Bank Financial Group
Investor Relations

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[Check Against Delivery]

Slides 1 and 2

Thanks Rob. Thank you for inviting TD Bank to be here. It is an honor to present.

This is the first time by and large that I have presented the slides or the presentation that Ed would normally present. He is on holidays and a number of months ago asked me to step in and I said yes a number of months ago. Of course last night as I was writing this I had somewhat of a different view on what I might say this morning.

Given there are slides on the entire bank, rather than just reading them from Ed's perspective, I thought I would give this presentation from the perspective of somebody who is in charge of the wholesale bank and who is relatively new part of the senior management team at TD. As well, I will also give you my perspective as a shareholder, which I think by and large that is the perspective that the people in this room represent.

As much as possible that's what I've tried to do in the presentation. I changed this last night, Scott, so you might have a hard time following it. Hopefully, I'm not saying anything that we haven't disclosed.

Slide 3

What I want to talk about is TD and its three core businesses from that perspective. We have three distinct businesses; however, they do strive for three common objectives. First, they have clear, straightforward and executable strategies. Second, all three businesses are focused on operational excellence. And third, all three businesses are focused on the creation of shareholder value over the medium and longer term.

We significantly restructured and repositioned all three businesses in the last number of years. TD and Canada Trust did a merger, which was executed very effectively, but as all mergers it took a significant period of time to do. The reorganization of the wealth business in the U.S. is a function of the bubble expiring and a need to invest in TD Waterhouse in the U.S. The wealth business in Canada needed to become a more integrated business. And the wholesale business is a function of a very focused strategy that had previously been followed that came to difficulties in 2001 and 2002 as a result of loan losses, and we have repositioned, and restructured that business.

I'm very excited from a shareholder perspective about what's happened in all three businesses and the potential for these businesses. I think we have good fundamentals. We have good momentum. We still have a lot of work to do, but I think the opportunities are significant.

Slide 4

We run three core businesses -- you invest in one company. I think what you need to know, and what we need to know as shareholders, is that the entire management team of the bank is focused on your objectives. We are dedicated to establishing a management culture that is focused on, and aligned with, shareholder interests over the medium and longer term.

And so what have we done to this effect? I think an important aspect of what's changed at TD from the perspective of the management team, is that we're all aligned in the same interests of the shareholders of the bank.

With respect to compensation and rewards we've done three things. We've established leading share ownership standards for senior management. This is ownership where people actually buy stock with cash -- either their own cash or cash they defer from compensation that they would have otherwise been paid in cash.

Secondly, a high percentage of total compensation is in the form of medium and long-term deferred compensation. Many of the risks we take at the bank are longer than a year and should be, therefore, aligned with how one is compensated over time.

And thirdly, senior management at the bank is paid on the results of the overall bank, not on the results of any given area. Sure your area’s performance is important, but the most important driving factor in compensation of the senior management team is the economic profit of the bank and its growth over time.

Slide 5

Now let's look at the core businesses.

We are approximately 75 percent retail and wealth management in terms of our revenue and our earnings and our capital. Twenty-five percent is wholesale banking.

If we can grow our way into an 80/20 mix, we'll try to get there. We're not going to get to an 80/20 mix by not growing or not taking advantage of good things in wholesale or trying to expand in the market. If we can grow to 80/20, we'll get there. From a shareholder perspective, I think it's a good thing to do. I think the 75/25 mix is good. In the latter part of the 1990's and into the early 2000's, we were approximately 50/50 in this ratio. I think 75/25 represents higher quality earnings and over time should capture a higher quality valuation.

From a wholesale perspective, I think the mix is good. I think with 25 percent of the capital of the bank we have more than enough capital to grow our business in a manner that we think will add to shareholder value over time. I think that with 20 percent of the capital, we have that opportunity.

Slide 6

I'll start with TD Canada Trust.

Quite frankly, from a wholesale perspective, there is not a lot of overlap between the retail bank and the wholesale bank. The main overlap tends to come on the commercial side where we have commonality in terms of processes, and some overlap of clients and overlap of infrastructure with respect to the commercial and the corporate clients.

But the values of the retail bank are significantly aligned with the values of the wholesale bank: superior client service; operational excellence; and creation of shareholder value. These are values that have been in the retail bank for a long period of time and are values they have pioneered and are sharing with the other people they do business with.

