

**TD BANK FINANCIAL GROUP**  
**Q4 2009 EARNINGS CONFERENCE CALL**  
**DECEMBER 3, 2009**

**DISCLAIMER**

---

THE INFORMATION CONTAINED IN THIS TRANSCRIPT IS A TEXTUAL REPRESENTATION OF THE TORONTO-DOMINION BANK'S ("TD") Q4 2009 EARNINGS CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALL. IN NO WAY DOES TD ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON TD'S WEB SITE OR IN THIS TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE CONFERENCE CALL ITSELF AND TD'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

**FORWARD-LOOKING INFORMATION**

---

From time to time, the Bank makes written and oral forward-looking statements, including in this document, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications, including to analysts, investors, representatives of the media and others. All such statements are made pursuant to the "safe harbour" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets for 2010 and beyond and the strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders and analysts to understand our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes. The economic assumptions for 2010 for the Bank are set out in the Bank's 2009 Management's Discussion and Analysis (MD&A) under the heading "Economic Summary and Outlook" and for each of our business segments, under the heading "Business Outlook and Focus for 2010." 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 us to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the current financial and economic environment, such risks and uncertainties may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors – many of which are beyond our control and the effects of which can be difficult to predict – that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the Bank's 2009 MD&A and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the U.S. and other countries in which the Bank conducts business, as well as the effect of changes in monetary and economic policies and in the foreign exchange rates for currencies of those jurisdictions; competition in markets in which the Bank operates, from established competitors and new entrants; defaults by other financial institutions; the accuracy and completeness of information we receive on customers and counterparties; the development and introduction of new products and services and new distribution channels; the Bank's ability to execute its strategies, including its integration, growth and acquisition strategies, and those of its subsidiaries internationally; changes in accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; changes to our credit ratings; global capital market activity; increased funding costs for credit due to market illiquidity and competition for funding; the Bank's ability to attract, develop and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure and to successfully and reliably deliver our products and services; the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information; technological changes; the use of new technologies in unprecedented ways to defraud the Bank or its customers and the organized efforts of increasingly sophisticated parties who direct their attempts to defraud the Bank or its customers through many channels; legislative and regulatory developments including changes in tax laws; unexpected judicial or regulatory proceedings or outcomes; the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the adequacy of the Bank's risk management framework, including the risk that the Bank's risk management models do not take into account all relevant factors; international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease, illness or other public health emergencies; and the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's businesses, financial results, financial condition or liquidity. The preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more information, please see the Risk Factors and Management section of the Bank's 2009 MD&A. All such factors should be considered carefully when making decisions with respect to the Bank and undue reliance should not be placed on the Bank's forward-looking statements. Any forward-looking information or statements contained in this document represent the views of management only as of the date hereof. 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 our behalf, except as required under applicable securities legislation.

## CORPORATE PARTICIPANTS

---

Ed Clark	President & CEO, TD Bank Financial Group
Colleen Johnston	CFO, TD Bank Financial Group
Bob Dorrance	Chairman, CEO & President, TD Securities
Tim Hockey	CEO & President, TD Canada Trust
Bill Hatanaka	Chairman & CEO, TD Waterhouse
Steve Boyle	CFO, TD Bank N.A.
Mark Chauvin	EVP & Chief Risk Officer
Tim Thompson	VP Investor Relations, TD Bank Financial Group

## AUDIENCE PARTICIPANTS

---

Brian Pilsworth	Foyston Gordon and Payne – Analyst
-----------------	------------------------------------

## CONFERENCE CALL PARTICIPANTS

---

Jim Bantis	Credit Suisse – Analyst
Michael Goldberg	Desjardins Securities – Analyst
André Hardy	RBC Capital Markets – Analyst
Sumit Malhotra	Merrill Lynch – Analyst
Darko Mihelic	CIBC World Market – Analyst
Cheryl Pate	Morgan Stanley - Analyst
John Reucassel	BMO Capital Markets - Analyst
Brad Smith	Blackmont Capital – Analyst
Steve Theriault	Merrill Lynch Canada - Analyst

## PRESENTATION

---

### **Tim Thompson**

Good afternoon and welcome to the TD Bank Financial Group's fourth quarter 2009 investor presentation. My name is Tim Thompson and I am head of Investor Relations at the Bank.

We will begin today's presentation with strategic remarks from Ed Clark, the Bank's CEO, after which Colleen Johnston, the Bank's CFO, will present our fourth quarter operating performance. Bharat Masrani, Group Head US P&C Banking, and Bernie Dorval, Group Head Global Insurance, are unable to attend today due to unforeseen personal commitments.

We are delighted to have Steve Boyle, CFO of US P&C Banking, with us. He will provide an update on our integration initiative and business growth in the US P&C segment. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality.

After that, we will take questions from those present and from prequalified analysts and investors on the phone.

Also present today to answer your questions are Bob Dorrance, Group Head Wholesale Banking; Bill Hatanaka, Group Head Wealth Management; and Tim Hockey, Group Head Canadian P&C Banking, who will also take questions on insurance in Bernie's absence.

As in the past, we are trying to keep the call to about one hour with Ed, Colleen, Steve and Mark's comments taking up about half that time. Please turn to page 2.

We know that this presentation contains forward-looking statements and actual results could differ materially from what is discussed. These statements are presented for the purpose of assisting our shareholders and analysts and understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives. They may not be appropriate for other purposes.

Certain material factors or assumptions were applied in making these statements. For additional information we refer you to our Q4 2009 and annual MD&A. These documents include a description of factors that could cause actual results to differ and can be found on our Website at TD.com.

Let me turn the presentation over to Ed.

---

### **Ed Clark**

Thanks, Tim, and thanks, everyone, for joining us this afternoon. So Colleen is going to be up shortly and she's going to describe in more detail how we did in the fourth quarter and how we did in the year overall.

My comments are slightly longer than they would normally be and I apologize for that. But there seem to be a number of things that we have to cover at the year-end.

But before I get into the business, I want to just make some promise on a personal note. We have had some inquiries of why I was absent from a couple of conferences that I would normally attend. Well I have had a recurring back problem for some years now. And for those of you who had to deal with back problems, you know that you always sit and try to figure out whether to have surgery or when to have surgery.

And in my case as you know I intend to stick around on this job for a number of years now postponing surgery and waiting until I retire wasn't really a realistic option. So when I decided I did need surgery I concluded I might as well do it right away.

I have a great team perfectly capable of running the bank without me and it seemed to me this was a good time to do that. So that is why I have been absent for about a month off work because of that. This is for those who are inquiring, the surgery was a complete success. I am back at work, full of energy, but I do appreciate people who were expressing concern.

Let me talk about 2009, the performance in 2010, and then look ahead in what I think some of the developments in 2000 -- sorry, 2010. Really we had a remarkably good year despite the fact that it started off with some pretty tough market conditions.

And if you are given how we felt at the end of the year, I would have to say who would have actually thought that we would be announcing a record year for the TD Bank? By almost every measure, our performance did exceed our expectations.

I had always thought that the Bank was well-positioned for a tough environment. But I have to say even I was surprised by the resiliency and the adaptability of the Bank in all parts of it.

Of course, I do want to note that all our success is underpinned by our people. As you know, I firmly believe that you can have the best strategy in the world but at the end of the day the real difference is, do you have a talented team that can actually execute that strategy.

