

**TD BANK FINANCIAL GROUP  
CIBC WORLD MARKETS  
INSTITUTIONAL INVESTOR CONFERENCE  
THURSDAY, SEPTEMBER 27, 2007**

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## **PARTICIPANTS**

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Rob MacLellan                      EVP and Chief Investment Officer, TD Bank Financial Group  
Darko Mihelic                      Analyst, CIBC World Markets

## **PRESENTATION**

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### **Darko Mihelic - CIBC World Markets - Analyst**

Perhaps we can get started with the next fireside chat. We're pleased this morning to have with us Rob MacLellan from TD. Rob is the Chief Investment Officer at TD Bank. He's responsible for overseeing the management of investments for the bank, its employee pension fund, TD Mutual Funds and TD Capital. And he's been with the bank since 1995, so I'm very pleased to have you here with us, Rob.

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### **Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Thank you, Darko.

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### **Darko Mihelic - CIBC World Markets - Analyst**

Thank you.

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### **Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

It's great to be here.

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### **Darko Mihelic - CIBC World Markets - Analyst**

And you have a very unique position at the bank and you're a unique speaker at one of these forums, so I thought maybe you'd spend a little bit of time explaining to us what exactly it is you do.

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### **Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Sure. I'd be happy to. So I'm the bank's Chief Investment Officer. I'm a member of the senior executive team, first and foremost. So I'm part of the gang of ten that meets with Ed every morning at 10 o'clock and my specific responsibility is to manage the money that comes into the bank for our clients, as you mentioned in your introduction, but also for the bank's own head office portfolio.

And we've got a total of about \$155 billion that we manage in total, and of that about \$3 billion is for the bank's own accounts, \$2 billion in the private equity markets -- sorry in the public equity markets and \$1 billion in the private equity markets.

So I've been to conferences like this many, many times. Usually I'm on the other side of the lights, Darko, where you don't have to wear a tie and you can check your messages on a BlackBerry during the break and you get to stay up late at the bar, but I thought last night I'd go to bed early so I could come up here with you.

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**Darko Mihelic - CIBC World Markets - Analyst**

Oh that's okay. We weren't out late last night. Maybe I could ask, given your position, maybe I could start off with, clearly at some point you must have played a role in the fact that throughout this market turmoil, it looks as though TD has had relatively small exposure to some of the hot spots.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Darko Mihelic - CIBC World Markets - Analyst**

What can you say to that? I mean, why is that? What have you -- why did TD sort of -- or why is TD skating through this sort of unscathed?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So of the 155 billion I talked about, 33 billion of that is in money markets and 17 billion of that is in money market in Canada. And so those are in money market funds where absolutely the prime mandate is to make sure that you can fund redemptions on a daily basis when they come in. So there isn't a huge pressure on performance in those money market funds, but there is a huge pressure to make sure that you've got liquidity for when those bad days happen.

So we've got a group of eight people who do credit analysis for us in that area, and we had come to the conclusion that we were very happy with the bank conduit paper, but we really didn't see a benefit in going beyond that. And so we invested heavily in the bank conduit paper. And so, that was it.

But I can't really say it was a restful and wonderful August. It's kind of jarring to come in, in the morning and find that you've got \$100 million of redemptions overnight, just because retail investors have become concerned because they don't know what's in those money market funds.

And over the course of August, we lost about \$450 million in redemptions, all of it retail, all of it in our premium money market fund and there was a concern about how we were going to be able to fund those investments. So we were pleased that we had stuck to the bank conduit paper, which of course turned out to be absolutely fine. We've remained committed to those vehicles, we're investing in them heavily, and we're pleased that we were able to stick to our knitting and make sure that we have liquidity for those bad days.

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**Darko Mihelic - CIBC World Markets - Analyst**

What was it in particular that kept you away from the third-party conduit?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Well I think it was risk reward. When you looked at the incremental return that we were going to get for investing in that, it just didn't seem worth it. The other thing was those bank conduit papers were structured in a way that they were off balance sheet from the banks. But we felt that as an investment group, that when push came to shove, the banks would support those conduits.

