Q1 2010
Strategic Overview
(Check Against Delivery)
Ed Clark, President and CEO

- Thank you, Tim, and thanks everyone for joining us this afternoon.

- Colleen will be up shortly to discuss our first quarter results in detail. I'll start by sharing my thoughts on our performance and by giving you a sense of where we feel things are headed for the rest of the year.

An excellent start to the year

- We had an excellent quarter. Record adjusted earnings were over $1.4 billion, up 31% compared to last year, anchored by almost $1.1 billion in retail adjusted earnings.

- Once again, our results surpassed our expectations. Overall, we delivered record revenue, stable PCL's and flat expenses. Our performance was fuelled by our Canadian retail businesses and another record quarter from Wholesale.

- Our balance sheet remains very strong. Tier 1 capital hit 11.5% and over three quarters of it is in Tangible Common Equity.

- Despite a quarter where many things went right for us, we don't feel the world has changed a whole lot since last quarter. We've managed to find ways to continue to outperform with a Canadian economy on a slow path to recovery and continued weakness in the US. Overall, we still believe the global economy will be in a pretty fragile state for most of this year.

- Against this backdrop, we're continuing to focus on the same lower-risk, high-quality franchise businesses we've been building right through the financial crisis and subsequent recession. Our better than expected financial strength allows us to stay focused on actions supporting our emergence in 2011 with momentum on our side.

Segment review

- Now, let me say a few words about each of our businesses.

- TD Canada Trust – what an unbelievable franchise. This quarter was another one of records - record revenue, record earnings, record efficiency – and record customer satisfaction. Clearly, the buoyant housing market in Canada has helped our volumes in real-estate secured lending. But we continue to build momentum across the board, with market share gains in personal and business lending, as well as business deposits and Insurance.

- What's even more remarkable is that we achieved these results despite higher PCL's and higher Insurance loss rates compared to last year.

- Moving to Wealth, we had a solid quarter. The story here is the rebound in the equity markets. We're also continuing to perform well at asset gathering, with solid sales of long-term mutual funds in Canada. Strong inflows at TD Ameritrade, coupled with good levels of transaction activity in all markets, contributed positively.

- Let's talk about Wholesale. Clearly 2009 was a huge year for us but we were careful to caution the market about the sustainability of that level of earnings. And here we are with another exceptional quarterly performance. So what happened?

- We've continued to focus on our franchise businesses and they continue to perform well. Importantly, we aren't taking on more risk to achieve these results. Our Risk Weighted Assets are flat with last quarter and a third less than last year.

- This quarter we had a number of things go our way. We exited some positions in our non-core businesses on favourable terms helped by good market conditions and superior execution. And valuations continued to provide a tailwind as credit spreads narrowed close to their pre-financial crisis levels. With these things in mind, we're going to caution you once again that Wholesale earnings should normalise going forward.

- Turning to the U.S., we think we had a pretty good quarter in the context of continuing difficult market conditions. We're extremely pleased with the fundamentals of our business there and the team's performance following integration. Having said that, we still believe 2010 will be pretty tough as the headwinds we're facing are as strong as the tailwinds. That means earnings may be in a bit of a holding pattern at current levels.

- Headwinds include PCL's that will remain elevated until the end of the year, continued low nominal interest rates, intense competition for both loans and deposits, regulatory uncertainty and changes to overdraft fees. Tailwinds include our better business model combined with the completion of the integration so that we can better leverage our great brand, strong distribution and enviable customer base.

Outlook

- Let me move on to talk about how we see the rest of the year shaping up. With the first few months behind us, it's clear our business model has positioned us well.
- Overall, the 4 key factors that will determine our earnings growth from here are the ones I talked about last quarter: PCLs, the level of nominal interest rates, normalisation in the capital markets and our rate of organic growth.
- Our base case for 2010 is balanced with a decent amount of caution. However, there are reasons to be somewhat optimistic about growth in 2010 even though it is a transition year. A strong earnings performance in Canadian retail should more than offset a normalization in Wholesale. Key indicators we're watching are volume growth in TDCT, general market conditions and trading volumes in Canadian Wealth and the speed of normalization in Wholesale. Looking to 2011, we'd expect an additional earnings contribution from declining PCL's and rising interest rates in our retail businesses.
- In Canada, PCLs were up year over year - but they were flat versus last quarter. We're seeing increasing evidence that loss rates have peaked in the personal book. Initially offsetting these declines will likely be modest PCL increases in the commercial book from the current very low levels and continued growth in retail volumes.
- In the US, we see PCLs continuing to hover around Q1 levels. We can't point to anything that suggests a looming problem in the context of current economic conditions but we also don't see a sudden improvement. We think 2010 will be a grind and we'll continue building reserves until we see economic fundamentals improve.
- We're still pleased with the quality of our Wholesale loan book. We don't see anything that causes us concern at this point. There is a chance we will be able to go through the rest of the recovery period with no substantial losses in this book.
- As before, our Wealth businesses and TD Bank, America's Most Convenient Bank, remain most exposed to very low nominal interest rates. When rates move higher, we'll expect a corresponding lift in earnings in both businesses in time. And in Wealth, we're dependent on continued robust levels of trading.
- Lastly, our organic growth continues – and in Canada in particular - at a faster pace than any of us might have expected. That also means we're already building in growth for 2011. We're supporting that growth this year with continued reinvestment in our franchises. In Insurance, we're cautiously optimistic that the combination of strong organic growth and improving margins plus a return to

more normal levels of weather-related claims will position us well for solid revenue growth.

- Moving to lending, in Canada we're pleased with the recent changes to the mortgage market announced by the government. Combined with a number of other factors we expect a moderation of volumes in real estate secured lending as we move through the year. In the US, we're continuing to see good progress despite the headwinds there. We're growing our personal lending volumes and although our Commercial volumes have stabilised somewhat, we're still gaining market share as others shrink their books.

In closing:

- To wrap up, let me reiterate what you've heard me say before - I believe TD has enormous earnings potential that we'll see as we move into 2011. We are emerging from the financial crisis and resulting economic recession with our business model intact and momentum on our side.
- On that note, I'll turn the presentation over to Colleen.

Overall call closing:

- Before I make some final remarks on the quarter, I want to let you know that this is Tim Thompson's last call as TD's Head of Investor Relations. He's moving to a new role in TD Canada Trust - so he's actually going to play a role in driving retail earnings now! Tim's been a great champion for TD externally, and certainly a strong advocate for the IR function internally. I'd like to thank Tim for his contributions and which him all the best in his new role.
- I'd also like to welcome Rudy Sankovic as the new head of Investor Relations. Rudy is moving from his role as CFO of Wealth Management. I know that Rudy will make a great impact in Investor Relations and I'm sure that our analysts and investors will enjoy working with Rudy.
- Now, let me wrap up with a few key points I hope you take away from today's call:
- First, we had an excellent quarter, setting several new performance records.
- Second, our results were anchored by almost $1.1 billion in retail adjusted earnings – led by an amazing performance from TD Canada Trust.
- Third, Wholesale showed continued strength, but we see that normalising.
- And fourth, we continue to see 2010 as transition year with an earnings lift coming from declining PCLs and rising interest rates expected in 2011.

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