TD BANK FINANCIAL GROUP
RBC CAPITAL MARKETS BANK CEO CONFERENCE
JANUARY 14, 2010

DISCLAIMER

FORWARD-LOOKING INFORMATION

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

CORPORATE PARTICIPANTS

Ed Clark
TD Bank Financial Group - President and CEO

Andre Hardy
RBC Capital Markets – Research Analyst

PRESENTATION

Andre Hardy – *RBC Capital Markets – Research Analyst*

(starts abruptly) CEO of TD Bank Financial Group. Ed has been in his current position since late 2002 and started at the bank in 2000, following the merger of TD Bank and Canada Trust. Ed's also spent time, over the years, in capital markets and held a number of senior positions during his ten years in the federal government. Ed, on behalf of everyone in this room, thank you very much for participating in this event. We look forward to the next 40 minutes.

Ed Clark - *TD Bank Financial Group - President and CEO*

Great to be with you. I'll try to behave this time. I got all sorts of comments last time, when I was too flippant with my remarks, so I'll be very serious here today.

QUESTION AND ANSWER

Andre Hardy – *RBC Capital Markets – Research Analyst*

Don't feel like you have to be too serious, okay? The way we started the prior three sessions is actually asked the person in your chair to pretend the last three years had not happened, and then talk about your institution two years from now and compare your institution before 2007, if you will.

Ed Clark - *TD Bank Financial Group - President and CEO*

Well, in some sense, for us, as probably less dramatic in the sense of the intervening years haven't been as -- quite as dramatic for us and so we really haven't changed our fundamental strategy. I mean, if you go back, 2004 to 2009 -- what's interesting is, in one sense, you had sort of steady growth, we've doubled our income, doubled our risk-weighted assets. But a pretty fundamental shift has occurred, but these were all part of our strategy.

So in 2004, we were still in the structured product business in the wholesale side. So withdrew in that in 2005 and 2006, and we had to fundamentally transform the dealer into a franchise play. You can see in our risk-weighted assets -- market risk-weighted assets, pretty dramatic shifts over the last year and turning that into a franchise play.

2004, we weren't in the United States. So in the banking space -- and so we bought Banknorth and then we bought Commerce. We had 100% ownership in Waterhouse and so in that period, we ended that into take our 45% stake in TD Ameritrade. I would say, if you go back to 2004, I think at that point, people -- we were just coming, in a sense, fully out of the merger, because these mergers do take time, and I think people said, well, you're performing well. I can remember myself saying, yes, we're outperforming the other Canadian banks, but we won't do that forever. But this is sort of a lag effect of the positive side of the merger, but it'll actually dissipate. And I think today you look back and say, no, no, you can every year outperform the banks and have a gap that's wider and wider.

So when you look ahead, I'm not sure you're going to see as many structural changes for us because I think we made those structural changes in that whole period of time. What I think is we're in a transition year -- like 2010, where we said its a transition year. I think everybody in the wholesale business (inaudible). In 2008, we had write-downs and everyone said, ignore them. In 2009, we had write-ups and we said we're not going to tell you those.

Then you're now into 2010, where I think you're in a transition year on the wholesale, where you're going to still see outperformance in the wholesale business, but gradually that coming away. And at the same time, I think the retail business, which obviously has been out of favor for the last year or so, we're going to come back into favor because your PCLs are going to come down and your deposit margins are going to go up.

I think -- so I think you'll see the display of our underlying earning power in 2011, 2012. But I don't see big structural shifts in our strategy.

Andre Hardy – *RBC Capital Markets – Research Analyst*

You bring up margins and the potential positive impact of higher short-term rates. How do you foresee that playing out? Because TD actually wasn't a bank that was as affected as others, certainly in Canada, by declining short-term rates and does that mean there's less upside on the other way -- on the other side? Then perhaps talk about the US business, where seemingly there's a lot of margin upside -- higher rates.

Ed Clark *- TD Bank Financial Group - President and CEO*

Right. And I would say we -- I'm not sure, maybe it'll be true for other players, I don't think there is as much upside in Canada, nor was there as much impact, I think, in Canada. I mean, it's hard to tell because a number of the competitors don't push through -- down, so you actually know what their margins are in the retail business, but I think a couple of them do and we certainly do.

