TD BANK GROUP
SCOTIA CAPITAL FINANCIALS SUMMIT CONFERENCE
SEPTEMBER 7, 2011

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PRESENTATION

Kevin Choquette – *Scotia Capital Markets – Analyst*

With the merger of TD and Canada Trust in 2000, Ed became Chairman and CEO of TD Canada Trust, and subsequently President and Chief Operating Officer of TD Bank. Ed held senior positions in the federal government from 1974 to 1984 and senior management positions at Merrill Lynch and Morgan Financial from 1984 to 1991. In 2010, Ed was appointed to the Order of Canada. Ed?

Ed Clark - *TD Bank Group - Group President & CEO*

Good morning. And thank you, Kevin. It's good to be back here. So, I'll give you a quick summary and then you can nod off for the rest of the next half hour.

Obviously, you know, we're a retail focused business. We had a pretty fantastic Q3. We think that the headwinds are significantly increased for 2012. But, in a relative sense, we like how we're positioned to handle those. So, I'll get into this in a lot more detail.

You can speed-read that, and I'll move on to the next slide here.

So, let me just briefly do the third quarter. And then what I'm going to do is go through each of the businesses, focus on sort of what the essence of their strategies are, and then focus on what are their challenges for 2012.

So, $1.5 billion in earnings, up 14 percent, record earnings in most of our businesses both north and south of the border. Ninety-three percent of our earnings came from retail, Canadian retail up 13 percent, Canadian Wealth up 29 percent.

The U.S., spectacular results despite the fact that they had to overcome Reg E, which was a $40 million to $50 million a quarter hit, and did it by basically very, very strong volume growth. This is organic volume of 12 percent on the lending side and 10 percent on the deposit side.

Told you what the Durbin impact for us will be, another $240 million hit in the year. It'll take us about two years to get through most of the repricing that we're going to have to do to offset that. So, it's going to be a challenge, but we still think that we can have positive growth for next year.

TD Securities obviously had a very weak quarter. The trading revenues in the spaces which we occupy just weren't there. And I think we're going to have the same again, I'll get into this. I think the outlook for the securities business generally in this environment is pretty tough if you're occupying the space that we're going to occupy.

And the positive news is we increased our dividends by 2 cents. And our philosophy on dividends has been steadfast. It's not related to capital. It's related to expected growth in earnings. And we have a 35 to 45 percent payout ratio, and we intend to try to target as best we can the midpoint of that ratio.

We also provided greater clarity on capital, where we are today in terms of Basel III fully implemented, including the more rapid phase in. We certainly believe that by the middle of 2012 we'll be comfortably above the 7 percent. We're at 6.5 percent today.

So, what is TD? It's a pretty simple story, been telling it now for quite some time. We're a growth oriented North American bank with a bias towards lower risk retail earnings. We have a very simple business model, which is to just relentlessly focus on customer service and convenience. And we run that same model on both sides of the border, so we truly are North America in our strategy.

We believe in building out franchises, and what we try to do is create franchises that have sustainable competitive advantage that we can demonstrate and grow earnings, which means you'll see in each of the models a heavy emphasis on reinvesting, the better performance that you get from our basic business model and reinvesting that extra performance. And we focus constantly on removing tail risk from the organization, because we believe tail risk is the worst form of risk in the business.

And what does that model do? We believe that over time it can generate a 7 to 10 percent EPS growth. So, if you look at from 2005 to 2010, our earnings grew 13 percent. Our total shareholder return was 10 percent and our EPS growth was 7 percent.

Now, you, I know as veterans of this, you say, "He just picked the nice time frame to do that." I could have picked, when I started at the bank as CEO, so 2002, then earnings would have been up, instead of 13 percent, 18 percent. Total shareholder return would have been 16 percent rather than 10 percent. And EPS would have been 13 percent rather than 7 percent. So, in fact, in my early years, we did obviously dramatically better in terms of targets. But, I think in terms of representing a more steady state, 7 to 10 percent is still, in fact, a realistic target.

Eighty-nine percent of our year-to-date earnings are retail-based. And I'll get into this at the end of the discussion, why do I think all these business models and what you are matters. Well, because I think of the very uncertain environment which we're in. And I believe very strongly that, when you're in tougher environments, you actually find out who has the better business models.

