TD Bank Financial Group

Investor Relations

TD BANK FINANCIAL GROUP
Q2 2010 EARNINGS CONFERENCE CALL
MAY 27, 2010

DISCLAIMER

FORWARD-LOOKING INFORMATION

From time to time, the Bank makes written and oral forward-looking statements, including in this presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of applicable Canadian and U.S. securities laws, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements regarding the Bank's objectives and priorities for 2010 and beyond and strategies to achieve them, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may" and "could".

By their very nature, these statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the current financial, economic and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause such differences include: credit, market (including equity, commodity, foreign exchange and interest rate), liquidity, operational, reputational, insurance, strategic, regulatory, legal and other risks, all of which are discussed in the Management's Discussion and Analysis (MD&A) in the Bank's 2009 Annual Report. Additional risk factors include changes to and new interpretations of risk-based capital guidelines and reporting instructions; increased funding costs for credit due to market illiquidity and competition for funding; the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information; 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; the ability to obtain the approval of the proposed transaction with The South Financial Group, Inc. by its shareholders; the ability to realize the expected synergies resulting from the transaction in the amounts or in the timeframe anticipated; the ability to integrate The South Financial Group, Inc.'s businesses into those of The Toronto-Dominion Bank in a timely and cost-efficient manner; and the ability to obtain governmental approvals of the transaction or to satisfy other conditions to the transaction on the proposed terms and timeframe.

We caution that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please see the Risk Factors and Management section of the MD&A, starting on page 65 of the Bank's 2009 Annual Report. All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to the Bank and undue reliance should not be placed on the Bank's forward-looking statements. Finally, there can be no assurance that the Bank will realize the anticipated benefits related to the acquisition of the South Financial Group, Inc.

Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the Bank's 2009 Annual Report under the heading "Economic Summary and Outlook", as updated in the First Quarter 2010 Report to Shareholders; and for each of the business segments, under the headings "Business Outlook and Focus for 2010", as updated in the First Quarter 2010 Report to Shareholders under the headings "Business Outlook".

Any forward-looking statements contained in this presentation represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities laws.

TD Bank Financial Group

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ADDITIONAL INFORMATION

The proposed merger transaction involving The Toronto-Dominion Bank and The South Financial Group, Inc. will be submitted to The South Financial Group, Inc.'s shareholders for their consideration. Shareholders are encouraged to read the proxy statement/prospectus regarding the proposed transaction when it becomes available because it will contain important information. Shareholders will be able to obtain a free copy of the proxy statement/prospectus, as well as other filings containing information about The Toronto-Dominion Bank and The South Financial Group, Inc., without charge, at the SEC's internet site (http://www.sec.gov). Copies of the proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the proxy statement/prospectus can also be obtained, when available, without charge, by directing a request to The Toronto-Dominion Bank, 15th floor, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations, 1-866-486-4826, or to The South Financial Group, Inc., Investor Relations, 104 South Main Street Poinsett Plaza, 6th Floor, Greenville, South Carolina 29601, 1-888-592-3001.

The Toronto-Dominion Bank, The South Financial Group, Inc., their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank's directors and executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2009, which was filed with the Securities and Exchange Commission on December 03, 2009, and in its notice of annual meeting and proxy circular for its most recent annual meeting, which was filed with the Securities and Exchange Commission on February 25, 2010. Information regarding The South Financial Group, Inc.'s directors and executive officers is available in The South Financial Group, Inc.'s proxy statement for its most recent annual meeting, which was filed with the Securities and Exchange Commission on April 07, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

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PRESENTATION

Rudy Sankovic ***- Toronto-Dominion Bank - SVP, Investor Relations***

Good afternoon and welcome to the TD Bank Financial Group Second Quarter 2010 Investor Presentation. My name is Rudy Sankovic and I'm the Head of Investor Relations for the Bank. We'll begin today's presentation with strategic remarks from Ed Clark, the Bank's CEO, after which Colleen Johnston, the Bank's CFO, will present our second quarter operating results. Mark Chauvin, our Chief Risk Officer will then offer comments on credit quality. After that, we'll entertain questions from those present in the room and from pre-qualified analysts and investors on the phone.

Also present today to answer your questions are Bob Dorrance, Group Head Wholesale Banking, Bernie Dorval, Group Head of Insurance, Bill Hatanaka, Group Head Wealth Management, Tim Hockey, Group Head Canadian banking and Bharat Masrani, Group Head US P&C Banking. As in the past, we're trying to keep the call to about an hour; and Ed, Colleen, and Mark's remarks will be about half of that time and the reminder will be for Q&A.

Please turn to slide two to go over the legal comments. At this time, I would like to caution our listeners by stating the following on behalf of those speaking today. We know that this presentation contains forward-looking statements and that there are risks that actual results could differ materially from what is discussed. Any forward-looking statements contained in this presentation represent the views of Management only as of the date hereof and are presented for purposes of assisting the Bank shareholders and analysts in understanding the banks financial position, objectives, and priorities, and anticipated financial performance as that and for the periods ended on the dates presented and may not be appropriate for any other purposes.

Certain material factors or assumptions were applied in making these forward-looking statements. For additional information on these material factors and assumptions that could cause actual results to differ please see our Q2 2010 MD&A and 2009 Annual Report, which can be found on our website at TD.com. We also refer you to our press release regarding our agreement to acquire the South Financial Group, Inc as well as TD's and South Financial's filings with the SEC. Also, parts of this presentation relating to the South Financial transaction will be addressed in the prospectus and proxy statement to be filed with the SEC. We urge you to read it when it becomes available as it will contain important information. Information about the particulars in the solicitation is also contained in our annual report and the proxy circular filed with the SEC and in South Financial's proxy statement for its annual meeting filed with the SEC.

With that, I will turn it over to Ed Clark.

Ed Clark ***- Toronto-Dominion Bank - President and CEO***

Thanks, Rudy and thank you all for joining us this afternoon. Colleen is going to be up shortly to discuss our second quarter results in detail, but I'm going to start by sharing my thoughts on our performance this quarter and then give you a sense of where we feel things are headed for the rest of the year.

