

TD BANK FINANCIAL GROUP
Q2 2009 EARNINGS CONFERENCE CALL
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PRESENTATION

Tim Thompson - TD Bank Financial Group - SVP - IR

Good afternoon and welcome to the TD Bank financial group second-quarter 2009 investor presentation. My name is Tim Thompson, and I'm head of investor relations at the Bank. We'll begin today's presentation with strategic remarks from Ed Clark, the Bank CEO, after which Colleen Johnston, Bank CFO, will present our second-quarter operating performance. Bharat Masrani, Group Head US P&C banking, will then provide an update on our integration initiatives in the US P&C segment. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality. After that we'll entertain questions from those present and from prequalified analysts and investors on the phone.

Also present today to answer your questions are Bob Dorrance, Group Head Wholesale Bank; Bernie Dorval, Group Head Global Insurance; Bill Hatanaka, Group Head Wealth Management; and Tim Hockey, Group Head Canadian P&C Banking.

We're trying to keep the call to under an hour with our speakers taking up about half that time.

Turn to page 2. This presentation contains forward-looking statements, and actual results could differ materially. These statements are intended to assist your understanding of our financial position for periods presented, our strategic priorities and objectives, and may not be appropriate for other purposes. Certain material factors or assumptions were applied in making these statements. For additional information, please see our latest annual report, and quarterly report available on TD.com. These documents include a description of the factors that could cause actual results to differ.

Let me turn the presentation over to Ed.

Ed Clark - TD Bank Financial Group - President and CEO

Thanks, Tim. I just would like to acknowledge at the beginning that, even though it might be fun to have a bake-off between all the banks on a single day, that it obviously puts some stresses on the analysts and investors listening to this, so I just want to acknowledge that today.

At the risk of appearing to jump on board the current wave of optimism, I have to tell you that we are feeling pretty positive about the world, more positive than we have over, certainly, for the last few quarters. And we're feeling quite good about our second-quarter results.

Overall, even in a quarter with fewer days, we saw a solid contribution from each of our major businesses. We had very strong results from our wholesale, complementing our retail earnings that just came in below \$1 billion on an adjusted basis. We continue to grow our already strong capital base, and we have been prudent managers of risk-weighted assets even as we grew our lending to our customers and clients.

Let me make a few comments about each of our major businesses, starting with wholesale. We continue to be very pleased with the evolution of this business. We made major reductions in our risk-weighted assets as we've tightened our focus on franchise operations that support our clients. At the same time we've delivered excellent earnings despite losses taken in our public equity investment portfolio. We have made the strategic decision to exit this portfolio to further tighten our focus on our core franchise businesses.

Now, those businesses had a robust first half of the year, as we suspect is true for most wholesale banks, with our interest rate in foreign exchange trading areas leading the way. Current conditions are quite favorable, but as is often the case in this business, it's hard to be precise about the future. We continue to

be surprised at the strength we are seeing in this business. Our position as an AAA counterparty is allowing us to grow in challenging economic circumstances.

Moving to Canadian retail, we earned \$589 million in TD Canada Trust, about the same as last quarter, an excellent performance given the shorter quarter. We saw an increase in PCLs that was offset by good revenue growth, reflecting continued volume growth in both lending and deposits, and we've had some success repricing lending volumes and restoring margins. There's a reasonable chance that this may be a rare recession where we actually grow volumes through the downturn as we continue to fill the gaps left by those who have exited the lending market.

What's happening to us in the auto industry gives you an idea about the dynamics at work. Previously this was a market where we were not a significant player. This year we expect to lend against 200,000 new and used cars. So we are growing quickly here and gaining market share, an excellent example of the lower-risk profitable growth market dislocation actually produces.

Also another example of how TD and other Canadian banks have stepped up their lending networks to ensure that Canadians have access to credit. You will have noticed that TDCT's lending volumes grew this quarter, up over 11% from last year, clear evidence that we continue to lend.

Our wealth management business continues to perform well, given the environment. While we felt the impact of margin pressure as a result of low nominal interest rates, we've seen spectacular online brokerage volumes globally and continued new net asset growth. In the United States, for example, TD Ameritrade is currently growing net new retail assets faster than its largest competitor.

In the US retail we're also very pleased with our results. In the face of continued economic stresses and margin pressure we are growing deposits and loans. And as you would expect, we are still quite cautious on the US economic environment -- the worst, frankly, we've seen in a long time.

And so our PCL's have increased as we have built reserves prudently. We remain a positive outlier in terms of nonperformers.

On lending we have a simple approach -- don't make bad loans in good times, but continue to make good loans in bad times. So while we are expecting to have an increase in loan losses, we will continue to be a positive outlier and gain market share. We have the capacity to do this because we didn't make the kind of bad loans others did during the good times.

In a moment Bharat will take you through how pleased we are with integration so far, and we are thrilled to have one J.D. Power award again. Winning this honor in the midst of the Commerce integration is an enormous achievement. There can be no debate. Our people truly do deliver the best customer service in North America.

When we acquired Commerce, we said it was a strategic fit and superior value creation. And it's going to do that through organic growth. Well, I think it's fair to say that the Commerce deal is delivering on that promise. Integration is going exceptionally well, the teams are coming together, and the organic growth machine is powering de novo growth. We are very pleased with the power of our consolidated US retail franchise.

