TD BANK GROUP
Q1 2011 EARNINGS CONFERENCE CALL
MARCH 3, 2011

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Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the Bank's 2010 Annual Report under the headings "Economic Summary and Outlook", as updated in the First Quarter 2011 Report to Shareholders; for each business segment, "Business Outlook and Focus for 2011", as updated in the First Quarter 2011 Report to Shareholders under the headings "Business Outlook"; and for the Corporate segment in the report under the heading "Outlook".

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PRESENTATION

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

Good afternoon and welcome to the TD Bank Group's 2011 first quarter Investor Presentation. My name is Mushtak Najarali and I'm the VP of Investor Relations at the Bank. We'll begin today's presentation with strategic remarks by Ed Clark, the Bank's CEO, followed by Colleen Johnston, the Bank's CFO, will provide and overview of the bank's operating results. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality, after which, we'll entertain questions from those present and from pre-qualified analysts and investors on the phone. Also with us today to answer your questions are Bharat Masrani, Group Head, US P&C Banking; Bob Dorrance, Group Head, Wholesale Banking; Mike Pedersen, Group Head, Wealth Management, Direct Channels, and Corporate Shared Services and Tim Hockey, Group Head, Canadian Banking and Insurance.

Please turn to slide 2. 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 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 Q1 2011 MD&A and our 2010 Annual Report which can be found our website at TD.com.

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

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

Thanks Mushtak, and thanks everyone for joining us this afternoon.

Colleen will be up shortly to discuss our first quarter results, but let me start by sharing a few thoughts on the quarter and then what we're expecting for the balance of the year.

Obviously this quarter was an excellent start to the year for TD. Total adjusted earnings hit a record of almost $1.6 billion in the quarter, and earnings in both our Canadian and U.S. Personal and Commercial businesses also hit new highs. Our Wealth Management business continued its positive earnings momentum and our Wholesale team delivered another strong quarter. Total adjusted retail earnings hit a record of $1.4 billion, up 30% from last year. That's simply amazing, given that, at this time last year, we were earning at just over $1 billion in adjusted earnings. We're also announcing a five-cent dividend increase for our common shareholders, highlighting the confidence the board has in our future success.

Fundamentally, this was a great quarter with earnings a bit ahead of our run rate. We're well positioned for a great year.

Our capital position remains strong, with our Tier 1 capital ratio now at 12.7%. We generated close to $1 billion in organic capital in this quarter alone. I'll give you some additional commentary on capital in a few minutes.

Let me make a few comments on each business segment.

It was another record quarter for TD Canada Trust, with earnings up 26% year over year, crossing the $900 million mark for the first time. We do expect year-over-year percentage increases to slow in future quarters as the lift from reduced loan loss provisions dissipates and real-estate lending slows. However, adjusted for the number of days in the quarter, we would still anticipate earnings in this range for the rest of the year. These wonderful results are underpinned by our commitment to remain the leader in service and convenience. You will have noticed that more than 300 of our branches across Canada are now open on Sundays.

TD Bank, America's Most Convenient Bank, turned in a record quarter, with adjusted earnings up 54% year over year. We remain pleased with how our performance in the U.S. is tracking, despite the regulatory headwinds. Our new run rate of earnings is in the $300 million per quarter range. Credit conditions are developing as anticipated with our loan quality gradually improving. Our mortgage security portfolio was showing modest signs of strain, but we are very well provisioned. Our organic growth strategy continues to deliver market share gains, while our acquisitions are performing well, with integration efforts going as planned. We expect the same with Chrysler Financial. That deal is on track to close in the second quarter, and we are very excited to add the Chrysler Financial auto lending platform to the TD family.

Wealth Management earnings rose 32% year-over-year, excluding the contribution from TD Ameritrade. Growing confidence in the equity markets helped deliver higher client assets and strong trading volume, while margins expanded. TD Ameritrade continues to do a great job at asset gathering and recently crossed the CAD400 billion mark in client assets, an impressive milestone.

This was also another strong quarter with solid returns for our Wholesale Bank, and consistent with our expected earnings run rate of $175-$225 million per quarter. This business performed well despite moderated markets compared to last year and continues to execute well on its client-driven franchise strategy. In terms of outlook, we're expecting a very good year in 2011, thanks to the power of our retail focused growth engine. The dividend increase we announced today speaks to that. At the same time I don't think it would be fair to say that all negativity is lifted from the macroeconomic picture and that the world is back to normal. There are key global issues that have yet to be resolved. The European debt crisis remains a real concern. Inflation in emerging economies is becoming a more important issue; and clearly the United States economy continues to recover slowly. While there have been some positive economic signs in the US recently, the reality is that the fiscal situation remains unclear; municipal and state budgets are under strain; and the US housing market has not noticeably improved. The recent unrest across North Africa and the Middle East has also added another level of uncertainty into the global markets. At the same time, on the ground we are continuing to see positive signs from our personal and business customers. They are continuing to get more comfortable spending and borrowing, and they tell us that conditions are improving.

So it is a mix of high-level caution and ground-level optimism. If that sounds familiar to you, it's what we told you last quarter. It is because our view hasn't really fundamentally changed. We think the economy is recovering against a backdrop of fragile confidence. While that is a challenging environment, our model has clearly shown an ability to deliver in that challenging environment. We are in a good position to continue to invest across our franchise to bolster our position for the future. So let me talk about capital and dividends. On the capital front we are providing some additional disclosure that Colleen will speak to, but our key messages have not changed. We are confident that we will meet the new cap requirements on an accelerated basis without issuing common equity.

