TD Bank Financial Group
Investor Relations

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(CHECK AGAINST DELIVERY)

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FORWARD-LOOKING INFORMATION

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PRESENTATION

Darko Mehelic *- CIBC - Analyst*

Okay. Perhaps we will begin with the next presentation from TD Bank Financial Group. With us here is Ed Clark, the Chief Executive Officer.

Ed Clark *- Toronto Dominion Bank - CEO*

So I won't spend a lot of time reading you the forward-looking statements. To make a point, I think most of you know we would be one of the top 10 banks in North America by market cap. To be fair to my colleagues at the Bank of Nova Scotia, there were eight or nine every week. It seems to vary between the two of us, so we're about the same size.

I guess the way we tend to look at ourselves we compare ourselves to the four Canadian bank peers and then to what we think are the super regional, Wells, Wachovia and U.S. Bancorp. When you get through the industry mix, you will see why. They are the ones that are the most closely comparable to us.

But I'm going to leave you with two messages today. I think in investing there is two mythologies. One is that Canada is a slow growth economy, and so Canadian banks have not been a good investment. And I would say on behalf of all my colleagues, if you don't like me buy them because the Canadian banks have been a spectacular investment and I think will continue to be. And secondly, I think the other mythology is that because the retail space is an oligopoly in Canada, not one player can distinguish itself and not one player can pull ahead of everyone else and on a sustainable basis gain market share. I think we will disprove that mythology.

The TD Bank -- this displays its earnings -- has changed quite significantly over the last six years with a set of sort of transformational events. In 2000 TD acquired Canada Trust and, as a result of that, produced a hugely successful merger. When the two companies came together, their retail earnings were about $800 million. Today they are 2.4 billion, so they have tripled in six years. A very successful merger and they represent about 68% of our earnings.

The second was the transformation of TD Securities. Back in 1999 TD Securities represented about 55% of our earnings. Today they would represent somewhat less than 20%. That number is coming down because the retail businesses are growing faster. And TD Securities moved from fundamentally a play that was a world telecom utilities lender and a heavy structured product manufacturer to a TD Securities dealer that is fundamentally a domestic franchise player with a very small outstanding loan book.

Then the third event would have been the switchover in TD Waterhouse from 100% Waterhouse to a 40% stake in TD Ameritrade and the acquisition of Banknorth in the Northeastern United States.

Now in all that transformation, how did the shareholders do well? Earnings per share did very well, indeed. We did very well. This illustrates my point. If you don't like us, look at the other four bank peers and compared with the super regional's, quite a difference in what has been going on in earnings per share. And what did that mean for the shareholders? Well, the market recognized what was going on, so quite a range difference in what has happened to total shareholder return over that period. Frankly, you can take any year -- it does not make much difference -- but you get standardized the same sort of effects.

So why would you then pick TD Bank? A pretty simple reason. I'm going to get into three of them. One is that we are dedicated to producing growth but to do so without extending out the risk curve. We are rather obsessed with tail risk, and we don't believe it fundamentally. In many of our businesses, it is worth extending out the risk to get better growth.

Secondly, I am going to take you through the numbers to prove that one member of the oligopoly can outperform the other four. We think we are well positioned in the United States to grow our franchise there.

So how do we get better growth without extending out the risk curve? Really two aspects of this. First, we have a better business mix. So we are more concentrated in just the steady growth low-risk businesses that are very high in ROEs, and you don't have to extend the growth, extend the risk curve to get the growth. And secondly, we have restructured the wholesale bank to produce great earnings without extending the risk curve.

So in terms of mix, you can see why we match ourselves up against the super regional's. For us, that is really the comparator. That 80% number, as I indicated, will probably grow just because of the high growth rate that is inherent in our retail businesses.

