TD Bank Financial Group

Investor Relations

TD BANK FINANCIAL GROUP
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CORPORATE PARTICIPANTS

Tom Nally
TD Ameritrade - Managing Director - Institutional Sales

Ed Clark
TD Bank Financial Group - President & CEO

PRESENTATION

Unidentified Company Representative

Good afternoon, everybody. Welcome back. What a terrific morning, huh? Was that great? I don't know about you, but that was a thrill for me to see two former US Presidents up here. And I know that Tom Bradley prepared long and hard, and had sweaty palms before he came up here.

So I'm sure it was a great thrill for him, as well. Please silence your cell phones. I know you heard that announcement, out of respect for the speakers. Also, as a reminder, use your my Mobile application. Please stay on top of your surveys as you go to the sessions. Feedback is critically important to our continuing to produce really high quality events for you. So please stay on top that.

That is a great application. And now I am going to ask Tom Nally, my colleague from TD Ameritrade Institutional Sales, to come out and introduce our afternoon keynote speaker.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

As Skip said, what a fantastic day. We gained valuable insights about TD Ameritrade and the wealth management landscape from Fred and Tom. We had a once in a lifetime opportunity to be taken inside the oval office, and hear viewpoints from the last two American Presidents.

And this afternoon, we are very fortunate to have Ed Clark, one of the world's most prominent leaders in global banking share his perspectives and insights on the global financial system, policy reform and the economy, all very important issues impacting advisors and your clients. Ed Clark is the President and the CEO of TD Bank Financial Group, and has served in the position since 2002. From July of 2000 until his current appointment, he was Chief Operating Officer at TD.

Prior to joining TD, Ed was President and CEO of Canada Trust Financial Services. He is the Vice Chairman of the Board of Directors at TD Ameritrade. Ed received a Bachelors Degree from the University of Toronto, and a Masters Degree and a Doctorate in Economics from Harvard. Under Ed's leadership, TD has become recognized as one of the strongest and most stable banks in the world, one of only a few AAA rated banks globally.

With more than 1,000 locations in both Canada and the US, TD employs over 74,000 people, one third of them in the United States, and serves over 20 million clients across North America. TD Bank Financial Group has approximately a 45% ownership stake in TD Ameritrade. Please join me in offering a warm welcome to Ed Clark. Good afternoon, Ed. It's great to see you. Thank you for joining us.

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

I think I have been set up though here. It's pretty tough to follow two Presidents, one that can crack jokes and one that talks forever, right? How can you match that?

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Well, I think you will do fine. You're a professional. So, Ed, let's start by talking a little bit about TD and your strategy. Over the last several years, you have made a number of strategic moves that have really transformed the bank into one of the top 10 banks in North America, by virtually any measurement. Can you tell us a little bit about that transformation?

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

Sure. Just before I do that, my lawyers require me to tell you that we just ended our quarter end, so we are in our quiet period. At a Morgan Stanley conference yesterday, and I did that and I said -- now, stop. Don't all of you leave the room just because I am not going to tell you anything new. So I hope that you can stay here as well.

Yes, it has been a pretty exciting -- I joined, as you mentioned, TD in 2000. So if you take that 10-year period to today, we have had average growth rate and earnings of 11%. So we have more than tripled our earnings during that period, even though in the last two or three years our earnings have been flat.

But we are in a world in which holding your bank earnings flat over the last three years, I think is -- we are probably a pretty, well, unique exception in the marketplace. I think we have had a number of things. I would say the first thing that we dominate is every one of our businesses grow franchises.

And so by that, we mean put yourself in a position where you actually have a distinguishable, sustainable competitive advantage. And then, invest in that business and go for growth. And I think all of our businesses always wake up every morning, and say if you are standing still, you are going backwards. So how can I grow and keep sustaining my competitive advantage?

I think the second has been a pretty significant shift. When I joined the bank, it was about 50% security dealer, wholesale and 50% retail. It is now over 80% retail. So there has been a gradual shift to the retail side.

I think the third has clearly been risk management. We've had a heavy, heavy focus in improving risk management and getting out of what we call the tail risk which is catastrophe risk. That led us to get out of all these structured products in 2005 and 2006 that eventually blew up the world, because I took the position that they were going to blow up the world. And even though it was very expensive to get out at the time, it clearly turned out to be the right decision.

And then, finally, which has really been the last few years, a focus on how do you actually create a North American sized institution. So we have a balance sheet of about $550 billion worth of assets, market cap in the $50 billion range. We think we have to continue to grow and that probably means, primarily, growing in the United States.

Within the United States today, our US bank, if you measure by deposits or branches, would be in the top 10 in the United States. We think we can move up from there.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

That's fantastic. So, you have talked about the importance of growth, and the importance of capitalizing on the US market. What are your thoughts about the advisor business, specifically? And where does TD Ameritrade fit in to your overall growth strategy?