So, what you see in Canada is then that deposit spreads have come down significantly and lending spreads have come up, and the net margin has stayed about the same. And we've been signaling that we don't see, in 2010, a significant uptick in the margins, even though we're probably going to see even higher asset spreads because of our repricing.

I think as interest rates start to move up in Canada -- maybe this is my own conservative self, but I tend to think what will happen is, yes, deposit spreads will come up, but the Canadian banking system will give those spreads back on the lending side and lending spreads will start to come down. So, I don't really anticipate any kind of run in the 2.93% range in Canada, and I'm not sure that number can move a whole lot.

So I think the play around deposits is all in the US, where in our case, we've got about $80 billion of deposits in our US bank and we have about $40 billion from TD Ameritrade, and that's $120 billion. And clearly, deposit spreads have been deeply affected in the US by the absolute rates. And I don't think there's quite the same balancing because -- that goes on in Canada, so I'm not sure that you're going to see as much of a compression.

We have a smaller loan book, obviously. So in fact, we have about a $50-odd billion loan book, so we have a gap, more deposits than loans. So if deposit spreads move up we're advantaged. But I'm not sure that you're going to see lending spreads come down in the US the way you might well in Canada, given how ferocious the competition is in Canada.

Andre Hardy – *RBC Capital Markets – Research Analyst*

And so, let's talk about the US for a little bit. The bank has had good loan growth in the US. Although the bank seems to be guiding towards slower loan growth. I'm actually curious as to why you'd be saying that because you're well funded, you're well capitalized and there's still wounded institutions in your market.

Ed Clark *- TD Bank Financial Group - President and CEO*

Right.

Andre Hardy – *RBC Capital Markets – Research Analyst* r

So, what is it that leads you to say that loan growth is likely to slow for TD Bank in the US?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes. Yes. So we were -- in 2009, we were one of the top ten banks in the United States -- just our US operations. And so, we were the only large bank to grow its lending book.

But our guys would say that, hey, there is no loan demand. So, yes, we originated loans, but as many people pay them off. So, until you have that degree of caution by the American business person about the prospects, I think they are all still saying I don't want to borrow money. If I have cash, I want to pay off my debts, I want to stay liquid. And so, we're just not seeing any.

So the only real source of loan growth we're getting right now is still the -- is the mortgage business; and there, we're finding the spreads are good and we can do Canadian-style underwriting.

I was quite impressed, to hear Jamie Dimon saying -- he didn't use the word Canadian, but he could have used the word Canadian, saying I think we're going to go back to Canadian-style underwriting here in our mortgage business. And so, I think that is going into the market that we're now getting Canadian-style standards into the market and the pricing is good; but that's really the only source. We are scrambling to grow that.

Andre Hardy – *RBC Capital Markets – Research Analyst*

And you mentioned being a top-ten bank in the US. And you're unique in growing your assets. You're unique in not taking TARP money as well. It -- there's been noise recently about a levy being -- or put in place.

Ed Clark *- TD Bank Financial Group - President and CEO*

All good deeds go punished right?

Andre Hardy – *RBC Capital Markets – Research Analyst*

Yes. Do you have an early indication of how those might or might not impact TD, which has not taken any funding?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes -- I don't. I'd say the only thing is that -- so, I don't. So I should be cautious. But, so you just read -- I just read the same newspapers as you read. They all seem to be saying that if you're paying FDIC deposit premiums, you're not going to pay this tax, since our assets are all funded with deposits, for the bank itself, it's hard to see how we'd end up with a significant tax.

What I don't know is whether our wholesale branch, which is a branch of the bank not under the operating company, whether that's going to get taxed. So I -- these are different things. But I can't imagine it's, for us, would be a very significant number. But I could be wrong and we'll wait and find out.

Andre Hardy – *RBC Capital Markets – Research Analyst*

I mean, we know you've been public on your discussions with US regulators, whether it was the FDIC to provide some help in the recapitalization in the US. But what about the discussion on the topic of we haven't had TARP money, therefore we shouldn't be subject to --?

