TD BANK GROUP
RBC CAPITAL MARKETS
CANADIAN BANK CEO CONFERENCE
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PRESENTATION

André- Philippe Hardy, - RBC Capital Markets - Analyst

Our next presenter is Ed Clark, Group President and CEO of TD Bank Group. Ed has been in his current position since late 2002, and had started at the bank in 2000, following a period of time with Canada Trust. Ed has also spent time in both capital markets and the public sector in the federal government. Outside of his work, Ed sits on the Board of Directors of the C.D. Howe Institute, and is the 2010 Chair of the United Way for the greater Toronto area.

Before we begin, I've been asked to note that the speaker at today's event may make forward-looking statements that represent management's views as of today, and these statements are meant to assist listeners in understanding the company's financial position, objectives, priorities, and anticipated financial performance, and may not be appropriate for other purposes. Actual results could differ materially from what is discussed, and listeners should consult the company's regulatory filings for the risk factors underlying these statements, which are filed with securities exchanges and on their websites.

Ed Clark, Group President and CEO

Well, thank you for doing that.

QUESTION AND ANSWER SECTION

André- Philippe Hardy, - RBC Capital Markets - Analyst

I had hoped I'd go through my career without ever doing that. But I'm exhausted! So, Ed, on behalf of everyone, thank you for participating in our event again. And I'm going to start with a similar question as we did a few years ago, but you probably have more clarity in your answer. And it's to talk about the returns that the bank has generated in the past. And then, what's likely in the context of new regulation, but also a material amount of goodwill that wasn't on the bank's balance sheet two or three years ago.

Ed Clark, Group President and CEO

Yes, so I would say, you know, if I take a look at your forecast going forward, where you have a sort of creeping up to the kind of 15% rate of returns, those don't seem to me unrealistic numbers. Whether they will be higher or lower by a point, I don't know. But I think, given two factors in Basel III, which essentially I think broadly for the industry implies almost a doubling of the capital if you do the same activity as you did before, and, in our case, that we're carrying a fair amount of goodwill, I think 15% to 20% rates of return are the logical outcome for us, and we'll probably be at the lower end in a medium-term scenario, and not in the higher end.

André- Philippe Hardy, - RBC Capital Markets - Analyst

I'm going to start talking on what's most topical recently, which has been the acquisition of the Chrysler Financial business. One of the topics I've been getting a lot of questions about is what makes Chrysler Financial so confident that it can suddenly pick up a lot of market share again? So perhaps talk about the largest loan originators currently, and what kind of relationships they have with dealers, what their market share is, and then why all of a sudden Chrysler Financial should be able to pick up a lot of market share.

Ed Clark - Group President and CEO

Yes, so I think if you go back and say a couple of years ago this was a company that could -- had a balance sheet of $75 billion, and had a very significant network. Obviously, for the last 18 months, it's been not doing that. But I think it still has the residual of a very good brand, so it has -- was seen as, if not the best, one of the best, in terms of customer relationships.

And so I think if you put that together with the fact that it has historical relationships that it can go back to, and I think in the context of the market, you have now a dealer group that says, we just came through a downturn where a lot of our lenders disappeared on us. And, frankly, you look and you say, okay, so now there's this new player that has the platform of Chrysler, which was a good servicer, but, oh, by the way, this is the only Triple A-rated retail bank left in North America. Well, maybe it wouldn't be a bad idea to have a Triple A-rated bank be one of our lenders. I mean, that's the only proposition -- that's the core proposition we're saying.

And so I think what you're going to see is that I think we're going to do very well in terms of -- key and first thing is to sign up the dealers. And I'd say the initial response has been extremely favorable to the announcement. And then, you then end up, once you're signed up, you just have to have service and you'll get your kind of natural share from a dealer.

So I think we were pretty open on the call. We were doing conservative numbers, probably partly because we also want to grow this slowly at first and make sure this is all working, right? But I think the management team of Chrysler kind of laughs at our projections, to be honest.