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

Well, as Fred knows, I love TD Ameritrade, and I really love the registered investment advisors. I think this is the neatest strategy possible. I think the online brokerage space is obviously a very powerful space. I think they have to think about, in the next 20 years, how important that will be.

But you know, we know -- and in Canada, we have 45% to 50% market share in the online brokerage space. But we are also the number one discretionary manager. We have a significant full service brokerage. We have financial planners because we know that different customers want different things.

And, frankly, the same customer often wants different things. And as people evolve in their life, more and more, frankly, they want advice. And so, I think by marrying the technology platform that Ameritrade has to the entrepreneurial skills that the RA has, I think you have a perfect combination. And to me, this is an enormous growth area.

I think when you look at the demographics, and you combine that, and think what we see increasing in the United States is, I am not sure that the full service brokers in their nature of the institution is the winner. What I think is the entrepreneurs will always beat them.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Fantastic. So, as talking about growth beyond just TD Ameritrade, what about further acquisitions? Are you looking to potentially expand the footprint, maybe on the retail banking side in the United States?

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

Yeah. So I think before you look at acquisitions, if you are building franchises, you should be building an institution that can take market share every single year without doing anything, just because of its offering. And that is what we have.

We know that we put a branch on a corner in Manhattan, and there are three other banks, within -- if we put a new branch in, within three or four years, we will have more than 25% market share. But the other thing is, the next thing you do is you invest. So, one -- in the last five years, one in three branches opened by any Canadian bank, was opened by TD in Canada.

And the amazing number is that in the United States, 7% of the new branches opened by all banks in the United States were opened by TD in the United States of America. So you have to be willing to, in fact, invest. But, clearly, we see there is a disruption in the market.

So what we have said to the market is, for the moment, we are looking at FDIC deals, and smallish deals, $10 billion or less, where we think we can size the asset risk. Frankly, the economic outlook of the United States and the regulatory outlook for the United States is such that doing a bigger deal in 2010, I think is highly problematic. We won't have visibility. But we don't rule out doing a bigger deal in 2011, 2012.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Great. So let's zoom out a little bit and get a little bit broader in the discussion. So the Canadian banking system, and in particular, TD has really weathered the financial storm far better than most national systems, including the United States. Help us understand why.

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

Well, I think you would start and say, what's the source of the world financial crisis? And I think they're really – I think they've been concentrated down to three issues. One is that you had security dealers that were way overleveraged, and in many case in the United States, where they weren't actually anchored to anything with more solid form of earnings. So, whether it was Bear Stearns, or Lehman or Merrill, they were sitting out there, independent, very high leveraged entities.

Secondly, around the world, even though there was some agreement on the capital, for whatever reasons, regulators in the world did not apply these rules evenly. And so, you had countries where, in fact, their banks were vastly undercapitalized.

And third, frankly, the United States has a pretty dysfunctional mortgage system. So, if you look at Canada, all the dealers in Canada are actually owned by the major banks. And so, you did have the solidity of the earnings of the rest of the bank where -- there were some Canadian banks that did get in trouble in their dealers, but we didn't get into trouble. But even the ones that did get in trouble had a solid earnings based alongside it.

Secondly, Canada was the most -- our regulator insisted that we the most capitalized, well capitalized group in the world. And third, we have, actually, an outstanding mortgage system. That's very different, where we have very minimal losses. And fundamentally, that stems from the fact that we actually hold those assets on our balance sheet, so the collective banking system has a real interest in ensuring that you don't have asset bubbles and you get good quality.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

All right. Very interesting, but one of the key lessons that we really should take away from the financial crisis, and do you think that the global banking industry has learned those lessons at this point?

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

I think people are learning those lessons. I think we're struggling, and I think it is quite interesting that the US government keeps saying, well, nothing's changed on Wall Street. Well, the reality is, nothing has changed on Wall Street. There has not been a single rule of change since the crisis. And so, we're still debating what those rules are.

The difficulty is that, in addition to the complexity, and this is a complex topic, you also have the basic issue that people do want everyone to have the same rules. And, the trouble with that is that the industries have grown up quite differently. And so, trying to find a common set of rules that would apply to Deutsche Bank, and Goldman Sachs and JPMorgan and Barclays is very difficult to do because they all are slightly different and have slightly different interests.

So I think we're starting that journey. And, unfortunately, it's a hard journey to get, and there's a lot of impatience on the side. And so, people keep on throwing in new ideas for their current ideas that people are working on. I think that's the stage we are. So I think the answer is people sort of know what went wrong. But they sure are far away from having agreed on how to solve it.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

So, talk a little about policy reform. There are a wide range of discussions out there right now about what policy reform should look like, and what direction it should be headed in, in order to avoid another crisis like the one we just experienced. Where should policymakers be focused?