We can do this because we have a great set of businesses with very strong capability to generate organic capital. But what this does mean, however, is that we don't expect to have a lot of excess capital. Consequently, if we were to do an acquisition of significant size, we would likely have to issue shares to fund the transaction. I think it's important to emphasize several things about the new capital rules. These new rules represent a significant increase in the amount of operating capital. In fact, we will need to hold approximately 70% more operating capital under Basel III to conduct the same businesses which we were previously doing. While capital levels are significantly increasing, the effect on return on equity at the overall Bank level will be less dramatic than one might assume. There are several reasons for this. First, our ROE at the total Bank level reflects both operating capital and goodwill and intangibles on our books. Second, we are already holding much of the additional operating capital that we need to hold; we hold that today. And third, and our earnings growth and the low risk-weighted nature of this growth helps us manage rising capital needs without impacting on the ROE.

So what does all this mean for dividends? Well, our approach hasn't changed. Our confidence in delivering sustainable earnings growth will drive our approach to dividends. As we get into the latter half of the year, the Board will review the timing and size of future increases. So with that, let me wrap up. We are off to an excellent start in 2011 with record quarters for our U.S. and our Canadian Personal and Commercial banking operations, and strong performances from Wholesale and Wealth. We think we have got the right ingredients for another very good year, even though regulatory and economic uncertainty has not dissipated. Last quarter I mentioned that for 2011 we will able to at least meet our medium-term target for adjusted EPS growth of 7% to 10%. Based on our current outlook I remain very confident we can do so. Now let me turn the meeting over to Colleen.

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

Thanks very much, Ed, and good afternoon, everyone. Let me take you through the results.

Slide 4. Our totaled Bank adjusted net income for the quarter was CAD1.588 billion, a record high, up 26% from last quarter and 11% compared to last year. Adjusted diluted earnings per share for the quarter were CAD1.74, also a new record, up 26% over last quarter and 9% over last year. The key highlight this quarter was the record-breaking retail performances from both sides of the border, delivering a combined CAD1.4 billion in adjusted earnings, up 30% from last year and representing 86% of total Bank earnings. All retail businesses posted double-digit earnings growth. Credit continues to improve from cyclically high loan-loss levels driven by a more stable economic environment and improving unemployment. Our Wholesale Bank delivered another strong quarter. Adjusted net income of CAD237 million, up 10% from last quarter, but down 36% from last year. The Corporate segment loss of CAD68 million in the quarter declined by CAD95 million compared to last quarter, but increased by CAD35 million compared to last year. As you can see our capital position strengthened in the quarter. Tier 1 capital ratio of 12.7% was up 50 basis points from last quarter and 120 basis points from last year. Our ability to add 50 basis points to our capital ratio in a single quarter underlines TD's organic capital generation capability.

Please turn to slide 5. TD's reported net income was CAD1.541 billion or CAD1.69 per share. Adjusted net income was CAD1.588 billion or CAD1.74 per share. The difference between reported and adjusted results was due to four items of note, all of which you have seen before. Before I move on to segment results I would like to mention that we also had two types of transfers between business segments this quarter. The related to charges from the Corporate segment to the businesses, and the movement of US credit cards from Canadian Personal and Commercial Bank to the U.S. Personal and Commercial Banking segment. So when I reference segment transfers in the presentation, I am referring to the combined impact of these two changes. Slide 16 in the appendix contains more details.

Moving on to TD Canada Trust, as Ed mentioned , Canadian P&C had a record quarter -- record net income, record efficiency, and record customer satisfaction. Net income was CAD905 million, up 26% from last year and up 17% from last quarter. Revenue was up 5% versus last year, with good operating leverage. Excluding the impact of segment transfers, revenue was up 7% over last year and 2% sequentially. The year-over-year increase was primarily due to strong volume growth in personal and business deposits, real estate secured lending, indirect lending, and insurance. Real estate secured lending volume moderated as expected due to borrower deleveraging and competitive pressures, but still remained impressive at a 9% growth year-over-year. The continued strength in business banking was also a key driver of growth in the quarter, with business banking volumes up 8% year-over-year as the economy recovered, compared with 4% growth last year. Growth in personal and business deposits remained strong on a year-over-year basis at 5% and 11%, respectively. Compared to last year, the margin was down 11 basis points, but 8 basis points of that decline was due to segment transfers. Insurance also had a record quarter, making a strong contribution to earnings. Results were driven largely by higher volume and premium growth, and better claims experience in our general insurance business.

We continue to expect positive momentum in this business going forward. Provision for credit losses excluding segment transfers was down 27% from last year, reflecting better credit conditions driven by an improving economic and employment environment. PCL was relatively stable quarter-over-quarter, declining by 4%. Also, business banking loan losses remained at very low levels. Expenses excluding segment transfers were down 8% sequentially, as expected, since expenses last quarter were higher than usual due to higher business investment and project-related costs. Expenses excluding segment transfers were up 2% from the prior year due to higher employee compensation and project-related costs. We expect the rate of earnings growth will moderate on a year-over-year basis starting in Q2, with reduced benefit from improvement in PCL, slowing volume growth, and continued margin pressure in personal banking. However, the outlook for the rest of the year remains very positive and we expect strong performance in insurance and business banking. I also wanted to remind you that the second quarter has a fewer number of days. You know this. But we expect that it will have an earnings impact of roughly CAD0.10 per share sequentially at a total Bank level. The majority of this impact is in TD Canada Trust. Overall, it was just a great quarter for TDCT.