Having said all that, we are realistic. We are going to face a challenging economic environment as we go forward. We [have] come through the liquidity crisis and the great financial panic, and we are now entering in what might be the great recession. There remains a lot of uncertainty around the duration of the downturn and the strength of the subsequent recovery. But fears that the economy could spin uncontrollably downward where further catastrophic events could hit the financial sector seem to have gone away. Consumer and investor sentiment appears to have stabilized.

Of course, credit losses lag what's happening in the real economy, and the unemployment rate, a key driver of those losses, has not yet peaked despite the good news on the jobs front in Canada in April. But going forward it's reasonable to expect that our provisions for credit losses will continue to increase in both Canada and in the United States.

However, possible credit losses must be looked at in the context of our capital strength and our ongoing earnings power. That earnings power means we can't absorb, or, as you've seen this quarter, even earn through those losses. I stress this because I still believe that the market often underestimates the values of earnings and, more importantly, the value of consistent, high-quality earnings. Our retail businesses have an underlying earnings stability and an ability to grow that is a source of hidden capital strength.

Speaking of capital, we also had an excellent quarter in terms of capital. We've ended the quarter in a strong capital position with a Tier 1 ratio of 10.9%, about 75% of which is in Tangible Common Equity.

Let me step back and offer some overall comments on our earnings performance. We're actually doing better at this point of the cycle than I would have thought possible a few quarters ago because our volumes continue to grow for both deposits and loans. And if we can sustain this growth through the downturn, that creates a significant tailwind that can offset increasing PCLs. As I mentioned, we have also been surprised by the earnings strength of our core wholesale franchises.

The other major headwind we've discussed is the spread compression, given low nominal interest rates. Offsetting that is some success in Canada in repricing our book. But we continue to see pressure in the United States. For 2009 we said that we will need to work hard to reach the same earnings per share that we hit in 2008. I'd say that's still our base case, but we are a little bit ahead of where we thought we would be a few months ago. We're still cautious as we face the possibility of further cyclical credit losses, but clearly the balance of probabilities has shifted towards us having a reasonable shot at equaling last year's results.

I think there's even more room for optimism as you look forward and ask the question, what will TD look like when it exits this recessionary valley? Well, the market's way of answering that question is to evaluate pre-provision earnings. We have tremendous potential upside in our earnings when PCLs normalize. And importantly, we are not sitting still; we are continuing to grow and invest to ensure that we emerge from the valley with momentum.

In fact, we see opportunities in every one of our businesses as we continue to grow the top line. At TD Canada Trust we are growing customers, deposits and lending in spite of a slowing economy, and that builds in earnings for future years. As I've said many times, we are a balance sheet company that generates an income statement. The growth this year tends to lock in earnings growth for next year.

For TD Insurance we gain market share every year. In Wealth our net new client assets and client growth have remained strong, and TD Securities' focus on profitable franchise businesses is proving to have even greater profit potential than we thought. And our risk reduction strategy has moved even faster than we anticipated. At TD Bank, America's Most Convenient Bank, we are very happy with the results from a team focus on accelerating our growth by leveraging the power of the TD brand. What I've learned over the past year or so is that the key elements of our business philosophy that allowed us to escape many of the severe market issues will also turn out to be a huge advantage for us as we navigate and eventually exit the recession.

As some financial institutions are forced to reengineer their core business model, our strategy remains intact. We are on a retail-centered, customer-focused, North American franchise that's supported by a focus on liquidity, conservative risk management and convenience and service for customers and clients.

With that, let me turn it over to Colleen.

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

Thanks, Ed, and good afternoon. Please turn to slide four.

Q2 '09 highlights -- total Bank adjusted net income was \$1.89 billion, up 12% from last year; adjusted diluted earnings per share, \$1.23, a 7% decline from Q2 '08. New common and preferred equity issues this year took about \$0.07 off our EPS this quarter.

Total adjusted retail earnings were almost \$1 billion, up 11% from a year ago, primarily as a result of the addition of Commerce. This is the fourth quarter we are including Commerce earnings in our results. Year-over-year comparisons are applicable starting next quarter.

Our wholesale net income of \$173 million was up 86% versus Q2 '08. On an adjusted basis the Corporate segment posted a loss of \$80 million compared with a \$14 million loss last year. The higher loss was driven by an increase in unallocated corporate expenses and a nonrecurring tax benefit reported last year. Our Q2 Tier 1 capital ratio was 10.9%. More to come on this.

Please turn to slide five. Reported net income was \$618 million or \$0.68 a share. Adjusted net income was \$1.1 billion or \$1.23 per share. The difference between reported and adjusted was due to six items of note. The first four are recurring. This quarter we increased our general allowance by \$110 million due to volume growth and credit quality declines, particularly in Canadian retail unsecured lending and certain wholesale exposures. Treatment as an item of note is consistent with prior practice.

Litigation charge of \$39 million or \$0.05 per share relates to the settlement of the TD Banknorth privatization.

Please turn to slide six.

Canadian P&C, net income of \$589 million, up 1% from last year; also up 1% from last quarter, an accomplishment given the short quarter. Results were impressive. Strong operating leverage allowed us to earn through a 50% increase in PCLs.

Highlights -- excluding the transferred US businesses, revenues grew by 5%, expenses by 2%, a 3 percentage point gap. Efficiency was 50%, excellent in a short quarter. Revenue growth was solid due to very strong volume growth and good margin performance. Volume growth was strong across the board. Real estate secured lending, up 12%; consumer lending, up 14%; business loans and BAs, up 7%. Personal deposits grew 17%, business deposits up 16%.