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

Well, I think I, myself, I do think we get off on a set of peripheral issues. And so, at the risk of getting in trouble, I'm not sure that -- you may well have decided that overdraft fees in America aren't the way they should be. And that is probably a fair statement. And I think there are reforms that are necessary there. But overdraft fees didn't bring down the financial system in the world.

And so, if you put all your energies on a whole set of peripheral, little issues, I think you take your energies away from really these three fundamental issues because you've got to get the security dealers where they get out of the products that are too complex and too volatile, that put those institutions at risk. You have to get where people have quality capital, and the same quality capital underpinning their risk.

And, eventually, you have to figure out how to run a mortgage system that doesn't run amuck every five or 10 years. And I think those are the three things were I would say to them, why don't you solve those, and then see how much powers you have left to do all this other stuff.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

So, at this point, is does not sound like you are confident that these discussions are headed in the right direction, that they're just getting kind of bogged down on these margins, around the fringe.

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

I think right now it's pretty chaotic out there. I think anybody that's in the banking business would say, the way I put it is imagine being in the trucking business. You have a whole sets of proposals, but first off, you believe everyone who works in trucking is a sleazebag.

And then you say to them we're going to have a thousand different proposals, any one of which could put you out of business. And we're going to take a whole year or so to talk about these. But in the meantime, you're vital to America, so haven't you -- why don't you buy some more trucks and put some more trucks on the road.

That's sort of where we are right now, I think, and I'm not trying to blame anyone. I understand how complex this is. So I think we're trying to get people to say, well, can we start to narrow down and focus? But it's, obviously, a highly charged atmosphere.

And I am sympathetic to the average American, the average Canadian that says, well, this industry did blow up the world, and, therefore, we do need change. And they're angry. And so, if we could get that anger contained and driven towards what the real problems are -- and I think that's what we have to do.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

There are a number of proposals out there right now from President Obama and his Administration that really could have a profound impact on the financial system here in the United States. In your view, what are some of the top issues? And what do you think the potential impact is?

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

Well, I think the core debate, which is people call it the Volcker plan, and I think you shouldn't get too bogged down into the specifics of that plan because, I'm sure, in the end, things will be slightly different. But I think what people are saying is, if in the end, you carry an implicit guarantee, if you're large enough that, as it turned out, the US government wasn't prepared to walk away from you and that, therefore, you carry an implicit guarantee of the government of the United States, what activities ought you engage in under that guarantee?

And I think that's sort of core issue, and how do you define? And, to use Volcker's words, you ought not to attach a casino, and say we're going to have a casino with an implicit Government of the United States guarantee. And I think, even within the industry, those that are in the casinos, I think they would say I kind of get that.

I think the difficulty is that when you, if you do, do that, where does that casino activity go, and we have all been through the long-term capital crisis, where in the end, even though it wasn't formally a government guarantee, it was definitely a government organized savior. But that activity goes on outside your regulated institutions and gets into trouble, is it of a size that you could be prepared to walk away with it?

So I think if you said, at the essence, what this debate about is, is do we have the right set of activities? And, frankly, do you have enough capital sitting under there? And I have a preference that says it is going to get hard, in some sense, to actually to find perfectly the activities. But the more risky the activities, the more dramatically the amount of capital that you ought to hold against that, and frankly, the amount of liquidity that you have to hold so you won't get into trouble, that you have enough cushions to absorb the risks you are taking.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

But what do you think about the bank tax, specifically? There is a little, some discussion around the bank tax and changing the tax structure. But what are your thoughts there?

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

Well, we're in an unusual situation, so we're a Canadian bank that owns an American bank. And so, the theory behind this tax is that if you, for -- if you raise deposits in the United States -- we pay FDIC premiums. And if a US bank goes down, a deposit taking institution, the FDIC pays for that.

So, the actual US taxpayer does not underwrite the losses of all these small banks. The banks, themselves, self fund those losses. But when it came to the security dealers, and they went down, it was the US Government that had to pay that, not the industry -- didn't pay that.

So there is a feeling that says, well, then maybe what we ought to do is put a tax on people who fund themselves through borrowings, versus fund themselves through deposits. Again, in theory that's not a bad idea, and there's nothing fundamentally wrong. And I think the industry is moving to say, I think we'd be a little nervous about putting -- right now, when we put FDIC premiums, they go into a fund used for that purpose.

I don't think they get too excited about bailing out Chrysler with those monies. Or doing, building roads with those monies. And so, I think they say, well, if you want to put a tax, put it aside. And now, we'll have a fund to, in a sense, fund if one of us goes down.

I think in the Canadian case, the particular thing is that the government is saying to us, well, if you went down, the Canadian Government has -- is the one that'ss underwriting you, not the US Government. But, by the way, we don't mind taxing you right here.

So there is a little bit of, I think, going to be push and shove between governments, well, who gets this tax revenue? But I don't think I'm going to get to keep it though. That's for sure.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

How about a couple of issues as far as the changes to the FDIC cap? I think that's kind of related to what you were saying with the casino analogy. What are your thoughts about that?