But given it is the year-end, I would like to take this opportunity to thank all of our 74,000 employees for all their unbelievably hard work during the year in which they faced really frankly unprecedented challenge. I am extremely proud of what they all delivered.

And what is it that they delivered? Record adjusted earnings of 4.7 billion, even though our loan loss provisions more than doubled in adjusted earnings per share growth of 10% despite the fact that last fall we issued additional shares, a balance sheet that is incredibly strong with tier 1 capital 11.3% with over 75% of it intangible common equity, and adjusted return on risk rated assets that's one of the best in the industry at 2.27%. The best customer service in North America as shown by JD Power and Synovate wins.

And during 2009, more evidence of being great operators. A record low efficiency ratio of 50% in TD Canada Trust, 24 new branches in Canada, 33 new stores in the United States, another 75 client facing advisors as well, and 155 new business bankers in Canada. And of course, the successful integration of our two US banks.

In 2009, we demonstrated that with the right strategy and dedicated employees, there are ways strong businesses can perform even in a tough economy. Let me comment on each of our businesses.

Once again, we had excellent performance in retail in Canada and the United States. We hit almost 4 billion in adjusted retail earnings for the second year in a row. That is a fantastic foundation for a bank and you're going to see those earnings grow from here.

In Canada, TD Canada Trust continues to deliver great results in spite of a challenging economic environment, driven by our consistent focus in offering unparalleled convenience and legendary customer service. And as you heard at our Investor Session in October, we continue to take market share.

Turning to our wealth and wholesale businesses, they both have been helped by improving market conditions. And well, in Wealth, robust trading volumes continued to help offset the effects of low nominal interest rates and the resulting margin compression. And we are beginning to feel the positive effects of the equity market rebounds in our asset-based businesses.

In wholesale, the unprecedented market conditions of the past few years, I believe, have validated our strategy. We built a dealer focused on franchised businesses that is designed to be profitable, even in adverse market conditions.

After a tough 2008, who would have guessed that TD Securities would post the kind of record-breaking year we have seen in 2009? Importantly all the while reducing risk and further focusing our franchise on franchised business.

With the changes we've implemented this year in wholesale, I think we have reached the point where no further strategic adjustments are required. We feel we built the dealer model of the future. One that is less vulnerable to changes in regulatory capital requirements.

In the United States after more than a year and a half of incredibly hard work, we've completed the integration of Commerce in TD Banknorth, achieving our goal of uniting our US operations under one brand from Maine to Florida.

Now Steve is going to comment in more detail, but this was an extremely complex and demanding integration. And the team delivered to the highest possible standard on hundreds and hundreds of projects.

However, you have to acknowledge that we did experience delays in overnight processing shortly after the integration weekend. And we know that these delays impacted our customers, and for that we are truly sorry.

However I am incredibly pleased with how the team responded. We came together as one organization that worked incredibly hard to identify the problem and come up with a solution, and then worked hard to make things right for our customers.

Our reactions to the batch delays will only reinforce our leadership position in convenience and service. However, changes from conversion and batch delays heightened customer reaction and we tend to see those reactions immediately in our customer surveys.

But our Customer WOW Index today has bounced back from where it was after the conversion weekend. And we continue to see improvement in that metric. I just want to say to the team in the United States and across the Bank that supported them, I am truly WOWed by their standing job done by Bharat and his team and everyone and else involved in making the integration such a great success.

I have been asked by investors -- "Are you pleased with where you are in the United States?" Steve is going to review our progress shortly, but let me say that I am very pleased with our actual business model.

Today, we are operating a better bank in the United States. Our fundamental business strategies are delivering, and we have an organic growth engine, a strong deposit base, a growing loan book, and significant cross-sell opportunities.

Combined with our ownership position with TD Ameritrade, which has been a huge financial strategic success, our prospects for growth in the United States are excellent. But it is important to acknowledge that we aren't earning our cost of capital in the United States. And frankly, a long recession and a slow recovery is not going to help us.

A lot has happened since we announced the Commerce acquisition in October 2007. Back then we thought we could earn 1.2 billion in 2009 and we are coming in at just over 900 million, which isn't bad when you compare our performance to other major US banks.

But, clearly, we did not anticipate the severity of the downturn that has occurred. On our pre-provision basis, we think we have delivered pretty much in line with our original expectations and, considering our business model is one that leverage convenience and service that drive deposit growth, have to acknowledge it is much harder to deliver earnings from that deposit base in a very low nominal rate environment.

But we do see upside when the headwinds, the low margins and higher PCLs begin to ease. Overall, we think we have got a two-year delay in getting our ROIC up to our cost of capital.

On that note let me look -- move to our look -- outlook.

At the beginning of 2009, I said that the recession was like a valley. We didn't know how wide or deep it was, but we needed to get across it, with our business model intact and momentum on our side.

We are confident that our business model will survive the downturn. What we are wrestling with now is how long the recovery will take and what that means for us as we recover. In effect, what kind of recovery are we going to have?

We want to ensure we continue to deliver growth so our attention is focused on how we build our momentum coming out of 2009. With deposit-rich retail-focused banks like TDs there are four key factors that will determine our earnings from here.

One, provisions for loan losses. Two, the actual level of nominal interest rates. Three, the degree of normalization that occurs in the capital markets. And four, our rate of organic growth which is driven by consumer business confidence and the underlying nominal GDP growth in Canada and the United States.

Let me briefly touch on each of these factors. In terms of loan loss provision, we think they will increase in 2010 as unemployment continues to rise.

You see them peaking first in our Canadian personal unsecured businesses. In the Canadian commercial as in previous recessions, those losses should likely lag, but we do expect increases from the extremely low levels that have occurred so far. But we see them peaking at levels well below those that we've seen in previous recessions.

In the United States we expect that the loan losses will continue to increase from here, but at a much lower rate -- peaking at the end of 2010 and then in 2011 gradually trailing off. Before I move on, let me just address another topic which has recently arisen.

Earlier this week a report was published highlighting that loan portfolio disclosures in our US regulatory filings differed from that in our financial disclosures. Now this is actually not news -- new news, but it seemed to be for some.

Our financial disclosure provides what we consider to be a more accurate representation of the risk within our portfolio. In addition to our commercial real estate portfolio, our commercial and industrial portfolio includes loans that have real estate as collateral.

We assess the risk, credit risk of a borrower, based on the strength of their underlying business and its ability to repay the loan with real estate collateral representing a secondary source of repayment. As a result, we classify according to the industry of the borrower since we believe this provides analysts, investors a superior indication of the credit risk that we are taking.

This practice is consistent with what many large industry players follow.

Moving to interest rates, in some ways the very thing that is fueling results in wholesale, very low interest rates, is hurting our retail businesses. Given that fact, we see 2010 as something of a transition year in our mix of earnings as we start to see rate increases. We think they will come in the latter part of 2010 which means that they won't have a material impact on our retail results until 2011.

Given the unpredictable and extremely competitive nature of the capital markets, forward-looking observations about our wholesale bank are difficult indeed. However, after such an extraordinary year, we would expect wholesale earnings to start moving back down to a more normalized level. But if rates stayed low and volatility persists, we could see a continuation of above average returns. And stronger markets mean the tail wind of higher asset values should help our wealth management business as well.

Moving to organic growth, we still think we see growth in 2010, but at a pace that's in line with recovery, but slower growth in economies in the United States and Canada. So that means continuing new volume growth, but slowing from where we are today.