And I think they did. I think they demonstrated that they did. People talk about the Montreal Accord but I like to talk about the Toronto Accord, which is where the bank CEOs got together and said, listen, there's some brand risk here in terms of people not reinvesting in these bank conduit papers, so we're going to put out press releases saying that we're comfortable with the investments, that we stand behind them in the only -- in the way that banks speak. And talked about expanding liquidity lines and going to the global style liquidity.

And David Dodge was speaking in Vancouver the day before yesterday and he put his speech on the website, and I recommend everybody have a look at that. It's very concise, it's very well written. I read David before, I'm a big fan of his writings and he talks about that crisis. And what he says about the bank conduit paper is that Canadians should be pleased that the banks are so liquid, and have really been able to stand behind the bank conduit paper. And so, I think that the investment position that we took is correct.

So as I said, we remain comfortable with the bank conduit paper. And I think all of the people who professionally manage money market funds in Canada are happy with the bank conduit paper. But what we're seeing I think is a lot of corporate treasurers and people who manage money for their own particular companies are reading stories about companies in Baffin Island, which are trying to develop a mine and their assets are frozen in the money market and they're saying, Give me T-bills. And that's all I want is T-bills.

So you've still got this big spread between where asset-based commercial paper backed -- the bank conduit paper is trading and where we think it should be trading. And I'm hoping that over time that spread is going to narrow, but it's been pretty sticky. Because I think it's only the professional investors who are willing to do the homework and to differentiate between bank conduit paper and non-bank conduit paper.

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**Darko Mihelic - CIBC World Markets - Analyst**

Along those lines, I think Ed Clark recently suggested that the adjustment process might take some time.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Darko Mihelic - CIBC World Markets - Analyst**

Do you share that view? And maybe more importantly, throughout this process, do you think you're going to get more aggressive? I mean do you think that's there's possibility here, would you look at assets like subprime as an example, to purchase for TD?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So is this going to take some time? It's absolutely going to take some time. It's going to take some time for the reasons that everybody's been talking about, and that is it's around the issue of transparency, and all of the sudden things started to go bad and people didn't know exactly what they owned.

And there were some instances where people owned AAA rated pieces of paper and they're going to be absolutely fine, and there's going to be some instances where people owned AAA rated pieces of paper and they're going to be significantly imperiled. And the problem is, when you look at a portfolio list of what

you own, you don't know which of those AAA rated pieces of paper you've got, so you've got to go back to the drawing board and you've got to figure that out.

The other thing that happens is while that happens, liquidity dries up. And by that I mean there are no trades. So its zero bid, 100 ask, and everything just stays put. And I've said that people used to mark-to-market, then they started to mark-to-model and now they're marking to myth.

And so I think it's going to take awhile for that, for people to get comfortable and to see those liquidity points and to see where it is that they're comfortable holding things. And until that happens, until the market gets some transparency, things are going to be frozen for awhile.

As for, would we invest in subprime? Certainly not for our clients. I just don't think, again, there's enough of the risk-rewards spread there. And for the head office portfolio, for the bank, I guess my view is the bank, through its other operations always has lots of exposure to real estate, for the head office, I've always traded, stay away from real estate and try to give it some different diversification scenarios, but it's not there. So, no, I don't see an opportunity there.

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**Darko Mihelic - CIBC World Markets - Analyst**

And do you think transparency's come anywhere near where it used to be?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

No. Not a bit. I think Ed had this great line, which was that not everybody's gone to confession yet. And so there's a process now where people are scrubbing their books. And my hope is that as we go through this September 30th quarter, for the U.S. banks, that we're going to get into a reporting cycle where we're going to start seeing exactly what it is and who's got what.

Part of the problem is that, it used to be when there was a problem, you just had to wait and then it became apparent who had the problem, who didn't have the problem. And what's happened here is that the problem has been sliced and diced and slivered, and it's been distributed like a -- feathers out of the pillow from the top of the Peace Tower. Right? So it's just gone everywhere and then it's become reaggregated in places.

And so it's impossible to tell where it's been reaggregated. But I think with time, people are going to start making those disclosures, so I think we're going to know.

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**Darko Mihelic - CIBC World Markets - Analyst**

I'm just scanning the audience to see if anybody has any questions.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Unidentified Audience Member**

(inaudible question - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

I have difficulty answering that question because I never bought any. Right? They didn't -- we didn't take the meeting. We didn't have their offering documents. What I can tell you though was that the bank conduit stuff all came from the bank's own risk management organization.

