



**Q3 2011**  
**Strategic Overview**  
**Ed Clark, Group President and CEO**  
**(Check against delivery)**

Thank you Rudy, and thanks everyone for joining us this afternoon. Colleen will discuss our third-quarter results in detail in a few minutes, but let me start by giving you my thoughts on the quarter and what we see for the balance of the year.

This was an excellent quarter for TD. In fact it was our second best quarter on record. All of our retail businesses again delivered very strong earnings growth and total adjusted retail earnings hit a new record, at close to \$1.5 billion. Our personal and commercial banking operations in Canada and the U.S. each turned in a record quarter, which again showcased TD's ability to grow earnings despite a challenging economic environment. Our Wealth business also performed well, while our Wholesale Banking results were impacted by volatile markets and the debt crises affecting Europe and the U.S.

As you've probably seen, today we also announced a 2-cent dividend increase for our common shareholders. The decision to raise the dividend speaks to the board's confidence in TD's ability to deliver sustainable, long-term earnings growth even in a tough operating environment like the one we're currently facing.

With the first three quarters of 2011 behind us, we're confident that TD is on track to deliver another record year, thanks to our proven business model and our premium



earnings mix. I'll speak about our 2012 outlook in a moment, but let me first spend a few moments on each of our businesses.

TD Canada Trust had a record-breaking quarter, growing earnings 13% from the same period last year, thanks to solid growth in business banking volumes and a resilient performance in real-estate secured lending. And as expected, personal banking volumes have slowed somewhat. Lower loan loss provisions also helped results and operating leverage was positive over last year, thanks in part to a continued focus on expense management. Managing expense growth is critical, but we've also said consistently that we're committed to investing in our retail franchise. These strategic investments will serve to further strengthen our business and enable us to continue to exceed our customers' expectations. Indeed, our commitment to delivering legendary customer service has been crucial to our success. This commitment was also once again recognized this quarter, with TDCT named the top bank in customer satisfaction by J.D. Power & Associates for the sixth year in a row. We remain the only Big Five Canadian bank ever to win this award. Just two days ago we won the Synovate award for "excellence in customer service" for the seventh year in a row.

TD Bank, America's Most Convenient Bank, also delivered a record quarter, with adjusted U.S earnings growing 29% year-over-year. We saw strong growth in deposit volumes, and in commercial and residential mortgage lending. Our acquisitions are also performing well and credit quality has improved. We now have increased clarity around the revenue impact of the Durbin Amendment, and it will be



significant, at approximately US \$50 - \$60 million pre-tax per quarter. It will likely take us two years to recover most of the cost of this new rule through re-pricing of services and other initiatives. This might sound daunting and it will likely impact the pace of earnings growth, but it's a challenge we have faced before. If you look back to last year, new overdraft regulations were set to impact our business by a somewhat similar amount. We not only mitigated a substantial portion of it, but also posted record adjusted earnings in the process by growing our volumes. Our job is to respond to challenges like these.

Wealth Management earnings grew 26% year over year, excluding the contribution from TD Ameritrade. We saw healthy trading volumes, while fee-based and interest income also held up well. While market volatility makes it tough to predict short-term performance, it is clear that this business will deliver a very strong year in 2011.

Weak trading related revenue caused our Wholesale results to underperform our expectations. Global market conditions were negatively impacted by weakening economic growth, sovereign debt issues in Europe and U.S. debt ceiling negotiations at quarter end. This confluence produced a less than stellar trading quarter, particularly in Fixed Income where we have relatively greater exposure as a function of our business mix. We also have less corporate lending to anchor us during choppy markets. Short term market trends remain challenging. We continue to be focused on growing strategically competitive franchise businesses and are confident that we can earn 15-20% normalized ROE's while remaining within the risk appetite of TD Bank.



Just a couple of weeks ago, you would have seen us announce an agreement to purchase MBNA Canada's credit card portfolio. We've consistently said that we will seize good opportunities that make strategic sense, fit within our risk profile and are financially attractive. We're excited by this acquisition, which will allow us to offer both Visa and MasterCard to our customers and position us as one of the country's top credit card issuers. We expect to complete it in the first quarter of fiscal 2012, subject to regulatory approvals and the satisfaction of customary closing conditions.

## **Outlook**

In terms of outlook, we remain confident that 2011 will be a record year for TD. So what about 2012? You will have heard from all the banks that they are concerned over the economic environment. Europe clearly still has a long way to go to resolve its debt issues and the outlook for US economic growth has become more bearish. In fact, rates are at an all time low and this is a significant factor to our profitability in the medium term. Capital markets, as I have said, are not producing many revenue opportunities in the areas where we trade. And high market volatility risks creating investor fatigue in our brokerage businesses.