Moving on to slide 7, Wealth Management, which excludes Ameritrade, had net income of CAD133 million, up 32% from last year and up 13% sequentially. This marks the eighth consecutive quarter of higher earnings and the best quarter since Q2 of 2007. Revenue increased 16% from the prior year due largely to fee-based revenue from record client assets, higher net interest margin, and higher transaction revenue. Expenses increased 12% from last year primarily due to higher variable compensation and trailers related to business growth and a nonrecurring project expense. TD Ameritrade contributed CAD48 million to TD this quarter, up 12% from last year and up 45% from last quarter. On the whole this was another strong performance from Global Wealth.

Please turn to slide 8. Our U.S. Personal and Commercial Banking business had record adjusted net income of USD$332 million for the quarter, up 54% from last year and up 21% sequentially. It was a somewhat noisy quarter, and I will take you through the details; but the fundamentals were very strong in the quarter, so let's start there. On a core basis, excluding acquisitions, segment transfers, and a favorable impact from our non-agency CMO portfolio which I will speak to in a moment, core revenue showed good growth at 7%, despite the impact of Reg. E, driven by strong organic volume growth in loans and deposits. On a year-over-year basis, the segment delivered positive operating leverage in spite of the impact of Reg. E on overdraft fee revenue. We continue to see strong organic growth. Loan growth was up 9% year-over-year, primarily in residential mortgages and commercial loans. Deposits, excluding the TD Ameritrade insured deposit accounts, grew 7% year-over-year, driven by maturing stores. Volume growth continues to compare very favorably to our peers in the US. For our core lending portfolio PCL, excluding acquisitions, segment transfers, and the impact of the CMO portfolio, was down $66 million or 36% compared to last year and down 10% sequentially as the US economy continued to recover. Earnings this quarter also included the impact of a favorable tax item equaling $24 million. A couple of numbers this quarter related to debt securities classified as loans do bear mentioning. The higher PCL and the higher gross impaired loans. For our debt securities classified as loans, PCL was USD $66 million, up from previous low levels; and gross impaired loans in this portfolio also increased by $649 million. Accounting for acquired portfolios can create swings between net interest income and PCL, with good news flowing to NII and bad news flowing to PCL. We saw this happen this quarter, as higher foreclosure levels drove more NII and more PCL. The resulting net positive impact to earnings was $11 million after-tax. We have outlined this on slide 21 in the appendix including the impact this quarter. We will be transparent about the impact of the accounting and will provide similar disclosures going forward as appropriate and where the numbers are meaningful. Mark will address the credit quality of this portfolio in a moment, but the trigger for reporting impairment on these securities does tend to overstate the true risk in the underlying portfolio. We've explained the methodology on slide 21 in the appendix. Core expense growth was well controlled and largely related to acquisitions, new stores, and infrastructure investments. Expenses excluding the impact of acquisitions and segment transfers were up 6% compared to last year. On the acquisition front, Q1 included a full quarter of The South Financial Group and our Florida FDIC acquisitions. Volume and earnings and returned performance were all better than expected. Overall, a terrific quarter for the U.S. Personal and Commercial Bank. Looking forward, we remain optimistic that good volume growth will continue for the remainder of the year. We expect a more sustainable run rate will be in the USD$300 million range per quarter on average.

Moving on to the Wholesale Bank, slide 9. Wholesale delivered net income of CAD237 million, which was a strong performance for the period. The results were down 36% from last year. Last year's results reflected the unusually strong market conditions that followed the financial crisis. Compared to last quarter, adjusted earnings increased by CAD21 million or 10%. This quarter's results reflected a moderated trading environment and stronger capital market revenue. PCL was relatively flat compared to the prior year. The CAD6 million in PCL this quarter was mainly our cost of credit protection. The credit quality of this loan portfolio remains very strong. Expenses were up 21% quarter-over-quarter primarily due to higher variable compensation. Compared to last year, expenses were up 4%. Overall, this has been a strong quarter for Wholesale, which delivered solid results across all business lines. Going forward we expect near-term earnings performance in the CAD175 million to CAD225 million range per quarter.

The Corporate segment, slide 10. The adjusted Corporate segment loss this quarter was CAD68 million. As I mentioned in my overview, we revisited our Corporate allocation methodology this quarter. This reduced the Corporate loss by CAD41 million after-tax, with a corresponding impact in our business segments. We expect similar amounts per quarter going forward; please refer to slide 16 in the appendix for more details. Excluding segment transfers, the higher loss versus last year was primarily due to an increase in net corporate expenses and certain favorable items in Q1 last year that did not recur. Excluding segment transfers, the lower loss sequentially was primarily due to a decrease in net Corporate expenses, higher earnings on excess capital, the Symcor write-down reported last quarter, partially offset by lower gains from securitization activity. Overall we are forecasting our Corporate segment loss for 2011 at approximately CAD80 million to CAD120 million per quarter. We would caution, however, that by its nature Corporate can contain some volatility.

Please turn to slide 11. We know that capital remains a key issue on your mind. There has been a desire for us to provide more quantitative detail to help you understand the impact on our strategy. Having said that, our key messages on this issue have not changed. We still expect to meet the Basel III requirements in Q1 of 2013 without issuing any common equity. We will continue to grow the Bank and will have some excess capital upon implementation of the new rules. However, we would need to issue common equity to fund any acquisitions of significant scale. Any future dividend increases will be based on the Board's outlook for sustainable earnings growth. The increase we announced today is an illustration of our ability to deliver that. There are a lot of moving parts and the numbers related to the impact of Basel III will get refined over time. As Ed mentioned, this new capital regime will require us to hold a significantly higher level of capital. Let me give you a sense of how we expect to manage through the capital changes. There are essentially two main impacts which drive the significant increase in capital. The impacts include higher net common equity deductions and the impact from higher risk-weighted assets. The total expected impact of these is estimated to be an increase of CAD 9 billion to CAD10 billion in capital required. For us, we expect to be able to meet these higher capital standards thanks to the strength and performance of our lower risk business model. In addition, in anticipation of the updated Basel requirements, we have been building up capital over the past couple of years. With our current excess capital of approximately CAD6 billion and significant organic capital growth potential over the next two years, we expect to be above the 7% common equity requirement in 2013 with full phase-in of deductions. We have consistently shown a strong internal capital generation capability, having added CAD2.3 billion to retained earnings just in 2010 alone; and Q1 was another good example of this capability, where we saw almost CAD1 billion in retained earnings growth, that translated to 50 basis points in Tier 1 capital. Based on the strength of our business model, we are confident that we can meet the new Basel III requirements and continue to run our growth strategy in the new capital environment. Going forward you can assume that this is our base-case scenario. We will update you on the capital impacts of Basel III should anything change materially. And with that, I will hand it over to Mark.

