TD Bank Financial Group
Investor Relations

TD BANK FINANCIAL GROUP
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CORPORATE PARTICIPANTS

Ed Clark President & CEO, TD Bank Financial Group

CONFERENCE CALL PARTICIPANTS

Kevin Choquette Scotia Capital – Analyst

PRESENTATION

Kevin Choquette – Scotia Capital – Analyst

Mr. Clark was appointed to the position December 2002. Ed held senior positions in the Federal Government from 1974 to 1984. From '84 to '91 Ed was with Merrill Lynch Canada and Morgan Financial. In 1991 Mr. Clark joined CT Financial and in 1994 was appointed President and CEO.

Upon the merger of TD and Canada Trust in February 2000, Ed became Chairman and CEO of TD Canada Trust and he was appointed President and CEO of TD Financial Growth in July of 2000. I would like to turn the podium over to Ed.

Ed Clark – *TD Bank Financial Group – President & CEO*

Thanks, Kevin. I don't know if it's a good thing being first of the 28, but I guess it's better than being the last of the 28. So, I'm pleased to be here today. I thought I'd give you the standard bump and let you read it. Those of you who can read that, it's a miracle.

I thought I would start off by commenting briefly on the financial crisis or financial situation. I think we're obviously in a very interesting time, certainly for me. I've not seen a period in the financial services industry quite like this where you have a problem that really is actually very centered on the financial services industry.

And that's the current liquidity crisis within the financial services industry and the inability of the financial services industry to price products, to price risk, to understand how to, in fact, do transactions.

I guess the comments that I would make is the first thing, and this will sound odd, but this is a very good thing. And so, as we go through this I think we have to keep reminding ourselves what is going on is a good thing, not a bad thing that in fact there were excesses going on, the market was taking risks that I think were not being adequately rewarded. We had a reliance on structures and models that were -- a reliance in my view that didn't reflect the weaknesses in those models and an excessive reliance on them.

And, there was excessive leverage being pushed into the system. And so, by repricing a credit risk a skepticism around whether or not, in fact, mathematical models are always correct and a reduction in leverage is all a good thing. It's just a painful thing to, in a sense, have brought about.

The second thing is that time will cure this problem. I think that it is hard, if you think the initiating event is a subprime mortgage crisis in the United States and the reality is that no one, nobody, actually knows what the ultimate losses are going to be in that market.

But, we do know that at some point we will know what those are and so time will cure that problem, and I think time will cure the problem of what I think is a core issue today, is that many institutions have exposures here that they haven't really come to grips with and recognized in their accounting and been totally transparent to the market of the degree of vulnerability they have.

As a result of the fact that eventually these things always come out, these losses will eventually emerge and in fact the market will be able to sort out, which is really what it is trying to do right now, is who is vulnerable and who is not vulnerable.

I think there is obviously, I think a growing consensus, and I am a strong advocate of this, that the sooner financial institutions mark their books conservatively rather than to model or rather than to book, and take their hits, the sooner the world will discover that the financial institutions are actually quite strong and able to sustain many of these hits.

And, the markets will then start to repair themselves. And so, I figure we can speed this transition up by people being a little braver in dealing with these issues. By the end of the day, time will in fact force these issues to come forth.

I think the good news is that Canada is in very good shape. And, I think the time to cure a few problems that we have is going to be shorter than in many places in the world. And, obviously for our institution the good news is that if Canada is in good shape, we're in great shape.

And, so because of decisions and the strategy that we've followed over the last five years, we're in a very, very strong position to go through this, and indeed as I'll come in to and had some discussion about in some sense this is the event that I think proves up the advantages of our strategy.

Obviously we're coming off a tremendous quarter, you don't get the average quarter, you don't go up 30 odd percent in earnings, 25% increase in earnings year-to-date. This has been a spectacular year, but as I said I think for us what makes the year such a good year is the validation of our strategy. As we have said, and I'm sure a lot of you are pretty bored listening to me, we have a fairly simple strategy. We're going to be a leading North American financial institution.