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

Well, I actually -- I think the FDIC is going to come out of this looking pretty good at the way they've managed. They've managed a pretty difficult situation. And I think, unfortunately, we're going to have pretty significant numbers.

I think we've still got a long way to go here. We are going to have a lot of losses. And as I said earlier, I think you're going to get periodic reassessments of the industry where, effectively, the good players are playing for the bad players.

As a good player, I guess that lines us up on saying, some of these banks should never have been allowed to exist. Some of them certainly shouldn't have been allowed to expand. And so, I think we are pressing the regulators to say why did you let this happen? Why didn't you step up and do your job?

And so, I think that's not a bad thing to have the industry face the cost of poor regulations, so the industry doesn't always say, well, I hate regulation. In this case, it would have been better to have regulated some of these banks better.

Tom Nally *- TD Ameritrade - Managing Director - Institutional Sales*

Let's talk a little bit about the economy. You see the market as having a tough day today, been a little bit all over the board. But are you confident that, at this point, we're emerging from the global recession? And if so, what gives you reason to be optimistic or pessimistic in the direction that we are headed?

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

So, I would say, I am not very far off the consensus. I do think that we've hit bottom. I think the debate is all around, okay, what does the recovery actually look like? And I am in the, whether -- in the case that I think it is going to be a fairly tepid recovery. I think in the US you may actually be surprised by the employment growth because there has been such productivity growth that I think businesses will start rehiring.

But I don't think that's going to lead to a decline in the unemployment rate because I think there's a lot of people who left the market that will come back in as soon as the market opens up. And I think we are probably in a world in which interest rates are going to stay lower than you would expect in a normal recovery.

If I worry, is that when you see all this and you look around the world, and there are definitely places that are more impacted than the United States, this recovery hasn't built in a lot of cushion for bad things happening. And accidents, I think, could throw us off this path. And clearly, I don't think it's unfair to say one sees a logjam in Washington where getting any decision made seems hard to do, the wedge politics has really gone to create this huge divide, political divide.

And you just worry that, at some point, people go to the sidelines and say, why don't I wait this out. And I think the world, frankly, is counting on the United States. I think there used to be these silly theories that the rest of the world could carry on even if the United States didn't do well. I have never believed in that.

I think the United States is still the center of the world, from an economic, political and obviously, military point of view. And I think everyone is counting on the animal spirits in the United States, the thing that comes back in and starts this recovery. And so, I do worry that we're creating an atmosphere where those animal spirits won't be as, will be dampened, and won't be as energetic as we think right now.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

So, advisors in the audience today really spend a lot of time evaluating and analyzing the health of the economy. What indicators do you specifically pay attention to, to see whether or not we're headed in the right direction?

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

Well, first off, we operate. So, as you indicated, we operate down, all the way down the East Coast, from Maine to Florida. We are all the way across Canada. Our securities area operates around the world. And so, we're getting information about feeds from that. I would say that that is probably a pretty important source for us.

And I guess one thing that's probably worth mentioning is Canada is just continuing to boom here. Like, our business in Canada is just a spectacular business right now. And so, Canada has actually gone through this relatively untouched. And so, we can come with a slightly more optimistic view of the world, and certainly a view where we have a lot of earnings and capital strength that we can redeploy to take advantage in physical locations around the world.

But, obviously, in addition to your own data, you read all the other data. And, I guess, it all keeps confirming that we bottomed. But we look at our loan growth in the United States, and one of the things that we did at the start of the crisis was to say we were going to grow faster in the top 10 banks in the United States.

We were the only people to have net growth in lending of the top 10 banks. Even today, though, I would say, it's actually tougher for growth. I think business people are being cautious right now. That makes you nervous.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Well, that's fantastic, great comments and really insightful sharing with everyone. Now what I would like to do is open it up for some questions from the audience. So, there should be some microphones in the aisles.

And if you could just raise your hand if you have a question, we'd be more than happy to try and address it. Guys out there with the mikes? A little slow getting the mikes here, folks, sorry about that.

QUESTION AND ANSWER

Unidentified Audience Member

Was it normal business evolution, a regulatory or legal requirement that resulted in the Canadian BD industry being owned by this, national banks? And, in particular, did your securities industry avoid over-the-counter derivatives, or just engaged in writing and taking counterparty risk, got OTC derivatives in moderation, so you didn't have issues?

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

I think it's unfair to say that, first off, there really is no difference, so we would do lots of over-the-counter derivative business ourselves. As I indicated earlier, we were actually a major player in the structured product business that I decided to get out of. So Canadians would have played in this space, and in fact, it's not -- we don't go around bragging about that, but the write-down of Canadian banks was $19 billion during this period.

