Q1 2005
Strategic Overview

(Check Against Delivery)

Ed Clark, President and CEO

- Good afternoon everyone. Thank you for joining us to discuss our first quarter results. Before I get into some observations on the quarter I want to say how delighted I am that Bill Ryan is here with us today and how pleased we are that the Banknorth shareholders voted in favour of our transaction on February 18th. We are now working to close on March 1st. I said when we first announced this deal in August that a key feature we were looking for, and found in Banknorth, was an excellent management team. Working more closely with Bill and his team over the last six months has only served to increase our comfort level with the team and with the transaction.

- 2005 is an important year for the TD Bank. In March TD celebrates 150 years of serving Canadians. This month we celebrated the 50th anniversary of the merger of The Dominion Bank and The Bank of Toronto. In addition five years ago this month we closed the Canada Trust acquisition. When we look at this quarter, with a return on invested capital of 23% and an annualized net income of $1.7 billion in our P&C segment, I don't think anyone is questioning that TD Canada Trust is a financial success as well as a great success for our customers. We look forward to some special events acknowledging the tremendous contribution of our employees and the loyalty of our customers and I want to take this opportunity to thank them.

- I know this is a very busy day for you with three banks reporting, so Dan and I will be brief in order to leave time for any questions you may have.

- We had an excellent quarter, reporting EPS before the amortization of intangibles of $1.08. Dan will take you through the numbers in detail but I want to point out that this result includes $0.03 from a release of general provisions and $0.03 from a recovery of specific loan losses previously provided under sectoral provisions. It also includes a $0.02 loss from accounting guideline 13, resulting in a net figure of $1.04. This represents a 6% increase from the first quarter of last year on a comparable basis but I recognize that most analysts will see a higher underlying growth rate because they made their own downward adjustments to last year's earnings including the special tax adjustment which we highlighted at that time.

- Today we also announced a $0.04 or 11% increase in our quarterly dividend. This increase reflects our very strong performance this quarter, a desire to move our payout ratio back into the middle part of our 35-45% range, and underscores the strength of our sustainable earnings.
- Each of our businesses is demonstrating excellent performance. We remain committed to straight-forward strategies which deliver strong, consistent performances. But we are aware that we are benefiting from an economic environment which remains quite benign. Let me take you briefly through each of our segments.
- Starting with the personal & commercial segment, last quarter we indicated that our fourth quarter results understated even more powerful underlying earnings trends in the personal & commercial segment.
- This quarter, we delivered on that statement.
- The P&C segment had a record quarter with net income growth of 21% year-over-year.
- Performance was broad based with solid volume growth in:
  - → real estate secured lending;
  - → core banking and business deposits; and
  - → insurance, including a great performance in Meloche Monnex which benefited from strong volumes and low claims experience.
- Year-over-year, there is also a pick-up from the acquisition of the personal lines of the property and casualty insurer Liberty Mutual which closed in the second quarter last year.
- I wanted to share with you some of our observations as we look out over the year.
  - → The Canadian economy may be slowing and while margins appear to have stabilized it now appears unlikely we will get the benefit of higher interest rates for some time.

- → Strong competitive pricing pressure has continued to result in small decreases in market share. We continue to try to fine tune our response to the competition without violating our shareholder driven approach.
- → On the personal side we have talked before about our slow growth in unsecured lending, reflecting our unwillingness to rapidly grow this area until we have the right risk infrastructure. We have paid a price in market share offset partially by lower PCLs. We don't see this shifting until next year after we have rolled out our new credit adjudication processes.
- → You may have noticed an increase this quarter in non-performing loans in the commercial bank. There is no underlying pattern to this increase and we do not view it as a systemic problem developing. However, I continue to worry about the credit cycle turning and the eventual impact of the strong Canadian dollar on small business and commercial PCLs.
- → And as we have talked about before we cannot expect Meloche Monnex to continue to grow at the same pace and we will see the effects of previously introduced price reductions and a gradual return to a more normal claims experience.

- All of that being said, despite these worries, the P&C segment has had very strong performance this quarter and we believe that this quarter represents a new level of earnings in our P&C segment which generally should be sustainable during the rest of the year. This would translate into achieving our goal of double digit earnings growth in 2005 when we look at results on a year-over-year basis.
- Turning to wealth management, last quarter we indicated that the underlying trends were better in wealth management than the fourth quarter results indicated and while this quarter net income is down 12% year-over-year, it is up 56% from last quarter, driven by robust mutual fund sales, improved performance from our advice based businesses and solid volumes in discount brokerage.
- Mutual fund sales have been very strong both in our own channels and external distribution channels driven in part by market recognition of our strong Investment Management performance. Long term net sales were $926 million in the quarter, an excellent result. We are delighted that TD mutual funds was honoured as Analysts' Choice for Fund Company of

the Year at the 2004 Canadian Investment Awards--the first time a bank has received such recognition.

- We are continuing our program of building out our advice based infrastructure and our advisory sales forces. This requires patient investment today for tomorrow's gains, but to date, we have been able to balance this investment with solid growth in profit.
- With respect to discount brokerage, on a year-over-year basis, the business dealt with the negative effect of a 16% decline in daily trades and a strengthening Canadian dollar which reduced the revenue contribution from our US operations, and the US$ revenue of the Canadian operations. On the other hand, our revenue in the discount brokerage business declined only 8% a result of successfully growing our non-transaction based revenue streams – an indicator of the very different and more balanced franchise we have on the discount brokerage side. Overall, net income declined 25% as expenses rose as a result of restructuring charges associated with efforts to further reduce our breakeven point as well as a higher marketing spend.
- Our wholesale business improved significantly from the previous quarter as M&A, debt and equity underwriting and institutional equity sales were particularly robust.
- Earnings were lower than our very strong first quarter last year primarily due to weaker trading results in some parts of our equity businesses, a lower loan portfolio and a higher tax rate.
- It is worth noting that we had no impaired loan formations in the quarter and that the ROIC for the segment was a robust 22.9%.
- Our loan portfolio is comparatively small and we are comfortable with its diversity and investment quality. Credit conditions are currently benign and we are not forecasting any meaningful loan losses in 2005.
- In conclusion, while there are lots of business issues facing us, we are still operating in a quite favourable environment and our businesses are adapting well to their challenges. It has been a tremendous start to the year and we welcome Banknorth to the TD Bank family and look forward to closing the transaction on March 1st.
- Now Dan will go into our quarterly numbers in detail.