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

Thank you, Colleen, and good afternoon. Please turn to slide 12. Similar to last quarter, I will limit my comments to highlights of our credit performance in the Canadian and US portfolios, followed by a brief update on the debt securities classified as loans portfolio. Detailed credit slides are provided in the appendix. As in the past, we have excluded debt securities classified as loans in the CAD1.8 billion FDIC covered loan portfolios from this analysis to provide a clearer picture of US credit performance. Overall, performance has continued to improve across the credit portfolios. The Canadian credit portfolios remain strong, with the personal portfolio continuing to return to pre-recession levels in terms of annual loss rates. We are seeing encouraging signs in the US credit portfolios; default and loss rates across the personal portfolio remained stable during the quarter. Mortgage refinancings have continued to drive high-quality growth in the residential mortgage portfolio. We are seeing positive trends in the US commercial portfolio, as evidenced by a noticeable reduction in both gross impaired formations and PCL in the quarter. Lastly, the recently acquired credit portfolios continue to perform well within expectations. In summary, we expect these positive trends to continue in the US over the balance of the year. Finally I would like to comment on the performance of our debt securities portfolio. As Colleen mentioned earlier, gross impaired loans on debt securities classified as loans increased by CAD649 million to CAD1.8 billion in the quarter. Under the required accounting treatment, a security becomes impaired when the current expected loss exceeds the expected loss calculated when the security was acquired. This treatment classifies the entire security as impaired. However, the incremental risk at the time of impairment is the increase in the expected loss amount, and not the entire security. That being said, at the end of the quarter, the fair value of the portfolio remained, continued to exceed the net book value. It remains our view that losses on the debt securities portfolio will not exceed the discount taken at time of acquisition, and we are comfortable that the portfolio is adequately provisioned. Now I will turn the presentation back to Mushtak.

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

Thank you, Mark. Before we move into Q&A, I understand that the conference line had some momentary technical difficulties during Ed's remarks. So I just want to advise you that we have posted Ed's remarks on our website and they can be found at www.TD.com/investor for your reference.

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

Are you sure you don't want me to redo them again?

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

We will hold a private session later, Ed. So with that, we will move into Q&A. I will remind everyone participating we would appreciate if you could keep your questions to one and re-queue to ensure that everyone has an opportunity to participate. We'll also ask you to please identify your name and your firm before asking your question. Before we end the call today, we will ask Ed for some final remarks. And with that said, why don't we get started in the room first? Michael Goldberg?

QUESTION AND ANSWER

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

Thank you. Michael Goldberg, Desjardins Securities. So I do have a question about the debt securities classified as loans. I just want to clarify so I understand. You have increased the amount classified as impaired because the expected loss is now greater than the expected loss at the time of the acquisition of these securities. Is that correct?

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

Yes.

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

Could you remind us what the haircut was that was taken at the time of the acquisition of these securities? So what is the difference between their carried and their face value now?

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

Michael, I wouldn't -- I couldn't recall at the time of the acquisition; I know the numbers today. That when you take the increased expected loss or the current expected loss, that is well within the discount. Then that is further validated by the fact that the fair value of those securities is about 300 higher than we are carrying it, which I think would probably be similar to what -- the amount that we feel is left in that discount that is not covered by an expected loss.

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

Just to clarify, when we closed the Commerce deal we took a write-down on the securities portfolio of about CAD$1.5 billion. A portion of that, as you know, was credit related, and with the lion's share of it being more liquidity driven. Hence, now the higher yield on those securities.

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

Next question. John?

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

John Reucassel from BMO Capital Markets. Tim Hockey, just if I'm allowed to ask one, I will ask you.

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

Thanks, John.

John Reucassel *- BMO Capital Markets - Analyst*

In your comments you mention margin pressure in Personal Banking. I don't have that written down that you have said that before. So is the pressure on margins more intense today than it has been in the past? Then a couple of your competitors talked about pricing competition in commercial as well, if you could talk a little bit -- and how that impacts your NIMs going forward? How you look at that.

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

So from a competitive pressure point of view, our outlook would say that, notably on the lending side in real estate secured lending in particular, and as you mentioned in commercial lending, there is pretty high competitive levels. So if I had to give an outlook on margins, the margin on average earning asset outlook is fairly flat if you will; maybe slightly down. But the competitive pressures underlying that are -- if we get an increase in the Bank of Canada rate, we should get some floating up in deposits over the remainder of the year; but we do believe that the competitive pressure will put margin pressure on our -- both Personal and Commercial lending.

John Reucassel *- BMO Capital Markets - Analyst*

Have you changed your outlook on your loan growth in the real estate secured? I think you talked about mid single-digit. Is that still what you expect?

