TD Bank Financial Group
Investor Relations

TD BANK FINANCIAL GROUP
UBS GLOBAL FINANCIAL SERVICES CONFERENCE
MAY 11, 2010

DISCLAIMER

FORWARD-LOOKING INFORMATION

From time to time, the Bank makes written and oral forward-looking statements, including in this presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), 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 applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements regarding the Bank's objectives and priorities for 2010 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 current 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 and other risks, all of which are discussed in the Management's Discussion and Analysis (MD&A) in the Bank's 2009 Annual Report. Additional risk factors include changes to and new interpretations of risk-based capital guidelines and reporting instructions; increased funding costs for credit due to market illiquidity and competition for funding; the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information; and 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. 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 MD&A, starting on page 65 of the Bank's 2009 Annual Report. 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 undue reliance should not be placed 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 2009 Annual Report under the heading "Economic Summary and Outlook", as updated in the First Quarter 2010 Report to Shareholders; and for each of the business segments, under the headings "Business Outlook and Focus for 2010", as updated in the First Quarter 2010 Report to Shareholders under the headings "Business 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 shareholders 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.

CORPORATE PARTICIPANTS

Colleen Johnston
Toronto Dominion Bank - Chief Financial Officer

UBS PARTICIPANTS

Peter Rozenberg
UBS - Analyst

PRESENTATION

Peter Rozenberg ***- UBS - Analyst***

Hi, my name is Peter Rozenberg. I'm an equity analyst at UBS. It's my privilege to introduce Colleen Johnston, CFO of TD Bank since 2005.

TD is the number one retail bank in Canada and one of the largest in North America, underpinned by a strong reputation for service and convenience and its low risk culture. TD is probably the first truly North American bank with over 1,000 branches in both Canada and the United States.

Canadian banks have distinguished themselves through this crisis with average ROEs of 17%, a Tier 1 of over 12%, and only 68 basis points in loan loss provisions last quarter. This is due to an attractive competitive and economic and regulatory backdrop with average residential mortgage losses of only two basis points.

The Canadian government has been very clear in saying that capital and leverage are the key to regulation, not arbitrary rules and taxes. And so after my free plug on Canada, I will hand it over to Colleen.

Colleen Johnston ***- Toronto Dominion Bank - Chief Financial Officer***

Thanks very much, Peter, and good morning to all of you. We do always appreciate the opportunity to tell the TD Bank Financial Group story.

And I must admit I always enjoy being in the city, especially now with our fabulous TD branches. It's always a source of pride to walk around the city and see our fantastic branches or stores as we call them. And even better, from my standpoint as CFO, we have about $10 billion in deposits in this market and growing every single day, so that's great.

What I'm going to do today is start with an overview of TD Bank Financial Group and then switch gears and talk about some of the topical issues these days for investors and talk about obviously the banking sector generally, but TD more specifically.

But before I start I'd like to get the legalities out the way. I must emphasize that we are currently in our quiet period. Our fiscal second quarter ended on April the 30th and our Q2 results will be released on May the 27th. Therefore my discussion today will be limited to the presentation materials and any responses to questions on earnings, strategy and other developments will be based on publicly available information.

We also know that this presentation contains forward-looking statements and actual results could differ materially from what is discussed. Any forward-looking statements contained in this presentation represent the views of management only, as of today, and are presented for the purpose of assisting the bank's shareholders and analysts in understanding the bank's financial position.

Certain material assumptions were applied in making these statements, and you can find additional information about such assumptions and the material risk factors that could cause actual results to differ in our Q1 2010 MD&A and our 2009 Annual Report, both of which can be found on our website at TD.com.

So this first slide, slide 3, emerging with momentum. So everyone knows that the economy has had a couple of very tough years obviously with the financial crisis and the global recession, and visibility during that period was very low in terms of the operating environment and earnings. And the question that many investors asked - have asked us throughout this period, is what is your business philosophy and how are you running the bank for today and for the future?

And I'd like to tell a story because I think it's so relevant. It goes back to December of 2008 and, of course, that was really probably at the worst possible time when you think about the financial crisis and the liquidity crisis.

