Q1 2006
Strategic Overview
(Check Against Delivery)
Ed Clark, President and CEO

Great Quarter

- Thanks Colleen and thanks to all of you for joining us this afternoon.
- You're here to find out how we think we did in our first quarter of 2006. You know we tend to focus on underlying earnings, but more than 2 billion dollars in total reported earnings deserves at least a passing mention!
- Whether you look at our total earnings or our underlying earnings – the message is: great quarter. It always feels good to start off the year with excellent performance.
- Our adjusted diluted earnings per share are $1.15, up 11% from last year's first quarter. Adjusted net income is up 22%. We further strengthened our capital position, and our efficiency ratio is excellent.

Key Events in Quarter

- This quarter also included some events that were strategically important for us. First, the successful closing of both the TD Waterhouse/Ameritrade transaction and TD Banknorth's acquisition of Hudson United. Together they give TD a strong growth platform in the US and the opportunity to build a powerful brand in the US marketplace.
- Colleen will take you through the items of note, but I do want to add that it's hard in business to do a deal which is great strategically and financially.
- The TD Ameritrade deal is just that. Strategically, it has positioned us to be a long-term winner in the on-line brokerage space. Financially, it strengthened our capital position and added sustainable earnings.
- Hudson United was also the right deal in the US retail market. It extends our Banknorth franchise into key growth areas.
- Domestically, we also saw an opportunity and took it – announcing last week that TD will offer to acquire VFC, a leading provider of automotive purchase financing and consumer installment loans. I'll talk more about that in a moment.
- So it's been a busy and successful quarter. Based on the strength and sustainability of our earnings, today we announced an increase in our dividend by 2 cents to $0.44 per share.
- Colleen will take you through the numbers in detail but let me share my thoughts on the operating performance of each of the segments.

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Canadian P&C

VFC – why the deal?

- On the Personal & Commercial side – let me start with the announcement we made last week that TD will offer to acquire VFC.
- Why did we do this transaction, particularly given our very measured approach to growing our unsecured lending?
- As you know we have a clear plan to grow unsecured lending. We're executing on that strategy while building the infrastructure we need to increase our share of unsecured lending. But that strategy envisioned the increase only in the prime market in Canada.
- As Tim told you last week, we've been studying the non-prime market and have come to the conclusion that we expect the non-prime market in Canada to become material over time – mirroring what we've seen in the US.
- We believe we should participate in that growth.
- This is the same strategic approach and thought process we've taken in the past. For example, with Meloche Monnex and Banknorth – we saw an opportunity in an area that was new to us, and then found a company with a proven track record, and a strong management team that TD could leverage to grow in this new market.
- VFC is no exception. They know their business, their dealer network and their customers. They're experts in risk-based pricing with a sound infrastructure, strong management and great people. So we're going to leverage VFC's expertise to learn more about the non-prime marketplace – and apply that learning to determine if we're going to go after a bigger piece of the non-prime business.

Strong quarter for P&C

- Overall, in the P&C bank, the momentum has clearly carried into 2006. We had a strong quarter with earnings up 12% compared with the first quarter last year.
- P&C's strong performance this quarter has come across the board in both personal and business banking. In particular, we've seen robust results from business banking, insurance, Visa, and real estate secured lending – all areas that we've been focused on growing. Clearly our strategy is working.
- We also have a good story to tell about our efficiency ratio. It's at its best level yet at 54.6%. And we achieved this while we continued to invest in:
  -- building new branches – we added 21 of them last year
  -- adding more customer-facing employees

-- upgrading our systems; and

-- growing our points of presence in business banking

- Our strong revenue growth has allowed us to invest for the future. But I'll be up front in saying that, across the company, we're watching expenses closely. We don't want to build a culture of expense growth that's too dependent on rapid revenue growth. We remain committed to having expense growth that's less than revenue growth.
- In terms of PCLs, I've said it before and it bears repeating – I continue to worry in the medium term about the credit cycle turning as a result of the impact of the strong Canadian dollar on small business and commercial sectors. For the moment, the environment remains benign. On the personal side PCL growth basically reflects net growth in the portfolio.
- So in summary, the P&C bank has a lot to be proud of this quarter.
- We've shown these results are sustainable and I believe it's realistic to think we will continue to deliver double digit earnings growth in this business throughout 2006.

Domestic Wealth Management

- Turning now to domestic Wealth Management. This is a continuing good news story.
- $105 million in earnings this quarter. That's up 35% year over year. We're aggressively growing our franchise, sticking to our strategy, and investing in people and infrastructure – and it's working.
- We've seen:

  - The best net sales in long term mutual funds we've seen in 12 years;
  - Significant asset growth in advice based businesses; and
  - Improved profitability in discount brokerage
- These results are especially impressive considering we're also investing in the business.
- We've added 147 net new client-facing advisors last year. And we're on track to add another 130 this year.
- We continue to protect our leadership position in the discount brokerage space. While our focus is superior customer service, we've also upped the ante on both price and technology. We recently introduced a new platform and pricing structure for the active trader segment in discount brokerage.
- While this investment may put some downward pressure on our revenue in the short term, it positions us well to grow our share of the active trader market.

- Assuming market conditions remain stable, we expect that Wealth Management will have a strong showing this year.