From a shareholder perspective, this is a very attractive business. TD Canada Trust has dominant market positions in many of the key market areas that it's involved in. It clearly has franchise and brand value, and earns significant economic profit.

I think that as everyone, who has been through one or has observed from afar, knows mergers are difficult. Especially a merger when you're taking businesses the size of TD and Canada Trust and putting those two companies together.

I look at it as having spent the first three years actually integrating and making the merger happen and the last year actually starting to see things come together and see benefits from the merger in terms of synergies, revenue synergies that is.

The merger was very well executed, but mergers take time. What I see in this business is that TD Canada Trust is starting to hit its stride although it has a lot of work to do now as it looks more towards the marketplace. However, the next three to four years should be an exciting time in terms of reaping benefits from the merger.

Slide 7

There is a large focus at TD Canada Trust on operational excellence and this is not just operational excellence, meaning a better efficiency ratio. Clearly the efficiency ratios here are quite attractive and going in the right direction. I think the operational excellence goal is all about maintaining an appropriate gap between revenue growth and expense growth.

So what does operational excellence mean as I see it expressed by the management team on the retail side? Quite simply it means simplifying systems, simplifying products, reducing errors, reducing costs, allowing the retail sales force in the bank branch and the other forms of distribution channels to actually face the customer and talk to the customer about customer issues. Operational excellence allows that customer focus that allows revenue growth, but it also does it in a way that you're actually offering products and services that add economic profit to the firm.

The objective of operational excellence I guess I would say is synonymous with both revenue growth and economic profit. I think the bank on the retail side has, through the acquisition and putting together the two cultures of TD and Canada Trust, come up with operational excellence as a core competence as something they can exploit over time to the benefit of shareholders – something that we're learning from.

Slide 8

Cross-selling is the Holy Grail of financial services businesses. I was sitting and thinking about cross-selling and thinking about it from the wholesale perspective. It's something that we have as an objective – and have had as an objective over a long period of time and at other places that I've worked -- and it's a very hard thing to do.

Why is it hard? It's hard because often times the people that you're asking to cross-sell don't really have the confidence and the product knowledge in order to cross-sell. It's hard often as well because clients aren't organized in that way and don't think in that way. Sometimes they don't want to cross-sell. Wholesale is a good example of that. It's also hard because as institutions we're truly don't reward people to cross-sell and encourage people to cross-sell. Breaking down silos is very difficult for businesses and it's really no different than on the retail side. Cross-selling is a very difficult exercise.

On the retail side, however, we have a much larger more segmented client base. Indeed one would think because of that segmentation, it's simply more amenable to cross-selling, more amenable to some of the tools that have been developed for cross-selling.

So what are we doing? Well we're first being pragmatic from a shareholder perspective. We do not see a one size fits all solution here and we do not see spending huge amounts of money on software types of solutions that we're going to force into the system. It cost lots of money and we just plain don't want that.

We're very much looking at it from an incremental learning point of view, taking some of the existing tools that have existed for period of time. Trying them in various distribution channels. Getting them into the software. Pushing the agenda. Learning and remodeling as we see how the agenda works. Trying to reward appropriate behavior and trying to learn from appropriate behavior and see if we can't implement that more or push that more into the system.

Is it working? Yes. In some areas cross-selling is working in terms of referrals, in terms of some simple businesses. Do we have a long way to go? Yes. I think the size of the prize here is very attractive. We do have 10 million customers. I think really what we have to do is focus on those customers that are indeed are most amenable to cross-selling. We're starting there and we'll continue to push and learn as we go along.

At the end of the day, the focus is on client service and if you can build an organization through cross-selling that is focused on the needs of the client, I think that is truly the objective -- cross-selling is just a means of getting there.

Slide 9

The merger of TD and Canada Trust resulted in a dominant market share in some very attractive businesses. These are the businesses that make a lot of the bottom line. These are the businesses that are very competitive and that is one aspect we want to grow and push. At the end of the day they are very important to the ongoing potential growth in the retail and commercial sector and these are the businesses that we focus a lot of attention on and we will continue to focus attention on. We have good shares in the business.

Equally, when you merge two companies, you don't necessarily end up with strengths in all areas. Certainly there are businesses and opportunities and gaps that exist in the TD Canada Trust offering. We are now in the position, after having completed the merger and gone through that process, to start looking at strategies and resources in terms of approaching these sectors and reducing these gaps. We want to get these businesses to what we feel would be more natural market shares using good strategies and successfully deploying resources against them.