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

It's actually feeling a little stronger than we would have thought last quarter. We obviously had a very strong quarter in terms of growth. Market share gains in almost all categories -- in fact, all categories. So I would say if I had to forecast the full year, I would say we are going to be more in the 6 to 8 type level.

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

Thank you, Tim. I'll move on to the next question.

Peter Routledge *- National Bank Financial - Analyst*

Yes, Peter Routledge. National Bank Financial. Ed, I was struck by your reference to significant acquisitions in the presentation. Has there been a change in view? A. B, would you look outside your eastern seaboard footprint? And C, given you have got a pretty hefty integration effort to go with Chrysler Financial, do you have the integration capacity over the next six months to do a sizable deal like that?

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

Yes, just to clarify, our reference was that to do a significant acquisition we would have to use shares. It was only then to define sort of what is excess capital that we see we have here for acquisitions. We are saying we might be able to do very small acquisitions, but if there is anything of any size we are going to have to use shares. No implication that we are now in the game, the hunt, to do significant acquisitions. Don't know. So I think we are still in the same position that we have been for some time, because we have this difference between on-the-ground optimism and then prevailing uncertainty in a macro sense, I think we are still in the space that we like smaller deals rather than bigger deals at this stage. And we would rather -- there is no shift in our focus in terms of banks would be down the East Coast; and we will continue to look at asset plays like Chrysler Financial where we can add to the balance sheet. But those would be asset acquisitions.

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

Thank you.

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

Thank you, Ed. Operator, why don't we move to the phone? Can we please take the first call?

Operator

Steve Theriault, Bank of America Merrill Lynch.

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

Thank you. For Tim -- Tim, excellent growth in mortgages in the quarter. It looks like by my count almost 5% sequentially. But what I thought was curious was the HELOCs were unchanged for the first time I think since going way back to 2007. That is a product class where you have obviously derived a lot of growth. So what was the reason for the slowdown there? Does this have anything to do with the new mortgage rules? Although they were admittedly put in late in the quarter. Is there any de-emphasis of the HELOC product going on?

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

Strong competitive pressures on HELOC in particular. It has been our stellar growth product for many, many, many years and we now have a dominant market share. We tend to look at the total combination of both mortgages and the HELOC books, because in many cases we see those products as fungible. So as we said 9% overall, mostly on the mortgage side and flat on HELOCs side. And that is pretty much the product mix that we would see going forward. No impact whatsoever from the announced changes from the Minister's office.

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

So no de-emphasis, just coincidence that HELOC was slowing this quarter?

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

Again, it's not a de-emphasis as much as it is we are trying to hold the margins on that particular product when some of our competitors have been very, very aggressive on pricing.

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

Okay, thanks.

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

Thanks, Tim. Operator, we will take the next call please.

Operator

Gabriel Dechaine, Credit Suisse.

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

Good afternoon. Again on Canada, as you expect earnings to slow, Colleen's comment was kind of interesting there. Where do you expect earnings growth mostly? Because the asset growth was pretty strong this quarter. Are we talking mostly on operating leverage and maybe see some further declines in the expense base? Then on the M&A front, Ed, your comments about the small deals, am I correct to understand that you define small as anything less than CAD50 billion of assets?

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

Gabriel, I'll take the first one.

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

Colleen said -- Dock dock, don't take that.

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

Don't. Don't say it.

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

Go for it, Tim.

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

So our earnings outlook for TD Canada Trust domestically, the point we were trying to make is that there is always a, call it second-quarter effect, days effect to a large degree. So we would expect to see a decrease. We feel the analyst community maybe has been surprised by that in the past him and we wanted to make sure that that was out there. But at the same time if you looked forward, we feel very confident about the current earnings levels. But the absolute level of year-over-year growth will slow from these mid-20s rates. We just don't believe we can continue that. In fact, mathematically given what happened with the PCL step-down this quarter, it is not going to recur next quarter.

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

So on the acquisition front, again, we haven't changed. A number of people have picked up at one point I used to say CAD10 billion or less; then I said, well, CAD10 billion to CAD20 billion. So people wondered whether that was a major shift. What caused me to just use it was when we were looking at Chrysler Financial. At one point it looked like the size of the asset portfolio could well have been over CAD10 billion, so I started to nudge up the number. But I wouldn't read too much into that. I think that's the sort of territory that we would look at doing acquisitions for the moment, at that point. Until we tell you otherwise.

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

All right. Just on the dividend payout ratio, you got to around 38%. Is it safe to assume that you're going want to stay to the lower end of that range in order to go by OSFI's guidance of earnings retention, conservative earnings retention strategies?

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

Two comments on that. I think I was explicit in my remarks. I think 174 is probably not our running rate, and so that that I think when you look at what the dividend payout ratio -- I think I would throttle back a little from that number in the sense of how we look at it on a sustainable basis at this stage. No, I don't -- I know I am sort of alone in this, but I do try to separate out capital and dividends. Obviously at the extreme, if you are capital short and you have a real problem getting to the test, then you might start to lean on dividends. But frankly it makes such little difference to capital accumulation in this kind of time period. That -- I think we have a dividend policy, 35% to 45%, and we are trying to stay in that dividend policy. I think when you look at -- the point I was trying to make is I think what makes us -- when you work your way through what are the drivers, and I am sure all of you have done this, we are unusual in that we have this huge rate of return on risk-weighted assets, which essentially means a huge rate of return on regulatory capital. So that as we grow we don't have to keep -- we don't grow our regulatory capital needs at the same rate as other different business mix might cause you to do that. So we naturally generate a lot of capital. So we are reasonably confident as you can be that we are not going to have any trouble meeting the January 1, 2013, date. The only caveat I would put on that is that there is still -- I know people keep on putting a lot of certainty around these rules. We find that every few weeks we get another missive about further details and they're moving these numbers around all the time. But subject to that, I think we are not worried about meeting the capital rules. And therefore we are confident to say -- which we have been signaling -- that we want to get back to, once our sustainable earnings, we're in a place that told us to pay increased dividends, we are going to increase dividends.

