

We continue to closely monitor portfolio performance in areas of higher risk. Specifically, we have conducted an in-depth portfolio review of the three industry exposures we can consider to be the highest risk segment of our commercial portfolio --real estate, auto, and oil and gas services. Based on stress test analysis completed on each of these segments, we are confident that potential losses will remain within manageable levels.

Now, turning to the wholesale portfolio, despite recording the first material provision for credit losses in over five years during the past quarter in this particular portfolio, we believe it is well positioned, in our opinion, to weather the economic downturn for three major reasons.

First, over 70% of the loan commitments are to investment-grade rated counterparties primarily in Canada and the US. Second, the commitments are well diversified by virtue of industry and single name exposure limits. And lastly, the benefits of monitoring in controlled processes implemented after 2002 to control key portfolio risk metrics. While corporate defaults are expected to increase, we believe that these factors will mitigate wholesale credit losses during the economic downturn.

In the US Personal portfolio, we have seen increased delinquencies in both residential mortgages and HELOCs. In the US commercial portfolio, we continue to focus on investment real estate, particularly residential for sale. In-depth reviews, including stress tests, have been undertaken in each of these segments of the portfolio. While further deterioration in gross impaired loans and credit losses is expected as the US economy worsens, we believe that we will continue to outperform our peers due to sound credit underwriting standards combined with the strategy to only originate and hold exposures within our geographic footprint.

In summary, while we continue to pursue selective asset growth throughout the bank, we're closely monitoring and managing credit risk as the economic environment evolves. And now, I would like to turn the presentation back to Tim.

Tim Thompson - TD Bank Financial Group - SVP - IR

Thanks, Mark. So we're going to start with the Q&A session. We'll start with people in the room first. Before ending the call today, I'm going to ask Ed to offer some final remarks. Let's get started here in the room. Questions? Michael.

QUESTION AND ANSWER

Michael Goldberg - Desjardins Securities - Analyst

I just want to clarify. I think I got this. Page 14 of the quarterly report, you seem to say that the benefit of the earnings this quarter of the canceled BCE loan commitment was about the same -- was some amount less than the $212 million impairment charge you took against available for sale securities. First of all, was that the correct interpretation? And secondly, how much less?

Ed Clark - TD Bank Financial Group - President and CEO

Let me just -- I think what we're trying to say here and then Bob can [leap] his. We think the logical question that you're going to ask us is well tell us about how much of this 265 is ongoing earnings, and so give us a feel for what the ongoing earnings is, and we are saying 265 is a good number.

The second thing we are saying is, but I wouldn't use that number for the next four quarters because is this sustainable at that level? I doubt it. But it was real earnings. It wasn't boosted by the canceled loan commitment.

Michael Goldberg - Desjardins Securities - Analyst

Okay. And just one other thing. In the US, as you said, you consolidated several stores, Bharat. Yet at the same time, overall for the bank, your personal non-term deposits, excluding the low-margin deposits in Ameritrade, increased by about $8 billion. So do you want to talk to us about the success that you had in actually retaining deposits and growing deposits, the higher margin saving and checking deposits, while you were consolidating in the mid-Atlantic?

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

So firstly, on the consolidations, unlike what you --

Ed Clark - TD Bank Financial Group - President and CEO

You can run a bank. You just can't manage (multiple speakers)

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

(multiple speakers) difficult. This is counterintuitive, by the way. It's the other way around.

The consolidation is not your normal consolidation, Michael. What we decided to do, and I am told that we are one of the few banks that have tried this, is that prior to converting, we thought the stores that we knew were going to be consolidated and consolidated them a year earlier, by offering the Banknorth system to those clients and what are now TD Bank America's Most Convenient Bank stores. So that was a little different than what you would normally expect in a consolidation. So that is point number one.

Point number two is that most of these consolidations happened within a TD Bank store that was located a mile away from a TD Banknorth store; that was another piece of fact.

Thirdly, I think our people did a great job in ensuring that not only do we manage attrition, that during this time we grow our customer base. And what we have been able to see is that not only during the consolidation, but even through the brand change, starting in December and early January, our customer base is increasing in that footprint, notwithstanding those two events. So I think a lot of that was to do with the markets have helped, but our people have done a tremendous job through major change that has occurred.

Deposit growth, I did talk about, I think couple of quarters ago, that we're going to change our attitude towards that. And we're not going to let what I would call franchise customers be taken over by our competitors because of pricing issues. So we did change that paradigm and that has resulted in decent deposit growth, but we've seen some pressures on margin as well as a result of that.

