

Q4 2008
Strategic Overview
(Check Against Delivery)
Ed Clark, President and CEO

- Thank you Tim and thanks to everyone for joining us this afternoon.
- Before I turn it over to Colleen, I'd like to provide some comments on our 2008 performance and then talk about some of the factors I see impacting us in 2009.

Solid year in light of tough markets

- All in, I think we had a pretty good year despite some of the toughest market conditions we've ever seen.
- We had excellent performance in retail in both Canada and the United States. We said we would try to hit \$4 billion in retail earnings in 2008 and we did. That's a fantastic earnings anchor for our bank and we're focused on growing from there.
- And even though TD Securities had a tough year and a particularly tough fourth quarter, even including the credit losses in their earnings they will have earned a 5% return since the start of the global financial turmoil – quite remarkable when compared to other wholesale banks around the world.

Global Financial Turmoil

- So let me comment on the turmoil.
- Canadian banks have fared relatively well over the past year. For TD, we had positioned ourselves some time ago to reflect a more conservative approach to risk and that paid off - but we still felt the collateral impacts.
- At the end of 2008, we feel we've emerged slightly bruised - but stronger. We dealt with the issues in TD Securities head on. We took a cautious view and raised common equity capital giving us an extra layer of security – and our investors' additional peace of mind – against ongoing market turbulence. And we still have capacity to issue preferred shares. These actions plus the stability of our premium retail earnings mix allow us to comfortably move our focus back to running our businesses.
- When will this turmoil end? The truth is, no one knows.
- Given the size and scope of government intervention around the world, we'd expect to see signs of stabilization in the near term. And while these

interventions are positive moves, that doesn't mean we'll avoid a recession in North America – the question is – how deep?

- It appears the US is already in recession. We believe the US slowdown is spilling over into Canada. The strong Canadian dollar has weakened recently which should help Canadian exporters. But weaker commodity prices will hurt, especially in the west. And there's considerable uncertainty surrounding the North American auto makers which could hit Ontario hard.
- A key part of the solution to the problem lies where the crisis began – in the US housing market. We need price stability and the start of a recovery there before we can begin to see any light at the end of the tunnel. This may not come soon.
- As the economy turns down, understandably there's concern that banks not over react by unduly restricting credit. We recognize this concern, and have emphasized both within the bank, and with our customers and clients that we will work prudently with them through these troubled times. Indeed we have said clearly that we are open to business, and want to use the current market dislocation to gain market share – all the time ensuring we stay within our lending standards.
- In our materials released today, we have included charts on our lending overall as well as a specific look at commercial lending – both charts underscore our point. Our lending at TD Canada Trust Personal and Commercial has continued to grow through each quarter of 2008, despite a general slowdown in credit growth. Our small business and commercial lending has increased, moving up from a growth rate of 7-10%, to 14-15% in recent quarters, well above the average growth rates of such lending. There is a general re-intermediation going on across the world putting a bigger burden on the banks. At the same time foreign banks are withdrawing from the Canadian market placing a larger burden on the large domestic players. At TD we are rising to that need, supplying credit to our clients. This does not mean however that credit growth will not slow in 2009, as businesses become more cautious about expansions.

Looking to 2009

- So what does all of this mean for us?
- As you know, we like to operate simple strategies in a consistent way over the long term. We don't want to make knee jerk decisions in reaction to every piece of news or market event. But we also recognize there are significant headwinds that we'll have to contend with.
- In our US and Canadian retail operations we feel we have good momentum in pretty stable businesses. We still see volume growth but slowing from where we are today. Margin compression will continue to be an issue. Our cost of borrowing has gone up and deposit rates have not fallen as in many cases we



have lowered lending rates. There will be a period of adjustment as we pass on our cost increases, and hopefully as well, borrowing costs ease. Clearly a recession means higher PCLs, but in Canada the increase should be measured as the year moves along. In the US, given the tougher economic environment there, we expect to increase provisions from current levels during the first quarter to ensure we keep building sufficient reserves. In Canada, our insurance business is counter-cyclical, but will be affected over time as housing lending slows. Finally with respect to our US operations, we would expect to see the benefits of a successful integration, and the impact on Canadian dollar earnings of the lower value of the Canadian dollar.

