TD BANK GROUP

BARCLAYS 2011 GLOBAL FINANCIAL SERVICES CONFERENCE

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CORPORATE PARTI C I P A N T S

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

John Aiken
Barclays Capital - Analyst

PRESENTATION

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

Okay. Ladies and gentlemen, closing out the Canadian portion of our Global Financial Conference, we have Bharat Masrani, Group Head U.S. Personal and Commercial Bank, TD Bank Group, and President and CEO of TD Bank, America's Most Convenient Bank Bharat who has opted for a little different format for his presentation. After a brief formal comment, Bharat and I are going to have a more of a fireside chat before opening up to a broader Q&A. However, before I ask Bharat to come to the podium, I need to keep the lawyers happy.

As noted, in slide one, TD's comments may contain forward-looking statements which involve applying assumptions and have inherent risks and uncertainties. Actual results may differ materially from these statements. Think I'm actually going to start using this in my research reports.
Anyhow, it's my distinct pleasure to welcome Bharat to the podium.

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Thanks, John. And I'm glad you had to read that and not me. So, it's always nice that we get that slide out of the way.

Before I begin my remarks, on behalf of TD Bank Group and our nearly 85,000 employees around the world, our thoughts are with the families of the victims of 9/11, and we remember those who were tragically lost 10 years ago.

Let me share a few highlights from TD's third quarter, which ended on July 31st. And I'm on Slide two, for people on the phone or on the Web.

It was a strong quarter with adjusted earnings of nearly $1.6 billion, up 21 percent. Our retail franchises on both sides of the border delivered record results of $1.5 billion in earnings, up 14 percent. We increased our dividend by two cents a share, and we remain well positioned as we plan for 2012, despite the uncertain environment. Please turn to slide three.

A few additional notes on the quarter. Despite record earnings from our retail businesses, wholesale did have a challenging quarter, reflecting reduced trading volumes due to the impact of the European debt crisis, weaker-than-expected U.S. economic data and the impact of the debt ceiling debate in the United States.

Adjusted earnings per share were $1.72 Canadian, up 22 percent, and our tier one capital ratio is strong at 12.9 percent. We are one of the strongest banks in the world, and as we shared on our third quarter earnings call, we believe that we will comfortably exceed the 7 percent Basel III requirement by mid 2012, nearly seven years ahead of the regulatory guideline of 2019. Please turn to Slide four.

For those who are not aware, our Canadian Personal and Commercial Banking business is clearly the leader in service and convenience in Canada. Ranked number one in customer satisfaction by J.D. Power for the sixth consecutive year, the only bank amongst the "Big Five" Canadian banks to ever win the J.D. Power Award in Canada.

We are open 50 percent longer than our competitors and open on Sundays in more than 300 branches across Canada. Here, we took a page out of our U.S. playbook, and it is working, and we continuously invest in our network. In fact, over the past five years, one in every three new bank branches opened in Canada was a TD branch.

This has allowed us to maintain a consistent revenue growth gap versus our competitors, a gap that has averaged nearly 2 percent over our peers for the last five years. Please turn to Slide five.
Let me give you some flavor of TD Bank, America's Most Convenient Bank, the bank I run in the United States. We are now a top 10 bank, with over $194 billion in assets, $151 billion in deposits and $76 billion in loans.

We have nearly 1,300 stores, more than we have in Canada, up and down the East Coast, and just six years ago, we had none. Similar to our franchise in Canada, we lead in service and convenience and are open longer than our competition in all of our markets, and on Sundays in most.

We have a disciplined approach to credit, which has served us well through the financial crisis, and has allowed us to continue to take share. In fact, in our most recent quarter, excluding acquisitions, we outgrew our peers and saw loans increase by 12 percent and deposits by 10 percent.

We have essentially mitigated the impact of Reg E and have continued to grow our earnings with year-to-date adjusted earnings in excess of $1 billion. And through the acquisition of Chrysler Financial, we added over $6 billion in high quality auto loans to our balance sheet to accelerate our asset-gathering capabilities and to leverage our excess deposits.

At TD Bank, America's Most Convenient Bank, we're one of the few banks that can grow both through acquisition and organically.