We still, though, and it's important to realize this have the tail wind of strong organic growth in 2009, business which is already on the books that already will in fact mean some earnings growth in 2010. We will see a negative impact on the Canadian dollar of our US operations as long as we see higher value of the Canadian dollar.

Well you might think on balance this paints a pretty gray picture of the year ahead. It certainly identifies our challenges. But at the same time I don't want to overstate these challenges. We have learned two lessons in the past year.



First, you can have positive surprises in a challenging year and, second, you can always figure out other ways to outperform. We're entering 2010 with very strong capital position. And that is a great place to be, whereas while governments and regulators around the world review capital requirements.

We believe it is prudent to maintain strong capital ratios, given this kind of environment. The truth is, no one really knows where these rules will come out. But there is a real risk that they will require higher capital levels and different definitions of capital.

TD and the other Canadian banks are going to these changes in a position of absolute strength and will likely be less impacted by any changes compared to other banks in the rest of the world. We have also got that solid foundation of retail earnings that I mentioned earlier.

So as we go into 2010, we continue to work hard to grow revenues and keep expenses well contained. And then we should see the positive effects of our embedded earnings from PCL declines and interest rate increases coming through, starting in 2011.

Finally, I think a word about compensation is probably appropriate. All of us have been sensitized to the importance of ensuring that our compensation plans reward behavior which adds value for our shareholders over the long term and avoids excessive risk.

While compensation planning does matter, strategy matters even more. And as you know TD's business strategy has been relentlessly focused on taking out tail risk and resisting market pressures to make short-term earnings expectations, which involve sacrificing long-term value or incurring excessive risks.

Nevertheless, it is important that compensation plans are aligned with strategy and reinforce the desired behavior. Our compensation plans already rewarded appropriate behavior by requiring large equity holdings by executives, paying a significant proportion of variable compensation in equity, and requiring the CEO to hold his required equity for two years postretirement.

As a result of the financial crisis, we have undertaken a thorough review of our plans and had discussions with some of our major shareholders. This review has resulted in some fine tuning which we'll outline on this year's proxy circular. These changes we made were designed to ensure that we are fully compliant with the Financial Stability Board guidelines and more explicitly factoring risks taken when determining compensation awards.

As for the level of compensation at TD, the cost of senior management has steadily declined over time as a percentage of adjusted earnings and revenues. If we look at incentive compensation the same way, incentive compensation has also declined. Incentive compensation growth this year reflects the spring back in wholesale earnings and the full-year inclusion of Commerce as a percentage of adjusted earnings, and revenue incentive compensation has fallen by about 10% compared to last year.

Overall, how am I feeling about 2010? Well, I am feeling pretty good about TD. We still see some significant headwinds, that demand a certain amount of caution. The market has bounced back more strongly than we would have thought, but we think the underlying economic conditions will remain lackluster for the foreseeable future. And we know that many of our customers face hardships as a result.

So we have said before, we intend to stick by our customers and clients in these tough times. But against that background, we believe that TD has still enormous earning potential, which we will see later in 2010 and into 2011. We are emerging from the financial crisis and resulting economic recession with our business model intact and momentum on our side.

On that note, I will turn things over to Colleen.

---

**Colleen Johnston**

Thanks, Ed, and good afternoon. Let me first take you through the results for the full year before we address the fourth quarter. So please turn to slide four.

You should note that Q1 opening retained earnings and Q1 and Q2 results for 2009 were adjusted due to the implementation of the amendment to CICA handbook section 3855, which relates to the reclass of available for sale debt security to loans. The related general allowance impact was a 59 million after-tax impact to the opening retained earnings and a combined 132 million after-tax or \$0.16 per share costs taken over Q1 and Q2.

I will go into further detail on this re-class later in my presentation.

So back to the results. 2009 -- for the second year in Toronto our retail franchise had total adjusted earnings of just under 4 billion. Wholesale banking had a record year with earnings over 1.1 billion, well above the earnings of 65 million last year.

Corporate segment losses of almost 400 million on an adjusted basis up from 2008 mainly due to lower tax benefits and higher on allocated corporate expenses. Adjusted EPS for 2009 was \$5.35, up 10% compared to last year. Impressive performance in light of the global recession this year and capital issuance during the year.

Tier 1 capital ratio continues to be very strong - 11.3%. During 2009, we added 4.7 billion of qualifying tier 1 capital -- common, preferred and innovative -- while reducing RWA by 22 billion or 10%. Please turn to slide five.

Q4 2009 highlights. Total bank adjusted net income was 1.3 billion, a new record -- up 97% from last year. Adjusted diluted earnings per share for the quarter, 1.46; 85% increase from Q4 of '08; and down 1% sequentially. Total adjusted retail earnings just shy of 1 billion, down 5% from last year and down 9% from the last quarter.

Wholesale. Another record quarter with net income of 372 million, up significantly from Q4 of '08 and up 14% from last quarter. On an adjusted basis, corporate posted a loss of 54 million compared with a 153 million loss last year. Lower adjusted net loss was primarily driven by the decrease in net securitization losses and the impact of tax benefits in the quarter. Please turn to slide six.

Reported net income of 1 billion or 1.12 per share, adjusted net income of 1.3 billion or 1.46 per share. The difference between reported and adjusted numbers is mainly due to four recurring items of note highlighted here. Please turn to slide seven.

Canadian P&C, TD Canada Trust net income of 622 million, up 4% from last year. Very strong operating leverage, a 5 point gap between revenue and expense growth more than offset a 50% increase in PCL. Net income was down 8% from Q3.

Highlights. Revenue up 7% over last year due to broad-based volume growth and higher fee revenues. The increased volume growth was partially offset by margin compression and significantly higher industrywide property and casualty losses. On volume growth, we posted record growth in real estate secured lending.

Compared to last year, total lending for TDCT grew by 13% with personal up 14% and business up 7%. TDCT deposits grew 13% with core banking growth of 26% and business deposit growth of 16%.

For the quarter, revenues decreased 1% sequentially due to lower global insurance revenue. While insurance revenue declined due to higher claims and weather-related losses, fundamentals in the business were solid.



Provision for credit losses of 313 million was up 50% from last year and 8% from last quarter, due to higher bankruptcies and delinquencies on unsecured lending and credit cards. Quarter over quarter business banking PCLs grew 13 million to 34 million. Still low, given this economy.

Expenses were up 2% from last year and 5% from last quarter. Margin was down 8 basis points compared to last quarter, due to lower mortgage prepayment fees but stable year over year. Next year, we expect relatively stable margins in TDCT despite an increase earlier in the year, due to our HELOC repricing. Overall, another strong quarter for TDCT. Please turn to slide eight.

Global wealth management which excludes TD Ameritrade net income of 97 million down 12% from last year but up 2% from last quarter. This was our strongest quarter in wealth earnings this year. Earnings were helped by improved market conditions and higher asset levels.

Highlights. Revenue of 587 million decreased 5 million or 1% from the prior year. Strong growth in transaction revenue was offset by net interest margin compression in this low rate environment. Sequential improvement was due to higher asset levels. We added 75 clients facing advisors this year.

2.2 billion in long-term mutual fund net sales this year compared to 0.7 billion in net redemptions in 2008. We were number one in net long-term sales in Canada on an industry basis in 2009. Expenses increased by 4% from Q4 of '08, due to volume growth and continued investments in the business. TD Ameritrade contributed 59 million to TD this quarter, flat to last year. Please turn to slide nine.