We held a one day meeting in Toronto for all of our executives around the world - about 900 executives from Canada to the United States and other parts of the world. And except for the surprise visit from Regis and Kelly, our spokespeople in the US, it was quite a somber event I must say, and I think it was probably true for banks right around the world. And it was really hard to know where were things were going at that time.

But our CEO had a very compelling message for the troops. He said we know we're heading into a recession. Think about the recession like a valley. We don't know how wide the valley is or how deep the valley is, but the key is to get to the other side of the valley with our model intact and with momentum on our side.

And he emphasized the fact that it's every executive's responsibility to manage not just for the short term, but also to build for future, and that's a real hallmark of our leadership values at the bank.

So let me break that down into its three component parts. What does it mean to get across the valley? I think we all know that's about being defensive and for a bank that's making sure that your balance sheet is absolutely bullet proof. So it means having lots of capital, liquidity, funding. It means being more focused than ever on risk management.

And if I look at the capital side of the equation, we took the opportunity during 2009 to add almost $5 billion in qualifying Tier 1 capital, and the capital markets were wide open to TD throughout that entire period. But it also does mean continuing to focus on risk, understanding your risks, and the risk reward relationships, and I think we're quite good at that.

It's really one of the reasons that TD, for the most part, avoided the impact of the financial crisis and liquidity crisis that followed. And for us a lot of that is about being in businesses that we truly understand and taking a common sense approach to how we run the bank.

So keeping our model intact, we have a fantastic retail model. In fact, we're the envy of banks around the world and I think at the time the view was and still is that this is the banking model of the future. This is what banks would like to look like, not just about having safe retail earnings, but having good growth in those earnings.

But the model is about more than just our business model, it's also about our service model, our convenience model, which was really what differentiates us in both Canada and the United States, but also the culture of the organization and our values.

You know, I think so many organizations during a downturn will turn to be defensive as I mentioned, but for many, being defensive is about cutting costs. It's about laying people off and it's certainly about canceling all strategic initiatives. Again, as an organization, we said that's not what we're going to do.

We are going to continue to invest for the future in a prudent way, obviously managing discretionary expenses that don't necessarily drive top line growth, but continuing to invest for the future - and I'll get to emerging with momentum in a moment - because I think we know how those deep cuts to an organization can be very soul destroying and it can take you a long time to then get back on track and keep building for the future.

But our model is not, as I say, just about the business model. It is about a great culture. It's about a winning culture at the bank.

And as a result of what we've done throughout the last couple of years and what we've been building for many years, we have an employment brand at TD right now that has never been higher. And we can recruit the very best at the executive level, on campus, at the entry level, and I'm talking globally - in Canada, the United States, and again, frankly, right up from around the world. And I think that is an enormous competitive advantage for TD.

And then finally, emerging with momentum, again there are many organizations who have taken the view that they had to step back at a minimum cut any future spending, but certainly even cut to the bone in terms of core expenses. We have not done that. We've continued to add new branches in Canada, new stores in the United States, business bankers, client facing advisers. We've continued to invest in being a best run organization and we've invested in productivity as well as an organization.

So I am very pleased to see how we are positioned today because in many respects this is the moment we've all been waiting for. I did a week of investor meetings a couple of weeks ago in the United States and in Canada, and I barely got any questions about credit. It's not that the credit issues are completely said and done, but that the worry quotient has gone down a lot.

What was the number one question? It was about growth and how are you going to continue to grow the organization for the future. So I think our business philosophy has definitely paid off, and I love the way we're positioned today.

So let's just take a step back, a bit of background on TD. We are a 155-year old bank that's anchored in Canada. We're a top 10 bank in North America, no matter what financial dimension you look at.

We do have an enduring strategy, which is to run a growth-oriented North American bank with a lower risk retail focus. We have a consistent focus both north and south of the border; it is to be the leader in service and convenience. We continue to leverage our products, processes, technology and people as we build the first truly North American bank.

We do have a lower risk retail focus with significant scale on both sides of the border. And as Peter mentioned, we have over 1,000 branches south of the border as well as north of the border.

