TD BANK FINANCIAL GROUP
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CORPORATE PARTICIPANTS

Ed Clark
TD Bank Financial Group - President and CEO

Kevin Choquette
Scotia Capital Markets - Analyst

PRESENTATION

Kevin Choquette - *Scotia Capital Markets - Analyst*

Our next speaker this morning is Ed Clark, President and CEO of TD Financial Group. Mr. Clark was appointed to this position December 2002. He joined Canada Trust in 1991 and was appointed President and CEO of CT in 1994. Upon the merger of TD and Canada Trust in February 2000, Ed became Chairman and CEO of TD Canada Trust and subsequently President and COO of TD Financial Group.

Ed held senior positions in the federal government from 1974 to 1984 and senior management positions at Merrill Lynch and Morgan Financial from '84 to '91. In 2010, Ed was appointed to the Order of Canada. Ed?

Ed Clark - *TD Bank Financial Group - President and CEO*

Morning. So I never know when this goes up. I always say -- does this say that I'm not going to say anything that I haven't already said so you don't have to actually be here? Or, if I give a forward-looking statement, events can change. And it's probably going to be wrong. So I think that covers that portion of the presentation.

Okay. So why don't I start -- just comment briefly on -- you've already seen the fourth quarter -- but just try to summarize what was our messages in the fourth quarter or third quarter. First, it was obviously from our point of view a pretty good quarter. And I think it was a quarter that we kind of validated our core business model and the messages that we've been giving. Clearly, the standout was $1.3 billion in retail earnings, up 21% with strong retail earnings on both sides of the border.

I think TD Securities came in exactly as we've been signaling the market. So we've been a bit of an outlier. But we've been saying for over a year this, too, shall pass and these are earnings are going to normalize -- and they did. And we're actually quite comfortable with the kind of running rate we now have at TD Securities.

I'd say as an overall general comment, we've said that 2010 clearly came in stronger than what we anticipated. Clearly, I think we gained more market share than we would've anticipated. And PCLs came down faster than we anticipated.

In the case of the US, I think what -- two things happened is I think in terms of 2010, fee revenue probably came in better than we had anticipated. PCLs came down a little faster than we would've anticipated. And again, we've been surprised at our ability to continue to take market share a little bit more than you might've thought. I think clearly we're signaling that we think 2011 is going to be quite a different year.

We believe that the Canadian economy is clearly -- has to have an element of slowing down here that, as the fiscal stimulus disappears and that we had a kind of one-time phenomena of a housing boom, that has to represent some drag because it's not obvious that the U.S. economy is picking up and will take up that slack as you slow down in final demand.

And so that means I think we're going to see longer term rates being for us, really the five-year rates, the rate that we key off, are going to stay down lower and longer than we thought, both on both sides of the border. I think there is a risk in the U.S. of a double dip. I don't think it'll happen, myself, personally. But there is always the risk that frankly the U.S. talks itself into a downturn as opposed to looking at the fundamental conditions. I think all that's happening is that people are coming to grips with how you recover from this kind of economic devastation. And unfortunately, that means it takes time. And it's painful. And there's a degree of impatience to find the magic bullet. And unfortunately, there isn't a magic bullet.

And I think the regulatory environment in the U.S. today looks probably slightly more problematic. We've had clarity on the capital rules in the world. But we don't have clarity on what the real regulatory environment's going to be in the United States. And so I think it's going to be tougher to meet our goals than we might've felt in the spring. But as I'll come back to it, that's what you pay us to do.

So let me go to the next slide and just whip through our businesses. I think you know our story. In Canada, really just deadly simple model, although I'd say, I don't think -- if it was so deadly simple, then why doesn't everybody do it? I think that's the key in operational models is that they have to be run for long periods of time to build consensus in an organization - how you do it. And then the second thing is then you have to constantly tweak that model to say, well, what do I do in 2010 running the model that I was trying to run back in 1992, '93? And in one sense, it's all the same. In another sense, it's obviously changed a lot.