The US Personal and Commercial Bank. In US dollars, adjusted net income was 196 million for the quarter down 26% from last year due to significantly higher provisions year over year. The US P&C segment continued its solid performance in a tough operating environment.

Highlights. Revenues were over 1 billion, up 3% compared to last year and quarter. Sequential improvement was due to higher retail fees and volume growth, good growth in core deposits and re estate secured lending. Retail core deposits were up 9% year-over-year and commercial was up 11% for the same period.

Residential mortgage growth was very strong, up 46% driven by our originate and hold model and strong refinance activity.

Provision for credit losses increased by 23% compared to last quarter. Impaired loans and charge-offs also increased. Excluding credit losses related to the non-agency CMO portfolio, PCL was flat quarter over quarter. Expenses were up 5% compared to last quarter, mainly due to higher advertising related expenses. Year over year, change was due to an increase in regular FDIC premiums and new store openings, partially offset by Commerce deal synergies.

Margins are up in the current quarter, mainly due to better lending spreads and improved deposit mix. We expect margins to remain at this level on a year-over-year basis in 2010.

Moving on to wholesale, slide 10. Record net income of 372 million, another very strong quarter, and up significantly from last year and last quarter. Dramatic improvement in revenue growth versus 2008 reflects the turnaround in credit markets, improved margins in our trading businesses, very strong origination, and our commitment to developing franchise businesses.

Q4 proved a strong quarter for our equity derivatives business. We expect wholesale earnings to normalize as markets are more liquid, competition increases and interest rates rise.

Credit losses declined quarter over quarter, due to a recovery. Expenses were up year over year, due largely to higher variable compensation, due to improved results. Please turn to slide 11.

The impact of CICA handbook section 3855, election to reclassify from AFS debt securities to loans. Certain debt securities, including the non-agency CMO portfolio -- which were accounted for as available for sale securities -- were reclassified as loans retroactive to November 1, 2008. This resulted in amendments to Canadian GAAP which permit debt securities to be classified as loans if they do not have a quoted price in an active market. Securities were reclassified at amortized costs.

The impact of reclassification. The unrealized loss in OCI was reversed for prior quarters with the offset being an increase in the carrying value of securities.

Slide 38 in the appendix shows the P&L and balance sheet impact. As a result of the reclassification of the debt securities to loans, a general allowance was established. This impacted opening retained earnings by 59 million after tax and Q1 and Q2 earnings by a combined 132 million after tax or 0.16 per share.

Going forward, we expect small quarterly impairment charges and the possible release of some of the general allowance. With that I will hand it over to Steve Boyle.

---

### **Steve Boyle**

Thanks, Colleen. Please turn to slide 12.

I will provide a final update on the integration. There is some additional information on charts in the appendix of the presentation that you may want to refer to as well. Our integration is now essentially complete.

The integration of TD Banknorth and Commerce was not your typical rip and replace integration. Rather, we pursued a best-of-breed strategy which is more complex and more costly, but in the end was the right thing to do as we build out our franchise in the U.S.

We completed our systems conversion at the end of September and our final rebranding in New England and now are one bank with one brand, one operating model and one product suite from Maine to Florida. The investments we have made in our front and back end systems have allowed us to create a scalable platform from which to grow.

Slide 13. Now that our integration is complete, it is appropriate for us to look at how we performed throughout the integration and how we met our key objectives.

So how did we do? Overall, extremely well. Although we did fall short of some of our goals, which we will talk about in a moment, from an employee perspective, internal surveys show that our employees remained engaged right through the integration and we retained all key senior management personnel.

In addition, as you know, how companies come together from a cultural perspective can often make or break a merger of this size. And we have created a unique culture, based upon the best of both companies.

From a customer perspective, we grew the franchise right through the integration with households growing 2%. It should be noted that most banks see their customer base shrink as part of a merger and we saw an increase, so we are pleased by that.

More importantly we won the JD Power Award for Customer Satisfaction for the fourth year in a row, which is a clear indication of how our customers felt about the integration.

From a systems conversion perspective, the conversion went extremely well. Over the conversion weekend the data converted seamlessly and all of our channels were available the Sunday morning immediately following conversion -- earlier than planned.

As you're all aware however, we did experience some post-conversion challenges with our overnight batch processing, which created significant issues for some of our customers. We deeply regret this inconvenience and have worked diligently to resolve any outstanding issues and to do what was right for our customers and the bank.

I'm pleased to report that the batch processing issues we experienced are behind us, and it's business as usual at TD Bank, America's most convenient bank.

So how did we do from a financial perspective? Here, the picture is mixed, which reflects challenges facing the US economy in the second half of 2008 and throughout 2009. First, we will meet our expense synergies in the first quarter of 2010. Second, the integration charges are expected to come in higher than we originally projected when the Commerce transaction was first announced.

Approximately \$480 million US pretax has been sent through the end of 2009 and we anticipate taking an additional 45 to \$70 million of charges in the first quarter of 2010 for a total of 525 million to 550 million. This is due to higher than anticipated spend on IT to upgrade our front and back end systems, deeper restructuring efforts, increased costs of real estate disposition and some expenses associated with the post-conversion issues that we faced.

Although higher than originally anticipated the decisions were the right ones and we have created an enduring platform from which to grow.

Lastly as Colleen had discussed, our earnings in 2009 were impacted by higher PCLs, margin compression, and unplanned FDIC assessments. Although I am generally pleased with our performance, given the significant challenges facing banks in the US in 2009, I am not satisfied with the absolute levels of returns in the US.

Having said that, we are well-positioned to continue our growth and should see the benefits when PCLs and margins return to historical norms. Slide 14.

From a growth perspective, we continue to grow our franchise right through the integration and during one of the most challenging economic times in the United States. One of our core capabilities we acquired through Commerce was the ability to open new stores.

Throughout the integration, we opened 47 new stores from Q3 '08 through the end of fiscal year '09 primarily in our higher growth markets of Metro New York, Metro DC and South Florida. And the de novo growth strategy continues to be an important part -- an important growth catalyst for us in the United States.

We opened [33] new stores in 2009. Approximately 1/4 of our stores are maturing with an average deposit per store of \$59 million compared to mature stores with average deposits of \$84 million per store. This represents significant embedded growth opportunity, while at the same time we continue to open new stores every year.

In 2009, while maturing stores represented 25% of our retail outlet in the United States, they accounted for 60% of deposit growth.

We saw good growth in deposits, up 11% year over year. Much of this growth came from more profitable retail and commercial deposits while more costly government deposits were up only slightly during the year. Although strong deposit growth has not been a significant contributor to earnings in the low rate interest rate environment, as rates normalize this will be a tail end for us.

Finally our loan growth and credit performance has held up well in 2009. Our average loans grew 13% year over year, reflecting strong growth in our personal portfolio and market share gains across the franchise. And as Mark will review in more detail, our credit performance has continued to hold up well, outperforming our peers.

With the integration behind us and momentum in all of our businesses, we look forward to continued progress in 2010. Thank you.

Over to you, Mark.

---

**Mark Chauvin**

Thank you, Steve, and good afternoon. Please turn to slide 15.

First, I will provide an overview of our performance at a consolidated level, followed by a brief highlight on each of our credit portfolios. Please note that the information provided in this section is presented on a credit portfolio basis versus the financial results which are presented on a business segment basis. The primary difference is the inclusion of US credit cards in the US credit portfolio.