Well, we had another unbelievably strong quarter, adjusted earnings were up over -- were CAD$1.2 billion, but they were up 21% from last year. Our earnings per share growth was 19% and would have been higher, if not there had been a significant rise in the Canadian dollar. All of our businesses performed exceptionally well with strong double digit growth delivered by every segment. Our earnings were negatively impacted by our corporate segment. You'll recall in the first quarter that our corporate segment results were actually better than our expectations, and for the first half of 2010, our results in this segment are about in line with what we would expect. Colleen is going to go into this in a few minutes in more detail.

Our performance was clearly fueled by record earnings in TD Canada Trust, where they delivered earnings growth of 29%. The strong housing market in Canada continued to sustain our volumes in real estate secured lending and the improving economy benefited our growing business bank. Our Wealth Management business saw earnings rise 42%. The story here is the steady improvement in equity markets which is also helping our asset gathering and sales of long term mutual funds. We're also seeing improved net interest margin. Wholesale earnings are starting to normalize, but still rose 27% from a year ago. All of our wholesale businesses performed well in a relatively stable market, even though earnings are down quarter-over-quarter as we made the predicted return to more normal markets.

Turning to TD Bank, America's Most Convenient Bank. Our performance was very strong and saw adjusted earnings growth of 45% on a US dollar basis. Now, the major story here is that the credit cycle in the United States seems to be improving faster than we expected. PCLs have moved below first quarter levels and impaired loan formations were stable. We remain pleased with the underlying fundamentals of our business. Margins have improved, loan and deposit volumes continue to trend up, and we continue to invest for the future, which included the opening of 11 new stores this quarter.

Our balance sheet remains very strong. The Tier 1 capital ratio hit a high of 12% and risk weighted assets remain stable. This was also a very active quarter for TD on the mergers and acquisition front with two announcements in the last six weeks. First, we acquired Riverside, First Federal, and American First in Florida with the assistance of the Federal Deposit Insurance Corporation. This transaction expanded our existing presence in the rapidly growing and deposit rich Florida market. Since we announced this transaction, we've had further opportunities to tour the locations and we're feeling even better about what we see. We're particularly impressed with the strength of employees that we acquired in these transactions. There is lots of potential in these great stores.

We also said we would look at small unassisted deals where the risks are understandable and manageable. The offer to buy the South Financial Group that we announced after the quarter ended is exactly that kind of transaction. South Financial lets us bolster our presence in the Florida market even more. We also get a strong franchise in the Carolinas. More importantly, we acquire the management talent to drive our growth in the southern United States. This deal is subject to approval by the regulators and the South Financial shareholders and is expected to close in TD's third quarter of 2010 promptly following receipt of those approvals. We believe that this will prove to be an excellent deal for us. It is a high IRR and will be accretive to our US strategy. We've got a great opportunity here to introduce our retail and commercial banking model throughout South Financial's footprint. We've also done extensive due diligence with the company's management team and feel very comfortable with how we mark the book.

So what are we going to have after all these deals close? We'll be a top 10 player in Florida with $7.5 billion in deposits and 169 stores, and South Carolina will be a top five player with 83 stores and $5.5 billion in deposits. We'll have added established commercial banking assets, a solid network of stores and attractive to growing markets, and excellent risk managers who will be part of the growth story going forward.

In terms of our outlook it's clear that we performed extremely well through the recovery in a tough business environment. On the economic front, everybody is trying to figure out where the world is going. On the one hand, the employment picture, GDP growth, the improvement in credit markets are all encouraging signs on both sides of the border. On the other hand, there are significant concerns about several European governments and their banking systems. We're not worried about sovereign risk per se as we have nominal credit exposure to Greece and Portugal and our exposure to other weaker European countries is manageable. More worrying is the potential domino effect that European problems could have on the United States, which could in turn impact Canada's economy. This means that economic growth may slow down and interest rates could stay low for a longer period of time. That could hurt volume growth and deposit spreads. At the moment, I believe that the net balance of more positive US performance and the potential negative of a drag of Europe on Canada and the United States is overall a more positive economic outlook than we had last quarter.

The second big unknown in the world is capital reform. I don't think anyone really knows where the rules are going. Central bankers and policy makers are now more focused on sovereign credit and lost economic growth. On the other hand at least publicly, they want reform to proceed. Our capital levels remain very strong, leaving, us well-positioned to address global capital reform as it emerges.

So with that let me wrap up. I think TD has delivered exceptional results in the first half of the year and I'm quite optimistic about our future. Our Canadian Personal and Commercial businesses continue their outstanding performance and we continue to expect strong, but more moderate growth in the future. Wealth earnings are rebounding in line with the stronger direction of the capital markets, with the big risk being a fall off in equity prices and continued low interest rates. Our wholesale business is stronger than ever with what we believe is the operating model of the future and on path to more normalized, but sustainable earning levels. Our US retail bank continues to move forward with strong organic growth and stabilizing PCLs, while facing the headwinds of US regulatory changes. Clearly, there's lots of moving pieces to the United States today and it's too early to conclude how it will ultimately all play out. The only certainty is Reg E which we are working on carefully. I'm confident that we will continue to perform well for the balance of the year and into 2011.

Now, let me hand it over to Colleen.

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

Thanks, Ed, and good afternoon.

Q2 2010 Highlights. Total Bank adjusted net income of C$1.2 billion, up 21% from Q2 of '09 and down 14% from our record Q1. Adjusted diluted earnings per share for the quarter C$1.36, up 19% from last year and down 15% from last quarter. The key takeaway from this quarter is improving credit performance, with PCL at its lowest level in six quarters across all of our businesses. In addition, our gross impaired formations were also at their lowest levels since Q4 of 2008.

Total adjusted retail earnings: another new record, almost C$1.2 billion up 27% from a year ago and 8% over last quarter, despite a stronger Canadian dollar. All of our retail businesses posted double digit earnings growth versus last year with TD Canada Trust delivering yet another record quarter. Wholesale: a strong quarter with net income of C$220 million up 27% over last year, but down 41% from last quarter’s record. The corporate segment loss increased by C$79 million versus last year. Tier 1 capital ratio 12%, up 50 basis points from last quarter, mainly due to retained earnings growth.

Please turn to slide five. Reported net income of C$1.176 billion or C$1.30 per share. Adjusted net income of C$1. 234 billion or C$1.36 per share -- difference between reported and adjusted results due to four items of note. These are all items you've seen before. It's notable that we had a general allowance release due to improving credit metrics across all of our Canadian businesses. This is the first release since the fourth quarter of 2007 when we released CA$39 million after-tax.