So clearly, what do we deliver? We deliver better convenience, 60% longer hours, better locations if you look at the distribution of our brach systems, more in the growth locations. We produce unbelievable customer satisfaction. In fact, if anything, the gap is widening. J.D. Power hasn't given J.D. Power award to anybody in Canada other than TD. We've won Synovate six years in a row.

And I think a very core part of our model is constantly reinvest. If you have a revenue advantage, turn it into, in fact, a growth advantage by reinvesting that money and produce a virtuous circle. So it's not an accident then in 2003 to 2009 one in every three branches opened by a big five Canadian bank was a TD branch. And that's how you maintain your lead.

All of this produces this great, better revenue, higher spending, better profit growth. So our revenue growth was 9%. The average was 6% for everyone else. And you just keep that model going.

So the question I always get asked is -- yeah, but can you keep on doing that? Surely this eventually runs out. And I have to admit for five years I've been saying -- no, we can't. And this will run out. And then I'm always proved wrong by my team. I think as you look at it I think, as I say, the key to not having it run out is not to break the model but keep adjusting the model to have your angst level high -- so don't get complacent -- to keep tweaking the model but keep on investing.

And sometimes, that means that you have to shift as the environment shifts to invest to keep cost coming out as well as revenue growing in order to keep your operating leverage there. And as you know, a core of our strategy has been to take advantage of the fact that we actually have less than normal market share in a bunch of markets. And so why don't you drive super growth in those?

So in credit cards, as you recall, we had to sell the credit card portfolio with Canada Trust. And so this past year, we had about 100 basis points increase in our market share in the credit card area. Probably the most surprising development - not that we weren't investing in it but that we were able to execute it - is the degree of shift in the commercial area, another underrepresented area. So we've gained 300 basis points of market share in the last four years.

I have to tell you honestly. If you came up to me four years ago, is there anybody capable of doing half that number, I would say you're out of your mind. You don't get those kind of - in an oligopolistic industry -

those kind of shifts. But they have actually occurred. In Quebec, we grew our branch system from 80 to 103. And we continue to grow there. In insurance, we moved up to be the number one direct writer, number two overall in the personal and commercial area.

And in auto loans, another example, small little business, but, you know, we had 1% auto loan share of new cars. And now we have 6%. So we took advantage of a disruptive market. So you just have to keep finding the different little places where you're weak and you can then take -- become strong and then super grow by leveraging your capabilities.

In case of wealth, I think whenever I -- when I first came to TD, what I was struck was the extent to which the TD had been built around a fundamental decision made in the '80s not to buy a dealer. If you said what was one thing that shaped TD, it was that decision. That, in a sense, accounted for our huge presence in the online brokerage business. So we have about 46% market share there and you could say ended up with why we had Waterhouse and therefore TD Ameritrade. And you're going to here from Fred Tomczyk. So it was an incredibly influential decision. It also influenced, when I come to it, our wholesale banking strategy.

But what is meant is that we have sort of two strategies that we're running. And one is -- how do we maintain this degree of strong market presence -- I can't use certain words, or my lawyers get excited -- strong market presence in the online brokerage? Well, what we didn't do is sit there and exploit it. But we actually have led the industry down in pricing. And so we brought those prices down dramatically over the last two or three years.

And so when you look at our earnings results in wealth management, what's incredible is that we absorb that change in the pricing environment in Canada and at the same time kept or had pretty good profit performance.

And then secondly, exploit this position by offering more to the consumer -- so we just launched our global trading platform that now allows you to trade in ten different countries in seven different currencies around the world, really a unique platform in the world. No one else has this so that in fact we're going to keep on pushing through that system more throughput, which you'll see is a constant theme for us.

Obviously, at the same time, though, we were way behind on the advice side. And so we've been building out the advice. That's a lot of money on people. And it's a lot of money still ongoing on technology. And we've been able to absorb that. Why have we been able to absorb it? Well, our wealth management is clearly tied to the best retail bank in Canada. And we have the best referral system in North America from that best retail bank. That's what pays for this aggressive growing out of this business.