In terms of the wholesale business, quite a dramatic restructuring which I mentioned. That significantly reduced the amount of capital that we have in that business. At the same time, we did actually maintain the income and, therefore, obviously improve dramatically our rates of return. I am very pleased with this kind of transformation. When we began the transformation, I think there was a legitimate question of whether you could take a dealer like that and transform it and still have the earnings engine stay there, and I think the big positive surprise for us has been the development of the franchise business. We have put a lot of energy into becoming a domestic franchise player. We are the only bank that did not buy a dealer, and so that put us significantly behind. But the fact of the matter is really quite dramatic how we moved up to the lead table to think by most measures you would put us as one of the top three security dealers in Canada. We don't have on this chart but even in terms of loan syndication, we have stated the number two position throughout this period. We don't hold a lot of those loans. Our holds are we have about $5 billion in drawn loans. So we get rid of the loans, but that does not mean we are not aggressive in actually underwriting loans, and that has helped us in terms of maintaining our position.

We have a strong capital base, probably not as strong as some people think. We have indicated to the marketplace that because of the potential impact of Basel 2 rules on our holdings in Ameritrade, you probably should always adjust these numbers. We have said originally we always had our common equity target of risk weighted assets of about 6. We have indicated to the market that number should be 7 and 7.5%. So when doing comparators to us, it is probably legitimate to make that adjustment. The difficulty that we have is we really don't -- none of us really know yet what the full impact of Basel is. So there will be some positives that come out of Basel. There is no one negative here, which would represent about 1.5%. It may be offset by some of the positives given our low-risk nature. That would not surprise us. But we also don't know what it would do to our comparators, and so that may also have some benefits. So the relative impact we won't know probably for another year. But I think you are getting a sense you should probably make at least some adjustment. It may not be the full 1.5%, but there clearly will be some adjustment. And we run the place anticipating that there will be some negative impact.

Because of our particular mix of business, we are in a very high rate of return on risk weighted assets, or the way we put it, for every dollar of risk we take, we earn a lot more money than any of our competitors. And when we do this chart, we put 100% of Banknorth's assets in, even though on the numerator we only put 56% of their earnings. I think that is a conservative way obviously of doing it, but it reflects the fact that when you are the majority owner, you probably have more risk on the downside than you have participation in the upside.

Now the second part that I would like to talk a little bit about is, can we grow earnings? Do we have a growth model in our domestic retail business that is, in fact, superior? And we do have a business philosophy. I know that most of you would look at this and say, well these are just words. I would invite you to look at these words again after you see the numbers because I think the numbers say for us internally we don't run these as words. These are, in fact, a philosophy we pound away at. We're heavy emphasis inside the organization to talk about what you're doing in the future, and you're not allowed to make the short-term earnings numbers at the cost of the future.

So today the discussion in our areas I take the retail side would be on the 2008 branch openings that we're doing, not the 2007 branch openings we're doing. They are already locked and loaded, but the 2008 branch openings that we will do in order to take our power of our franchise and continue to grow it. The same would be true in terms of development costs. It is a no no in our organization that we steal from the future in order to make short-term earnings.

The second is that we run an integrated model. Everyone tells you they run an integrated model. Again, I will tell you look at the numbers and see what they have actually produced in earnings, and we actually do run an integrated model. The strength that we have in our franchises, our ability to leverage the strength in one area and carry that strength into another and translate it into real business.

And third, which is critical, is everybody in the organization sees themselves as operators. If you talk to our executives, they can tell you what is going on in their businesses. We're not general managers, and everyone in their business has been in their business for a long period of time and understands the details of the business. At the end of the day, as I say, it makes for great results.

Where are we in the marketplace? Well, (indiscernible) and ourselves are essentially if you go back and forth in terms -- I can have our set of numbers, they can have their set of numbers. But essentially you have two organizations that are the dominant players, the one, two slots in both product categories.