So, overall, my message is that, yes, we're getting strong volume growth, notwithstanding some of the changes you're seeing in the US with our business, with consolidations and brand change, but we have also benefited from the general climate. I think we are a net recipient of flight to quality type of issues in the US. As Ed said, we are one of only three AAA-rated banks. I think that is important to retail deposit holders as well. And, generally, I would say it's a good news story on the fronts you're asking me.

Tim Thompson - TD Bank Financial Group - SVP - IR

Ian.

Ian de Verteuil - BMO Capital Markets - Analyst

Mark, on the consumer loan book, one of the things that was interesting was on a linked quarter basis, the consumer book that actually appeared to have the biggest uptick in gross impaireds was the residential mortgage book. And in so many ways, it's a book that we almost believe is bulletproof. But when I look at it, it's up 25% in impairments in quarter. It's about 300 million of impaireds. I think the book is 60 billion is the size of the loan book. Half of it is insured, so I presume that can't be impaired. So it's almost 1% impairment.

And maybe you could talk back to previous cycles. Isn't it very early in the cycle to be experiencing impaired loan formations in the resi side?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

I think it's a reflection of increased unemployment, increased delinquency. So the fact that impaireds are growing, I think is, that's not unexpected. But the impaired number does include the insured portion. So if you look at the -- and I was trying to find the appendix slide, I believe from memory, it's about two-thirds of the increase was insured.

Ian de Verteuil - BMO Capital Markets - Analyst

So two-thirds of the impaireds --?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

The increase in impaireds was from insured.

Ian de Verteuil - BMO Capital Markets - Analyst

Was from insureds.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Yes, the number specifically, 53 -- it was 3/4 actually.

Ian de Verteuil - BMO Capital Markets - Analyst

So 3/4 of the increase in the impaireds was due to that. The other thing we have always believed is that even if there is impairment, that the loss given default is going to be relatively low. And you quoted these LTV numbers. How do you know LTV on the portfolio today? I don't think of Canadian banks as doing drive-bys on houses to see what the value is. So how do you know that the portfolio is not down 20%?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

You would do it at origination. Obviously you would know the day you made the loan and then you use statistics in the marketplace to adjust it to a real-time number.

Ian de Verteuil - BMO Capital Markets - Analyst

So it's LTV at the time and then you just (multiple speakers) the TRE data.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Correct.

Tim Thompson - TD Bank Financial Group - SVP - IR

Jim.

Jim Bantis - Credit Suisse - Analyst

Two questions. Focusing back on Mark with respect to the credit portfolio, it was kind of us to give us the breakdown in the US. Just wanted to touch a little bit more on the 6 billion home equity second lien as well as the residential for sale portfolio. If you can give us a little bit of background in terms of the vintage of those portfolios and maybe some of the loan to values. And I guess I want to be able to tie it into you've kindly showed a slide on page 18 showing that PCL rate in the US was roughly 76 basis points. And I know the US comparable at 385 doesn't make a lot of sense given the characteristic of your loan book. But this is early days with respect to the impairment of this portfolio, so I just want to get a sense of what are peak loss rates historically under Commerce bank standards as opposed to US bank standards?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

We'll start with the residential for sale. And I mean, I guess that when I mentioned we did stress tests, we went and we looked at what kind of the peak levels. And whether you are in construction or not in construction makes a big difference. And I know there are studies that we cited, so I'm kind of going from -- I can send you the e-mail for the exact studies, for the history, but I would say that on the residential for sale, it might be about the low 2% range. But if you are in construction, it would be at the higher end of the range because that's the most difficult problematic area.

If you are -- and moving onto HELOCs now. In terms of HELOCs, I wouldn't have a number that would give a historical loss. What we have done though is we've looked at our performance in the footprint, so we've looked at the footprint and we only originate to hold, and so we've compared that to the -- and there's a lot of data you can get in the US. So we were able to compare it to everyone else in the footprint. And our credit metrics were about half of theirs, so kind of twice as good or however you wanted to look at it. And we continued to see it kind of deteriorate in pace with the area, but we haven't seen the gap narrow, right?

So -- and we have run stress tests that would move it up to what we think to be fairly drastic positions. And although the ultimate loss number is a bigger number, it's not a bigger number in the context of the organization. So it gives comfort on it. But if I can find some kind of historical things maybe I can provide them over to Tim, but I don't have them off the top of my head.

Jim Bantis - Credit Suisse - Analyst

Okay. And my follow-up was for Bob on wholesale. Ed had said this was a very strong quarter and even adjusting for the canceled loan commitment. But if I recall last quarter, and we've all seen the deteriorating environment, I think you were thinking about 125 million in terms of what a normalized run rate would be for these operations. And I just want to see if the environment has changed, do you feel that's still sustainable or achievable? And also, I kind of want to think you've got a bank with a AAA rating and there's so much capacity taken out of the system on corporate banking. And I'm not suggesting that the bank goes big into corporate banking by any stretch or investment banking. But is there nickels and dimes that the bank should be actually picking up here that are on the risk tolerance side that you should be considering?