As expected, the margin improved versus last quarter, up 12 basis points due to wider prime BA spread, partially offset by lower margins in term and business deposits. Expenses were very well-managed, up 2% versus last year, while we continued to invest for the future. We've added 11 new branches year-to-date and 80 business bankers. Provision for credit losses of \$286 million for the quarter, up 50% from last year, due mainly to personal lending, credit cards and unsecured lines of credit. Business banking PCL of \$26 million for the quarter remained low and was up \$10 million from last year.

Slide seven, Global Wealth Management, which excludes TD Ameritrade -- net income of \$78 million, down 32% from last year, up 4% from last quarter. Results were in line with our expectations. The driver was declines in asset values reflecting weak equity markets.

Highlights -- excluding the transfer of US businesses, revenues declined by 10% and expenses were relatively flat. Revenues were down despite very strong trading volumes in online brokerage. Revenue fell

due to lower asset values and margin compression. We continued to invest in the business. We've added 28 client-facing advisers this year.

TD Ameritrade contributed \$48 million to TD this quarter, down 28% from last year. TD Ameritrade's earnings were down due to margin compression, while trading volumes remained very robust.

Slide eight -- US personal and commercial bank -- the one-month lag is now gone. Here you see the results for the three months ended April 30. January results went to retained earnings. In US dollars, adjusted net income was US\$226 million for the quarter, up from last year due to the addition of Commerce but down 11% from last quarter. The business performed well despite a 40% increase in PCL from last quarter.

Highlights -- revenues exceeded US\$1 billion this quarter, up 4% from last quarter. In terms of the fundamentals, strong volume growth continued this quarter while we experienced continued margin pressure. Revenues were boosted by some timing-related items, in part due to faster prepayments. PCLs were up this quarter, due mainly to further weakness in the real estate portfolios. We continue to build reserves.

Expenses were up from last quarter; higher FDIC insurance premiums and timing related to employee benefit costs. A further FDIC increase is coming. A special assessment will cost us US\$50 million, is payable by September 30 with the possibility of further assessments.

You've asked about goodwill. We've included a slide on this subject in our appendix. In short, we are comfortable with our goodwill valuation as our US franchise continues to perform in line with expectations despite a tough banking and economic environment. Recent call reports indicated a \$1 billion internal capital injection into our US subsidiary. This was part of our routine capital management activities.

Wholesale, slide nine -- wholesale net income of \$173 million, a very strong quarter, up 86% from last year, down from an exceptionally strong Q1. We don't see these first-half results continuing into the second half. Revenue growth was driven by very strong interest rate, foreign exchange and energy trading and higher underwriting and equity commissions. This was partially offset by security losses, \$168 million this quarter. Losses were mainly due to our merchant banking and public equity investment portfolio. The latter is known as our head office portfolio and is in the process of being exited.

Credit trading revenue was flat this quarter compared to losses in previous quarters. We've made significant progress exiting non-core positions. PCL was up versus last year due to a specific provision on a single name this quarter.

Expenses were up 22% from last year; higher variable compensation on stronger results, higher severance and investment in control and risk initiatives. Huge progress this quarter with risk weighted assets; down \$8 billion due to reduced positions, lower value at risk and the strategic decision to exit our head office equity portfolio.

Slide 10 -- let me take you through our Tier 1 capital ratio. Tier 1 capital ratio was 10.9% at April 30, up from 10.1% at Q1. During the quarter we issued \$625 million of preferred shares. This plus common issuance through the DRIP program added about 30 basis points to our Tier 1 ratio. Risk-weighted assets fell by \$12 billion this quarter. The declines were mainly in Wholesale and the U.S. Personal and Commercial Bank. Our Tangible Common Equity as a percentage of Tier 1 capital is about 75%, which illustrates the high quality of our capital base. Our risk-weighted assets as a percentage of total assets is 35%, better than the peer average in Canada and much better than the US banks.

Next slide -- our available-for-sale securities portfolio, or AFS book, some highlights. We continue to expand our AFS disclosures this quarter. Over two-thirds of the book is in government-related securities.

The Commerce non-agency CMO book was \$8.2 billion Canadian at the end of Q2, or 9% of AFS. US housing prices are tracking in line with assumptions we used in our original model, and other trends are positive. The unrealized loss on the portfolio was down 21% from the prior quarter. We are seeing significant prepayment activity, and the Canadian accounting rules are changing. The new accounting rules will help to minimize our downside. If we do have impairment, the loss will reflect credit losses, not liquidity-related losses. Most of the fair value decline to date reflects liquidity losses.

As I mentioned last quarter, if we do experience any impairment charges, they will likely materialize in smaller periodic amounts. The remainder of the AFS portfolio is in very high-quality debt and equity securities. The other comprehensive income deficit for AFS was down by 47% versus Q1.

I will now turn it over to Bharat.

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

Thanks, Colleen. Please turn to slide 12. We continued to make significant progress on the integration and are meeting all of our key milestones. We recently began the rollout of our new teller platform, and the system has been extremely well received by both our employees and customers. Over this coming weekend we will convert our TD Banknorth customers to our new enhanced retail and small-business product suite.

We opened 11 new stores this quarter and are on track to open 30 stores in this fiscal year. We've been extremely pleased with how these new stores have performed as we continue to expand our franchise.