Also, we have excluded the impact of debt securities we classified as loans to provide a clear picture of the US credit portfolio performance.

Turning to the loan balances, lending growth was concentrated in the Canadian and US personal real estate-secured portfolios, while the commercial portfolios were flat quarter over quarter. Wholesale lending was down 5% over the third quarter and almost 14% year over year. The year-over-year decline was due primarily to refinancing a bank debt in the capital markets.

We are satisfied that we are adding good quality real estate-secured loans in our Canadian and US credit portfolio, consistent with our strategy to build our North American franchise.

Turning to loan portfolio quality on slide 16. As expected, gross impaired loans continued to trend up. However the rate of increase has slowed from that experienced during the first half of the year.

Default rates remained elevated across all portfolios with the exception of the wholesale portfolio, which continues to perform strongly. The US personal and commercial portfolios remained the main driver of gross impaired loan growth. Our specific allowance to growth-impaired loan coverage decreased slightly to 24.8% during the quarter, resulting from a decline in total specific allowances while gross-impaired loans continue to grow.

The decline in specific allowance resulted from the reversal of 44 million in specific reserves in the wholesale portfolio upon resolution of several impaired loans. It should also be noted that our US coverage ratio, measured by total allowances to gross impaired loans, is lower than our Canadian ratio, due to the US market practice of charging off impaired loans earlier in the workout process. This results in a lower total allowance coverage of 86% in the US which continues to compare favorably with our end market peers.

Lastly, I know there have been some questions on our total coverage ratio falling from 130% in Q3 to 112%. As a result, I would like to point out that that 130% number includes allowances established upon reclassification of debt securities to loans retroactive to November 1, '08. On an apples to apples basis, excluding the debt securities reclassification, coverage dropped only slightly from 116% to 112%.

In summary, we remain comfortable that gross impaired loans in all of our credit portfolios are adequately provisioned.

Turning to provision for credit losses on slide 17. Although still elevated, credit losses were fairly constant during the quarter and remained within our general expectations. Notwithstanding the reducing trend in credit losses during the past two quarters, we remain concerned that continuing high-end employment and bankruptcy rates, combined with the expected lag effect of the recession on commercial credit losses, will result in higher PCLs in 2010.

Please turn to slide 18 for a more detailed discussion of performance and specific areas of concern within the credit portfolio.

With respect to portfolio performance, I would highlight the following key points. The composition and performance of the Canadian personal portfolio was fairly stable quarter over quarter. Both the Canadian commercial and wholesale portfolios continued to perform well. Commercial losses have been holding at historically low levels.

Having said this, early signs of deterioration in recent quarters suggests losses will trend up in 2010. This is consistent with the lag effect experienced with commercial credit losses in previous recessions. Although elevated, we are confident loss rates will remain well below historical peaks.

Losses in the US personal portfolio continue to trend up at a moderate pace. Notwithstanding this trend, we are comfortable with the quality of new loans originated in our growing real estate-secured and indirect auto portfolios.

In the US commercial credit portfolio, commercial real estate -- specifically residential for sale -- remains the area of greatest concern representing more than 1/3 of total US commercial impaired loans. We continue to reduce exposure in this segment with no new exposures added during the past 18 months.

Nonresidential commercial real estate continues to record acceptable performance, although it does represent a future vulnerability, given current market dynamics. Favorable results to date in this segment can be attributed in part for a limited exposure investment real estate in the downtown cores of large urban centers which have been more severely impacted by the downturn.

The fundamentals in our commercial and industrial portfolio remain sound, supported by a focus on stronger performing industry sectors such as health care, education, and the public sector segments. As outlined in the appendix, 38% of our exposure in this portfolio is secured by real estate.

To classify these loans according to the industry of the borrower since this provides a better indication of credit risk, risk in this portfolio is related primarily to the business performance of the borrower and, secondarily, to the value of the real estate security. In our experience, loans secured by real estate produced higher recoveries than those that are not and, therefore, is considered to represent one of the strengths of our commercial and industrial credit exposure.

As previously mentioned by Ed, our presentation differs from U.S. regulator disclosures which require classification by collateral type versus industry segments. On balance, we are comfortable that our geographic footprint coupled with conservative underwriting standards position us well in the US market.

Overall, Q4 was a good quarter for TD with credit performance meeting expectations. However, the outlook remains uncertain and we are still concerned about increased pressure on credit losses across the portfolios. As a result, we expect credit losses to gradually increase throughout the year, peaking in the fall of 2010 followed by decline in 2011.

And now I will turn the presentation back to Tim.

---

**Tim Thompson**

Great. Thanks, Mark. We're asking those participating in the Q&A portion to ask one question at a time. Before ending the call today, I will ask Ed to offer some final remarks. So let's get started.

## QUESTION AND ANSWER

---

**Brian Pilsworth**

I just wanted to ask a little bit about the residential real estate in the US. Is the area of weakness -- can you help us understand why the specific PCLs are still 9 million out of the roughly 400 million gross impaired loans? Does it mean that you are going to be looking for problems going forward that haven't been identified or --?

---

**Mark Chauvin**

Are you talking about the commercial residential?

---

**Brian Pilsworth**

Exactly.

---

**Mark Chauvin**

Okay and your question is?

---

**Brian Pilsworth**

Well, my question is I'm just looking on slide 36. Specific PCL is 9 million. The gross is 373 with 328 last quarter. In your comments you identified that as the area of weakness. I guess the question is why is that number -- why is that number at that level? Shouldn't we be seeing that going higher?

---

**Mark Chauvin**

You mean the specific part? Actually I think the specific is only a sub -- a small part of our actual allowances under the USGA methodology; and that if you were to take the total GAs applied against that sector, it would be the highest coverage that we have. I don't have the specific number on the top of my head.

Specific is different in the US than it is in Canada and it is a relatively small percentage, but we would have a higher allowance number against it.

---

**Tim Thompson**

Let's go to the phones and take the first caller please.



---

**Operator**

Your first question comes from Steve Theriault from Merrill Lynch. Please go ahead.

---

**Steve Theriault**

Thanks very much. A question for Colleen on the reclassification. It looked to me based on the disclosures that there is about 8 billion coming under the AFS bucket, but based -- again based on their statement it looked like there was something in the range of another 3 billion coming out of the held to maturity bucket into the loan book. Is that's the case and what was the nature of those exposures and what's the thinking behind moving from one accrual bucket to another there?

---

**Colleen Johnston**

So Steve, the new standard did require us to transfer any loans out of held to maturity into or securities out of held to maturity into lending that are not traded actively traded or quoted. So these particular ones are they are held to maturity securities that were transferred to loans. They are investments in one of our subsidiaries which the bank intends to hold until their maturity.

Securities are all very high quality. They are basically AAA rated. Supranational and bank bonds. So we don't have any general allowance against that portfolio, but that was about 2.5 billion that was transferred from held to maturity into lending.

---

**Steve Theriault**

Ok. A follow-up if I might. On the -- if I look at the US P&C segment on page 8 in US dollar terms of your Supp pack, you see 39 million of credit losses this quarter attributed to the debt securities classified as loans and then 95 million and 75 million back at the first half of the year. You talked a bit about it, but -- in that there could be some additional losses there.

But based on this reclassification should that number get a lot closer to zero going forward? And you may get some routing errors or is there a risk you could get kind of losses in this type of range going forward?

