TD BANK GROUP
ENTERS INTO AN AGREEMENT TO ACQUIRE
CHRYSLER FINANCIAL
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PRESENTATION

Mushtak Najarali *- Toronto Dominion Bank - VP, Investor Relations*

Thank you, operator. Good morning and welcome to TD Bank Group's investor presentation, regarding our agreement to acquire Chrysler Financial. My name is Mushtak Najarali, and I'm the Vice President of Investor Relations at the Bank.

We'll begin today's presentation with remarks from Ed Clark, the Bank's CEO. After which Tim Hockey, Group Head Canadian Banking and Insurance, Tom Gilman, President and CEO of Chrysler Financial, Bharat Masrani, Group Head US P&C Banking, and Colleen Johnston, the Bank's CFO, will go through the details of the acquisition. Also available to answer any questions is Mark Chauvin, Chief Risk Officer. Following the presentation, we'll entertain questions from pre-qualified analysts and investors on the phone. We're going to try to keep the call to approximately 45 minutes. Please turn to slide two.

At this time, I'd 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 this 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, they may not be appropriate for other purposes.

Certain material factors or assumptions were applied in making these forward-looking statements. There is additional information on these factors and assumptions in today's press release, this presentation, and in our 2010 MD&A. All of these materials can be found on our website at TD.com. With that, let me turn the presentation over to Ed.

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

Thank you, Mushtak, and thank you all for join us this morning. We're very pleased today to be announcing our transaction to acquire Chrysler Financial. This is exactly the type of deal that we've talked about doing. It's a transaction that helps us address the important issue of asset-generation in our U.S. business.

Organic loan growth in our stores is making good progress. But we have a very deposit rich franchise with over US$130 billion of U.S. deposits. We've been looking for a platform to help us accelerate our asset-generation and capability. The Chrysler Financial acquisition delivers that for us.

As you know, our focus is to build scale in the businesses where we compete. Through our US acquisitions we've now built a top 10 North American retail store footprint. With this deal we're positioned to become a top five bank owned North American auto lender.

On today's call you're going to hear from a number of our executives. With this acquisition we've decided to create a North American model for our auto lending business. We're combining Chrysler Financial's business with that of our existing Canadian and U.S. lending portfolios under the leadership of Tom Gilman who is the current CEO of Chrysler Financial and who will be joining the TD team.

Tom will report jointly to both Bharat Masrani and Tim Hockey for financial risk and regulatory processes. But operationally the North American auto lending business will be overseen by Tim Hockey. We're already a player in the auto lending businesses in both United States and in Canada. Many of you know we have acquired an indirect auto lender VFC in Canada two years ago where we gained a great management team that does excellent jobs growing the Canadian business and gaining significant market share.

And also in the United States our US management team has done a good job building out a nice franchise from the auto lending business we gained through the Banknorth acquisition. Complimenting our proven expertise and experience in this market, Chrysler Financial provides us with the foundation we need in the United States. Through leading systems technology process and talent, all key elements of infrastructure we need to support our growth plans. As always, we're focused on finding a deal that fits within our risk appetite.

Chrysler Financial is no different. Chrysler Financial has been focused on prime and near-prime lending. So we're very comfortable with the credit risk of the assets we are acquiring. As it relates to our footprint, the East Coast remains an area of focus for our retail banking franchise in the United States.

We're positioned well to continue growing there both organically and through the banks we've acquired this year. In terms of retail auto lending, it's a business that requires national scale. However, unlike other types of personal commercial lending, it doesn't require the same degree of physical presence and local expertise.

The auto lending market is of significant size and with our experience, we feel confident we can gain market share. With a growth platform in this asset class, Chrysler Financial provides us with valuable diversification in our lending portfolio in the United States. The added benefit here is that we can bolt this acquisition on to our existing franchise without a major integration effort for our US team. While we're acquiring an existing book of quality assets, we expect book to run off relatively quickly. So really this deal is about the platform and the asset generation capabilities. We are paying a premium of approximately US$400 million to get the platform we need to support our growth focus. Overall, we view this transaction as very positive and consistent with our growth strategy. We now have a meaningful North American scale to allow us to better compete in United States and grow this asset class.

So with that let me pass it over to Tim.

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

Thanks, Ed. I would like to echo Ed's comments. I am very excited about the prospects that Chrysler Financial brings to TD. It builds on TD's existing auto lending business and our recognized leadership in this space. I thought it would be helpful to provide you with a brief overview of the current scope of our Canadian and US operations.