Ed Clark *- TD Bank Financial Group - President and CEO*

Well, the original announcement seemed to be if you took any form of government assistance, including FDIC guaranteed debt you were going to be liable for those for those taxes. I would say, well, we didn't, so we're not.

As I said, recently they talked about 23 foreign banks being caught, so I don't know who those are, but it isn't us. But I don't -- it may be that they're putting them in there, recognizing that when you do the math, there's really no impact because we're already paying the FDIC premiums. So -- but I think we should just all wait. The US just has to be patient for these things to play out.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Right. And then still sticking to the US and the topic of credit and there's a big, big range of opinion on [partial] real estate and where that might ultimately lead, in terms of (inaudible).

When you look at your market, which is mostly the northeast, what are you seeing in terms of price? Has price stopped falling? What are you seeing in terms of delinquency? And is this just a big refi problem, or it's actually going to be an early credit problem?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes. I guess I would say that you have to figure out where we are in the US. So, we are not in the big building, big loan business. And so, you can count on your fingers how many loans we have, more than $20 million and less than $40 million. And we have nothing bigger than $40 million, and most of our loans are very small. So we're not in that game. We're not in the -- we're not a big New York downtown player. We're a suburban, small player.

What I always say to people is we see no evidence in our file of this supposed commercial real estate tsunami. But that doesn't mean that it won't happen, and if it does happen and the entire United States is devastated, it's hard to believe we won't be affected by every one of these waves. But we can't see it. But it's been -- we went through the last two years, where we kept saying, we can't see this and we are a positive outlier.

But clearly, if you look at how the market is valuing our stock, they say the tsunami is coming. And if you believe that, I would say well then you have to accept that we'll be affected by it, but we don't see it right now.

Andre Hardy – *RBC Capital Markets – Research Analyst*

When you say you don't see it, you're presumably talking about delinquencies?

Ed Clark *- TD Bank Financial Group - President and CEO*

Delinquencies and -- or what's happening to our buildings and are our buildings getting rented out? Does it look like they're under increasing pressure? The picture we keep saying is that we've been adding $150 million-odd of non-performers every quarter and we don't see that ending until the end of 2010.

But we don't see it's suddenly going to be 3, $400 million -- we could be wrong, if the US is going into a double-dip recession and has a major real estate crisis, that could change, presumably, but we don't see it. And right now we continue to say what we've been saying, the market is, our view. And we keep -- we've been providing pretty steadily in the $175 million- odd range, and we don't see us changing that number either because if the non-performers are continuing to grow the way they are.

So our view, I don't think it's optimistic, pessimistic. We are basically be -- it's going to take all of 2010 to play out the US. But we don't see it getting dramatically worse. But that doesn't mean it won't, but it's just we can't see it in our data.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Okay. If we switch gears and talk about capital for a bit.

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes. I'm sure you must have asked somebody else this question, and they've told you the answer here.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Some interesting proposals now.

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes.

Andre Hardy – *RBC Capital Markets – Research Analyst*

And I think we all realize that they're very likely to be diluted in the next few years. But the reality is, if you look at them today, they're more punitive for TD because of the minority interest in Ameritrade and because of the insurance subsidiary.

How does the bank manage its capital position, its dividend, in an environment like this, where you know the rules probably won't be like they are, but at the same time, that's what's written right now?

Ed Clark *- TD Bank Financial Group - President and CEO*

Right.

Andre Hardy – *RBC Capital Markets – Research Analyst*

So what should we expect from a capital standpoint in 2010? And, where do you think these rules are most likely to change between now and implementation?

Ed Clark *- TD Bank Financial Group - President and CEO*

Well, so -- I think the people that are involved in this are all actually pretty thoughtful, pretty understanding, aren't intending to blow up the world. So I kind of start -- there maybe situations where you say, I'm not sure they are in that category, but I'd say certainly -- and I think the Canadian side is quite sophisticated and quite gets what's going on here.

