TD Bank Financial Group
Investor Relations

TD BANK FINANCIAL GROUP
CITI FINANCIAL SERVICES CONFERENCE
WEDNESDAY, JANUARY 28, 2009

DISCLAIMER

FORWARD-LOOKING INFORMATION

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.

PARTICIPANTS

Colleen Johnston Group Head Finance and CFO, TD Bank Financial Group

PRESENTATION

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Thank you very much, Evan, and good morning to everyone. I think it goes without saying that these are very challenging times in financial markets and at TD we believe that it's more important than ever to be out talking to our investors, and so the opportunity to speak to you today is very much appreciated. So let me start with the legalities.

This presentation contains statements that may be considered forward-looking statements, and certain material assumptions or factors were applied in making these statements that could cause actual results to differ materially from what is discussed. For additional information, I refer you to our 2008 annual report, which you can find on our website at TD.com.

So I know that everyone in this room is looking for insights on the impacts of the banking and economic crisis and what lies ahead in the next couple of years. So I could get up today and spend the next 20 to 30 minutes talking about TD, our impressive track record of results, our business model and, frankly, why we're winning today and why we're going to be even more of a winner in the years to come. But I think that's probably not exactly what you're interested in hearing today.

Based on many, many meetings with investors over the last couple of months, there is certainly a list of issues and concerns that have emerged, issues that are on the minds of investors. So what I'd like to do today is, again, dispense with the background piece on TD. I'll give you a very high-level overview of who we are and what our business mix looks like, and I would like to spend the bulk of my time today dealing head on with those investor issues, and there's ten on my list.

For those who do want to hear more about the comprehensive background and history of TD, there's some very, very good information on our website. So let me start with some fast facts about TD. We are a 150-year-old bank that's anchored in Canada. We're the first truly North American bank, with as many branches south of the border as north of the border.

By size, we're a top ten bank in North America by any measure, and we're now a top-20 bank globally, in terms of market capitalization. We operate a universal banking model, but we're mainly a retail bank. Our optimal business mix is 85% retail and 15% wholesale. And we're not just any retail bank. We have retail franchises in Canada and the United States that are second to none.

We are the undisputed leader in convenience and service in our markets. We are an employer of choice and, frankly, our employment brand is growing by the day, and why is that? It's because we are a growth organization, because we perform so exceptionally well and, frankly, because we have an excellent culture at TD. We are disciplined risk managers, and that isn't about having the best models, although we do. It's about applying common sense to the way we run our business. And we are a growth organization. We've consistently demonstrated that we can deliver better growth at lower risk.

So if you look at our main businesses on the next slide, this gives you the breakdown of our 2008 earnings. So we all know that 2008 was a year of unprecedented stress in financial markets. With that as a backdrop, in 2008 we posted [$]3.8 billion in adjusted earnings. We were profitable every quarter and our business segments were profitable, every single one of them, for the year.

In 2008, over 70% of our earnings came from Canadian retail. That consists of our Canadian personal and commercial bank, TD Canada Trust, and our Canadian wealth management business. 27% of our earnings come from US retail, and that consists of our US personal and commercial bank, which has now been branded TD Bank, America's Most Convenient Bank, and also our investment in TD Ameritrade. At the beginning of 2008, we said we would make [$]4 billion in retail earnings last year, and we did.

To tell you about our growth, five years ago, in 2003, our retail earnings were [$]1.5 billion, so we've more than doubled that retail earnings base in five years. And in 2008, 2% of our earnings came from our wholesale bank, TD Securities. This was a difficult year for every wholesale bank around the world and we were not immune to the challenges. But, by way of background, back in 1999, TD's wholesale business accounted for more than 50% of the bank's earnings.

In short, TD Bank has been reinvented in the last eight years. So now let's move on to the top ten investor issues, and I'll read them for you. The first one is the Canadian economic outlook, second, our business philosophy during a downturn, the earnings environment, capital, dividends, deposit growth, loan growth, credit, which is obviously pretty critical in this environment, the Commerce securities portfolio and US acquisitions.

So let's start with the Canadian economy. Investors want to know what's in store for the Canadian economy. Are we expecting a significant downturn in Canada? Will we be affected by the steep decline in commodity prices? How bad will it get?