So U.S., I'm sure a few might have a mild interest in what we're doing in the U.S. here. We're actually quite pleased with where we are. We think if you step back and said we entered into the United States, we end up with 1,200 stores in the United States. We occupy a very significant market share, completely defensible, strategic market share, and a group of states whose population's twice the size of Canada. If you look at brand surveys of what -- if you were going to New York or into New Jersey or into Philadelphia, we are extremely well known, positively attributed brand.

And we were able to do this, make money in the greatest downturn since the Great Depression all the way through and take market share every single year. And at the same time, we're operating -- have an operating ROE of about 25% to 30%, pretty good business overall. That has a true proven capability to continuously taking market share, as we've done in Canada and with the same basic model, be more convenient, offer better service. Doesn't mean there aren't a few challenges. But that's the core.

What's the challenge? Obviously, what everyone has the same challenges as I have, which is, okay, can you translate that into a higher return on all the money that you put into the United States? Obviously, it would've been better if the United States had not gone into a downturn. Indeed, if it had not gone down in a downturn, we would be right on target today in terms of our earnings. And it would be better, frankly, if

as a result of that financial crisis you didn't have a regulatory reaction that also is putting some headwinds in front of us that also makes it difficult to get the ROEC up.

But on this core, we actually like what's eventually going to come out of this. In some sense, I know this will sound a little bit Polly Anne-ish. But as I said, if you want to be a banker, what you have to be is a paranoid optimist. It's what makes good bankers. If you said fundamentally we've entered the United States -- and I'll give you an example -- that said who could believe that we could be taking significant market share in mortgages with better credit terms and wider spreads than anyone's ever seen, well, that is a fallout of the financial crisis.

Could we have taken market share and people out of the big players, the Bank of Americas and the Wells Fargos and the Chases of the world, who would've thought that would happen? Well, that's a fallout of the financial crisis.

And even things like Reg E, which are a total pain, it is a total pain to us, it will lead to a banking pricing system that is actually better for the shareholders and better for the consumers. And it's moving those changes in the United States at a much faster pace than anybody would've thought possible because of how dramatically they're being impacted.

So I think there's some good news in all this. But no question, what's happening in the United States, if you look at even from where we were back in June, the interest rates are now expected to be lower, longer. The regulatory environment is probably more hostile. And therefore, the job of getting from 1.2 billion to 1.6 is a harder job for us. That's what we get paid to solve the problem. We have to get that number up there.

And so that means for us -- if you said what's the core issue that we have to have, is that we have an unbelievable franchise that has unbelievable customers, who would actually like to do more business with us. And we will not solve our ROIC problem if we don't actually sell more throughput through these stores. And so accelerating the sales shift becomes more important, given the change in the economic environment. And we certainly want to sell Fred Tomczyk's TD Ameritrade product to every one of our customers.

So, Wholesale -- this has been quite a journey. I'm going to have to go back to 2000 when I joined the bank. TD Securities was the fourth largest telecom lender in the world and the leader certainly in Canada of structured credit, interest rate, and equity derivative products, and then the top ten in the world in that field, so had a world wholesale franchise.

We have moved that and was the fifth best dealer in terms of a Canadian franchise business. And we have said about in the last ten years that probably no part of the company that had a shift more dramatically than this part of the company to quite a different play. We're now clearly in the top three. I'll let some people argue who the other two are. But we're clearly in the top three now in Canada in terms of a franchise wholesale dealer.

We've had a great credit story all the way through this downturn, basically unimpacted as a result of the downturn. We've moved our trading. So you could see that even in this quarter. We do not have the volatility in our trading. So we become in a sense a franchise play on the trading side.

And we believe that we can earn 15 to 20% return, probably with higher capital levels. We always carry more capital in the dealer than the regulatory capital because we didn't believe the regulatory capital. We have strong views on that. But we'll probably as a result of Basel III have to put somewhat more capital but not huge amounts. And we believe we can earn 15 to 20% rate of return on that extra capital.

And we have a dealer that's aligned with our strategy that knows how to leverage bank, its AAA rating, its presence on both sides of the border, but with a very, very clear franchise play, low risk, lower volatility play, and just earn good rates of return for us.