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

Okay.

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

Thank you, Gabriel. Operator, can we move to the next question?

Operator

Andre-Phillippe Hardy, RBC Capital Markets

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

Thank you. My question is probably for Bharat. You talk about CAD300 million in expected earnings for the rest of the year. That seems conservative from my end. You have got good momentum on revenue growth, and we talked about loan losses coming down through the year. So I am a little curious. Except for the shorter number of days in Q2, why it is that you think your earnings will be down -- or in line with Q1? Excuse me. Then related to that, is it because of Durbin and interchange fees, and you expect an early adoption perhaps?

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

Good question, Andre. I've been asking the same question.

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

I thought you would enjoy the number while it was out there. I would say you picked up on the days impact for the next quarter. Colleen said very I think appropriately, on average that is what you should expect. Have we considered some headwinds for Durbin? Absolutely. It is tough to quantify Durbin, because the final rule has not been issued. There is lots of discussions, lot of moving parts on what that rule might be or the timing of it. Our numbers, we obviously expected some headwinds on it. So considering that; considering the days count in the second quarter I think it's appropriate at least at this stage to say on average that is what we are expecting.

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

Now some think Durbin won't be implemented until after your year-end. If that is accurate, would it be fair to expect earnings in excess of CAD300 million.

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

Yes.

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

Mushtak, am I allowed another one?

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

Sure. Go ahead, Andre.

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

Thank you. Probably for Colleen. You still don't have advanced internal ratings-based methodology for credit in your US book. When do you expect to get there? And directionally do you expect a positive benefit to your capital ratios or negative?

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

I will let Mark take that one.

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

You know, there is a little uncertainty. I mean our original plan would have been for the end of 2013. But the size of the US entity has triggered our requirement to meet the US rules for Basel II, which are slightly different and separate from the Canadian rules. They have quite strict rules regarding how you approach it. It is more rules-based than principles-based. One of them is specifically the amount of data you have. So because of that, that probably will be several years delayed behind that. So it's difficult to predict at this point which one will determine the impact on the regulatory capital. I think it is safe to say it is somewhere in between; but I wouldn't -- I think it is unlikely in '13, more to the latter end of that range.

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

Thank you.

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

But whatever effect, it would be positive.

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

It would be positive, yes. It would be a positive effect, because the reality is we are carrying the operational risk capital already, but we are carrying standardized on credit. So if you look against our Canadian portfolio, which is similar, there would be a positive impact, for sure.

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

Thank you.

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

Thank you, Andre . Operator, can we please move to the next question?

Operator

Brad Smith, Stonecap Securities.

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

Great. Thanks. Yes, my question just again relates to these debt securities that are classified as loans. I really feel like the number is still material, CAD4.5 billion; and yet we just make it go away and pretend it doesn't exist. So a question for you, Colleen, perhaps, with respect to this portfolio. This thing started at about CAD12 billion. I think it ended the last quarter at CAD4.5 billion. The impaired amount at CAD1.8

billion is about 40% now; and that started at 4%. The other question that I have is with respect to the provisioning. You show a specific provision each quarter for this; and then there seems to be some drawdown of a general provision. Could you just put that all in perspective? I do understand that the current fair value, as you put it, is above the carrying value. But one of the reasons that these securities were required to be classified as loans, as I understand it, is because their values are not quoted in a regular market. So is there any information in terms of the wind-down, sale, or otherwise of this portfolio that would add confidence to the valuation judgment?

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

So, Brad, why don't I start with the last part of your question? You are absolutely right. When we first moved the portfolio, the valuation was part of the issue. But the numbers we are citing now under -- for fair market value are representative of actual market, observed prices in a relatively liquid market. So we think it is actually a pretty good number. You are comparing now on an apples-to-apples our book value versus the fair value, and we are CAD300 million higher on fair value. Again, it is just a data point. The reality is the book value number is the one that is obviously on our balance sheet. Your second question was around the impaireds. I think you are quite right, and that is really what Mark has outlined, is that there is this exaggerated effect of how we are triggering impairment on that particular portfolio. So you have a security that obviously has a number of underlying loans. What happens is that -- obviously what we have done when we closed the transaction is we have an expected loss on all of those various underlying loans. To the extent that the expected loss is higher than we expected, that means that we are suggesting the underlying loan is impaired, which then is impairing the entire security. So to exaggerate the point, you could have a security that has got 30 underlying loans; and essentially we could be showing it as impaired if one of those positions where we had a higher expected loss than what was in our model. So I think it can be alarming to look at that big impaired number in relationship to the CAD4 billion or so that we have in the portfolio itself. But it really is not indicative of the underlying credit issue. And again, we obviously have the general set up, and as we realize those amounts, as we see actual amounts coming through, reclassify from the general into specifics. And you have seen that phenomenon. I don't know, Mark, whether you wanted to add anything on that?

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

The only thing -- I guess I look at it from a credit perspective, accounting aside. Really we do the analysis independently. We say -- what do we feel these things may ultimately lose? And we are still in a range where we feel that we are really not going to lose anything on aggregate on this portfolio. So the proper decision is to continue to hold. Now I know it is unusual. Like if you look at our gross impaired loans of about CAD4.1 billion, CAD1.8 billion of it is in this category. But unlike in normal gross impaired loans, we don't expect to lose money on this CAD1.8 billion. I think we haven't seen anything that would tell us that that thought is wrong. And it has reduced from about CAD11 billion to about the CAD4.5 billion you mentioned.

