

# Pared TD profit beats forecast

Result lifts Canadian financial stocks

JEFFREY HODGSON  
REUTERS  
TORONTO

**T**oronto-Dominion Bank kicked off Canada's bank reporting season Wednesday with a smaller than expected drop in quarterly profit, a result that boosted both its stock and shares of its peers.

The country's No. 2 lender more than doubled its provision for bad loans from a year earlier as the North American economy stumbled badly and as the bank incorporated a U.S. acquisition. But its revenue also rose

15 per cent, helped by a jump in net interest income.

"Investors and the market were kind of expecting the worst from this quarter and I think that TD has probably started things off right in terms of showing that... you're still able to earn a profit as a bank in this type of environment," said Craig Fehr, a financial services analyst at Edward Jones.

Canada's banking system was ranked last year as the world's soundest by the World Economic Forum. Its more conservative lending practices have helped it avoid the massive writedowns and losses that have driven many U.S. and European banks to the brink of insolvency.

TD said its profit fell to \$712 million, or 82 cents a share, in the first quarter, ended Jan. 31, from \$970 million, or \$1.33 a share, a year earlier.

The bank said adjusted diluted



Calgary Herald Archive  
**TD CEO Ed Clark says the bank will face a "tough year."**

earnings per share were \$1.34. Analysts had expected a profit of \$1.28 a share before items, according to Reuters Estimates.

TD Bank chief executive Ed Clark told analysts on a conference call the bank would face a "tough year"

in which maintaining flat earnings per share year over year would be an accomplishment.

"We would obviously like to do better, but that may be tough," he said. TD Bank shares, which were weaker ahead of the results, closed up 60 cents, or 1.7 per cent, at \$35.85 on the Toronto Stock Exchange.

TD said its provision for credit losses jumped to \$537 million in the latest period from \$255 million a year earlier, when it had not yet closed its acquisition of New Jersey-based Commerce Bancorp.

Royal Bank of Canada, National Bank and Canadian Imperial Bank of Commerce report today, while Bank of Montreal and Bank of Nova Scotia report on March 3.

The bank-heavy financials index on the Toronto Stock Exchange turned higher following TD's results and closed up more than three per cent.

## IN BRIEF

FROM HERALD NEWS SERVICES

### Nortel slashes another 3,200 jobs

**INSOLVENCY • Nortel Networks Corp.** is cutting 3,200 more employees, or more than 10 per cent of the dwindling workforce, as efforts to save the insolvent company kick in.

The Ottawa workforce of 4,000 — already down 800 in the past year — could see another 1,000 jobs go because it supports research, marketing and services for all major product lines.

In an e-mail to employees, chief executive Mike Zafirovski said "the harshness of the economic reality and lowered (spending) profile of our customers, combined with worries associated with our (creditor protection) filing, are directly impacting our revenues."

The latest cuts are in addition to 1,800 announced in November and still in progress.

None of the people losing jobs will get severance, notice pay or outplacement assistance.

They will have to wait until the end of bankruptcy proceedings to see what, if anything, they will get paid.

### Canwest to sell stake in TV station

**BROADCASTING • Canwest Global Communications Corp.** is moving to sell its stake in sports television station The Score.

Canwest and a subsidiary, **CW Media**, have agreed to sell up to 16,560,902 Class A Shares in **Score Media Inc.**, the company that operates The Score. Canwest and CW Media will sell the shares as part of an issuer bid conducted by Score Media. The Canwest sale values the shares at 40 cents each for total proceeds of about \$6.6 million.

In addition, Canwest and CW Media have hired **Genuity Capital Markets** to sell its remaining nine million Class A shares in Score Media for 40 cents each. Genuity is to market the shares through private placement on a best-efforts basis. If completed, the gross proceeds from that sale would be about \$3.6 million.

### Sears earnings fall 20 per cent

**RETAIL • Sears Canada Inc.** is the latest victim of a widespread consumer spending slowdown, enduring a bitter fourth quarter despite introducing a number of initiatives to encourage people to spend in the crucial pre-holiday retail period.

Net earnings at the Toronto-based department store operator tumbled 20 per cent to \$95.5 million in the 13 weeks ended Jan. 31, or 89 cents per share, compared with profit of \$119 million in the same period a year earlier.

## Calgary real estate expected to cool

MARIO TONEGUZZI  
CALGARY HERALD

Residential real estate activity should moderate further in 2009 alongside a general weakening in domestic economic conditions, says a research report released Wednesday by Scotia Economics.

Real Estate Trends, authored by senior economist Adrienne Warren, said Canada can expect a 15 to 20 per cent decline in the volume of resales this year with a further 10 per cent drop in average prices.

"Centres with the largest supply-demand imbalance, including Vancouver, Sudbury (Ont.) and Calgary, have relatively greater downside risk," said the report.