Let me begin by saying we are not new to this industry. TD has a long history as an automotive lender, is very comfortable with the business model and is already a big player here in Canada. To give you a little history, TD financing services was formed in Canada by merging TD Canada Trust automotive lending business and TD's 2006 acquisition of VFC Inc., an indirect automotive lender. In the US, TD Bank, America's most convenient bank, has a strong and profitable auto financing presence in the Northeast and is a top-tier lender in that market.

So what does the combined North American business look like today? As you can see on slide four, on a North American basis, thanks to our strong market share in the Canadian market and our existing US presence, we currently have almost US$14 billion of loan outstanding. We've achieved this due to a robust origination capability through our established network of over 5000 dealer relationships. Our dealer relationships continue to flourish as in keeping with our leading customer service and convenience model, TD provides legendary service to the network on a consistent basis. We have a strong history in this industry and are very excited about our growth potential.

Now before I talk about that let me pass the presentation on to our new TD team member, Tom Gilman to give you some color on Chrysler Financial in the US. auto lending industry.

Tom Gilman - ***President & CEO of Chrysler Financial***

Thank you, Tim. So let me tell you that it is a great pleasure to be here in Toronto this morning.

Everyone at TD has made me very welcome. And what I would like to do is provide some context around the auto lending industry and more specifically Chrysler Financial. Just as some background, I am currently the Chairman and CEO of Chrysler Financial and I have over 37 years of auto industry experience, the majority of them with Chrysler. 22 years on the car side of the business, 10 years with the finance company. Chrysler Financial is an auto financed company originally the captive finance arm of Chrysler and has been in operation for more than 45 years.

I think it's clear that the auto lending industry has undergone significant change over the past few years. Let me provide some insight on how our franchise was impacted. In April 2009, Chrysler, the auto manufacturer, filed for bankruptcy protection. Although, Chrysler Financial, which was formed as an independent company remained solvent and began focusing on restoring its balance sheet.

We liquidated part of the portfolio, we paid off debt and we paid all the US government funds that we've received. Obviously, any restrictions related to TARP have now been lifted. During this time our origination engine was idling, but we knew we had a valuable franchise and so we continue to make strategic investments in the core competencies of our operations and technology, process and talent.

However, the ultimate solution for Chrysler Financial was to find a strong partner that could provide stable and long-term financing to support the needs of our customers and our dealers. We've built strong relationships within the dealer community because we think like car people and we understand what dealers need. The relationship we've forged with TD today will provide us with the stability soundness and strategy. We need to provide an even better value position for our dealers.

We're now in a position to provide financing for any manufacturer's brand of automobiles originating from dealers across the country where it makes sense to do so. With today's announcement it's quite clear that we found the like-minded partner that shares our vision of growth. Both organizations placed a high priority on outstanding customer service and strong risk management practices.

The Chrysler Financial team has been anxious to get back to growing our business, and together with TD and its strong balance sheet we're now in a position to do just that. I think this is going to be a great fit.

The entire Chrysler Financial team is excited to be joining the TD family, and with that I'll pass it back to Tim.

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

Thanks, Tom. If you can please turn to slide six; so let me go little deeper on how this deal extends our already strong North American position. First and foremost what we find attractive is the size of the market.

To give some perspectives, auto lending ranks behind only credit cards as the second largest nonmortgage asset class. The size of the market is approximately US$700 billion of US and it accounts for 30% of total debt outstanding. We're confident that we can leverage our proven experience and balance sheet strength to grow market share prudently.

The absolute size of the market and our ability to take market share is the clear opportunity. Additionally, however, the industry is projected to grow approximately US$200 billion over the next three years as volumes rebound from cyclically low levels.

Both the size and the growth of the auto lending market make it an appealing asset class for us. And Chrysler Financial delivers on the US -- the US platform we need to capitalize on this opportunity.

Our plans for the future are to focus on growing the prime and direct retail auto lending business on a North American basis. In the US, we will look to provide prudent level of retail auto leasing in order to offer a full product suite for the dealer. We don't expect that near prime and leasing parts of the business to represent a material exposure for us.

In Canada, current regulatory prohibitions restrict us from entering the leasing market and so we assume that the current business will run off. As an aside, we think lifting the Bank Act restrictions and opening up the market will provide more choice and competition which is in the best interest of the consumer. We are well-positioned should this occur.

On the wholesale side of the business, we plan to modestly expand our growth plan program within our existing footprint where it makes sense. With the purchase of Chrysler Financials, TD is also acquiring a significant scalable servicing and lending platform which has the potential to greatly enhance our organic capability.