Bob Dorrance - TD Bank Financial Group - Group Head, Wholesale Banking

I think it's a very difficult business to forecast, as you know. So we always kind of talked about run rate and what would have been a run rate over a cycle. And I think that's where the 125 a quarter comes from and I still think that given the business strategies that we have and the capital, etc., that that's a reasonable expectation.

For this quarter, clearly, there were some very good favorable trends in the marketplace for wholesale bank and specifically in the foreign exchange and fixed-income markets. And I believe from what I read, you see other banks that have reported or have talked about and I think they are experiencing those same trends. So I think the point being that Ed was making was that the number reflected very strong results in the business.

Those trends continuing, it's hard to forecast. I look at it and say that the headwinds that we have over the balance of the year are potential for securities losses in the head office portfolio. And then, the potential for PCLs as well if the economy continues to deteriorate.

We have some possible pluses in that our credit trading businesses in 2008 did not perform well. We've been -- that market is still challenged, but we've been reducing our exposure in the area. So I think that as we go through the year on a quarter over previous year's quarter basis, that is a possible plus.

So then it's up to how the markets perform here on in. I think I don't have that great a forecasting ability any more than when I got out of the business of forecasting. So bottom-line what I'm saying is that I think we are in a run rate business that is a $500 million type of business per year in a normalized environment. First quarter was obviously a very strong quarter.

Jim Bantis - Credit Suisse - Analyst

Got it, okay. But just kind of sorry, just to follow up --

Bob Dorrance - TD Bank Financial Group - Group Head, Wholesale Banking

And then, with respect to -- we are looking at using our capital to enhance our franchise. And we have, as you can see I think in one of the schedules, our loan growth is up over the last year, and that loan growth has been focused on growing the domestic franchise.

Jim Bantis - Credit Suisse - Analyst

Thank you.

Tim Thompson - TD Bank Financial Group - SVP - IR

Bryan.

Bryan Pilsworth - Foyston, Gordon & Payne - Analyst

A question for Ed. Ed, you spoke earlier about public policy being such an important thing right now. You didn't talk about the US though specifically. Is there anything in the event that the government intervention increases in the US, is there any impact for TD that is going to be new or different going forward? There's talk about nationalization; how does that impact TD?

Ed Clark - TD Bank Financial Group - President and CEO

I guess I'll make a couple points. The first point I would make is I guess I've been a strong advocate against me-too-ism in Canada, and I think the government hasn't done me-too-ism, and I commend them on that.

I think the lesson of the US has been, and that's not to say that the intervention wasn't necessary, but every intervention, they got another intervention. And the human brain is not smart enough to actually understand how the market reacts each time you intervene and you just then start these downward spirals.

Again, unfortunately, I'm not smart enough to figure out that if, in fact, the US government ends up owning a significant proportion of most of the major banks in the United States, how does that actually play out? I think there have been some positive developments, notwithstanding the market hasn't reacted positively to them. But I think the government is scrambling to try to say give some certainty to the market. I think the market is more impatient than it's humanly possible for the government to actually act. And so that's one of the dilemmas is that in real time, just nobody is that good to have all these programs worked out and driven as fast as the market feels the need.

But, obviously from our point of view, there is, you have to have a concern if it turns out you are competing at every corner with a government-owned bank, I think my own view will be that it won't end up that way. In the end, there will be a number of the major banks that find a way not to have government ownership. And you can already see a lot of discussion that they will want to have rules of the road to say well how do we have a fair fight here if there are going to be government-owned banks versus nongovernment-owned banks.

So, you have to assume that in the end, this has an equilibrium here somewhere. But there's no question that I think it's created a very tricky environment to manage in, and so you just sort of have to just hunker down and say, let's just stay with basic operating principles and this will eventually sort itself out.

Tim Thompson - TD Bank Financial Group - SVP - IR

Let's go to the phone lines, please. First caller?

Operator

Robert Sedran, National Bank Financial.

Robert Sedran - National Bank Financial - Analyst

Good afternoon. Bharat, you previously suggested that provisions in the US would be in the 100 to 125 range for the first couple of quarters of the year. Now Q1 was obviously inside that range. Are you still comfortable with the range? And are you able to better talk about the rest of the year at all? I guess the question is are you planning to continue building reserves at the same rate or as we go through the year, can we expect the provisioning and the charge-offs to converge?