So let's start with the bad news. We believe that Canada is now in a recession that started in the last quarter of 2008. The steep decline in commodity prices is still relatively recent and we think it's going to hurt the Canadian economy, and it's going to hit us hard. Exports account for about 35% of the Canadian economy, and 80% of those exports go to the United States.

The economy in Canada will contract in 2009 and unemployment rates will likely peak at over 8% in 2010, and that's up from about 6.6% today. So, in a word, the economic outlook for Canada at the moment is grim, and that's in the words of TD's Chief Economist. The Governor of the Bank of Canada said last week that he expects that Canada will emerge from the recession by the middle of this year, with growth resuming in the middle of the year and rebounding to a robust growth rate of 3.8% in 2010.

This is based on the view that the paralyzed global financial system has begun to respond to the extensive actions that have been taken on the fiscal front and on the monetary front and all of those actions by central banks. Well, let me say I hope he's right. But, frankly, we think it's a bit too optimistic, in terms of both timing and the vigor of the recovery. And, of course, that's the question everyone's asking these days. Is this a V, is it a U, is it an L, is it a J? Again, we don't really think it's a V.

But, that said, and let's head on to the good news. There has been a huge amount of monetary and fiscal stimulus and history has proven that this does work. Yesterday, in Canada, the Canadian government announced a new budget, and let me just give you some of the highlights from that.

So after 11 straight years of budget surpluses, the government announced that we will go into a deficit position, which could be as high as [$]85 billion in the next five years. Major stimulus package, which is forecasted to add 1.4% to GDP in the next couple of years and in terms of context, because I realize I have to put these numbers in the context of the Canadian economy, this is the second-largest stimulus package as a percentage of GDP of the G-7 countries around the world.

And let's face it, the Canadian government has a lot of firepower these days, not just because this has been such a well-managed economy, but, frankly, because the Canadian government has not been bailing out the Canadian banks. So when we talk about the Canadian economy and the history, so although we do think we'll be in rough shape this year, the fundamentals for Canada have been the strongest of the G-7 as we go into this. Canadian debt loads for governments, for corporations and for individuals are much lower than other countries around the world.

So let's move on and talk about our business philosophy during a downturn, and it's sort of unusual these days for people to ask us what are your earnings going to be in the next couple of years? I appreciate that the visibility is quite low and I don't think there's a person in this room that doesn't think the environment is going to be quite tough.

So I think the questions that investors are really asking now is what are you going to look like coming out of this downturn and what are you going to do as a result, so what is your business philosophy? Back in December, in Toronto, we had over 900 of our most senior executives from the bank, from around the world, to talk about 2009 and where we're heading.

So with the exception of the surprise visit by Regis and Kelly, who are our spokespeople in the United States, I would have to tell you it was a fairly somber conference this year in terms of the outlook for the financial system and certainly for the economy as a whole. But our CEO, Ed Clark, had a very compelling message for the troops, and this is what it is.

We know we're going to be going into a recession. Think of this recession as the valley. The question is, we're not sure how wide and how deep this valley is going to be, but our goal is to get to the other side of the valley with our model intact and with momentum on our side.

So let me explain and break that down and tell you what that means. So let's start by we want to get across the valley. This is about managing capital, funding, liquidity and risk. It's about the short term. I was at an investor meeting a couple of weeks ago and explaining this analogy to a very savvy investor, and he said, oh, that's interesting about this valley, but what if you find there's a lake in the middle?

He went on to say, though, that given how cold it is in Canada, that lake is probably frozen and the Canadian banks will skate across. So, anyway, we'll see. The analogy keeps developing, but, anyway, so get across the valley.

The next point is keep our model intact, and a couple of points here. What does that mean? The question, I think, for any bank right now is do you have a business model that makes sense in the new model of financial services? The beauty of TD is that our model makes perfect sense going forward. We are largely a retail bank with a lower-risk wholesale focus.

In fact, there are many, many banks around the world who would love to look like TD Bank today. I would argue that this is the banking model of the future, and it probably is going to be more of a back-to-basics model. So while other banks in the next couple of years are going to be trying to reinvent their models, we have that model in place today. And, of course, you might ask as a follow-on question, and I'll answer this in a second is, ah, good point, so everyone's going to be trying to look like TD. What does that mean, then, in terms of the level of competition?