So, you have to get a sense of relative size, and then $190 billion in the US, so it was not an insignificant number. So it wasn't as if the Canadian banks didn't have issues in their security dealers. It was because their security dealers were owned by personal and commercial banks that stayed profitable through this.

And we didn't have a housing crisis to compound it. And so, that's what gave the banks that did run into trouble the ability to go out and raise new equity against really their core businesses, and look after their issues. We, as I say, we have a very significant derivative book. And we basically saw, had no losses in that book with Lehman going down, Iceland going down, AIG going down because we had always insisted on collateral.

And we were over collateralized for all our positions. And we were able to realize the collateral and position ourselves. So, it was a very successful -- I was, frankly, quite amazed. It was a pretty exciting period. But we were able to just, every time someone went down, we used a cash collateral. We got position and, basically, we're not damaged at all. If anything, we probably ended up making some money.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Great. Next question.

Unidentified Audience Member

First of all, thanks for running a very financially secure organization for us. It is one of the things that gives me a lot of confidence in going back to clients and being able to say that TD Ameritrade is part of a, one of the few AAA rated banks in the world, and I just want to thank you for that. But my question has to do with something the Presidents said this morning when they both made comments that, well, we know we need to separate the risky part of what the banks do from the more stable stuff.

And I think half of us just want to scream, well, we had Glass-Steagall in place, but that was repealed. And we are shocked that you do not understand that. And I just want your reaction to that. It seems like that in Canada you allow commercial banks and investment banks to operate under the same umbrella. And we had a solution in the United States that seemed to work for years by splitting them. And should the United States go back to splitting them?

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

Right. I guess my own feeling is that Glass-Steagall, you can't put the genie back in the bottle. First off, the rest of the world didn't do this split. So this was a very American split. And then, you rescued Merrill Lynch by selling it to Bank of America. You rescued Bear Stearns by selling it to JPMorgan.

And so, in the end of the day you could say Wachovia that had trouble in securities dealers, it was bought by Wells Fargo. So, I don't think that you can go back to previous, back to the '90s, early '90s. I think what you have to do is go within that.

And I would say there is, broadly speaking, there is two kinds of activities. There’s activities that I actually think, in our experience, that actually do add value to society. And so, I think underwriting and going out and helping businesses raise equity or debt or doing FX swaps for them so they can hedge their foreign exchange, or their interest rates, those are all good activities.

I think it’s that part of the activity that you saw in the mid '90s, the regulators changed the rules, so allowed you to have far less capital in the dealer than you would have had to put if the asset was in the bank's balance sheet. And so, you got these massive leverages, 80, 100 to one, where they were betting positions that if they were wrong, the bank, the security dealers blew up. And I think it’s trying to figure out which of those activities for how much capital you’re now going to insist.

And I think the rules will be a combination of the two is where we have to go, but the fundamental, old business, I will call it, franchise business of the dealer. And what we did in TD was we said some years ago, that’s where the world will eventually get to. So why don't we get our dealer there?

And so, we repositioned our dealer to be saying -- what I say to them is if the United States or Canadian GNP would not decline if you stop this activity, why are you doing it? If you are adding no value to society or clients, you shouldn't do it. And I think that simple rule of building franchises around what, doing what’s right for the client, is ultimately where people are going to try to push.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

All right. Next question.

Unidentified Audience Member

Yes. I want to thank you too for running a very successful bank and being a successful banker, if you had two -- and maybe this is along the same lines as what you were just discussing, if you had two points of advice for President Obama and his Administration on how to move us along out of the circumstances we face today, what would be your perspective?

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

I would say in terms of the banking, should stop with new ideas. I -- there are enough good ideas on the table. And focus on trying to mobilize the world around two or three very simple ideas. And if I had two, I would say, get the capital rules for the dealer right. And get agreement that actually everyone will adhere to those capital rules.

And I think you would solve 90% of what blew up the rule if you just did those two things. But he’s not going to listen, so, not at all listen. Maybe you should have tried that on these two guys up here earlier, right, give it a try.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

All right, next question.

Unidentified Audience Member

When TD does long-term planning, does TD have a theory as to whether the US Treasury will balance its budget over the next, say, 10 years? And based upon that theory how does your bank -- what is that theory, if you have one? And based upon it, how does your bank plan to do things?

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

Yes. So, again, at the risk of getting myself in trouble, I think that if the rest of the world worry, I think, about the United States, they would say, yes, the United States has the most entrepreneurial society in the world and the greatest stock of human capital in the world. But it probably has the most dysfunctional political system in the world.

And that political system, by its nature, finds it extremely difficult to balance budgets because everybody, in order to get things through Congress, you basically have to buy people off. And the net result is, well, why don't just run a little bigger deficit in the end? And so, I think that is the core issue.

But -- and I think it is worrisome in the sense what's today's stock markets around concluding that there are four or five countries in Europe that haven't been able to get that problem solved, and that they won't get it solved. I think, sort of -- people ask me then why are you investing so much in the United States?