For fiscal 2009, our earnings mix was about 80% retail and 20% wholesale. That was, in fact, a pledge that our CEO made back in 2002 when the bank was being transformed. We do get a better return for risk undertaken and compared with our North American peers, and I'll talk about that more in a moment.

Our strategy is to build and run franchise businesses that create sustainable and growing earning streams, and to be relentless on focusing on customers and building relationships. Our CEO, Ed Clark, often talks about the fact that everyone - what everyone needs to know when they're creating a business plan is that they have to describe why they win the ties. What's your competitive advantage of being in certain businesses?

If you're competitive advantage is that we have capital and we can go out and hire a team externally, that's not a competitive advantage. Anybody can do that. What's your true competitive advantage?

So for us, again, we are the leaders in service and convenience. We know that if we put a branch on a corner we will have more than 25% market share of that particular business in that market over time. Again, it's our superior retail model.

Another example of our franchise focus is on the wholesale side, and we have completely reinvented our dealer over the last number of years, and I won't take you through all the stats. But we did make the decision back in 2005 to exit our complex structured products business outside of North America, and clearly that was a very, very important decision if you think about what happened during the financial crisis.

And last but not least, it is about building risk disciplines into everything we do, having a very strong credit culture, and very strong balance sheet management. In fact, we have best in class treasury and liquidity management capabilities as an organization.

And as I mentioned, we focus on risks that we can understand and I think this is something and hopefully is one of the lessons from the financial crisis. As I look at it and reflect on what happened, I think it is actually quite appalling that there were boards out there and there were CEOs who did not understand the risks that they were taking on behalf of their institution and on behalf of their clients. And hopefully that's one of the key lessons that comes out of the last couple of years.

So we do have a simple strategy, consistent focus, and day in and day out we focus on delivering superior results, and I think that's shown through in our financial results. Just some dimensions on top ten bank in North America: we are number two in adjusted retail earnings of all banks in North America. That might surprise you.

The other things I wanted to focus on is that we are triple A rated and we're one of only three banks listed on the New York Stock Exchange that are triple A rated, and only one of four non-sovereign banks in the world, so we're very, very proud of that.

As I mentioned previously, we do have a superior return on risk weighted assets at 2.88%, stronger than our Canadian peers and over five times higher than the US peer group. I think that's a huge accomplishment. So we deliver a significantly higher rate of return for every dollar of risk that we take.

This next chart shows our strategy has delivered consistent earnings over time and certainly increasing earnings. Our five year compound annual growth rate is 14% for adjusted earnings, and 7% for adjusted earnings per share. So to put it in perspective, we've almost doubled our earnings of $2.5 billion in 2004 to over $4.7 billion in 2009.

Our 2009 adjusted earnings were up 24% compared to 2008, despite the fact that loan losses more than doubled over that period. And the momentum from Q4 of 2009 continued in our first quarter - of the first quarter of 2010. We delivered over $1.4 billion in adjusted earnings, which was a new all time record for us with good performances across all of our businesses.

I'd like to change gears now and talk a little bit about those topical issues that we're being asked by investors these days. And they really fall into three key categories. First and foremost is capital, certainly the most frequently asked question.

Second is around the current operating environment and I think everyone is trying to figure out what are the headwinds, what are the tailwinds, and what banks are going to benefit more from the tailwinds that we see. So we'll talk a little bit about what low interest rates mean to TD, what's happening in the equity markets, and, of course, credit I think is still important to focus on.

And then finally growth - organic growth and buy acquisitions and in that section I'll focus a little more on the United States and how we're thinking about the US at the moment.

So let's move to capital and let's start with the facts. We continue to have a very strong capital position. Our Tier 1 capital ratio was 11.5% at the end of Q1, and that compared to about 11.3% the prior quarter.

We have a lower risk balance sheet with a large base of low- or no-risk assets. For example, and I think this is a really interesting fact, about 20% of our total assets on our balance sheet are Canadian real estate secured lending. About two-thirds of that balance is government-insured.

So to put that into perspective, that's about $115 billion in Canadian real estate secured lending. In 2009 and 2008, we had loan losses on that portfolio of $10 million in 2009 and 2008. That really underlines the fact that these are incredibly low risk assets.