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

Our goal is to build reserves through the cycle, and that's what we have done. The range I think the first quarter, we came out within the range. When I thought of the range, I'm not being as precise, obviously. Certain quarters might be slightly higher; certain quarters might be slightly lower. But I think it's fair to say that the environment is challenging. I've always said that you are in a lending business, we are in the risk-taking business. That's what we do for a living. So we cannot outrun a recession, but we should certainly be a positive outlier. I think Mark mentioned this on the statistics that's bearing that out.

So I'm still comfortable with the numbers I put out, but it is a challenging environment. Could we see this number creep up? Yes. There is more pressure right now and that is to be expected given where we are in the cycle. But our expectation is that through this piece, we will be building reserves.

Robert Sedran - National Bank Financial - Analyst

Can you add any color? Thank you. Can you add any color to some of the parameters in the stress tests that you have mentioned in the call?

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

I think Mark mentioned the stress tests. Mark, did you want to?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

So typically, we are -- and we've done many over the last six months. We typically will look at trying to find a worst-case historical point and apply that, not that we have done, but maybe it's been done in the industry and apply that against the same portfolio mix we would have in the industry.

Or, in the case of something that might be somewhat new, we just look at something -- lately we've been taking things beyond anything that's seen in history to look at it, see, we look at the number. Do we get comfortable with it? Do we feel that if it were to start to develop, are there triggers that we could implement?

I really couldn't go through specifics on each one. I don't think -- each one is different by its own self. I mean, you take the oil and gas industry, clearly we've stressed it for $30 dollars in oil, as an example. It's those types of things.

Robert Sedran - National Bank Financial - Analyst

Thank you.

Tim Thompson - TD Bank Financial Group - SVP - IR

Next caller, please.

Operator

Brad Smith, Blackmont Capital.

Brad Smith - Blackmont Capital - Analyst

Thanks very much. I had a couple of questions about the securities portfolio in slide 11. Thanks for providing that detail on the US side of TD Bank, N.A. The amount there, I believe that fair value adjustment unrealized is about 2.3 billion. I believe that's also a pretax number. If I tax-effect that and compare it to the total unrealized in the OCI on a consolidated basis, it's about an $800 million difference there. And I'm just wondering if you could give us some idea as to what securities outside of the US banks are experiencing those levels of unrealized loss. That looks like a number that's gone up about 600 million to me in the quarter.

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

Brad, it's Colleen. If you look at our OCI deficit for available-for-sale securities, it's 2.6 billion. About 2 billion of that is Commerce related as the TD Bank, N.A. And about 600 million of that relates to the move out of the trading book into AFS that we did affect, which was effective August 1, as you know. So those are, in essence, the OCI losses from that transferred portfolio. So those are the two major components.

Brad Smith - Blackmont Capital - Analyst

(multiple speakers) okay Colleen, so you are saying that --

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

(multiple speakers) Sorry?

Brad Smith - Blackmont Capital - Analyst

2 billion of the consolidated OCI relates to the US, which is a pretax $2.3 billion number, so the tax rate on that going into OCI was very low then. Is that right?

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

No, so you'd convert it to Canadian dollars, and then tax effect it, and that should bring you back to about 2 billion. And then, as I say, you have the extra amount for the transfer portfolio.

Brad Smith - Blackmont Capital - Analyst

I see, okay. Terrific. Thanks. And on the general provision, the 80 million, I was just curious, that's identified as an item of note, but the, I believe 62 million increase in the US side general is not. What's the difference between those two from your perspective?

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

The US process around provisioning is quite different than in Canada. And you really look at the specifics and generals on a combined basis and that has been more the convention. In Canada, we focus more on the specifics and then the general allowances are adjusted more, I would call it more on a stair-step type basis where we do a quarterly evaluation and manage that number within a reasonable range.

So items of note related to the Canadian portion; we have always treated as an item of note for that reason. And traditionally, in fact, they have been credits, which we have not taken into income.

The other nuance that I would mention in the item of note is that we did have some GAs that would be related to wholesale exposures, some credit declines in the wholesale book, but, in fact, we do have an offset on our credit protection, which also goes through an item of note in your CDS gains. So again, when you think about that methodology, we certainly feel it's appropriate to continue to show it as an item of note.

Brad Smith - Blackmont Capital - Analyst

So to be clear then, your general adjustments, your general allowance adjustments in the US were to consider to be specific, but in Canada they are general.

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

Yes, that's the way I look at it.

Brad Smith - Blackmont Capital - Analyst

Okay. So I was just curious because it went down -- general in the US went down 30 million in the fourth quarter and then up 62 in the first quarter. I was just (technical difficulty) as to what changed in the outlook there.