André- Philippe Hardy, - RBC Capital Markets - Analyst

When I look at how you operate your retail bank both here and in the U.S. --

Ed Clark - Group President and CEO

It's been too conservative. Well, you know, you people could be a little slow after lunch and not get the point.

André- Philippe Hardy, - RBC Capital Markets - Analyst

-- service is a key -- service and convenience are key propositions.

Ed Clark - Group President and CEO

Yes.

André- Philippe Hardy, - RBC Capital Markets - Analyst

How does that translate in that segment? Can you differentiate on service and convenience? Or really whoever got the best price for equal ratings wins the business?

Ed Clark - Group President and CEO

You know, I think it's exactly the same as all in the retail business. I don't think, in the end, there's differentiation by price. And so we've never -- you know, in the end, there's a market price, and so that's what we always say. We love a world where -- that's a great world. Because then, when the branch does something, you can say, okay, it's convenience, it's location, and it's service. Well, we happen to win on all three of those. And so, if price is the same, we're all happy.

I think it's exactly the same thing here. I mean, the market will set a price, and there'll always be people who say, well, I want to go out the risk curve, or cut price. And you say, let them have that part of the market share that they want. We won't go there. But, you know, like every other business, there's a whole set -- this is a very process-intensive business. That's why it has the scale matters. I mean, this is a platform that could do $75 billion of loans, and so we're getting a platform that can handle the scale, if it turns out that you want to ramp it up. And so I think service will turn out to be the differentiator.

Plus, though, I think -- I wouldn't underestimate -- I wouldn't have said this three years ago -- you know, three years ago, we never thought of our rating as being a retail-competitive edge. But today, in the United States, given what they're going through, people want to know that you're actually going to be around for awhile. And that eliminates quite a few people that you can't necessarily make that statement about.

André- Philippe Hardy, - RBC Capital Markets - Analyst

Right. Talking a little bit about the retail bank, both here and in the U.S., there've been material market share gains in both countries. Can you talk about the reasons for those market share gains, and are they still as applicable going forward, in terms of expected market share gains going forward?

Ed Clark - Group President and CEO

Yes. So some are, and some aren't. So in Canada, I think there are really two components. Clearly, we made very, very major market share gains in small business and commercial that I don't think -- and that's not -- my commercial guys are going to react negatively to this statement, but I don't think those kind of gains are sustainable.

We had a material, strategic change in the proportion of the commercial business that TD had in its rankings among the five big Canadian banks, but that was because the other banks pulled back and became conservative, and we didn't pull back, and we said, we're open for lending. So we had clients literally walking across the street saying, I'm nervous, what I'm hearing about my bank. I want to split the business, and you take half, because I want to make sure there's a bank there for me. I don't think that's a duplicable situation.

So I think we'll go back to the normal slogging away, but, in the meantime, we've been adding business bankers all the way through. Some of the banks haven't been. So I think we can still gain some market share, but it won't be the C-chains that we had.

On the retail side, we just naturally gain market share because we grow more branches than everybody else. We give better service and we have longer hours, and so all of those things. But they are minute changes every year, but minute changes every year over a long period of time end up to be a big difference.

The U.S. is quite a different situation. There really was a disruptive market. I'd say that market still stays pretty disruptive. I mean, it's less disruptive now, but, you know, if you look at this foreclosure crisis as an example, that has got to be a distraction. I just can't imagine what it feels like running some of those banks, and how many fires they're fighting on a daily basis. They're not waking up every morning saying, how do I eat TD's lunch? That's not their number one priority right now. And so that does create that positive environment for us. So, you know, I think, combined with an improving outlook, I continue to maintain that we have a pretty positive outlook on the U.S. right now.

André- Philippe Hardy, - RBC Capital Markets - Analyst

Now, a few years ago, capital funding was a very clear advantage for TD versus competitors in the U.S., as would be less so right now, although you'd have other disruptions in the market. Do you find the market as profitable on new business today as it was two years ago in the U.S.? Or has that waned somewhat?