---

**Colleen Johnston**

Well these losses are specifics, so these were some impairments. So this general allowance is -- this is different than what has happened here. This is -- some specific provisions on impairment in the portfolio. And so we think overall in terms of the coverage we have from the reserves that we have taken initially as part of the write-down as well as the GAs that we've taken, we think we are very well covered on the portfolio overall.

But we think there is some likelihood that we will have some small charges or perhaps credits going forward. But I don't think you should expect to see much in that line would be the bottom line.

---

**Operator**

Your next question comes from Brad Smith. Please go ahead.

**Brad Smith**

Thanks very much. This is a question for Ed. Ed, I just wanted to clarify in your opening remarks you referred to the recession and the credit situation in the US as being viewed as a two-year delay in achieving, I guess, your return on capital objectives. And I think this year in fiscal '09 your return was about half of what your cost of capital was.

And I was just wondering where does the two-year start from? Is that starting years ago or is it starting now? And then I was wondering if you might also just augment that with some comments about how things have changed and how that may or may not have impacted your outlook for your overall return potential in your U.S. strategy?

---

**Ed Clark**

Yes. I was afraid someone was going to ask me that question.

So I think we don't want to get too precise here because reality is, to be precise in answering that number I've got to be very precise in answering the speed with which PCLs decline and interest rate absolute levels rise. But in the sense of our head I think what I am saying is we thought we were going to earn \$1.2 billion this year.

We obviously didn't earn 1.2 billion. You can basically explain that all away by the higher than normal PCL running rate. And we absorbed much lower absolute interest rates. So pressure on the margins.

So I think we would be disappointed if in 2011 or 2012 we weren't certainly getting something like that kind of level and moving up. If we didn't get that level moving up, it won't reflect. I guess that is the main point we are making.

It is not that the core operating business isn't doing well. In fact if you look at what the operating ROE of that business is, it's still extraordinarily high. And it is not like when we open new branches, we are disappointed with the performance. It is not like we are not growing new customers.

But if the recession in the United States continues to go on and on and on, and if the absolute level of interest rates go on and on and on, it is hard to grow when you -- that number against those two headwinds. So it is really when you think those headwinds will turn around. And then I think you should see us spring back in our earnings because we are building the fundamental base for a spring back if the conditions change.

---

**Brad Smith**

Just one supplemental to that then Ed. if conditions remain sort of stressed as they are, do you see the opportunity to improve your returns by growing your scale? Or are you at a scale level currently that would preclude that opportunity?

---

**Ed Clark**

Yes. That's a good question. I think we first start off and so I don't want -- I think what we're trying to say is if you don't think management feels badly about the ROIC, then you don't get what the culture is at TD.

So even though you could say, "Well, no one anticipated this downturn at this level and the kind of financial crisis," the fact is we are burdened by the shareholders to make money for the shareholders and

we are all shareholders. So we -- I think the challenge that we certainly are saying to ourselves right now is let's assume the world is -- stays bad for a while. How are we going to get that number up?

And so we are looking at all of the different ways that you could actually run this kind of franchise in a low interest rate environment, a slow growth environment in which PCLs don't drop off as fast as you might hope.

I would say I think certainly with [tuck-ins] and FDIC-assisted deals, I think we can actually help improve the rates of return on this franchise. So it would be one of the things that we would look at.

But clearly we have got to look at other things of finding ways to exploit market disruption. We know the mortgage market stays disruptive in the United States. We think there are opportunities there. We know that we have barely begun to cross sell that customer base, and so we bought a sense of deposit-gathering model line.

And so we've got this tremendous customer loyalty so we are not penetrating that customer base nearly enough. So we think there are lots of those things to be done.

I think that actually -- you know, I think -- it's amazing to me that we could open 47 branches while we are doing a merger. There's just only so many things you can do while you are doing a merger. Certainly the scrutiny on the team is now and the focus on the team is to say, "Let's assume the world stays ugly. How are we going to get that ROIC up?" But obviously it would make a huge difference if absolute rates rose and PCLs fell off.

---

**Brad Smith**

Terrific. Thanks very much.

---

**Operator**

Your next question comes from John Reucassel from BMO Capital Markets. Please go ahead sir.

---

**John Reucassel**

Thank you. Ed, just want to follow up on that and I just want to make sure I understand the numbers. So I think do you spend US -- 17 almost 18 billion on US businesses? And then is there except to work through your cost of capital would that be 10%? Would those be right so you need to earn about 1.8 billion? Is that fair?

---

**Ed Clark**

I think 10 is frankly a little high for a number and you take a look at our PE and what our real cost of capital is I think it's a lower number than that. So we have always said, you know we'd really like to get in at least in the 7 and 8% return within the medium term.

If you take -- if you go back and look at history at what TD Canada Trust was when TD bought Canada Trust, they bought a 20% ROE business and they paid 4.1 times book, so they are earning a 5% rate of return. And as you can see now, the ROIC in that business is 27. I am not sure we are going to get this up to 27% of ROIC basis. But I certainly think you want to start getting it -- once we are in the 7 to 8% I think we will start to breathe a little easier.

---

**John Reucassel**

Okay. And then just to follow up on that, I guess talking about a more difficult environment out there and the scale you have, can you get to those kinds of returns with an efficiency ratio that is above 70% or do you -- I assume that's a big factor. If the world stays the same, you have got to get that efficiency ratio down. Is that fair?

---

**Ed Clark**

I would say the issue on the efficiency ratio is less expensive. I think we are going to run a higher expense model because we are also driving growth very heavily off of that off of smaller earnings base. So I think as long as we can open branches that have high IRRs, it is kind of crazy from a shareholder point of view not to do that. This is where we have come to the philosophies don't let short-term earnings management destroy shareholder value. And so if you can open up a new branch and make money on it, keep doing that.

But clearly, what would drive the efficiency ratio would be if you start to get a spring back in absolute interest rates. And so you've got to have bigger margins on your deposit side.

So I would say what is sort of unique and obviously I think we are -- the great news is that we are way better performers on the asset side than everyone else. And the great news is we are better to pull-out on the deposit side. The bad news is deposits is not a great business right now with absolutely low interest rates. So we are great at something that turns out in a low interest environment harder to make money at.

---

**John Reucassel**

I will leave it there. Thank you.

---

**Ed Clark**

Good so stop hitting or kicking me just because I'm still twitching. Is that what you think?

---

**Colleen Johnston**

I think it's also maybe just worth clarifying that. If you look at the efficiency ratio on a reported basis in this business it is in the sort of 70+ range, but on an adjusted basis you are at about 60% and we obviously do see the potential over time to improve that efficiency ratio in the US.

---

**John Reucassel**

Okay. Thank you.

---

**Operator**

Your next question comes from Andre Hardy from RBC Capital Markets. Please go ahead sir.

---

**Andre Hardy**

For Tim Hockey. When we look at page 9 of the press release toward the end of the P&C segment, it talks about the outlook for margins being stable next year. And I gather there is no expectations of rate increases. That's fine.

But what about the very material repricing of the HELOC book? I would expect that to drive higher margins, maybe not in the 400 basis points, but what are the offsets that lead you to say margins aren't going up?

---

**Tim Hockey**

That's a great question. So the timing of our repricing of our HELOC book, it was effective middle of this past month. So we get almost a full quarter's effect in Q1 and that will obviously drive the number up.