So, let me talk about each of our businesses briefly. The Canadian retail story has been really a spectacular story. I think it's a business miracle, because this is a mature business operating in a mature economy with a set of very, very strong and very, very competent competitors.

And we've managed to grow earnings since 2002, which is really when the merger had been completed. Earnings have grown in that business by 14 percent a year. So, you look at GDP growth and what percentage of GDP is over that period, it's pretty dramatic.

Again, what's the model? Well, how do you have a growth model in a mature sector? Well, what you have to do is actually have a better model. And we have a better model. We just give better service and we have more convenient branches in better locations. We continuously reinvest the revenue, the extra revenue you get from taking market share. And then, we've been filling in strategic gaps where we're underpenetrated and we don't have our natural market share.

So, what does that actually mean? Well, it translates into winning JD Power six years in a row. In fact, JD Power has never given this award to other than the TD Bank. And in the case of Synovate, seven years in a row. It means adding new branches in Canada continuously. And we've averaged sort of 20 to 25 a year. It means having longer hours. And so, we're open also on Sundays. We're open 55 percent longer hours than the average Canadian bank.

It means looking for opportunities to fill in your strategic gaps. And so, you know about the MBNA transaction. We were growing and taking market share in credit cards, but this gave us an opportunity in one swoop to in fact change our natural market share.

It means looking at places like Quebec where we only have about a 12 percent market share and adding branches significantly in that area.

It means doing things like insurance. Where we bank one in three Canadians, but in fact we only insure one in 10 Canadians, we believe that because we have the number one direct insurer and because we know that, again, that business model works. It's a better business model. It takes market share every year. So, you have that wind at your back that you play that model. And in fact, there's no reason why we can't move up to a more natural market share in that area.

Obviously now the MBNA transaction gives us another complementary advantage because it dominates the affinity business, and we dominate the affinity business and the insurance business. And so, we think we can have some cross sell there.

So, what's the challenges if everything is so good? It's pretty simple. We've got very low interest rates and we have price competition there. And, you know, I think we're going to have slower growth in Canada. And so, all those are the challenges that are going to have come.

And what we're been saying to the marketplace is to expect some rotation in our earnings away from the personal side to more growth in commercial, insurance, cards, auto finance. And that's exactly what you saw in the last quarter.

So, wealth management. I'd say wealth management is a maturing business. I think we were behind. We were obviously dominant in the online brokerage business and behind in the advice business. We've done a great job in the last three or four years of building out our advice business.

But, I think where we are now is that in fact we have a business that's ready to grow that actually had lots of upside potential. We believe that we can do more with our mutual funds. We have not been best in class in selling our mutual funds into our branch system. We've improved that significantly over the past year. We think there's more things that we can do to exploit our online brokerage system and our online insurance, and we can cross sell that customer base better.

On the advice channel, we now have 1,500 planners and brokers but 40 percent of them have been in the industry for less than five years. And we know that, that's a maturing force, and so we think we have growth opportunity there.

We believe that we can take more of the technology that TD Ameritrade has and bring that in Canada. So, despite the fact that we have a 45 percent market share in online brokerage, that number actually can go up if we in fact exploit the cross synergies between TD Ameritrade and our Canadian operations.

What are the challenges for this business? Obviously the market. If the market goes down, a significant portion of the revenues are dependent on that. And secondly interest rates. We're not as sensitive as, Fred is going to talk, but Ameritrade is to pure interest rates, because we have a more diversified earning steam in our Canadian Wealth. But, we are affected by lower interest rates.

If I take a look then at the U.S., this is, again, a growth machine. I think, if you want to look and say, "What is the U.S.," the U.S. is a growth machine running fundamentally the same strategy. Start with a better business model, seven days a week banking, longer hours, fantastic service, reinvest constantly. So, in fact, even more than in Canada, reinvest in growth.

And I would say a third, which is different obviously than Canada, is up against competitors that are bogged down with historical issues. And I don't think that you can underestimate the effect on a company of having those issues. And it's hard to focus on growth if all the time you're doing is spending your time trying to settle litigation.

So, the clearest example of that is residential mortgages. We're having tremendous growth in that. We've been growing our market share in commercial. We're hiring bankers throughout our footprint. We keep on, as I said, investing. We call them stores in the U.S., 35 new stores a year.