We obviously have in the retail space in Canada, simply an enormous powerhouse that, in fact, I think it's ability to grow earnings and have a dominant position in the Canadian marketplace is getting more and more evident, and we've been able to build around that, at the same time, a restructured -- a wholesale business that, in fact, takes out a lot of the risks and, at the same time, produces very good earnings and we have moved faster than we originally thought to be a top three player in Canada. And, we're going to complement that with growing earnings and I think successful franchises in the banking space and wealth management space in the United States.

Our pitch has been for the last five years that we can get the kind of earnings growth, we can outperform on the earnings front without growing out the risk curve. And, I think we've proven out, in fact, what we're able to do and that we can have a steady, we said 7% to 10% earnings growth every year.

Obviously our difficulty has been that we've always outperformed that. I think there is some skepticism whether that's not too low ball a number for us, but I do think that realistically in the financial services over a long cycle, that what we always say, that's what we can do and I think we've proven that we're able to do that.

Part of that strategy of going out and producing stronger earnings without going over the risk curve is to get the business mix right. And so, we are definitely the retail focused North American financial institution.

We are the most retail-oriented of the financial institutions and our retail mix over time will grow because of the growth in the U.S. will add to a percentage retail. But also, I would say that inherently in Canada

our domestic retail franchise, long term growth prospects, are faster than the wholesale prospects. So, that percentage will over time creep up well above the 80% mark.

I think the second feature of ours, as I've indicated before, is this obsession with risk. We like to grow without going out on the risk curve. And, what this graph does, it's really quite remarkable, what better return we get for every dollar risked. You'd like to have a perfect measure of risk. I don't think there is one so you offer at least a consistent measure of risk.

And so, this is one that every financial institution in the world has to use, and it's the same basis. But, there is a remarkable difference in the returns that we get for every dollar of risk versus what our competition gets.

This partly, obviously, reflects business mix, or as you mix, tip your business mix to retail, you're going to get a better rate of return for risk. But, it also reflects our attitude in the wholesale business where we have systematically gone through our wholesale business and made sure that we actually understand the risks we're taking.

I personally take a fair amount of interest in making sure that what we are doing, I actually understand. I don't find it a defense of the CEO that I just didn't understand what this product was.

And so, we've gone through and made sure that we do understand the risks that we're taking and that we believe that we're being adequately rewarded. I would say that RWA doesn't capture tail risk, nor does VaR capture tail risk. The traditional measures don't capture many of the risks that we're dealing with today, but we have gone through the last two or three years and systematically eliminated the tail risks in our institution because I believe that that's the risk in which you are, in fact, least compensated for in the marketplace.

As you are aware, we have a powerhouse franchise, again on the retail side, very, very strong market positions everywhere we are. We are particularly proud of the fact that we really own two spaces on the retail. We own the convenience space and we own the service space.

And so, we are now for three years in a row number one in the Synovate survey, J.D. Powers has only been in Canada for two years so for two years in a row, we've won it. So, we clearly have a very strong service plan.

We also, what's interesting, is not only do we have a very strong branch service plan, but we clearly have the best internet proposition for customers. We dominate in the penetration of that and we dominate in all the surveys in terms of the service. And, we have packaged that in a brand that's recognizable; indeed it's the only financial services brand that's recognized in the top ten in Canada.

This franchise does more than make us look good, it makes us lots of money and it grows the amount of money it makes every single year. We have a very, again, simple business strategy. The retail business-- the great thing about the retail business is it's just so simple.

The competitive positions are just so obvious and if you can mobilize your organization to focus on them, and they're pretty simple, as I say, in the retail space generally convenience and service is what dominates. We own those two spaces. What you have to do in terms of a business is constantly invest for the future.

And so, as you know, we grow-- we have historically added more branches than the other four Canadian banks combined. They've all now moved to try to catch up with us and it will be interesting at the end of the year to see how many branches they actually build versus how many branches they announce they are going to build.

We believe in-- we've always believed in building out our network because when you run a retailer, when you think retail, you have got to go to where the customers are going, and that's what we do. So, we constantly invest. We invest in our wealth management. We've been growing our advice side.

And then, secondly, we know how to leverage our strength. That's been one of our propositions is that there are areas where we don't have dominant market share, and I guess the best example is what we managed to do since the merger where we had about 13% share in small business and small business is clearly in the North America area one of the most profitable spaces to be in. And, we have moved that share since the merger up to about 18%.