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

Just with respect to the reduction from CAD11 billion to CAD4.5 billion, what is causing that? Are you selling these? Or are they just simply paying out? How is it coming down as much as it is? And why is it -- why is the impaired amount growing? It really looks from an outsider's perspective like the good loans are either getting repaid or going away and the bad loans are staying in the bucket.

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

Yes, so we have had pay downs on the portfolio and also then we have sold some of the securities. This is a portfolio that we monitor very carefully because there are certain parts of it that can be quite capital intensive. You do see that in the deduction from Tier 1 capital, where anything that is rated below double-B-minus is -- there is a 50% deduction from Tier 1. So that is quite punitive. Sort of looking ahead as well, the capital side of it can be quite punishing. So we do tend to look at these on a security-by-security basis and assess whether make makes sense to continue to hold them or not. We have sold various positions, and you would actually see that showing up than in our invested capital in the United States. So in some cases that has actually helped to bring down our invested capital.

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

The only thing I would add, Colleen, is that part of the pay down has been driven by the foreclosure activity in the US. So we are in the senior tranches of the securites, so when you sell the house or you sell the item, the cash generally comes to the senior -- does go to the senior tranches. So that is why we have had pay downs higher than one would have expected in a different environment.

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

It's Ed here. I guess the other thing I would add is just mathematically over time you are going to tend to create impaired, because just think about it. We buy this whole portfolio of CAD10 billion-plus, and we have to guess where to put the provisions against every one of these items. Every time you get it right, you get no credit for that. But every time you get it wrong you have to take the whole security and make it impaired. So you could end up not having made any -- net no changes at all. But if half the time you guess right and half the time you get it wrong, eventually half of the portfolio is going to be impaired. That is just how this accounting works. So we don't net them. It is only gross. So over time you would expect to have impaireds just grow, because we are not geniuses to figure out how to assign this in the first place.

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

But if these were in the loan book, we wouldn't impair them. We impair them because of the accounting rules.

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

Thanks for your question, Brad. Operator, can we please move to the next caller?

Operator

Sumit Malhotra, Macquarie Capital Markets.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Good afternoon. Firstly, hopefully two quick net interest margin related questions for Colleen. In the presentation, you tell us that excluding the segment transfers the margin decline for Canadian Banking was 3 basis points. Do you have an analogous number that can help us get the core NIM change for US P&C, which was up it looks like 26 on a reported basis?

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

Yes, so most of the NIM increase in the US was driven by the CMO accounting.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

So I could say here that -- I am guessing it would be helped by the credit cards being transferred in as well.

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

Yes, it would.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Okay, so it's up, but less than 5 basis points is fair?

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

Yes, I think that's fair.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Okay. Then secondly, if we try and get to the bottom line on an all-Bank level, that is on page 11 of your supplement, the 10 basis point increase in total bank NIM -- obviously the segments don't have an issue here. So it's going to be all of the CMO accounting?

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

I would say there are probably three main categories in terms of why the NIM is up 10 basis points quarter-over-quarter. The CMO accounting has probably added about 3 basis points at the all-Bank level. Then the next couple of items I would say are more mix related. One is related to the fact that we had lower derivative assets in the quarter. You see that on the balance sheet, and that is a low-margin business. Also we have been adding higher-margin business in the US -- in particular, South Financial, for example, which has a good margin. Then finally we have higher earnings on excess capital which I cited in the Corporate segment. That would also be contributing to the increased NIM in the quarter at the all-Bank level. So excluding the CMO accounting, we are probably in a sort of 235 to 240 range if you normalize for any of the swings that you get on the Wholesale side, any trading-related NII.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

That's very helpful. I get the TSFG; you had the first full quarter of contribution. That is obviously going to boost for NIM.

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

That is correct, yes.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Just very quickly -- Corporate, the pickup on excess capital, is that as simple as the fact that long-term rates have been moving higher over the last couple months?

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

Yes, that is certainly part of it and also the fact that excess capital is growing. So those two factors.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

If I can sneak one quickly in here for Tim Hockey. It seems like you haven't been talking as much about the business lending side as some of your peers. Yet when I look at sure numbers we are now looking at 9% year-over-year loan growth in your small business and Commercial Banking segment. This was one of the few areas where you are not top two in the country. So just wanted to take your temperature here on whether you think there is still some more utilization for your commercial borrowers to offset some of the maybe slowdown in consumer?

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

I think maybe we didn't pull it out only because there is tons of great news to choose from. I think business banking is one of our best stories, frankly. It is growing hugely. A few years ago we were number five in business lending in Canada; and then a couple years ago we were number four; and just last year we came in the number third position. So we have been growing share.

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

Ask him what it's going to be next year.

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

Ed tends to just draw a line. And so we are very proud of the growth that we have had in this particular segment and we are seeing quite a bit of strength. Great market share gains and, in fact, stronger both lending and deposit growth, even stronger on the business deposit side. So great opportunities going forward.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Pipeline strong enough for double-digit growth this year?

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

In business? Absolutely.

Sumit Malhotra - ***Macquarie Capital Markets - Analyst***

Thanks very much.

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

Thanks, Sumit. Operator, can we please move to the next caller?

Operator

Cheryl Pate, Morgan Stanley.

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

Good afternoon. A question for Tim Hockey on the expenses in the Canadian P&C business. So obviously some seasonality in the fourth quarter and some good improvement in the quarter, but when I'm looking at the efficiency ratio it is about the lowest I have seen it. So I am just wondering first of all if you could give us an update on any initiatives, spending initiatives, you have for the rest of the year. And then secondly, how you think about the long-term efficiency ratio in the business.