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

Yes, and it really is -- you have to look at it more on a combined basis. It's harder to split them out in the US analysis. You have to look at it on a combined basis is the way I look at it, whereas again, in Canada, we look at it quite differently.

Brad Smith - Blackmont Capital - Analyst

Thanks very much.

Tim Thompson - TD Bank Financial Group - SVP - IR

Next caller, please.

Operator

John Aiken, Dundee Securities.

John Aiken - Dundee Securities - Analyst

Good afternoon. Just wanted to throw out a philosophical question for you in this environment that we're in, obviously, US is slowing down. Canada is slowing. Is it your philosophy that it's prudent to peel back lending right now and maybe actually seeing negative volume growth? Or is it your viewpoint that this is actually just a fantastic time to lend now that we've actually seen risk being put into loan pricing, et cetera?

Ed Clark - TD Bank Financial Group - President and CEO

Maybe I will try that one. I think our view, and obviously we are sensitive to the political and economic environment in which we operate in Canada, that we would not want to be in a position that we are turning down good loans, and one of the clear advantages of having such a strong banking system is that you are not having that credit crunch in that sense in Canada.

On the other hand, I think it's probably a little early days, but I would say all the data is starting to indicate to us that the loan demand is beginning to fall. And so this is, and I think we're going to see that accelerate and so I think you are going to see our lending slow down in Canada, but it won't be because people are coming in with great demands for loan on fantastic security and we say sorry, we don't want to do it. It's because they are not coming in.

The US is quite a different situation there. We are, in a sense, a very small element in a very big pond. And I think there, we're more governed by what we think the right thing to do is, given the environment. And I would say we probably have turned more cautious in the United States just because the outlook is so potentially severe. It doesn't mean it will be severe, but you have to -- your balance of probabilities has shifted to be more severe, and so I think we're probably more cautious in the US.

John Aiken - Dundee Securities - Analyst

That's great, Ed. Thank you very much.

Tim Thompson - TD Bank Financial Group - SVP - IR

Next caller?

Operator

Andre-Philippe Hardy, RBC Capital Markets.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Just a quick one to start, are you subject to the stress tests that US regulators are doing?

Ed Clark - TD Bank Financial Group - President and CEO

No. The answer is not, but we do stress tests anyway. And so we are going to coordinate with them to make sure that our stress test is at least as conservative as theirs. We're highly comfortable I think the answer will be yes, and we are very comfortable that there is any stress test you want to apply to us, we're going to come out looking very strong indeed. Just given, frankly, the very strong capital base we have and the mix of business we have and earnings power we have, it's very hard to stress this bank and not have it look good.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Thanks. Question for Mark. You gave us some LTV ratios in Canada. You gave us average ratios. I guess what I would be more interested in is how much of your mortgage book adjusted for current values? And I would say mortgage and HELOCs. How much of it would be at over 75 LTV at this time?

And then, unless I missed it, you didn't give us similar numbers for your US HELOCs first and second lien. It would be really interesting to hear what you have to say about the LTVs there as well.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Well, I don't have those numbers at my fingertips. So we'd have to look at them, and we could share them. I will look at that to give some broad ranges and share on the common information page.

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

This is Bharat. The LTVs on the HELOCs were noted in the investor day presentation we had six months ago and then we worked through some analysis through Tim's area to provide you with what our latest view is on that portfolio. Meaning, based on the way you're asking, we're very comfortable as to where we rank the losses we are seeing or the delinquencies we are seeing -- are quite within acceptable ranges compared to our peers.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Okay, thank you. I look forward to that.

Tim Thompson - TD Bank Financial Group - SVP - IR

Come to the phones, please. Next caller.

Operator

Mario Mendonca, Genuity Capital Markets.

Mario Mendonca - Genuity Capital Markets - Analyst

Ed and Colleen, when you talked about the AFS securities, the nonagency MBS, the Alt-A and jumbos specifically, you expressed with a lot of conviction that you don't expect to incur any losses there. And, I'm asking specifically about the Alt-A 2006 and 2007 vintages, about -- in the Alt-A, there's about 1.35 billion and the jumbo, maybe 1.4. When you express that sort of conviction that you don't expect any actual losses, are you -- would you include those vintages and those products in that statement?

Ed Clark - TD Bank Financial Group - President and CEO

That looks like a tough enough question, Colleen probably ought to answer it.

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

I think just to be clear, Mario, in terms of what we are saying, we are saying that versus our carrying value, which, in the case of Alt-A, we've already written down by $1 billion, that we don't expect, we expect to fully recover our carrying value and more. In fact, if we look at our expected credit loss, obviously it's somewhere -- it's contained within the $1 billion write-down that we did on Alt-A. So we certainly expect that, in fact, right across the board. So we are fully confident that we will recover our carrying value.