A remarkable shift in the Canadian context of where you have dominance of such large entities to have one player take major market share of an area and it happens to be the most profitable area of banking. And, that shows our ability to, in fact, leverage our franchise. Our wealth management area, as you know, is growing returning of about 30% a year really reflects our ability to leverage the retail space.

I always say when you come to market share people give you lots of numbers. There are only two numbers that matter to me. What is my market share revenue and what is my market share of profits. And, again, because here you have a certain consistency the accountants are running the same accounting standard.

This is basically what is happening in terms of profits in the retail space in Canada among the five major banks, and you can see how just consistently we manage to grow the profits in our space at really very very high numbers, 16% to 20% growth every year in this space is truly remarkable but always faster than our competition.

And, to put it in share terms, in 2003 we had about 21% of the profits in this space; today we are earning about 25% of the profits in this space. Again, a remarkable performance.

In terms of our U.S. leg, I think you have all heard about Banknorth. We are actually quite pleased about where Banknorth is today. We have obviously had to do a refocusing on Banknorth because of the environment in the United States and we have focused in on organic growth. We believe that we have stabilized the performance of Banknorth and we now believe we are in a position where we are going to see growing earnings. In fact, we must see growing earnings.

We are, I think, transforming the business model of Banknorth to pick up many of the characteristics that make us so successful in Canada. I flatly reject the notion that being a convenience service bank is something that only works in Canada.

I believe it works in the United States as well, and I think knowing how to leverage your retail side to enhance your wealth side also works in the United States. People ask whether or not the fact that we are focused on organic growth means that we'll never do an acquisition. I would never use the word never. I think we are focused on organic growth.

My nightmare scenario, as I have always said, would be that if something that was very strategic came along at the right price, then I would be in a dilemma of whether or not to in a sense do it. The good news is that the market isn't giving me that dilemma.

Our prices really haven't moved down significantly. We have passed on a number of acquisitions quite recently. And so, we haven't seen anything that is strategically compelling at this stage that would cause us to shift our focus from an organic growth strategy.

In terms of Ameritrade. Again, we are quite pleased with how that's turned out. This is a bold move to take a platform that is clearly the best technology platform in the United States, clearly the lowest cost platform in the United States, built around the act of trader space and marry it with the wealth management strategy, the long-term investor strategy.

We are through the conversion now and that's been a very successful conversion. We have managed to get the costs out the way we had anticipated getting the costs out. But, the business challenge now is to grow in the long-term investor space.

To use that platform to deliver a better proposition from the customer base that is being abandoned by everybody, which is really the people in the $200,000 to $400,000 asset space where the full service brokers can't, in fact, satisfy their needs. We think that we have the strategy to do that, we think this is going to take time to do that, but we are very pleased with what we have.

Again, there are issues that arise as to what we prepared; is TD a blocker, is TD Ameritrade doing acquisitions in this space. Nothing could be further from the truth. We are very supportive of TD Ameritrade doing acquisitions in this space, but they will be acquisitions, as Joe Moglia says, that fits our timing and fits our strategy. We have a superior banking model in the United States.

We actually believe that there are opportunities to explode banking products and by the arrangement that TD Ameritrade has with TD Bank they have access to one of the top ten banks in the world, the whole product suite, but they have it in extremely attractive terms, much better terms than they could do on their own.

I think our model which essentially gives TD Ameritrade banking opportunities with no capital and no risk, and basically net of all their expenses producing an unbelievable rate of return, unbelievable margin for them has proven out in the past 12 months to be the superior model. And, we wouldn't do acquisitions that took us away from that business model, because, in fact, it delivers better value to the shareholders.

In the case of the wholesale side, one of the things that -- a number of investors when I was selling our strategy over the last five years, and I would say particularly over the last two or three years where we got out of the structured product area that had been a very major source of profits and revenue, for TD Bank, I took a view that this was cruising for a bruising that eventually these products had attributes that I didn't like and so we got out of this.

A lot of investors said to me, well you only know if the strategy works if the world hits a bump. Well, the good news is, or the bad news is, the world hit a bump and you saw the results in our third quarter because of the way we naturally positioned the bank.

