

# TD Bank Financial Group (TDBFG)

## Supplemental Financial Information: Q2/09 Guide to Reader

### Page 1 - Highlights

#### **Page 1 line 4 – Why did provisions for credit losses increase from \$232 million in Q2/08 to \$656 million this quarter?**

This quarter, we increased the general allowance by \$110 million. Excluding this increase, Q2/09's provisions for credit losses were \$546 million. The reasons for the increase from the same period last year include:

- the acquisition of Commerce Bancorp, whose results were included in TDBFG's starting in Q3/08,
- volume growth in both Canadian Personal and Commercial Banking and U.S. Personal and Commercial Banking,
- certain credit quality challenges in credit cards and unsecured lines of credit, and
- deterioration in the U.S. residential for sale category.

#### **Page 1 line 22 – Why are total assets down vs. last quarter?**

Total assets are down 2% from last quarter, from \$585.4 billion to \$574.9 billion. The main reasons include:

- a decrease in the marked-to-market impact of derivatives (there is an offsetting impact in liabilities),
- lower securities purchased under reverse repurchase agreements, due to shifting away from lower yielding investments, and
- translation effects of foreign currency.

### Page 2 – Shareholder Value

#### **Page 2 line 11 – What are the main reasons for the quarter-over-quarter increase in net interest margin?**

Net interest margin increased from 2.42% in Q1/09 to 2.71% in Q2/09. Canadian Personal & Commercial Banking's net interest margin was up 12 basis points mainly due to a higher prime/BA spread and lower cost of funds. Corporate segment also contributed to the increase, mainly due to items related to Treasury and Liquidity Management.

### Page 3 – Adjustment for Items of Note

#### **Page 3 line 10 – Why did you increase the General Allowance again this quarter? Why is this considered an item of note?**

The General Allowance was increased by \$110 million this quarter (\$77 million after-tax, or \$0.09 per share). The increase was the result of credit quality downgrades primarily in Corporate loans and retail unsecured revolving retail products, and volume increases in Commercial lending.

An increase to the General Allowance is disclosed as an item of note in order to be consistent with past practice, and with other Canadian banks.

#### Page 4 – Segmented Results Summary

**Page 4 line 18 – Why has the contribution from Other to total revenue increased from 3% last quarter to 12% this quarter?**

The reason for the increase in the Other line is primarily due to volatility in revenue from the Credit Product Group hedges related to the Available-for-Sale book that are booked in the U.K. Excluding these hedges, the revenue contribution from Canada and the U.S. combined was 92% in Q2/09 and 88% in Q1/09.

#### Page 5 - Canadian Personal and Commercial Banking

**Page 5 line 25 – What drove the improvement in the efficiency ratio from 51.7% last quarter to 50.2% this quarter?**

The main reason for the improvement in Canadian Personal and Commercial Banking's efficiency ratio is a 4% decline in non-interest expenses. The decrease in expenses in Q2/09 from the prior quarter was mainly due to fewer calendar days and lower litigation costs.

#### Page 6 – Wealth Management

**Page 6 line 8 – Why was the contribution from TD Ameritrade down quarter-over-quarter?**

The contribution from TD Ameritrade was down because net income for the quarter ending March 31, 2009 declined to US\$132 million, down from US\$184 million the previous quarter. The contribution from TD Ameritrade to TDBFG's Q2/09 consolidated results was announced by TDBFG on April 21, 2009. For more information on TD Ameritrade's results, go to [www.amtd.com/investors](http://www.amtd.com/investors).

#### 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?**

On a U.S. dollar basis, provisions for credit losses increased by \$46 million due mainly to an increase in reserves to maintain acceptable coverage ratios. Average loan volumes increased 3% this quarter, which also contributed to the increase in provisions.

#### Page 9 – Wholesale Banking

**Page 9 line 1 – What are the primary reasons for net interest income (“NII”) going from \$720 million last quarter to \$662 million this quarter?**

The main reasons for the decline in Wholesale Banking's NII this quarter is lower trading-related NII, primarily due to lower dividend taxable equivalent basis revenue.

**Page 9 line 14 – Why did risk-weighted assets (“RWA”) decline \$8 billion from last quarter?**

Wholesale's RWA decreased quarter over quarter primarily due to the reduction in the public equities portfolio, as well as a decline in market risk.

### Page 10 – Corporate Segment

**Page 10 line 14 – What are the main reasons for the \$(80) million adjusted net loss this quarter vs. the \$(14) million adjusted net loss in Q2/08?**

The main reason for the year-over-year loss was due to an increase in unallocated corporate items and a non-recurring tax benefit reported last year, which were partially offset by net gains from securitization and net income from other treasury activities.

### Page 12 – Other Income

**Page 12 line 7 – Why are net securities losses \$(373) million year-to-date?**

The year-to-date losses in net securities are mainly due to the bank's decision to exit its public equity investment portfolio. Approximately two-thirds of the portfolio was sold during Q2/09.

**Page 12 line 18 – What would the “Other” line be this quarter and last quarter if items of note were excluded?**

Excluding items of note, the reported “Other” income of \$(443) million would be \$(216) million in Q2/09. Excluding items of note, the reported “Other” income of \$(150) million would be \$150 million in Q1/09. The main reasons for the quarter-over-quarter difference in the adjusted number are the \$229 million of derivative losses included in Q2/09 (see footnote 2 on page 12), and the Winstar litigation gain of \$62 million in Q1/09.

### Page 14 – Balance Sheet

**Page 14 line 5 – Why have the Available-for-sale securities increased \$12.5 billion from last quarter?**

The quarter-over-quarter increase in Available-for-sale securities is mainly due to the purchase of government-guaranteed debt.