Ed Clark - Group President and CEO

Yes, if you're talking about on the commercial lending side, if you looked at two years ago, I would say, we're probably even still slightly more profitable than we were two years ago. If you said versus six months, nine months ago, I'd say spreads have eased off or come down a little bit, but no material change. I'd say both on the personal and the commercial lending side, these are historically very good spreads that we're earning right now.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And that speaks to the organic story. On the acquisition front, are you seeing more banks put up their hand, now that that evaluation has seemed to improve? Certainly on announced deals, anyway.

Ed Clark - Group President and CEO

Certainly all the iBankers are putting up their hands, if that's what your question is. I would say, you know, there's a probably more evident mood shift here that, with all the changes that are going on in the United States, it's going to get to be more and more difficult for mid-tier to small banks to be competitive over the long-run. I think a year ago, the feeling was, well, we got through this crisis. Why would I sell now, having survived? And now people are saying, because when I got through the crisis, I found out it was going to be just as miserable surviving as it was getting through the crisis.

And so I think there is a mood shift going, in the sense of people saying I'm now willing to contemplate that maybe I am a seller. I think there's a relative absence of buyers, despite all the talk, and so, you know, certainly for us, we haven't really changed our position. We will do opportunistic smaller deals to give us things that we can make money on and fill in where we want to fill in. We're not, at this stage, contemplating that we would do any major deal until we see a regulatory environment shake-down and get more confidence that this current euphoria is going to actually produce sustainable real numbers.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And, operationally, are there constraints from being in the process of integrating South Financial Group? Or, if something comes up, you can put the integration aside for awhile and still move ahead?

Ed Clark - Group President and CEO

Yes, I would say that there's -- South Financial doesn't really represent a constraint to us. It's relatively small and we have separate units that -- that's what they do for a living, and those guys are on it. And they wouldn't convert. I would say -- and anybody that does a big integration, you know, there's really two phases to integration, and one is, you do the first merger, and then you go back and redo it again and get your processes right.

And so you see what I did to the Canada Trust - TD merger. I said, well, first you have to build a bank, before we can build a better bank. So you just have to get the darn thing together, and then you kind of rework everything all over again. So I think the U.S. is in that stage.

And so, clearly, from our point of view, the longer you're in this position where you haven't given up anything and you can just keep working your processes, that's better than to go now, but it's not a disaster. We're capable of doing it. It's just I'd much rather run.

The other feature for us, which everyone knows, is that we really -- you get two ops. You've got the ops of just your general organic growth. But then, can you do more with the store system that you have, with the customer base you have? And we are at the very early stages of installing the sales system, the cross-sell management, all of that stuff. And that just takes time. But obviously, the further we are along the journey before we did another acquisition, the better. So that's why we're definitely not in a hurry.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And just this last one on how you approach acquisitions. I look at the bank as generating returns of probably 25%, ex-goodwill. But the bank is okay taking that return down by making acquisitions with targets in the 8% range. Is that still a model envisioned -- being the model going forward? Or might you start targeting higher returns on acquisitions?

Ed Clark - Group President and CEO

Yes, I would say we probably -- you know, because we're now in a position that, if we did no more acquisitions, we would be happy, it does, I think -- as soon as you make that statement, it then puts a little burden on you to say, well, then, you'd better be happy with the acquisition from a pure financial point of view. And I would say, clearly, the Chrysler deal was one that more than met that test.

And so, no, I think it is true that we don't need to do acquisitions for strategic reasons, and so we will probably only do stuff that gets the returns sooner -- I'm not sure that the ultimate return is going to be different, but the speed with which you get there definitely has to be better than it used to be.

André- Philippe Hardy, - RBC Capital Markets - Analyst

If we come back to Canada, earlier you talked about your relative position and how you expect to continue to gain market share. What about the market, though, in terms of loan growth? Just how you -- everybody expects a slowdown in retail banking, and it's somewhat happening, but it's not a very fast slowdown, compared to some predictions. So where do you see that consumer leverage ultimately getting to, and the implications for loan growth?