In fact, New York City is a terrific example. Next week, we will celebrate our 10th anniversary in the City. Since opening our first store, diagonally across from here, the store on 55th and 6th Avenue, we now have 85 stores in the City with over $11 billion in deposits. And all of that has come organically, one customer, one deposit at a time, and we have plans to continue our growth in New York City.

Another example. Five years ago, we opened up a store at 2 Wall Street. Today, it has over $1 billion in deposits. This one store has more deposits than more than 6,600 small banks in the U.S., or about 93 percent of all banks in the United States. Please turn to Slide six.

I call this the "show me the money" slide for all of TD Bank Group. Our focus of growing high quality retail-focused earnings over time, without taking undue tail risk, has delivered impressive and consistent results. Adjusted earnings have grown at a compounded annual growth rate of 13 percent over the last five years.

Overall, each of our businesses has grown over time and clearly demonstrated their resilience by continuing to grow profitably right though the financial crisis and the worst recession since the Great Depression. Please turn to Slide seven.

What's different about TD from the other banks? Very simply, our model. We are a growth-oriented North American bank with a lower risk retail focus. We have relentless drive to lead in customer service and convenience on both sides of the border.

We build and run enduring franchises and create sustainable value and consistently grow earnings. We are focused on removing tail risk, and this simple model creates a competitive advantage that cannot be easily replicated. Please turn to slide eight.

As we finish up the year, our outlook for 2012 is cautious. There clearly are headwinds ahead of us: slower growth in Canada, the low interest rate environment. In the U.S., Durbin will have a pre-tax impact of between 50 to $60 million a quarter, beginning partially in our fourth quarter of this year.

The sovereign debt crisis in Europe and stubbornly high unemployment in the U.S. are all impacting both consumer and business confidence. It now appears that the economic recovery will be slow, long and bumpy.

Having said that, at TD, we have proven that we can outperform through these types of challenging times. How? By staying focused on our model, by continuing to invest for the future in our franchise, our people and our brand; by prudently managing the rate of growth in our expenses; by standing by our customers and by taking share. Great franchises widen the gap during challenging times, and TD is a great franchise. Please turn to slide nine.

So, what are my key messages for you today? At TD, we have a simple, consistent strategy and a lower risk retail-focused business model. We consistently deliver long-term profitable growth and build enduring franchises.

Given the economic and regulatory uncertainty, as we look forward to 2012, we are focused on managing expenses closely while continuing to invest for the future, and we remain confident that 2011 will be a very good year, and that we are well positioned to continue to deliver earnings growth in the seven to 10 percent range over the medium term.

Thank you. With that, John, I look forward to our, like you said, fireside chat. No fire here. I certainly look forward to your questions. Thank you very much.

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

Well, thanks, Bharat. We did try to bring the fireplace in, but I think the hotel's insurance policies prohibited that.

Bharat, on both sides of the border, on retail banking, TD is definitely capturing the service and convenience model. Wanted to see if you'd be willing to expand on that in terms of the sustainability and what barriers to entry truly does provide on that, because we're not seeing it, at least in the Canadian context, we're seeing some competitors trying to follow you down that path, but not seriously.

And if somebody actually does make a concerted effort, can you effectively fend them off? Or is this going to have some implications for future growth?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

You know, and we've talked about this, John, previously, our view is that the only sustainable position in our business is service and convenience - that we cannot sustain a franchise over the long term just being focused on price or products because in our business, those can be copied within a nanosecond. And so, that is the space one is to occupy. And for us, TD has been very good at that. And we've done that in Canada over many, many years. We have the longest hours than any other bank there. We have the best service proposition, and I illustrated that by the J.D. Power awards that we have received. And that is hard to replicate.

And in the U.S., I will give you some examples as well. You know, we are America's Most Convenient Bank. And to us, that's more than just a tag line. We are not only open longer than all of our competitors. In fact, we have 50 percent better hours than our competitors.

But, we define convenience more than just hours. You know, are we convenient for you if it's raining outside? Are we convenient for you if you have children? Are we convenient for you if you have change that needs counting?

And so, all these combine to create what we call a "WOW" experience, which resonates. It differentiates us in the market, it allows us to take share. We can walk into a new market and open a new store and are able to compete with that new store, whereby we will have more customers tomorrow than we have today. And that's been our story.

And people ask me a lot, saying, "So, what is the big deal on opening on Sundays? Why couldn't all your competitors do that?" Well, it's a little more complicated than that.