Add to that other government issued or government guaranteed securities, and about a third of our balance sheet is in no risk or very low risk assets, and we'll get into why that matters in a moment when you look at market and people focusing on simple leverage tests. Canadian bank balance sheets are significantly different from others that you're seeing around the world.

Our tangible common equity as a percentage of risk weighted assets is 77%, and our tangible common equity as percentage of Tier 1 capital is about 8.9%, which illustrates the high quality of our capital base. Our risk weighted assets as percentage of total assets is about 34%, which is better than the peer average in Canada and about half the level of US banks.

So, of course, the topic du jour is so called Basel III and what that's going to mean. There's been a lot of questions, a lot of talk about this in terms of the potential regulatory changes and I am going to speak at some length about this in a second.

But over the coming months, these new proposals will be discussed and debated. They're under active discussion right now. And there will be a wide range of options in terms of how to strengthen the financial system, and it really is too early to tell what the impact will be on any given institution. And we do think that the proposals will look a lot different once they're finalized.

Having said all of that, TD and the other Canadian banks went into the downturn with strong risk practices and capital levels, and we'll be going into these changes from a position of strength. Therefore, I believe the Canadian banks will be less impacted by many of these changes compared to other banking systems around the world.

And, of course, while these changes are being discussed, we think it is very prudent to maintain very high levels of capital and conserve capital. So, for example, it would be unlikely to see dividend increases in this environment until we do have more clarity around the new rules.

So let's talk a little bit more about the capital rules and how Canada is actually taking a position on all of this. So it's interesting. When I talk to people around the world about this issue on capital, it's become apparent to me that the Canadian banking system and our analysts seem to be more obsessed about capital and the potential changes than other banking systems around the world, which I must admit I find to be quite ironic when again the Canadian banking system is emerging from the financial crisis as the safest in the world. So I think it must be something about earnest Canadians.

But policymakers around the world are actively reviewing the reform in the global financial sector. We care about reform and, frankly, we support a level of reform. We think it is necessary. It's clear that there isn't any country that operates alone. We are part of a global banking system. And having adequate capital for the banking system is important to the stability of that system.

We also think it's important though that the reforms are implemented properly, which is why we're taking a very active role. There are potential risks in the reform, which could actually undermine the stability of financial systems like ours.

So just recently, all of the CEOs of Canada's six largest banks wrote an op-ed piece in the Financial Times to express their views on financial reform. If you're interested, we'd be happy to direct you to the article.

So why this op-ed piece and why would the Canadian bank CEOs put their heads together on this? First of all, I think what it does underline or reinforce is that we have a small banking system in Canada and I think that's a tremendous advantage. When you can get the six bank CEOs, the regulator, the central bank governor and the minister of finance around a table to talk through issues, it means you can be nimble. It means you can understand the issues a lot better.

But we also have a view that Canada should stand up and be counted in all of the discussion and debate that's going on right now. I will acknowledge we are a small country, and our views are not going to carry the day. But we think we should be able to punch above our weight because we do have more of the moral high ground at this point than some other banking systems around the world.

So we are in very active discussions with our regulator and our central banker and encouraging them, as well as the CEOs, to stand up with a view around what this new reform should look like because we all know that we need to prioritize these proposals. They can't all be implemented. There isn't enough capital around the world to implement all of these changes in any reasonable time frame.

We have to pick the ones that we think are the most important. And the way we look at is we think we should look at the reforms that are necessary, that actually would have prevented some of the issues during the financial crisis. So we think there were rules out there that allowed banks and security dealers to be over-leveraged and under-capitalized.

We also think that you need common standards around the quality and level of capital, and lastly that risk and liquidity management programs need to be a bit more robust.

So again, the reforms are underway. The Basel Committee, charged with building consensus around a set of reforms, has proposed a number of changes. Many of them address the causes of the crisis, but others we think fall into the “nice to do” as opposed to “must do”. So again, what we're urging policymakers is to say let's focus on the absolute necessary capital reforms.

New trading rules will go into effect at the end of 2010, which will begin the process of deleveraging the dealers. We support those proposals and there are some further trading rules that will come into play towards the end of 2012. If we get the trading rules right, we think this will go a long way towards making the necessary changes in the system and it would clearly deal with a key cause of the financial crisis.