Obviously, the concern is, though, there's a different set of tests around impairment. And I think we're saying today is that if conditions did deteriorate a lot further in the US, that we could be looking at impairment on some individual securities, but we wouldn't see that as being a large item. We would see it in smaller periodic amounts.

Mario Mendonca - Genuity Capital Markets - Analyst

Okay. And just sort of on a related note, there is this article in The Globe today that was kind of helpful. It showed that whether you're -- if you buy this stuff -- if you bought some of these securities from JPMorgan, you're probably good. If you bought them from Bank of America, you are not. It's a pretty good article there. Could you tell us who these securities were purchased from?

Ed Clark - TD Bank Financial Group - President and CEO

I don't think we know the answer to that. But I guess what I would say is that when we did -- as Colleen said, when we bought Commerce, we were required, we would have wanted to do it anyway, but we were required to mark it to market at that time. So as you have to go back and take a look at the March 31st values, and obviously our judgment, it was and still remains that there was a significant liquidity premium built in there, that the intrinsic loss was not reflected in the market value.

But since then, we obviously have been tracking the securities. And I should say, we also looked and built our own models and then had outside consultants and compared them to their models that confirmed our view in that respect. And I would say so far, our files are following better than what our models were. So that would indicate that whatever the origin, we're not at the lower end. They are performing better than all the outside models told us these kind of securities would actually perform.

Mario Mendonca - Genuity Capital Markets - Analyst

One final thing, then, and this may be more of a request than a question. And Mark, you referred to it when you were answering another question. You said that the US provides such great information to do comparisons. And essentially that's the question or /request I have. You are absolutely right. In this environment, when credit is everything, to go to the US and be able to see all this disclosure in terms of buckets of delinquencies, 30 to 60 above 90 days, that whole thing, when did it become, or why is it acceptable in Canada not to provide disclosure that's that critical? And will the bank consider providing that disclosure going forward?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

So to be clear, when I said there's a lot of good information available, it's through the various -- it's not the banks reporting it as much as it's -- I guess the banks are ultimately reporting it on a blind basis to the various, whether it's the Case-Shiller or the Fannie -- Freddie Mac have -- I forget the name of it, but it's a database that you can access. And then there's others as well. OFHEO, and I'm not sure what that stands for.

But the reality is you have the ability to go and look at the market area, as long as it's in consumer and it's mortgages and have that area of information. I guess there just isn't a similar database to my knowledge on the consumer side in Canada.

Mario Mendonca - Genuity Capital Markets - Analyst

I think you may have taken my question too literally. What I'm getting at is why do our Canadian banks not provide good credit disclosure about the various buckets and delinquencies? And will TD change that going forward, given how important that is to us in understanding the bank.

Ed Clark - TD Bank Financial Group - President and CEO

It's Ed here. I think we are -- I think this presentation today, we've tried to provide more data and I think within reasonable limits, we will try to provide more data because I think -- our frank view is if people understood us as well as we understood us, they would be a lot less worried. So I think we are trying to get within the constraints of a competitive position here, more data out. (multiple speakers)

Mario Mendonca - Genuity Capital Markets - Analyst

So, Ed, do you think you will provide buckets then, delinquency buckets 30 to 60, or 30 to 90 days (multiple speakers)?

Ed Clark - TD Bank Financial Group - President and CEO

We're not going to give you a specific commitment, but send in your request and we'll try to tweak this out to give you more than we are giving you now.

Mario Mendonca - Genuity Capital Markets - Analyst

Thanks.

Tim Thompson - TD Bank Financial Group - SVP - IR

Next caller, please.

Operator

Darko Mihelic, CIBC World Markets.

Darko Mihelic - CIBC World Markets - Analyst

Thank you. I would actually echo this same last question as well. But another question for Mark, is it fair to say, when we look at the loan loss provision this quarter on a specific basis of 457 million, and we look at that as a year-over-year increase in 92% and q-over-q of about 60%, is it still fair to say that your loss experience based upon your own book of business is still well below through the cycle loss expectations?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

So I'll make two points. I think, you've got to remember that we are coming off very low numbers in terms of whether it's gross impaired, gross impaired formations. The last five years have been very benign. So to your second question, I think it is true that if you look like on a through the cycle point, we are still certainly in the Canadian commercial and wholesale portfolio in Canada at very low numbers.

Darko Mihelic - CIBC World Markets - Analyst

So roundabout question or way of asking this, but I suppose, could I use the page 38 of your supplemental as a sort of guide as to what you guys think are through the second loss rates?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

So 38, let's make sure I'm -- the supplemental. I think I know which one you're talking about, but I want to make sure.