You know, when you run the hours that you do, that we do, it's not just opening your doors on Sunday. It means you have to change your whole employee profile. It's how you hire, how you train, how you pay, how you run your shift. What's the demographic of your employee base, because there are some who are able to work those hours, some who are not.

So, essentially, you're changing the whole DNA of how you run your bank by running the model that we do. And hence, I think it is not easy to replicate. If it was, everybody would've been there, and everybody would be winning these awards or having the proposition that we do, but they don't.

So I feel that this is the space to own in banking. We are in a good position there, and it has high barriers to entry as far as this space goes.

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

I guess, for somebody who just comes to the TD story today, which is probably very few people, as we know, but look at it, suddenly it would almost appear that, overnight, TD has a very significant presence in the U.S. and started with, of course, the acquisition of Banknorth, combined with Commerce.

But, TD, over the past few years, I would say, taking advantage of some of the difficulties that have been happening with the U.S. financials, has expanded into the Southeast region, which is something that traditionally, TD would be playing in the Northeast.

Was wondering if you could give us an update on the status of the integration growth acceptance of the TD brand and the TD service proposition in that area?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Yes. So, just to remind everybody in the room and on the phone, over the last year and-a-half, we acquired three banks from the FDIC in Florida. And in addition to that, we acquired The South Financial Group out of Greenville, South Carolina. The South Financial deal was not an FDIC-assisted deal. So, those were the acquisitions that we closed on over the last year and-a-half.

Our current status all these banks are fully integrated, fully converted and fully rebranded, such that from Maine to Florida now, we have 1,300 locations, all of them go under the brand of TD Bank, America's Most Convenient Bank. One model, one product set, one management team right through our footprint.

And frankly we are finding quite pleasantly surprised, how quickly, our model is resonating in some of the newer markets for us. For example we were modeling quite substantial deposit runoff in some of these markets.

And the reason was simple. Some of these banks were in trouble, so they were paying up. And TD does not pay up for deposits. And so, logic would have suggested that a lot of these deposits would run off, but they didn't because they like the risk profile of the bank, our rating our unique positioning.

And our hours are starting to resonate, so we're seeing account growth, when some of these more legacy banks had never seen growth before. So, very happy with how that has turned out.

It has given us good scale in Florida, it has put us in South Carolina, in a scale position from which to grow, and we have a small beachhead in North Carolina, and it's a good start.

So, happy with how it has gone, and look forward--you know, continue to grow the franchise.

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

Well, I know it's not necessarily in your purview, but Chrysler Financial.

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Yes.

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

Being run by Tim Hockey, but obviously all over your footprint. Can you give us a status update on where that is in terms of not just the dealer signup but whether the loan origination flow and what you're seeing in terms of credit quality? But, I think, most importantly, competition that's coming in from other regional banks and how that's shaping your business model?

So, I'd say it's a very important component of our strategy in the U.S. I mean, as everybody, I'm sure, knows, the structure of our balance sheet in the U.S., where we've got, you know, a huge level of funding, that's how we are structured in the U.S. So, an asset generator like Chrysler Financial is very attractive for our U.S. business.

It's going well. We only closed on the deal in April, so as you said, you know, we've been very happy with the dealer signups, and that has, you know, exceeded our expectations. You know, we are seeing good application flows from those dealers.

You know, one part, which has been somewhat challenging, is the competitive situation, and--which has resulted, probably, in softer margins. But, to some extent, you know, by our entry, it created a competitive response, which is to be expected. You know, with our funding cost, our size, our profile, you're going to have a competitive response when you are starting out in this business.

So, with the benefit of hindsight, we should not be surprised with that. But, I see, over time, not only in order for that business to meet our expectations but to exceed those expectations and deliver, you know, for our franchise in the U.S.

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

Well, I think I'm going to characterize it probably unfairly, but you've convinced Ed Clark, your CEO, to effectively make a fairly large bet on the U.S. economy by the expansion on that. I mean, no one has a crystal ball. No one knows, really, what's going on in the near term, but can you provide us with what TD's mid to long-term outlook is for the U.S. economy? And again, how that fits into the strategy that you're deploying through your growth in your acquisitions?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

I like the phrase you used, John, a "bet." A bet suggests, you know, either you win or lose. You know, I am, you know, frankly, thrilled with what our teams have delivered, you know, with our U.S. strategy. But, if you look back, yes, you know, we invested $20 billion as a group, around 20 billion.
But, what do we have? We have 1,300 stores from Maine to Florida. You know, we are now a top 10 bank in the United States. We announced our results out of the U.S. you know, our U.S. segment, you know, as of July 31st.