I think you start with, from a policy point of view -- I thought it was interesting, listening to the perp walk yesterday, and everyone kind of agrees on sort of what went wrong. We had too much leverage on the wholesale dealer. We didn't get into the leverage rule generally, but from the wholesale dealers, we had too much leverage.

We had dumb capital rules; just too little capital for the risks that were being taken. We had an international world in which Canada's sitting there running tier one of 7% minimum, which everyone goes north of and essentially 5% tangible common equity. And the rest of the world said, why would you waste that? I mean, why don't we go 4% and 2%.

So you didn't have regulatory authorities around the world really trying to get a standard set of measures. And then you had a completely ridiculous mortgage system in the United States, prone to accidents.

So one would hope that when you're reforming the capital rules, you say, well why don't we fix the core three problems? I think the thing that has struck me is the market is underestimating, I think, what will eventually happen -- get played out on the trading side.

We may be exaggerating it at TD, and we obviously move to say let's get ahead of where we think these rules are going to get to eventually. But our view is, that fundamentally the leverage in the wholesale area was way too high, and they're going to put capital until they get comfortable that we have the same amount of capital, if you hold an asset in a trading book than on your balance sheet. And that was a fundamental flaw in the old system was that that statement wasn't true.

And then I think they are going to try to force around the world to say, why don't we have the same standards around the world? Like why should a European bank have way less capital than a Canadian bank?

Well, when you finish doing that, you then have to say, how much capital do I have left over to make a bunch of rule changes that have nothing to do with what caused the crisis, but fit in the nice-to-do category? And so, I think people are underestimating how much capital it's going to take to solve the first two problems.

If I have a worry on the rules, it's on the leverage test. The Canadian banking system was built and the reason it is a better system than most systems in the world is because we keep $110 billion of mortgages on our balance sheets and there is a risk that the leverage test will make that impossible to do. Because the leverage test in the United States fundamentally encourages banks to go out the risk curve and they punish people who try to run and roll their strategies the way we do. So, I hope that that doesn't get ruined.

I hope in getting the capital quality, which I also think, in addition to getting standardized rules, they're trying to say, let's have a preponderance of common and let's have the non-common element find a way that it will look like common in a crisis. I think our preferred shares did do that. But clearly, I think there'll be some discussions around that, but one of the strengths of the Canadian banking system, was our ability in the middle of the crisis to go raise large amounts of capital in the preferred share market.

So I think those things are all going to go on and they have to get settled. You've actually got the negotiation of all times. So if I look at it and say, yes, clearly there's a risk here that we're going to have to put up more capital against our 45% stake in Ameritrade. We're going to have to put more capital on insurance -- against our insurance business.

It's too bad. But you don't change a business strategy because of that. We like our 45% stake and we like our insurance position. We've always looked at it with our internal capital models of what's the real return we get if these rules moved this way, not as if this idea is something that we've never thought of.

So you run the place and saying, well, if it happens, when I look at it, the kind of capital hits us, I don't really view it as three years ago, you're going to have transition rules. I said to our team, why don't we just outgrow everybody in earnings per share and this will probably take care of itself? So, I think we're not -- we're pretty confident that we can ride through this.

Andre Hardy – *RBC Capital Markets – Research Analyst*

That being said, in the meantime, when you review the dividend and when you review acquisitions, that might lead to a lower Q1 ratio, for example. Is that something that's basically on hold until there is more clarity?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes, so I -- at the risk of getting myself into trouble here.

Andre Hardy – *RBC Capital Markets – Research Analyst*

No one's listening.

Ed Clark *- TD Bank Financial Group - President and CEO*

No one's going to work. No one's going to quote me on this. Okay. Good. But I sit there and I say, we've had a pretty consistent dividend capital policy. If you have excess capital, you deal with that by buying back your shares. And if you don't have enough capital, you issue shares. You don't let that get confused with dividend policy.

So I've never understood why people say, well, I've got too much capital, why don't I jam up my dividend pay-out ratio? We didn't do that. Because this is a permanent debt is the way I look at it and I mean, Canadian banks, enormous reluctance to ever think about altering the dividend.

