TD BANK GROUP
Q4 2010 EARNINGS CONFERENCE CALL
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PRESENTATION

Mushtak Najarali *- Toronto Dominion Bank - VP, IR*

Good afternoon and welcome to the TD Bank Group 2010 fourth-quarter investor presentation. My name is Mushtak Najarali. I'm the Vice President of Investor Relations at the bank. We will begin today's presentation with strategic remarks by Ed Clark, the Bank's CEO. followed by Colleen Johnston, the Bank's CFO, who will provide an overview of operating results. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality. Following that, we will entertain questions from those in the room today and also from prequalified analysts and investors over the phone. Also present today to answer your questions are Bob Dorrance, Group Head Wholesale Banking; Tim Hockey, Group Head Canadian Banking and Insurance; Bharat Masrani, Group Head US P&C Banking; and Mike Pedersen, Group Head Global Wealth Management, Direct Channels and Corporate Shared Services.

Please turn to slide two. At this time I would like to caution our listeners that this presentation contains forward-looking statements, and there are risks that actual results could differ materially from what is discussed. Any forward-looking statements contained in the presentation represent the views of management 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, and may not be appropriate for other purposes. Certain material factors or assumptions were applied in making these forward-looking statements. For additional information on these factors and assumptions, please see our 2010 MD&A on TD.com.

With that, let me turn the presentation over to Ed.

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Thank you, Mushtak, and thanks everyone for joining us today. Colleen is going to be up shortly to discuss our fourth-quarter results in greater detail. What I like to do is start by sharing my thoughts on the quarter and the year and then provide some thoughts on how we think 2011 is shaping up.

This quarter marked a good finish to what was obviously a great year for TD with our outstanding retail franchises leading the way. Total adjusted retail earnings were CAD1.2 billion, up 22% over last year. Both our Canadian and US Personal and Commercial businesses delivered double-digit growth versus last year, and our wholesale bank delivered another strong quarter. Overall this was a strong performance compared to last year, despite the ongoing economic uncertainty.

That said, there were a few items this quarter that investors and analysts could not have foreseen. Expenses in both our Canadian P&C and corporate segments were higher this quarter, and Colleen will provide some context on this later. On a fundamental basis, our underlying results were in line with our expectations and were not dissimilar to last quarter.

I also want to briefly comment on a business decision we made this quarter. We reached an agreement with the Canada Revenue Agency that provides resolution to a number of previously discontinued wholesale banking strategies that had been reassessed by the CRA. This agreement resulted in CAD$121 million income tax expense for the quarter. I'm pleased with this outcome. It is consistent with our approach of focusing on our core franchise business.

So now let me look back on 2010 in a bit more detail. It was clearly a year of significant growth for us despite the weak economy, low interest rates and an increasingly complex regulatory environment. Total adjusted earnings crossed the CAD$5 billion mark for the first time. Our retail operations had record adjusted earnings of CAD$4.8 billion, solidifying our position as a top-tier North American retail bank. Adjusted earnings-per-share rose 8% and are back to the record levels that we saw in 2007. That

achievement is even more impressive when you consider that our share count is significantly higher, driven by shares that were issued during the economic downturn and through acquisitions.

All of our franchises made strong contributions this year. TD Canada Trust had an outstanding year filled with records and industry recognition. TD Canada Trust is recognized as the leader in delivering customer service and convenience. With the introduction of seven-day banking at over 25% of our network, we continued to show our commitment to our customers and to our business model. At the same time, TD Canada Trust is a spectacular business success. In the last 10 years, it has proved to be a premier retail franchise with a tremendous growth story, and in 2010 it again produced record earnings.

Our Global Wealth Management segment had strong momentum all year long supported by improving equity markets. Earnings are now almost back to the 2008 levels. We continue to do a great job of gathering assets as we finished the year in the number two spot in long-term mutual fund sales in the industry.

We also continue to extend our leadership in the online area. We recently introduced a global trading platform which allows our clients to trade on multiple exchanges into multiple currencies. TD Bank, America's Most Convenient Bank, surpassed the US$1 billion in adjusted earnings, a great milestone for our US team. We delivered strong organic growth with the opening of 32 new stores. We grew deposits and continued to support our customers through lending. And, as a result, we have taken market share.

We have also grown our footprint by 23% with some key acquisitions. We like what we have seen so far from these recent additions to our franchise. We have the scale we need to compete. We will continue to grow our earnings while we navigate through the economic and regulatory headwinds that exist in the United States.

After a record year in 2009, the wholesale team delivered another impressive year ahead, frankly, of our expectations with almost CAD$1 billion in adjusted earnings. This is a great testament to our client-focused strategy. This strong performance was achieved despite the tougher operating environment.

The year reflects our philosophy, which remains the same -- invest in the businesses, run simple and transparent strategies, and focus on growth without going out the risk curve. Our success was recently recognized by Euromoney when the magazine named TD the best bank in North America for the second consecutive year.

Recently two great TD leaders have moved into advisory roles where we can continue to tap into their knowledge and wisdom. I want to thank Bernie Dorval who headed TD Insurance, and Bill Hatanaka, who headed Global Wealth Management, for their great contributions. I look forward to getting advice from them in the future.

As in the past, this great year was underpinned by TD's more than 81,000 employees who worked tirelessly to make it all happen. In a year filled with challenges and uncertainty, our team came through for our customers and our shareholders. I am very proud of everyone's contribution bank-wide and want to thank all of them on behalf of the board and the senior executive team.

Our focus on customers and clients really proves you can grow your franchise, take market share and deliver a premium growth platform despite a tough macroeconomic environment. When we look at 2011 we think it is pretty clear that the challenges and uncertainties will be continuing themes. The global economy is on the mend, thanks in large part to the swift and coordinated actions of governments and central banks around the world. But there are still major structural issues that remain unresolved, and the recovery has been sluggish. Challenges such as the US housing crisis and global trade in balances are undermining investors and consumer confidence about the future.

They are also acting as a drag on recovery. Everyone's eyes are drawn to the macroeconomic environment, which continues to be weak and uncertain. Compared to our quarter ago, our outlook for the

global economy has become more negative, largely because of the debt crisis affecting much of Europe. We have said before we are not worried about direct sovereign risk to TD. But what makes us cautious is the potential impact of this crisis on the global economic recovery. However, on the ground at the operational level, our businesses and our clients are telling us conditions are actually improving. Still most expect interest rates to remain low. At the same time, we don't expect declining PCLs to provide the same degree of tailwind that we saw in 2010.