Ed Clark - Group President and CEO

Yes, so I think -- well I guess I think that it is slowing down. But we're coming off lofty levels, and so, in fact, it may well be that Canada, having slowed down, is still growing faster than the U.S.. It's just that we're coming down from -- so it feels slower. So, you know, I think where we were in double-digits revenue growth in Canada in our TD Canada Trust, we're not in double-digit territory anymore. We're entering into single-digit territory, and I think we'll probably be in the upper half of single digits, not the lower half of single digits, but that still feels like a real slowdown to us.

And that's why we've said, okay, we're definitely going to have to have our expense growth come down in line with that. And we will probably have narrower operating leverage in Canada than we've had. But, you know, I've always said to investors, 4% operating leverage is ridiculous. I mean, our guys are good but you can't do that on a sustainable basis unless you have very, very high revenue growth. So I think those will come down. But still, that produces pretty nice growth rate in earnings.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And how confident are you that that rate of expense growth will slow as revenue growth slows? Like, where is that rate of expense growth -- where's the slowdown coming from?

Ed Clark - Group President and CEO

Yes, I guess I'd say the one thing that -- first off, because Tim Hockey would shoot himself if it didn't happen, and not that I'd shoot him, he'd shoot himself. But, you know, that is what -- I mean, we're not the smartest guys in town. We're not the fanciest guys in town. But we do actually know how to operate. And so we just live and die. We've been saying we run operating gaps, and that's what we do for a living. And so everyone gets it. We're not -- we're going to -- but we're getting that the number -- we're not telling people to do four next year. But we're saying we don't run businesses that -- I'll give you one caveat -- we don't run businesses where the revenue doesn't have to go faster than expenses.

I'd say, in the U.S. next year, that's going to be a challenge to do. Not because the underlying revenue isn't there. But you have two things going on in the U.S., and we don't know so much about one of them. We have Reg-E coming in for a full year's impact, where it wasn't in a full year's impact. And then, we have Durban coming in as a second round Reg-E. And so, we can't -- you don't want to say to a business, well, you're going to have step-downs here. But we want you to go cut your expenses in line with them. Because we think what's really going on in the U.S. here is, frankly, that they are remaking the U.S. banking system to look a lot more like Australia or Canada or other examples that you could use.

These are actually positive developments. As a long-term investor, these are actually good things, not bad things. So, you know, I think trying to run a banking system where we say, why don't 15% of the population who happen to be the poorest pay for the banking system for the other 85%? isn't really a very good model in the long run. And why don't we have non-transparency in our pricing models so we'll give you a consumer benefit, and I will end up taking some profit from it, but someone else, a third party, which would be, in this case, small business, will pay for all the costs of that. And they won't have any choice. That's not a very good system.

So I think where they're moving is the right system. It's just that you're going to have a big transition year in probably 2011 and maybe part of 2012, but then, as you convert that customer base to we know what happens in Canada. That's actually a better system from the bank's point of view and it's a much better system from the consumer's point of view. So I think it's actually positive. So, again, your expenses and revenues will get back realigned.

André- Philippe Hardy, - RBC Capital Markets - Analyst

A quick come-back. In Canada, the only item we really haven't talked about is margins. I suspect we haven't seen the full impact of low rates on your core deposit margins. And also, typically, banks give up some of the price increases they put in through the current cycle as the economy improves. Do you foresee some of those similar factors? And what are some of the positive offsets, if the two factors I've just suggested are indeed accurate?

Ed Clark - Group President and CEO

So, as you know, when we break it out for you, and because we're such bears about doing fully optioned adjusted pricing into our system, we're kind of a pure case, and we don't do any gapping, so you actually see what the real numbers are. And you're going to see that our lending spreads have moved up dramatically, and our deposit spreads have moved down. And the average number has probably just crept down, is where it is.

