TD Bank Financial Group
Investor Relations

TD BANK FINANCIAL GROUP
DESJARDINS SECURITIES INVESTOR LUNCH
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SPEAKERS

Bharat Masrani	President & CEO, TD Bank, N.A.
Michael Goldberg	Desjardins Securities – Analyst

CONFERENCE CALL PARTICIPANTS

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Jill MacRae	J. Zechner Associates
Peter Robic	Bluewater Investment Management
George Trapkov	Acuity Investments

PRESENTATION

Michael Goldberg – Desjardins Securities – Analyst

Good afternoon, everyone. I'm Michael Goldberg and on behalf of my partners at Desjardins Securities we are delighted to have you here today to hear about the key US commercial banking operations within TD Bank, the one bank that I currently rate as a top pick, from Bharat Masrani, CEO of TD Bank NA, which operates as TD Bank, America's Most Convenient Bank.

I'll leave it to Bharat to speak for his company but there's two perspectives I'd like to start with. First, it's now about ten years since TD acquired Canada Trust in Canada to form TD Canada Trust. When this combination was created, many observers feared that TD would destroy the Canada Trust reputation for service quality. Now, far from destroying it, TDCT embraced it and in recent years has consistently won industry awards recognizing its service quality. Observers also fretted that growth prospects would be limited in the highly concentrated Canadian market, but let's look at the record. Just after the combination, TDCT was generating about $500 million a quarter of operating profit. Last quarter, that was almost $1.3 billion.

Now, turning to TD Bank, America's Most Convenient Bank, operating with a similar convenience and service strategy as TDCT, I expect any concerns about service, notwithstanding recent technical glitches, will be dispelled. Also I've just been looking at recent deposit market share statistics from the FDIC, which I'll be writing about, incidentally, and they paint a fascinating picture of TD in the US. In most of the markets that TD is in, it's among the top five banks in deposit share. In Canada, we're accustomed to the same five banks occupying those top five slots in most markets. In the U.S. the situation is similar. Five or six banks typically account for the lion's share of business in a market. The difference is that it's different banks from market to market that typically occupy those top five slots in the US, but that's rapidly changing with consolidation by franchise collectors, and I view TD as a franchise collector in the US.

Now, consider this. If TDCT could grow its operating profit by more than 10% annually in Canada over nine years on a convenience and service platform, what growth can TD achieve in the United States also based on convenience and service with the added benefit of a consolidating market? Now, that's a real WOW! to consider.

Before we start, just some housekeeping items. First, please put your Blackberrys on silent, and second, please identify yourself when we get to the Q&A. Let me turn it over to Bharat.

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

Thank you, Michael. It's great to be here today and for those listening in, thank you for joining us as well. Great to see some familiar faces. Interesting, I met one person that I have not seen in 15 years, so it's nice to get out and meet old friends. I appreciate this opportunity to talk to you about the US personal and commercial business.

If you turn to slide two, people listening in, before I begin I would like to mention that this presentation contains forward-looking statements and actual results could differ materially. I guess I should read this given the small print there. “These statements are intended to assist your understanding of our financial position for periods presented and our strategic priorities and objectives, and may not be appropriate for other purposes. Certain material factors and assumptions were applied in making these statements. For additional information, please see our latest annual report and quarterly report available on TD.com. These documents include a description of factors that could cause actual results to be different.”

Today I'd like to provide you with an overview of our US personal and commercial banking business. TD Bank, America's Most Convenient Bank, and then open it up to take your questions. I will keep my remarks short so we have enough time for a Q&A.

At TD Bank Financial Group we have an enduring strategy. Like Michael said, to run a growth-oriented North American bank with a lower-risk retail focus. In fact, year to date, retail earnings make up approximately 80% of the group's total earnings. We have a conservative risk management philosophy with a strong credit culture and balance sheet and best-in-class capital, liquidity, and risk management. The same features that you will see at TD Bank, America's Most Convenient Bank. Lastly, we continuously invest for the future in areas where we have a competitive advantage to increase market share and add shareholder value. Please turn to slide four.

In the US our goal is to own the customer service and convenience space just as we do in Canada. For the fourth year in a row, we were ranked highest in customer satisfaction by JD Power, a particularly significant achievement considering that we were in the middle of a major integration, and a testament to our continuing ability to provide not just good but legendary service to our customers. In addition, I am pleased to share that just yesterday, JD Power announced that we were named number one in small business nationally in the United States for the third year in a row.

Across our network, we are open 50% longer than the competition. We have over 1,000 stores in the US, about the same number as in Canada, and are the only bank in North America to have this level of presence on both sides of the border. We operate in five of the top ten markets in the US, areas which are growth markets for us, from Maine to Florida. In 2009, even in a tough US environment, we continue to have solid results driven by solid business fundamentals. We posted 14% loan growth and 8% deposit growth year over year, all the while maintaining a strong credit culture and profile.