At the same time, we think we should deal with the level and quality of capital. A lot of progress could be made here if the world adopts the simple Canadian rules that insist that common equity make up at least 60% of your capital.

As well, we would support the Canadian rule which requires a minimum 7% Tier 1 capital. That may sound low given where capital levels are today in the world, but again I think if banks around the world had had those capital levels, they would have performed much better and clearly the Canadian banking system has been subject to that rule and performed quite well.

Taking a second on the proposed leverage requirements, many people see excessive leverage in the trading books as the key issue in the financial crisis, so many are suggesting what you need is an enterprise wide leverage test. Under this proposal, banks would be required to put up the same amount of capital for all assets. In effect, no distinction would be made between low risk and high risk assets.

What that could end up doing is obviously motivating banks to take on higher risk assets to, in fact, optimize their capital structure. So we think that would dismantle a core attribute of the Canadian system, the fact that we have relatively - as I mentioned earlier - relatively low-risk or no-risk assets on the balance sheet. And in fact, a difference in the Canadian model is that we originate mortgages for the most part to hold them, not to sell them off. And again, I think the capital rules have been supportive around that.

So again, we think an enterprise leverage test could have the opposite affect in terms of what the reforms are trying to achieve. So again, lots of technical rules to get through.

In the meantime, I think the public is sitting by and saying nothing is happening. You know, we've had a financial crisis that's basically brought the banking system to its knees and we don't have concrete changes and any changes that we're looking at are still a couple of years away.

So in our view, sooner the better in terms of - in clearing this cloud, creating more clarity for banks in terms of how they run their business, but also creating more clarity for investors. And we think that is very important. So we as the Canadian banks will continue to play a key role in advocating for the right changes on a go forward basis.

Changing gears and talking about the current operating environment. You heard me earlier talk about our strong retail franchises with leading customer and service propositions. Our retail model allows us to be very successful in terms of raising deposits. But, of course, if you're into a prolonged period of low interest rates, that does affect our margins.

Let me give you a statistic here. On our balance sheet, we have about $156 billion of non-term personal deposits and that's in Canada, the US and in our wealth business as well. In 2009, we saw a 50 basis point compression on the margin on those particular deposits. We have a larger share of our balance sheet that's in those low - that's in the non-personal term category.

About 42% of our non-trading deposits are a non-personal term and that's much higher even than our Canadian counterparts. So again, low interest rates means margin compression for that business.

Having said that, any of you who have seen our statistics for TD Canada Trust, our Canadian retail business, we've actually maintained our margins over the last five years or so while the rest of the industry has seen a steady erosion. So that's best-in-class treasury management capabilities and a philosophy around not taking interest rate risk in our retail businesses.

But I think the stability of margins does underline the enormous pricing power that the Canadian banks have. The fact that we do operate in a disciplined oligopoly and I think that leverages off some of the remarks that Peter made earlier.

Obviously the rebound in equity markets is a positive for our business, in particular our wealth management business, and we have seen our earnings rise as a result. We had an Investor Day at TD, this was a number of weeks ago, and we talked about the fact that if you look at 2007 and 2008, we made about half a billion dollars in our Canadian wealth management business, and we took a significant step down to about $350 million last year.

What our head of wealth management said is in a couple of years you can expect to see that number be above the $500 million mark as we continue to growth the business across all of our areas of specialty. So improving equity markets is a definite positive for wealth.

Let me just talk a moment about credit. And again, I can't provide you with as much perhaps of the very current perspective because we are in quiet period. But let me just talk about some of the remarks that we've made previously.

If you look at Canada, the performance of our Canadian personal portfolio, excuse me, was fairly stable during the first quarter. Our loss rates have started to come off slightly, and we do expect loan losses to stabilize and, in fact, improve towards the latter part of this year.

What's been quite a bit different in this downturn is that our commercial business and our wholesale business we've had relatively low losses, in fact, almost no losses in those portfolios. That's a profound difference from prior recessions when you think about it.