We remain relentlessly focused on providing our customers with a WOW! customer experience. I'm thrilled to share with you that we were recently awarded the prestigious J.D. Power award for customer satisfaction for the fourth year in a row, and this in the midst of a major integration. This is a significant achievement and is testament to the commitment and dedication of our employees who WOW! our customers day in and day out.

Lastly, as I've shared with you before, we are on track for a successful systems conversion in the second half of '09.

Now let me turn it over to Mark.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Thank you, Bharat. Before I begin, I'd like to point out that we have expanded our disclosure portfolio credit quality this quarter. Additional information is provided in both the main presentation and the appendix.

Please turn to slide 13. First I'll provide you with an overview of performance at a consolidated level, followed by brief highlights on each of our credit portfolios.

Total loans and BAs outstanding on our balance sheet were \$243 billion at quarter end. This represents a 1.25% increase quarter over quarter.

Please turn to slide 14. Looking at loan portfolio quality, gross impaired loans across all portfolios increased \$332 million compared to last quarter, a \$1.875 billion or 77 basis-point increase for total loans and BAs outstanding, reflecting the continuing challenges in the Canadian and US economies. The most significant growth in gross impaired loans was in the US personal and commercial portfolio. I'll provide a

brief overview of each portfolio in a moment. In terms of traditional coverage metrics, specific allowances as a percentage of gross impaired loans was up quarter over quarter from 25% to 27.6%, a level that we remain comfortable with at this point in the cycle.

Coverage is lower than historical levels for two reasons. First, policy changes in 2007 expanded the definition of gross impaired loans to include defaulted, CMHC and other insured mortgages. These loans do not require specific allowances as no losses are expected, thereby reducing the ratio. This segment represented roughly 1/3 of Canadian personal gross impaired loans at quarter end. And second, the US market practice of charging off impaired loans more rapidly further reduces the ratio when compared to Canadian-only historical levels.

Please turn to slide 15. The expected PCL pressure discussed last quarter was indeed evident this quarter. Consistent with the increase in gross impaired loans, total PCL for the three months ended April 30 was up 16 basis points quarter over quarter as a percentage of total loans and acceptances with increases evident in every segment. These results exclude general allowance provisions of \$80 million in Q1 and \$110 million in Q2 allocated to the Canadian personal and commercial and wholesale segments.

During Q2 we continued to increase general allowances in light of current trends and conditions. Total general allowances are now \$1.7 billion. Together, general allowances and specific allowances of \$517 million represent a gross impaired loan coverage ratio of 116%, stable quarter over quarter. At this point it is difficult to predict when pressure on PCLs will abate. However, we continue to believe that TD's loan portfolios are acceptably positioned to ride out the current economic conditions in both Canada and the US.

Please turn to slide 16. As I indicated earlier, additional information on each of the Bank's significant credit portfolios can be found in the appendix. Rather than review each in detail, I would make the following highlights. First for Canadian personal, 78% of the Canadian personal portfolio is real estate secured loans consisting of mortgages and HELOCs. Of this amount, 68% are insured, primarily through CMHC. PCL continues to run at nominal levels in this segment, and we do not foresee any significant changes going forward.

The same cannot be said for Visa and unsecured lines of credit, however, where we are vulnerable to current economic conditions. The risk in these products is somewhat mitigated by the fact that they account for less than 12.5% of portfolio outstandings. While steps have been taken to enhance underwriting standards over the past few years, we expect that current economic conditions will continue to negatively impact this portfolio for the balance of the year and likely into 2010.

Both the Canadian commercial and wholesale portfolios continue to perform well. Loan commitments are diversified across industries, and we have limited exposure to vulnerable industries such as automotive, forestry and oil and gas services. As outlined in the appendix, the Bank's overall exposure to the automotive industry is considered to be manageable. Over 70% of the wholesale credit commitments are to investment-grade counterparties. We have sound monitoring and control processes in place across both portfolios. Overall, performance remains well within our expectations, given the current environment.

Next, turning to US personals. As we indicated in the past, the US personal credit portfolio benefits from an in-footprint lending strategy, resulting in nominal exposure to the hardest -- or no exposure to the hardest-hit US markets and minimal exposure in our Florida footprint. Our borrower credit quality remains acceptable with 91% of real estate secured borrowers at a FICO score of over 620. Delinquency rates, while elevated over historical norms, remains stable and compare favorably to our peers. If economic conditions continue to deteriorate, we anticipate there will be increased pressure on delinquencies levels and PCL in this segment.

Lastly, in the US commercial portfolio. Commercial real estate and specifically residential for sale remains the area of greatest concern. Office and retail real estate are performing better than expected, but we do anticipate further softening in these portfolios. We continue to take a proactive approach to risk mitigation across the portfolio. While further increases in gross impaired loans and credit losses are expected as the full impact of the recession plays out, we expect our sound underwriting standards combined with a strategy to only originate and hold credit exposures within our footprint will favorably impact our performance.

Now I'll turn the presentation back to Tim.

Tim Thompson - TD Bank Financial Group - SVP - IR

Thanks Mark. We're going to move to the Q&A session right now. A reminder, before ending the call, I'll ask Ed to offer some final remarks. We'll start here in the room, please.

QUESTION AND ANSWER

Ian de Verteuil - BMO Capital Markets – Analyst

First of all, I did want to thank you for the improved disclosure this quarter. I think [as we end] our credit cycle, the more we can find out about the loan books, I think, the more comfortable we'll get.