Darko Mihelic - CIBC World Markets - Analyst

Yes, it's just the one with the expected loss rates and it shows your actual loss rate.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Right. Well, that's what you are seeing, so really what you are seeing is, well that's our -- so the actual loss rate is just the actual losses we've incurred in the period. And the expected loss rate would be kind of the -- you look at the PD, the LGD, the exposure at default, and you calculate through an expected loss.

So I think what that's telling you is that the risk has increased in the portfolio, and that, yes, I would expect an increase in PCL as I outlined in my comments.

Darko Mihelic - CIBC World Markets - Analyst

Yes, perfect. No, that's very helpful. Thank you very much.

Tim Thompson - TD Bank Financial Group - SVP - IR

Our next caller, please.

Operator

Sumit Malhotra, Macquarie Capital Markets.

Sumit Malhotra - Macquarie Capital Markets - Analyst

For Colleen very quickly. You mentioned the 2 billion worth of markdowns you took on the CBH investment portfolio on close; did that relate to the portfolio as a whole or specifically the CMO positions?

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

The majority of that amount was related to the nonagency CMOS, the lion's share of the 2 billion.

Sumit Malhotra - Macquarie Capital Markets - Analyst

Okay. And just on the same vein, your comments on the early December call about the 15% home price decline that was required to necessitate -- roughly was required to necessitate further charges, since then, if I use Case-Shiller as a guide, we're down another 7% roughly. How close is the relationship here? If we think specifically about the CMO book, is it tied perfectly that, or close enough that if we start to exceed that 15% mark, only then will we start to see TD take charges through earnings?

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

So first of all, you are absolutely right in terms of the 7%. So we are sort of halfway through the 15%. And it isn't a hard trigger, Sumit, but it is certainly going to be an indicator. And there's various things we'll look at, but that is certainly one. So as we start to see that come down further, we will continue to do that, continue to test, but again, on a security by security basis. But that is probably one of the main indicators of impairment if we start to go through the 15%.

Sumit Malhotra - Macquarie Capital Markets - Analyst

And you're thinking about that number specifically again for the Alt-A and the jumbos?

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

Yes, mainly for the Alt-A.

Sumit Malhotra - Macquarie Capital Markets - Analyst

Thanks very much.

Tim Thompson - TD Bank Financial Group - SVP - IR

Back in the room, Ian.

Ian de Verteuil - BMO Capital Markets - Analyst

Colleen, going to slide 11, the slide on the securities portfolio, as I look at the jumbos and the Alt-As, the fair value versus the amortized cost, in both books, it's either side of 80%. So on both of those, you're down 20% from where you were when you put the securities onto the book.

But I'm struck by the fact that it looks as if the Alt-A book has deteriorated dramatically more than the jumbos have deteriorated. I'm just looking at credit quality here. And maybe I'm wrong. The first time, you gave us the ratings on these things, but I perceive that the vast majority of the Alt-As were AAA a year ago. So, one book seems to have deteriorated dramatically from a ratings point of view, but you're still only down 20% on roughly both of them. So maybe you could talk through how your models are different than how rating agencies model their ratings.

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

Again, what you are seeing in terms of the fair value, versus the carrying value, that, we would say is largely liquidity related. So I think while you are seeing those, because I think your question might be well, why haven't you seen more deterioration in the Alt-As? And the reality is there that we wrote those down more on a percentage basis than the jumbos. So I think that's a contributor. So we took a larger write-down on close than we did for the jumbos.

Ian de Verteuil - BMO Capital Markets - Analyst

So let me make sure I got this right. So I think you said you took about 2 billion across these and I think you said it was 1 billion against each of these books.

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

No. So we took 1 billion against the Alt-A. And I said the lion's share of it was CMO related. But we did have other credit or expected loss numbers -- or sorry, we did have other write-downs against other parts of the portfolio.

Ian de Verteuil - BMO Capital Markets - Analyst

So the point being on your models, you had assumed a much higher loss rate on the Alt-As than the jumbos.

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

Right.

Ian de Verteuil - BMO Capital Markets - Analyst

So the deterioration that the rating agencies are reflecting through their downgrades.

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

Right. See, I think the way you need to look at the downgrades is the downgrades are done in relation to the par value. Not -- so I know when the market gets concerned when they see all of these downgrades. But, we weren't really surprised to see those downgrades. In fact, when we looked at the original credit quality of the portfolio and established that in our valuation in the beginning, we would have expected those downgrades to come. But again, you are looking at that on a par value basis versus our carrying value, which is quite a bit lower.