Just a couple of caveats, if you are doing the relatively straightforward math of taking our HELOC book as disclosed and multiplying it by 1%, that would be too high a number. There was obviously some caveats both some -- it's only on the flow portion, which is a smaller number. There were some segments of customers that were excluded from that. And there was fairly liberal granting of discretion to our field force in the branch and in the call centers to make accommodations. So the number obviously is quite a bit smaller.

And the last thing I'd say is we offered our customers an opportunity to switch from their HELOC book at a very discounted fixed rate into a traditional mortgage. So all of that has an impact on the absolute level of revenue gains.

But it will be mostly in the first quarter. Therefore it will drive an uptick in margins.

Over the next few quarters, in the rest of 2010, there will be a drift down as our [tractor] programs fall off and as Ed was talking about in the last little while, just absolute low level of interest rates continue to work their way into the portfolio.

---

**Andre Hardy**

Okay so Q1 up versus Q4 but then we trend down and on average will be in-line with '09 would be the base case?

---

**Tim Hockey**

Sounds like you wrote the press release.

---

**Andre Hardy**

Thank you.

---

**Operator**

Your next question comes from Cheryl Pate from Morgan Stanley. Please go ahead ma'am.

---

**Cheryl Pate**

Good afternoon. My question is for Tim as well. I wonder if you could give some more details on what went on in the insurance business over the course of the quarter? It's a little bit lighter than expectations, so any color in there would be great.

---

**Tim Hockey**

Sure. Well on Bernie's draft he has scripted me well, I would say. Short answer is you've seen again and as disclosed is we had about a 50 million drop in linked quarter in insurance revenues and that really is to coin a phrase a little bit of a perfect storm. I mean, we actually had quite a significant uptick in claims. Usually weather-related, but tended to hit us mostly in the fourth quarter.

Some of those we would expect to be more one time in nature. Not all of them of course, but there was a fairly significant uptick and of course it is an industry phenomenon as well.

---

**Cheryl Pate**

Great. Thanks.

---

**Operator**

Your next question comes from Michael Goldberg from Desjardins Securities. Please go ahead sir.

---

**Michael Goldberg**

So I'm looking at page 7 of your Supp pack and looking at the US P&C contribution -- 909 million for the year. And if I think about this fairly simplistically, if you hadn't done the reclassification would it be reasonable just to add back the after-tax impact of the 250 million provision related to those loans during the year?

---

**Colleen Johnston**

Michael, its Colleen. Yes it would be reasonable to add back the amounts that we took in Q1 and Q2 and that was 132 million after-tax. Because part of the allowance we took to opening retained earnings, but that was the charge and we've outlined that on page 46 in the supplemental. It would be the 132 million. So that would be the way to look at that.

---

**Michael Goldberg**

Wouldn't it be the full 250? I mean the value would have gone through your AOCI if there were still in AFS?

---

**Colleen Johnston**

Are you talking -- you are talking about profitability of the segment?



---

**Michael Goldberg**

That's right.

---

**Colleen Johnston**

Right. So no the profitability would have been 132 million higher.

---

**Michael Goldberg**

Okay maybe we can take it off-line because you took another 41 million in the fourth quarter of provision.

---

**Colleen Johnston**

Right and those were specifics.

---

**Michael Goldberg**

Okay. Now turning to slide 20 of the Supp pack and related to these reclassified loans, you -- when you reclassified them and you took provisions that you reclassified for the quarter, line 10 on that page actually -- no, not line 10. Yes. For the loans reclassified, your gross formations were all recognized in the fourth quarter.

Can you tell me why they would have all been recognized in the fourth quarter?

---

**Colleen Johnston**

Now you are talking about the AFS that's now in lending?

---

**Michael Goldberg**

That's right. So you've got -- 223 US of gross formations that was all recognized in the fourth quarter. What was it about what happened in the fourth quarter, as opposed to any of the first, second or third quarters where you wouldn't have allocated a portion of the 223 million to any of those other quarters?

---

**Colleen Johnston**

So what happened in the fourth quarter is we did trigger a specific impairment which had not happened before. So as you know we have been managing this. We have, as I mentioned earlier, the reserve which is essentially the assumption around credit losses which was included in our original write down. And in the fourth quarter, we in essence sort of tripped our own test as it related to some of those securities and then also some trust-preferreds as well. So that is what accounted for the 40 million.

So that event only occurred in the fourth quarter when we had evidence of impairment.

---

**Michael Goldberg**

Okay, so it was in actually turning those provisions into specific rather than general that led you to classify the loans nonperforming?

---

**Colleen Johnston**

No so we had -- again they became impaired in the fourth quarter and the reason they are showing up here is because we are now treating them as lending, as opposed to AFS. So they are now coming into the impaired loan category. But as I say, they only became impaired in the fourth quarter.

So this didn't really relate to the change in standard except for the fact that because it is now lending related it shows up in impaired loans and you see this in the allowances of both specific and general. The impact of the change in the standard was really in the generals. And obviously in all of the balance sheet reclasses and as you have seen the effects on OCI in prior quarters, book value, book value per share, all of those things I think as you probably observed, it had -- it definitely had an impact on prior quarters.

---

**Michael Goldberg**

What I am really getting here is that in doing the reclassification you have recognized generals and now specifics against these reclassified loans. But you've only recognized a formation in the fourth quarter. So I am saying, let's pretend that these loans had been class -- what are loans now had been classified as loans all along.

Is there a portion of that 223 million that would have been shown as formations in the first, second, or third quarter?

---

**Colleen Johnston**

No. I'm happy to take this off-line Michael. We can -- I know this is pretty complicated in terms of all of the moves here. Happy to do that off-line.

---

**Michael Goldberg**

Okay.

---

**Operator**

Your next question comes from Jim Bantis from Credit Suisse. Please go ahead sir.

---

**Jim Bantis**

Good afternoon. Looking at slide 14 US P&C business growth. And the numbers shown here really helpful and it kind of leads to the conclusion that branches of new stores have to be opened in order to get the organic growth engine continuing here, highlighting that 60% of deposit growth came from 25% of the stores which were maturing. How many stores are you planning to open in 2010?

---

**Mark Chauvin**

We are planning on opening 32 stores next year.

---

**Jim Bantis**

32 stores. Okay. And when you look at the loan growth up 13% year over year, do you have that similar type of breakdown to give us a sense of was the loan growth primarily driven by maturing stores? Or is it a different phenomena where the mature stores that lead to loan growth?

---

**Mark Chauvin**

Yes you would have more loan growth related to the maturing stores, but it is not as dramatic an impact as it is on the deposit side.

---

**Jim Bantis**

Got it. And is there a way that you can give us a sense on how you felt that your mature stores performed year over year? I guess that would be roughly 750 stores?

---

**Mark Chauvin**

Yes so I think we are happy with the growth in the mature stores. I think it is important to point out that in this very low interest rate environment where we are managing for profitability as well as growth, I think our average total cost of deposit is 68 basis points, that you are not going to see the same level of growth in mature stores as you would in a more normal interest rate environment.

---

**Jim Bantis**

Got it. Okay and when does a maturing store become a mature store? Is it the level of deposits or number of years?

---

**Mark Chauvin**

In the fifth year.

---

**Jim Bantis**

So it's five years as the maturing store?

---

**Mark Chauvin**

That's correct.

---

**Jim Bantis**

Thank you.

---

**Tim Thompson**

Let's come back to the room for a second. Brian, do you have a question? Great, we'll go back to the next caller on the phone please.