Please turn to slide six. Canadian, Personal and Commercial Bank: Net income of C$761 million, yet another record, up 29% from last year and 6% from last quarter. Customer satisfaction was at the highest level we've ever seen in this business. We continue to see great operating leverage year-over-year. Highlights -- Revenue was up 11% over last year due to strong volume growth across most banking products. Strong real estate secured lending growth continued as a result of the sustained low interest rate environment, although at a slower rate than we noted in previous quarters. Personal lending continued to show steady growth while business loan volumes started to pick up in Q2. Volumes were particularly strong in core and business deposits. Compared to last year, total lending for TDCT grew by

12%, with personal up 13% and business up 5%. TDCT deposits grew 6% with core banking growth of 22% and business deposit growth of 15%.

For the quarter revenues decreased 1% sequentially, largely due to lower net interest income because of lower number of days in the quarter partly offset by volume growth and the home equity line of credit re-pricing. Insurance revenues were up from last quarter as a result of market share growth and strengthening fundamentals which bodes well for the upcoming quarters and next year. Provision for credit losses: C$256 million, down 10% from last year and 19% from last quarter, mainly due to widespread improvements in personal credit quality. Business banking loan losses were CA$26 million this quarter, very low and flat to last year. We think that this late in the cycle, it is unlikely for a new large commercial losses to occur.

Expenses up 4% from last year primarily driven by higher employee compensation, increased investment in strategic enterprise initiatives, technology related items, and non-credit losses. Expenses were down 1% sequentially. Compared to last year, margin was down 2 basis points at 2.92% as higher margins in real estate secured lending were partially offset by margin compression and deposits. Although rising rates will benefit deposit margins, a competitive pricing environment will put both lending and deposit margins under pressure and will lead to more moderate revenue growth. Overall, an exceptional quarter for TD Canada Trust.

Please turn to slide seven. Global Wealth Management, which excludes TD Ameritrade, net income of C$111 million, up 42% from last year and up 10% sequentially. We have seen improving performance in this business for five straight quarters. Higher earnings were driven by higher asset levels, strong trading activity, and margin improvement. Revenue of C$612 million was up 16% from last year and up 4% from last quarter. The year-over-year increase was due to strong growth in the advice-based and mutual fund businesses, higher trading volumes, and improved net interest margin. Expenses were up 9% over last year, mainly due to higher variable compensation, mutual fund trailer fees, and higher infrastructure investment to support business growth, partially offset by lower expenses in the US wealth business. Expenses were up 1% compared to last quarter. TD Ameritrade contributed C$56 million to TD this quarter, up 17% from last year and up 30% from last quarter. The year-over-year increase was primarily due to higher core earnings at TD Ameritrade, partly offset by the impact of a stronger Canadian dollar. On the whole, a very good performance from Wealth.

Please turn to slide eight. The US Personal and Commercial Bank. In US dollars, adjusted net income $241 million for the quarter, up 45% from last year and up 12% sequentially. The FDIC-assisted Florida acquisitions we announced in the middle of April did not have a material impact on earnings and average volumes in Q2 of 2010. The US Personal and Commercial segment had a stronger performance in a challenging environment and in an uncertain regulatory environment. Revenues over $1.1 billion up 11% compared to last year due to the combined deposit fee structure introduced in connection with the Commerce conversion and integration and overall improving product mix. These fees are expected to decline as a result of new regulations to be implemented later this year, but we believe that this impact will be more than offset by declines in PCLs as the credit cycle improves.

Revenues up 5% compared to last quarter, mainly due to higher NII. In terms of volume growth we continue to see good deposit growth. Total deposits were up 6% versus last year and up 4% versus last quarter. Lending volumes were up slightly versus last quarter, but up 4% compared to last year which compares with declining lending volumes for US peer banks. Expenses were up 10% year-over-year due to new stores, continued investment in our core platform post-integration, higher FDIC premiums and increased expenses due to the current credit environment. We opened 11 new stores this quarter and acquired 69 stores with the FDIC-assisted Florida acquisitions announced in April. Compared to last quarter expenses were up 3% mainly due to higher FDIC premiums and advertising related spend. Expenses are expected to remain at elevated levels throughout the year.

Provision for credit losses, down 37% compared to last year and down 15% sequentially. Excluding provisions recorded on debt securities that are classified as loans, PCL for the quarter was $154 million, a decrease of $8 million or 5% versus last year. Mark will talk more about this shortly, but we are seeing signs of stabilization in the credit environment. Margin was up 18 basis points versus last quarter mainly due to improved deposit mix, higher average commercial loan spreads and higher investment yields. On the whole, a very good performance in the US Personal and Commercial bank given market conditions.

Please turn to slide nine, Wholesale. Net income of C$220 million down 41% from a record Q1, but up 27% year-over-year. As expected wholesale earnings started to normalize this quarter, with the exception of equity trading, our trading revenues declined versus last quarter for all businesses. Markets were more liquid and less volatile in the quarter resulting in margins narrowing to more traditional levels. Provision for credit losses down 83% year-over-year. PCL for the second quarter last year included specific provisions of C$47 million. PCL of C$10 million for the current quarter was mainly our cost of credit protection. Expenses compared to last year, expenses up 4% mainly due to investments in risk and control infrastructure. Overall, another strong quarter for wholesale with a return on invested capital up 29%.

Please turn to slide 10. On an adjusted basis the corporate segment posted a loss of C$159 million this quarter compared with an C$80 million loss last year. The higher Q2 loss was attributable to lower securitization gains, unfavorable valuations of securitization exposures, and higher net corporate expenses. As we indicated last quarter, our corporate segment loss of just C$33 million in Q1 benefited from some positive items. On a year-to-date basis the corporate segment loss was C$192 million below last year and in line with our expectations.

This quarter's corporate segment loss is higher than the range I suggested last quarter, so let me review it. The corporate segment consists of unallocated corporate support costs, which are control related, some unallocated tax benefits, and various other costs and benefits related to treasury, liquidity, capital and balance sheet management. We have a well defined-set of principles that guide what gets allocated to the segments and what stays in the corporate segment, and those principles have stayed consistent over the years. A few years ago we talked about a range of loss of minus 20 to minus 40. Since that time we've doubled the size of the Bank, which means that most items have grown accordingly and on top of that the low interest rate environment and various liquidity related items have impacted the corporate segment. The corporate segment loss is difficult to predict. Going forward I'd suggest a range of C$100 million to C$150 million. Corporate expenses will continue to rise and securitization gains are expected to be lower going forward which will contribute to the higher loss levels.