Tim Thompson - TD Bank Financial Group - SVP - IR

Jim?

Jim Bantis - Credit Suisse - Analyst

A question for Tim. In the earlier comments, TD Canada Trust we saw the factors being slower loan growth, then Ed talked about the declining consumer demand, higher PCLs and somewhat being offset by margin expansion. But it looks like we're in the prospect of actually having a down year in earnings from TD Canada Trust. To what extent does it make sense to actually pull back a little bit in terms of the strategic spending to get some operating leverage and kind of mitigate the earnings decline?

Tim Hockey - TD Bank Financial Group - President & CEO, TD Canada Trust

As Colleen said, we actually have a little bit of operating leverage if you take out some of the extraordinary items this quarter. Our projection as we go forward is that although there will be slower loan growth, we are actually seeing it slow call it later than we would have expected. As Ed iterated, we're very much open for business. But as demand drops, we will see a little bit less loan growth.

What we have said is we're going to control our expenses and there are a few things that we think are very important to do through this cycle to come out stronger on the other side. One is obviously stand by our customers through this cycle because it will remember it for many, many decades to come if we don't. Second is, we think there are some investments to make that really make a lot of sense. And TDCT together basically say those are three things.

One is we're going to be committed to our branch openings this year. We're going to be committed to adding business bankers because there's no better time to add business bankers than right now because they learn to be fantastic business bankers in the future. And the third is we're going to build out our insurance business. Everything else is up for grabs in terms of expense control. And our system knows that and is committed to delivering on that. So as our revenue comes down, and it will, then we expect our loan growth to come down commensurate.

Jim Bantis - Credit Suisse - Analyst

How many business bankers and branches do you expect to open this year, just so (multiple speakers)?

Tim Hockey - TD Bank Financial Group - President & CEO, TD Canada Trust

Twenty branches and 150 additional business bankers.

Jim Bantis - Credit Suisse - Analyst

Got it. And were you surprised at the pickup in PCLs in retail? I know it was asked earlier, particularly on the residential mortgage book. And I think, Mark, just to kind of flush that out, given that the unemployment levels spiked so recently, I would've really thought that would've been more of a late '09, early 2010 event, but it seems to be coming earlier and that worries us that it's going to gain momentum as we continue throughout the year.

Tim Hockey - TD Bank Financial Group - President & CEO, TD Canada Trust

I think it's fair to say that everybody has seen a faster increase in PCLs, quite frankly, because we've all seen a faster degradation in the economic quality in Canada. Every forecast we have done on not just in terms of our PCLs, but in terms of the economic outlook, the next subsequent forecast is darker. And so as a result, we are seeing those PCL numbers. The unemployment numbers were not what we were expecting. The year-over-year changes in things like sales are all darker than what we would have thought. So our anticipation is that we're pulling forward PCLs, as you said, that we would have seen later in the cycle.

Jim Bantis - Credit Suisse - Analyst

Thank you.

Tim Thompson - TD Bank Financial Group - SVP - IR

I'm going to ask Ed to just close up the call. Thank you.

Ed Clark - TD Bank Financial Group - President and CEO

Sorry for cutting it off, but because this is a special, we don't normally have our Board meeting, but we thought it was easier on the analysts, but I have a Board meeting that's sitting there waiting for me, so I think we are going to have to call it.

Anyway, a fairly simple message. I think, obviously, I think this is quite a strong start to the year. But I think we're saying to you don't take that to say we're just going to plow through this downturn and have a terrific time. We are obviously, we're basically saying we're going to have to work to keep earnings per share flat year over year. That may mean that earnings would be up, but earnings per share, which is what drives us, I would think are more likely to be flat. And even that is going to take some doing if the economy turns out as bad as everyone says it is going to do.

I think we're focused, though, at the same time recognizing that this is going to be tough for us, it's going to be a lot tougher for many of our clients and customers. And we really totally recognize our role in society to help, but I would say our employees also, these are their customers. This is their franchise. We built our brand around having a better experience in the branch, and we are working hard to say what does that better experience feel like when you're in a downturn? And we are really trying to say to our clients and customers, don't wait until you have a problem. If you think you might have a problem, why don't you come talk to us and we can then sit with you and try to get ahead of the problem and do some things and we're open to doing things to help to get people through it.

On the other hand, when I look at the hysteria, if I can call it that, in the marketplace, I think, calm down. TD is definitely going through this, is going to come through, and is going to come through this, as you know, one of the strongest banks in the world, and it's going to have a position when it's prudent to do so that we can take advantage of the dislocation that has been created by the downturn. Thank you very much.

Tim Thompson - TD Bank Financial Group - SVP - IR

That will end the meeting. Thanks for your time today.