And I think that, as we look forward, we're always -- I find, to be honest, that there's a kind of contradiction here. You'd think probably, when you analyze all the factors, that this is going to move a whole lot, and then every year we turn out it doesn't move as much as we thought it would. And so I think it's probably a better assumption to say that I think margins will gradually creep down here.

Because your other factor that's a big factor is your mix of business. And the one thing I've learned is that if you actually want to know what happens to interest rates, watch what the consumer does. Because they're a lot smarter than all the traders that you hire. And they actually somehow move their mix of business to be the optimal place. And so they always work against you and figure out where the thin-margin business is. So I think there's a narrow -- but it's not a huge factor, as I would say.

Unidentified Speaker

Shifting gears to capital markets for a bit, or wholesale banking, and it's a division that keeps coming out ahead of target objectives, and --

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Ed Clark - Group President and CEO

We'll try to get it right, here, eventually.

Unidentified Speaker

Is this going to be a case of regulatory capital catching up to the capital you allocate to the business, and that naturally brings returns down, or it's time to raise the target, or well, I'm missing something, and your income's about to drop off?

Ed Clark - Group President and CEO

Yes, so it's probably worth sort of laying out the numbers for people. We've had $34 billion - $35 billion of risk-weighted assets there. So if you looked at the historical capital that we would have held against that, it's like $1.7 billion -- in regulatory capital, $1.7 billion - $2 billion. But if you actually look at what we say we allocate it to, which is what we do allocate it to, and how they run the business, it's running about $3.4 billion. $3.3 billion - $3.4 billion.

So we always said that the regulatory capital was too low and that we didn't want to run the business on the basis of regulatory capital. We give the wrong price signal. We also -- from a liquidity point of view, we charged them the full liquidity premium, we charged them for all the options, where we took out all of that stuff. Because you do, then you really find out whether the guy's adding value to you or not.

When we go to Basel III, we're probably going to add another $1 billion of capital. For the first time, regulatory capital will actually exceed economic capital. And so I think you can assume that we will gradually adjust our economic capital, being the same as regulatory capital, and so there'll be another $1 billion on there.

So when we say 15% to 20%, we were doing it off first the $3.5 billion number, but we're also anticipating that we're probably going to have to earn 15% to 20% on a $4-plus billion number. And so I think this will turn out to be under the new regulatory regime of 15% to 20% rate of return business.

I think other people who have been giving you numbers off the regulatory capital, well, then you get beautiful rates of return. But they're unrealistic because, as everyone knows, the capital requirements were ridiculously low.

Unidentified Speaker

As you alluded to earlier, your bank is now the only Triple A-rated bank in North America. How do you take advantage of that in your wholesale business? Are you worried about trying to take advantage of that and then loosing the Triple A rating?

Ed Clark - Group President and CEO

Yes, so, that's a really good question. So I think you probably shouldn't get too hung up on the Triple A. As they say, you use it for the first time we've ever seen it in the Chrysler thing in the sense that it's not lost on people in that. But these things -- if you get too much in love with them, you're going to have a very bad day someday when someone tells you that you don't have it.

So I don't -- I think we like -- for me I think it's a good thing in the sense that it's the first time I've really seen someone step up to the plate and say we're actually going to differentiate based on strategy. And so, we believe we're running a lot lower risk strategy, and so, in a sense, this is the first formal recognition of that.

So your point is dead on, as, you know, if we went -- there are wholesale strategies that would clearly cost us that Triple A rating. So you're not going to see -- I don't think it's a consequence of our strategy as as a forum it's informing our strategy. So we don't run it to get the Triple A. It's simply a result of that.

I think it has been helpful, but I don't think it's a -- it's like a small positive, but it's hardly a game changer. And in terms of actual borrowing costs, as you know, it really doesn't translate into different -- but we're not -- but we're equally not big wholesale borrowers. I mean, we're really a pretty self-funded bank.