Well certainly we think that other banks are going to try to mimic the model. It is the sincerest form of flattery after all, but the truth is that we have a large advantage and a large head start on others that are in fact trying to move to more of our model. And it certainly isn't a new phenomenon. But also the other aspects of the model that we think are important is our performance culture and our convenience and service culture, and those are factors that help us win in our markets each and every day.

And, finally, emerge with momentum. There are many banks in this environment, and I'm sure you're hearing from many over the last couple of days that are going for the classic reflex in this kind of environment. They're going to cut costs, they're going to lay off employees and they're going to cancel any type of strategic spending in this environment.

And where will they be two years from now? They'll be at a standstill, and they'll be having to try and restart their engine. Frankly, you will not see us doing this at TD. Will we be prudent in terms of cost management? Absolutely. Are we taking a hard run at our discretionary spending and trying to make sure that every dollar we spend is affecting the top line? Absolutely. It would be irresponsible not to do that right now.

But you won't see us making those simple, reflex -- with that simple reflex reaction. You won't see us across the board job cuts, hiring freezes or, again, across the board cuts to any of our budgets. We will be managing our business like a business, and it really is our obligation as executives to run the business for both the short term and the long term, and that's going to be the challenge in this environment

We will continue to invest strategically. We know that adding branches helps the top line, so we'll be adding new branches. We're going to be adding 20 new branches in Canada. We're going to be adding 35 new branches in the United States. This is a core competency of both organizations. We are adding new client-facing advisers in businesses where we have growth potential.

We're adding new business bankers. We are also investing in initiatives that have long-term sustainable value in terms of our cost base, because, make no mistake about it, you have to be in fighting form coming out of this, and we are competing on a North American scale. You have to be a leader in terms of how you're managing your costs.

So we're taking advantage of this opportunity to invest in our capabilities to permanently reduce our cost structure. And we'll be adding talent to the bank. This is a great time to add to our bench in terms of whether it's at the entry level or at the executive level of our organization, and, as I said earlier, our employment brand is enormous right now. And, again, what about additional competition and everyone trying to crowd into retail banking? Again, we already have a big head start there, and we're going to enhance our capabilities at a time when other organizations frankly will be cutting back.

So let's move on and talk about the earnings environment and, again, not many investors these days are looking for guidance. Back in December, we said that we thought in 2009 we could grow our earnings per share and we would see reasonable growth in our adjusted net income. And on the latter point, I would point out that we will have a full-year effect of the Commerce acquisition this year versus six months last year, so that's helpful for us.

The headwinds, we do expect to see margin compression in both Canada and the United States. I believe the compression will be greater in the United States. This will also be very true in our wealth management businesses. Capital markets remain uncertain. We will be releasing our reserve on the BCE transaction in our first quarter, so that is a tailwind, but trading results remain mixed in this particular environment.

Weak equity markets. That certainly affects us on the wealth side in terms of our mutual fund business, and it will affect the valuation of our public equity portfolio where there is potential for further impairment.

Will provision for credit losses increase this year? There is no doubt about it. Provisions will increase, and I'll talk more about that in a moment. There are some tailwinds, believe it or not. Loan and deposit growth has been very strong in both Canada and the United States. And again, I'll talk about that more in a moment. Trading activity remains strong in our discount brokerage business. In Canada, we are the largest discount broker and we're seeing bull-market-type volume, and you've heard from TD Ameritrade at this conference as well, those volumes remain very strong.

And, again, you'll start to see some of the benefits of our productivity initiatives in terms of the cost side. And, finally, the weaker Canadian dollar is actually a benefit as we translate a growing base of US earnings into Canadian dollars and, compared to last year, that's going to help to increase those earnings if you look at the current outlook, by about 20%.

So to close on that point, having a stable retail earnings base is very attractive, given the uncertainty in the markets right now. Let's move on to capital.

On a pro forma basis, we ended our fiscal year with a tier one ratio of 8.3%. It's exactly where we expected to be at year end, and we did think this made sense for a large retail bank like TD. That said, since November 1st, we've issued [$]3.3 billion in capital, which included [$]1.4 billion in common equity. Our tier one ratio will be above 9.5% at the end of our first quarter.