These under penetrated areas for us are small business, commercial, and insurance. I'm not going to spend a lot of time in talking about the strategies in these areas, but I'd just like to say that in all three businesses we feel we have room to grow market share. All three businesses we've re-energized with respect to the resources we are dedicating against them: management, strategy, capital and whatever it is they need. All three businesses have the ability to grow at a higher rate than the overall retail business if we execute these strategies in the appropriate way.

Slide 10

Now let's turn to the wealth management side. As you know, we have three wealth strategies based primarily on geographic locations. In Canada, we have a full-service integrated wealth offering. In the U.S. we have a discount and model, through TD Waterhouse. And in the U.K. we have a hybrid discount model, again through TD Waterhouse, but a hybrid affiliated with a bricks and mortar bank.

From a wholesale perspective, having a strong full-service domestic wealth operation is truly key to the success of the wholesale strategy. On its own merits, a full-service profitable wealth business in Canada stands alone. From our perspective, having a wealth business that not only stands alone, but is better integrated and has more resources, clearly is one of the key factors we need to execute our wholesale business.

From a shareholder perspective, a strong and integrated wealth product offering in Canada is also integral to the retail system. Wealth management fits in between retail and wholesale. Although in may ways the integrated factor stands on its own, but clearly it should allow for transfer of clients from the traditional retail business to the wealth business and certainly from the product offering that we offer is important to our business in wholesale.

From the perspective of the U.S., we see TD Waterhouse clearly as our growth vehicle. A growth vehicle outside of Canada is hard to do, as we all know, not just for financial companies but for Canadian companies in general. We see this as a growth business. We like this model and I'll talk more about it later.

Then from a non-North American perspective, I think what we've realized over the last three years is that in most markets we had limited capability or limited competitive advantage to export the discount model to the rest of the world, for a lot of reasons. We came to the conclusion that we should exit those businesses as quickly as we can and leave them to domestic providers. The only area we felt we had the competitive advantage in was the U.K. and we've done that and that business is doing well but from an overall perspective for total wealth its clearly the third leg of the business.

Slide 11

Lets talk about Canada. We're investing strategically in our wealth platform in Canada. Similar to our other businesses, and in response to the retail side, we have some areas of great strength, but we have some obvious gaps in the offering. Most of those gaps come from not having bought a dealer. Where we've focused on growing from a non-dealer perspective we have done very well in that regard but there were some obvious holes and that's where we're focusing on and building and investing in Canada.

As I mentioned earlier, the main thing from the wholesale perspective is that we grow our full-service advisory business. We clearly are relatively small in full-service advisory. I think the advisors we do have by in large punch above the weight, but when you look at it from a relative size perspective compared to the size of other bank owned dealers, we're on the small side. That business has been reorganized and restructured, and has new management. This is a business that clearly we have to invest in and we are investing in.

From a shareholder perspective, I look at it as a wealth segment where we have some very strong advantages. The TD Waterhouse brand in the market business in Canada is unique and very profitable. The mutual fund business is also very strong and very profitable. The wholesale-type management business and the index business have good market positions and are very profitable.

We have profitable businesses. What we need to do is integrate them into a broader platform and integrate them into the rest of the bank -- the wholesale and retail side – but we do have the resources and we do have the money to spend to do so. While the markets are good, it's not like we're just investing and not reaping any rewards. We'll reap the benefits in a good market cycle, but we'll take a lot of that money and we'll plow it back into the advisory side.

I would view the domestic wealth strategy as one of investing for longer-term value. Short term, yes, we'll reap the benefits of good markets, but we'll take a lot of that money and put it back into the business.

Slide 12

Looking at TD Waterhouse. As Rob mentioned, I guess a lot of the dialogue perhaps will be over the next number of years around how good banks grow their businesses both in Canada and also outside of Canada. I think it's fairly obvious that TD Waterhouse US is our growth vehicle.

In '02 and '03, because of the substantial declines in the markets, we had to basically restructure and reinvent the business. We spent a lot of money taking out costs, adding capacity, and rethinking what our strategy was in the business. We've done a lot of that. We've increased the capacity in the business, looking for the operating leverage for when the market did turn around, and we are seeing that, but clearly that's not the end of the game.

This is a good market model. I think it's a model of a sector of the market overtime that grows faster than retail brokerage and clearly we want to be a participant. We have a national business. We have a national brand. We'll continue to grow that brand. We see this as a business that has, just from the sheer market share perspective, substantial growth potential both from market and from market share.