We are also facing a cooler housing market in Canada and the impact of new regulations in the United States, which have already impacted our fee-based revenue. But despite all this doom and gloom, I have to tell you that our outlook for 2011 has not become more negative. As I said, our on the ground view if anything is actually more positive. I'm confident that we have the team, the experience and the strategy in place to manage through these challenges and continue to outperform.

Let me say a few words about the proposed capital and liquidity rules as I know they are on your mind. Let me start with liquidity. As you know, we have always been very prudent in managing our liquidity. We can easily meet the proposed rules immediately.

As for capital, there are many moving parts, and so we cannot actually give you precise estimates until we get clarity on certain items. But I can tell you a few things.

We have a strong capital position at 12.2% today and a proven ability to generate capital from our operating businesses. We will increase dividends in line with earnings growth over time, and I will come back to that issue.

The new market risk rules come into effect at the end of December 2011. Our market risk is expected to be 3 to 4 times the current level of CAD$4.5 billion. Our move to Basel II in the United States is a positive factor for us, while the move to IFRS will have a negative impact. Both numbers unfortunately are still preliminary, and we cannot be more precise.

Our risk weighted assets will increase due largely to the counterparty credit risk RWA that is related to derivative counterparties. Again, there are still some relevant details to be finalized before we can confidently comment on the impact.

What we do know is that deductions for substantial investments will impact TD due to the size of our TD Ameritrade investment. We will get some basket relief for the deductions, which grow as the tangible common equity grows. We presently disclose all the items that you need to reasonably calculate the impact on this front.

What's important to keep in mind here is that, even if we use conservative estimates for all the moving parts, we feel very confident that we will not need to issue capital in order to meet the proposed rules. The real question is how much excess capital we will have. We need more clarity on the final rules and guidelines before we can be definitive about the exact amount.

But I know there is another issue that investors and analysts would like for us to address. Can we meet the proposed rules in 2013 without the benefit of the phase-in deductions? The fact that we can meet that test -- and we can -- does not mean we should tell you that we will. We don't think the industry should be working towards a higher level of capital standard than agreed to in the proposed rules. Canadian banks are already well capitalized, have strong organic growth engines, and have already displayed the ability to manage through a major economic crisis. Ultimately it is not in the best interest of investors for us to hold all of this excess capital and not benefit from the globally approved phase-in of deductions. Clearly holding all of that capital upfront would have a negative impact on shareholder returns.

It would also not be helpful from a public policy perspective if the industry led an arms race to self-imposed guidelines more severe than the current proposed rules. There is a real risk that by pushing on this target the industry will force regulators to adopt this as a new target. While it may feel good to state

the obvious, that clearly Canadian banks could go faster towards these rules than European banks, is it really helpful today to solving the issues that exist in Europe to unilaterally have Canada declare a higher test than the carefully negotiated balanced solution that we now have.

In addition, from a North American perspective, it is hard for me to see the advantage of over-capitalizing our banking system. This will come at the cost of reducing our ability to support loan growth or alternatively buying franchises like South Financial Riverside where we have been able to unlock the lending arms of these institutions to better support their customers and clients.

Finally, as I said, I want to reiterate that our dividend policy is linked to the board's outlook on long-term sustainable earnings rather than on capital levels. As we have said before, we hope to be in a better position to give you some guidance during our first-quarter 2011 earnings call.

2011 will definitely be a challenging and uncertain year, but in a sense we have all become used to that. We have continued to deliver sustainable long-term growth and have consistently proved that our strategy of focusing on high quality, reliable, lower risk retail earnings is the right one. And we remain committed to delivering 7% to 10% adjusted EPS growth -- delivering our 7% to 10% adjusted EPS growth target over the medium term as we have done in the past. As to 2011, we expect that we can at least meet this goal.

With that, let me wrap up. We had a good quarter, which capped off a great year. Our Canadian P&C business performed extremely well, even as we seen a moderation of volume growth. Our US P&C business delivered strong results despite macroeconomic and regulatory challenges. I'm confident we have built a competitive US growth platform that is focused on long-term profitability. Wholesale delivered strong results that, frankly, surpassed our expectations, and wealth management is continuing to build on its momentum. I am truly proud of TD and its many successes in 2010, and we are looking forward to good results in 2011.

So now let me turn this over to Colleen.

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

Thanks, Ed, and good afternoon. Let's start with the full-year review.

Please turn to slide three. 2010 total bank adjusted net income was CAD$5.2 billion, up 11% from last year, and adjusted EPS was CAD$5.77, up 8% year over year. Our 2010 results are a testament to the franchise earnings power of our retail businesses in both Canada and the United States. In total, our retail businesses delivered total adjusted earnings of CAD$4.8 billion, up 20% over 2009 and a new record. Retail earnings were 83% of total bank earnings.

TD Canada Trust had a record year right across the board, delivering CAD$3.1 billion in earnings, up 25% over 2009. Revenue growth was strong at 10%. Volume growth was excellent. We took market share. The margin was stable, and we had 6 points of operating leverage while investing in the business. Credit losses declined. Another excellent year for TD Canada Trust.

A strong year for Wealth Management. Our Canadian retail business delivered CAD$447 million in earnings, up 30% from last year. Revenue growth was strong at 11%, operating leverage was good at 4 points, and assets continue to grow through new client assets and better markets.

US P&C finished the year on a high note, delivering over US$1 billion in earnings, up 29%. Despite regulatory changes and a tough economy, we saw a 13% revenue growth and improved credit losses. We added 245 high quality branches to our US footprint this year through acquisitions and de novo growth.

Wholesale Banking had a very strong year with earnings of almost CAD$1 billion, down 13% from the record performance we saw in 2009. We posted another year of 30% plus return on invested capital.

Corporate segment loss was CAD$537 million on an adjusted basis up 35% from 2009, mainly due to higher unallocated corporate expenses. Tier 1 capital ratio continues to be strong at 12.2% and was up 90 basis points due to strong retained earnings growth.

Looking back to our performance this year, here are some of the things that come to mind. We had very strong topline growth and 4% operating leverage for the bank, excluding wholesale. The credit environment has improved, and our adjusted credit losses declined CAD$540 million or 24% compared to last year. These improvements were partially offset by a few items. First, our wholesale earnings normalized in line with our expectations. Second, our results were negatively impacted by a higher effective tax rate compared to last year due to declining benefits from our tax structures and lower favorable tax adjustments.

Finally, the strengthening of the Canadian dollar reduced earnings by CAD$171 million or CAD$0.20 per share. Overall we are very pleased with the year.

Please turn to slide four. Q4 2010 highlights. Total bank adjusted net income of CAD$1,260,000, down 3% from last quarter and 4% compared to Q4 of 2009. Adjusted diluted EPS for the quarter CAD$1.38 down 3% over last quarter and down 5% over last year. The key highlight this quarter was yet another strong performance in our retail businesses, which contributed CAD$1.2 billion in adjusted earnings, up 22% from last year. Both our Canadian and US retail businesses delivered double-digit growth compared to last year.