A fantastic story in terms of deposit growth. I think a lot of people wondered when we bought Commerce whether we'd be able to preserve the model. I think those people who asked that question didn't understand we were running that model, been running it for a long time. And that model, in fact, those new stores, as we're opening, are actually performing better than the Commerce new stores would have performed. So, our brand has actually helped.

The example that we use is we take the greater New York City. It's really an amazing story. If you think about greater New York City, the total deposit base is about the deposit base of Canada. So, one of the things you're always struck in the United States is simply the scale of the opportunities if you actually have a better model.

It's also a model that, New York would be in a model where our model has more power because people are more willing to change. So, it's more active in that sense. Canadian is a more conservative society. It's harder to pry customers away from the other people that will be talking here today.

And so, we only started in New York City in 2001. By 2003, we had $1.4 billion in deposits. Today we have $11 billion in deposits, a 32 percent compound growth rate from 2003 to 2001. We're right now the fifth largest bank in terms of deposits in greater New York City. And we believe in the next few years we can become the number three, all of that without a single acquisition. That's what an organic growth strategy can actually do for you.

We're working very hard with Ameritrade. We believe that there's lots of synergies between the two organizations that strengthen both of them, and we're looking at ways to do that.

Obviously the other strategic issue we face is that we are fantastic at generating deposits. We've been slower at building a franchise on the asset gathering side. And we've been, frankly, cautious, given the business outlook in the United States.

And so, you don't blow yourself up creating deposits. You can blow yourself up creating assets. I think Chrysler is a good first step to filling in that gap. I think we're going to continue to look for things, but again continue to be cautious.

What are the challenges? Very similar, except that you have Durbin and then you have low interest rates, and then you have a slowing economy.

You know the story on our wholesale business. We decided some time ago, in a sense, to move, I'd say back to the future, to really go and build an old fashioned franchise player that says, "Why don't we serve clients and figure out either on the buy or the sales side, invest side, why don't we build a client oriented dealer and not be a hedge fund in disguise?"

And we gradually exited all the structured product areas, all the prop trading areas, did all those things that, in a sense, now I would say Basel III is forcing most banks around the world to do. So, in a sense, we got there earlier.

Despite having done that, that doesn't mean that you have nirvana. The reality is that these areas are not super ROE areas. I think they're 15 to 20 percent ROE areas. And today I think they're challenged even for the moment to be 15 to 20 percent ROE areas.

They are, though, and from our point of view as a bank that we believe we should have, a wholesale dealer that is consistent with the overall bank strategy, that thinks of itself as not owned by a bank but part of a bank and reinforces the capabilities of the bank. We believe the dealer is helpful and part of our overall strategy, if you are going to play in the commercial and corporate end of the business, which we do.

And we believe that there are still big opportunities. We have very big opportunities in the United States with our footprint where we actually have now a real brand in the United States as a bank. We also are developing our fixed income business in the United States. We're developing a precious metals business.

So, we believe that there's lots of upside here. We believe this is a 15 to 20 percent ROE business properly managed. But, I also believe that the next 12 months are going to be very challenging months for anybody in this business. And we will get through it and we will not change our strategy.

So, let me just start with what I think about the economy. You know, I think we all came out of it with a view that this recovery was going to be different, that's it's a balance sheet recession. It's different than an income recession and destined you to slow growth.

I think there's--part of what's going on right now, frankly, is just simply coming to grips with how ugly a slow growth recovery actually feels like. You intellectually get it, but when you actually have to work your way through it. And there's an impatience to say clearly there must be some magic solution that can solve all this problem overnight. And the truth is there cannot, there is not.

And so, I think we have a world, you know, half of the world, Europe and the United States, half of GNPs, are tied up in economies that are gripped by fundamental deleveraging issues that mean they are, in fact, going to be slow growth economies. And I think what we've seen is that they're also going to experience a series of crises as people deal with these deleveraging issues, which inevitably deal with issues of choice and income distribution or wealth distribution, to the extent to which you socialize bad behavior or not. And those are very tough issues to work through in society.

The fact is that these crises probably are actually necessary for the political system to come to the answers, and that you can't do this in a crisis free environment. But, it sure doesn't make it fun to run a bank in the middle of those crises.