And the good news is that we've had very good access to capital. The bad news, of course, is that it's been expensive. So this is a big change in the last three months, what's going on here. The frequently asked question from investors, and there's two -- the first one is, do you have enough capital? And the second one is, do you have too much capital? And I think that's frankly, again, a reflection of the environment.

So, again, let's look at the issues. Post the Lehman failure and the uncertainty and the huge dislocation in financial markets, it really became clear that investors are looking for that extra layer of protection in terms of capital ratios, so that was part of the rationale for bulking up on capital.

Canadian banks are managed under Basel II, so we do have uncertainty around our risk-weighted assets going forward, because, as credit quality declines, we have to put up more capital for that same dollar of assets, and, again, that's something that's fairly new to us and we're managing through it.

We do want to take advantage of this environment to grow our market share, to add profitable asset growth, so that's another factor. I think you also have to look at the fact that not all tier one ratios are created equal, and whether that be in the Canadian environment or looking around the world, and I think you do really have to look at the proportion of common equity in terms of total tier one. Our tangible common equity ratio is very strong. You find that for the Canadian banks and much stronger than other banking systems around the world.

And also I think then you have to look at uncertainties that are associated with on-balance sheet items and off-balance sheet items. If there are banks that are holding significantly more capital, I think as investors you have to ask why. So, in short, at TD, we are very comfortable with our current capital levels.

Dividends. Dividends are very important to investors. Our dividend yield is currently over 6% and our payout ratio, based on last year's earnings, is about 50%. Here's an important fact. None of the five large Canadian banks have ever cut their dividends. Our dividend philosophy, our payout range is 35% to 45%. We pay dividends in relation to earnings over the medium term. In the five years from 2003 to 2008, our earnings per share grew by 10% on average per year, while our dividends grew by 15% on average per year.

Last year, we were only one of two Canadian banks to increase our dividends and the only bank to increase our dividends twice during the year. We were able to do that, frankly -- now, that was a year we increased our dividends by 12% while our earnings per share declined by 15% that year. But the advantage that we had is that we had actually been running fairly low in our payout range, which we thought made sense, not withstanding pressure from investors to say we'd like to see more in dividends.

But we are better positioned, having managed to the lower end of our payout range during the good times, which gives us more runway as earnings slow down, or, in fact, as you saw last year, where earnings declined on a year-over-year basis. So going forward, the question that we always get asked is what is the likelihood of a dividend cut? And, frankly, we do not foresee a scenario where we would consider cutting our dividends.

So let's move on to deposit growth. In terms of trends in deposits, it is a very, very competitive market right now, but let me give you the backdrop for TD. We have an excellent deposit franchise. In terms of our overall numbers, 52% of our deposit base is in personal deposits. That compares to an average of 36% for the other Canadian banks. We have number one share in Canada in personal deposits, and we're growing that share.

Our average deposits per branch are significantly higher than the rest of the Canadian banking system. What is it about TD that's different? It's our service and convenience philosophy that attracts more core customers than other banks. In the US, we acquired Commerce Bancorp last year. It's an absolute gem.

This was a deposit-driven franchise, and that was what was so attractive to us, with a philosophy around convenience and service that was very, very much aligned with our model in Canada. What we also loved about the Commerce opportunity is that roughly 40% of those branches that we acquired with that acquisition were immature or younger branches that are under five years old.

And to give you an order of magnitude, those branches on average had about [$]50 million in deposits, and that compares to a mature branch in that network, where average deposits are about [$]130 million. So the embedded deposit growth in that franchise is quite significant, probably something in the sort of $10 billion to $15 billion range. But what you're more interested in is what's happening recently.

In Canada, we're seeing very strong deposit growth, and in fact in our third quarter of last year we had a record quarter in terms of our deposit growth. Why is that? You're seeing more reintermediation to the Canadian banks and you're seeing some of the banks gaining share in that environment. And, again, it's just our strong model overall that's helping us. We're also seeing a flow out of mutual funds back on balance sheet, and that's going to affect our revenues on the wealth side.