Credit quality was generally stable in the quarter, but PCLs increased quarter over quarter in wholesale and in US P&C. The wholesale segment delivered a strong quarter, adjusted net income of CAD$216 million, down 42% over Q4 of last year, but up 21% from last quarter. The corporate segment loss declined by CAD$19 million compared to last quarter, but increased by CAD$109 million compared to last year. Tier 1 capital ratio of 12.2% was down 30 basis points from last quarter, mainly due to the closing of the South Financial transaction, partially offset by retained earnings growth.

Please turn to slide six. Reported net income of CAD$994 million or CAD$1.07 per share, adjusted net income of CAD$1,260,000 or CAD$1.38 per share. The difference between reported and adjusted results was due to five items of note, four of which you have seen before.

As Ed noted earlier, the last item of note relates to an agreement we reached with the Canada Revenue Agency, which resulted in a CAD$121 million tax charge for the quarter. This agreement reflects a business decision to resolve certain wholesale tax exposures related primarily to previously discontinued strategies.

Please turn to slide seven. Canadian P&C. Net income of CAD$773 million, up 24% from last year and down 8% from last quarter's record performance.

Highlights. Revenue up 10% over last year, primarily due to strong volume growth in real estate secured lending, financing services, personal and business deposits and insurance. Compared to last year, real estate secured lending volume was up 10%, and consumer loans were up 11%. Commercial loan volume increased 5%, personal deposits increased by 5%, while business deposit volume was up 12%.

We are starting to see rates of loan growth moderate, but overall growth was still 9% this quarter. This marks the first time in 15 quarters where loan growth was below 10% on a year-over-year basis. Revenue was relatively flat compared to last quarter. Compared to last year, the margin was up 3 basis points to 291 as higher margins and real estate secured lending were partially offset by margin compression in deposits and lower mortgage breakage revenue. Margin was stable compared to last quarter.

Insurance revenue was up compared to last year due to robust client and premium revenue growth. Strong underlying business growth, combined with improving margins, will improve momentum in this business going forward.

Provision for credit losses. CAD$239 million, down 24% from last year, mainly due to better credit conditions resulting from an improving economic and employment environment. PCLs were flat to last quarter. Business banking loan losses were CAD$18 million this quarter, down 47% from last year. Expenses were up 9% compared to last year and last quarter. The expense increase versus last quarter was largely due to project-related costs, including a project cancellation and the timing of business investment initiatives. In a few minutes, I will talk about our outlook on expenses.

Going forward we still expect strong bottom-line growth, but not at the same rate we saw this year. Overall a strong quarter for TD Canada Trust.

Please turn to slide eight, global wealth management, which excludes TD Ameritrade, net income of CAD$118 million, up 22% from last year and up 1% sequentially. We have seen improving performance in this business for a seventh straight quarter. Year-over-year higher earnings were largely driven by fee revenue from higher client assets and increased net interest margin.

Revenue of CAD$639 million increased CAD$52 million or 9% from the prior year, primarily due to higher assets which drove strong fee-based revenue growth in the advice based and asset management businesses. Expenses of CAD$468 million increased 5% from last year, primarily due to higher variable compensation and trailer fees driven by increased revenue from higher asset levels and higher investment to support business growth.

TD Ameritrade contributed CAD$33 million to TD this quarter, down 44% from last year and 47% from last quarter. The year-over-year decrease was primarily due to the lower earnings at TD Ameritrade and the translation of effect of a stronger Canadian dollar. On the whole, a solid performance from global wealth.

Please turn to slide nine. US Personal and Commercial bank. In US dollars, adjusted net income of $275 million for the quarter, up 40% from last year and flat sequentially. The US P&C segment continued its strong performance, despite the lingering headwinds in the US economy. The operating returns in this business continue to be strong at over 26% this quarter. Revenues of $1.2 billion were up 14%. Excluding the impact of acquisitions, revenue growth was 8% compared to last year, driven by growth in loan and deposit volumes and wider product spreads. Again, excluding acquisitions, revenue was down 3% compared to last quarter, mainly due to the impact of Regulation E on fee revenue, which came in in the range of $40 million to $50 million as expected.

Compared with the fourth quarter last year, average loan volumes were up 11% -- or sorry, 13%, and deposits were up 17%. Excluding acquisitions and TD Ameritrade deposits, loan volumes were up 6%, and core deposits were up 8%.

Despite -- sorry, deposit growth has been driven by maturing stores and store optimization initiatives. Volume growth compares very favorably to our peers in the United States.

Expenses. Excluding the impact of the acquisitions, adjusted expenses were up 7% compared to last year due to new store expenses and investments in infrastructure, and expenses were relatively flat compared to last quarter.

Provision for credit losses. Down 29% compared to last year, but up 13% sequentially. Mark will talk more about the sequential increase we saw in debt securities classified as loans.

Margin on average earning assets increased by 3 basis points to 350 compared with the prior quarter, primarily due to higher loan spreads. On the whole, another strong quarter in US P&C given the tough operating environment.

Please turn to slide 10, wholesale. Adjusted net income of CAD$216 million, a strong performance for the period. Results were down 42% from last year, but up 21% from last quarter. Last year's results reflected very strong broad-based performance driven by the unprecedented rate of recovery of the global financial system, improving asset valuations and market liquidity. We did expect normalization in the operating environment, which we have been seeing for the past couple of quarters.

During the current quarter, credit spreads tightened, which drove improved credit valuations as compared to losses in the prior quarter where concern over European sovereign debt dampened the markets.

Provision for credit losses. PCL for the quarter was CAD$39 million higher than the prior quarter. We had a single merchant banking loss this quarter, whereas last quarter we saw net recoveries.

Expenses. Compared to last year, expenses were down 7%, mainly due to lower variable compensation that was partially offset by higher operating costs related to investment in risk and controlled infrastructure. Overall wholesale results in the second half of the year returned to more normalized levels and are more reflective of what we expect to see going forward.

Please turn to slide 11. On an adjusted basis, the corporate segment posted a loss of CAD$163 million compared with a loss of CAD$54 million last year. Compared to the same quarter last year, the segment had an increased loss due to higher net corporate expenses and the impact of favorable tax-related items last year, partially offset by favorable hedging and treasury activity this quarter.