And for us what has been surprising, in fact, is we are overweight our commercial business in Ontario, and you would think with the exposure, with some weaknesses in the Ontario economy, the strength of the US dollar, that that would create a lot more weakness. And, in fact, that business has continued to perform exceptionally well, and our wholesale business we've had virtually no losses in that business at all.

On the US side, I would say we are more cautious in terms of the outlook. I won't go into all of the reasons that we've been a positive outlier but certainly our geography has been very helpful, conservative underwriting standards in the US.

But we think credit is going to continue to be weak throughout the balance of the year as we work through the various issues, including in our case we have about $13 billion in commercial real estate. So again, we think it's quite a manageable situation. We've said that throughout the downturn, but we are probably going to grind through that process over the balance of the year.

And finally, why don't we talk about growth? I'll start with organic growth. It's no secret that our returns in our US personal and commercial bank are not high enough. We currently have about a 5% return on invested capital.

The secret to improving that return is the operating returns in the business, and, in fact, our operating returns are above 20% despite a very tough economy. If you look at the way we model this in Canada, back in the year 2000, TD acquired Canada Trust. That deal had about a 4% return on invested capital. Today in TD Canada Trust, we earned over a 30% return on invested capital because our returns at the margin are very, very attractive in Canada.

The returns aren't as attractive in the United States, but they're still decent. And so, again, the way we're going to improve that return over time from the 5% level at present is to be able to grow at the margin.

So what are we doing about that? We're continuing to add new stores. We added 33 new stores last year and since acquiring Commerce, we've added 47 new stores, and we have many markets that are very attractive. Our expansion in the metropolitan Boston area is very, very positive.

If you look at the proportion of maturing to mature stores in the United States, we still have a significant number of our branches that are maturing and there's quite a difference in terms of the number of deposits that we have in a maturing versus a mature branch, about $59 million in a maturing branch versus about $85 million in a mature branch. So there's a lot of embedded deposit growth in those particular branches.

To give you a statistic, in 2009, while our maturing stores represent about 25% of our retail outlook, they accounted for about 60% of our growth. So that is, again, a very positive source of organic growth.

During 2000 [2010], if you look at our first quarter, we saw good growth in deposits. They were up about 6% year over year. And that was in our core deposits, while we've actually seen a decline in the less profitable government deposits.

And we've seen decent loan growth, although the commercial side has been relatively stable. As all of you would know, that makes us a positive outlier to other banks in the United States who are seeing declines in their commercial lending book. We're actually holding our own and we are taking market share. We completed our integration in the US last fall, so we are very well poised to continue growing the bank.

Let me just pause and talk about our recent Florida acquisitions. On April 16th, we announced that we acquired certain assets and liabilities of Riverside National Bank of Florida, First Federal Bank of North Florida, and American First Bank. These are three Florida-based banks in an FDIC assisted transaction. These acquisitions added about 69 new stores, bringing our total to over 100, 80 ATMs and 40 sites have been secured for future development and many of these are quite attractive.

So the way we thought about this acquisition is really about growth. This allowed us to basically accelerate our growth in the Florida market by about five years in adding these new branches.

And I think importantly these are very attractive branches; that is a key criteria for us when we look at these various deals. Clearly they are lower risk because of the FDIC loss cover. But what's important to us is that the geography is good and that the branches are good and support future growth and are in line with the quality of the franchise that we have in TD Bank, America's Most Convenient Bank.

So it about accelerating organic growth. It is about low credit risk because of - because, again, of the FDIC cover - loss cover. And this has also given us some valuable experience with assisted transactions and I think certainly demonstrates TD Bank's financial strength and, again, allows us an opportunity to work even more closely with the FDIC to be part of the policy solution in the United States.

This next slide just shows you a map of our Florida footprint. The green stores are the ones with the - the green dots are the ones with the existing TD stores and the red ones are the ones we acquired in the FDIC assisted transaction. So as I said, this now puts us above 100 stores in the Florida market, top ten in the state in terms of number of stores, and number 14 in terms of deposits.

So we are very pleased with this acquisition. It fits perfectly with our business philosophy. And it does mark an important step forward in terms of our Florida franchise.