We have a disciplined credit culture which is one of the reasons we are so well positioned today. While our business has not been immune to the economic downturn, we believe that we will continue to be a positive outlier relative to our peers. You may ask, “Why so?” Well, we operate primarily in the US northeast, which has had a better housing experience than the rest of the country. We offer plain vanilla loan products built on conservative lending practices. Lastly, we use our own people and distribution systems, not third-party commissioned salespeople. We are well positioned for growth and we leverage TD's skill and expertise while adapting approaches for the US wherever possible. Please turn to slide five.

Let me talk a bit about what differentiates us from the competition. I'm sure all of you here are familiar with the TD brand. In the US, we are uniquely positioned as America's Most Convenient Bank. We have a WOW! culture which enables us to provide our customers with legendary customer service. Our WOW! culture is deeply embedded in our brand, processes, and culture throughout the company, from the front lines to corporate support functions, and gives us a competitive advantage which cannot be easily replicated by other banks.

So what is “WOW!” all about? People ask me, “What is this 'wow' stuff?” It's about being open seven days a week, 361 days a year, across most of our network. It's about having the most convenient hours in all the markets we are in. It's about all the ways we can provide our customers with a legendary experience, from our free penny arcade to instant-issue debit cards to live 24/7 call centre support to free pens and treats for your dog. It all supports providing a WOW! customer experience. And we don't just rely on anecdotes to determine how we are doing. As part of our customer WOW! index, we call nearly 800 customers per day and ask them about their recent banking experience. Stores are rewarded for their CWI scores, which encourages them to continue to go that extra mile to ensure that we continue to WOW! our customers.

We also practice something called “retailtainment.” It gets our customers and employees jazzed about being part of TD. The picture in the middle of this slide is one of our recent store openings in Washington, DC. No other bank does this. At least I haven't seen one. Lastly, I mentioned Penny. These machines are legendary among our fans. People cannot believe that we are willing to count their change for free. Our view is that we are a bank, in case the people had forgotten. Why not make it convenient for people to deposit their money with us? Kids and parents love it and it helps us to attract and retain customers. Please turn to slide six.

I know many of you are probably interested in our loan portfolio and how we have performed through this credit cycle. As we indicated with our third quarter results, we have a diversified loan portfolio both geographically and by product type which has performed extremely well through this tough economic environment. Commercial loans make up about 2/3 of the portfolio. Within commercial, about 2/3 of those are CNI loans, while 1/3 relates to commercial real estate loans. Our CNI loans continue to perform acceptably through this cycle with stable delinquency levels. Within commercial real estate, our residential for-sale portfolio remains the area of greatest concern. However, this segment makes up only 3% of the total US portfolio and we continue to monitor it closely.

On the personal side, approximately 1/3 of our total US portfolio consists of personal loans. Our in-footprint lending strategy continues to serve us well in our real estate secured portfolio and our borrowers continue to have strong FICO scores. Our US credit card portfolio is experiencing some pressure, as would be expected, although we continue to be a positive outlier and the impact is limited by the relatively small size of the portfolio. We believe that our sound credit underwriting standards combined with a strategy to only originate and hold credit exposures within our geographic footprint will continue to ensure that losses are maintained at manageable levels.

In summary, we continue to selectively take relationship accounts away from our competitors and grow our loan book, all the while managing our credit risk closely as the economic environment evolves. Please turn to slide seven.

I mentioned we have a conservative credit culture. What does that mean? This chart shows our credit performance since the beginning of the financial crisis. What you can see is both our nonperforming loans to total loans and net charge loss to average loans continue to outperform our peers with net charge loss to average loans being 68 basis points as of June 30, 2009 as compared to 296 basis points for our US peers. Although we are not immune to the economic downturn—we are in the lending business, after all—we believe that we will continue to be a positive outlier from an asset quality perspective. Please turn to slide eight.

Looking ahead, we expect the banking environment in the US to remain challenging. However, we are experiencing both headwinds and tailwinds in this environment. First, the headwinds. The weak economy will continue to impact our margins and provisions, PCLs. Although we are seeing some signs of easing in deposit pricing pressures, the near-zero rate environment will likely continue to put pressure on our margins. In addition, the recession in the US will put upward pressure on both nonperforming loans and our provision as PCLs tend to be a lagging indicator and are the last to decline even as the economy tends to recover. While we will continue to build reserves, we do not expect our PCLs to grow at the same pace as they did last year.

With respect to tailwinds, even in a tough US market we continue to see a solid loan demand, although growing at a slower pace as companies maintain a cautious outlook. As I mentioned earlier, at the end of our fiscal third quarter, our loan book was up 14% from a year ago and we continue to take market share, although we have recently seen some slowing of commercial loan growth in response to the current economic environment. We also experience good growth in retail and commercial deposits, growing over 8% year over year. Given market conditions, we see an opportunity to selectively take market share with relationship clients and we intend to do so.

On the deposit front, with our strong service and convenience model and as one of the few banks around the world with a continued AAA rating, we have been a net recipient of flight-to-quality moves in the US. and we expect core deposits to continue to grow. As I mentioned earlier, we also continue to invest in organic, de novo growth, opening new stores every year, and we will continue to see the benefit of investments we have made in our network over the past several years. We are moving forward as one bank, TD Bank, America's Most Convenient Bank from Maine to Florida. We remain cautious in our outlook for the US economy and are positioning the business accordingly. Please turn to slide nine.