So when we bought a Bank of Nova Scotia conduit paper, we knew that Brian Porter had scrubbed that and had looked at it and it was -- he was comfortable holding it and he was comfortable moving it into his conduit paper. My understanding about the third-party providers is that they went to the banks, and the banks said, listen we're happy selling our assets to our own conduits. So you should be looking elsewhere.

So I'm not exactly sure where they got their assets or what's in there, so I don't feel comfortable commenting on that. I just feel quite strong -- quite strong in my conviction that all the bank conduit paper is absolutely fine.

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**Unidentified Audience Member**

(inaudible question - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes. So --.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes. Yes. So I'm very sympathetic to the governors around the world of central banks, because they want this very fine line between making sure economies don't fall off a cliff when things get tough, but at the same time, punishing the people who have been misbehaving.

And so that moral hazard thing, and they walk this fine line whenever a governor of a Bank of Canada does anything one way or the other, they're blamed that they went too far one way or maybe too far the other way. I think David Dodge reacted absolutely appropriately for the market. And I think -- I support him in terms of the actions that he took.

Any other -- yes?

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

No. No, we've got a -- that's a little too close to home. So generally all of the mutual fund companies owned by the banks buy the other banks' conduit paper, but not their own.

Yes?

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**Unidentified Audience Member**

(inaudible question - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Well, are you talking about retail mutual funds here? Because that's what I've been talking about where we set our own investment guidelines. Right? And publish them and then people invest based on that.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes. So in TD Asset Management, we have a big institutional business and a big whack of that is in money market funds and we have seen some people say I want out of the money -- I want out of your corporate money market fund and into your T-bill fund.

And so we -- there are a lot of corporate treasurers around Canada who are just going, I don't have the staff to look at this, just give me T-bills. I understand what T-bills are and nobody will really care at the end of the year if I've given up 100 basis points if that's what it's going to take.

So yes we're seeing -- I think that's why you've seen this big flight to quality in T-bills and why we've got this big spread now between T-bills and other instruments, because there's been this big push towards that. And I think that's what happens in times of uncertainty is this big flight to quality. You see it all the time. And whenever you get into crisis, people want to go where it's absolutely safe.

Yes?

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**Unidentified Audience Member**

(inaudible question - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Unidentified Audience Member**

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes. And --.

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**Unidentified Audience Member**

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

And so what we've done is we've aggressively done that in the money market mutual funds and we've bought some on the front-end office portfolio. And we're also seeing some hedge funds coming in now and buying it. And so, yes, I think it's a great opportunity. But it's only 50 basis points and it's only for three months. It's not like -- it's not 30% returns.



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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes, it's good for money market funds. It's good for money market funds. Yes.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Unidentified Audience Member**

(inaudible - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes, but the professional money market traders in my view are still participating in the bank conduit paper. So they -- burned is a little too strong a word. They're not going to experience losses on them. They're going to experience mark-to-market losses, but they're not going to have defaults. They're going to get paid when they thought they were going to get paid.

Don't forget, money market funds are not really mark-to-market, right? They're priced at \$10. So what I think is going to be difficult is for the non-bank sponsored conduit paper to come back any time soon. And I think that the governor of the Bank of Canada is reinforcing that when he talks about conduit paper.

The other thing he talks about is the importance of sponsorship, and that when you launch instruments like this into the market, it's not good enough to say, here, here it is. You eat it. Right? There's getting to kind of a moral backing now of sponsorship that's coming, you've seen this in three or four situations now, where it's not good enough just to say, here's a product, I'm backing away from it. And the understanding is that if it gets into trouble, the sponsor will be there.

So I think what he was saying in his article, which again I commend to you was that the role of sponsorship is going to become much more important. And of course all of that is good for banks, right? Because they've got the wherewithal to be sponsors, where as start-up companies do not.

Okay?

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**Darko Mihelic - CIBC World Markets - Analyst**

Can you do that on ABCP?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

It's funny, in June most people didn't know what ABCP was. Right now it's front page news on the report on business.