That was a very positive quarter. It's not a repeatable quarter for TD Securities. It obviously reflects a particular positioning. We have always been long credit protection and long volatility and the world suddenly revalued those up. I think going forward TD Securities is not immune from any collateral slowdown in the wholesale business.

The good news is that it represents for us a much smaller share of earnings than it does for everyone else. But, I think the good thing that has come out of this is we don't have any immediate hits.

As this table shows, we really had systematically gone through the organization and made sure that we were not exposed in any way to the current prices long before the current prices hit. And, I think as an institution we're particularly proud of the fact that we did it not just for ourselves, but for our clients and our customers.

Again, we took an explosive view on these products. We didn't like them. We didn't believe in them. And, we didn't want to-- we weren't prepared to invest our money in them. We didn't think we should be permitting or allowing or encouraging our clients to be in those products and so we don't have any of those off balance sheet issues anywhere in the organization.

So in simple terms, we are very pleased where we are. We started out our strategy. Our strategy was to build a survivable, sustainable growing North American player that would be one of the winners on the

North American scene, by exploding our domestic retail franchise, having a rightly focused wholesale side and developing the U.S. platform.

We think we can continue to produce growth without going on the risk curve and while you may see lower growth in 2008, we still are very positive about 2008 and continue to believe that we can throw off some good earnings growth numbers.

Now I'll pause and take questions.

QUESTION AND ANSWER

Kevin Choquette – *Scotia Capital – Analyst*

Questions?

Unidentified Audience Member

Thank you. Ed, two questions for you. You've spent a lot of time in the last few years pursuing your strategy of being a lower risk, high return North American retail-focused bank. I think the performance of your stock has shown that's been a supportive strategy going forward.

Comment in light of that, on the large LBO loan you did what seemed at the absolute top of the LBO market, you commented on the conference call that you were very comfortable with it and you would do it again. But, it seems you certainly strayed from the strategy and in a very large and public way.

Ed Clark – *TD Bank Financial Group – President & CEO*

Thank you for the question. You know, I think there is a view that sometimes comes through my presentation that we believe in taking no risks. And, obviously that's not true. We are a risk taking institution. That is what we-- we are in the business. And so, the issue to me is what kind of risk you want to take. And, is that transparent, is it understandable.

And, I always say inside the organization, if I cannot understand the risk, we should not be taking it. If an average person with average intelligence can't figure this out, why are we doing this? It is way too complicated.

And so, the question is, is that a risk that we can understand and analyze; and then second, is it strategic? And, in this case I think it is strategic. We were in the telecom. We were clearly the dominant telecom bank but we were not BCE's dominant bank. And so, we saw an opportunity to move ourselves into that position, and then the answer is you look at it and you say, okay, can I handle that risk.

Well, the way we do all of this is we go through and we say, if we're going to take that, let's make sure that we don't have five or six other things backing up on us at the same time. And so, let's make sure we clear off all the inventory here, because we're obviously going to have a big exposure here. And then, let's test that risk.

So, let's go back in history and find the worst situation we could ever imagine and tell me would I, if I had to liquidate it in the middle of that, would I in fact lose money after the fees, because don't forget, these things pay. After the fees, would I have a substantial earnings hit.

And then third, you look at it and you break it down into three components. The biggest number overwhelmingly is the senior BCE debt, and you say, how terrible would I feel if I had to sit with a couple

billion dollars of BCE senior debt? And, I look at that and say, you know there were times when people would have fought to get that piece of paper.

So, people can disagree with the analysis but it wasn't as if we went in there and said, oh yeah, we are big shots here, let's do this. We are, probably to a fault, excessively analytical. We ran through all the tests and said, I can live with this risk, and more importantly, I can live with the consequences of being wrong on this risk. What we are saying to the marketplace is, we don't see it having a material impact on our earnings going forward. And so, we wouldn't do it if we thought it would.

Kevin Choquette – ***Scotia Capital – Analyst***

Question here?

Unidentified Audience Member

From the chart you showed on the retail earnings growth, it appears that your competitors are catching up to you, versus say two or three years ago. Is that an accurate characterization? Do you see the retail market much more competitive than it was a few years ago?