TD inherits Chrysler Financial's established national origination network of over 2,000 dealers. They've been signing up about 400 dealers a month for the past few months. Ultimately, we have plans to more than double the number of relationships to over 5,000 dealers, a very achievable goal given a national universe of 18,500 franchised dealers in the US. This acquisition will expand TD outside of our existing regional footprint. As Ed noted earlier, unlike other types of personal and commercial lending, auto lending doesn't require the same degree of physical presence and local expertise. As most large bank lenders in the auto finance space are national in scope, a footprint of this magnitude will be instrumental in solidifying original equipment manufacturer relationships, which could provide upside to our estimate.

TD will also gain Chrysler Financial's national servicing infrastructure, which includes customer service and resolution, collections and loss mitigation, proprietary technology and the industry data. With this great infrastructure also come a team of great people. The management team of Chrysler Financial has substantial industry experience, an average of 20 years per team member, which helps guide the company through very challenging times.

The acquisition of Chrysler Financial is a testament, to our belief, in the ongoing opportunities within fragmented auto finance market and to the strength of Chrysler Financial operating platform. This transaction positions TD's auto financing business to become a top-five bank-owned North American auto lenders.

Turn to slide seven. On this slide we have shown why this business is so appealing to us. Potential returns or the size of the prize in this transaction are quite compelling. We made conservative estimates for reaching a steady state of originations given the business we will have to operate -- given the business we'll have to operate in a more complex compliance and regulatory environment.

With modest expectations for market share driving average loans above US$20 billion, we expect to be able to earn an excess of 100 basis points, which is in line with our current auto lending experience, and to produce return on invested capital of approximately 20% when we reached steady state. We are targeting to get there in the third to fourth full year of operation.

Please turn to slide eight. As Ed mentions, like all TD acquisitions the Chrysler Financial transaction fits well within our risk appetite. As you can see in the chart, auto receivables have consistently outperformed other consumer loan categories, experiencing lower delinquency and default rates through various market cycles. Chrysler Financial Canadian and US portfolio at closing is expected to be about US$7.5 billion, consisting of US$6.9 billion of loans and US$6 -- US$0.6 billion of leases and this is predominantly focused on prime and near-prime markets. The portfolio performance is in line with the credit experience of both our Canadian and US auto lending businesses and we're comfortable with the risk of the portfolio we are acquiring.

Our experience and expertise on both sides of the border in prime and near-prime auto lending in combination with a Chrysler financial management team gives us a strong base to build upon and review the integration and operational risk associated with the acquisition to be very manageable.

I will now turn the presentation over to Bharat to talk about the implications from the US standpoint. Bharat?

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

Thank you, Tim. Please turn to slide nine.

At the outset, let me say that I am extremely excited about this acquisition. Through Chrysler Financial we are able to harness an impressive national platform to complement our existing organic growth efforts and strengthen our U.S. asset generation capability. This is a unique opportunity for us to take advantage of the market that is clearly disrupted.

By building on Chrysler Financial with existing national network of dealer relationships, we are targeting to originate approximately US$1 billion per month in retail auto loans by 2013. And we can generate this level of volume without being dependent on a captive financing relationship with a single manufacturer. Results of this asset generation capabilities are impressive.

Chrysler Financial allows us immediately to grow our consumer loan portfolio. The acquisition accelerates our organic loan growth, complements our lending efforts and improves the loan to deposit ratio in our US P&C segment. In addition Chrysler Financial further diversifies our loan growth between commercial and consumer loans.

Lastly, our large base of low-cost deposits provides us with a unique funding advantage. Where other competitors in this market may need to rely more on costly wholesale funding, we will be able to leverage our retail deposit franchise to provide a meaningful competitive advantage.

Chrysler Financial is a terrific opportunity for us in the retail auto lending space and I look forward to working with Tim and Tom to grow this business in the US.

Let me now turn over the presentation over to Colleen, who will discuss certain financial aspects of the transaction.

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

Thanks Bharat and good morning. Please turn to slide 10. In addition to being a solid acquisition, this transaction is also attractively priced. We will be paying a total cash consideration of US$6.3 billion, which consists of fair value net assets of US$5.9 billion, and approximately US$400 million in goodwill.

When you add in the approximately US$500 million of required operating capital, we expect we'll have invested capital of about US$900 million on closing. As Ed noted earlier in his remarks, we see the goodwill as the cost to acquire a platform which is expected to help us grow our auto lending franchise and we will not be issuing common equity to fund this purchase.