We had record earnings - the highest absolute earnings reported from our U.S. franchise since TD entered this space on the retail banking front, and a growing franchise. If you compared this to the relative performance of our peers in the U.S., you know, very happy with that.

And secondly from a return perspective, you know, we have said that this is going to take us time, as it did when we acquired Canada Trust in Canada. And it took us a few years to have that machine start humming with the level of organic growth that, now, it's showing, and we fully expect our U.S. franchise to do likewise, and we are well on our way to do that.

So, overall, I think I am very happy. I'm sure you should ask Ed. I'm sure he is very happy as well as to how this has turned out.

Now, with the prospects in the U.S., I mean, obviously the macro situation is not as friendly as we would like it to be. I think the economic headwinds are real. As I said in my remarks earlier the recovery is going to take time. It's going to be a few bumps in the road right through this process.

But, the U.S. economy has always been resilient. The American psyche is to be optimistic. And I have every confidence that at some point we'll be able to turn that.

I think the other issue that is a headwind for us is rates being so low. And when you have rates that are so low, it does impact the banking business.

And the last point I'd make is the regulatory sort of impact. And I talked a bit about it in my remarks. So, for example, the Durbin Amendment - is that going to hurt us over the short-term? Absolutely. But, our expectation is, as we did with the overdraft rules under Reg E, we were able to earn through it. Within a couple of years, I expect us to do likewise with Durbin.

So, yes there are short-term headwinds here. But, over the long haul, our view is that the U.S. is very resilient. It provides us with growth prospects that we could not find elsewhere.

A small example I don't know whether it's 50 or 75 miles radius of New York City, has more people than all of Canada. So, we find the market, the growth prospects, the long-term outlook for the U.S. to be compelling and very attractive for us.

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

I think that I'll stop monopolizing the conversation and open up to the floor for the intelligent questions, if there's any interest.

Unidentified Speaker:

Yes. Just expanding on your response to the southeast strategy, where do you think there might be particular holes, for lack of a better word, that you'd like to fill? And do you foresee it being more organic, or do you think there's, you know, room for M&A? And if it's M&A, what are some of the criteria you'd look for in a target?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

A great question.
So, I'd say, you know, Florida is very attractive to us. If you go back three years ago, we had a grand total of, I think, 18 locations. After these acquisitions and a few de novo openings along the way, we'll be at about 120, 130, you know, outlets in Florida.

And Florida is attractive - the long-term prospects for the state. It is the fifth largest state in the Union. It does provide huge opportunities, we find. Maybe not in the loan business, but nothing wrong with transaction business and deposit business out of that market.

And so, that is very attractive to us. Would I want more scale than what we have there? Absolutely. But, you know, the unique position we have is that we do have a de novo strategy.

You know, we opened 35 stores last year, last fiscal year. As many of you know, our fiscal year ends on October 31st. This fiscal year, we'll open 37 stores. This is right through our footprint, not just only in Florida. Next year, we have plans to open 35, at least 35 new stores. And many of these would be in Florida.

So, Florida, from a Southeast perspective, is attractive. Huge opportunity for us with our model. Our model work remarkably well in high urban areas, and Florida does offer that characteristic as well. So, I think you'll see more momentum for us in the Florida market among the southeast states.

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

Bharat, TD had been fairly active in terms of FDIC acquisitions. And The South Financial Group, as you pointed out, was not FDIC. And I think that Ed's on record in saying that large acquisitions pretty much off the table in the near term, but open to FDIC.

What's the environment like out there at this stage in the game in terms of the bidding process? And, you know, have you kicked the can or you're pulling back and being a little bit more cautious just on what you're seeing is availability, lack of presence in footprint? Or, what's the general and TD's outlook of the environment for the FDIC bidding?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

So, I'd say generally speaking, from an overall comment, we do now have adequate scale in the U.S. So, we don't have to acquire. We can continue with our de novo strategies and organically grow our franchise. And in my mind, we would just be fine.