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**Darko Mihelic - CIBC World Markets - Analyst**

Yes, no kidding. Maybe we can step back from this and use some of your insight a little differently here. Could you compare and contrast what we're seeing now to 1998?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So compare and contrast. By 1998, I think of long-term capital management where you had a bunch of Nobel winning finance guys blow up because they took positions. And when they went out against them, they just kept stumbling down and stumbling down and stumbling down, until they got finally positions that were just way out of control of what was manageable, even in their own particular context.

And so what happened in that situation is that we had an orderly liquidation and the good stuff that those guys were long, got sold and the stuff that they were short, got bought. And so you had attractive securities going down and unattractive securities going up just because of demand and supply.

And I think that's what's similar. In this particular case, as we went to the summer and we had hedge funds looking for -- looking to make margin calls and looking to get liquidity, they were unwinding their positions. And so we were seeing really good assets go down in price and really bad ones sort of defy gravity and go up. So I think that's similar.

Also what happened with long-term capital management was, was that there was -- a group that could put together pretty quickly on Wall Street and they took those assets and they distributed them.

And then all of the sudden, it was over. That's what's a bit different about this time around. What's different about this time around is the potential for contagion. And that is, have banks been burned up so that we'll be heading into a liquidity crunch around the world? And [are] we starting to withdraw credit?

And that's the big uncertainty that nobody knows. That's what we're all worried about. And I think we can say when long-term capital management was over, well, you've -- that's behind us. I think there's a lot of us who are worried about whether or not there's another shoe to drop. And the problem about that, of course, is that nobody knows. We've just got to wait and see and see what plays out, particularly in the U.S. economy over the next year.

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**Darko Mihelic - CIBC World Markets - Analyst**

I think maybe just switching gears back to something more specific to TD.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

I'd be happy to.

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**Darko Mihelic - CIBC World Markets - Analyst**

TD's gone through a process here of making acquisitions in the U.S.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Correct.

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**Darko Mihelic - CIBC World Markets - Analyst**

And they purchased Banknorth.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Darko Mihelic - CIBC World Markets - Analyst**

What's your view as an investor of a large Canadian bank, having seen two other banks make mistakes in the U.S.?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Darko Mihelic - CIBC World Markets - Analyst**

Make a large commitment like that to the U.S., and then subsequently stumbling a little bit along the way.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So I think that as an investor, when I look at the Canadian banks, it's interesting to me to see how they differentiate themselves. And they all have slightly different retail strategies and slightly different wholesale strategies, and some of them are easy to understand the differences, and some of them are harder to understand the differences.

I might feel that -- I know that TD Bank has the best retail strategy in the Canadian market, but it's often hard to convince investors of that. And -- but what you can look at is what they do with their excess capital. In all of the -- all of the Canadian banks generate an extraordinary amount of capital every year.

Very high ROEs, very high capital generated, so the issue is what do you do with all of that capital? And then the first answer is always, we'll do stock buy-backs. Well the problem about doing stock buy-backs is that if you do that aggressively what happens is your PE multiple just comes down because people don't believe you've got any growth. And so you pretty quickly, or at least at TD we've pretty quickly taken that off the table.

So then it's going to say, well what are you going to do with this excess capital? And different banks have approached that problem in different ways. And what we've said is we think we have some fundamental strengths here in Canada. We think we're very good at retail banking and we think we're very good at discount brokerage.

And we're right next door to this very, very, very strong and powerful and growing market, so why not look for an opportunity to make -- use that excess capital, but not only just buy it and forget about it, but take the expertise that we have in Canada and apply that into that market.

So we think that we can add value in both those cases, both in discount brokerage and in retail banking by expanding our expertise southbound. And I understand that there's been a lot of companies who've tried to expand southbound, not just banks, but there's a long history of retailers and others doing that.

And I think that where they failed is not being willing to step up and to say, listen we think we can make you better. We've got some technology that we think we can help. And at the end of the day, banking isn't really all that different. There's some nuances about it that are different, but we think that there's some common principles that we can apply. So that's the way we think about it.

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**Darko Mihelic - CIBC World Markets - Analyst**

Indeed. Well maybe I can ask this slightly differently. Do you think that with everything we've seen from TD in terms of the strategy of going forward with BNK that there's a chance that it actually does get to your targeted level of return? In short order, do you think that the marketplace right now is a little too difficult to actually get there in terms of yield curve, in terms of the competition?