Unfortunately, it does raise more questions. On that, Mark, when you look at the impaired loan books -- I'm looking at your supp pack, page 21 -- it does look as if, on the CRE side, the residential piece is deteriorating. But it looks as if in the nonresidential piece you actually had some loans go back performing. Can you talk a little bit to the trends in the overall CRE book? It's a very big book (multiple speakers) --

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Yes. First, I'd like to address your specific question on page 21. So what you see in there, Ian, is that in reality we did have an increase in the residential for sale in gross impaired loans, as shown there. But in the nonresidential, really the decrease represents a reallocation of loans that were previously shown as non-residential into the various industry categories.

In the US we have a segment that is called owner occupied, so basically if you were to lend to a particular industry and you provided a commercial mortgage on it and they were, let's say, in a manufacturing industry, the Canadian practice and, we think, the appropriate practice is to put it in the particular industry that the borrower resides whereas, in the Q1, in [error], it was included in the non-residential real estate.

That kind of represents a change there. But if you look at the increase in gross impaired quarter over quarter, it was primarily concentrated in the residential for sale. This is an area that we've been concerned with for several years. We do think it is reaching stabilization because we've had so much attention on it over that period, but we are seeing some more additions to it, primarily in markets -- maybe in the New York markets that had not been -- [there] was a little lagged relative to the other markets that goes in that direction. We are seeing some signs or positive signs in the realization of those, but it's a little early to bank on that, in my mind. I do think that we will probably see increased pressure here, but we haven't added to this portfolio significantly over the last year, so I don't expect it to represent a big increase going forward.

The other area of commercial real estate, the investor-owned property -- although this continues to perform quite well, all the factors in the market would suggest it is vulnerable, so we're watching it very

closely. That would be an area I would have a concern in. I don't expect it to necessarily have dramatic changes, but I do see kind of continued pressure going forward as the impact of the economy plays out to the people that have investment properties, lower rental rates, higher vacancies, and such.

Ian de Verteuil - BMO Capital Markets - Analyst

Of the \$15 billion in the US -- page 19 of the slide deck now -- the \$15 billion of actual gross loans and acceptances in the US that you define as commercial real estate, how much do you think that -- ?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

I think that's broken out on slide -- (multiple speakers) -- so if I go to, let's see, 33? No, I'm sorry, 34. Yes. As you can see, 10 is the non-residential; that's the investor-owned, and 5 is the residential for-sale category. Then you get a further breakdown below.

Operator

Jim Bantis, Credit Suisse First Boston.

Jim Bantis - Credit Suisse - Analyst

Just actually sticking with that slide, Mark, on slide 34, looking at the C&I portfolio of \$26 billion and the impaireds at \$286 million, the PCL run rate seems awfully low for the size of this portfolio at \$30 million, maybe \$120 million run rate. Can you talk about some of the issues that could arise in that portfolio and maybe some of the asset classes that make this sizable amount?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Certainly. The reality is, the commercial and industrial continues to perform well. It is diversified across the remaining industries. In the book we don't really have a particular concentration to any other industry, other than real estate. It's one that we are watching closely, but it seems to be weathering this period relatively well.

Jim Bantis - Credit Suisse - Analyst

So is the loss rate that you are experiencing with that C&I portfolio, I guess, is it similar to other northeastern banks or in line with what Commerce Bank would have had in other economic downturns?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Well, I'd say that it would be Commerce and Banknorth legacy combined. It has stepped up a little bit over the last year. It would be lower than what you would have experienced at this run rate in a recessionary period, but it continues to perform relatively well. But if you were to go back to a recessionary period, you would see a higher level of loan losses in that category.

Jim Bantis - Credit Suisse - Analyst

So that could rise, still, ahead of us?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

I think it could. But to be perfectly honest, I'm more concerned about the investor-owned real estate.

Jim Bantis - Credit Suisse - Analyst

I understand, okay. And if I could just squeeze a question into Ed, who had, actually, some pretty positive comments in terms of your opening remarks. I had to pick up my jaw to make sure I was listening to the right call. And you -- and then you talked about being quite active despite going into this valley in terms of growing the businesses, and it was clearly demonstrated that you are looking at a particular bank in Florida.

Maybe if we can just not look at that specific situation, Ed, if you could just talk about the Bank's appetite for assisted acquisitions in this US environment where the rules are changing. And I'm just wondering how you see TD can fit over the next 12 to 24 months in these regards.

Ed Clark - TD Bank Financial Group - President and CEO

Well, they did a personality lobotomy on me before they brought me up here, so that's what accounts for the opening remarks.

Jim Bantis - Credit Suisse - Analyst

There we go.

Ed Clark - TD Bank Financial Group - President and CEO

But just to comment on that, I want to be clear in the sense -- I think there has been, and certainly in our place, a mood shift that says we are not looking at Armageddon now, that there is some bottom to this. I don't think that says, though, that we're saying that this isn't going to be a tough next 18 months. But it does mean that you can start to look across the 18 months and say, well, where do you want to be positioned when you come out of this and do we have the earnings power and capital to survive what seems to be likely to come our way in the next 18 months? And I think the answer is clearly yes.

So I think that we are feeling better today than we felt two quarters ago where, two quarters ago, you weren't really sure how deep this was going to be and how long this was going to be.