But, you know, we have also said that when there is a compelling strategic and, from a financial perspective, opportunity that would accelerate growth in some of the markets we are in, we would certainly look at it seriously. And what we did with the FDIC transactions in Florida, and The South Financial deal is a reflection of that. It's that we're picking up this 160 stores, and it should be viewed as--you know, as if we started them from scratch. And then, it just accelerates our growth there.

So, we certainly have an interest from that perspective. Your question regarding just generally on the FDIC deals, I'd say directionally there are no more bargains to be had. And frankly the part of the footprint where we would be interested, there are no major deals of size available, at least at the current stage in the cycle.

So, you know, we keep on watching. We think we are a good buyer for the FDIC. We bought three banks from them. And so, should something compelling come up on that radar screen, we certainly would look at it very seriously.

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

Yes?

Unidentified Speaker:

Hi. Thanks.

I was intrigued when you were talking about the return on invested capital in the U.S., and you compared that to your return on invested capital in the Canada Trust deal. The ROIC in the U.S. is at--I'm going by memory, something like 7 percent, Yes?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Eight.

Unidentified Speaker:

I stand corrected. And the return on invested capital in the Canada Trust transaction is 40.

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Now, yes.

Unidentified Speaker :

Now, yes. That's quite a spread.

The banking environments are very different and the yield curve in the United States doesn't help. I'm just wondering if you have a target for the ROIC in the United States, over what timeframe, and what in the operating environment might need to change.

Let me phrase it differently. If the operating environment doesn't change, right, if the yield curve stays here for another three or four years, what could the ROIC in the United States possibly be?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Yes. So, let me sort of illustrate, couple of examples to make sure that, you know, I get my point across. So, you know, the operating returns in our business in the United States are in the mid 20s, between 20 to 25 percent. So, what do I mean by that? For every dollar of organic income we generate in the U.S., the amount of capital we need to attach to that dollar, we make a return of, you know, 20 to 25 percent. When we acquire banks obviously you apply goodwill to it and that's why the return goes down. And so, our view is that, as long as we keep on growing our bank, at some point it'll overwhelm the goodwill that we have spent in the U.S.

So, look at the earnings that you saw from our U.S. segment last quarter. Year-over-year, we are up 29 percent. And look at the organic numbers we posted. Excluding acquisitions, our loans are up 12 percent and our deposits are up 10 percent. So, the whole concept here is to organically grow our franchise, and that organic growth is generating excellent returns from a capital deployment perspective. You cited a number for our Canadian business. I think from a U.S. perspective, if we were to get our returns closer to the operating returns we generate now, you know, we'd be--all of us would be happy. Now, what needs to change? I mean, obviously over the short-term there are headwinds. You talked of, you know, what if the yield curve remains the way it is. I think great franchises will adapt to the environment they find themselves in. And TD will adapt to it.

You know, we are already optimizing, repricing getting more customers in, including--and increasing volumes. So, even in a low interest rate environment, if you have a growth story, if you have more customers, you have more transactions, you are going to generate more fees to offset some of those headwinds.

So, I think--over the long term, you know, I feel comfortable that not only will we continue to grow the returns in our business, but, you know, we should start getting a good return for our shareholders.

Unidentified Speaker:

That's all very fair, and yet I get very nervous when banks begin to position themselves as growth companies. We see what happens when banks grow well above the pace at which their market grows, and, probably most important, when banks feel they need to generate growth to justify their strategy. You know, I mean, you guys understand this very well, I think, as an institution. And all the Canadian banks do. So, how do you reconcile that?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

So, I think it's important to emphasize our growth is not coming by going out of the risk curve. We are growing because we have more customers today than what we had yesterday. And we'll have more customers tomorrow than what we have today.

And why is that? We don't have the dominant market share positions in the market that we operate in. We open new stores. You know, we take share.

For example, in the mortgage business, the banks that we acquired in the U.S. did not have much of a mortgage business. In fact, one of them had outsourced it. The other one was more focused on the deposit side of the balance sheet instead of growing the mortgage book.

So, TD comes along, rebuilds the mortgage platform adapts a lot of our learnings out of Canada on how do we get our distribution to get energized on selling mortgages and how do we do that.