So what does this produce in terms of performance? Well, we look heavily at first what is happening on the revenue side. I can bring you all the market share data, but the only market share data that matters to investors is what translates into revenue. That is an accounting number, and it does not matter what your statistics are. At the end of the day, the revenue number is a pretty hard number in organizations, and this is the comparable number across the five Canadian banks. And the remarkable thing is that, in fact, we consistently outgrow our competition in revenue, and indeed, I think the most surprising thing to us is the gap between our performance and the four bank period is actually widening not narrowing over time. So it does not reflect some immediate effect of the merger. In fact, the opposite what we believe has happened is as the merger has settled down, the power of the franchise is now being displayed.

We get this revenue growth in two ways. One is, on the basic businesses, and those are the ones that you probably look at -- mortgage, market share, personal lending market share -- you know our basic mission is to try to hold or slightly grow market share. We do that because we have a better customer brand, so we tend to acquire more customers and lose fewer customers and cross-sell customers more. But that is a hard fought battle customer by customer.

And then the second area that does give us a substantial advantage as I have indicated in many other presentations, is that people underestimate how weak we are in some areas. Those are areas, though, that allow us to take our strengths in having this dominant franchise and leverage them up, not in complicated ways but in simple ways. I will talk about that briefly.

Now critical in our view, back to our philosophy, is investing is that when you have strong revenue growth and the question is, what are you doing on the expense side, and we have a philosophy that says everybody understands in the organization you always grow your expenses inside the rate of growth of your revenue. So when your revenue was 2% and your expenses were -1, but it also means that when you have your revenue growth at 11%, you should take advantage of that to constantly reinvest and, in fact, expand. If you have a revenue advantage over your competition, you ought to expand your distribution advantage in that period of time.

Clearly I would say as we look forward to 2007, but particularly in 2008, if the US economy is slowing down, I think it is pretty obvious that it will be and, therefore, will impact back on Canada. The immediate business challenge that we're working through right now is that we've got to take that expense growth down because we don't believe that this kind of revenue growth will be sustainable in that kind of environment.

I mentioned our weaknesses. Here are three examples. We were forced to sell off the Canada Trust credit card portfolio when we did the acquisition. We're now through the moratorium that we had to enter into with the trust department, so we're now free to go back to those customers and tell them to come home to TD Canada Trust. That is not a complicated cross-sell. Those are people who used to hold our credit cards, and they are available to hold them again.

We had a very small market share in small business in particular. Canada Trust was not a big player in that, and yet we know that the populations were probably disproportionate in the personal side of people who are in small business, and we also know that small-business owners like to do their personal banking where they do their business banking. And third, because we did not buy a dealer, we are very small in the full-service brokerage and in the advice business generally, and that gives us opportunities.

So what has been happening there? Well, we have had terrific gains in market share. So our visa balances are growing quite rapidly. We delayed growing this file until we got our risk management tools in place as part of the merger. We did not in my view have the adequate risk management tools, so we sat out the early part of this cycle. I think that was the right decision to make, but it did cost us market share. We've now started to carefully turn on these machines. We like their performance, and we are starting to take some market share in the Visa business.

The small-business area again has been a remarkable story as we have got -- turned on our system and said, well, why don't we talk to people who we know are business owners but do their personal banking with us and their business with someone else. We have been able to gain remarkable market share.

And finally, in terms of financial advice, we have been significantly growing our advice channels, both our planners and our retail brokerage network, and the result of that has been rapid growth in our Wealth Management and rapid growth in our mutual fund market share and I would say spectacular growth in our earnings basically over the last three or four years. Our domestic Wealth Management business has grown its earnings by 20 to 30% in each of those years, a really unbelievable performance.

When you have great topline growth, when you manage your expenses to grow less than your topline, not surprising your efficiency ratio then dramatically falls and you produce a great result. You produce steady progress, which is you will see is our theme throughout. It is just got at things. You have a business philosophy. You don't change the philosophy every year, and you just plow away and run that philosophy and then produces great results.

And finally, the number that actually matters, what does it mean then to the bottom line? Well, as I said, one player can outperform the core bank peers, so pretty dramatic differences in the earnings growth. And again, probably a surprise to us that gap is actually widening.