Let me give you a quick update on our integration. The merger of TD Banknorth and Commerce was not your typical rip-and-replace integration. Instead, we pursued a best-of-breed strategy to create an enduring platform from which to grow. Although more complex and costly, it was the right thing to do. We are coming together as one bank with one model based on providing our customers with unparalleled convenience and a WOW! legendary service. We have extended our brand, TD Bank, America's Most Convenient Bank, into New England and upstate New York. We are in the people business and our 23,000 dedicated employees are critical to our success. We continuously survey our employees and they have remained extremely engaged throughout this integration.

Let me give you an update on our conversion weekend. Over the course of the September 25 weekend, we completed our systems conversion. How did that go? Actually, quite well. When you go through a conversion of this magnitude, there are several things to look at. First, are these issues—are there issues with the data integrity; i.e., did the data transmit over correctly? In our case, absolutely.

Second, did all of your channels come up on the first day of post-conversion? Yes they did. In fact, earlier than what we were expecting. Having said that, we did encounter a delay in our overnight batch processing which resulted in certain transactions being posted to customers' accounts later in the day than they normally would. This created issues for some of our customers and we took immediate steps to correct the situation. It took a few days to get our batch processing to complete in the timeframe necessary, but for all intents and purposes this issue is now behind us. We are addressing the remaining post-conversion issues to ensure that our customers are not inconvenienced and we are anxious to move forward. Please turn to slide ten.

So what's next for TD Bank, America's Most Convenient Bank? We believe there is continued opportunity to cross-sell additional products and services to our more than six and a half million customers in the United States. We have imported best practices from our experience in Canada and are adapting them for the US. We are implementing what we call SR, our sales revenue system, across our franchise. This system allows us to establish goals at the employee level and encourages employees to look at holistic solutions for our customers across all of our product offerings. For our commercial clients we offer bank at work programs and have been extremely successful at opening personal accounts by leveraging our extensive commercial relationships. We see excellent opportunities to further cross-sell mortgage, wealth, insurance, and corporate banking products to our clients. We are leveraging our capabilities at TD Securities in New York to ensure that we offer our middle-market clients corporate banking services as they continue to grow. And through our investment in TD Ameritrade, we will leverage that partnership as well. And lastly, we will continue to invest in our de novo strategy by opening new stores in growth markets across our franchise. Please turn to slide eleven.

In summary, I have four key take-aways for you regarding our personal and commercial business in the United States. First, at TD Bank, America's Most Convenient Bank, we intend to own the service and convenience space in all of our markets. Second, we have an enviable footprint and scale from Maine to Florida with additional opportunity for organic growth. Third, we have a disciplined credit culture and although we are not immune to the economic slowdown, we continue to be a positive outlier. And fourth, we will continue to leverage best-in-class capabilities from across the TD Bank Financial Group organization. With respect to TD Bank Financial Group, as investors you should expect us to continue our strategy in investing in franchise businesses to produce consistent earnings with a lower risk profile.

Thank you very much, and with that I open it up to take your questions.

QUESTION AND ANSWER

Michael Goldberg – Desjardins Securities – Analyst

Let me just remind you to identify yourself when you ask a question, and I'm going to get started.

Michael Goldberg from Desjardins Securities. Bharat, let me start with the rhetorical question in my introduction. Do you think that TD Bank, America's Most Convenient Bank, can grow faster over time than TDCT has grown over the past nine years? And what do you envision that your business will look like in three to five years?

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

Good question. I should get on the forecasting business. The great thing about TD Bank, America's Most Convenient Bank, is the similarity to TDCT. As you rightly pointed out at the outset, you know, in both markets our belief is that we would own the convenience and service space. In our view, that is the only space in banking which gives you sustained growth and sustained positioning that others cannot take away from you. As all of you know, if we were to be a product-led company others will match us. If we are a price-led company that will be matched. But convenience and service is one enduring positioning that all banks strive for and for us, the great thing is that we own that space.

The other point I'd make is that, I mean, obviously we've had a fantastic positioning in Canada. It's second to none. My view is that we are the top bank in retail banking in Canada. And can we replicate that in the US? Absolutely. I think what the US provides, and you mentioned it, Michael, in your comments earlier, it's a huge market. And you know, I was talking to some people at lunchtime here. So take metro New York, for example. Metro New York is the largest MSA in banking in the world. It has approximately 6 to $700 billion in deposits.

I do not know what the numbers are in the rest of North America but that's a huge market, and if you are able to own service and convenience as we are doing in that market, there is no reason why we would not have the same level of growth in those markets. I don't want to be setting up myself with my bosses and with our board, but there's no reason to think that, you know, we cannot replicate what we have in Canada in the United States in the market that we choose because you know, its our model, it's a growth model and we have an organic growth story that is second to none, and as long as we are able to execute, there is no reason why we would not have a similar result.

Michael Goldberg – Desjardins Securities – Analyst

Yes?

George Trapkov – Acuity

George Trapkov from Acuity. A couple of questions on the NIM which we've seen in the US and how do you (inaudible)? And on the second question on your efficiency ratio, we saw a presentation on Monday from your colleagues in Canada and their efficiency ratio is significantly lower than yours. (Inaudible).