And finally, maybe the last broad question, do you think it requires another acquisition to actually make it successful?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So right now, on Banknorth, we've got a management team there that has just come through a long period of roll-up. Banknorth was formed by buying other banks at a very large rate, and there was never a lot of thought put towards integration of that. And so that for us is job one.

And it's totally operational. So Bharat sells us one -- we moved Bharat Masrani, who was our Chief Risk Officer down to be head of Banknorth, and he got down there and he said, on the first day I went there, I was asked whether or not I'd like a Banknorth checking account. And so I said, Yes. I thought it would be good to support the company, being the President.

And then they said, would you like a debit card with that? Excuse me. And then the debit card didn't come and it didn't come and it didn't come and he said, The debit card came a month later. And he said, I'm the president and it took them a month.

And so that's an example of an operational problem that would go right through your organization, but that is easy to fix. So now if a customer walks into a Banknorth branch in Portland, he gets a checking account right away, and he gets a debit card right away. That's kind of an easy fix and a quick win. And we think there's a lot of operational things like that.

Now notwithstanding that there are some competitive pressures in U.S. banking right now, the yield curve went flat. And as a result of that, everybody's gapping profits disappeared. Now institutionally at TD we don't believe in gapping, we don't do it, we don't do it in the U.S., we don't do it in Canada, so that didn't really hurt our earnings.

But as a result of everybody else's gapping earnings going away, they became much more competitive on net interest margin. So we're kind of going through a spot now where things have been very, very, very competitive. But we think that over time, we're just going to get through that.

And then on the question of the acquisitions, I think -- we've said from the very beginning that Banknorth wasn't the end, it was the beginning and that we were always going to be open to acquisition opportunities. We have been focusing on operations, but still that doesn't mean that if the right deal came along that made sense for TD Bank shareholders that provides synergies, that gave us kind of a way to further the strategy and to get scale, that we'd look at that. And so we -- that's where we are.

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**Darko Mihelic - CIBC World Markets - Analyst**

I think also as well, one of the things that differentiates TD is Ameritrade.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Darko Mihelic - CIBC World Markets - Analyst**

And you recently had a strange situation with an activist shareholder deciding that you should simply do a deal with E\*TRADE. What's your view on that?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So what happened was a couple of years ago, it was widely reported in the Wall Street Journal that we came very close to doing a transaction with E\*TRADE. And you have to understand that in the United States the discount brokerage business is consolidating rapidly. And it's consolidating rapidly because of the economies of scale and because there are quite attractive synergies that can be garnered, particularly on the advertising side.

So if you've got two discount brokerage firms, each with a massive national advertising budget, you can actually go to one plus one equals one in terms of expense. And you can get there very, very quickly. So it's very attractive for TD AMERITRADE to always be looking for acquisitions.

TD Ameritrade went into negotiations with E\*TRADE and it was really -- there was a difference of opinion there, which was fundamental, which was on the nature of their banking model. And E\*TRADE has been quite aggressive in terms of being in the banking business in a way that we at TD weren't comfortable with.

And so we backed away from that acquisition, and then, you're right, three hedged shareholders wrote us a letter in the Spring saying that we weren't being aggressive enough in terms of looking at this merger alternative. And our view hasn't changed.

We're uncomfortable with that banking model, we were worried about -- we were worried about the assets, about the way they approached the business. And TD Ameritrade, I think quite rightfully, said, It doesn't really matter who writes us letters, we're not going to get pushed into a bad transaction.

And I think that since then, the market has skated us on side in terms of relative values between TD Ameritrade and E\*TRADE. So we feel that we've made the right decision.

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**Darko Mihelic - CIBC World Markets - Analyst**

I guess E\*TRADE has since stumbled a little bit with that business.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Darko Mihelic - CIBC World Markets - Analyst**

Making some changes, is that all because of you?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Well, it just gets back to transparency. E\*TRADE put out a press release last week and it wasn't particularly well reviewed -- received by the marketplace. So I think they're going through a process and we'll have to see where that process ends.

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**Darko Mihelic - CIBC World Markets - Analyst**

Just looking to see if there's any follow-up on the TD Ameritrade or the E\*TRADE saga. If not, maybe I can move on to the bigger and more pressing things.