So, we've got a 35% to 45% dividend rate and so we need to get our earnings back up to a point where we are well inside our ratio. You might say, well, if you were short of capital -- if you thought you were short of capital, you would lean a little bit on the lower end of the ratio than the higher end of the ratio. But the truth is, the dividend doesn't make -- if you've got a capital problem dividend isn't going to help you out here.

So we will -- our natural policy, unless we decide to change it which will be the Board's decision not mine, would be that when we get our -- when our earnings, sustainable earnings tell us that we should increase dividends, we increase dividends. So, I don't think -- I don't really see this as a dividend issue.

I think this is whether or not we have enough capital power, accumulation power given the earnings strength to build up the capital that we're going to need to run the business. And we will not have a clue on that until the end of 2010.

But what I'm saying is the Canadian banking system's the best capitalized banking system in the world. There's going to be a number of changes which we know are going to happen that are going to have a huge impact on the rest of the world, not so much on Canada. And so, let's just see how much willingness they have to pile on another round, and when we get there. But we'll solve that problem when we get it.

Andre Hardy – *RBC Capital Markets – Research Analyst*

On the topic of deployment, the topic of FDIC or non-FDIC assisted transactions in the US, what types of acquisitions would you pursue in the US? And how high a priority is that?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes, so as you know --.

Andre Hardy – *RBC Capital Markets – Research Analyst*

And sorry, I'll just --.

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes --.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Am I right --?

Ed Clark *- TD Bank Financial Group - President and CEO*

He's going to come and tell you, you missed the core question you were supposed to ask me.

Andre Hardy – *RBC Capital Markets – Research Analyst*

And am I right to focus on the US or --?

Ed Clark - *TD Bank Financial Group - President and CEO*

Yes, I mean if some came loose in Canada. We would obviously look at Canada. But so far nothing of significance -- I mean we've done little key acquisitions in Canada during this, as people try to dump assets and we like the assets. But they've not been significant. So, I think it is the US.

We have an aversion to catastrophic risk. I think we've not got a lot of visibility on assets. So we've always said, not that everything would have to be absolutely an FDIC deal, but it would have to be a small deal where we thought the catastrophic risk was estimable.

So the idea that we go out and do a big acquisition and take -- I just don't think is in the cards for -- certainly at this stage. But I would say for 2010. But I think if there were small stuff that came up that we say okay, we can write this down and essentially write down the catastrophic risk, and it made business sense, then we would look at doing it.

I think the implication of the capital world is that, and I said at the quarter end is I don't think most Canadian bank CEOs are going to be rushing to burn through their capital until they have some certainty of this. And so that probably means that you've got to look at the deals and say, would I be willing to issue shares to finance these deals?

And I would say internally, and if they don't make sense that way, then they probably don't make sense any way. So let's make sure that they are accretive deals that you could pay for with shares. So I think that is one of the implications of this is that -- but the great thing about FDIC deals is that they're non-capital intensive, so that's a big advantage.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Is there a thought at the bank, at your level, at the Board level, that if we go back to '92, it's not the first time the Canadian banks are in a position to make significant transactions in the US. And they all essentially passed in the early '90s.

Is there a thought that, hey, there's a window open now, it might close; we need to accelerate these plans? Or that's not even part of the discussion? Let's see what comes and --.

Ed Clark - *TD Bank Financial Group - President and CEO*

Well, again I think we're slightly different. I think if you were not in the United States today, you might say I really don't have many more years before I've made the core strategic decision that I'll never be in the United States, because the size of -- the smaller entities eventually all will be picked off. Now I really have to bet the whole ranch, and we, as you know, went in, in succession.

In our case it's much more complicated because we're running a strategy. We like our strategy. We can gain market share in the United States every year with our strategy where we are. We have a lot of presence in the region we are.

So then you really say, well do I -- I'll never be Bank of America. So being half Bank of America doesn't give me any more thrills than being a quarter Bank of America. So you really do have to say every deal is really done on economic grounds, not on any strategic ground. So we don't need an acquisition.