Tier 1 pro forma capital impact on closing is expected to be approximately 55 to 60 basis points. We are expecting the transaction to be neutral in 2011 and we'll add approximately US$100 million in adjusted earnings in 2012, the first full year of operation.

We are anticipating as an internal rate of return of well above 20% on this transaction. We expect to close the deal in the second quarter of 2011. Now I do expect you to ask whether this deal impacts the US P&C earnings target we provided on our June Investor Day. With Chrysler Financial, we are confident that we will be able to deliver beyond our US$1.6 million target.

That said I want to comment that we are not expecting to regularly update our earnings target as both market conditions and our growth strategies continue to evolve. As you can appreciate, this is a dynamic process.

Let me now turn the presentation back to Mushtak

QUESTION AND ANSWER

Mushtak Najarali - *Toronto Dominion Bank - VP, Investor Relations*

Thank you, Colleen. With that we'll open the lines up for questions. We're going to try to keep the Q&A portion of the call to approximately 15 to 20 minutes. With that let's get started. Operator can we please have the first question.

Operator

Thank you. Your first question comes from Michael Goldberg of Desjardin Securities. Please go ahead.

Michael Goldberg - *Desjardins Securities - Analyst*

Good morning. So is it fair for me to look at the deal as TD buying a portfolio of US$7.5 billion of loans and leases for US$5.9 billion plus paying $400 million for a business platform? And if so, and if the loans are in satisfactory condition, why is Cerberus selling the loans for less than US$0.80 on the dollar?

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

Yeah, I think, Michael -- its Colleen. The way to look at that is we are buying fair value of net assets so if the asset minus some existing liabilities and that gives you US$5.9 billion and then we are paying the US$$400 million in goodwill so that brings you up to the US$6.3 billion.

So we are paying a premium of the US$400 million for the deal. That's the way you should look at it from their standpoint.

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

So what are the liabilities that you're talking about?

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

The existing liabilities are predominantly asset back securities through securitization vehicles and that funding runs off fairly quickly.

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

And that's about US$1.2 billion?

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

Roughly, yes. I'm sorry it would bring me down from the US$7.5 down to the US$5.9 billion essentially.

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

Okay. So it's about US$1.6 billion?

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

Right.

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

Thank you.

Operator

Your next question comes from Steve Theriault of Bank of America. Please go ahead.

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

Thank you. A couple questions. First one, it sounds like lease balances are relatively small. I think you said US$600 million. Will leases be meaningful in the US going forward?

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

Tom, do you want to answer what your strategy is with respect to leases?

Tom Gilman - ***President & CEO of Chrysler Financial***

Well, we like the leasing business. Leasing business is taken a lot of changes in the last few months. The used car market continues to be very strong in the United States which helps residual values move upward over time. We'll be looking at doing some leasing.

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

But I think it's fair to say that the bulk of the lending is going to be an actual lending business not the leasing.

Tom Gilman - ***President & CEO of Chrysler Financial***

The bulk of it will be in retail with a limited amount of wholesale.

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

So like less than 20% leases, less than 10% leases?

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

Yeah. Definitely.

Tom Gilman - ***President & CEO of Chrysler Financial***

Yeah.

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

Less than 10.

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

What is the FICO score on the acquired books?

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

The average FICO score of the existing portfolio?

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

That's right.

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

I think in the 700 range.

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

And last one. Should we expect any restructuring charges and any chance of cost synergies although I expect that is probably modest?

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

Steve there are some restructuring charges of about US$35 million in total that will go through the item of note largely in the first year and some in the second year as well. There are some cost synergies on the deal. But we will also be putting in some additional investments to make sure that everything is up to the standards -- a bank standard for regulatory and compliance as well. So there will be some net savings but we will also be reinvesting in the business.

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

So, on the net basis probably not material?

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

Not that material. That's right.

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

Thank you very much.

Operator:

Your next question comes from John Aiken of Barclays Capital. Please go ahead.

John Aiken - ***Barclays Capital - Analyst***

Good morning. For Tom, Tom your -- like you said, the origination business has been idling for last while almost around a year. So, how -- what gives you confidence that you'll certainly be able to ramp-up and get to US$1 billion in originations per month by 2013?

Tom Gilman - ***President & CEO of Chrysler Financial***

That's a great question. Partnering up with Cerberus, we really maintained all of our core competencies within the business. They allowed us to invest in our technology. We have state-of-the-art technology now. We went through a critical skills assessment of all of our people, and even though we lost 2,000 people, which was 50% of our head count over the course of the last two years. We've retained those people that have the critical skills that were needed to get us back into business. Because our strategy was, at some point in time, we're either going to linked up with a terrific bank like TD or we were -- the capital markets in the United States were going to improve, we are going to be able to go back into business on a limited scale. So we've got the people, processes and the technology in place. And, I am very confident that we have the ability to generate this kind of volume.