We like the model. We like this sector. We want to continue to grow and participate in the growth of the sector, but as I think you saw from the decision that was made earlier in the year, we're not going to impair our longer-term strategic objectives for the sake of doing a short-term deal.

Slide 13

Okay, so on to wholesale. I look at this business fairly simplistically and I think you need fairly simple straightforward strategies for a Canadian wholesale dealer. The key thing I think in a wholesale business is to really focus on where you have sustainable competitive advantage.

What does that mean? To me it means that in Canada TD can be a full-service dealer. We have a sustainable competitive advantage and should be doing as much of that as we can. But it's my view that outside of Canada we have sustainable competitive advantage in only very few areas, and in only a few sectors. It's very difficult to be a wholesale dealer outside of Canada. I think you have to focus on the regional marketplace.

I think it's also very important in the wholesale business that you invest the appropriate amount of capital against your competitive advantages. The wholesale business can absorb capital far more readily than a retail business can. Unfortunately, over-investment in the wholesale side often results in negative economic returns at various points in time in the cycle. So I think the key thing on the wholesale side is to have the appropriate allocation of capital. You have to control the capital against this business in order to mitigate the opportunity for negative consequences in periods of unexpected decline.

If you look at the chart - the combination of green and blue is the net income. The blue part is the cost of capital, the income that we need to meet our cost of capital objective that the bank or shareholders ask about. This is a 13 percent return on capital. The green part is the economic return to shareholders over and above the cost of capital. The blue part has been coming down and that is a function of taking capital out of the business. The 13 percent ROE on that capital has not changed. What we're really looking to do is see how much green we can grow within acceptable levels of risk.

Slide 14

In terms of wholesale mix, one of the main ways we've taken capital out of the business is to reduce the lending book. Most of this reduction in lending has come outside of Canada. The strategy at the time was to lend to corporate entities outside of Canada and cross-sell. But when you look at the combined total return over time, it didn't create economic profits so we have exited that business. We are fully committed to the lending business in Canada where the cross-sell combined with the return on lending is very attractive.

We're also as much as possible focusing on client oriented businesses. We do have some investment businesses, specifically the merchant bank, the head office portfolio and some arbitrage type businesses, which we have reviewed as well. We believe we have structured those businesses to have competitive advantage.

We're focused on client business but we also recognize that in doing so we do have strong market skills in all businesses and we will look to optimize revenues that we could make from those market skills.

Slide 15

The capital risk-weighted assets -- I think I've already mentioned. We've taken risk-weighted assets and capital down fairly substantially. I think we'll see a continued decline in risk-weighted assets in the business. Economic capital probably is at a level now with these markets where we can deploy this level of economic capital. I don't see opportunities for significant future reductions in economic capital, although there may be possibilities for reducing risk-weighted assets.

We've addressed under performing businesses. The key thing on this slide is that what we're really looking to do and what we ask of the bank and the shareholder to give us enough capital so we can make a good return for them on the capital at the appropriate level of risk. If we can't do that, we'll give the capital back to the bank and the bank can do what it wants to do with the capital with respect to the shareholders.

We're very focused on trying to get lazy capital out of the business -- capital that is not meeting our hurdle rate, doesn't have the potential to meet our hurdle rate and where we can't see that we can sustain a good return over time.

At the same time, we're taking capital and we're investing either in existing businesses or in de novo businesses. There are businesses we are growing and businesses we are starting. We're not looking at the wholesale side just as a way to harvest capital, but we certainly are harvesting the capital we don't think will meet the return. We're reinvesting it in other businesses and to the extent that we have more capital than we need, we'll give it back.

The other part of the slide I think is that the risks that we are taking are based on this $2.5 billion of capital that we have in the wholesale banks and not based on the overall capital that we have in the bank in general.

Slide 16

We have two simple strategies. The first is to grow the full-service franchise in Canada. I think that the common theme that you've heard in the other two businesses is that we do have gaps in our wholesale offering. Our wholesale business traditionally was very focused both from a sector point of view and from a regional point of view. It was very much a media and telecom franchise and was very profit-centered.

From a Canadian perspective, what do we have to do? We have to look at the other areas of the marketplace and other sectors and invest resources and people against those. We also have to look at the various regions and fill out our regional offerings. Our market share came from media and telecom and is still a good business. But to be a full-service provider of financial products we need to be in all market places and we need to have all offerings. So that's what we've done. It's a block and tackling type of strategy quite frankly. It's getting the right people, doing the right things.