---

**Operator**

Your next question comes from Brad Smith from Blackmont Capital. Please go ahead sir.

---

**Brad Smith**

Thank you, I'm sorry I just slipped out. I had a question just with respect to the recovery on the tax line in the US segment. You know you've had these recoveries before, but now it's starting to become quite a large amount, relative to the pretax number. Can you give me just some sort of outlook or where that is going to trend in 2010?

---

**Colleen Johnston**

So, Brad, I think when you are looking at the supplemental in that 29 million you are looking on a reported basis -- and it's probably better and we can lay this out for you -- but to look at it on an adjusted basis because our reported basis as the pretax income declines and we have some tax synergies in the United States. So, obviously, that will lead to what appears to be a credit there.

So going forward I think our tax rate will be in roughly the same range as it has been this year. Maybe I can ask Steve to comment on that.

---

**Steve Boyle**

Yes, no, that's correct. I think as you see the structuring charge is diminished which are at our marginal rate. You will see a more normal rate in the reported earnings and I think our adjusted actual rate will be similar.

---

**Brad Smith**

And similar being in sort of the 35% range or --?

---

**Steve Boyle**

No. I think our tax rate on an adjusted basis is more in the mid to low teens and that's probably where we would expect to be next year.

---

**Brad Smith**

Oh okay.

---

**Colleen Johnston**

In terms of tax in the quarter you would have seen the benefits in the Corporate segment. You are not really seeing it in the segments. So we did have some positive tax items. It was probably versus Q3 it was probably about a \$0.02 to \$0.03 impact in the quarter but it wasn't in the segments.

---

**Brad Smith**

Okay so just to be clear as we go forward and the restructuring or -- is behind us, we are going to start to see a positive tax charge against positive pretax earnings in the US segment?

---

**Steve Boyle**

That's correct.

---

**Brad Smith**

Okay thank you.

---

**Operator**

Your next question comes from Sumit Malhotra from Macquarie Capital Markets. Please go ahead sir.

---

**Sumit Malhotra**

Good afternoon. Probably for Steve Boyle or Colleen Johnston. The net interest margin in the US banking segment broke a string of declines this quarter end I know it is hard to compare across different segments, in different geographies, but if we compare this segment to Canada Trust, obviously both have a solid base of core deposits. In Canada Trust after the Bank of Canada stopped cutting rates in Q1, you were able to rather quickly benefit from NIM expansion here as you repriced the portfolio.

I would -- let me ask you. Why hasn't it been until the recent quarter a similar trend in the US? If that's been on hold, you've got this solid base of deposits I would think with Jim Bantis touched on that graph where you showed 13% loan growth, I would think any new business you are doing now is certainly being priced with much more discipline on risk.

So can you talk about the difference in the net interest margin trend in the US compared to what we have seen with Canada Trust?

---

**Steve Boyle**

Sure. Maybe I'll talk to the US and Colleen can contrast the two. So I think in the US what we have seen is a gradual decline that reflects both the decline in interest rates which has also really an off -- starting to be offset by wider spreads in the commercial loan book.

I think what is helping us recently is that we had earlier in the year a liquidity crisis that caused a lot of our competitor banks to keep rates artificially high. I think now, as the liquidity crisis has eased, that the competitive environment in the US has eased with it.

And so we have been able to see kind of the bottom of our deposit margins and now the loan margins are starting to lift the overall NIM. So I think it is probably a difference in the competitive environment in the US versus Canada where we are seeing an easing of the competitiveness in the US on the deposit side.

---

**Colleen Johnston**

Maybe I will make a brief comment and then turn it over to Tim to elaborate. But I think one of the fundamental differences is the -- I think the pricing powers that we and collectively the banks have in Canada compared to the United States. So as you saw at the TDCT investor day, I mean that coupled with superior treasury management skills.

So you've seen that in the trend line in our margins over the last number of years which have been relatively stable and despite all of the dislocation in the last couple of years versus in fact the peer group which has come down steadily. So why don't I let Tim just elaborate on that.

---

**Sumit Malhotra**

I think I'm actually okay on the Canada Trust side. I know there's probably a few other people. So just quickly for Steve on that point with the competitive, the competitive situation in the US and on the liquidity side easing somewhat, do you think it is fair to say we probably have seen the bottom on NIM in US?

I'm bringing this up because obviously you talked about the credit situation. You've talked about a higher expense model, so the way I am thinking about this is NIM expansion one of the positives we could potentially see from here if the worst of the compression has passed? Is that a fair statement for 2010, Steve?

---

**Steve Boyle**

So I think in general we would expect that we have seen the bottom on net interest margins. I think since we are at a floor in our ability to price customer deposits down any further decline in rates could hurt us a little bit going forward. But obviously we are in extraordinarily low rates right now so it's pretty hard to see rates coming down much further.

---

**Sumit Malhotra**

Thanks for your time.

---

**Ed Clark**

I guess I will just make a couple at the risk of getting myself into trouble here. Between the two businesses, you have got to remember that we have a balanced portfolio in Canada and an imbalanced portfolio in the United States and so TD Canada Trust generates as many or in fact more assets than it does liabilities.

So the repricing that's gone on in Canada isn't so much on the deposit side, if you take a look at our margins on the deposit site, they have come down in Canada as well. It's that they have been able to



read price on the asset side and because the absolute numbers on the asset side they are as big as the absolute numbers on the deposit side, you can reprice and hold your margins up.

In the case of the United States there is a big difference between the size of the deposits and the size of the assets generated by the system. So it's not if you reprice on the asset side you don't get the same effect on them as you would in Canada.

The second thing just as a little note of caution is that we are certainly seeing in the United States that loan growth on the commercial side has flattened out and so it's not that we are unwilling to lend, but the fact is many small businesses faced with the uncertainty in the economic environment in the United States are not borrowing. So I don't think you can anticipate the kind of growth rates on the lending side that we saw this year.

---

**Sumit Malhotra**

Thank you for that color.

---

**Tim Thompson**

We will just take one last question here and then I will pass it over to Ed. So please, to the next caller.

---

**Operator**

Your next question comes from Jim Bantis from Credit Suisse. Please go ahead sir.

---

**Jim Bantis**

How about we call it there. Asked and answered.

---

**Tim Thompson**

Thanks, Jim. Okay. Over to Ed for some last comments, please.

---

**Ed Clark**

Thank you for attending this session and I hope you all have a good holiday season. We certainly intend to enjoy it. We feel very good about the year. We think it is a terrific year and frankly it was a better year than we had anticipated going into it. And we do think we are well-positioned for going forward but we have a cautious -- as we often do -- view on 2010, to say we have still got another 2010 to get through before we are going to see all of the spring back effects that I think we are building into our system.

Clearly we view that we have a huge strength in our retail earnings and the great thing about our 4 billion is that we have been able to have those kinds of earnings and add customers and add branches and add such fundamentals so that when PCLs decline and interest rates rise, we are going to have enormous tail winds.

I think we are equally just delighted with what has gone on in our wholesale business. We have been able to fundamentally reposition that business. We think we are sitting on the dealer of the future. A dealer that has been designed where we think not just the economy is going, but in fact where regulatory changes

are going. And so we are just delighted with the performance we have. So we are feeling pretty good going into the 2010 despite the fact that we think 2010 still represents another tough year to get through from an economic point of view.

Thank you very much.

---

**Tim Thompson**

With that, I will end the meeting. Thanks for your time today.