- Our Canadian wealth management operations start the year with a significant headwind of lower asset values. On the other hand our client base continues to grow and our on-line brokerage transactions remain high. These two factors are also true for TD Ameritrade which continues to perform well. TD Ameritrade will however be affected if in fact interest rates continue to fall.
- As to our Wholesale bank, forward looking observations are particularly difficult. We are coming off a year when our wholesale operations, excluding the drag of our credit trading business, actually performed very well despite the market pressures. Next year, there hopefully will be substantially less drag from the credit trading business. On the other hand, overall franchise activity may be quiet, and the markets may offer less opportunity for trading profits in foreign exchange and fixed income. There is some risk of further write-downs in our head office portfolio depending on the evolution of the stock market.
- In spite of these many headwinds, we'll continue to pursue our organic growth strategy, but at a more measured pace that's in line with a slowing economy. For example, this year we opened 30 new branches in Canada – next year that number will likely be closer to 20. We'll continue to add to our client facing advisors in Wealth but 80 for 2009 compared to 130 in 2008. And in the US, we'll keep our branch openings steady, adding about 30 new branches there.
- On expenses, we don't believe in fire drills but we understand the need to be cautious. We'll continue to actively manage our expenses as we have been doing with a focused approach on areas where we can create a sustainable cost advantage - but not at the expense of our strategic initiatives. And, we'll also continue to leverage our North American scale to drive savings and gain synergies where it makes sense to do that.
- So, overall, how am I feeling about 2009? Obviously we are in an uncertain economic environment – it is not the type of environment where one can provide much guidance. Although I'm feeling pretty good about TD, the lack of visibility on the economic environment does call for caution. On the other hand – I think it is important to keep things in perspective. We have a strategy and a competitive position that will help us weather the storm and I know our teams are focused on delivering growth despite significant headwinds. Against the backdrop of what could be seen as an exaggerated mood of pessimism in the equity markets – TD



still has enormous earning potential. We'll have the full year impact of Commerce in 2009 coupled with the stability and earnings momentum of our Canadian personal & commercial bank. It is realistic to expect that we'll see a reasonable increase in absolute earnings in 2009 and an increase in earnings per share.

Overall Call Closing

- Let me wrap up with the 5 key messages I hope you'll take away from today's meeting.
- One – over \$4 billion in retail earnings in F2008
- Two – Our Canadian franchise delivered once again
- Three - Wholesale was weak – but it wasn't a body blow
- Four – Great performance in US P&C, the integration is on track
- And Five – for F2009 – strong anchor of retail earnings means we are well positioned but cautious on economic environment

Thanks and have a great day.

Caution regarding forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, including in this presentation, in filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. In addition, the Bank's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. All such statements are made pursuant to the "safe harbour" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets for 2009 and beyond, and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. The forward-looking information contained in this presentation is presented for the purpose of assisting our shareholders and analysts in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes. The economic assumptions for 2009 for the Bank are set out in the 2008 Annual Report under the heading "Economic Summary and Outlook" and for each of our business segments, under the heading "Business Outlook and Focus for 2009", as updated in the subsequently filed quarterly Reports to Shareholders. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may" and "could". By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors – many of which are beyond our control – that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the Bank's 2008 Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the U.S. and other countries in which the Bank conducts business, as well as the effect of changes in existing and the introduction of new monetary and economic policies in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; defaults by other financial institutions in Canada, the U.S. and other countries; the accuracy and completeness of information the Bank receives on customers and counterparties; the development and introduction of new products and services in markets; developing new distribution channels and realizing increased revenue from these channels; the Bank's ability to execute its strategies, including its integration, growth and acquisition strategies and those of its subsidiaries, particularly in the U.S.; changes in accounting policies (including future accounting changes) and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; changes to our credit ratings; global capital market activity; increased funding costs for credit due to market illiquidity and increased competition for funding; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; the failure of third parties to comply with their obligations to the Bank or its affiliates as such obligations relate to the handling of personal information; technological changes; the use of new technologies in unprecedented ways to defraud the Bank or its customers; legislative and regulatory developments; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the adequacy of the Bank's risk management framework, including the risk that the Bank's risk management models do not take into account all relevant factors; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; and the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. The preceding list is not exhaustive of all possible factors. Other factors could also adversely affect the Bank's results. For more information, see the discussion starting on page 64 of the Bank's 2008 Annual Report. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank's forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.