I always in the end say because I believe in Americans. I just believe that somehow – it'll be messy and ugly, and then, for most people, impossible to see how they will do it. But in the end of the day, every time America has been ultimately challenged, they have found a way of rising to the occasion.

So you have to believe that, at some point, the United States will say, we either spend less or we tax more. But what we can't do is keep on saying let's give our credit card to the Chinese. And I think if there's one force that will eventually drive the United States to act is the recognition that the US political and military power in the world is now endangered.

And in the end of the day, when the Chinese own all the money, they are going to have all the power. And so, you have to, at some point, say stop using your credit card to run the government. And so, I think in the end this will work its way through. But I would say most people would say, 10 years from now I think you will be lucky if you're down to 1% to 2% deficit as a percentage of GNP because you have so far to go.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

All right, next question. John.

Unidentified Audience Member

I'd like to know what do you think, given the high unemployment rate that we have that the next five to 10 years in the US will unfold kind of like the lost decade that Japan went through? And if you see that happening, what do you think is the cure for it?

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

Well, I think that is the nightmare scenario. I think there are some lessons that people have taken out of Japan, and there -- this is where you get some of the contradictions because they say the problems in Japan was that as they started to recover, the political pressure to withdraw the stimulus, both monetary and fiscal, was so obsessed that they constantly withdrew it and sent the economy back again. And so, they never got momentum.

Now I don't think, in the end, that the Japanese economy has the entrepreneurship that the United States has. And so I think getting this -- if you never get that entrepreneurship down, or the entrepreneurs are back investing, I think that can be a huge center of growth. If I had a bias in the United States, but it's not one that the political system, and I will come to that, will be -- is I would, actually, even though it would, frankly, hurt TD's business, including TD Ameritrade, is I'd keep monetary policy looser. And I'd start tightening fiscal policy because in the end of the day, there is a risk on the fiscal policy.

You are just going to build up a debt that is so large that you can never get it under control. And so, I would be leaning to sort of say, well, let's just keep interest rates low. I think the response of the political system, in some sense, is the opposite and that as the unemployment rate does not come down, then every six months there'll be another crazy program to sort of say how can we intervene in the system and get more people employed, rather than how can we make it low cost for people to invest and get them, the private sector to take up that.

So, I fear in the end -- and then that will cause, I think if that happens, the Federal Reserve to say, well, we've got to start tightening monetary policy here. Then I think you can end up in the wrong position. So, I think if you talk to the people in the Federal Reserve, they clearly are extremely conscious of the Japanese issue. And I think that's why interest rates will stay way lower than you would have anticipated for much longer because they're terrified of actually taking that out too soon.

For interest rates, you actually -- I always say to people, I am – that's why you guys, what you do I could never do. I'm not smart enough to do what you do. I'm a terrible manager of money. I'm only good at running companies.

So, there is a big difference. And so, -- but our view is it could well be, even though everyone says the mid 2010, I think it could be, well, not before the early 2011 because it's not just the United States.

If you go over to Europe, it is a pretty depressing scene over in Europe. Only really Germany -- Germany, maybe in the Netherlands are beacons of hope there. But there's a lot of countries in a lot of trouble. And so, I don't – I'm for longer rather than shorter.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

All right. Next question.

Unidentified Audience Member

Yes, sir. Earlier in your comments you described your business model in Canada to include online investment trading and financial planning available and investment management. Well, I think I can speak for most people in this room. We make our money doing that part of it, the financial planning and investment management.

And I think your competitive advantage and why you are growing so quickly right now in the United States is that you're clean. You're not competing with us. And your comments very much concerned me about your future strategy. Can you describe what you think they might be?

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

Competing channels, and --

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Right, exactly. Does TD Ameritrade have plans to offer the same type of financial planning services that are offered under the TD umbrella in Canada?

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

No. Absolutely not. I don't think that's -- I think I come at this in a couple of ways. First off, our experience in Canada is no advisor needs to worry about these other forms of competition. And for people who are natural wanters or users of advisors, good advisors just blow away all these other channels. And that's why you have to have multiple channels. And the big money always ends up in the advisory hands, not in the direct channels at this stage, hands.

But, secondly, when I look at TD Ameritrade, it's unbelievable. TD Ameritrade is being run operationally now terrifically. It has an unbelievable position in the marketplace. And what I always say -- and I am a shareholder.

Fred runs the place. But as shareholder, I just say pedal to the metal. You've got two unbelievable opportunities to grow. Why don't you just go blow Schwab and Fidelity out of the water here, and just take market share, you know?

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

All right. Next question.

Unidentified Audience Member

You mentioned businesses were a bit behind in wanting to take on loans. Could you elaborate a little bit on that, and also, when you think that businesses may want to start to borrow more?