In the US, and counter to what I've just told you in terms of the embedded growth in our franchise, you should have been seeing deposit growth in the Commerce portfolio, the Commerce book. You saw deposits were relatively flat, and that really is owed to the fact that there was a lot of price competition in the market in the last six months or so, with lots of dislocation, flow of funds to the four larger banks on a too big to fail test, but in the recent quarter we are definitely seeing more deposit growth. So our deposit franchise is a distinct competitive advantage for TD, and we do continue to grow.

In terms of loan growth, we are growing our balance sheet in both Canada and the United States, and this is an advantage that we have as a bank with a strong balance sheet and with strong capital. The central banks are very interested in seeing banks continue to lend. The Canadian government is no different in that respect, and here's why, an interesting stat. For every $1 of GDP growth, you need $4 of credit.

If you look at the enormous contraction, the destruction of bank capital that's gone on in the last 18 months, and, by anyone's account, that destruction of capital will well exceed $1 trillion before this is all said and done, you apply a leverage test to that, that is an enormous amount of credit capacity that's being taken out of the system and so it is very, very important that the banks do continue to lend in this environment to support the stabilization of the real economy. And that's exactly what we have been doing.

So we've had very good growth in Canada year over year. We're seeing growth opportunities as well in the United States. Again, this is good, quality business at better spreads. Have we tightened our credit standards? We haven't changed our credit standards, but obviously the test for creditworthiness has changed, because the economy and the environment is a lot tougher.

So if people are feeling that it's more difficult to get credit, that's really the reason. That's what you should be looking at. Why have we outperformed in the United States in terms of our lending portfolio? There are three main reasons. It's where we lent, in the Northeastern United States, which has performed quite well. It's how we lent. We have had very, very conservative lending practices in both the legacy Commerce organization, as well as the legacy Banknorth organization. These are your more basic lending products that were well understood by those banks, which were largely community banks.

And these were all self-originated loans, so done, but with our own people, our own distribution and not broker acquired. That's what we call our triple play, is really the soundness of the credit model in the United States. The next slide talks about, really outlines our credit balance sheet, our lending balance sheet. This is as of our year end. And this slide, and I won't spend a lot of time on it, but it is extremely important to understanding why the Canadian banks have been such a positive outlier in this environment, because the structure of our balance sheets is quite a lot different than what you see in the United States and other banks around the world.

If you take our balance sheet, about two-thirds of our lending is in Canada. Within that, about two-thirds of that is real estate-secured lending and a large portion of that business is insured, most of it by the government of Canada, 100% insured. So that is a completely different structure. When you talk to a US audience about large real estate secured lending exposure, that probably doesn't give you a lot of comfort. But the reality is that the housing market and the mortgage market in Canada is vastly different than in the United States. The soundness of that model is completely different.

I've included an appendix in the material, which you can go through, and I'd be happy to talk to you later after this session about what those differences are, but there's a profound difference, as I say, in the structure of balance sheets. In our particular case, as well, we've talked about the United States and our exposures there, and then TD Securities, our wholesale business, that's typically where you can see some whopping loan losses during a cycle like this. And TD has changed the philosophy around corporate lending dramatically in the last six years. Where that book was downsized is really quite a small portion of our total lending book, and, in fact, on top of that is credit protected, or a large portion of it is credit protected.

So, in fact, that is a portfolio where we have very few worries, even as we head into a tough, tough economic environment. The next slide shows you just some statistics on credit quality, talks about our gross impaired loans as a percentage of average loans and BAs, our reserve levels, our charge-off levels and clearly what you see here is that we are extremely well positioned in terms of our performance to date and our coverage ratios as we head into 2009.

If you look last year, our provision for credit losses at the all-bank level was just under [$]1.1 billion. That was 0.54% of total loans. Could that go up? It certainly could go up. If you look at the worst case, back in the early '90s, and of course with a much different business mix, you would have seen those losses approaching a point. So could the losses double from where they are currently? That's not our base case, but certainly history would suggest that those kind of losses could happen.

We do, though, consistently point out that the high quality of our loan portfolio and our disciplined credit culture have served us very, very well in this current credit environment, and we do continue to expect to be a positive outlier in terms of our credit performance.