In terms of deals in the United States, it doesn't, though, change my view that at this stage we still don't have visibility on asset values. It's very hard to see how you can value a bank to buy it outright. And so we remain interested in doing assisted deals. We continue to have a very productive and open discussion with the regulatory authorities in the United States. And if it fits our strategic map and we are confident that it's shareholder friendly, then we would definitely look at something. But it's really dependent on events that are outside our control.

Jim Bantis - Credit Suisse - Analyst

Got it. So the changing of the rules or the dynamics in the environment haven't really prevented a Canadian bank, per se, from being acquisitive in the marketplace? It's just asset values at this point?

Ed Clark - TD Bank Financial Group - President and CEO

Yes. No, not at all. I think I have to give full credit to the US government. They go out of their way to be welcoming to us. I think they see us as a successful bank operating in the United States that happens to have foreign ownership.

Operator

Richard McCormick, Blackmont Capital.

Richard McCormick - Blackmont Capital - Analyst

Yes. I had just a couple of quick questions here. This first one is page 11 of the supp pack, the net interest income. I noticed it says it's showing here that deposits with banks, the interest income jumped pretty significantly over the quarter. I was wondering if you could just kind of give us a little color on that.

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

Really it just represents a bit of a shift in our investment strategy in the United States, so it's really just about overall mix.

Richard McCormick - Blackmont Capital - Analyst

And if you could, give us some color as well on the month of January. I know, on slide 25 here of the presentation you show that it was about \$4 million in adjusted earnings, I think, or \$54 million. I'm just wondering if you could tell us what the provisions were, just for the month of January.

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

In terms of January, the provisions were fairly similar to the run rate that you saw for the second quarter, at about \$70 million a month.

Richard McCormick - Blackmont Capital - Analyst

Okay, about \$70 million. Just one last question, just on the \$1 billion that was injected into TD Bank NA. Could you give us any color on that side of things, on what was going on there? It was just part of operations, or was it trying to just increase capital, given the environment there?

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

I really wanted to point out -- I think there are always concerns when you see a big capital injection like that that it could mean that the regulator had insisted or something to that effect. Clearly, that's not the case, and that's why I included that remark. It was a very routine capital injection. Frankly, we are growing in the United States. You'll see that in our assets, so we will be growing going forward, and it was very routine internal capital injection.

Operator

Michael Goldberg, Desjardins Securities.

Michael Goldberg - Desjardins Securities - Analyst

I also want to get some clarity on that period adjustment for TD, NA. So I'm looking at your supp pack, page 8. And I'm just wondering which line I should think in terms of. You've got reported net income for the US P&C segment of \$186 million, or, let's say, an average of 62 per month, and 226 total, for about 75 a month. And then you have the US segment monthly adjustment for January of 54. Which of the two lines is the one that I should be comparing it against, 62 or 75?

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

Well, I would go back to the adjusted basis, Michael. So I would look at the 281, which was the Canadian dollar amount for the quarter, and compare that to the \$54 million, which was really the equivalent amount on an adjusted basis for January. Those are the two numbers you should be comparing.

Michael Goldberg - Desjardins Securities - Analyst

So 281 for the quarter, or something in excess of \$90 million per month, versus 54 for January. So would my conclusion be that, had you not made this realignment, that the impact on reported earnings could have been in the neighborhood of \$40 million to \$50 million?

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

I think January is a seasonally -- not think, I know it's a seasonally slow month. We had certain timing and nonrecurring items that were in that month. I think, on an ongoing basis, you should look at the quarter and for your run rate analysis and ignore January.

Michael Goldberg - Desjardins Securities - Analyst

But would I be correct in saying that, had you not made that adjustment, the impact could have been on the order of \$40 million to \$50 million?

Bharat Masrani - TD Bank Financial Group - President & CEO, TD Bank, N.A.

Yes, if that's the math, yes, then it would be.

Operator

Mario Mendonca, Genuity Capital Markets.

Mario Mendonca - Genuity Capital Markets - Analyst

Very quick question, probably for Mark Chauvin. Page 16, you refer to commercial losses expected to lag the recession, but the position is well-positioned. Could you help us think through what a lag is? How great a lag is it, and how do you think of it? When unemployment stops increasing, is that sort of the end of the recession, or do you think of it from GDP growth? Anything you can offer to help understand that sentence.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Okay, I'll draw on prior experience. I don't think I'd think of it in terms of a specific economic indicator as much as, we know that when the economy seems to turn and things are just generally getting better that we'll continue with commercial loan losses, primarily commercial and wholesale, for maybe a 12 to 18 or even two-year period afterwards.

A lot of that is that it -- in the wholesale segment, I mean, you are dealing with more complicated credits that go through longer extended workouts, and so there is quite a lag there. It might be a year or two after before they get to a point where they can restructure and exit. And during that period, you're probably building specifics as you identify the problems and you try to be conservative when you assess them. It takes awhile for it to work out. And a year or so later, even, recoveries are quite common.

In the commercial I think it's more that it's not so much the complexity, but it's that the commercial borrower will probably not be as quick to surface problems. Even your account management base won't be as quick to identify them. And so they are -- you find out about them later, and then it takes you longer to kind of resolve them.

So if I were to use maybe looking at '89-'90, our loan losses peaked '91-'92, and then we started to see recoveries come back years after that. So maybe a one- or a one-and-a-half- to two-year lag, in my view, on those, based upon that experience.

Mario Mendonca - Genuity Capital Markets - Analyst

That's helpful from a timing perspective. How about -- sorry, actually, you did answer that; you said they actually peaked in '91-'92, relative to the '89-'90. You did answer it. Thank you very much.