André- Philippe Hardy, - RBC Capital Markets - Analyst

Right. When we look at the earnings capacity of TD Securities, well, if we use the 15% to 20% target, there is more capital than there used to be. So where has an increased amount of capital been allocated? Where has the dealer grown such that the earnings capacity is now higher than it would have been three or four years ago?

Ed Clark - Group President and CEO

I'm not sure -- In the sense of how we're going to make up for the extra billion? Did you think --

André- Philippe Hardy, - RBC Capital Markets - Analyst

Well, I'm saying if I'm going to take 15% to 20% of $4 billion, that's a higher number than 15% to 20% of the old number.

Ed Clark - Group President and CEO

Yes, yes. And so I'm going to think this part -- but I think if you -- why don't we put it into earnings terms. I think, all along, we have been saying that when we get through this, we're in a sort of $600 million to $800 million earning, a couple $100 million a quarter, wholesale operations. That's what we think we're having right now. And so I don't think that really has changed. It's sort of what your denominator has moved around a little.

André- Philippe Hardy, - RBC Capital Markets - Analyst

Fair enough. Switching topics here and going to capital. First on the dividend. Of the bigger banks, you certainly sit in a good position relative to your target payouts and your current payouts. So is it fair to expect an increase early this year? Or do you think it's going to take more time before we start seeing dividend increases?

Ed Clark - Group President and CEO

Well, I think we've committed to, in the first quarter, providing clarity on that subject. And what we keep on saying is that it's not actually very complicated. We will come to a view as to what we think the sustainable earnings of the bank are for 2011, and we will look at our dividend payout ratio, and it will tell us what our dividends should be.

I think -- what I always say to people is that we run kind of a classically simple business proposition with our investors. We're going to grow our earnings 7% to 10% a year, but we're going to do it in a way that we will not blow up, there will not be drama. You can throw us the worst crisis since the Great Depression and you're not going to see us as the problem child. And we're going to grow our dividends in a 35% to 45% ratio, consistent with how we're growing our earnings. That's the promise. That's what we're going to keep.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And on capital management, there are two things that are confusing as an outsider. The first is that we've had four CEOs --

Ed Clark - Group President and CEO

There are about 18 for me, so --

André- Philippe Hardy, - RBC Capital Markets - Analyst

We've had four CEOs this morning tell us you should manage to 2019 pro forma rules and feel free to reiterate the message you gave in Q4, but you couldn't have been more opposed to that. And secondly, we've had another bank make an acquisition, and that bank had a much higher ratio than TD, and it feels the need to issue equity. And you've gone out and done the Chrysler Financial deal, which led to some capital dilution. So how is it that TD can run itself so differently from its peers from a capital perspective?

Ed Clark - Group President and CEO

Well, I've got to assume that we've got the same -- we're getting the same messages from the same regulators, so why don't we work under that, neither you nor I can possibly know what's going on, right? And so I do think you want to make a distinction here. And I read Mark White's remarks, so I think I know what he's saying. But I certainly know what OSFI’s saying to us. They're saying that the rules are what the rules are. And so, here are the rules. They've been laid out. And the rules say absolutely clearly, you've got until 2019 to take these deductions. And so if you want to know whether you're in compliance and you have enough capital to open up your shop and work every day, those are the rules you use.

But there's a second question that says -- Now, when it comes to buy-backs or acquisitions, there's a second question of what rules are going to go into effect and whether or not we believe you have surplus capital to be able to do that, or whether you're going to have to issue.

And there's clearly a debate going on around the world of whether we're going to say, well, would we like everybody to have to meet the rules in anticipation of them before they start spending money? Or can they rely on, you know, in the sense of the capital they're going to accumulate between 2013 and 2019, to pay for the phase-in and the deductions. And I think there are some people who are arguing that Canada would be well-positioned to say, you know what? On January 1, 2013, we're done. We don't need -- We could not grow any capital from now on end, and we have now met these rules. Aren't we the greatest thing since God created banking?

