TD Bank Financial Group (TDBFG)

Supplemental Financial Information:
Q1/09 Guide to Reader

Page 1 - Highlights

Page 1 line 19 – What was the foreign exchange impact on the Bank's diluted adjusted earnings per share this quarter?

The foreign exchange impact on diluted adjusted earnings per share in Q1/09 was $0.08/share. This is calculated by subtracting the earnings from the U.S. businesses in U.S. dollars from the Canadian dollar equivalent, and dividing by the average number of common shares outstanding in the quarter on a diluted basis.

Page 2 – Shareholder Value

Page 2 line 10 – Why is the effective tax rate negative?

The negative reported effective tax rate was primarily due to the decrease in reported net income before taxes, combined with an increase in tax exempt income. There were also five items identified as items of note. Excluding these items, i.e., on an adjusted basis, the effective tax rate was 14.3%.

Page 3 – Adjustment for Items of Note

Page 3 line 3 – What caused the change in fair value of derivatives hedging the reclassified Available-for-sale debt securities portfolio to go from $(118) million last quarter to $200 million this quarter?

The Bank experienced a loss related to interest rate swaps hedging interest rate risk on the Available-for-sale bond portfolio. The Bank pays fixed and receives floating on these types of hedges; therefore, with the significant decline in interest rates this quarter we incurred a loss. This was partially offset by credit default swaps hedging the portfolio, which increased in value as a result of continued deterioration in the credit market.

Page 3 line 10 – Why did you increase the General Allowance this quarter? Do you expect more increases to your General Allowance?

The General Allowance was increased by $80 million this quarter ($55 million after-tax). The determination to increase or decrease the General Allowance is made quarterly, based on portfolio composition and management's view of the risk within the portfolio at that time. We believe we are adequately protected against any losses that may have occurred in the portfolio relating to loans or credit not yet specifically identified as impaired.

Page 5 - Canadian Personal and Commercial Banking

Page 5 line 4 - What drove the increase in provisions for credit losses this quarter in the Canadian Personal and Commercial Banking segment?

The growth in provisions for credit losses was primarily due to a change in credit quality, higher bankruptcies, rising delinquencies and lower recovery rates. The products most affected were unsecured lines of credit and Visa products.

Page 5 line 20 – Why did the margin on average earning assets decrease 7 basis points (bps) from last quarter and 16 bps from last year, to 2.82%?

The reasons for the quarter-over-quarter and year-over-year decline are similar: higher liquidity premiums (particularly in the HELOC portfolio), compression on Guaranteed Investment Accounts and short terms deposits, and change in product mix. These were partially offset by the impact of the Prime/BA spread and growth in higher margin products and strong money-in growth.

Page 5 line 22 – Given the current environment, will you be closing branches or reducing the number of new branches?

Over the last five years, TD Canada Trust has had the most aggressive branch expansion strategy, on a net basis, of all the Big 5 banks. Going into 2009, we made the decision to moderate branch growth as a result of fewer opportunities and not as a result of the current environment. With 5 branches opened in Q1/09, we are on target to open 20 branches this fiscal year.

Page 6 – Wealth Management

Page 6 line 8 – Now that your ownership of TD Ameritrade has increased, should we expect to see a higher proportion of equity in net income from this investment?

No. By way of recap, TD Bank Financial Group's ownership of TD Ameritrade had been limited to 39.9%. This limit increased to 45% on January 24, 2009.

In September 2006, the Bank had entered into an arrangement that provided a financial hedge for the potential future purchase of 27 million shares of TD Ameritrade common stock. Since that hedging arrangement was struck in 2006, it has been consolidated in TDBFG's financial statements as part of its reported investment in TD Ameritrade, with the related income recognized on page 6, line 8 of the quarterly Supplemental Financial Information package. For this reason, we expect the replacement of the hedging arrangement with the approximate 5% increase in direct ownership to have no material impact on our earnings or capital levels.

Pages 7/8 – U.S. Personal and Commercial Banking

Pages 7/8 line 4 – What are the main reasons behind the increase in provisions for credit losses? Do you expect this number to trend higher in coming quarters?

Provisions for credit losses mainly grew due to an increase in non-performing assets, the foreign exchange rate and an increase in loan volumes.

The U.S. environment remains challenging. Increased unemployment, a further decline in home prices, as well as reduced economic activity may lead to higher loan losses in coming quarters. While we cannot outrun an economic downturn, we continue to expect to be a positive outlier on credit quality.

Page 7 line 20 - Why did the U.S. P&C margin drop 19bps from the previous quarter?

A very competitive deposit environment in the U.S., mostly due to the volatile market conditions, has resulted in significant margin compression on deposits, particularly personal high interest savings accounts. Market rates decreased the net interest margin by a small amount. The significantly compressed Prime/Libor spread impact on loans was almost entirely offset by wider T-Bill/Libor spreads (the Prime/Libor movement has the opposite impact on deposits than it does on loans).

Page 9 – Wholesale Banking

Page 9 line 3 – What are the primary reasons for total revenue going from $(114) million last quarter to $839 million this quarter?

Revenue was negative last quarter mainly due to credit trading losses, which were related to a dramatic decline in global market liquidity. A decline in equity trading revenue also contributed to the negative revenue amount in the last quarter.

This quarter, both Net interest income (line 1) and Other income (line 2) had positive increases. Net interest income increased mainly due to strong trading-related income, which was primarily related to declines in BA rates. (As BA rates decline, our interest expense associated with funding trading assets declines.) The main reason Other income increased from last quarter was improved foreign exchange and credit trading revenue. Other income was also impacted by the cancellation of a loan commitment.

Page 9 line 14 – Why did Risk-weighted assets decline by $5 billion during the quarter?

The main reason for the decline in Risk-weighted assets in the Wholesale Banking segment this quarter was due to the cancellation of a loan commitment.

Page 10 – Corporate Segment

Page 10 line 27 – What is included in the line called Other?

This line includes items such as unallocated differences between the segments, retail hedging activities, litigation gains, and costs associated with preferred share issuances, among other things.

Page 12 – Other Income

Page 12 line 18 – Why did other income decrease from $355 million last quarter to $(150) million this quarter?

Much of the decrease in this line item can be attributed to the mark-to-market change of credit default swaps on bonds. In Q4/08, we reclassified certain bonds from trading to Available-for-sale, and the corresponding gains or losses are only recognized in the Income Statement when sold externally. The hedges on this portfolio, however, remain in the trading book and as a result are required to be marked-to-market with changes in fair value flowing through the Income Statement. Previously the movement in the bonds portfolio would offset against the movement in the credit default swap hedges. However, since the bonds have been moved to Available-for-sale, there is a resulting accounting asymmetry. This is the reason this entry is considered an item of note.

Page 13 – Non-interest expenses

Page 13, line 22 – Why did Other expenses increase from $(249) million last quarter to $266 million this quarter?

Last quarter, we decided to reverse $477 million of the Enron litigation reserve. This was booked as a contra-expense since the initial recognition of the reserve was booked as an expense. Excluding this item, the quarter-over-quarter increase is reduced to $38 million.