Operator

Sumit Malhotra, Macquarie Capital.

Sumit Malhotra - Macquarie Capital Markets - Analyst

A couple of questions on net interest income, the first one is hopefully a quick one for Colleen. If I look at the corporate segment, it looks like we had a \$100 million improvement in the negative NII. There's a

comment in the report to shareholders about it's treasury, better treasury income, treasury performance. Could you give me a little bit of color on that and how sustainable that is?

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

If you get to an adjusted corporate segment and you factor out the TEB, which is in the business but then it's deducted, if you will, in the corporate segment, you get a much smaller difference in the corporate segment number. And there are various reasons for that, in the way we are managing the treasury management activities and how we are deploying some of our cash as well as some of the liquidity management of activity. So that is part of the margin improvement at the all-bank level in the quarter. And in the corporate segment, it was an improvement of about \$50 million on an adjusted basis.

Sumit Malhotra - Macquarie Capital Markets - Analyst

I'm thinking back to two quarters ago when, certainly, capital markets were a lot less welcoming than they seem to be today. And it sounded like, in the corporate segment, you had changed the investment profile to be, let's say, more conservative. And perhaps that was having an impact on your securities yield. Are we starting to go back the other way now?

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

That's part of it, definitely, in terms of liquidity management, where we were obviously staying on the sidelines when there was so much uncertainty during that period. We are obviously looking at better spreads on some of our investments now.

Sumit Malhotra - Macquarie Capital Markets - Analyst

That's helpful, thank you. One more on NII total. Last quarter, for Canada Trust, you certainly suggested that NIM would improve, and we saw that. Your tone on loan growth in that segment seems a lot better today than it did three months ago. I guess the two questions would be, am I right on that last part in that you're feeling more optimistic about what we'll see for lending volumes in Canada Trust? And is there still an opportunity to see NIM get better as the repricing continues, or do you feel that most of that has worked its way through the portfolio?

Tim Hockey - TD Bank Financial Group - President & CEO, TD Canada Trust

I would say that, for lending growth in TD Canada Trust, we are actually quite comfortable with the rate that we've had, and we'll actually expect it to moderate somewhat. But we would have thought it would have moderated before now. And in terms of margin, we expect that that will actually bump around at the level that we've got currently.

Operator

Andre Hardy, RBC Capital Markets.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

This is probably for Mark. Page 24 of your supp pack has incremental detail and provisions by product. And when I look at the US and you compare what you see on this chart to some of the base assumptions under the stress test, the two areas where losses are most different or would have the most risk, according to the stress test, would be the HELOC and the business and other. Can you help us understand what it is about your specific portfolios that might or might not be better than the industry, in your mind?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Certainly. I think that it's probably really a discussion on HELOCs. It does come very much to the fact that I guess, first it starts with the footprint, where the footprint hasn't been hurt as severely as the other parts of the US, so that's kind of where it starts. Within both legacy banks, they would only hold what they originated and they would only originate in footprint. So I think that always has a favorable impact when you are assessing the risk, the risk that you are ultimately going to hold.

And then -- because we do compare favorably even in that footprint relative to our peers. Then I think the other idea is that the underwriting standards were fairly -- they didn't sway too much during the better times. And if you look at the personal credit, and we tried to give some detail in the additional disclosure. If I were to turn to I guess it's slide 33, as you can see, we don't have a lot in the HELOC that is greater than a loan to value of greater than 80%. There's a strong first lien versus second lien position. And then the FICO scores I had mentioned in my comments that were 93% was over 620, but 75% are, in total. But if I were to look at HELOCs, somewhere between 81% and 76% is over 700. And those are updated, refreshed FICO scores. So it's a pretty strong consumer base that is our customer in our footprint that has proven to behave better than what you would have, kind of the originate-to-distribute type of concept would have held up.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Just two points of clarification. The LTV is also a current estimated value?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

Yes, it is. It is updated by the changes in average home prices in the specific area where the borrower resides.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

And the other one -- and I think you've disclosed this before, so I apologize. The \$10 billion of home equity -- how much his first lien versus second lien?

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

It's not on this slide. It's about 40 -- I'm surprised -- I should have put it on the slide; I apologize for that. It's, pretty sure -- let me get that exact number. It's 40 or 60, but I want to -- I'll give you an exact number, and we'll post it.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Thank you.

Mark Chauvin - TD Bank Financial Group - EVP - Chief Risk Officer

I don't want to be wrong.

Tim Thompson - TD Bank Financial Group - SVP - IR

We'll come back in the room. Ian?

Ian de Verteuil - BMO Capital Markets - Analyst

Ed, the issue of capital is a tough one, generally. It's a very difficult one at this stage. But one of the things that's even making it more complex is the speed with which Canadian banks, Tier 1's, are whipping around here. We've had -- your Tier 1's are up 80 basis points in a quarter here. The risk weighted's are moving around, up and down. It's just amazing the way these (inaudible) throwing around numbers here.

How do you think about running a bank so that you're confident that the capital is the right number, generally speaking, or that there's enough capital to give you the flexibility going forward? How do you think about capital, other than just this Tier 1 number, which you were probably too [wedded]?