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

We don't tend to disclose individual initiatives, because frankly our strategy is very clear. If our revenue grows, our expenses will grow a little bit less. So when our initiatives come off, then we move to the next-to-fund initiative, if you will. So we treat it more that way. As you mentioned, at last quarter in Q4 obviously the expense growth was high. And even ex- the segment transfers our expense growth this year, year-over-year -- this quarter, rather, was quite low. We expect it to bump around a little bit over the next couple of quarters. Our general trend and our belief is that with that simple mathematical formula we will continue to drive our efficiency ratio lower. We don't have a target, but we would have said a few years ago that our goal was in the low 40s in terms of -- can we get there and is that best in class? And I would say that it still our target. We just don't know how low is low at this point. We still have opportunities for additional efficiency gains.

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

Thanks.

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

Thanks for your question, Cheryl. Operator, can we please move to the next question?

Operator

Steve Theriault, Bank of America Merrill Lynch.

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

Thanks. Sticking with Tim -- or actually maybe for Mark. A good down-leg in credit losses in Canadian Banking. Not that we're going to get there in the next couple of quarters, but are we ultimately heading back to the low 30 basis point range in terms of credit losses? Is there anything structural that might prevent that at this point?

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

You know, I think that it is important to -- from a Canadian perspective, you have to look at the fact that the Canadian Commercial and the Wholesale or TD Securities credit portfolio is -- their performance is simply excellent with effectively no credit losses. And I don't expect that to continue. Then in terms of the other, the Consumer categories, I think we are in many of the segments back to the pre-recession levels, but we have still got a little ways to go in the Visa and the unsecured category. But I don't think it is so significant, given that you are off a higher base, that you will see a big change in the number itself. So I don't know. Overall 30? I would have to look a little bit on the history before I'd commit to a number like that.

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

Okay. Well, maybe I will follow up. Just a second one if I could. A question from the slide 11, Colleen when you went through that. In the third point, you mentioned that TD has about CAD6 billion of excess capital. What definition are you using there? What is the basis for that CAD6 billion?

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

Yes, so I am really just taking the way we calculate our common equity ratio today, so I would say it's roughly about 10% versus the 7; so you'd be taking about 3% of CAD200 million in risk-weighted assets; and that is how you are getting to the CAD6 billion. Then you are laying on obviously the deductions after that, and adding to the risk-weighted assets.

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

But functionally, that is not probably true excess? Or maybe it is.

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

That is the way we look at it.

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

Thank you.

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

Thanks for your question. Operator, we have time for two more questions please. Can we move to the next caller?

Operator

Mario Mendonca, Canaccord Genuity.

Mario Mendonca *- Canaccord Genuity - Analyst*

Good afternoon. Perhaps for Mark and Colleen. I understand, Mark, that you look at these securities classified as loans from an economic perspective. But if we could just think about the accounting for a moment, it is possible that this accounting approach could affect subsequent quarters, not just on these securities but any of the acquired portfolios. What I want to understand is the extent to which you would expect the NII to be higher, as it was this quarter, in an amount sufficient to offset the higher PCLs? Did I describe my -- was that sufficient to think through that issue?

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

Yes, I think we wanted to highlight two issues on all of this, this quarter. So first of all is the fact that there is this macro issue whereby you can see this P&L moving around. Where I think you probably will see this happen in future quarters, where you may have higher NII because that is reflecting the good news on some of the items; and then some higher PCL on some where the loss is actually higher than we'd expected when we marked the book, when we closed these deals. So I think you will see those move around. I know both of those lines are very important, and obviously the margin is important, and the PCLs are very closely watched. So we will disclose that. Again to the extent that it's a relevant number, we will continue to disclose that going forward. But you are absolutely right, it isn't specific to just the securities. It will happen on the lending side as well if you look at the acquired deals.

Mario Mendonca *- Canaccord Genuity - Analyst*

Now, is it your feeling that the two should generally offset then, the increase in the NII and the higher PCLs? Is that a logical presumption?

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

Not necessarily. Not in a given quarter. Over time, yes, because we would certainly say -- and I will hand it back to Mark on this. But net-net, we actually think the credit in these portfolios is as good as we did originally if not better. So net-net this will be positive in over time, I would say, but it could shift around from a timing standpoint.

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

Yes, it's Mark. I would agree with Colleen. I think over the life of the portfolio, I would think it maybe -- I think it would offset effectively.

Mario Mendonca *- Canaccord Genuity - Analyst*

Okay. So should we expect any items of note then emerging from the acquired portfolios in cases where the PCLs were higher than the NII?

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

I don't see us including this is an item of note per se in the way that we think of items of note, Mario. But again I think we would like to make sure that you have the right disclosure to assess that impact.

Mario Mendonca *- Canaccord Genuity - Analyst*

Thanks for your help.

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

Thanks, Mario. Operator, we will move to the last question, please.

Operator

There are no further questions on the line. Please continue.

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

Excellent. Thank you very much. So with that, I will turn it back for Ed for some final remarks.

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

Obviously, we are quite pleased with the quarter. We remain very positive on the year, and we think that even though we continue to worry about the macroeconomic environment, the fact is some of the disruptions on the ground are creating opportunities for us and we intend to continue to take advantage of them. Thank you very much.

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

Thank you very much. With that, we will end the meeting. If you have any further questions, don't hesitate to contact the Investor Relations Department. Thank you very much for your time today.

Operator

Ladies and gentlemen, that does conclude our conference call for today. Thank your for participating. You may now disconnect your lines.