I think, you know, corporate balance sheets are obviously in good shape. But, it's--you know, I think, in the end, people invest to make money. And they look at prospective demand for their products, and that's what's going to determine them. And that leads to this extremely tough balancing issue of how do you solve the long run fiscal problems, at the same time maintain enough stimulus to keep the economy growing? And I don't think anyone has a simple answer to that.

And so, I think the consequences of all that is that you are going to have relatively modest growth through this period and you're going to have relatively low interest rates. Obviously, neither of those are perfect, from our point of view, to be running a business in. But, in reality, and I guess you can then add in the U.S., you know, if the U.S. government keeps along every year or so and says, "Well, we're going to hit you for another $240 million regulatory change," these are pretty tough headwinds to look at.

So, you can get down looking at this environment. As I said earlier, I look at it and say, "Yeah. But, first off, look at the U.S. results this year." They overcame a lot of those elements this year and still produced spectacular earnings growth. And if you have strong business models, and that's certainly what our management team is focused on, because we're not focused on, "Okay, we've got all these headwinds," we're focused on what are the levers that we have that can offset these headwinds.

And what we get paid to do is to deliver what we tell shareholders we're trying to get, which is 7 to 10 percent over the medium term earnings per share growth. And we remain focused on that, and believe that the model we have--because we have real franchises, we have a better than average shot at actually delivering that.

With that, I'll pause and open it up for questions.

Kevin Choquette – *Scotia Capital Markets – Analyst*

Questions?

Maybe I'll start it off with, Ed, in terms of the U.S. and the FDIC transactions or activity, seems to be very modest right now. And is there any reason for that? And what do you see the potential for doing another FDIC deal?

Ed Clark - ***TD Bank Group - Group President & CEO***

Right.

Kevin Choquette – ***Scotia Capital Markets – Analyst***

Based on your results?

Ed Clark - ***TD Bank Group - Group President & CEO***

I think it's partly both sides. I think the reality is while the market you know, everyone is doom and gloom about the housing market. The housing market is not collapsing in the United States. It's just not getting cured very fast.

And so, I think you had the first spurt of organizations that clearly, when they marked to market, realized we're not getting out of this. I think the corporations that are still around, by and large, you know, have done enough raising equity and things like this to hold off this.

I think another dip down in the housing market might tip over a number of different institutions, but a lot of institutions can hang on in this environment. I think on the other side of it, you know, the sort of better franchises probably have gone and now you're down to smaller deals.

And a lot of people look at these and say, well, is this worth the energy to do these smaller deals in these circumstances? And is it worth the energy when what you're really buying is a deposit machine, not an asset machine, because the asset machine during the trouble because it wasn't a very good asset machine. And obviously lower interest rates work against that.

So, I would say, our attitude would be, as it has been always, I mean, we look at them in a very simple paradigm to say do they give us a branch, or a store in the U.S. terms, in a place that we would want to build one anyway at a cheaper cost than actually building one? And if the answer comes yes, then we'd probably say, well, then it's worth the effort. If the answer is no, then you don't do it.

Kevin Choquette – ***Scotia Capital Markets – Analyst***

Great. Thank you. Questions?

Maybe just following up on the U.S. again with respect to the loan growth, which has been so much higher than the peers. And you mentioned some of the peers perhaps having legacy problems. Is there any other issues that you think are leading to your higher growth in loans in the U.S.? And does any of your U.S. operations have any material lawsuits against them?

Ed Clark - ***TD Bank Group - Group President & CEO***

Yes. So, a simple answer is you obviously have a mathematical advantage, that is, if you start with very low base, which we did in the mortgage business, and you start to grow that base. So, we weren't really in the mortgage business and went into it. And we hold all the mortgages on our own balance sheet. So, our constraint has actually been building up the operational capacity to actually process. And so, we didn't want to push the demand too fast.

But, clearly, with the refi cycle, we don't have to be. I don't want to depreciate the efforts of our team, because they've done a fantastic job. But, you don't have to be that good if you're staying in a market where there's a massive amount of refi and, as I say, your competitors are otherwise occupied.

And so, I think we're just taking, and we have customers that have longed to have their mortgages with us. And they didn't have it because we weren't in the business. And so, I think there are just a lot of natural advantages that make that a super growth.