So before we turn it over to questions, some key takeaways here. It is always exciting to talk about TD's strategy. First of all, we do have a consistent focus on executing our strategy and continuing to build the better bank. We do that every single day.

We have demonstrated the ability to out perform, even in very tough market conditions. And, as I said earlier and where I started, we are poised to emerge with momentum and, frankly, to continue to grow the bank for the future. So we believe we are positioned to come out of all of this an even stronger North American player.

So with that, I'll conclude and hand it over to you for questions.

QUESTION AND ANSWER

Peter Rozenberg ***- UBS - Analyst***

I'll try a question then.

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

Sure.

Peter Rozenberg ***- UBS - Analyst***

What changes has the bank made since the crisis and what changes does the bank still have to make following the lessons that it has learned?

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

I think what's great about TD Bank is we really didn't have to make a lot of fundamental changes to our business model. That was one of the real positives is that we had always focused on high quality retail earnings, a safer lower risk wholesale bank. So I think that was - that stood us in very good stead.

In terms of the credit side, we were in the portfolios we wanted to be in. There isn't any single area of the bank where we've said, gee, we wish we weren't in that business or we were too large.

Clearly, when we went through the financial crisis, one of the areas that we did have to adjust on the wholesale side though was we were fairly large in the credit trading business, and we felt that that was a business that was quite well hedged, that we could essentially hedge all of the major risks in the credit trading business, save one which was a complete liquidity crisis and a meltdown in liquidity markets.

So we saw the effects of that in our fourth quarter of 2008 and really concluded that there is part of the credit trading business that it's important from a franchise standpoint and other parts of it that really weren't as core and we moved I think quickly to exit those - some of those non-core positions.

I think one of the other good learnings that came away for us is the importance of stress testing. And for many of us, we've been required to do stress testing by the regulator for many years and as I've said at times to our board of directors the way that process tended to work is it was sort of done in the lab.

So it was done as a very much a separate exercise. You had your normal planning process and then you had stress testing which was done separately. And often the answers you'd get felt absurd. They felt way too conservative and they really didn't create on that rallying cry to think about how you would manage the bank differently in the case of a downturn.

What we've done I think a better job on through the crisis is actually embedding stress testing in our normal planning process and making sure that the assumptions are not extreme but are reasonable around what your various stresses on the system, in particular credit losses could look like. And then having very good discussions at the executive level about what you would do differently.

And, of course, when you get yourself - when you get into a scenario where you have a tough downturn and where credit is clearly affected, as I said earlier our loan losses doubled in 2009 versus 2008. So you can't really change a lot at that point, but what you can make sure of is that you have large amounts of capital to act as a cushion and you need to think about how you are capitalized during a downturn.

So I think that process around stress testing and embedding it directly into our planning process has been a very good outcome. But overall, we're pleased with how our business model performed and how our risk management practices performed as well.

Unidentified Audience Member

Besides the - sorry, - besides the difference on the calendar quarter, is there anything that would qualitatively - that would have us not kind of extrapolate your money center domestic peer results on trading to you guys this quarter?

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

Well, I think, you know, trading has remained relatively strong over the period. We've been saying for some time now that our wholesale results are outsized compared to what we think is normal. We said that at the end of our first quarter where we earned yet another record quarter. So I must admit we're starting to lose credibility because we've been saying that for a number of quarters.

I think the reality in the market right now is there are some franchise strengths that we've seen coming through on the wholesale side. The fact that we are triple A rated has made us an excellent counterparty. The fact that we've been building our franchise steadily over time.

And I think the fact is that valuations have improved significantly if you look at the period from 2008 to 2009, and that has had a positive affect on wholesale banks most definitely. I think the reality probably is again for wholesale banks you're going to start to see that valuation uptick start to moderate over time.

So what we have said is that we do expect the normal returns for our business to be more in the 15 to 20% range as opposed to the 40 plus percent returns that we were seeing over the course of last year. I think if you're earning over 40% over any sustained period of time, you're probably taking too much risk. So I think there's a uniqueness to the market conditions, but to your point, I think the Canadian trading markets have continued to be relatively strong during the period.