John Aiken - ***Barclays Capital - Analyst***

But Tom, don't the relationships with the dealers lag when you haven't actually done a loan with them an over a year?

Tom Gilman - ***President & CEO of Chrysler Financial***

But we still service -- we still have real estate with them. We still have relationships with them. Dealers have long memories and they remember how we -- how we manage them before, how we - - how our relationships were. The value that we brought to them. The value proposition of our products and services and, those relationships remained. You know, we've had over 2,300 dealers now sign up with us over the course of the last four months and simply just providing a near-prime, sub prime, type of products out there.

The dealers continue to be favorably impressed with our people. Our people, I still have 100 people out in this field and they still call on dealers to foster those relationships. So we're very proactive in the way that we've handled those relationships and we think that we'll get lot of those dealers back. So...

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

It's Ed here. We've emphasized that this is a three to four years to get ourselves ramped up to the US$20 billion running rate. I think it's fair to say that Tom -- had our projections and thinks that he will significantly beat them. And I think that when there were the rumors that we were going to acquire, they already were large numbers of inbound calls by dealers wanting to hook up to this network. So, we are very confident that when you put our balance sheet and our brand behind this unbelievably capable chain, that will at least make the numbers that we've used for these forecasts.

John Aiken - ***Barclays Capital - Analyst***

That's great. Thanks for the color.

Operator

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

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

Sure. Thanks very much. I'd couple of quick questions just about the return on capital that you are discussing here. The ROA of 1% I understand that the return on capital expectation of 20%, I guess really is implying a 20 times leverage in this business. The business is coming to you underleveraged, I guess at probably the some five times. Your U.S. Bank is acquiring and is probably a seven times leverage bank. How do you get to the 20 times leverage to get you to a 20% ROIC on this transaction?

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

It's Ed here. The quickest way to do it is should -- by the time we get the full ramp-up will be in the Basel II in the United States and so you can either use our economic capital or Basel II and it's a 50% risk-weighted on these assets.

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

Yeah, but there is a companion leverage calculation and it's going to be a little bit more stringent to that, isn't there?

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

When we have our mix of assets that's not a consideration for us. So you believe you want to think about it is US$20 billion, US$10 billion of risk-weighted assets, use an 8% tangible common ratio, 800 then use US$400 million of goodwill, US$1.2 billion and then say what you have to earn to get a 20% rate of return on that, you'll do the arithmetic.

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

Right. Okay terrific. And just I heard the question earlier about the FICO score, any possibility on this purchase we can get some sort of distribution on those FICOs?

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

Yeah, we will see if we can and we'll post it up, you know, we look through that.

Mushtak Najarali *- Toronto Dominion Bank - VP, Investor Relations*

Brad, it's Mushtak here, we'll take that offline. Thanks for those...

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

It's also probably worth noting that, in our existing business our ROA is well in excess of 1%. So again, we've been quite conservative in these numbers.

Brad Smith *- Stonecap Securities - Analyst*

In your existing U.S. Bank business?

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

No, in our U.S. business it would be about the 1% and our Canadian business well north of 1%.

Brad Smith *- Stonecap Securities - Analyst*

Yeah. So the return on this acquisition is about equivalent on an unleveraged basis to your existing U.S. business.

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

Yeah, existing U.S. business is US$3 billion. So there is tremendous economies of scale as you ramp-up in this business.

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

It tends to be much more on the super prime basis than our footprint in the Northeast as well.

Brad Smith *- Stonecap Securities - Analyst*

Right. And then just lastly, I guess, it looks to me like the way the press release read to, we're going to be using up about half of your liquidity in your U.S. bank actually complete this transaction. I was just wondering does that mean that you are going to crystallize your intercompany loans with your hold co and turn them into equity?

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

We have about US$80 billion of excess deposits in the United States in investment portfolio. So we will use -- when this rolls in, we will use about US$20 billion of the US$80 billion, but by the time we get to the 2013, I suspect we will actually generated more than US$20 million of deposits. What we view this as is just allowing us to keep pace with other pretty rapid deposit growth.

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

So no change in your U.S. capital structure?

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

Well, we will fund this asset. We will fund the asset -- equity required for this asset.

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

And the equity is about US$900 million Brad we mentioned.