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

Let me start with the NIM. You know, in my comments I mentioned that if you look at the compression that has gone on in the US over the last year, year and a half, it has been quite significant. And the key reason behind that is, you know, many reasons, but the two or three main factors from my perspective is number one, we are in essentially a zero-rate environment in the US and that, if you are in the deposit-taking business, that means that that has huge implications for you with respect to your margin.

Secondly, you know, through these financial crises and the panic, you know, of the last year, year and a half, you had what I would call a lot of rogue pricers in the market. So there were banks out there that thought that, you know, raising deposits in the retail market was their only option because the wholesale markets had frozen. So you had pricing that was not consistent with what you'd expect over the long term. That created huge pressures on margins.

And thirdly, you know, through the panic you also had a situation which was slightly positive for the margins, that there was flight to quality, you know? That sometimes it's a public thought, and generally you don't get retail banking, but I think we were in unusual times where deposits were moving because of the perceived lack of safety and soundness of banks and then, you know, like in our case we were a recipient of that.

The flip side is that through this crisis, you know, you had a lot of non-banks get out of the lending business and margins on, I would say, the lending business, the marginal business that comes in, is at much better spreads than you would have imagined. So that's what is going on. It's really tough to predict. I mean, we do have a deposit-heavy business model in the US. I think it's the right model. Over the long term it gives you the best economics. But over the short term as these dislocations play out, you know, there will be continued pressure. It's tough for me to predict exactly where this will settle in, but I expect, you know, the volatility in that margin to continue until we normalize it. At some point this will normalize because I don't think, you know, we're going to have 0% rates forever in the US. So that's the story of margins.

With respect to the efficiency ratio, two ways to look at this. When we acquired Commerce, you know, people were asking me, the efficiency ratios were in the 70% range. When we acquired TD Banknorth I think it was mid 50s to high 50s, where it was. And so where are we today? And on a combined basis we are approximately in a 58-59%. I don't know, I think it's noted in our third quarter numbers. So I think a tremendous amount of progress has been made. Do I expect that number to improve? Yes. You know, I expect it to improve as we get some of these what I would call cross-sell initiatives embedded in the bank and the growth we get in the bank, you know? It's a business of scale. We should be able to improve on that.

But let's not forget one thing. You know, we do open 32 new stores every year. Last year we opened 32 new stores. This is in fiscal 2009, you know, before the end of it I think it will be 32 or 33. Next year our plan is to open 32 new stores, another 32, and following years, you know, we want to ramp that up to about probably around 50 to 55. That is a drag on your efficiency ratio, as you know. As those stores mature, that's when you start to see the payback on deposits. So that has an impact on that as well. But over time I expect us to be improving on that efficiency ratio and I don't know exactly where we'll settle in, but huge progress already from where we were, and I expect to continue to see that progress.

George Trapkov – Acuity

Will you be ever as good as Canada?

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

You know, in Canada we've got fantastic scale. At some point we'll have the same scale in the United States. I don't want to say within what year we would get there but there's no reason why we would not continue to see good improvement in our efficiency ratio.

Michael Goldberg – Desjardins Securities – Analyst

Jill?

Jill MacRae – J. Zechner

Jill MacRae, J. Zechner & Associate. I guess in the last couple of years there's been financial turmoil and sort of unwinding (inaudible) in the States. What did you have to change down there about your credit culture, underwriting policies, and what did you have to sort of, what adaptations did you have to make to your lending culture to work in this new environment?

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

Interestingly, not a huge amount. And some of you know my background. You know, I was the chief risk officer for the whole bank and I think from the outside one would say when you have such a great deal of change and panic, you know, you would have changed your ways of lending money. But from my perspective we did not have to make huge changes and the reason is simple. You know, the two major banks at TD we acquired in the United States, both had conservative risk management cultures. So these banks did not go out of footprint lending, they did not go and buy brokered loans, they were not hungry for assets like some of the other banks were, and so embedded in that was a strong credit culture that we inherited. And then with TD's involvement, and I think many of you know how TD operates from a risk management perspective, I think it enhanced that overall outlook.

Where we did see changes, and they were positive from my perspective, is pricing discipline. I think through this turmoil, the lending business started to generate spreads that were not seen over the recent past, so you, one had to be disciplined about it. I think we started to obviously apply more what I would call portfolio management disciplines as well. So you know, for-sale real estate is distressed, and are we going to go and double up? Probably not. So, you know, we started tweaking on the edges to make sure that we remain and continue to support our franchise customers and we did not go and assume other people's problems because being in this business you could gain market share and a huge short-term upside, but you would blow yourself over the long run. So, you know, the good news is we did not have to radically change the way we were doing business. We obviously adjusted to the environment, but the big factor was better pricing discipline and we are a beneficiary of that.

Jill MacRae – J. Zechner

So those banks out there with the conservative credit culture, are there any more of them out there?