Please turn to slide 11. With the increased focus on capital in light of the proposed Basel rule changes, I'd like to take a minute to talk about the strength of our capital base. We continue to have a very strong capital position. Our Tier 1 capital ratio was 12% as at Q2, compared to 11.5% last quarter. Tier 1 capital grew this quarter due to strong retained earnings growth, greater share issuance through stock option issuance exercises, and capital management activity such as the sale of certain low rated non-agency CMOs in the US. RWA declined due to foreign exchange partly offset by the impact of the Riverside deal and organic growth. As you know, we hedge our capital ratios for foreign exchange movements.

With that I will turn the presentation over to Mark.

Mark Chauvin - *Toronto-Dominion Bank - Chief Risk Officer*

Thank you, Colleen, and good afternoon, everyone.

Please turn to slide 12. I'll begin my comments with an overview of our performance at a consolidated level, followed by brief highlights for each of our credit portfolios. I should first point out that our gross lending portfolio slide is now available on page 24 of the appendix. Similar to prior quarters, let me remind you that the information provided in this section is presented on a credit portfolio basis versus the financial results, which are presented on a business segment basis. The primary difference is the inclusion of US credit cards in the US credit portfolio. As in the past, we've excluded the impact of the debt securities classified as loans, to provide a clear picture of US credit portfolio performance. I'd also note that the C$1.9 billion in FDIC-covered loans are not captured in any of the credit metrics included in this credit review.

Turning to loan portfolio quality. Gross impaired loans were down C$97 million during the portfolio in the second quarter. A stronger Canadian dollar produced a decline in US gross impaired loans. On a US dollar basis, they were flat. New impaired loan formations were down C$210 million relative to the first quarter and at their lowest level since the fourth quarter 2008. This is considered to represent a leading indicator of future credit performance.

Please turn to slide 13. Turning to provision for credit losses, second quarter PCL performance suggests credit losses have peaked. Total PCL was down C$90 million or 18% over Q1 in its lowest level since the end of the fourth quarter 2008. Reductions were noted across most portfolios. Improving credit metrics in the Canadian personal, commercial, and the wholesale bank segments resulted in a general allowance release of C$60 million. We expect a downward trend in PCL to continue.

Please turn to slide 14 for more detailed discussion of portfolio performance. With respect to portfolio performance, I would highlight the following key points. Overall, we are pleased with the performance of our Canadian P&C and Wholesale portfolios. The Personal portfolio is showing continued signs of improvement, while Commercial loans are holding at historically low levels. Our outlook for our US portfolio remains cautious, but optimistic. On balance, results in the US Personal portfolio were positive. Default rates stabilized or improved. Losses were down in the real estate secure portfolio and stable across the balance of the other portfolios.

The US commercial credit portfolio is also showing signs of stabilizing. Both defaults and losses in the Residential Commercial Real Estate portfolio appear to be nearing their peak. Defaults continued to rise in the Non-Residential Commercial Real Estate portfolio, albeit at a slowing pace. Losses showed a nominal upward trend. In the Commercial & Industrial portfolio, defaults remained elevated, but flat relative to Q1 on a US dollar basis. Losses trended up, consistent with the lag effect we expect to see at this stage of the credit cycle. Considering the current environment we are satisfied with our credit performance and expect losses to moderate. Overall, credit performance showed signs of improvement across most portfolios in the second quarter.

Before I conclude I'd like to comment on our exposure to European sovereign debt. We've undertaken a detailed review of our European sovereign positions and we can confirm that TD has nominal credit exposure to Greece and Portugal. Our credit exposure to Ireland, Italy, and Spain is related primarily to the governments and the large global financial institutions, and overall we are comfortable with these exposures and consider them to be manageable.

Now, I'll turn the presentation back to Rudy.

Rudy Sankovic ***- Toronto-Dominion Bank - SVP, Investor Relations***

Great. Thank you very much Mark.

That ends our formal comments and we'll move over to the Q&A right now, so we're asking those that are participating in the Q&A portion of the meeting to ask only one question at a time, please.

QUESTION AND ANSWER

Rudy Sankovic ***- Toronto-Dominion Bank - SVP, Investor Relations***

For those who will be asking a question, can I ask you to identify your name and firm before asking the questions? Before ending the call today, I will ask Ed for some final remarks, so let's get started and we'll start with the folks in the room first. Any questions from our analysts?

Michael Goldberg ***- Desjardins Securities***

Michael Goldberg, Desjardins Securities.

So, you've now got more than C$800 million of loans that were originally classified as securities classified non-performing. Am I correct in interpreting the hair cut you originally took on valuation represents in effect of phantom allowance against these loans and that's why you don't have any allowance actually taken against them?

And just as a follow-up on that, in the recent FDIC-assisted transactions, what equivalent, call it phantom allowance, was set up on the difference between the acquired loans and the fair value of those loans?

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

Why don't I start, Michael.

So on the debt securities, the fact we have impaireds and they've grown, what that suggests is that some of those securities, the losses will exceed our original credit marks when we did the deals, so you're right we essentially had a built-in allowance. Having said that we did set up the general allowance last year, so when we reclassified from debt securities into loans we set up the GA on a retroactive basis; and we definitely have an adequate GA now against the entire portfolio, so you may continue to see those impaireds rise. That's in fact expected, but we are fully covered in terms of the original marks as well as general allowance that we have set up, hence you don't really see any movement in the provision.

Your second question related to the Riverside deal. The additional credit marks were about C$300 million.

Michael Goldberg ***- Desjardins Securities***

Thank you.

Rudy Sankovic **-** ***Toronto-Dominion Bank - SVP, Investor Relations***

Next question, please?

John Reucassel ***- BMO Capital Markets - Analyst***

John Reucassel from BMO Capital Markets.

I guess since I'm limited one question, Bharat, I'll ask you, and Ed. The earnings number out of US Bank looked quite high, so can you talk about the sustainability of the earnings number, the impact of Reg E on your non-interest income. I assume that has to come down but I don't know if that's true.