And, you know, and then--and what we find ourselves now in a position is where, though the refi boom a lot of our customers have mortgages elsewhere, because we were just not in the business three or four years ago. So, as this refi boom continues, those customers are now saying, "I like your offering. I love your bank. I love your hours. I love the conveniences, the WOW! Service, etc., etc. So, why would I not bring my mortgage back to you?"
That's the kind of growth we are looking at. So, I think you've seen in TD's case right through this crisis, we were a positive outlier from an asset quality perspective. We did not go into the subprime business. We did not buy brokered loans. We did not go outside of our footprint. The risk management culture at TD over many years has been very prudent and very conservative.

So, I agree with your thesis if you are looking at growth coming through taking more risk. And my submission is that's not what we are doing. I am very happy with the risk profile of our U.S. business.
It just so happens I used to be the Chief Risk Officer for the whole group before I took on this job. So, I know what you are saying as to how quickly you can blow a bank, because we are a leveraged player no matter how you cut it. But, I feel comfortable with the strategies we are adopting and the risk return we are generating.

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

Well, Bharat, I guess extending on that, what we've seen is, you know, one of the tailwinds that can help the profitability in a U.S. bank is obviously credit. And an improving environment has actually been beneficial to your earnings.

Is it your belief that we're seeing a bottoming out in terms of charge-offs, credits provisions going forward? But, what is your, if that is truly the case, what is your outlook for growth on credit provisioning and charge-offs?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

So in our U.S. bank, we are seeing stabilizing credit environments to improving credit environments. We feel that year-over-year situation has improved.

Now, frankly in our case we were not in the sectors that really went through a downturn. But, I see continuous improvement. We have started to see workouts get done more quickly than we did a few months ago. The values seem to be coming back. There is more liquidity in the market. So, I see continual improvement.

As far as the rate of charge-offs and reserve build, we, in our case, continue to grow our book. You know, our assets are growing. So, as you continue to grow your asset side you will have allowances against it or reserves being set up just as your framework and your methodologies work.

But, I do see continual improvement. But we didn't take the big bath that some of our competitors took, so we don't have huge tailwinds. Saying I understand that a lot of those reserve releases are coming to an end. So, in our case, you should see a steady improvement in our allowances.

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

I think we have time for one more question before we--I need to close it down. I guess I get to take it, then.

You have mentioned you tried to quantify the impact of Durbin. And then, you've been very emphatic on your belief that, over time, you should be able to offset that headwind. Without giving away any trade secrets, can you let us know in terms of what some of those potential ideas might be?

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Yes. So, you know, if you broadly put it, it's product innovation, repricing, and optimizing your existing offerings. Simplistically, that's what you put, and most importantly, growth. So, if you have more customers, you know, you sell more services and you're going to, you know, generate more revenues.
We were able to do that very effectively in order to mitigate or earn through Reg E, for example. So, I feel, you know, very comfortable that we will be able to do that again with Durbin where we will find the revenue sources. And frankly, you know, I'll give you a small example.

We introduced our new suite of checking offerings in March of this year. And previously, you know, we, like all the other banks, had free checking as long as you had a minimum balance in your account. So, we came with a new offering.

We continue with the old one, and introduced a new one which is simple checking where you don't need to have a minimum balance. But, we will charge you a maintenance fee every month. So, there will be an account maintenance fee every month of $3.99 per month. You can get a $1.00 discount if you go green, you know, we are TD, if you sign up for online statements only.

So, you know, that's a fee account. And it's really resonated well. We are seeing tremendous take up in that account, which is great for us, because not only do we get the fee but we get the transactions. And in our case, you know, we are very good at attracting checking accounts. And that provides you with the opportunity of a higher level of fee income into your bank.

So, you know, feel comfortable that we have the right strategies. We are able to reprice, given our own offerings, given what's going on in the marketplace. And that's not impacting anything from a negative perspective. So, I feel comfortable that within two years we'll mitigate the headwind on Durbin.

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

Well, that's great.

Well, Bharat, thank you very much. And more importantly, thank you for getting me a much more comfortable seat than I've been in for the rest of the conference.

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Thanks very much.

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

Thank you.

Bharat Masrani
Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer of TD Bank, America's Most Convenient Bank®

Appreciate it. Thank you.