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

Okay. Terrific. Thanks so much

Operator

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

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

Good morning. Colleen can you just help -- take me through the actual book value of the assets being acquired here? In answering Michael Goldberg's question, you suggested that the liabilities were US$1.6, the difference between the US$7.5 and the US$5.9?

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

Right.

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

Then how does the goodwill sort of fit in, I would have figured that the liabilities would have been the US$1.2, taking you to US$6.3. Am I...?

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

The fair value of the net assets that we are acquiring is US$5.9 billion and we are paying US$6.3. And that's really the way to look at it. So the difference is essentially is the goodwill.

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

I understand that part. So, the actual book value of the assets then...

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

Right.

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

...ignoring anything to do with liabilities is US$7.5 billion?

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

That -- those are the lending balances, that's right.

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

Right, the lending balances.

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

Yeah.

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

The purchase price doesn't change by Q2, 2011...

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

Correct.

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

...as a result of the growth of the book?

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

That's correct. So you're really looking at book value being the US$5.9 billion essentially. And obviously the book is declining between now and when we expect to close in Q2.

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

But you still expect the total book value of the loans to be 7.5 billion?

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

That's what we expect on close. It's higher than that currently.

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

Okay. That explains it. Okay, thank you. The other sort of different type of question maybe for Ed is, with this deal, does it have any effect on your appetite for other acquisitions, regional US bank acquisitions, its been picking up. The activity there has been picking up somewhat. Does this change anything or maybe you can just restate what your appetite is for U.S. deals?

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

Yeah. So I don't think it has a material impact. I mean, it obviously -- it's definitely going to improve the earnings outlook for our US entity and improve the ROIC outlook for US entity, but I don't think it changes if there were good opportunities or not. On the other hand, we remained cautious in the United States. So, I don't think we are looking at big deals. If we look at deals then it will continue to be in the smallest deals of tuck-in that add to our franchise.

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

Thank you.

Operator

Your next question comes from Brian Klock of KBW. Please go ahead.

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

Good morning. I guess question for Colleen. With the US$7.5 billion of loans that you're acquiring, now you said there are fair value marks, so, does that already included in loan loss reserve mark on those assets?

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

Yeah, I'll start on this one Brain and turn it over to Mark, but yes, we did – we've had to mark the book and there is a credit mark embedded there. And so it's relatively small, given the fact that this is a performing portfolio and that it is running off fairly quickly, fairly well-seasoned but why don't I turn that over to Mark just to expand on that?

Mark Chauvin ***- Toronto Dominion Bank - EVP, Risk Management & Chief Risk Officer***

Thank you, Colleen. There's really not too much to add. I mean if there are assets that we're quite familiar with that we have in Canada and the US, they are well-seasoned. There has been a lot generation in the past year. So we feel that the credit market is very predictable. And we've incorporated into the fair value but I'd say it's very consistent with what we've experienced in the other portfolio and it's quite modest overall.

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

I guess then maybe Mark for you too going forward I guess what sort of provisioning should we expect on the portfolio?

Mark Chauvin ***- Toronto Dominion Bank - EVP, Risk Management & Chief Risk Officer***

New originations going forward will be you know really consistent with our existing underwriting standards in Canada and the US. So I don't think you should look for any material changes from what you are currently seeing in the indirect portfolio.

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

Okay. Thank you for taking my questions.

Operator

Your next question comes from John Reucassel of BMO Capital Markets. Please go ahead.

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

Thank you. Just a couple clarifying questions; what – how much is Chrysler Financial earning today.

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

John, it's Ed here. I don't know why you want to get into it. I think the difficulty is that a lot of what the earning is -- revaluations of re-margin when they took the downturn, they established substantial reserves. And so, it's probably, we give you a big number, but I don't think its representative of what it is. That's what the ongoing earnings are. So I think the way we would, I think the way you should think of this is we are buying this platform with a book that's running off. Thankfully, Cerberus allows Chrysler Financial to maintain its plan and infact investment plan. So the reason why we don't make a lot of money in 2011 is because in fact the ongoing operating costs after you ignore reserve revaluations, means that this is basically a breakeven operation at the size of operation. And so you have to go through the process of rebuilding up the book in order to make that into the 20% rate of return.

That's we said what's the business opportunity and risk we have. It's that we bought this platform. We got a great set of people. And the question is, can we grow the book of business to infact get it restored back to where it was. This is a franchise that used to have US$75 billion of assets in it. So it has a lot of capacity to grow.

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

Okay, that's helpful. Just if you could give us a sense of what is the average loan --term loan? Is it two or three years? And what is the mix of prime, subprime today? I know what's going to be going forward, but just indication where its today?