I want to pause for a minute and comment specifically on the topic of expenses this quarter. You will note that total bank Q4 adjusted expenses were up CAD$278 million or 10% compared to last quarter. While it's normal to see a sequential increase in fourth-quarter expenses, this year we are seeing a larger increase, mainly in the Canadian P&C and corporate segment. Canadian P&C costs were up CAD$109 million over last quarter, due in part to unusual items that included costs related to a project cancellation and a depreciation accounting change. The remaining increase was due to timing of marketing and other project-related costs where spend was higher this quarter.

Corporate segment expenses increased by CAD$127 million over last quarter. We recognized a CAD$22 million after-tax charge related to a write-down in Symcor, the back-office check processor owned equally by TD, RBC and BMO. The remainder of the increase was due to elevated risks and control-related costs, higher project spend, and timing of allocations to our businesses. We have included a slide on expenses in the appendix in case you want more detail.

Let me comment on our outlook for expenses. Our 2011 plan calls for more moderate levels of expense growth, given some softening of topline growth. Excluding wholesale, our operating leverage was greater than 3% in 2010. We expect that number will still be positive but somewhat lower in 2011.

With that, I will turn the presentation over to Mark.

Mark Chauvin ***- Toronto Dominion Bank – Group Head & Chief Risk Officer***

Thank you, Colleen, and good afternoon, everyone.

Please turn to slide 12. Similar to last quarter, I will limit my comments to highlights of our credit performance and a brief update on our debt securities portfolio. The detailed credit slides continue to be provided in the appendix.

I would like to remind you that the information provided 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 have excluded the impact of the debt securities classified as loans to provide a clearer picture of US credit portfolio performance.

Please note that the CAD$1.9 billion in FDIC-covered loans are not captured in any other credit metrics included in this credit review. Overall credit performance was stable in the quarter and in line with our expectations. Credit performance in the Canadian portfolios remain strong with nothing material to report.

The US P&C portfolio continued to perform well within our expectations given recent and current economic conditions. Default and loss rates across the US personal portfolio were stable relative to the third quarter. The volume growth is concentrated in higher quality areas as we continue to benefit from mortgage refinancings. Gross impaired loans increased due to a small number of larger loans. The increase in non-residential commercial real estate was partially offset by a decrease in residential commercial real estate. The increase noted during the quarter is not considered to represent a trend or reason for concern.

We have reviewed the mortgage foreclosure issue facing many major US banks and do not believe it will have a material impact on our businesses. We are seeing some encouraging signs in new commercial credit originations in both Canada and the US. Assuming we don't experience renewed economic deterioration, we expect to see continued improvement across all credit portfolios in 2011.

Lastly, I would like to comment on the performance of our debt securities portfolio. Each quarter we calculate the expected loss on the portfolio and assess the adequacy of the allowance. This quarter we also included the potential impact of the mortgage foreclosure issue on valuations of securities within the portfolio, and based on this analysis, we do not believe that any adjustments are required at this time. The significant reduction in new impaired formations from prior levels and the nominal increase in the allowance were in line with our expectations for the quarter. We remain comfortable that debt securities portfolio is adequately provisioned.

Now I will turn the presentation back to Mushtak.

Mushtak Najarali ***- Toronto Dominion Bank - VP, IR***

Thank you, Mark. With that, we will open up for questions. To give everyone a chance to participate, I would ask everyone to limit their questions to one and then please re-queue. For those of you that are participating in person, if I can ask you to please identify your name and your firm before asking your question, that would be much appreciated.

Before ending the call today, I will ask Ed to offer some final remarks. So, with that, let's get started.

QUESTION AND ANSWER

Mushtak Najarali ***- Toronto Dominion Bank - VP, IR***

First in the room, why don't we start there? Michael?

Michael Goldberg ***- Desjardins Securities - Analyst***

Michael Goldberg, Desjardins Securities. So I just want to follow up on some numbers. First of all, from the sub-pack, the lower service charges this quarter, was that Reg E in the US largely?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

Yes, it was.

Michael Goldberg *- Desjardins Securities - Analyst*

Okay. And you also note in the expense slide the depreciation accounting change. Can you quantify that?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

(microphone inaccessible)

Michael Goldberg *- Desjardins Securities - Analyst*

Okay. And one other more general question related to the dividend, why did you choose not to flow through the Ameritrade dividend that you received now to your own shareholders?

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Because we are still operating at the upper end of our dividend payout ratio, and we keep telling you the way we run our dividend policy has nothing to do with capital movements, and we regard the dividend from Ameritrade as essentially a capital movement. The way we look at it is we are going to look forward and say, what do we believe the clear, sustainable earnings are. And when we see that we will be well within our range, then we will move on the dividend.

John Reucassel *- BMO Capital Markets - Analyst*

John Reucassel, BMO Capital Markets. A question for Ed. You asked your own question of, we should ask you how much excess capital you have under the new rules. And you did not really answer it, so I guess I'm going to try. Do you have -- if Basel III rules are put in today as proposed and you had to meet them by Q1 2013, would you have any excess capital or what type of capital cushion would you have? I understand --

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Let me make sure I understand. I think if you ask -- if you are asking the question that I posed, that if we said that voluntarily Canada said, we will scrap Basel III and we are going to Basel IV and we're going to bring forward all of the deductions to 2013, do we believe we could meet that test? The answer is yes, we would have excess capital.

But I keep saying, you and the industry, you keep asking that question and you will eventually get your wish, and Canada will adopt that as its new rule, and I cannot understand why investors would want to do that. But you will have to explain that to me at some point.

John Reucassel *- BMO Capital Markets - Analyst*

Maybe I will take that off-line. But a question for Tim Hockey. Just what -- we have heard slower loan growth in Canada, so what does that mean to you, and can spreads stay flat if long-term interest rates stay where they are?

Tim Hockey *- Toronto Dominion Bank - Group Head, Canadian Banking and Insurance*

So, on the loan growth issue, as you say, we are slowing down, although we are at the high end of single digits. So we expect to be in the midrange of single digits by this time next year, if you will. And can spreads stay flat? We believe that we will see margins essentially on -- margins overall to basically bump around the level maybe a little bit of dip. No question competitive pressure is increasing, but that is our expectation on the outlook for the rest of the year.

Darko Mihelic *- Cormark Securities - Analyst*

Just a couple of questions, it's Darko from Cormark. Colleen, can you just talk a little bit about -- you took the one charge for the tax change at wholesale. Should our forward tax assumption for TD now change as a result of that?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

No, it should not. So if you look at our current adjusted effective tax rate, in the quarter we were at about 20%. I think you should be looking to an effective tax in probably somewhere in the 20% to 25% range going forward. But it does not have any -- that item does not have any effect on the tax rate going forward.

Darko Mihelic *- Cormark Securities - Analyst*

Okay. That is helpful and then just a couple of other number questions as well.