We are increasing our transactional capability, which we've done. We're ranked as one of the top three in market share now. Our under penetrated areas were equity related – equity and M&A. We have better transactional capabilities in equity. We have more resources in investment banking and now what we're looking to do is develop those corporate relationships. Those things take time to grow our market share. We need a stronger advisory business to penetrate retail and we're doing that. We recognize that we had a competitive disadvantage in the income trust structure so we dedicated a lot of resources institutionally to that. As that marketplace has become more institutional we're benefiting from that.

So I see this as just doing the right things to be a dealer in Canada. As we get better at doing that, we can increase our market share, and we are doing that, and we can grow both the market and some market share. This is a business that we operate with excellence. We offer good client service and I think we have the potential to grow faster than any of the bank owned dealers. It may be due to the fact that we're too low in market share in many businesses.

Slide 17

The other growth strategy we have in the business is both a Canadian strategy and a global strategy and that is to grow our capital markets and our structured products business.

These are businesses that have growth potential outside of Canada and these are businesses that we're in outside of Canada. They are niche businesses. We're not looking to compete on a full-service basis. The key factor here is they're institutional not corporate. Institutions are far more amenable to dealing with a broader array of service providers. They're also looking for, from time to time, different types of solutions to their financial products, problems or opportunities and we can help solve those.

What do you need to be in it? You need a critical mass of strong structuring capabilities and we have that. We've had that for a period of time. You need a high-quality flexible cross-selling sales force that can sell such products and we have that and again, we've had that for a long period of time. You need trading capabilities and structured products and we have that. You need -- and this is important, very important -- you need a robust infrastructure of risk-taking systems. This requires an ongoing investment of capital and resources in order to ensure you are at the leading edge of risk management. We do that and this is something we're committed to do and committed to continue to grow in the future.

It's an institutional business capital market business. It's a Yen business, a dollar -- U.S. dollar – business, and a Euro business. It has growth opportunities outside of Canada. It's focused on structured products because we can't compete in the vanilla products. We do have good trading capabilities and we do have good skills within the bank and we have critical mass in certain businesses.

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The bottom line here on the wholesale side is I believe that we're on track. We're executing a unique wholesale offering. We've started well. We have an objective in this business to make 18 to 20 percent return on investment capital. When the wind is at our back, we hope to make more. When the wind is in our face, we expect that we'll make less.

What we're really trying to do here though is to make an economic profit that is sustainable over time and that inevitably when market accidents happen we're not giving a large part of our economic profits back to the marketplace. I view it as running a business for shareholders, running a business that is capable of executing, and where you don't have the capability to generate too much capital.

Slide 19

So I'd like to summarize all this and say why I'm excited about being at TD Bank overall and TD Securities in particular and why I'm excited about being a shareholder of TD Bank.

I think we have three business areas that are focused on the same thing. They're focused on offering the client value. They're focused on operating in an excellent manner. They're focused on creating shareholder value.

I think the management team is aligned with what the shareholders are all about. I think each business is running with a very simple strategy. The strategies are capable of being executed. I think there's an understanding that we do not want to venture into areas and spend money in areas where we are not capable of creating shareholder value.

That brings up the bigger topic of what does one do with excess capital. And I think it's clear - the message we're trying to give to the marketplace is that capital we view as the shareholders' capital and we want to invest that over time to create shareholder value.

We're looking hard at places where we might be able to invest back. You know there's the commitment that what we're not going to do is to get into areas in businesses and at prices where we don't think we could get great shareholder value.

We are amenable to giving it back to the shareholder either by the way of dividends or buy backs. We think in running a business, opportunities don't always come up when you have excess capital. Sometimes they come up when you don't have it. We're not looking to pay out all the excess capital right now, just because an opportunity doesn't exist. It is a mix, making sure we're trying to earn the appropriate return -- both in the short-term and the long term -- but at the same time we think it's an appropriate time to run with capital ratios that are a little fixed and see how things evolve.

There's no panacea as to how things will turn out either from a bank merger perspective in Canada or for opportunities to grow outside Canada. I think, however, we have very good opportunities for growth just through block and tackling within our existing strategy, and we'll commit to that and look to be opportunistic as to how we grow the capital over the next couple of years.

So thank you very much and I'll turn it over for questions.