Tom Gilman - ***President & CEO of Chrysler Financial***

The book that we have today is clearly mostly prime.

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

Will that 90% prime or 95% prime?

Tom Gilman - ***President & CEO of Chrysler Financial***

As we go forward, we try to do a 90 -- a 90/10 type of portfolio. I think right now its about 70% prime, 30% near-prime.

[Please refer to the follow-up Q and A for further clarification]

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

Okay. Is the term - is it three years or so?

Tom Gilman - ***President & CEO of Chrysler Financial***

The term is normally would be about three years. I think it's running all faster than that right now.

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

Okay. Okay. Just -- and last question, Ed back to you. The capital impact of 60 basis -- 55 to 60 basis points on Tier 1 under Basal II. Does this -- I take a shot, does this, what's the impact on Basal III or does this impact your view of you being fully compliant with this 7% by Q4 2012 or Q1 2013?

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

Yeah, so that's why we give you what the tangible common. So the tangible common impact to this is US$900 million.

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

And, okay.

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

So that why gives you what the impact is from a Basal III point of view and the answer is the same as it was at the end of the fourth quarter. We are confident that we will be able to meet Basal III including the speed-up of all the deductions and have surplus capital without raising - issuing capital.

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

Thank you.

Operator

Your next question comes from André-Philippe Hardy of RBC Capital Markets. Please go ahead.

André-Philippe Hardy – ***RBC Capital Markets - Analyst***

Thank you. Just, when do you expect to turn the tap on and start lending? Is it just following the closing?

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

It's Tim. I'll take a quick stab at that. What Tom and the team have been doing obviously is, as Ed mentioned was to get ready for a stable funding source. So obviously until closing, we are in competition, but at the same time we have an interest in helping them get prepared for the closing date and to get the engine restarted. Obviously from our point of view it's to get confident with the risk profile of the new deals that we want to put on. So, we're looking to see if we can get a bit of a kick start into the existing business and get out there and take advantage of the momentum we are creating with this deal.

André-Philippe Hardy – ***RBC Capital Markets - Analyst***

Okay. So, you'll restart the engines shortly after closing, is what you are saying?

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

And I think, Tom will be in good shape to start -- kick starting the engine even before closing.

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

Yeah, I think what Tim is saying is, obviously legally we can't tell Tom what to do between now and closing. But, maybe his clients and customers will give him a hint of what they want him to do.

Tom Gilman - ***President & CEO of Chrysler Financial***

I think my people will do...

André-Philippe Hardy – *RBC Capital Markets - Analyst*

Fair enough. And what kind of lock ups are there on this deal preventing another buyer for coming in?

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

I think this is locked. You don't have -- there is no risk of that happening.

André-Philippe Hardy – *RBC Capital Markets - Analyst*

But any more than that, Ed?

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

No. This is not a public company. This is a private transaction between two parties.

André-Philippe Hardy – *RBC Capital Markets - Analyst*

All right. Fair enough. Thank you.

Operator

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

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Good morning. First probably for Colleen, if I look at the US$7.5 billion portfolio, what is the current yield on assets that TD is acquiring?

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

Yeah, we probably don't want to get into that amount of detail. Sumit, but what I can tell you that, the margins on this business, currently and going forward are in about the four point range.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

So NIM is 4%, and -- well, I guess I was asking on the yield size since I would view the view that the funding advantage that to you bring to the people should help that margin going forward?

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

Yeah, I know that's right. That is exactly right. And we know we are pricing that NIM against a -- essentially a wholesale rate and that gets you to about 4%.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

I guess that's fair to say if you you're going to shift the book to be more prime going forward that might mitigate some of the funding advantage but thinking about the 4% NIM going forward from TD's funding.

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

Yeah. And that's obviously includes the mix of business that we expect going forward.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

All right and just I want to be clear on the conversation RWA, I think there was a comment on 50% risk-weighted under U.S. Basel II. But for TD Bank Financial Group in the 55 to 60 basis point impact on tier 1 that you laid out. Are you thinking about RWA in US$6 to US$7 billion range here?

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

Yeah. So on close -- and again you see some decline throughout 2011 but on close, we expect the risk-weighted assets now to be just below US$7 billion and that assumes 75% risk-weighting on the loan -- the loan side and then some operational risk and other items. So that's get just below US$7 billion. So that's its -- add that risk-weighted assets deduct to be 400 million in goodwill and that's how you getting through sort of 55 to 60 basis points such amount you should look at.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Right. And I think when -- if the numbers are about US$7 billion, this is lastly just for Ed. Back in May when you acquired TSFG, it ended up that the risk-weighted assets that were acquired on that deal weren't too much different than what you've announced today, yet there was a small common equity component associated with that transaction. What is it that is different about this one that you'd go with no common equity whether it's from TD's perspective or whether it from the regulator's perspective?