One of the things that Ed Clark has, as you said, one of the things that differentiates banks has been how they allocate capital. And one of the reasons why Ed Clark decided to acquire Banknorth was he didn't know when it would happen, but he was concerned that the strength of retail growth in Canada would eventually start to slow. I have my own theories, but I'd love to hear your theory on why do you think it's been so strong for a period of ten years?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Right.

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**Darko Mihelic - CIBC World Markets - Analyst**

And as an investment manager, would you bet on retail banking continuing at this kind of strength?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

So the retail bank has now had 19 successive quarters of double-digit earnings growth. And that's a quarter short of five years of double-digit earnings growth. That's pretty phenomenal for any sort of a business. And what we said -- what we've said at the bank, in the retail bank, is that we think we can continue to grow that business so that we get a spread of 3% between revenues and expenses and that has resulted in this phenomenal growth.

So but then you say to yourself, well, how long can you -- you're a big organization and how long can you continue to grow at that rate of growth, which is a multiple of GNP? So what we've been doing at the TD is we've shifted over that ten-year period, our mix between retail and wholesale and we've really focused on retail.

The merger between TD and the Canada Trust I think is going to turn out to be one of the most successful mergers in the history of the Canadian financial markets in terms of the return that we were able to get from that. And I think we're still riding on that coattail and all the positive synergies that have come out of that.

As to how long it will go on, the other thing Ed has said is that he's committed to delivering earning growth between 7% and 10% for the bank as a whole indefinitely. So from an investment point of view, I'd say 7% to 10% growth in earnings every year, plus a 3% dividend gets you a return of between 10% and 13%, the stock's trading 11, 12 or 13 times PE multiples.

That seems to me like an attractive dynamic with not a huge amount of risk, particularly given for the TD weighted at 80% retail, that seems to be kind of a comfortable way in terms of return versus risk. So I'm -- I still think the banks represent a very attractive investment.

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**Darko Mihelic - CIBC World Markets - Analyst**

Actually since we're running out of time, I thought I maybe I'd close on that kind of a question for, given your position. Do you like banks here as investments, given that you're thinking about --?

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Well it's, as I say, I'm long and therefore recommend. You asked your question about banks in general. As a group at TD Asset Management, we own a lot of banks. And as team, we like the banks. We like the banks just because of the math that I've taken you through. We like them because over a very long period of time, they just seem to have a natural way of just growing and growing and growing.

Some people have tried trading them, and that really hasn't worked out so well. It's hard to kind of move in and out of the sector, or move in and out of particular names, but I think it's -- if you like a bank and you can stick with it, I think it's turned out to be a very rewarding investment and I don't see any reason why that will change.

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**Darko Mihelic - CIBC World Markets - Analyst**

Okay. Great. I'll take one more question here.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Yes.

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**Unidentified Audience Member**

(inaudible question - microphone inaccessible)

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

No. Don't think about it from the investment pieces and don't think of them as part of the management team. And the reason for that is I was around in 1998 when we went through the bank mergers, and by the time we had finished six months of that, nobody was in favor of them.

Customers, we told bank customers, who were scared to death of losing their branch or their branch manager. Employees were scared to death of losing their jobs, landlords were scared of losing tenants. CEOs across Canada were concerned that there would be a reduction in competition in wholesale providing.

And so at the end of the day, when the government stands up and says, is this in the national interest? Well how can it be in the national interest if everybody hates them? And so when we -- at the TD when we came out of -- through that experience, we put the bank merger thing behind us. We said we're going to run a strategy now that assumes that there will never be bank mergers.

Now what we've said is, if we're wrong and if there's going to be bank mergers, we're going to have to participate in that, because we don't want to get left behind. But we're going to assume for planning purposes and for going forward, that there's not going to be any.

And then for investment purposes, I think the answer is the same. And I think it's -- I think as an economy, I think it's great now that banks are looking at other parts of the world. Ourselves in the United States, the Bank of Nova Scotia, you just heard, in other parts of the world. I think it's great to sharpen our competitive skills and to get out of Canada. So I think it's all positive.

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**Darko Mihelic - CIBC World Markets - Analyst**

Okay. On that note, thank you very much for your participation.

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**Rob MacLellan - Toronto Dominion Bank – EVP and Chief Investment Officer**

Thank you.