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

So businesses are -- you said businesses, before, were cautious in taking on additional loans.

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

Yes.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

When do you think they're going to start to spend?

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

Well, that is where I think you come back to the animal spirits. In the end, people have to be confident in order to invest. And I think we're still in pretty, in the United States.

But I have to tell you, even in Canada, we've had a very successful growth in the economy, but it's all driven around the personal consumer, who's out there buying houses. So we are in a housing boom in Canada. I know that's hard for you to appreciate. But because our banks didn't blow up, and were there to lend money, and people hadn't lost the value in their houses, if you drop those interest rates down, you had just a traditional housing boom.

But I'd say businesses, because Canada exports 40% of its GNP and 80% of the goes to the United States, businesses in Canada are just like businesses in the United States. They're very cautious about the outlook.

And so, that is why, again, to go back to, my advice to the government is stop innovating. You put in motion a huge stimulus program. Only 35% of it has actually been spent. You've got very low interest rates.

What the world needs is calmness. I think Fred would have the same thing, and running a large business -- I run 74,000 employees. If I change my mind every day about what I'm telling them to do, pretty soon they can't do anything. They have no idea what to do. And so, what they want is, okay, here is the direction.

Here is the bet. Relax. We're going to go down this path, and we're not going to change our mind. I understand how difficult that is doing politically, when you are getting beaten up, you are losing the occasional election and stuff like that, and so there is a lot of pressure on you to do stuff. But I think this economy needs this calmness, and say, we are backing the entrepreneurs that built America.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Next question.

Unidentified Audience Member

Hi. We heard earlier in the day about the importance of cross selling, of selling to the overall holding companies. And I wondered if you could give some specifics about how that will work at TD Bank, and what some goals are there?

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

This is in relation to?

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Yes. So, earlier, Fred gave some insights on TD Ameritrade and TD Bank, the US working a little bit closer together to cross sell some of the products and services, just some insight on how that might work.

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

Yes, so, to give you some history here, when we bought Bank North, and then we bought Commerce Bank, both of them had financial planning forces in there. And we looked at those financial planning forces and said, it's a very small force. It's going to take us years to build this up.

And we're sitting on a way better entity in TD Ameritrade than we could build in 20 years by building that financial planning force out. So, unfortunately for the people involved, this week, on Tuesday, we told them we were dismantling that, and that we're, basically, going to open up our branches and say to our branches, if people need deeper in their financial products than what we can sell in the branches, which are basically GICs, or CDs and mutual funds, and some fixed annuity products that we do, have them open up a TD Ameritrade brokerage account.

I think this is a tremendous [opportunity], and one thing for you is that we are not putting a restriction if it turns out when you go into TD Ameritrade that they ought to be then, I forget what you call it, director, direct access or direct investor. What do you refer --

Unidentified Audience Member

Advisor Direct.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Right, Advisor Direct.

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

Advisor Direct. That client should be in a kind of online, should be pushed into Advisor. They could be pushed into and sent out from TD Ameritrade into Advisor. We're going to have a single channel to TD Ameritrade. I think – we've done some experiments with it.

There is a ton of money. I think as many of you may not know, we are the fifth largest bank in Manhattan. There's a lot of money in Manhattan, and we think that, in fact, this is one of these clear win-win situations. I think having TD Ameritrade in our branches in Manhattan, in Boston, in Philadelphia enhances our brand and gives them direct access to the customer base.

We also are looking at different things that we can do with TD Ameritrade to say we, obviously, are a very large bank. And if there are banking products beyond what we now -- the sweep account has been an enormously successful product for TD Ameritrade. I think it has made a huge difference for TD Ameritrade relative to the competition.

So it is a great product for the consumer too. But we're prepared to sit and talk about other things that we can sell to the TD Ameritrade customer base, using our banking position.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Great. Next question.

Unidentified Audience Member

Hello. Yes, Ed, my question is to what extent do you think the Bank of Canada can disengage its monetary policy from the US Federal Reserve Bank, especially if the US decides to keep rates low for the rest of the year, and Canada is under pressure to start boosting rates in the second half of the year? But the concern, obviously, is that the dollar is going to go well above par if that happens.

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

It almost sounds like a Canadian asking that question, rather than an American.

Tom Nally *- TD Ameritrade - Managing Director - Institutional Sales*

It may be.

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

I think, my own view -- I met last week with our Prime Minister. We're in a pre-budget consultation, so he does these things. He doesn't listen, but you get to chat with him. And what I said to him is, my view, even more than in the United States is, clearly, in Canada's case, if we move our monetary policy -- our dollar has already moved up, so just to gain a level set for people here, in some sense, Canada has done exactly what the United States wants all its partners to do.

So, we have been running fiscal surpluses. So Canadians -- Canadians, as you know, are socially liberal, fiscally unbelievably conservative. So we have been running large government surpluses every year, paying down our debt. And when the crisis hit, we went into a big deficit position and stimulated the economy.