With respect to the expenses, some of the project cancellations you highlight in your notes at CAD$26 million after-tax, does that imply that you cancelled a project that would have been ongoing CAD$26 million, or is it a one-time cost in this quarter?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

It was a one-time cost in this quarter, and it essentially reflects a cost that had previously been capitalized where we when we canceled the project we wrote it off. That was about CAD$26 million.

Darko Mihelic *- Cormark Securities - Analyst*

I see. Okay. And then finally, can you just talk to the tax rate intersegment-wise within the US as to what occurred there in the quarter that allowed you to produce earnings that were flat quarter over quarter?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

Yes, we had a bit of a swing in the tax line on a quarter-over-quarter basis. We actually had a tax charge in the third quarter, and we actually had an adjustment that when went the other way in the fourth quarter. So that swing was about CAD$20 million quarter over quarter, positive change quarter over quarter.

Darko Mihelic *- Cormark Securities - Analyst*

Thank you. Maybe just one last housekeeping question.

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

We don't look at taxes as allowing us to do anything on earnings. They are simply a fact that we deal with.

Darko Mihelic *- Cormark Securities - Analyst*

Bad choice of words. One last housekeeping question, Colleen, maybe for you. The corporate segment, a very large loss this year. I think last quarter you alluded to perhaps finding a way to better allocate corporate. Are we to expect something of that nature in Q1?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

Yes, that is still under way. And so what we will do in Q1 when we announce our Q1 results is you will see some movement of items out of the corporate segment into the businesses, and we will clearly lay out that impact to each of the businesses and again the impact on corporate segment. So look for that in Q1.

Unidentified Audience Member

I guess falling under the banner of law of unintended consequences, with the move on the new capital ratios, obviously it is a negative impact. You are going to have to hold more capital because of your ownership of Ameritrade. Does this factor into your ownership levels or what your strategic plan is moving timelines backwards or forwards? Can you comment on that please, Ed?

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Yes. No, not really. I think those kind of moves you should do on strategic basis, but also there is the simple fact in the case of our ownership of TD Ameritrade that we have a shareholders agreement that goes to 2016, and we have a minority shareholder that loves his stake in TD Ameritrade. And so even if I had thoughts, which I don't, but if I did, it doesn't matter anyway. So I think we are quite happy to stay where we are.

Mushtak Najarali *- Toronto Dominion Bank - VP, IR*

Any other questions in the room? Okay. Operator, we have some calls on the line. Can you take the first call, please?

Operator

Robert Sedran, CIBC.

Robert Sedran ***- CIBC - Analyst***

I just wanted to ask about this mortgage foreclosure issue that is ongoing in the US. I gather that the direct impact to TD is minimal. If you could confirm that, that would be great. And then is there any indirect impact that could increase costs or just more regulatory noise as you look to grow in the residential mortgage business?

Mark Chauvin ***- Toronto Dominion Bank – Group Head & Chief Risk Officer***

I will take the first part of the question. When the mortgage foreclosure issue surfaced, we did an analysis, and I think the major areas that could potentially impact it is our normal foreclosure process. So we went through that, and we were satisfied that that would not be an impact.

Then the second issue would be in the non-agency (inaudible) mortgages. And the issue there was whether if the foreclosure issue slowed the market down for an extended period of time and had an impact of further reducing house prices, what would that have on our overall portfolio? So we factored that into our analysis of stress testing, and the conclusion was that while it could have some impact, we felt that it was within the range that we were currently provisioning. So we were quite comfortable with that.

Now, on the other side, I guess there is an issue that in the securities, if there is a class-action lawsuit, you might gain from them because putting them back to an organization. We have not seen anything that would be directly applicable to us now, but we would continue to follow that. And the other area would be whether we sold mortgages into situations that could be put back to us. But, again, that was a small business in the Legacy Bank, so we really don't feel that is an issue.

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US P&C Banking***

With respect to your second part of your question on, is there an impact going forward, we don't think so. The rules are pretty clear as to how you process mortgages in the US. I'm not aware of any proposal to change those rules. So based on the information we have today, this should have no impact on doing our mortgage business going forward.

Operator

Steve Theriault, Merrill Lynch Canada.

Steve Theriault ***- Merrill Lynch Canada - Analyst***

A question for Mark. How much credit improvement do you think we should expect to see in 2011? Unemployment is looking pretty sticky. Credit card losses actually look like they ticked up a touch in the quarter after a few consecutive quarters of improvement for you. Can you talk a little bit about your outlook for Canadian credit over the next, call it, 12 months and where you see losses eventually bottoming out this cycle given your loan mix? Is it 40; is it 35 basis points? How good can it get?

Mark Chauvin ***- Toronto Dominion Bank – Group Head & Chief Risk Officer***

Certainly. From a Canadian perspective, I mean if you look at the three major credit portfolios, the Canadian commercial portfolio is very strong, has had a historically low loss rate. I think we might -- I think it's going to continue to be a strong portfolio, but it would not be unusual to see a slight uptick there but nothing material, only because it is starting from such a strong position.

The same argument would be for the wholesale portfolio, the one loss incurred in the fourth quarter was on the runoff portfolio. But if you look at the full-year losses in the wholesale portfolio, it is essentially flat. We feel we have a strong portfolio, and I'm not worried about it. But it is credit losses, and there could be something. So it could up a little bit, but nothing that I would be concerned about.

If you look at the Canadian consumer, I think we feel that it is getting to a point where it is reaching a pre-recession level from a normalization perspective on a larger portfolio. So from a basis point perspective, we are not looking for material gains, and you just have to factor that back into the side. So I would not look for a significant improvement there because I think it is in quite a good position to start.

In the US, as I mentioned in my comments, there we do feel that there will be improvement through into 2011.

Steve Theriault ***- Merrill Lynch Canada - Analyst***

And what was the loss in the runoff book that you mentioned?

Mark Chauvin ***- Toronto Dominion Bank – Group Head & Chief Risk Officer***

In the wholesale? That was the CAD$15 million that was the wholesale loss in the fourth quarter. It was the merchant portfolio that we started running off about a year or two years ago.

Operator

Gabriel Dechaine, Credit Suisse.

Gabriel Dechaine ***- Credit suisse - Analyst***

Just one housekeeping item here. The CAD$118 million in other non-interest income, is that -- does that contain any gains on credit derivatives, and is that somehow tied to any of your credit experience this quarter?

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

That item is -- those are treasury-related items that are booked in the corporate segment. So that was a net positive in the quarter. As I mentioned though, our unallocated costs were up quite a bit, hence the fact that the corporate segment was -- there was some improvement, but not a significant improvement. So those were kind of the two moving parts.