The thing I liked about the FDIC deals is if I can extend into regions where normally extending your franchise was very hard to do economically, if I can do that on the basis of FDIC, that's a cheap way of extending into regions that are still good growth regions to go into for us. And so those are the kind of deals we would look at. But I don't -- we don't have any feeling of, my God, if I don't make another big acquisition -- this is all we do. We'd be pretty happy.

Andre Hardy – ***RBC Capital Markets – Research Analyst***

And with TD Ameritrade, it's an interesting source of deposits. It's a profitable company. It's made very accretive acquisitions in the past. Why a 45% stake? Is it to make it easy, or easier to do future transactions? Is it the capital arbitrage that's currently available?

Ed Clark ***- TD Bank Financial Group - President and CEO***

Right.

Andre Hardy – ***RBC Capital Markets – Research Analyst***

What might lead to a) more acquisitions and b) that 40% ownership going up or down?

Ed Clark ***- TD Bank Financial Group - President and CEO***

Right, so in a sense, first off it was part of the deal. So I think the people on the other side didn't want us to have more than 45%. So it wasn't as if we could choose a bigger number. And secondly under the existing rules, there is a significant capital advantage to being at 45% versus more than 45%. If it turns out that that capital advantage goes away, we still have for us to go above 45%, we'd have to make a bid for all.

So you have to look at the economics of that and say, this is a high PE company and we're a low PE company. And so you have to sit there and say well is the extra that I get worth that?

Given that I've got lots of other things to do with capital, it wouldn't be my highest priority I'd say right now to do that stretch. And I'm not sure that the people on the other -- who own those shares, are particularly anxious that I do that.

So that always can change, but I'd say right now we like the 45%. I think we get a lot of -- I think Ameritrade gets a lot of the benefits of being owned 100%. Even though we only own 45%, I think we get a lot of the benefits. So I think it's one of these mutually advantageous solutions.

There's no question that our business model of making them a pure brokerage play and keeping them out of the risk, let us do the deposit and banking businesses, has turned out to be the superior business model. So I think both of us are kind of happy where we are.

Andre Hardy – ***RBC Capital Markets – Research Analyst***

The prospects for future consolidation; Ameritrade has been a great acquirer in the past --.

Ed Clark ***- TD Bank Financial Group - President and CEO***

Yes.

Andre Hardy – ***RBC Capital Markets – Research Analyst***

There's been a few deals still reasonably --.

Ed Clark ***- TD Bank Financial Group - President and CEO***

Yes.

Andre Hardy – ***RBC Capital Markets – Research Analyst***

There is obviously one big possibility out there. Is ETRADE bank just too much of a risk to want to take on?

Ed Clark ***- TD Bank Financial Group - President and CEO***

Yes. Yes.

Andre Hardy – ***RBC Capital Markets – Research Analyst***

That's what's kept deals from happening?

Ed Clark ***- TD Bank Financial Group - President and CEO***

Yes, I think everyone recognizes that ETRADE has to play out and we have to see what happens to its balance sheet. And I think that's again probably going to take all of 2010 before we really know. No one I think knows what ETRADE is worth, nor do the people at ETRADE. I don't mean that -- no one can because you have to know what's going to happen to the US housing market. And so I think, be patient there.

Again, I would say Ameritrade, I wouldn't read Ameritrade as pining to do -- has to just constantly do consolidation. So I think the great thing that's gone on the last couple of years is, they are proving that they can take market share and as an organic growth machine.

As you know, we're kind of obsessed with, if you're not running a franchise play that can take market share year-in, year-out because you actually have a better business proposition, you shouldn't try to solve that by making acquisitions. You should solve that by solving that problem. Acquisitions have become way more valued because you're adding more than capital. You're adding value to the business.

So, I think that's their head space. But obviously when they bought thinkorswim, I said, well this is a growth space. We want to dominate the options business and I think that was almost an organic growth. It wasn't a cost synergy move. It was really another product that we can run through our theme where we're buying capability.

Andre Hardy – *RBC Capital Markets – Research Analyst*

If we talk about Canadian retail for a little bit, the bank was one of the later ones to put in price increases on floating rate loans. Floating rate loans or HELOC loans was a big part of the bank relatively speaking. Has there been any market share impact of that pricing change which --?