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

I'd say that, you know, there are some very good banks from a credit culture perspective, but the other factor that impacted, you know, some banks more than it impacted us, was capital. So although they may have the people and the credit culture, but if they have capital constraint or balance sheet constraint and liquidity constraint, you know, they can't grow their business. So that was another factor that helped us, you know. We did not have those issues. You know, we didn't have liquidity issues, we didn't have a capital issue, whereas, you know, a lot of our competitors—and some of them are great banks. I don't want to pretend that we are the only strong credit culture bank in all of the United States, you know? There are some great competitors out there.

But we found ourselves in a good position because not only were we top-class from a culture perspective but we also had the benefit of, you know, a AAA rating, no liquidity issue, no capital issue, and in fact we were benefiting from our positioning there. And frankly, you know, there are—obviously I cannot name names here, but through this crisis, you know, there have been a number of main accounts that you would have never expected to move banks, did. And frankly I loved it. I thought it was great because, you know, I would have not expected us in our evolution to be landing those types and quality relationships in the major markets we are in, and we did. And I'm happy we did. Yeah. Behind you, right there.

Richard Fisher – AGF Management

Richard Fisher, AGF. Just staying on net interest margin for a second. On Monday we heard about the re-pricing of the loan book here in Canada. HELOC's book being sort of the last component of re-pricing. Wonder if you could walk us through sort of what's being done with the US loan book and each of its components and where are you on re-pricing there?

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

Thank you. So re-pricing or, you know, getting better spreads on new business is a given because that's where the market is. Re-pricing of legacy books is a little different in the US than it might be elsewhere. So that's a difficult task to re-price. You know, just generally, the rules around that are more difficult and, frankly, you know, the markets also, some markets allow you to do that, other markets don't. So I'd say that we're seeing healthy spreads in new business but it is far more difficult to re-price your existing book than it is elsewhere, and I don't expect that to change any time soon.

Michael Goldberg – Desjardins Securities – Analyst

Maybe I'll get another one in. Michael Goldberg. Bharat, when I look at your network and other banks in the same markets, one that shows up with strong position in Boston (inaudible) environs is Citizens Bank owned by Royal Bank of Scotland. What do you think is the likelihood that this franchise might come up for sale as RBS moves to strengthen its capital and would TD be interested in buying?

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

You know, Michael, I'm busy enough, you know, running our own shop and so I have no clue, you know, what might be going up in Edinburgh and Scotland or in Boston or in Providence, Rhode Island. Who knows, you know? These are sort of unusual times in our sort of, you know, market and, you know, there are events that one could have never predicted, they come up. I'd say more generally we have been very clear. You know, if there are transactions out there that make strategic sense for the bank and are compelling from a financial perspective then we would seriously look at it.

I think, you know, you as investors would be disappointed if I were to, you know, stand in front of you and say that I'm too busy to look at transactions that might add shareholder value. So my message to you is that if there is a compelling, you know, situation out there, I mean, I don't know who comes up, Michael, who doesn't, you know, we would look at, you know, any situation that arises, you know, within our footprint or even, you know, where we have plans to expand and if there are, you know, good opportunities there, we would seriously look at it.

Unidentified Audience Member

Just looking forward, what are the biggest concerns or challenges that you see for the US banking industry and, you know, how do you see them affecting your group?

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

Yeah. Over the short to medium term is to have this, what I would call, you know, a major recession behind us and we're seeing some signs of it but, you know, there are factors that are still, you know, quite troubled, the unemployment rate, the base at which, you know, that continues to expand. There are parts of the country in the US where housing continues to show weakness and until those situations stabilize, you know, I think that that's going to be a headwind for all banks. Some banks may fair better depending on where they are, what kind of culture they have, what kind of, you know, risk management practices they have, but that will be, you know, recessions are not friendly to banks, you know, and we get hurt.

Second point I would make is that, you know, there is a huge level of debate going on as to what happened here. There are, you know, some institutions that one could have never imagined would get into trouble did and I expect, you know, there will be some fallout out of that, either by way of regulation or whatever, and that is, frankly, you know, not—there's not enough visibility yet but I expect something to happen. But as is usual, you know, banks are sort of enduring, you know, institutions. I expect, you know, the good ones to adjust and I expect, you know, the industry itself to thrive, you know. And that's what it does but there are these challenges that we'll have to navigate through.

Alkarim Jiwa – BMO Harris

Alkarim Jiwa from BMO Harris. You were talking about, I guess, better spreads on lending pre and post the crisis. How sustainable do you think that better pricing is? Do you think that it'll again disappear over time or revert to irrational pricing or is that sustainable?

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

Yeah. Ultimately it will disappear, you know. We, in our industry, tend to be like that, that, you know, when we go through the whole cycle, but this time I expect it won't happen as quickly or as dramatically because there are certain types of lending institutions, I don't expect to see them for a long, long time. And therefore, you know, the banks will come in and fill that void and will be paid, you know, to do that.

The flip side is, interesting how this works, is that, you know, there are parts of your business - there's always some offset somewhere, right? So, and if you say we get back to the normalized situation where, you know, lending spreads are, you know, back to being irrational, I'd expect deposit spreads to come back, you know, quite dramatically then because that's what happens. So, you know, these things tend to sort of move in ways that over the long term, they normalize, you know, your earning stream. But I agree with you, I think, you know, if history is any indication, then, ultimately, you know, the spreads that are being experienced today will not be experienced forever but we have been through a unique cycle here and I expect, you know, this particular phase to be much longer and when it ends, it will not go back to the bad old days where it was ridiculous. You know, there was absolutely no differentiation in risk profile. Differentiation was so minimal that it was funny, that you know, how can this make sense?