So what did all this produce? We had a simple message when I became CEO. And that was -- and I always tell everyone in the know, investors, I am not here to sell my stock. You want to buy my stock, that's great. You don't want to buy it, that's equally great. That's not my job. My job is to tell you how I'm running the company and then make sure that I actually run the company in the way that I told you, that you're not surprised.

And I'd say for lots of you, you're good at finding beat-up banks with bad management. And you think they know how to ride them up and get out of them at the right time. Godspeed, don't look at us because we're not that.

And if you want something that has lots of volatility and can ride the interest rate cycle, don't do that because we take out all the interest rate risk. So we have a very simple business strategy understood by all 74,000 of our employees that produces 7 to 10% earnings per share growth. And we think despite the headwinds that we see in the marketplace, we can continue to do 7 to 10%, no great drama, no great excitement.

And so for those of you have a portfolio that want some of that stuff, we think in the end that's a stock that you at least ought to look at, although I think there are probably other banks that do it as well as we do as well.

Let me get into what I'm sure you want to hear something on, dividends and capital. So on the dividend front, I keep begging to have this distinction made. I'm not -- with no success. But I'll still keep doing it. I don't look at dividends and capital as related. So I think you could be in a situation where you had too little capital and you had to go raise capital. But you'd still be increasing your dividends or vice versa.

I think dividends are driven by sustainable earnings. So we have a very simple formula. We say take a look at what kind of growth rates we think we can achieve on a sustainable basis, figure out which weighted asset growth that is, therefore what capital. You ought to be able to fund the bank on a sustainable basis with internally generated capital to generate that growth rate.

Surprise, surprise, we're a faster growing bank than most people, most banks. We have the lowest dividend payout ratio because that's the payout ratio you need to do in order to sustain that growth. And you don't change that. Even if all you guys tell me to change it, we don't change it. We say, no, that's what our policy is. And we're going to hold to that policy.

I think in the end that produces better dividend growth for you because we're going to grow faster. But our policy is we have 35% to 45%. We're going to stick with that policy. And we will pay out, when we see sustainable earnings growth. We will make sure that we are in that range of policy.

You then have, of course, the whole issue around capital. And I think the honest answer, I don't know what -- I haven't seen what everyone else answers. So then you can come back and say, no, no, they gave us all the truth here of what's going on here. I think the honest answer is from my point of view anyways is we are all working our way through these rules. There's probably still a bit of complexity left that we need to sort ourselves out. This is assuming that the G20 actually agrees to the rules, which is another factor that needs to be taken into account.

And then what we really need to do is have a dialogue with OSFI that says, well, what kind of buffer on a buffer are you talking about? So what happens if you go below these things so that we can come to an assessment of how we want to run the bank? So how bad is it if you ever drop below your numbers? How much -- I think the indication is pretty clear. If you're already there, you're not going to be allowed to go down.

But then what does it mean when you say let's -- what does a prudent capital plan look like? So when you stress test it, what kind of stress tests are you going to want us to have? And let's have an adult dialogue

before we come to a judgment, which I think the great thing is OSFI's saying in the end you've got to make a judgment. But to the one group I was talking to this in the morning. That's like telling your kid, well you know I trust you, you can still go out and come back whenever you feel comfortable.. And then the kid comes back at four in the morning. And we have a different conversation, right?

So I think they have to sit there and say, okay, let's get a read of what they would be comfortable with. And then we're going to decide what we're comfortable with and try to figure out an answer. I think that's going to take a couple of months. But I think the positive news from investors' point of view is that they have moved faster than I would've anticipated to get clarity. And that means that we may well be able to move faster to have clarity on some of these issues around capital.

As I said, dividends, I have absolute clarity in my mind. We have a dividend policy. We stuck to it all the way. And we're going to stick to it going forward. And so at the end of the day, what matters to you is that we produce good shareholders' results. What are we about? We're about producing great franchises with repeatable earnings.

We're about having great risk management that says you don't have to go out the risk curve in order to meet your earnings target and making sure at all times you avoid tail risk. I don't believe that banks have to blow up every seven years. And really generally we're going to run a bank that doesn't blow up.