Then Ed if you could make comments about -- we now have Financial Services reform in the United States. Despite your best efforts to build a good bank down there, they seem to be throwing up more roadblocks. Does this delay your ability to generate the required returns, push back those ultimate returns over time?

Ed Clark - *Toronto-Dominion Bank - President and CEO*

Isn't that two questions, John?

John Reucassel - *BMO Capital Markets - Analyst*

One question in two parts.

Bharat Masrani - *Toronto-Dominion Bank - Group Head, U.S. Personal and Commercial Banking*

I'll go first. Yes, John. A reasonable quarter, largely driven by, as Colleen mentioned, good deposit spreads, we are seeing good spreads on the lending book as well and fee income, as well, has been strong, which has been also helped by stabilizing credit costs.

As to how I feel going forward, you specifically asked about Reg E. For people who are not fully aware of Reg E, this is the overdraft regulation that has now been introduced in the US whereby clients would have to specifically opt in in order to qualify for that product and the effect of this should start more or less in our fourth quarter. The exact impact of that I wish it was a science because it will take analysis on how many people are opt in. We are of the view that there is a segment of our customers that want this product and over time they will opt into that product.

In addition to that some of our fee income growth has been bringing the two banks together, and we rationalize those fees that has also resulted in growth. And lastly as to what the impact would be because of the Reg E changes, my expectation is that any impact we have will be more than offset by PCL improvement in 2011, so it will be your view on the general economy and the continuing progress that we have, but as far as Reg E is concerned I see it fully offset by improving PCL performance.

John Reucassel - *BMO Capital Markets - Analyst*

So last quarter was roughly C$200 million in earnings, you thought you could get quarterly out of TD USA. Is that still the number?

Bharat Masrani - *Toronto-Dominion Bank - Group Head, U.S. Personal and Commercial Banking*

I think what you saw in this quarter is probably not a bad proxy to look at.

Ed Clark - *Toronto-Dominion Bank - President and CEO*

In terms of Part 2, I think you have to say on balance, obviously the changes are probably going to be negative, not positive. I think you've got a couple of uncertainties here, one is in fact what the actual rules will be, so I think there's still two or three weeks to go here and US process is such that some of these rough edges get rounded off at the last moment, so I think you really kind of have to wait the month out.

Then secondly, I think the harder issue is "how does the market move to reprice things in lieu of the changes?" and so the Reg E is a perfect example. I think it's clearly forcing the transition in the way banking is charged and I would say in some sense, it will become more Canadian-like in its style of charging than historically is the case. I'm not sure that's necessarily a bad thing in the end. It's just how bumpy and painful the journey is as you go from one kind of regime to the other.

So I think when we look at it, America's Most Convenient Bank is earning us an operating return of about 18%. I think, historically, when we first went in the US, we saw 30% type returns is quite possible and in fact realized. I would say now we're probably shading that number down closer to 25% as PCLs come off, interest rates move up, we optimize the franchise, and we absorb some of these regulatory changes, but that's just to try to give you if you want to say as a guesstimate, do we think we've lost a few ROE points here? I think yes, but I think it still means we can have a good recovery in terms of the operating performance.

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

Maybe just to conclude we have now officially announced we're doing an Investor Day on June 16th in New York City, and Bharat and I are very committed to showing you a bit of a road map in terms of where we are today, what the picture can look like three to five years out in terms of returns and profitability, and look at all of the proof points around whether it's franchise optimization, the normalized environment, acquisitions, organic growth and lay some of that out, so we hope you can join us for that.

Ed Clark - *Toronto-Dominion Bank - President and CEO*

Yes, maybe you can actually -- they will show you how to get to 25% ROE.

Rudy Sankovic - Toronto-Dominion Bank - SVP, Investor Relations

Another question in the room?

Ohad Lederer - *Veritas Investment Research - Analyst*

Ohad Lederer, Veritas Investment Research.

Looking at the domestic Bank, TD Canada Trust, the HELOC product has obviously been a huge winner, C$9 billion of average balance growth in the last four quarters, C$18 billion in the last eight quarters' growth. Just wondering, Tim, as you talk to your front line staff, do you get a sense of feeling for what people are doing? Are they debt consolidating? Are they funding consumer spending? And are there any concerns at your end that the growth is a little faster than you'd like?

Tim Hockey - *Toronto-Dominion Bank - Group Head Canadian Banking*

If you break it down between the two parts of the lending growth on the personal and consumer side, if you talk about Real Estate Secured Lending, a lot of it is very much driven by the continued strong pace of the housing market. We see that moderating so it's less about using HELOC because many of our customers use our home equity line of credit as a mortgage substitute, a very good mortgage substitute and more flexible.

Generally our consumer lending has continued to increase, as we all know, we think the economy is getting stronger in Canada, so we're quite comfortable with that so I would say overall we're still quite comfortable with the exposure we have to the Canadian consumer; and that we're quite comfortable with how we adjudicating the credit we're granting.

Ohad Lederer - *Veritas Investment Research - Analyst*

Do you think there was any pulling of drawdowns to get in advance of the April --?

Tim Hockey - *Toronto-Dominion Bank - Group Head Canadian Banking*

We think the housing market in the second half of the year will be slower than the first half, and I think TD Economics just announced their belief there will be a little but of a pull back in housing prices in Canada. I concur; we're already seeing that slowdown in growth.

Rudy Sankovic - *Toronto-Dominion Bank - SVP, Investor Relations*

Any other questions in the room before we go to the phones?

Operator, can we take calls from the phones please?

Operator

Your next question comes from Brad Smith of Stone Cap Securities. Please go ahead.

Brad Smith - *Stone Cap Securities - Analyst*

Thanks very much.

I had a couple of questions about the debt securities that are classified as loans. First of all that balance is moving quite a bit. I think it's down C$1.3 billion, sequentially. I was just wondering if that is reflective of dispositions that you're doing.

Secondly I'm just curious at the rate at which the impairments are forming there, what is it about those securities that are so different than your other credit profile, which is stabilizing, and this is getting worse?

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

Sorry, on the debt securities, so we did sell about C$750 million in the non-agency CMOs this quarter, so those were some low-rated securities where it definitely made economic sense for us to free up some capital. That actually freed up about 18 basis points of capital, so Brad that would be part of the decline in the debt securities on a quarter-over-quarter basis.