And frankly, there's more capital discipline. I think, you know, capital is rationed at many institutions and you as investors, you know, have imposed that discipline and banks, you know, will respond to that.

Peter Robic – Bluewater

Excuse me. Peter Robic, Bluewater. Can you just talk more about the commercial real estate and how—you know, how long this plays out, you know, before you really figure out whether there's trouble or not?

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

So the—I would say that, you know, unlike—like, if you look at the all headlines you'd think that, you know, anything that is standing in the US is melting down. You know, that's what you would take from that. I'd say there are pockets where, you know, the level of distress is quite, you know, acute. But if you take the northeast of the US, we haven't seen, frankly, you know, outside of for-sale real estate, a huge level of weakness in the other sectors of real estate. Yes, obviously, they're not as good or as high as they used to be but you've not seen, you know, the dramatic shift that people would have imagined given the headlines out there. And will that, you know, get impacted? I think somewhat.

What has been good for us, and it goes back to the earlier question about credit culture and risk management practices, is that firstly, you know, we've stayed with the relationship clients and secondly, you know, we are—we do insist on outside support whenever we do loans for the most part, and that has helped us through this downturn. So wherever we've seen weaknesses, the support that our borrowers have provided outside of those projects, you know, have been a huge plus for our bank.

So I'd say that yes, there are parts of the US where there's been a general meltdown in real estate but there are other parts of the US, specifically the northeast, where the meltdown has been through particular segments and not just a general meltdown. And even in metro New York, you know, there appears to be, you know, more resiliency than what people would have expected given all the headlines out there. So I'd say yes, it's a—it's a tough thing to predict, you know, Mark. I think all of us agree we're great at forecasting. We'd probably be doing something else in our lives but, you know, generally speaking, I see more, in some markets, more stability than we were forecasting about a year ago.

Michael Goldberg – Desjardins Securities – Analyst

Well maybe I'll come along with another one, Bharat. You talked about 30 new stores in 2010, rising to more than 50 in 2011. Could you give us some colour on where you're likely to be putting those? Will it be spread right across the footprint? Will you focus on the markets where you've already got top five positions or will you be clustering in places like Washington and south Florida where you've got a presence but, you know, your rank is much weaker?

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

Certainly it's not in the top five, Michael, in Florida. I don't know how many of you had a chance to come to our Investor Day, I think it was last year, Tim, and you know, we had a great presentation from, I think it was Fred Graziano and some of his team members, on generally our de novo strategy and what do we do and why is that so successful for us? And by the way, you know, people who were at the TDCT investor sort of presentation in the last day or so would have seen that, you know, we have a similar amount of success in Canada. In fact, you know, it's just amazing how, you know, we've been able to leverage, you know, certain of these skill sets and import and export those skill sets to get the leverage up.

If you go back, when we acquired Commerce Bank, you know, Commerce Bank, unlike most US banks, was an organic growth machine. You know, Commerce did not acquire other banks to get big. They built, you know, one store, one customer at a time and it was a unique way of getting into a market. You know, in most businesses you would say that I would look for an area where, you know, there was under-representation from my competitors so I can take advantage of it. Well, in our world, we want to go where the competition is. You know, if there's a junction in New York that has the three big banks on three corners, we want the fourth one because we think, you know, we have a better model and we can steal their customers.

So Commerce, you know, gave us that capability and you saw in one of the slides, you know, what we call retailtainment. When we have our grand opening, there's a fantastic, you know, buzz in the marketplace. We are able to attract deposits and customers in a matter of weeks that would take years, you know, for our competitors to build up that kind of presence. So this is a unique and a very important capability that we acquired. And so, you know, our view is that we would like, you know, to continue with that. So that's a bit of a background for you.

And in last year's presentation we also said that, you know, our view is that once we get sufficient scale in a particular market, our magic really works. Our WOW! culture, the way we operate really works, where we start to see—we take a huge amount of additional share of, say, if you're using deposits as your proxy. And so our view is that wherever we don't—we feel that, you know, we can add to our scale and that gives us that additional bump up in growth, we will go in those markets.

So a long way of saying, you know, are we focused in New York? You know, is there more opportunity in New York? The answer is yes. You know, we feel that's a very important market for us. We continue to grow there. We are growing in Washington, DC.

The other big market for us, you know, going forward is going to be metro Boston or greater Boston. You know, we have a fantastic positioning around Boston. We've got about 163 locations or so in Massachusetts but we only have three in greater Boston and I see opportunity for us. You know, it's within our plan to grow that substantially, and we are also looking at, you know, south Florida where it makes sense for us.

So it's all over but, you know, our focus areas right now would be, you know, Boston, New York, Washington, DC.

Unidentified Audience Member

At what point of time do you decide to either it's not going to make it, we don't have the scale to have the 10 or 15% return to sell it or we're going to grow it? Do you have to buy something? What's the strategy to return, make good returns for those shareholders?