Ed Clark *- TD Bank Financial Group - President and CEO*

Don't forget, we -- three of the other banks have put those in. We have held back to see whether or not the prices would come back down, and therefore we wouldn't have to put it in -- eventually said they're not.

So, then reluctantly went ahead and did it. And the answer is no. It really -- unless, we were continuing to get double-digit growth in our Canadian retail business, and so unless somebody's getting 20% growth which we don't see in the numbers, we actually continue to see we're taking market share on the business side in huge volumes. We're taking market share in the retail lending side. So there's no impact.

Andre Hardy – *RBC Capital Markets – Research Analyst*

On the Canadian side, you gained share and it's also been a great market. But we asked the other CEOs about leverage on the consumer side which just keeps on rising when other jurisdictions declining. Is that a risk of loan growth story for the industry where, we'll hit a plateau from a leverage standpoint and loan growth will fall quite rapidly?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes, well I've been spectacularly wrong in saying what's going to happen. I tend to always be -- paint everything in gloom and doom and round down not up. I continue to be astounded by the strength of the Canadian economy. And astounded by the strength -- I've been astounded by the strength of all our businesses going through this. But particularly you have to be astounded by what's going on in the retail side in Canada.

So you do worry as a Canadian, is can Canada just completely decouple itself and just go through this? I'd say fundamentally between the two economies is that in the US they had a balance sheet crisis that meant that even the people who are employed have cut back on their spending and cut back on their debt.

In Canada because we didn't have a balance sheet crisis, we just had an income crisis in the sense that the world demand for our products declined, then in fact the people who are employed haven't really cut back. I think we should never lose track that there's a significant portion of the population that is hurting here. And I worry that we kind of forget that they're struggling their way through.

But can we just go through and 90% of the population that stays employed just says, what -- worry, this is no problem. That's clearly what's going on right now. And myself -- and what we've said is from a public policy point of view, we would lean a little against this wind. I wouldn't use interest rates. I would use more specific measures to see if you could just slow -- just put your foot on the break and just touch it here.

Because I don't know that we know what it is. And that's a problem the investors point of view that says okay, this spectacular growth engine's going to slow down. That's what we keep saying to people. Every year I say it, then you call me a liar a year later because we just blow right through it all. But you wonder whether it won't slow down. I mean, double-digit growth for ever seems to me a little ridiculous.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Sure. And as an underwriter, how do you take precaution -- one of the reasons for the increased leverage is clearly debt servicing is actually improving not gotten worse. So as a lender, do you increase the stress test on your consumers when you underwrite a new mortgage or a new HELOC? Is that something TD has done?

Ed Clark *- TD Bank Financial Group - President and CEO*

Yes, we do that. We tighten up our standards. The sort of irony is that what we're saying here is in Canada, we see the personal loan losses flattening out here. We think we will have a commercial, some commercial loan losses. I can't see that Canada can go through and the Canadian banks have no commercial loan losses, that just seems to me absurd.

But I think we've now concluded, I said at the end of the fourth quarter is, this will be nothing like order of magnitude in '91, and so it is going to be a dramatically better picture than any of us thought possible. So yes, we're tightening the standards. So, I'm not sure it's coming into our PCLs.

I mean, the obvious one that you worry about are the high leverage mortgages where we've insured, so we don't lose any money on them -- but do we have credit cards that those people hold where we're going to lose money on those. And so we run our files on that and say, well how many high leverage mortgages, what are their credit cards? And we say, we don't really have a big problem, but let's make sure we're tight on the standards of everyone.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Now --.

Ed Clark *- TD Bank Financial Group - President and CEO*

So, I think we're doing all the obvious here.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Sure. Now industry practice often was to try to cross-sell cards or HELOCs to or unsecured lines on your mortgage consumer. Is that something that's stopped for high leverage mortgages? To your point--.

Ed Clark *- TD Bank Financial Group - President and CEO*

I think everybody is more cautious in how aggressively you push it. Everyone is aware of these rising trends, and they're all probably at the margin tightening it. But as I say, we're at the margin tightening it, and having double-digit growth. So we're not tightening it, so we're certainly not slowing down the Canadian economy the way we're tightening it. But I think everyone's trying to get more prudent.