Domestic Retail Operations

- It appears the industry is reporting on the basis of domestic retail operations. So it is useful for us to step back and look at our overall domestic picture – when we do so, frankly it looks great.
- Over the last three years, we've delivered earnings growth in the 15%-18% range each year. And we're doing it again this year. That's a remarkable achievement. We also have an industry-leading efficiency ratio.
- We think this sustained level of performance is based on the strength of our integrated customer focused business model and our resulting ability to take advantage of our great distribution systems in all of our businesses in Canada.

Wholesale

- Turning now to Wholesale. They really jumped out of the gate this year, delivering truly excellent results.
- Adjusted earnings within wholesale banking this quarter were $199 million, up 41% from a strong first quarter of 2005.
- There's no doubt TD Securities was a key contributor to TD's overall success this quarter.
- Revenue was up across the board with strong results across all areas of our trading business and continued strength from equity commissions and investment banking.
- We remain committed to building a top 3 dealer in Canada. The strength we're building in TD Securities' domestic core businesses is becoming more and more evident.
- In 2005, we were:
  - #1 in institutional equity trading
  - #1 in M&A based on completed transactions with any Canadian involvement
  - #2 in fixed income trading and government origination
  #3 in underwriting for all financings
- Operating expenses are down despite the fact that we continue to invest in building our domestic franchise by adding people.
- But as you know, Q1 is historically Wholesale's strongest quarter. We expect this year to be no exception. There's seasonality in this business and I don't see that changing any time soon.

- While we can, and should, celebrate how TD Securities has performed, it is only realistic to think that we will not likely see another quarter this year where all of our trading businesses – at the same time -- are performing at the high level they were in Q1.
- I also believe it would be prudent to recognize that when you're exiting books of business, as we are in the structured products area, there's always the risk that it may end up costing you more than you anticipated. So we could see some impact from that on our trading revenues later in the year.
- We continue to make progress in winding down our global structured products businesses. The last time we met I said we expected restructuring charges in the first quarter mainly because of the people costs associated with exiting this business. You'll see that charge this quarter amounted to $35 million after tax.
- We don't expect there to be any further restructuring charges associated with this decision.
- At this point we believe we now have a stronger derivatives business that will make a positive contribution to TD Securities' ability to generate 20% plus rates of return and indeed, do so with less risk.
- So to sum up, we're very pleased with Wholesale's strong start to the year but that performance hasn't changed our fundamental view of earnings for this business – we expect to see 2006 results in line with what we saw in 2005 on an adjusted basis.

US Operations

- Turning to our U.S. operations. TD Waterhouse had another good quarter driven primarily by higher interest income as short term rates continued to rise.
  Excellent cost control reflecting decisions made last year was also an important factor.
- Rising short term rates, while positive for TD Waterhouse, continue to be a negative factor for TD Banknorth, and the US banking market generally. As I have said previously, there are two impacts –
  1. a direct impact to the extent that banks have a carry trade; and
  2. an indirect impact as spreads have narrowed due to competitive pressures
- As you are aware, TD Banknorth has moved to virtually eliminate its interest rate risk producing earnings which are of very high quality. The question has arisen as to why we did so in steps, rather than in one restructuring. Frankly, together Bill and I take the responsibility for this decision.

- Historically, Banknorth has had a carry trade and, initially we were reluctant to fully eliminate it, for fear of putting them at a competitive disadvantage. So initially we kept a small duration position.
- But over time, it became clear to Bill and me that it just doesn't make sense to play the interest rate game in Banknorth. With the acquisition of Hudson it was appropriate to make this shift.
- So let me turn to the second impact. Clearly operating a bank in the US is tough. Bill, in his call, has already said that the EPS outlook for his first quarter – our second quarter – is 60 cents. Bill's team is looking at everything to respond to this challenging environment.
- The advantage of a large diversified organization is that you can make these longer term plays to build competitive advantages for the future. We have done this before in a number of places in the bank, and we are committed to doing it here.
- We have other businesses that are out-performing which will allow us to work through the challenges that the interest rate environment is creating for TD Banknorth, and still achieve TD Bank's performance goals.
- Finally, turning to our ownership positions in TD Ameritrade and TD Banknorth and our capital position. Let me comment on what we have done and are doing.
- On TD Banknorth we announced our intention to buy in the open market. TD Banknorth has bought back approximately 8 million shares. We have bought approximately half a million shares, restoring our ownership to 55.6% which is approximately the same as what we had prior to the Hudson United deal closing. We will continue to buy opportunistically depending on market conditions but we're in no hurry.
- On TD Ameritrade -- As you know, when we originally entered into the deal we agreed to do a tender offer for TD Ameritrade stock at a price of not less than US $16 per share following the closing.
- At the time, that price was a premium to market but it is now below the current market price for TD Ameritrade common stock which closed yesterday at $19.81.
- While we were prepared to honour our obligation to proceed with the tender offer at US$16, those members of the board of directors of TD Ameritrade that are not related to TD agreed to waive the tender obligation in exchange for us committing to purchase at least 15 million shares of TD Ameritrade in the next six months in the open market including through block purchase.
- Yesterday we announced that we will commence a purchase program under US securities rules.
- We also restated our current intention to reach an ownership level of 37.5% by January 2007 which would require the purchase of approximately 30 million shares in total.

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Conclusion

- Overall, to sum up, I'd say this was a remarkably strong quarter, launching us into a year where we have every reason to believe we'll be extremely successful.
- We're delivering on our strategy and doing exactly what we told you we would do. We continue to perform and deliver even more value to our shareholders.
- Our path is clear and we will not deviate from it – we're building TD into a leading Canadian-based growth company.

- With that, I'll turn things over to Colleen.