Gabriel Dechaine *- Credit suisse - Analyst*

Unallocated costs and unallocated benefit, is that --?

Colleen Johnston *- Toronto Dominion Bank - CFO & Group Head, Finance*

Correct.

Gabriel Dechaine *- Credit suisse - Analyst*

Okay. And then just the outlook, I'm trying to decipher some of your comments here. 2009 banks and TD being one of them, you benefited a great deal from a big surge in trading revenues this year. It was the year of credit improvement. I'm not hearing much bullish commentary on either one of those for 2011. What's it going to be to move the needle? Asset growth and margin expansion? Because margin expansion, I guess, Tim kind of commented on that. But what is the outlook? Is it asset growth, I guess, and do you think you're going to generate healthy asset growth in 2011?

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Why don't we start with Bharat and say, how come you're going to earn more next year than you earn this year?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US P&C Banking*

Yes, there you go, excellent management. It is the end of the year.

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

These guys review at the end of this meeting. Very nervous.

Bharat Masrani *- Toronto Dominion Bank - Group Head, US P&C Banking*

A great question. I would say we have got good momentum. We do have good long growth in our bank, although the macro headwinds are pretty stiff. As you probably know, general loan growth in the US is negative. But we have been able to take share because of our footprint, because of the model we run, service and convenience, because of our rating, because of our strong liquidity. And so we have had quite good growth and in the segments that we think are favorable to us.

So residential mortgages, for example, we had a very small base. So you have a huge uptick in the refi activity, which we have been able to take advantage of. These are our customers that were not having their mortgages with us previously and now are. So we have been able to grow that book.

So I see good momentum in volume growth, and hopefully it can offset some of the macro headwinds that we have. And secondly, in the US we talked about this at our Investor Day, we are in the process of optimizing our platform and our business where we will look at a higher cross-sell. We had a good start to it, and I expect improvements over the year. So overall I would say the fundamentals in the business should drive the increase that we talked about.

Now having said that, could the macro situation turn out to be hugely different than what we are experiencing now? If it does, then we will have to find other ways of managing through it. But I feel over time the banks in the US have been able to adjust their models to fit the environment that they are operating in.

Gabriel Dechaine ***- Credit suisse - Analyst***

And sorry, Ed, a quick one. Payout ratio target range?

Ed Clark ***- Toronto Dominion Bank - Group President & CEO***

On the dividends? We have not changed it. It is 35% to 45%. Bob, do you want to comment on whether -- are you letting these guys off the hook -- (multiple speakers)

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

I think the difficulty obviously in forecasting our sector is that it is significantly macro-driven. So I'm not going to get into that. We talked about that before. But we have taken advantage I think of the last three years to invest in the earnings power of all parts of the business. So depending on what the environment allows, I feel we have greater earnings power. We have invested in our rates business in a significant way in New York on the US side. We have a U.S. Treasury business that has been growing and starting to produce money. We have built out a precious metals trading business that we are turning on the key probably next week. We have invested in the relationship that we have with TD Bank, America's Most Convenient Bank. We have lots of opportunities there to grow in line with them on their businesses. And we have significantly added to our investment banking business in that Canadian base, but with global initiatives around energy and mines and metals. So we have added talent, upgraded talent and continued to mature talent in that area, and that will drive revenue in the overall banking franchise.

So I think the earnings power of the deal is significantly better than it was in 2007. The markets will determine when that comes to fruition in terms of when we actually realize the earnings.

Mike Pedersen ***- Toronto Dominion Bank - Group Head, Global Wealth Management, Direct Channels, and Corporate Shared Services***

In terms of wealth, I think what we have said is that we expect to deliver a record year in earnings, so over CAD$501 million. That was predicated on two things -- reasonably stable markets and then secondly some moderate interest rate rises in the second half of the year. Not so sure the latter will happen, but I actually feel pretty good at this time. We are bringing in net new money. We are investing in products and advisors in our technology. We continue to bring in new accounts, so very hopeful we can still do that.

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking and Insurance***

So that gave me a chance to make lots of notes about all the growth opportunities we have. So 21 new branches in 2010, and we are planning on 25 in 2011. We also made lots of investments in 2010 in new commercial bankers, about 150. We had about almost 20% to our mobile and mortgage specialist. So I guess the point being that we are quite confident that with that plus as was mentioned earlier, our announcement of opening up 300 branches on Sunday for growth opportunities and to better serve our customers, we are feeling quite confident about our growth aspects in 2011.

To answer question that has been floating around obviously around the expense growth, as Colleen said, clearly there were some one-time items in the quarter. And I guess what you're really looking for is, are we confident that we have not established a new step function increase in expense run-rate, and the answer to that is absolutely yes. And even if expense -- even if revenue growth rates comes down, we are very confident that we can bring our expense growth rate down commensurate to still have good operating leverage in the year.

Ed Clark ***- Toronto Dominion Bank - Group President & CEO***

Just to finish up on insurance?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking and Insurance***

I would say on the insurance front, we are quite confident that there is very strong underlying fundamentals and that it is poised for quite significant uptick in 2011.

Ed Clark ***- Toronto Dominion Bank - Group President & CEO***

So just to provide a summary, as I was alluding to in my remarks, I think we feel kind of this odd feeling that if you look at the world, I think you have to feel more nervous about the world than you felt six months ago. And so you have all of these big structural issues around the world, whether it is in trade imbalance with China, the housing, it is the fiscal problems in the US, and then obviously the sovereign crisis in Europe. And yet when we talk to our operators and we get down to the ground, people today would be more optimistic than they were a quarter ago. And so you have this disjunction of whether -- which of these things are going to prevail, and I don't think we can tell you that. But certainly on the ground we are quite pleased with what we are seeing and how our operating businesses are actually operating.

Operator

Peter Routledge, National Bank Financial.

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

Just a question on your deposit business in the US. You have got quite a healthy run-up in deposits from TD Ameritrade. How inexpensive are those deposits? Do they price like just core deposits from your retail network, and how are they likely to price in a rising rate environment? That would be the first question.

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US P&C Banking***

And so the pricing of those deposits is with TD Ameritrade. It is a TD Ameritrade decision as to how they price it, but I think historically they have shown that they are able to grow that book and consistently, and it seems to be quite stable. But exactly what their pricing strategies might be, I think it is more appropriate for TD Ameritrade to answer.

As far as the bank is concerned, we manage those deposits for them. We manage it for very nominal fee and are happy to do that, and they are split within TD Bank Financial Group's treasury strategies.

Ed Clark ***- Toronto Dominion Bank - Group President & CEO***

We have been public. As we pay them LIBOR minus 25 and they set the LIBOR duration, and then they price -- raising deposits whatever they want to, but most of those deposits are low to no interest paying deposits to them.