Ed Clark – ***TD Bank Financial Group – President & CEO***

Yes, I think that is. I do think if you go back in those early years, and I said it back in those early years. I said, it's you know, the Canadian oligarchies if you want to call it that, it's hard to believe, as I say, if I took a look at the small business market share gains, I said, this is unprecedented, and in my lifetime in financial services, that one party can take that much market share from the others. Equally, I sit there and say, had my competitors -- are they tired of seeing this graph?

Yes, they're tired of seeing this graph and they are going -- they are sitting on great franchises, they have great people, and they are going to do something about it. So do I believe that sustainably we could have profit growth twice the industry average? No. Can we always be better than the industry? That's our job.

Unidentified Audience Member

Realizing that this is just a guess, how long do you think the current credit crunch situation can go on for, and do you think there is another shoe to fall, and if so, where do you think that shoe will fall?

Ed Clark – ***TD Bank Financial Group – President & CEO***

Well, I actually think that-- my own personal view, and I always give personal view because who would know if I knew, right? I'd be doing your job, not my job. The reality is I think it is going to be quite ugly in the next few months.

I think there are a lot of shoes to drop and I think because the market hasn't been a transparent market, I think what is disturbing -- I think what everyone is aware of, I'm saying the obvious, is when over in Australia, or they fall over in Germany because you have a housing crisis in the United States in California, really only in seven states, I think the market sits there and says, well, I didn't understand when I was buying that German bank that I was buying California real estate.

So, I think that is the core of the problem and I think people haven't gone to confession yet. And, the sooner they go to confession, the sooner we will go through here. But, you know, your gut is telling you there's a lot of stuff to come out in the marketplace.

And, the problem is being obviously hurt because of its interaction with the leverage that has gone into the system. We have certainly seen that a lot of on our trading side, we've got this quality inversion so we are always in a sense as I say positioned on the quality side and all of a sudden people are dumping their quality assets because they have to because they find brokers are demanding repayment.

And so, suddenly a trade that was a perfect trade from our point of view, suddenly it is better to buy bad stuff than good stuff. Well, that's not a sustainable position over a year, but it is sustainable over two or three months if there is constant pressure for people to do leverage.

And so, I do think that it is going to be an ugly fourth quarter here. And, the market will reel back, but that's why I say the thing that I would counsel people is to say this is good. Because if people do stupid things and they don't pay a price for it, you don't run a good market system, and you have got to cleanse this out.

You have got to get people to step up and say, here is where it is. And, people will start to figure out which institutions actually played this smartly and which ones didn't, and the market will start to adjust for it.

So, I think -- you know, I'm sort of hoping that by next March we are through this. I think you will have seen the bulk of the repricing of the mortgage-backed market or the mortgage market in the United States by then, and I think we will start to get a feel for where that default curve is starting to plateau. So in our heads, this is -- you have got to fasten your seatbelt, you are going for a ride here for the next three or four months.

Kevin Choquette – *Scotia Capital – Analyst*

Just on that note, Ed, how vulnerable is the bank asset back commercial paper market right now in Canada?

Ed Clark – *TD Bank Financial Group – President & CEO*

Well, I think this is in the process of curing itself. And, I perfectly understand, I mean, you have a $120 billion market, and all of a sudden there is a problem in $40 billion -- one whole segment, which is the non-bank conduits.

And, so people reel back and even though when the Governor of the Bank of Canada and the six banks CEO's stand up and say, "relax, we'll look after that $80 billion, you don't have to worry about it." And by our actions, we have looked after that $80 billion and you don't have to worry about it.

I perfectly understand why, if I was an investor -- you know people say we are trading over at 50 basis points over CDOR, but reality is when you translate that and say, what does that mean you are getting per month to move out of treasury bills and asset backs, you say why don't I wait one more month. Is it really going to matter in the end?

Eventually greed will triumph fear here, because the fact is the six banks will not let that market go down. And so, eventually that truth will penetrate and the smart money will say, hey, I'll take the 50 year 55 basis points and look better in the marketplace than the person that is on the sidelines here. But I do think this will take a few – a while, given the trauma of taking out a $40 billion part of $120 billion market.

Terrific. Thank you very much.

Kevin Choquette – ***Scotia Capital – Analyst***

Thanks Ed.