We let the exchange rate move up. And so, we went from large current account surpluses to now large current account deficits. That is exactly, in a sense, what the rest of the world, I think the United States needs the rest of the world to start doing. And -- but if we were now to raise our interest rates, as well, to kind of slow down the growth in Canada, then I think we will wipe out permanently, Canadian industry. And I think that would be a mistake.

I think we've contributed all that we need to, in a sense, from a current account deficit point of view. What we ought to be doing is now, very quickly, getting back and tightening fiscal conditions and eliminating that deficit. And the politics in Canada are quite different. The Canadian population is extremely unhappy to see these deficits.

And, frankly, I -- it will astound you, but there is a group called the Canadian Council Chief Executive Officers. And we had a meeting two weeks ago, and almost every single person said raise my taxes. Get this deficit done.

You probably credit it from political culture, but Canadians hate government running deficits. And so, I think that's what we ought to do too. I would like them to cut some expenditures. But that is a different matter.

Tom Nally. All right. Next question.

Unidentified Audience Member

Hi. Thank you very much for taking my question. My question is this. We have got in the United States, right now, and there is an old saying on Wall Street, when the tide goes out, all ships sink. And when it comes in, they all float. You guys are a bank, and you are a successful bank.

But my main question is, the five major banks in the United States, right now, if you were to take, say, Goldman Sachs, you're taking Bank of America, you're taking JPMorgan Chase. It is worth $1.400 trillion, and they have roughly $79.2 trillion in derivatives positions, along with the other banks that have a total of approximately $182 trillion in derivatives. And then you add that to the notional funded, unfunded debt in the United States working out to around $603 trillion. And then you match that with the worldwide position of $1,044 trillion in debt load.

My question is, when you have a banking position like that, and on the other end, you have a real estate market that back in '08 collapsed because there was $3 trillion in subprime mortgages being rolled over. And now you've got a position where there is $13.5 trillion coming due the second quarter of 2010, progressing to 2012 to the tune of $13.5 trillion.

You add all of this up, my question, even if you're a successful bank, how in the world do you stay afloat when the Obama Administration is out of control, when Henry Paulson pumped $1.9 trillion into the market before we had the $885 billion pump, and then we have another -- the total debt we've assumed from the stimulus packages have been $4.7 trillion. And the American public is saying, or the Administration is saying that all we've put in to the marketplace is $885 billion.

So with all that being said, the fact that we have a huge debt load worldwide, and I sometimes visit Europe, and I see that the Netherlands and Germany, as you said, are – they're probably the little shining light over there. But when you consider that we have a real rate of unemployment in this country approaching 20% to 22%, not the, what they call crapola coming out of the Fed, to the tune of 10%. So when all of this is mixed in the porridge, how, being a bank, have you guys prepared for, I'm not going to say capitulation. I'm not going to say total destruction because I am not a gloom and doomer.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

You would never think so.

Unidentified Audience Member

No. I am a guy that just looks at the stats, and I get the stats based on real, honest reporting. So, my question is obvious.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Yes.

Unidentified Audience Member

How do you load yourself up for this one?

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

Yes.

Unidentified Audience Member

Thank you.

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

I'd hate to come back when you are in a pessimistic mood and see what question you are going to ask. But -- and -- but not to make a joke, what, because obviously it's something I spend a lot of time thinking because I think there obviously are big, big powerful, negative headwinds out there. And so you're saying, are you foolish to be trying to not just be in America, but we're going to grow in America?

I guess my business experience has always been there are lots of ways to make money. The first thing you have to do is decide how you know how to make money. And we made big money in very, very simple strategies, all of them fundamentally built around servicing our clients or our customers, and being very conservative. And so, we are among, as mentioned earlier, there are only three AAA rated banks listed on the New York Stock Exchange.

And we are one of them. We are one of the most capitalized. We were described by Euro Money as the safest bank in the world. And so, I do think in these situations that, yes, there's lots of bad things happening. But if you've got lots of firepower in capital, and lots of firepower in liquidity, and you've got lots of franchise earnings, as I said earlier, we went through this and, basically, yes, we didn't grow our earnings.

But that is pretty miraculous to say, well, that was how this hit us is that we had a flattening of earnings, and now we are going to take off again. I think there is still huge opportunities in that environment. But you have to study that environment.

You have to not be naive at what it is going to feel like. But every one of those negatives is going to weaken a competitor and going to create an opportunity, is how I look at it.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

So, folks, unfortunately we do not have any more time to spend with Ed this afternoon. But, Ed, once again, thank you very much for sharing your perspective with us.

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

It was a pleasure to be here.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Let's have a nice round of applause for Ed Clark. Thank you very much, Ed.

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

Thank you.

Tom Nally ***- TD Ameritrade - Managing Director - Institutional Sales***

Thank you.