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

Yeah. So, if you look at—you know, there are two ways to look at it. I think you're focussed on what we call ROIC, you know, return on investment capital. So that's one area to look at.

The other area is, you know, what are we doing—for every organic growth dollar we generate, you know, what return is that coming at? So if you look at that, you know, it's coming in the 20s. So as long as we grow, you know, we will start improving in those numbers, and that's our strategy, is that yes, you know, we built this platform in the US, you know, we are in the best parts of the country. We now have more than 1,000 locations, you know, from Maine to Florida. There are pockets within that footprint that we think de novo or if an acquisition comes by that is, you know, strategic and financially compelling, we'd certainly look at it. But we don't have to do a deal. You know, we think we have a model here that is self-sustaining and it's a growth model. So I expect over time, as long as we keep on growing, those numbers to improve.

I think you heard, you know, I'm sure there were a lot of people when we did the Canada Trust deal, you know, were going through some anxiety as to, you know, how does make sense from a return perspective? I think that's the benefit of hindsight saying that's the greatest deal TD did and I think our foray into the US, the way we are building it out, the kind of capabilities we are employing there, the organic growth model we have and owning the service and convenience space that nobody else has been able to own like we have with the WOW! culture and winning the JD Power awards and creating one bank from Maine to Florida, we think, you know, that's a very good long-term growth story for us. And over time, as we continue to grow and our operating returns, you know, mirror what we think it will, it should be a good story.

Michael Goldberg – Desjardins Securities – Analyst

Let me get one more in.

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

Sure.

Michael Goldberg – Desjardins Securities – Analyst

We've got a lot of shy people in the room. Bob Kelly, a TD alumnus and now CEO of Bank of New York Mellon, has recently talked about the US residential mortgage product as being defective. Do you agree? What has to happen to fix it? Do you think it will be fixed and what do you think the impact is if it is fixed or if it's not fixed?

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

Yeah, Bob and I go back many years at TD.

You know, fundamentally, the big difference is what I would call the optionality in mortgages. So in the Canadian model we have a structure that you can fix your rate, you know, for a particular term and if you want to change out of it, you know, then if the rates have moved against you or with you or whatever, you know, there's a way to unwind that for a fee.

And secondly, you know, we have a public policy in which, you know, how we grow that business, what kind of, you know, government-sponsored insurance you get is a lot different than what we have in the United States. So those would, you know—what is called fundamentally the differences and that allows, from a Canadian perspective, you know, banks to hold a lot of those mortgages on their books because, you know, they're not carrying what I would call the optionality of prepayment risk. And, you know, whatever risk they're carrying it is totally manageable given that the terms that we give in Canada are a lot different.

Flip side, in the US, you know, you do have—to be in the market, you have to offer 30-year fixed rate mortgages. Thirty years, by the way. And people can refinance. If, you know, rates go up, they don't refinance. Your rates go down, immediately refinance you without any prepayment penalty.
And secondly, you know, the whole mortgage insurance structure is different. So, in a way, the US system forces banks not to hold those mortgages because there are not many banks that have found that they can, you know, manage a 30-year fixed position without any effective hedges out there. Those hedges that are out there, they work. They (inaudible) for many banks but they're more behaviour type of hedges. They're not perfect hedges.

So there is a lot of debate going on in the US regarding all that. I think there will be changes. Do I expect, you know, the Canadian model to be replicated there? I don't think so. I think there will be changes, incremental changes that would improve the situation but as the US public—does the US public have appetite to not, you know, demand 30-year mortgages? I don't think so. I think that's a very popular product and you know, as long as the Fannie, Freddie type of, sort of, structure gets stabilized, I think you will see more willingness for banks to have mortgages on their balance sheet, which is what, you know, what the Canadian model allows you to do.

In our own case, we have, you know, started to grow our mortgage business quite dramatically because we were small. You know, we build the platform. You know, we now have the distribution and it's a great business to be in, and frankly, you know, because of all the turmoil that has happened and lack of players, it's one of the businesses that gives you a good return as well.

So, you know, I don't expect the fix to be like the Canadian fix totally. I expect, you know, certain improvements that would allow banks to hold more of it but I don't expect it to be totally like the Canadian system because, you know, that's not how the US public wants mortgages to be structured.

So a long way of saying that there would be some improvements but I would not be betting that in the next few months the whole US mortgage market that has evolved over many, many decades is going to change to mirror Canada.

Unidentified Audience Member

I'm just curious what your thoughts are on sort of the improvement (inaudible) of government in the United States (inaudible). You know, the financial reform, how that's going? What do you feel about all that? I actually wonder what (inaudible) TD thinks about growth in the US versus Canada? Maybe it doesn't mean anything, maybe it's just part of what's come out of this particular recession but I'm curious about the way you react to it and whether you think it impacts your business in terms of (inaudible)?