Now I just want to talk briefly about our US platform. Because we have a high ROE set of businesses, our growth is not a capital intensive growth, and what it means that we tend to produce excess capital because of the nature of the businesses that we are in. We can super grow them without growing their need for capital. So that does leave open the issue of what to do with that excess capital. We have decided to try to go with the United States in a prudent way in two balanced approaches. One is to get a foothold in retail banking and the other is in discount brokerage.

In terms of retail banking, I think as you know we own 56.5% of TD Banknorth. That will rise a little over 58 with the closure of the interchange acquisition. We did a conscious attempt to not go in and buy -- we want to buy a larger entity, and so we preferred to own a smaller percentage of a larger entity and to use our capital to grow the business rather than to use up all of our capital just acquiring the business. And, as I indicated, what we did with our 100% stake in TD Waterhouse, we traded it in for a 40% stake in TD Ameritrade.

Let me talk to you about the Banknorth platform, what we like, what we bring to that platform and what the issues are today. In terms of what we like, we really quite like the management. We're very pleased with what we got there. We like where we are positioned in the marketplace. We were worried about going into an area where we were trapped and we could not see opportunity for expansion. We like the fact that it has a mixture of very strong dominant market positions but then an ability to grow in areas that are higher income and faster growth. They had a proven track record of actually making acquisitions without operational hiccup. They proved that with the Hudson United deal where there was really just a seamless merger with no real issues, and we like the fact that at the end of the day when you buy a bank, you buy a balance sheet. And so we like the whole culture that surrounds the commercial area. What we have been doing is focused on a fairly disciplined way on where are the regions that we think we can take concentrated market share.

Now what does TD bring to the table? Well, obviously it brings financial capital, but I think it brings much more than that. I think our experience in the United States as well in the commercial area you have to leave the commercial area pretty much alone because of the nature of the differences between Canada and the United States on the commercial area. You want to make sure that you are comfortable in terms of the credit standards, but it is a very localized business, and it is important to maintain that part of the community bank on things such as treasury operations. There is no difference between treasury operations in the US and Canada, and we bring a highly sophisticated treasury operations. We've found that in terms of branch location strategy we are the major player in Canada branch locations last year. We built more branches than the other four banks combined. We have always had the best locations in Canada. So if the expertise that has been built over the last 10 or 15 years, it turns out that that expertise is no different operating in the US than in Canada. We have always historically been very good at marketing, and we have been able to bring some of that expertise to the United States.

The core issue with Banknorth today would be that we had hoped we would have a little longer run in terms of what the US environment -- economic environment would produce for us. You have a challenge with any organization like this when we were putting Canada Trust together with TD, we said you have to build a bank before you can build a better bank. And in some sense, that is what we were trying to do with Banknorth is complete some of the acquisition cycle and then go back and over time introduce some more of the sophistication on the retail side. Clearly, though, the economic environment for banking in the US has turned against us. And so I think right now our focus would be, okay, maybe we have to do a little bit more on the better bank side doing the things you have to do in order to make money in the kind of environment that the United States is producing. And that causes you to probably scale down the kind of acquisitions that you can do in this environment, particularly because we have not seen yet prices weaken to reflect what we see as future earnings possibilities in US banking.

In terms of why do we make the switch into Ameritrade? Really we looked at that marketplace and said, we were not sure we had the scale economies to be a dominant player with our now merger with Ameritrade. Ameritrade is the number one player in that space in terms of measure, in terms of trades per day. We like the management team. They have a fantastic technology platform. They have the best operating margins far and away, and they give us, frankly, a very strong national brand because if you look at the advertising for TD Ameritrade, TD Bank and TD Banknorth, you can see that they carry the look and feel of a national brand.

This is one of these few deals that works strategically and works financially. You can see the numbers. It is a fantastic deal for us financially.