The Commerce securities portfolio. Just by way of background, when TD acquired Commerce, there was a portfolio of non-agency CMOs. At that time, it totaled just over $10 billion. When we closed that deal, as you know, we have to fair-value the balance sheet, and we wrote those securities down by about[$]1.5 billion, upon close.

We had then a decision to make. We could either continue to hold those securities, and they wouldn't -- to be frank about it, they wouldn't typically be within the risk appetite of our bank. Or we could sell them. Obviously, we had to write them down already, and we had to make that decision. The reality is that in terms of the fair value decrement that we took at that time, the majority of that was liquidity driven, and not credit driven.

So we really felt that in terms of the long-term interests of our shareholders, that it made more sense to hold those securities to maturity, essentially, rather than selling them at that time. So when we did that initial writedown, part of that was credit related, and we had to make some assumptions around the level of credit losses in that [$]1.5 billion, and the remainder of it was liquidity driven.

And the key driver of those credit losses is the level of housing prices in the United States or, in fact, the level of decline in those prices, so we've had to make those assumptions. So the key test for us, and the question -- oh, sorry, we'll come back to. So we fair valued them at close. We've seen then since close another $1.5 billion decline in the value of those securities.

That decline in fair value goes to other comprehensive income. It doesn't go to P&L, but of course the frequently asked question is what's the potential for impairment in that portfolio? The key test for us is credit losses, so if we keep coming back to the assumptions we made in our original models, are they standing up?

And the simple answer is, they are. And, as we said back in December when we released our results, we could have another 15% decline in the level of US housing prices before we would start to compromise the level of credit losses assumed in our initial model. So I'll let you be the judge of whether or not that's conservative enough in this particular environment.

So we are monitoring that portfolio very closely and, again, making sure that we're managing all of the risks. The final topic is around US acquisitions, another frequently asked question. So integration currently is an enormous priority for us in the United States. It is going very well, and we are hitting all of our key milestones.

I would point out that at TD we have enormous organizational capability around these kind of transformational integrations. That was proven when TD acquired Canada Trust back in the year 2000, and it will definitely be proven out in our acquisition of Commerce Bancorp, and we have a lot of that capability still in our organization from, again, earlier -- eight years ago.

And you look at TD Banknorth, who were fantastic acquirers and integrators, so lots of capability. That said, there is a tremendous amount of complexity in what we're trying to do in an environment where we frankly have the wind in our face. So that has to be the absolute, number one priority going forward.

I must tell you, again, just on a personal note, I'm incredibly proud when I come down to this city and I see the rebranding that's gone on with our branches. It's absolutely fantastic to see how that's gone, how it's gone so well, how we're retaining customers in one of the most crowded banking markets in the world. And that's fantastic.

I was down here on a personal trip just after New Year's, and we were in a restaurant one night and there was the waiter, with a TD Bank, America's Most Convenient Bank, pen. My daughter said, oh, my goodness, mom, look at that. So as one typically does, of course, I said, gee, I love your pen. Tell me about TD Bank.

And, of course, like any prior Commerce customer that you talk to, they're absolutely delighted and continue to be delighted with the bank, but, again, hard work to do. So the bottom line is we will always consider acquisitions that are both strategically and financially compelling. We at one time in the last number of months, or many times, we said this is the time to be opportunistic.

This is the moment we've been waiting for, with strong capital, a strong balance sheet. When you talk to the FDIC or talk to other regulators in the US, TD is a bank that they're very familiar with TD Bank and our strengths and our ability to help in the consolidation process. So that's good.

On the other hand, along comes TARP, so TARP has changed the playing field quite a bit. I think it's helped to extend the life of many banks in the United States. Some might argue that that's a temporary extension, and, as you see credit losses continue to hit, that you're going to see a lot more weakness in some of those banks.

It's a cheap source of capital for banks, so -- and with very few restrictions put on the first wave of TARP, banks don't have to use it to grow their balance sheet. They can use it to make acquisitions. So it has changed the playing field to a certain extent. We think TARP 2 is going to have a different set possibly of restrictions around that.

Our history as an organization is not in building our bank through acquiring distressed assets. What we tend to do is acquire very high quality companies with very high quality management that have good franchises. So our CEO is on record as saying that in this environment we would probably only consider assisted deals, but, again, the environment is constantly changing. Our visibility is poor, asset quality is clearly an issue. We'll continue to monitor the market very closely, but I'll close in terms of saying I think as an organization we can continue to be patient and we can continue to be very selective.