Just in terms of the quality, again these are, the credit issues were all I think very much foreseeable in the original portfolio; I'll turn that over to Mark.

Mark Chauvin - *Toronto-Dominion Bank - Chief Risk Officer*

Brad, I would say that our original view of the credit, we haven't seen anything that would change that view, that it was incorrect. We anticipated a certain migration down in that portfolio as we went through to this period and really the ones that have become impaired during the past quarter were all ones that we expected to become impaired and in our view, we designated them and we provisioned for them in the general allowance.

Brad Smith ***- Stone Cap Securities - Analyst***

And I think Colleen you mentioned we should expect those impairments to continue to rise. I think they are sitting at 13.5% roughly of the face value of the ending balance. Where do you see it going to?

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

I probably can't give you a specific prediction on that, Brad, but I think you will see an upward trend.

Brad Smith ***- Stone Cap Securities - Analyst***

Okay, and then I had a quick question for Ed about the operating return that you were just referring to. I think it was 18% currently. Can you just run through how you calculated that number, so I can understand it?

Ed Clark ***- Toronto-Dominion Bank - President and CEO***

Yes, basically, we look at operating capital and then we look at return on invested capital and the difference between the two is the goodwill and intangibles associated with the purchase.

Brad Smith ***- Stone Cap Securities - Analyst***

Oh, okay so your 18% is your return, excluding your goodwill?

Ed Clark ***- Toronto-Dominion Bank - President and CEO***

Right, exactly. When you look at a business, I always say to Bharat you can blame me for the price you pay and I blame Bharat for the operating results, so when you run the business you want to make sure that are you actually making money on an operating basis so that's how he's held accountable.

Brad Smith ***- Stone Cap Securities - Analyst***

Great, but Ed if you’re not making a return on your goodwill do you think it's appropriate to carry it on your balance sheet and have it reflected in your equity?

Ed Clark ***- Toronto-Dominion Bank - President and CEO***

Absolutely, because it depends what you view the outcome is, so I have absolutely no question we'll have a visit here in five years and you can look back and say yes, you were right. So absolutely, no question in my mind we have a winner in the United States.

Brad Smith ***- Stone Cap Securities - Analyst***

And when do you review your goodwill? Is it in the third or fourth quarter?

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

Yes, we review it mid-year and we do that on an annual basis, so if there's any reason from a market or economic standpoint to review it more frequently. In the last couple of years we would have looked at that on a more frequent basis and we've got lots of head room in terms of valuation.

Brad Smith ***- Stone Cap Securities - Analyst***

Thank you. I'm sorry for asking more than one question.

Rudy Sankovic - *Toronto-Dominion Bank - SVP, Investor Relations*

Not a problem. Thank you. Next question please.

Operator

Your next question comes from Robert Sedran of CIBC World Markets.

Robert Sedran ***- CIBC World Markets - Analyst***

Hi, good afternoon. I'm not sure if this one's for Mark or Bharat. In the past couple quarters, you've suggested that US credit quality is slightly flat to down, not a huge amount of torque in 2010 at the very least and it doesn't seem like the environment is that much better at least not at the national level, so can you tell us what's changed? Is it just that you were excessively conservative in your provisioning previously or is the northeast actually recovering faster than the rest?

Bharat Masrani ***- Toronto-Dominion Bank - Group Head, U.S. Personal and Commercial Banking***

Robert this is Bharat.

What we are seeing is higher level of activity, so there is more confidence, there seems to be more activity in some of the areas we were not seeing before. So when a loan goes into workout there is higher likelihood and it seems to get sorted out quicker than it used to. So I would say in the northeast, obviously, it did not suffer as much as the rest of the country. It appears to be stabilizing as well.

So it's a combination of factors and we go through an analysis every quarter, look at our portfolio, the formations that Mark went through, and we've not changed the way we look at this. The market appears to be stabilizing.

Rudy Sankovic - *Toronto-Dominion Bank - SVP, Investor Relations*

Next question, please?

Operator

Your next question comes from Andre-Phillippe Hardy of RBC Capital Markets. Please go ahead.

Andre-Phillippe Hardy *- RBC Capital Markets - Analyst*

Thank you, my question is for Bob Dorrance.

Looking at page 9 of the supp pack and your revenues being, call it C$175 million lower than the average over the last two quarters, yet your expenses are as high as they've been. In a business with so much variable comp, how does that happen?

Bob Dorrance *- Toronto-Dominion Bank - Group Head Wholesale Banking*

Well it happens in two ways, Andre. One, I think if you take the variable component of expenses, we accrue that on the basis of both our quarterly results as well as our target results, and reflects the underlying performance of the business. There can be variability between quarters. If you look at the last quarter and indeed last year, the revenues were significantly above average and we would have seen those revenues as being non-sustainable and would not have accrued variable comp to fully pay out on those revenues.

As revenues return to what we would think would be more normalized, variable comp will return to a more normalized level. So I guess in HR terms it's called the S-curve and clearly, in 2009, with revenues significantly above what we consider to be normal, we didn't pay out. As you get into 2010 and have more regular normalized revenues, the variable comp doesn't come down as much, so that would be one part of it.

The other part is on the expense line, as Colleen mentioned, we continue to invest in the infrastructure side of the business reflecting both increased governance and control initiatives, as well as building businesses for the future.

Andre-Phillippe Hardy *- RBC Capital Markets - Analyst*

Is there a way you could help us understand what kind of long term efficiency ratio you're targeting? Or you just don't look at it that way, as a return on investment capital?

Bob Dorrance *- Toronto-Dominion Bank - Group Head Wholesale Banking*

Yes, I think the problem with the efficiency revenue in the business is the mix in the business swings fairly substantially and with that swing in mix comes changes in efficiency. You can see that as you compare the various banks as to how you see the mixes between the various banks and then within our bank we have quite a mix of different businesses with various pay out ratios, so it's hard to say. At the end of the day you look more at ROIC than a targeted efficiency ratio.

Rudy Sankovic *- Toronto-Dominion Bank - SVP, Investor Relations*

Next question please?

Operator

Your next question comes from Cheryl Pate of Morgan Stanley. Please go ahead.