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

And that money has to be -- it is brokerage money. Could it run off as quickly as it has come on in a healthier economy when people may be looking to get back in the market?

Ed Clark ***- Toronto Dominion Bank - Group President & CEO***

Our experience is that it is remarkably sticky. Their franchise is an act -- is heavily an act of trader franchise, and traders -- it may not be well known -- but they actually keep a remarkable amount of cash, and they are relatively indifferent to what they are getting paid on the cash because the cash is there to do trades. And so our experience is that quite a proportion of them -- we obviously watch quite closely as we do everywhere in the bank -- what do we think the elasticity of those deposits are to interest rates, and how fast could they move on? But a remarkable proportion are quite sticky.

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

Okay. And then on the government side, which is I guess CAD$13 billion, normally I guess this would not be an issue, but the states do have cash flow challenges potentially ahead of them, one of which I'm sure will be possibly New Jersey. Any signs or concerns that you may have -- a bit of not so much a runoff, but just cash going out to support the states' operating budgets?

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US P&C Banking***

I would say generally we have been re-doing and re-energizing our government banking business to ensure that we are only attracting the type of business that is more relationship oriented, where we are not the shop for hot money. Because we don't have an interest in that. I think that our group has done a reasonable job. Our growth in government deposits has not been as robust as the rest of the book, and I think that is fine as far as I'm concerned.

And your question on, as these state governments or municipalities are stretched and are they going to run this down? These are more operating type of funds, Peter. Maybe they will. I cannot say for sure. But we have seen -- these are relatively stable. And the issue of how much we keep and how much we grow depends on our strategy of whether we want to pursue a relationship with a particular state or a particular municipality. But I have not seen rundown of these deposits for the reason that you just cited.

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

Just the last question on the CRE portfolio, commercial real estate. I see your construction portfolio, at least non-accruals, tend to be trending down, but just your normal regular commercial mortgage non-accruals tend to be rising as a percent of loans outstanding. Is this just something that will take another year or two to work through, and is there any hockey stick coming that you are worried about?

Mark Chauvin *- Toronto Dominion Bank – Group Head & Chief Risk Officer*

As you point out, the riskier portfolio, the residential real estate, is trending down. I mean I think we are at the end of that. In terms of the CRE, we did not get to come up. It is lagging the other portfolio as you would expect. But we're really not looking for a hockey stick. We have been concerned about that portfolio for a while, and it has continued to pleasantly surprise us, and I think it will continue that is weathering the economic periods quite well. And we don't look for a -- in fact, as we look at these loans, we try to look at what loans are vulnerable and kind of get as much of a picture ahead of time. And that does not -- that is not showing us any significant warning signals or anything that would be contradicting our view that we think it will start to recede and go down in 2011.

Operator

Sumit Malhotra, Macquarie Capital Markets.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Firstly, on Ed's comments on capital, I think one of the reasons the market has been so focused on ensuring that the banks can get to the proposed levels as quickly as possible, which, as you suggests seems to be the end of 2012, is that the comments from the local regulators OSFI when they followed up Basel seemed to indicate that any capital deployment moves the banks are going to make, be it acquisitions, dividends, buybacks have to take into account meeting those requirements and any market requirements that make come on top of that.

So I guess the question I put to you, you told us you are pretty sure you would have excess capital at that period of time. But how does that impact your thought process on potential acquisition opportunities that may arise for you in the US, especially since it seems like the pricing environment has been getting beneficial in that regards again?

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Well, obviously to the extent to which I have excess capital, then I can do them. In other cases, if I -- if it turns out that the regulatory rules say I cannot, I don't have excess capital, then I'm going to have to issue shares for them. And the discipline of having to issue shares is not a bad thing. You want to make sure when you look at an acquisition that, even if you use cash, that it would be a good acquisition if you, in fact, had issued shares to do it.

My only point is we have a set of rules. I think the regulators around the world are reading the market as wanting people to move faster, and I don't understand why that is in the interest of the shareholders to do that. And, as I say, I am very concerned that if we get into this, 'I always have more capital than you' and we keep raising the tests higher and higher, we are putting a lot of capital into the banks, but is not going to be very productive and is not actually necessary to make them safe. And the consequence of that is that banks are going to either lend less or they will buy less other corporations. And, as you know, in the United States, there are a number of banks sitting there not capable of servicing their clients because they don't have the capital base to do that.

So I'm just concerned that the market is building this -- the regulators are responding to what they see as market pressure to actually go to a Basel IV. And I don't understand why the market wants people to go to even higher tests. That is the part that I have missed, but John is going to tell me after this call why that is the case.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Well, I certainly -- I understand where that is coming from. I look at your two largest competitors in Canada who have recently undertaken transactions, and look everybody has a different strategy, but obviously their transactions are very low RWA-related in nature. And I think this most recent deal that you close down at about CAD8 billion. So the thinking becomes here, you have talked about the fact that almost any deal you do pricewise now is going to be something that should be beneficial to your ROIC. And I think what I'm getting at here is, will you be somewhat handcuffed from taking advantage of those opportunities because of the capital position?

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

(technical difficulty)-- You can see that there is even more than me that dislikes your question. Just to repeat what I'm saying, we have a reasonable set of unknowns. It may be that other people don't have unknowns, but we do not now know today what the final impact of IFRS is. We don't know what the impact of moving the US to Basel II is. We don't know the impact, the full impact, of counterparty risk, and the difference in views are not trivial. So there are substantial differences.

Other banks may have less complicated balance sheets and don't have counterparty risks, I don't know. But I know for us that we cannot come up with a precise number. But if we take our most conservative estimates on all of those variables, we could meet all the rules in January 1, 2013, including advancing all of the deductions, which I think would be a mistake, but you guys may get the regulator to do that eventually. We could do that and still have surplus capital. But we don't know how much surplus capital yet. Until we know that, I cannot really answer a question as to whether it is a constraint or not.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Okay. I hear you thanks. And I will make this one hopefully much quicker and lastly for Bharat Masrani. I have certainly heard you on the fact that TD's loan growth has outperformed its peers, particularly over the last couple of years, and you have showed us some good slides at the investor day that demonstrated that. It sounds like you are of the view that you are going to continue to do so in the near term.

Just thinking not so much about TD's position in the US, just structurally right now with the consumer and commercial market in the US, what kind of systemwide loan growth is your team expecting for the US in 2011?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US P&C Banking*

As we talked about at Investor Day, we are seeing -- we hope to see some firming in the market where generally the whole market goes up slightly. And, as Ed mentioned, we are getting some positive vibes from our clients on the ground that things appear to be stabilizing.