Unidentified Audience Member

Okay, and then if I could have one follow up. The commercial real estate in the states that you mentioned - the $13 billion that you say that you're seeing I guess incremental credit weakness, can you give us some more color behind that? Thanks.

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

Again, without being too specific, you know, we think the US commercial real estate for us is quite manageable. I know the concern has been that this is the next shoe to drop, but if you look at our portfolio, first of all the fact that we've been more centered in the northeast has been a real positive, conservative underwriting, conservative credit practices. The fact that we stayed in footprint and we had very traditional lending.

So if you look at our $13 billion in US commercial real estate, it is well diversified by type and by geography largely within the northeast. So while we think that what you've seen in recent quarters is you've seen continued growth and impaired loans in that portfolio.

In fact, what's interesting is if you look at our impaired loans, about a quarter of our impaired loans relate to US commercial real estate, so a very small portion of our total lending book but a large part of our impaired. So again, as we said at the end of Q1, we think that - those losses and the portfolio is quite manageable and if anything I think we'll see it trend in a more positive way towards to the balance of the year.

Unidentified Audience Member

What do you think is a good ongoing capital ratio for you to maintain when you weigh increasing the dividend, growing the balance sheet, doing deals, keeping your triple A rating? You mentioned what you thought the industry minimum should be. What do you think TD should be on an ongoing basis? Thank you.

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

Well, we've always, in terms of capital ratios, I mean we've always felt TD could actually run at a somewhat lower capital ratio just because of our mix of business and the fact - if you think about capital buffering losses that you may have in various businesses, the fact that we have a much lower wholesale mix of earnings is actually a positive for us.

I think though the view during the financial crisis obviously has been that there was so much uncertainty that it was better to have those buffers than not. So you're now in a situation where - and you would have seen from my earlier slide - where despite the fact that our Tier 1 capital ratio was 11.5%, we actually weren't even in the top half of the Canadian banks in terms of Tier 1 capital.

So what I found in the last couple of years is the desire for more capital has been more investor driven. It's been more investor driven and certainly regulatory driven over time. And I think investors have wanted to have that additional comfort around capital levels, as I say, to sort of buffer any losses that come along.

Should capital ratios stay at the current level, sort of the 11.5%, 12% and beyond, no, I don't think those kind of capital levels are required. Is something in the 8% to 10% range more reasonable? It probably is, but again, it really all depends on what these capital reforms are and what affect they have on the total ratios for the bank.

I guess the question mark for me in the end is what will be the level of investor comfort? You know, I think there's been a lot of comfort having the level that we have now despite the fact that it's been dilutive to earnings and obviously dilutive to returns. So I think that is really the remaining question is where the - where investor comfort will settle out, but again, I think probably something in the 8% to 10% range should make sense.

Unidentified Audience Member

Yes, just a question on acquisitions. You sort of nibbled quite effectively I would say in the Florida market. Do you expect to be doing more of that or do you expect to be making sort of more larger US acquisitions potentially of the regional bank type size? I mean what are acquisitions - how are you viewing your acquisition planning?

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

You know, the great part of where we are right now as an organization is that we really don't have to make any acquisitions. We have critical mass in the United States. We have - you know, we're positioned in five of top ten MSAs in the United States and we have lots of organic growth potential.

But that said, we do believe that there are potentially good acquisition opportunities either through FDIC assisted transactions or through unassisted transactions. In the latter case, we would be looking at smaller deals at the moment.

I think there's still - I think you still have to be quite cautious in terms of asset risk and US bank balance sheets are a lot different than Canadian bank balance sheets and we've looked at a lot of US balance sheets. In fact, we've had - we've looked at banks where there wasn't a single dollar of lending assets that were within our risk appetite.

So we continue to be cautious in terms of taking on credit risks. So I think the sweet spot for us now would continue to be FDIC assisted deals or smaller deals ideally within footprint, but not - we wouldn't say that that's a total given. We would consider things that might be slightly outside of footprint and we've talked about a number of sort of $10 billion in assets as being more - probably more comfortable for us right now.

Peter Rozenberg ***- UBS - Analyst***

Thank you very much. That's our time.

Colleen Johnston - Toronto Dominion Bank - Chief Financial Officer

Great, thank you so much.