Cheryl Pate - ***Morgan Stanley - Analyst***

Hi, good afternoon. My question is for Bharat. Obviously, we saw good improvement in the net interest margin this quarter from a multitude of factors, including better spreads on the commercial lending. Can you just talk a little bit about the competitive environment in commercial lending and the sustainability of loan yields at these levels? Clearly, there's some good tailwinds with rates expected to rise and non-performing loans coming down, but just wondering about the yield on the loans.

Bharat Masrani ***- Toronto-Dominion Bank - Group Head, U.S. Personal and Commercial Banking***

Cheryl, I'd say it's a tale of two stories there. The spreads on loans are healthier. We continue to see that, but loan growth is not as strong as we would like. I think if you look at the overall industry numbers, commercial and industrial loans are down on a national basis by quite a large percentage.

In our case, we've been able to grow our loans. We are taking share, but when the whole market goes down, obviously, that has an impact on us. So I feel that loan spreads will, in our case, will continue at the levels we are seeing, but it's loan growth that may be an issue going forward. Now, so the flip side is, if some of the confidence that is emerging in the US, some of the stabilization that we are seeing, if that continues then, obviously, that will start to have an impact on our customers who would want to grow again.

I think over the short-term, I see pressure on volumes, but I see continued strength in spreads, but over the next few quarters, hopefully the economy continues to improve and that should have more loan demand in the market.

Rudy Sankovic - ***Toronto-Dominion Bank - SVP, Investor Relations***

Next question please?

Operator

Your next question comes from Darko Mihelic of Cormark Securities. Please go ahead.

Darko Mihelic - ***Cormark Securities - Analyst***

Hi, good afternoon.

I think I'll be the Analyst that beats a dead horse and talk about debt securities again classified as loans. As far as I can tell, it looks like you released about C$60 million of that general and then you took the provisioning against it, which leaves you with about C$195 million of general allowance against that portfolio, so the question for Mark is twofold. One, is the 2% provision enough? You're obviously signaling it is enough, but what is the maturity profile of this loan portfolio? How far out can we look at this thing and think to ourselves that we've got a general of C$195 million against something that seems to be going impaired at a relatively rapid pace? Can you just speak to, if I've got my numbers correct and the mechanics correct?

Secondly, why should I view C$195 million provision against an C$8.8 billion book as sufficient, given that 9% of that book is already impaired?

Mark Chauvin - ***Toronto-Dominion Bank - Chief Risk Officer***

Yes, so first on the provisioning side, we re-run the provisioning methodology on a quarterly basis, and so all I can say is that based on the most current view and the modeling that we use, which is proven in our view to be correct, that the remaining provision of C$195, which is the correct number, is appropriate at this time.

In terms of the maturity profile I don't have that off the top of my head. I would guess it would be in the -- I wouldn't even venture a guess. I'd want to give you the exact number on it, so we can certainly look at that. The number really isn't C$8 billion. I think the troubled portfolios were in the C$6 billion range.

Ed Clark - ***Toronto-Dominion Bank - President and CEO***

Maybe when we have our deep dive, it's Ed here, because I think you have to start with you have a mortgage and what we have is a security so there's an equity layer against that mortgage. You really have to get a feel for these numbers you have to start with a gross mortgage number and then you have an equity tranche and then we mark these to market where we bought them, so you have our markdown and then you added a GA on top of that so you really have to to understand what's going on. It's got to go all the way back up again and we can do that with Investor Days. Take you through the arithmetic of this portfolio.

Mark Chauvin - ***Toronto-Dominion Bank - Chief Risk Officer***

Absolutely, as Michael mentioned. The discount we're carrying at is part of our protection.

Darko Mihelic - ***Cormark Securities - Analyst***

And I guess that would be helpful because it's not just the level of cushion you have but the fact that what's triggering all of the sudden high rate of improvement would also be interesting.

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

I think another interesting data point, Darko, is if you go to our shareholders report on page 25 we continue to include the table on the fair value versus amortized cost on the debt security; and, in fact, the valuation, the data points that we have on valuation, have improved now that we would consider these to be traded in an active market. For the first time in a long time actually the fair value of the portfolio exceeds the amortized costs net of the GA by roughly about C$150 million, so that would also suggest, you know that's also very positive data point.

Now that information is less relevant now because obviously this is being treated like a loan and it's being held at cost, but I think it's still relevant which is why we continue to include it in the shareholders report.

Darko Mihelic - ***Cormark Securities - Analyst***

Okay, thank you.

Rudy Sankovic - *Toronto-Dominion Bank - SVP, Investor Relations*

Next question please?

Operator

Your next question comes from Sumit Malhotra of Macquarie Capital. Please go ahead.

Sumit Malhotra - *Macquarie Capital - Analyst*

Good afternoon. Two hopefully quick numbers questions for Colleen.

First off, on risk weighted assets, could you please tell me the RWA associated with the Florida acquisitions was?

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

That was about C$1 billion.

Sumit Malhotra - *Macquarie Capital - Analyst*

OK. And in the corporate segment, you gave us a little bit of color on what to expect there in upcoming quarters. Specifically, for net interest income, the uptick that was referenced in US P&C banking and net interest income was basically offset in Corporate.

Just on a quarter-over-quarter basis what would drive something like a C$40 million increase in the negative carry you have here? Is it an uptick in funding costs? Are you carrying more liquidity now with the sudden uptick in market volatility? What would drive something like that in Q2?

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

There's a variety of items, Sumit. It's probably difficult to get into all of them and all of the related methodologies. If you're talking on a quarter-over-quarter basis we did have some positive items in the first quarter so those numbers will move around.

Sumit Malhotra - *Macquarie Capital - Analyst*

So when you talk about - certainly I appreciate that you said you've doubled the size of the Bank in the last few years the losses are going to be bigger here, but is this something where specifically for NII those items I mentioned whether it's recent uptick in funding costs or liquidity, are those factors that go into it or is it just more Corporate has to partially fund the rest of the segments and it's going to be more expensive in the near term?

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

Not true to the latter point in terms of funding the segments. The low interest rate environment does have some effects on the corporate segment. An example would be earnings on excess capital which are very minor at this point in time would be a good example of the low rate environment and again, there are various liquidity related items that have a bit of a long tail and that will to you in the corporate segment for a couple of years.