So, at the end of the day, what do we bring to the investors? We built a bank that has got high growth but does not do it by extending out the risk curve and has a better risk mix, has a best-in-class Canadian retail that is, in fact, outperforming its competitors. I think we can prove to you that, in fact, we continue to have earnings momentum that is really unbelievable, and I think we have the optionality of very strong platform in TD Ameritrade. It is clearly one of the top three players in its industry space, and we have the optionality of building around TD Banknorth. Thank you very much.

QUESTION AND ANSWER

Darko Mihelic ***- CIBC - Analyst***

Okay, we can open it up for questions now if there is any from the floor. Maybe I will just kick it off with a real quick one that I got from a client. So I guess the way to phrase this question is the relatively low dividend yield, a relatively low payout and a relatively small buyback announced. Are you stuck to a schedule with respect to dividend increases? Would you consider one in the fourth quarter? And what is the possibility of perhaps upsizing your buyback for next year?

Ed Clark ***- Toronto Dominion Bank - CEO***

On the first question, we are probably not inclined. We don't view dividends as a solution to access capital. So we believe if you have excess capital, you should use the buybacks, and we believe that if you are interested in dividends, the way to have the highest growth in dividends is to have the highest earnings growth. And so we have basically been consistent you know they are paid between 35 and 45. The reality is we are always at 39, 40%. I doubt that we will, but I doubt that we will switch from the current cycle that we are on, and I think our management team is dedicated to getting the dividend up by getting the sustainable earnings up.

In terms of buybacks, we did tweak our buyback philosophy. I think we said at the time obviously we've got to look at the market if there is not opportunities to redeploy that capital, then obviously that leads you to the conclusion that you ought to do something else with it, which would not be to buy it back. But we have not made that decision, and we want to look at what the market opportunities look to us. I think the advantage that you have is that the team that is running this in addition to being proven operators in their space owns a huge amount of the TD Bank. All of us have never taken a dollar out of it. I rolled my money when I came across from Canada Trust, so I am an investor in TD and I think like an investor.

Unidentified Audience Member

The question is, does the Canadian retail banking system have a timeline to it? And you have got this great oligopoly. Nobody argues about that. (indiscernible) would say eventually people just spend more money and get those returns down, but it never seems to happen. How long can this last?

Ed Clark ***- Toronto Dominion Bank - CEO***

Yes, it is a question I ask myself all the time. I joke internally that if we keep on growing like this, in the year 2050, we will be the GNP of Canada. And so you have to stop and say, like we have had 19% earnings growth for four years in a row. These are unbelievable numbers. And as I say, growing 50, 60% faster than their competition in what is supposed to be an oligopoly. Like what is an oligopoly that let's you do that? And so you have got to believe that those curves have to slow down. And that is really our rationale to say right now I think the investment community would say, Canada is wonderful, the United States is terrible. Therefore, no one should do any banking in the United States because it will be permanently terrible and Canada will be permanently wonderful.

We believe the prudent thing to do is when you're having these kind of results is to find a way that you can get some optionality. I think eventually the US will turn here at some point and prices will start to reflect reality. And we want to have been down there long enough to have a team that has been through there and to see how much of our intellectual capital is transferable, to have been operators in that space. So if it does turn, it looks like it's a better space investment than we can make it available.

But my view is that two things will have to happen in Canada. You cannot have the retail space grow as fast as it is today relative to the GNP as a general statement. And then secondly, the Canadian GNP has to slow down here as the US slows down. So we certainly don't anticipate that we are going to grow that forever. What we do anticipate is that we will outgrow the other four banks in dealing with that environment.

Darko Mehelic ***- CIBC - Analyst***

We are running out of time, so maybe just one more question.

Unidentified Audience Member

Among your global peers, who would you say is an example for TD Bank?

Ed Clark ***- Toronto Dominion Bank - CEO***

I would have said historically Wells Fargo has always been our example. And so we know the fellows at Wells Fargo well. We can trade information about who (indiscernible) we knew them as a pretty good bank. So that is probably who is the (indiscernible) comparator is.

Darko Mehelic ***- CIBC - Analyst***

So with that we'll end it here. Thank you.