Also on Wednesday, the Canadian Teranet-National Bank composite house price index showed Calgary experienced a 7.6 per cent drop in prices in December compared to the previous year. The index said this was the sixth consecutive month of decline in Calgary. The Calgary index has shown declines in 13 of the past 16 months, since it also declined in each of the seven months from September 2007 through March 2008, said the index report.

The Scotia Economics report said that while home sales and construction in Canada seem set to turn down further this year, the outlook for renovations is somewhat mixed.

"The industry has been growing rapidly in recent years, with inflation-adjusted outlays rising an average of 8.5 per cent annually this decade," wrote Warren.

"Spending slowed progressively through 2008, but outlays are still estimated to have increased about four per cent."

She said Ottawa's recently announced renovation tax credit for households has the potential to provide a significant boost to the industry in 2009, but the initiative's overall effectiveness in filling the construction gap may be limited.

In the commercial sector, the report said office market activity in the country is expected to cool after several years of strong growth.

Vacancy rates are expected to climb in all major centres this year.

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Stuart Graddon, Calgary Herald  
**Hannes Kovac, president and CEO of Opus Building Corp., in his company's new office tower in northeast Calgary, calls the city's business leaders "the James Bonds of the business world."**

## Opus opens suburban tower

Building seen as testament to resourcefulness

MARIO TONEGUZZI  
CALGARY HERALD

The grand opening Wednesday of the Opus 2 office tower in suburban Calgary serves as a reminder that challenges can lead to opportunity in any economy, says the building's developer.

Opus 2 is an eight-storey office tower in the Interplex Business Park at the corner of Barlow Trail and Memorial Drive. Interplex is a growing centre for employment on Calgary's east side and the city's first campus-style suburban business park. Site preparation and construction for the 221,516-square-foot Opus 2 building began in late 2006 and continued through the height of Calgary's 2007-08 economic boom.

"With today's economic climate, we could have let this occasion pass without much fanfare and I think no one would have questioned it," said **Opus Building Corp.** president and CEO Hannes Kovac. "It's easy to focus on the negatives, but let's remember we in Calgary have a lot to celebrate. Yes, there are economic challenges,

but this community has some of the most resourceful, forward-thinking business people in the country and even the world. Getting together to celebrate positive developments like this building helps remind us that it's not all doom and gloom."

Kovac characterized Calgary business leaders as "the James Bonds of the business world — calm, cool, and well-equipped to battle the evils of an economic downturn."

Opus faced several challenges during construction, but adapted to turn those challenges into opportunities, he said. Concrete shortages meant the building had to be re-engineered to incorporate more structural steel. Labour shortages and cost increases forced Opus to monitor project resources closely.

By offering space at lower lease rates, said Kovac, Opus was able to attract longer-term tenants and encourage future renewals, thereby enhancing the long-term value of the building for investor **Artis REIT**.

About 36,500 square feet of office commercial space is still available in the Opus 2 tower. Another tower, the 262,676-square-foot Opus 3, is at the development permit stage at Interplex Business Park. Interplex currently houses buildings for **Stan-tec Engineering, DeVry, AltaLink** and numerous other businesses.

Opus 2 is 87 per cent leased, with

the anchor tenant, **Golder Associates**, occupying about 66 per cent of the building's office space.

Opus also has its Stampede Station 1 building, which is more than 90 per cent leased with total space of 164,000 square feet. The company also has a development permit in place for a second office tower of 324,000 square feet at the site across from Stampede Park along Macleod Trail.

"We're glad we have a reason to celebrate in today's environment... At this time I see a lot of uncertainty and a lot of let's see and wait attitude in the marketplace," said Kovac. "We're focusing on completing our existing projects. We are definitely cautious about redeploying our capital in new projects. So we're glad that we have existing landholdings with approved permits ready to go."

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**Lionel E. McLeod Health Research Scholarship Winner**

The Alberta Heritage Foundation for Medical Research (AHFMR) is pleased to announce that Michael Galic has received a 2008 Lionel E. McLeod Health Research Scholarship. The award honours Dr. Lionel McLeod, the founding president of AHFMR.

Mr. Galic is currently pursuing a Ph.D. in the Department of Neuroscience, Faculty of Medicine at the University of Calgary. He has received numerous awards and scholarships during his academic career, from the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council of Canada (NSERC), and the University of Calgary. Mr. Galic's research focuses on how an inflammatory process such as a cold or flu can alter the developing brain in a way that increases susceptibility to seizures. More knowledge in this area could result in improved treatment for epilepsy patients.

The Lionel E. McLeod Health Research Scholarship is given annually to an outstanding student at the University of Alberta, University of Calgary, or University of British Columbia for research related to human health. Olivier Julien at the University of Alberta and Johanna Schuetz at the University of British Columbia also received awards this year.

Dr. McLeod was the Head of Endocrinology at the University of Alberta, Dean of Medicine at the University of Calgary, President of AHFMR from 1981-1990, and President and Chief Executive Officer of the University Hospital, Vancouver.

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