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

I think since that deal has been done we have a lot more clarity on Basel III than we had at the time. And so we've been regulator in the cash itself. At the time of the South deal, wasn't sure when Basel III was coming out. So, I think, a lot more of the rules of the road have -- that's been clarified. And so I think everybody involved in this transaction is comfortable that we have a significant enough cushion to meet the Basel III in 2013. There's no need for us to issue common equity for this one.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Thank you for your time.

Operator

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

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

Hi. Thank you. Just a quick question for Tom, when you were at your peak with US$30 billion in annual origination, would you exclusively be lending to one brand? And secondly, how many dealer relationships did you do have at that time?

Tom Gilman - ***President & CEO of Chrysler Financial***

We did about 2300 dealers at that time. We weren't just lending to one brand. It wasn't just Chrysler. We had -- we had lend to large mega dealers who had a number of different franchises, and what we wanted to do was we wanted to lend to all of the stores that were associated with that dealer. So if a dealer had ten stores, one of, which was a Chrysler store, nine of which were other manufacturers, we would lend to all ten stores. So, we had a fairly significant portfolio in the non- Chrysler business as well.

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

In the experience of that I mean, I guess, what I am trying to get out is at US$30 billion of annual origination spec, and I am wondering if you know what was the experience in terms of credit loss with that portfolio at the time? And secondly, I guess more importantly when you mention there is 18,500 dealers in the US as a potential market what are you actually aiming for?

Tom Gilman - ***President & CEO of Chrysler Financial***

Well, we are aiming for about 5000. Lock that lending relationships with 5000. And I am sorry that I didn't hear your first question.

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

The first question.

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

The first question is, when you are originating US$30 billion at the peak. What was the mix of that US$30 billion in terms of prime, near prime and sub-prime?

Tom Gilman - ***President & CEO of Chrysler Financial***

It ranged from about 85% prime to 90% prime for all of that period of time.

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

Okay. That's helpful. Thank you.

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

Darko, if I can jump in. I thought it was fitting -- given you ask the question, back in February 2006 when we bought the VFC platform you asked the question as to whether it was a jump-off point for North American platform. So I guess you must been rather questioned in your question at the time. So the answer to that question that I wobbled on then is now yes.

Darko Mihelic *- Cormark Securities - Analyst*

Thanks for very later response.

Operator

Your next question comes from John Aiken of Barclays Capital. Please go ahead.

John Aiken *- Barclays Capital - Analyst*

Great. Just a follow-up in terms of whether or not this has any attribution to the auto P&C business for Chrysler Financial had?

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

there is simple answer, yeah, no.

John Aiken *- Barclays Capital - Analyst*

Great. Thank you.

Operator

And this concludes the question-and-answer session, please continue.

Mushtak Najarali *- Toronto Dominion Bank - VP, Investor Relations*

No more questions.

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

Okay. Then I just have some closing remarks. Obviously, I think we are quite excited by this. We have spent some time looking at different ways that we could fill in this deposit asset gap that we have in the United States. Our existing strategy works pretty well, as you know our operating ROE in the United States is actually now standing well north of 20% operating ROE. But we did realize that over the long run, we needed to find some different franchises that will allow us to generate assets and so when we reviewed the set of possibilities over the last few years, what has been clear to us is that this is an asset class that has held up well during the cycle. It’s fairly obvious that people want to have their cars because if they don't have cars it is hard to have jobs and so this is an asset class that's actually performed very well and this group, Chrysler Financial is performing particularly well and you have to imagine the circumstances that they have gone through.

We all know in terms of leading management teams that it's tough times that prove out who are the good leaders and who are not the great leaders and obviously I think we've acquired great leadership. So we are quite excited that this is an acquisition that we can – we can take this platform and grow it. Tom would say it can grow a lot faster than we are assuming but we certainly can grow within the ranges that we have given you today that's going to produce, I think good rates of return that will enhance the earnings in our U.S. operations and improve the ROIC. So it's a good day for us today. Thank you very much.

Mushtak Najarali ***- Toronto Dominion Bank - VP, Investor Relations***

Thank you, and with that we will end the call. For any additional questions, please contact the Investor Relations team. Thanks again and happy holidays to all.

Operator

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