Third, I think what we are, is about building the better bank, not just for now. But we're constantly looking ahead for the future. But, we have to do that within the context of producing above-average total shareholder returns. That's what we're about. So I'll pause here and take some questions.

QUESTION AND ANSWER

Kevin Choquette - *Scotia Capital Markets - Analyst*

Questions? At the very back.

Unidentified Audience Member

What's your outlook on U.S. acquisitions?

Ed Clark *- TD Bank Financial Group - President and CEO*

Sorry. What is --

Unidentified Audience Member

Outlook on U.S. acquisitions.

Ed Clark *- TD Bank Financial Group - President and CEO*

What's my what? Acquisitions? I haven't really changed my view since -- well, I guess I wasn't here last year. I had a back operation last year. So I wasn't here. So I can't say it from the last time but since all the other conferences. I'd say today we don't need to do anything in the northeast. So we're not strategically imperiled. I'd say we'd still like to do a little bit more in Florida in order to get ourselves a lot. But we wouldn't chase deals in Florida. But that'd be the only one you'd put any element of strategic.

Going forward, you want to make sure that our acquisitions make us money. We've built the plans here. So from my point of view -- and as you know, of the new guys, I'm the largest shareholder in the bank. I want to make some money out of these acquisitions if we're going to do them. I think my biggest issue, though, is I don't think there's going to be a double dip in the U.S. But that doesn't mean there isn't going to be one. And I'd like to be a little more certain of that view.

And secondly, there is a changing regulatory environment in the U.S. and so we would like to see that quiet down. When I look at Reg E and when suddenly a regulator can say I'm going take away 15% of your after-tax income, bam, like that, that's a pretty scary environment. And so we've got a new consumer protection agency. And so it's hard to believe that they're going to come and say, well, I think America's perfect and we don't need to do anything. And so how are they going to act? And so I think before we do anything, we'd like at least to get a better reading on where the U.S. is going from a regulatory point of view and an economic point of view.

Kevin Choquette - *Scotia Capital Markets - Analyst*

Questions? Over here.

Ed Clark *- TD Bank Financial Group - President and CEO*

This is a hard question. I can tell. So come on. Come on. Ease up.

Unidentified Audience Member

Actually, it's sort of similar. You've spoken in the past more about assets as opposed to stores. Do you think it might be easier to get assets per se as a result of sort of what's coming down the pipe?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes, so let me just say what he's alluding to is two strategic issues in the United States. One is we've got a phenomenal customer base that loves us and would love to do more business with us. So can we move faster the sales train and the brand system to sell them more products?

And then I'd say the second longer term is that we have right now a, limited only, in the sense of limited product suite of asset-generation capacity. And so we're running where we have way more deposits than we have assets. And so are there ways in which, one, that you can build your asset, franchise asset capacity, like we have in Canada?

And then secondly, do you want to have a better geographical and product distribution than you currently have because what you don't want to do is just keep going across the United States, down the East Coast of the United States, which is what we're trying to do. And then you say -- but now I have just massive asset concentration in a single product.

And we've been looking at different things and so far frankly haven't found anything that fits our risk curve. And you have to look at the United States and say every time a U.S. regional bank tried to go national, probably blew its brains out. And so I don't have enough hubris in me to say I'm smarter than the average guy because it's pretty obvious that I'm not. And so I think we're just keeping working our way through and seeing if we can find that out.

So, that would be something if we found, we would probably try to find someone -- if you take a look at Canada, where we bought VFC -- and I mentioned earlier we moved from 1% to 6%. Why did we buy them? We bought them for management, small little boutique, great management, still has the management.

In the sense if you look at all our acquisitions, whether it's Meloche or Canada Trust or Newcrest or Commerce or Banknorth or now the South, we buy management where we see they get it. Now we can move them up by giving them more capital volume and stuff like that. But I haven't found it.

Kevin Choquette - *Scotia Capital Markets - Analyst*

And so one last question? Well, I'd like to thank Ed and TD Bank for the presentation. And thank you.

Ed Clark *- TD Bank Financial Group - President and CEO*

Terrific. Thank you. Only one thing I could say would be go buy Fred's stock. That's what I'd do.