And other people are saying, well that means, from the shareholder's point of view -- you know, and take our case for the $5.5 billion of investment we have in Ameritrade, we have to have that $5.5 billion in January 2013, rather than accrue it, or grow it, as we, in a sense, phase it in.

That's what I think you get, confusing signals, so when people say, I'm going to meet the rules, that's one thing. The question is, are you going to meet the rules and be in a position to spend the excess capital? What we said at the end of our quarter is that even if the government said to us that you have to meet all the rules and we're fast-forwarding deductions on January 1, 2013, we will meet that test without issuing capital. That's what our position was, and that's why we were able to go and buy Chrysler with cash.

André- Philippe Hardy, - RBC Capital Markets - Analyst

You bring up Ameritrade. We haven't talked about Ameritrade yet. So, first of all, organically, it's a firm that's transformed itself into an asset-gatherer. So if you could illustrate it perhaps in baseball terms, what inning of the game is it in, in terms of transitioning to an asset-gatherer, and are we really looking at just the early days of a multi-year stream of incoming inflow, or have they maximized what they can out of their current asset base and growth will slow?

Ed Clark - Group President and CEO

No, but, in a sense, I think that having made the transformation, I think they have, in the sense that, if you look at the publicly available numbers, they are growing their assets faster than everybody else. And they are taking market share from all their major competitors. That's a pretty dramatic transformation in two or three years. I think they show no sign of that slowing down. They're going to be taking market share continuously here.

I think the key with them is that they -- the interest rate, the absolute level of interest rates is so decisive, so they have $40 billion in deposits with us, and what they earn on that has dropped by about 250 basis points. And so, even though they've been growing assets, they haven't been growing profits, because all their growth has gone to compensate for the decline in the margins.

So I think, going forward, we expect them to keep on growing their assets at these kinds of rates. The real is when you think interest rates will move up. Because they obviously have a huge lift if interest rates move.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And still on Ameritrade, in the past, that firm has made acquisitions that have been quite accretive to shareholder value. What's kept acquisitions from happening? Is it an issue of availability of sellers or price that's being asked?

Ed Clark - Group President and CEO

I think -- First off, I think that we're now down to a relatively few set of potential targets, and I think the bid-ask spread between the sellers and the buyers is pretty wide, and, again, I think that would go to the heart of it -- of the interest rate -- is that, if you think you're in a low-interest-rate environment, there's a different value than if you think you're quickly moving back to a higher-interest-rate environment.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And if there was an acquisition, how important is it for TD to maintain that 45% stake? Would TD support a deal where its ownership stake might be diluted?

Ed Clark - Group President and CEO

I think we would be prepared to take some dilution if we decided for our own capital management reasons that we didn't want to immediately stay at the 45%. We'd probably be reluctant to go below this. At 37.5%, if we drop below that, we have three years in which to get ourselves back up there in order to restore our board -- one of our board seats. So that'd probably be the band in which we would operate.

André- Philippe Hardy, - RBC Capital Markets - Analyst

Right. And what about the flip side of that? What would it cost TD to increase its ownership in Ameritrade, if the price was attractive?

Ed Clark - Group President and CEO

We can't increase our ownership above the 45% until -- the agreement that controls us ends in January 2016, so until then, we can't go above 45% without an agreement -- an amendment to the shareholders' agreement. Recently there was one that permitted us -- because we were being driven above the 45% through buy-backs -- and we agreed that we wouldn't vote those shares. In return, we crept up. But we couldn't go out on the marketplace and buy up above.

André- Philippe Hardy, - RBC Capital Markets - Analyst

We haven't talked about credit at all. Your U.S. business has been a little unique, in a way, where loss rates could not creep up to the same degree as it did for many other regional banks. And many other regional banks are starting to see those loss rates decline quite rapidly. Should we expect a decline in loss rates at TD in the U.S. in 2011, or, as commercial real estate losses ramp up, it might offset some of the benefit from other products declining?