Ed Clark - TD Bank Financial Group - President and CEO

I think we all went through, when we were going through the great financial panic, I think there were even analysts that wrote, earnings don't matter anymore; it's all about capital. And so I think there was tremendous pressure to say let's make sure we have enough capital. And I think correctly, to say if you don't know how deep this downturn is going to be, ultimately, in terms of protecting the Bank, capital is a critical element.

And I think the one element that I think we still don't have a good handle on is how much credit migration is going to affect your need for capital. In our case, because our US operation is mostly Basel I, and because our wholesale exposure is so small, it isn't, I think, as big a factor as it might be for other people, but it's still a factor that you have to be concerned about.

So I think the way we look at capital is -- and I guess, sorry, I'd say the second factor, which has been a surprise, is you would have thought, though, an offsetting impact would have been as you headed into the downturn that your loan growth would slow down dramatically. And as I've said, the surprise for us has been that it still has remained pretty robust, and we clearly are filling in for other people who have left the markets. So that you end up -- I think what caused us to worry is that you go in the downturn, you get both credit migration and loan growth and have big pressure, therefore, on your risk-weighted assets.

In our particular case, that was offset by the strategic decisions we said, is let's move more dramatically to a pure franchise model in our wholesale. So I think you have to look at today's -- the reduction that occurred in the last quarter as a one-time reduction. We are not going to keep on doing that. We are kind of through that. And so I think you could still have upward migration of risk-weighted assets going forward if those two factors become strong.

And so I think the prudent thing to do is have lots of capital as you go through this downturn to make sure that you protect the Bank. And frankly I think we feel a moral obligation to Canada and to where we operate in the US that we will be a contributor to the economic recovery, not a drag, and therefore that we will, both in the places that we operate, we will not find capital constraining us and saying, well, we can't lend because we have a capital constraint.

Do I think 10.9% is what should be the new normal when they come out of this? I think it's clearly a very high number, but I think it reflects all those concerns.

Ian de Verteuil - BMO Capital Markets - Analyst

Is the buildup of capital -- is there any element of being more confident in deploying money? Because there's a lot of capital here. It's funny, you know. Six months ago we were talking about DRIPs, and now it's almost too much money coming in on these things. Is there anything you do, or do you just run the business unchanged as you go through here?

Ed Clark - TD Bank Financial Group - President and CEO

Yes. I don't think it affects how you run -- you shouldn't let it affect how you run the business. But I think what we did want, but I said you want to be in a position that capital didn't become a factor in how you ran the business. So I think that's been the concern of the government. It's clearly been -- the government of Canada. It's clearly been a major issue in the United States. And we wanted to be in a position to be able to say it's not an issue for us. We will do good loans, and capital will not be a constraint.

Tim Thompson - TD Bank Financial Group - SVP - IR

We can go to the phone lines for one last question before I ask Ed to summarize the call. So to the phones for one last question, please.

Operator

Ohad Lederer, Veritas Investment Research.

Ohad Lederer - Veritas Investment Research - Analyst

I have a question about the composition of your Tier 1 capital. I'm looking at your supp pack, page 42, specifically line 16, the securitization and other. Some of the commentary about the non-agency RMBS transaction that you undertook implied that the capital drawdown would be less. But I'm seeing that it's still sort of negative \$600 million drawdown on your capital. Could you just talk about why that didn't decline?

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

So that line represents two items. First of all, we are required to deduct 50% from Tier 1 and 50% from Tier 2 of any securities that are rated BB-minus -- sorry -- rated below BB-minus. So part of it is, about half of it is that number. And the other half is an adjustment that's related to our resecuritization which is covered in our report to shareholders, which is, again, part of really adjusting the total capital to reflect the amount needed now that we have resecuritized the portfolio. So there's two elements to it.

Ohad Lederer - Veritas Investment Research - Analyst

Right, so the portion that is below BB-minus has been reduced significantly, but the deduction from Tier 1 hasn't? I guess that's my question.

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

Right. There's another adjustment, again, to reflect the total capital that's required. In effect, what the securitization did is it allowed us to use, if you will, the initial deduction that we took when we wrote down the book on closing the deal. So that's really part of the equation. So we're actually able to recapture that in the calculation, and then that line then contains an adjustment related to the total capital required for the portfolio.

Ohad Lederer - Veritas Investment Research - Analyst

Okay, thank you.

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

I'd be happy to discuss it off-line with you. There are some complexities in it.

Ohad Lederer - Veritas Investment Research - Analyst

Thanks, that would be wonderful.

Tim Thompson - TD Bank Financial Group - SVP - IR

Thanks, over to Ed, please.

Ed Clark - TD Bank Financial Group - President and CEO

So, as I said in the beginning, obviously I think it was a good quarter. We are feeling good about the quarter. More importantly, we are feeling very good about how each of our businesses -- each of our businesses, I think, are coping with their current economic environment extremely well. That doesn't mean that, as we look forward, that we don't believe that we're going to see rising loan loss provisions. I think we're not done with the credit cycle yet here. On the other hand, we are struck by the strength of our earnings power and our ability to grow, and I think that's an important offsetting impact.

And I think, if you look in the short run, how do we feel about 2009, obviously we feel slightly better about what our earnings potential is in 2009, given how well we've done in the first half. But I think the most encouraging thing for us is we seem to be able to continue to grow the Bank, to be able to afford to put the investments in the long run is building franchises, and therefore we are feeling even more confident about how we are going to come out of this coming recession.

Thank you.

Tim Thompson - TD Bank Financial Group - SVP - IR

Thanks, Ed. With that, I'll end today's meeting.