Rudy Sankovic - *Toronto-Dominion Bank - SVP, Investor Relations*

Next question please?

Operator

Your next question comes from Mario Mendonca of Canaccord. Please go ahead.

Mario Mendonca - *Canaccord Genuity - Analyst*

First I want to close a loop on the question Sumit just asked and then ask a question about capital. Colleen, was your answer to the question that it was not the latter, were you specifically saying the increase in the losses in Corporate to C$150, or C$100 to C$150, does not reflect any allocation of segment expenses into corporate or maybe a lower allocation, actually that's the nature of the question.

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

What I was trying to say in that answer is I would not want to infer that in any way there's been any tradeoff between what's in corporate segment and what's in the operating segments is that those methodologies have remained very constant over the years as I mentioned in my formal remarks, so there isn't anything specific that's moved between. It's just there is variability in the corporate segment and there are some valuation and accounting items that land there as well and that can create some variability.

Mario Mendonca - *Canaccord Genuity - Analyst*

Including the US business, nothing there?

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

No. Nothing.

Mario Mendonca - *Canaccord Genuity - Analyst*

Then the question on capital. While I can appreciate that the Bank's capital ratio is strong and particularly strong relative to international peers, relative to your Canadian peers, it is looking light. Does that enter your thinking at all when you are thinking about -- this is a question for Ed. Does that enter your thinking at all for the bank?

Ed Clark - *Toronto-Dominion Bank - President and CEO*

Frankly, no. I think the mistake a lot of business leaders do is spend too much time watching what their competitors do and think; we've always had a view of we know exactly what our strategy is and so it is somehow reached the absurdity that 12% Tier 1 now is regarded as inadequate. So we're comfortable that we're a extremely well capitalized Bank. My hat is off to other colleagues in Canada that are getting wonderful capital ratios and God speed to them.

Mario Mendonca ***- Canaccord Genuity - Analyst***

Do you view your capital ratio as 12% or do you see it more as 11% or 11.5% pro forma?

Ed Clark ***- Toronto-Dominion Bank - President and CEO***

Well, it's 12% now. I think it will come down; obviously, we've indicated it will come down, so I'm not sure if it will come down as you go through the quarter and we earn money and do other things, it will come down all the way to 11.5% but it's somewhere between 11.5% and 12% is what I think you could think of.

Rudy Sankovic - ***Toronto-Dominion Bank - SVP, Investor Relations***

Next question please?

Operator

Your next question comes from Peter Routledge of National Bank Financial. Please go ahead.

Peter Routledge ***- National Bank Financial - Analyst***

Hi, greetings. My question is for Ed.

In the last cycle, TD took or was generating capital internally at a pretty good clip and takes that excess capital and builds the thousand-branch network in the US, which is pretty substantial in and of itself. Looking forward, as the recovery takes route, TD is likely going to be in a similar situation where you're generating a lot of internal capital at pretty high capital ratios going into the cycle. So Ed, will TD return a materially higher proportion of this surplus to shareholders in the form of buybacks or dividend raises this cycle than in the last cycle, and by implication I'm asking if TD will moderate its acquisition activity in favor of distributing more earnings to shareholders?

Ed Clark ***- Toronto-Dominion Bank - President and CEO***

That's a good question. I don't think there's a snappy answer to that. I think we certainly don't feel under pressure to do acquisitions, if that's maybe one way of answering this.

I think we were always convinced when we went in the United States that there was a window of opportunity here and that if you didn't take that window of opportunity you would find yourself having actually implicitly made a decision not to go in the United States or to go in an extremely large size. As you recall, we went in; we only bought 51% of BankNorth, and then we privatized BankNorth and a couple of small acquisitions and then we did Commerce, and now we've done this assisted deal, and then we are hoping to do a South Financial deal.

We tend to be cautious here on making sure that we can digest and manage that which we do, but cumulatively we think we've got ourselves in a position where we're not strategically challenged in the US, which is where we set out to get. Now the question is can we make money, good money, for the shareholders making acquisitions and if the answer was "yes", then we would probably do it, but we don't yearn to do acquisitions. I think the thing that's different about our model is we have a remarkable organic growth model, so I think it's certainly possible that we will return more capital.

Obviously, hanging over all of that is where the capital rules will be, and as I said in my comments, and I'm not being trivial, I think no one really knows where those will be and I think no one really knows when we'll know what those will be. I'd like -- I don't like the uncertainty, myself, and I can appreciate that the market doesn't like it but I think we just have to relax here and know that it's going to take a number of months at the minimum to work itself out before we'll know the answer to that question.

Operator

There are no further questions at this time. Please continue.

Rudy Sankovic - *Toronto-Dominion Bank - SVP, Investor Relations*

Well, thanks everyone for your questions, so I'll turn it back to Ed for final comments.

Ed Clark *- Toronto-Dominion Bank - President and CEO*

Yes, well, obviously I think the core story of this is that clearly our PCL rates in Canada have started to come down. With our growth that means at a minimum I think you'll see stabilizing PCLs and a pretty good credit environment.

I think clearly we have been surprised by the speed of the improvement in the United States. I think that has turned in to be better than we originally anticipated. I think we are very, very pleased at how our Personal & Commercial banks on both sides of the border are performing extremely well. They are solid engines of growth.

What -- we've obviously had a decline quarter-over-quarter in the Wholesale business, but we've been saying for some time that that was coming and it now seems to have finally come. And I think we're probably at the upper end of those earnings, the range that we see. We still see this as a good solid 20% ROE business and we're very pleased in the sense that we have a franchise business there and it is already moved to where we think other banks are going.

So all in all when we look forward, I think, as I said, net balance, we're more optimistic about the economy on both sides of the border. We recognize the fragility of the economy. I was saying to someone the other day, I think when everyone says this recovery will be fragile, when we see things in Europe we say, "Ah, so this is what fragility actually means – a fragile recovery means." And that's what we're going through, but I don't think we should over react to that. I think we turned a corner here and I think TD will emerge with obviously tremendous momentum on our side.

Thank you for your time.

Rudy Sankovic *- Toronto-Dominion Bank - SVP, Investor Relations*

Great. Thanks, Ed. And that concludes our meeting for today. If you do have any further questions, our IR team would be happy to answer them. Thank you very much for your time today and good afternoon.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation. You may now disconnect your lines.