On the commercial side, I think it is just straight that we're in the business and we have a balance sheet and other people are/were, for a long time, shrinking their balance sheet. About six months or nine months ago, I would say that move shifted. U.S. banks said, "We got to get in the game again." And you had about six months where they were growing their balance sheet again.

I would say now you're seeing--again you're going to see the numbers come down, and they're going, "Well, whoa." We've not. We view ourselves writing unbelievably good business, because when you're in this situation, you can pick your credits pretty well.

Kevin Choquette – *Scotia Capital Markets – Analyst*

And material lawsuits?

Ed Clark - *TD Bank Group - Group President & CEO*

On that, we've not had material lawsuits in the new business that we've written. It's all legacy business.

Kevin Choquette – *Scotia Capital Markets – Analyst*

Question here at the front?

Unidentified Audience:

Ed, I'm just curious your thoughts. I mean, the merits of TD's business model has really shown in the results over, say, the last 10 years. But, I'm just curious of your thoughts as to why we haven't really seen other companies sort of copy what you guys have done. Or, is it really just a story that, it's a game of inches story and you just have accumulated so many inches?

Ed Clark - *TD Bank Group - Group President & CEO*

So, don't tell anybody what my strategy is.

That is and you know, I get asked that. And in fact, if you go back to Canada Trust days, so in Canada Trust we ran that same model. And you said, well, how hard it is. We just took market share every year in the same model.

I think like a lot of models, they say, well, why doesn’t everyone be a Wal-Mart or why doesn't everyone be an Apple? It's not that hard. I mean, why don't you just design technology around what people want rather than what you like to produce? That was all Steven Jobs figured out, but he did it.

And so, I think a lot of business models are a little harder to actually implement than you understand in the simplistic version of them. And certainly I went through it, in a sense, going from Canada Trust to TD. And you understand all the people issues involved in running a seven day banking system is dramatically different than running a five day banking system, and running your bank, you know, eight to eight versus nine to four with the number of part-time people, the kind of technology you have to have.

So, it's a huge permanent commitment to a completely different way. And I think most people look at it and say, "I'm doing all right now. This isn't worth the energy or the effort." That's always been my explanation, but ask the other guys here.

Kevin Choquette – *Scotia Capital Markets – Analyst*

Another question?

Maybe just on the wholesale business, you mentioned a goal of return on capital of 15 to 20 percent. And you see a number of consultants that come out and talk about investment banking or wholesale earnings maybe earning 12 percent fully loaded with Basel III. And how do you bridge the two? Do you think structurally that it can still do 15 to 20? I mean, obviously we're in a cyclical.

Ed Clark - *TD Bank Group - Group President & CEO*

Yes.

Kevin Choquette – *Scotia Capital Markets – Analyst*

Downturn, but.

Ed Clark - *TD Bank Group - Group President & CEO*

Yes. I think you probably can. I think it may be that it's worth taking a look at. I haven't done it, so I'm talking off the top of my head. So, you're going to get an answer that's worth the time that I've spent on it.

But, it may well be, you know, most businesses, if you look at them, they've got high ROE and more marginal ROE businesses. And the more you have solid franchises that you're leveraging so, if we go down in the U.S. and we get cash management and swaps and letters of credit, it's all incremental revenue leveraged off the fact that we have 1,300 branches in the United States and we have a brand in the United States.

I suspect you'd look and say the ROE of that is quite high because the incremental cost to roll that stuff on is quite high, whereas if you're slugging it out with RBC or Goldman Sachs to get into investment banking and do a loan, the market prevails and the ROEs go down.

So, I think advantage of our model is we like to have a mix that's probably more heavily weighted. It's when you try to super grow those business that you have to go out to the lower marginal ROE businesses or to higher risk that you tell yourself are higher ROE until the risks eventually arrive at your door late one night. So, if you have a more conventional business, you can have a mix of higher ROE, and then maybe the ROE on some of that stuff really is 12.

Kevin Choquette – *Scotia Capital Markets – Analyst*

Great. Thank you. One last question? On that, I'd like to thank Ed and TD Bank for the presentation. Thanks, Ed.

Ed Clark - *TD Bank Group - Group President & CEO*

Thank you.