But we're saying when we look ahead, we see our PCLs on the personal side flattening out and then coming down, despite all of this. So we don't see -- again, in our data we do not see a growing PCL problem for us.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Two efficiency related questions, TD Canada Trust is on a really good track record of improving efficiency. And is there a level at which it might hit a wall, where it just becomes that much incrementally harder to improve efficiency? And the second one is with IFRS coming, with regulation increasing, how much arrow might that be to us as outsiders looking at your results and your cost base?

Ed Clark *- TD Bank Financial Group - President and CEO*

So on the first one, every year -- if you'd asked me two years ago I'd say we couldn't have got to where we got to today. I think internally people say that's because we're running the place not you Ed.

I do think -- I'm astounded at how by -- as you know, the way we run the places, we don't spend a lot of time on 2010 now. I mean we were all focused on 2011 and 2012 because you can't change the cost structure in 2011 and 2012 unless you start doing it now.

So our whole program is not what investors want to hear. They want to hear I'm manically focused on the 90-day performance. But the reality is, you run a big institution like this, you want to get that efficiency and have it sustainable. You've got to be spending money now, reengineering your operations to lower your cost in 2011, 2012.

Tim Hockey and his team have just done a spectacular job of that. They just -- that's why you don't get these blips in our numbers, because that's the program. It's just keeps driving and spend lots of money now lowering costs for 2011, 2012.

He thinks we can keep on going here. But I -- as I say, I sit there and say, [partly] don't forget it's tremendously aided by the fact that the revenue is growing. So the efficiency ratio is coming down, but not as if our expenses aren't pretty full expenses because we're taking advantage of the revenue growth, both invest on the revenue side and on the expense side.

I'm not sure all these regulatory changes -- there's no question that our overhead costs in running the bank have increased dramatically. But all of it -- I can complain about it and it's not value added activity all the time, but the reality is I think it's the cost of doing business in the new world. The good news is our earnings are growing and we can afford to absorb it.

Andre Hardy – *RBC Capital Markets – Research Analyst*

When you look at the Cards business is an area where TDs picked up market share, and there's historic reason why market share was lower related to the merger of Canada Trust. But the market share came ahead of an economic slowdown and job losses.

As you look out the next year, your loan growth is higher than your peers. But what do you expect your loan loss experience to be like in Canada relative to your peers? Should there be a bigger delta at TD because there was more growth in car losses? Or, you think a lot of that has played out already?

Ed Clark *- TD Bank Financial Group - President and CEO*

That's a great question because I asked that yesterday. So I said, given that our – given that our loan losses grow faster than our competitors and therefore do we have more spring back on the loan loss side in 2011 and 2012, I think it turns out mathematically, the numbers are too small to be a difference. So, I'd like to tell you that we have this spring back compared to everyone else.

I think partly also when we look at the numbers, we're going to keep growing faster than our competitors. But that means we're going to have more -- our loan losses are going to grow faster than our competitors. And so, we're just faster growing. I think -- I don't think -- that's not the source. So, I think the spring back is a big issue in the United States. I'm not sure there's a spring back in Canada that's any different for us than it is for the other Canadian banks.

The main thing that's different from us is that we have five years of growing our revenue faster than them and our profits faster than them. And we expect to have six, seven, eight years of that, that's the main trend line. But I think the spring back will be the same for all of us is what I would think.

Andre Hardy – *RBC Capital Markets – Research Analyst*

Okay, well thank you very much for your time. Just bear with me as I make brief remarks on lunch. Because we need your help for a little bit. Lunch is going to be in this room. So if I could ask that you leave your belongings on the chair, so that the tables can be set by hotel staff, that would be extremely helpful.

We're going to leave the room and open the doors again in about ten minutes and get going with lunch. But again, if you could please put everything that's on the table on your chairs so that the table can be set. If any of you are sitting at the back, not at a table, there will be box lunches provided. So, Ed, again, thank you very much for your time.