So I do expect perhaps not as robust as one might want, but some growth in the market. In fact, I think a couple of the publications over the last week or so came out with some numbers that finally you are seeing some secular loan growth in the US in the C&I book.

So hopefully that is real. So I do expect the market either to stabilize or to grow slightly and for us to outgrow whatever the market gives us.

Operator

Brian Klock, KBW.

Brian Klock ***- KBW - Analyst***

On slide 32 of your presentation you talk about it and I think you kind of highlighted this a little bit today, commercial real estate in the US business. They were saying that gross impaired loans doubling in the office space and the CAD$3.7 billion loan portfolio in there for office. Can you give us a little color? Is that in one particular region you are seeing that Or maybe just provide some color on that increase in the [GILs] there?

Mark Chauvin ***- Toronto Dominion Bank – Group Head & Chief Risk Officer***

The office portfolio, I mean we have looked at that, and it is really not concentrated in any specific geographic region. It tends to be out of the central cores, which generally speaking in the last couple of years, it has been better to be outside the cores. So I really don't -- I would not have anything more specific to add than that, other than it's not concentrated in a particular area or a particular type or to clients, and we are not really seeing anything unusual in it.

Brian Klock ***- KBW - Analyst***

And just one quick question for Ed. You mentioned a little bit about excess capital and deployment through acquisitions in the US. I mean I guess there is quite a few US banks that are still capital deficient. Do you see any opportunity -- I guess when you are thinking about TSFG is now in and you're integrating that. How soon could we back in the acquisition game if something came up?

Ed Clark ***- Toronto Dominion Bank - Group President & CEO***

I don't think we have changed our position from where we have been. I would say that there is sufficient uncertainty about the macroeconomic environment and the regulatory environment in the United States that we are probably still focused on small deals and not large deals. You know if something that was small came up that fit our strategy and we thought we could make money on it, we would do, but we are not anxious to do at this stage a large deal.

Now I'm probably not going to tell you I announced the moment when I change my mind and then go do a large deal, but you will hear about it when I did it. But right now I can tell you that I'm not focused on doing a large deal.

Operator

Mario Mendonca, Canaccord Genuity.

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

A question for Tim Hockey, but before I do, I just want to express my sort of for almost shock that we are spending this much time talking about capital in Canada just given everything that you hear about European banks. The fact that we are still -- we are fussing about it just surprises me.

But a question for Tim, first. You talked about loan growth in Canada slowing to the mid-single digits by this time next year. Can I enter that interpret that as meaning that you would expect it to just gradually get there so that throughout -- for all of 2011, you are still looking at maybe mid to high single digit loan growth in Canada?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking and Insurance***

I would say mid, I'm fairly confident in 2011. Absolutely right. Part of that is a function of our -- the economic growth, and frankly, part of it is an assumption we will continue to gain market share in both business and personal lending.

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

And perhaps, maybe this is a bit of a softball, but do you subscribe to the view that TD can continue to take market share in 2011 simply because of scale and service arguments?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking and Insurance***

Let's see, what should my answer be? How about absolutely?

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

So if the industry is -- because the industry is talking mid-single digits. So that is why I'm a little surprised you would stick with mid-single digits and not think a little higher than that?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking and Insurance***

Maybe it has to do with the assumption as to what the underlying economic growth is. I believe we will beat the market, and it is about what our forecast would be. They might have a different view of underlying growth.

Operator

Brad Smith, Stonecap Securities.

Brad Smith ***- Stonecap Securities - Analyst***

Just a quick question, I hate to do it to you, Mario, on capital. But the issue that I would just like to address is the capital logged in your US subsidiaries, if we look at their call reports at the operating TD Bank NA, I see over 25 billion of capital. When I look at your supplementary package, I see just under $18 billion of capital being used to calculate the ROIC. I'm just wondering if someone could explain what the difference is and where it arises in the sub-pack?

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

Well, essentially it --- Brad it's Colleen -- you don't see it in the supplementary. Because, frankly, we can downstream capital all day long to the United States, and there are certain different rules in the US in relation to how much capital we have to hold for various types of criticized or classified assets. We obviously hold the appropriate levels in the US, but that essentially does not affect our capital at the top of the house.

So what you are looking at and the segment itself is you're looking at the invested capital, which is essentially all of the original goodwill and intangibles, plus then the operating capital that we need to run the business, and that is how we are measuring invested capital for the US.

Brad Smith ***- Stonecap Securities - Analyst***

Thank you, Colleen. Can you just explain where the $25 billion comes from in the operating subsidiary, please?

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

Well, again, it is essentially -- it can be funding that we downstream from Canada.

Brad Smith ***- Stonecap Securities - Analyst***

Funding that you downstream from Canada?

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

Yes, that essentially becomes capital in the US.

Brad Smith ***- Stonecap Securities - Analyst***

It becomes converted then? It is a debt funding that gets converted to equity capital in the US subsidiary?

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

Yes, essentially you can -- again, whether it is capital that we have raised or whether it is debt, it qualifies as capital in the United States.

Brad Smith ***- Stonecap Securities - Analyst***

And does that contribute to the relatively low tax rate that you reported in the segment?

Colleen Johnston ***- Toronto Dominion Bank - CFO & Group Head, Finance***

The tax rate -- the lower rate is due to a tax structure that we have, and that does affect our capital at the holdco level, not at the operating company level.

Mushtak Najarali *- Toronto Dominion Bank - VP, IR*

Thanks for your time. That is the end of the Q&A session. So, with that, let me turn it over to Ed for final remarks.

Ed Clark *- Toronto Dominion Bank - Group President & CEO*

Very simply, we thought 2010 was just a bang-up year. I think we went into 2010 nervous about the environment. It turned out that our decision to be very aggressive and go out there and serve our clients and customers turned out to be a great decision for our clients and customers and, frankly, a great decision for our businesses and allowed us pretty well across the board to take market share.

And, as I indicated, while we look at 2011 and we see a pretty tough operating environment in terms of the global economic situation and some of the regulatory headwinds, on the ground we feel very good about how our businesses are positioned and are getting very positive feedback at what we were able to accomplish in 2011. All of that -- just to say it again -- is because we've got 81,000 people to get up every morning and worry about the shareholders and the customers, and they are doing a great job.

Thank you very much.

Mushtak Najarali *- Toronto Dominion Bank - VP, IR*

With that, I will end the meeting. If you have any further questions, I encourage you to contact the Investor Relations team. Thanks for your time today, and we wish you happy holidays.

Operator

Ladies and gentlemen, this does conclude the conference call for today. Thank you for participating. You may now disconnect your lines.