Ed Clark - Group President and CEO

Well, I agree with you that I don't think -- we didn't get the run-up, and therefore, you're not going to get the run-down that's as fast as people that have gotten themselves into more trouble. And I would say, you can decide you like to buy bad banks or good banks, you know? And sometimes, from an investor point of view, it's better to buy a bad bank than a good bank. So maybe this is one of those cases.

But I still think you're going to see us, over time, gradually seeing. So I think PCL decline still represents a tailwind in the U.S.. It's probably more significant than it is in Canada. Whereas, in Canada, we really did bring forward, I think, the decline in the PCL rates, and I don't think absolute PCLs are going to fall off as fast, maybe, as people think.

André- Philippe Hardy, - RBC Capital Markets - Analyst

So you think in the U.S. you'll see that decline in '11, not '12?

Ed Clark - Group President and CEO

I think you'll see some decline -- our bet would be that you'd see some decline in 2011. But I don't think it's as dramatic as -- obviously, for some people, we're -- you won't see us doing big reserve releases, as an example. Part of that reflects style. You know, it's not over until it's over, so why would you be releasing reserves until you're sure it's really over?

André- Philippe Hardy, - RBC Capital Markets - Analyst

You've made it public that your contract will expire and you'll probably move on after --

Ed Clark - Group President and CEO

Now who planted this question with you?

André- Philippe Hardy, - RBC Capital Markets - Analyst

What should we expect to hear, as outsiders, on the evolution of the transition until you depart?

Ed Clark - Group President and CEO

To be honest, I haven't thought about it from a public point of view. I mean, we have -- it's obviously I think one of the things that we pride ourselves on. Maybe you always worry when people pride themselves on it. Maybe that doesn't always prove that it's a good thing. But, you know, I think we have a very strong advance. We've been managing this process almost since I arrived at the place. And so we have a good group that I think a number of whom could be the leader and a number of whom would be -- if that was the leader, they would stay and work for that leader. So I think it's not a group that says, it's either me or the highway. It's a group that says, we all like each other.

So we haven't really worked through when we would start to have it clear who's going to succeed me or not. That's obviously a board decision. So I wouldn't say it's anytime soon. I mean, I think we've been quite transi -- it's unusual to be this far ahead. I think that's a good thing for the system. It sort of quiets everyone down. And for investors to know. But I don't think now it's, okay, let's go back to work and make some money.

André- Philippe Hardy, - RBC Capital Markets - Analyst

And last question. When you look at the rising share prices of your banks, other Canadian banks, U.S. banks, what challenges are you sitting here and you're looking at and you go, oh, gee, the market's getting a little ahead of itself in terms of fundamentals picking up?

Ed Clark - Group President and CEO

Do I think it is? You know, I had this discussion with one of the groups this morning. You know, it may bother you. To an extraordinary sense, I don't really try to do your job. I try to do my job. And so I keep on saying, I don't really care whether you buy my shares or you don't buy my shares. What really I do care about is that, if you buy my shares, you know what you're getting and what you're not getting.

And, so, my job is to run the company. My job is to deliver your 7% to 10% earnings growth. My job is to make sure we don't take tail risks and blow the place up, and to deliver you the dividends that I promised I'd do. After that, whether we're a buy or a sell, overvalued or undervalued, I'm not --

André- Philippe Hardy, - RBC Capital Markets - Analyst

Perhaps I didn't phrase the question well, but when you read the people's fundamental views of what you might deliver as an organization, do you find it's well-aligned with what you think it can deliver? That would have been a better way to phrase the question.

Ed Clark - Group President and CEO

Yes, okay. And I think we are saying, probably, that I'd say where the analysts are, by and large today, is not far off where we internally would probably say we are, and both of us could turn out to be wrong. But it's not inconsistent with our view.

André- Philippe Hardy, - RBC Capital Markets - Analyst

Thank you very much, and we'll take a quick break before our next session starts. Thanks, Ed.