What is hard to predict is the duration of the outlook. We are in the unusual position where political actions or inactions have the ability to change the environment and affect both the duration and severity of these challenges. I have been saying for some time that growth was slowing, interest rates were lower and that extraordinary trading returns were disappearing. Still year to date adjusted



earnings growth for us is 16% over last year's levels. Almost twice the mid-point of our medium term targeted growth range. So you have to find a balance in talking about the future. Yes there appear to be strong headwinds, especially in the US where the Durbin Amendment effectively takes away one year's organic growth in earnings. At the same time our whole management team is focused on what we can do to mitigate these headwinds. So what are we going to do?

First, we're going to manage our expenses very closely in 2012 and slow down the rate of expense growth from 2011 levels. That doesn't mean we'll stop investing. In fact, quite the opposite! Our expense base already includes a healthy level of project spend, which will continue into next year.

Our competitive edge has always been our ability to invest through good times and bad, and to not overreact to the headwinds we face. Having said that, our job is to deliver a positive operating leverage through smart expense management.

Second, we'll find ways to earn through Durbin by repricing and introducing new products and working even harder to foster growth. Even with lower interest rates and a partial slowdown in commercial lending we expect some positive growth from TD Bank, America's Most Convenient Bank. In fact we remain committed to our US \$1.6 billion earnings target in 2013. While we didn't anticipate the significant negative Durbin impact, we also didn't factor in the Chrysler acquisition, so net net we're still comfortable with \$1.6 billion.



Third, as I have said we will see some rotation in the sources of earnings growth. The MBNA acquisition is expected to provide an uptick to earnings next year. Our Insurance and Business Banking businesses continue to have upside. And unless equity markets come off sharply, we believe our Canadian Wealth business has strong growth prospects.

Finally, we have an amazing engine of growth through our Canadian personal banking business. We expect personal banking volume growth in the mid-single digits and revenue growth in a similar range. Our domestic bank is an incredible growth story and we expect solid growth next year despite the low interest rate environment in Canada.

## **Capital**

On the capital front, we believe that by mid-2012 we will comfortably exceed the 7% Basel III requirements on a fully phased-in basis, using conservative assumptions on the OSFI rulings.

Our recent acquisitions, including Chrysler Financial and the agreement to purchase MBNA's credit card portfolio, also speak to our confidence in capital. In the case of MBNA Canada, we expect to issue common shares for prudent capital management purposes even though our forecasts clearly say we don't need to.

In terms of dividends, the increase we announced today brings us more in line with our projected payout ratios. Further increases, as in the past, will be linked with our Board's outlook on long-term sustainable earnings growth, rather than our capital levels.



Now, let me turn the call over to Colleen.

### **Call Closing**

Obviously 2011 looks like a very good year and this was a spectacular quarter. But equally obviously, the environment that we are looking at going forward, I think, has deteriorated over the last quarter. On the other hand as you build yourself great franchises, you will also have opportunities. Our management team is highly focused on how we can continue to meet our earnings growth target and we believe that we are very, very well positioned for the future.

Thank you.



## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and/or oral forward-looking statements, including in this presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the “safe harbour” provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding the Bank’s objectives and priorities for 2011 and beyond and strategies to achieve them, and the Bank’s anticipated financial performance. Forward-looking statements are typically identified by words such as “will”, “should”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “may”, and “could”.

By their very nature, these statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the financial, economic and regulatory environments, such risks and uncertainties – many of which are beyond the Bank’s control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause such differences include: credit, market (including equity, commodity, foreign exchange, and interest rate), liquidity, operational, reputational, insurance, strategic, regulatory, legal, environmental, and other risks, all of which are discussed in the Management’s Discussion and Analysis (“MD&A”) in the Bank’s 2010 Annual Report. Additional risk factors include the impact of recent U.S. legislative developments, as discussed under “Significant Events in 2010” in the “How We Performed” section of the 2010 MD&A; changes to and new interpretations of capital and liquidity guidelines and reporting instructions; increased funding costs for credit due to market illiquidity and competition for funding; and the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information. We caution that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank’s results. For more detailed information, please see the “Risk Factors and Management” section of the 2010 MD&A. All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to the Bank and we caution readers not to place undue reliance on the Bank’s forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the Bank’s 2010 Annual Report under the headings “Economic Summary and Outlook”, as updated in the Third Quarter 2011 Report to Shareholders; for each business segment, “Business Outlook and Focus for 2011”, as updated in the Third Quarter 2011 Report to Shareholders under the headings “Business Outlook”; and for the Corporate segment in the report under the heading “Outlook”.

Any forward-looking statements contained in this presentation represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank’s investors and analysts in understanding the Bank’s financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.