In closing, let me finish with just a few key messages. It is a challenging economic environment, challenging financial markets, but we are very well positioned to continue to navigate this environment and to come out of this even more of a leader in global banking. We are building the first truly North American bank.

We do have a lower-risk retail focus, we have a strong balance sheet and we have strong capital. And we are very focused on growth and how we grow. We'll continue to invest in our businesses while managing our expenses, leveraging strengths and synergies across TD Bank, managing liquidity, risks and capital and growing without going out the risk curve. With that, I will finish off and invite your questions. Thank you very much.

QUESTION AND ANSWER

Unidentified Participant

I think we have time for one question, but there is going to be a breakout session upstairs. The room is Louis XVI East, just in case.

Unidentified Audience Member

(inaudible question - microphone inaccessible) Canadian credit quality. Thank you. Canadian credit quality. Maybe if you could just comment on the downturn and how home prices in Vancouver, maybe how you're positioned for the Prairie cities' loan book, with the downturn in commodity prices, and then finally Ontario and Quebec, light manufacturing that primarily exports south of the border, thank you.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Yes, if you look at our portfolio, again, as I mentioned earlier, your real estate secured lending business is going to perform very well. Again, a large part of it's insured and our loan to value ratios on the uninsured portion are very, very good, at about 55%. So while the housing market will decline, you will see that business perform well. If you look over any time in history, you typically see losses in that business in the single basis points overall.

So where will you see more stresses in the market? You'll see it in the unsecured lending side. You'll see it in the credit card side. I think you'll see for us much larger losses in terms of our business banking. So in our commercial banking and small business banking we've had very benign levels of losses in the last number of years, despite what we have felt have really been some headwinds in terms of a weakening Ontario economy. We are affected by the US economy, by the export market, by the relative strengthening of the Canadian dollar in recent years. Clearly, that's changed in the last six months or so.

But we do expect to see a higher level of loan losses in our business banking side as well, and then in terms of the, as I mentioned, TD Securities on the wholesale side. We are quite comfortable with that portfolio overall, given the way that we've been managing its relative size, that the quality of those credits and the fact that we have protection in many cases in the portfolio.

So I think you will see some regional differences, to the essence of your question, and you'll see the economies definitely contract right across Canada, I would say, in the west. We have a lot of business in central Canada, which will I think be very much impacted by those issues that I've just outlined.

Unidentified Audience Member

One quick follow-up. Currently, as I understand it, a US bank cannot buy a Canadian bank of any size.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Correct.

Unidentified Audience Member

Canadian banks can buy US banks of significant size. And the Canadian banks have actually been getting larger here in the US in what's clearly an unlevel playing field. Do you see that that is going to be changing, that playing field, and also -- and the shape of the playing field, and also if that has any bearing on the US government's decision on who got to bid for -- or who got to win Washington Mutual or Bear Stearns.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

So in terms of do I think the environment will change in terms of foreign banks having greater ownership of Canadian banks, I think the answer to that is no. The question is, is there an environment now where there's more protectionism in terms of the United States versus foreign banks like TD expanding share, I don't think so.

I think at this point in the cycle you are looking for strong banks like TD Bank to come in and participate in consolidation. That's been very much a part of our strategy, and, in fact, if you look at the moves we've made in the US to date, I think it's fair to say we've been welcomed with open arms in the United States.

So I don't think you're seeing preferential treatment given to US banks in this environment. I think the challenge for us is more so just understanding the landscape and understanding how decisions will get made in particular on assisted deals, in terms of all the various regulators and the FDIC and understanding how to manage those relationships, and I think that's probably frankly where some of the US banks may have an advantage, having operated in these markets for a long time.

But, that said, we are operating in the US, we are on the ground, and we have very good relationships with the regulators. So I don't really see that as being a disadvantage. I think, as I say, in this environment, strong banks who can help to participate in repairing the financial system will be welcome, but we'll see how this evolves from a political standpoint.

Unidentified Participant

Thank you.

Colleen Johnston – TD Bank Financial Group – Group Head Finance and CFO

Thank you very much.