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

I'd say—you know, you use the word "inclusion". I think that's what you used and there's—you know, simplistically, there's two ways to look at that. One is where, if you have been, you know, one of the institutions that has received support, either normal course or not-so-normal or extraordinary support, I think you're in a different league. You have pressures that are unique to you because you had to take support or required support. So those, you know—I don't worry about that because we didn't take any and not only did we not need it but we had no desire to take any of that kind of support so, you know, we remain unaffected by that whole sphere that you see in the newspapers.

Then you have the more what I would call general reaction to what happened in the market. Some of the changes that are being talked about, frankly, are positive, you know. Does it make sense to have, you know, better control over some form of, you know, lending, say, sub prime or whatever? Probably, you know. So I think some things are positive.

And then there are other things that are yet to, what I would call "solidify," or it's not certain as to where it would go, and there are competing sort of bills out there as to how they might attack it. And I think some of the ones we hear about is, you know, perhaps a consumer protection agency, perhaps the overdrafts, the way the banks process overdrafts might be impacted. I think on those issues it's more of a wait-and-see as to what really comes out because there's a lot of speculation out there. But suffice it to say, there's going to be a lot more scrutiny in some of these areas than there has been in the past. Some of it I think is justified. Where it may not be justified, you know, banks will adjust. You know, this is the way it operates.

Your secondary question as to where would we grow? We would grow anywhere we can. You know, ours is not a binary situation: if you're growing in the US, we don't want to grow in Canada or if we're growing in Canada, we don't grow in the US. We like to grow at fantastic rates in both countries and wherever else we might be. With our wealth management business we're in other countries as well. We'd like them to grow as well. So, we're not of the view that we should stop growing in a country because of the pressures you're talking about.

Richard Fisher – AGF Management

Richard Fisher, AGF. On the new stores, somewhere along the way you had quoted us sort of a deposit per branch versus the competition. Wonder if you could remind us of that number and then the second part of the question is with the new stores, how long is it taking those new stores to be profitable and where that has gone in terms of measurement over the last few quarters?

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

Yeah, so, you know, I can't quote you the exact number of years because market is different but if you look at what we call maturing stores so these are new stores that are not fully mature, we're seeing good growth. You know, it is following what our models would have indicated that those stores should grow at. So we're very happy with that and hence, our decision not only to continue with that strategy but in fact, put more focus on it. So we've seen that, you know, even in this tough market we're not having any problems, you know, growing those stores.

You know, the business, like I said, if you look at an average, and I don't want to get into numbers because each market is so different -

Yeah, but I'd say, generally, these stores start to substantially, you know, start to look good on years from three to four years and that's not an unusual situation because these have a long cycle and, you know, but I'd take that any day. And, but the great thing about our model is how quickly we are able, even in the first year, to get the mass of accounts and deposits into our franchise and how we are able to leverage that.

And that's what you hear about Retailtainment and grand openings, and if you go to—you know, I had the pleasure last year of going to Flushing store opening just outside of New York and I was blown away because it was, you know, one of the few ones in the beginning, you know, just soon after we had acquired Commerce Bank. And the whole area was shut down because, you know, TD was opening a new store and it was just amazing. That store took in, you know, accounts and deposits that any normal bank would take probably three years to take and we did that in three months.

Unidentified Audience Member

I just wanted to know the flight quality that you've been seeing and it's helped market share, whether you feel that that trend died down or what—or whether you expect that to continue going forward?

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

I'd say there's more stability. You know, we don't have the flight-to-quality issues or safety and soundness issues, at least at the retail level like we did about a year ago. So it's more stable and but you know, there are always pockets in every market. And there are small banks and large banks and a lot of, you know, hearsay and it's pretty raw in people's minds as well. So it's not as big a factor as it was a year ago and more stable but I don't think it's gone away either.

Peter Robic – Bluewater

Peter Robic of Bluewater. Just wondering how the internet banking affects your differentiation model?

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

So our view is that we can also WOW! when you come online with our offerings and the service. And what we find, which is not unusual—I mean, this is, you know, quite universal—that that is one channel and you need your other channels to be complimentary to that channel and a lot of customers, you know, become our online customers after they have visited our stores or come through the call centre. So, you know, we're growing that very well and are happy with our offering as to what services we provide and how we WOW! our customers in it. So, I—our business is a multi-channel business. I don't expect that to change dramatically, you know, over the near term.

Peter Robic – Bluewater

Just one more follow-up. Just wondering what percentage of customers are just purely internet customers?

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

You know, I don't have that number with me. Maybe we can check that. I just don't know. My suspicion is that our customers, you know, use multi channels and that's the view I have. I'm sure there are some that are just, they're just online customers and would never visit our stores but I don't have that number.

Michael Goldberg – Desjardins Securities – Analyst

We're approaching a quarter to 2 so we're going to call it at this point. I want to thank you Bharat for your informative presentation and answers to our questions. We'll be watching for investors to be WOWed by the performance of your business and the value it adds to TD's share price.

Thanks also to the TD Investor Relations team led by Tim Thompson and I see Jeff Nathanson here from New England with us today, for giving me and Desjardins Securities this opportunity to put Bharat and TD Bank together with institutional investors today.

And thank you, our valued clients, for attending. We look forward to seeing you again on December 10th when we'll be hosting Gord Nixon, CEO of Royal Bank. Thank you.

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

Thank you, Michael.