# TD BANK GROUP

# RBC CAPITAL MARKETS CANADIAN BANK CEO CONFERENCE

# JANUARY 8, 2013

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## PRESENTATION

**Andre-Phillipe Hardy** *- RBC Capital Markets - Analyst*

(Audio in progress) next session. I'm very pleased to have with us this morning Ed Clark, Group President and CEO of TD Bank Financial Group. Ed, it's nice to see you. And on behalf of everybody in this room, thank you very much for--.

**Ed Clark** *- TD Bank - President and CEO*

--Great to be here--.

**Andre-Phillipe Hardy** *- RBC Capital Markets - Analyst*

--for your time.

## QUESTION AND ANSWER

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

Just a good way to start, I think, Ed, is you're always very blunt with your outlook for the economy. So perhaps some of your thoughts on what's happening in Europe, US and Canada, and how that ultimately impacts the TD Bank would be a good way to start.

**Ed Clark** ***- TD Bank - President and CEO***

Yes. So I would say I remain quite pessimistic on Europe. The way I put it is they've taken their patient into the emergency ward. They've figured out how to stabilize the patient, but they don't know how to cure him. They're hoping that, if they just keep him on the trolley long enough, he'll self-cure. And so, it's not obvious to me yet that we've figured out the answer to this, but keeping it alive is better than we thought they were going to die before we got them into the emergency ward.

On Canada, I've been of the view that in relative terms, I guess I tend to think of that, is that Canada had a long period with great tailwinds, and some of those tailwinds are going away. And so, I think in particular, obviously the housing market has been going away, and I think governments, if you look at the employment numbers, they're fantastic employment numbers, but there's still an element that are being driven by public sector employment growth, exact opposite of the picture in the US. And at some point, governments are going to take those deficits down, and when they do, that's another tailwind going away.

Whereas in the US, other than sort of politically self-imposed, self-destructive measures, I think the United States is looking like it's kind of bottomed out here, and I think it's got some upside to it. And it's really can they get through and get that delicate balance between solving their longer-term structural issues without doing so much short-term damage that you slow the economy down. So I'm more positive on the United States than I am on Canada in growth numbers.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

So given all this, when you look at the bank's medium-term EPS growth targets of 7% to 10%, how realistic is it that for 2013, and maybe '14, we should expect the Bank to meet those targets?

**Ed Clark** ***- TD Bank - President and CEO***

Yes. So I think the thing that we've been talking about growth, I think the underlying issue, if you look over the medium-term, is what's going to happen to interest rates. And so, in a sense, the simplest way to think of it for this audience is what's the difference between a flat interest rate scenario and a forward interest rate scenario, what the forwards are telling you, and that's a pretty big delta for most banks. And most banks I think, when they tell you that their spreads are going to start to improve, are looking at the forward rates rather than the world being flat forever.

And I can see why there's a little bit of a sense in the marketplace today as I think we've kind of bottomed out in interest rates, but that doesn't necessarily mean that interest rates are going to move up that forward curve. And so, I think that's the core issue. If you said what's the core issue of how easy is it for us to get into that 7% to 10% range, it's around that issue. What I said to analysts is the case is we said, going into 2012, we thought it would be difficult to get in there, managed to get in. And in a sense, you pay us to try to figure out all the things you have to do to get into that range, but it's harder in 2013 than it was in 2012 because rates have still -- are basically been flat.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And if rates do stay flat for an extended period, do you expect the annual impact -- annual negative impact on margins again in the US to be greater than it has been, or for margins to continue declining at (inaudible)?

**Ed Clark** ***- TD Bank - President and CEO***

Seems to be about the same, seem to be about the same for us. I think what the thing is that what you -- I was originally trained as an economist, and the only thing you learned in that is that markets re-equilibrate. And so, when everyone [threw out] these scenarios, if the world really goes along, and in 2016 we're at 25 basis points interest rates in the US, does the world just go on forever like that, or do people start to adjust them at some place?

Obviously the immediate short-term adjustment [factor] from running a bank's point of view, is do you widen your lending spreads, or do you raise fees. I think, clinically, it's very difficult to raise fees from where they are, even though, clearly, when you set those fees, you set them on the basis of an interest rate structure that's different than what we're living in now. But I get why I think that's difficult to do.

I think spreads actually have on -- this is on the retail side -- spreads have held up rather well. I think that reflects the pressure that's coming on the deposit side. But each year that goes on, do the banks adjust to it in some way? In a sense, that's what you have to figure out how to do. I think the obvious thing that we're doing, and every other bank I'm sure up here will say they're doing -- I mean, everyone's doing -- is you say, well, if I can't change the fee on that bank account, I've got to change the cost of delivering that bank account, and so you've got to work on your cost structure.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And there could be a lot of follow-up questions on the comment you've just made, but if we start with costs, what is the Bank doing to reduce the rate of growth of expenses? And how does it manage the impact that that might have on investment and future growth?

**Ed Clark** ***- TD Bank - President and CEO***

Yes. So we've always been a bit of a contrarian on this. That's why I hate fire drills. And we're a big believer -- for a long period of time, and hopefully going into the future but certainly historically, we've been able to outgrow our competition and said, well, if we can outgrow them on the revenue side, take that extra outgrowth and pour it into investments, because that means you're perpetually outgrowth -- grow them on the revenue side, kind of the Walmart, if you think, when Walmart took America. I think you have to do the same on the expense side, and we've been doing that for some time now, is saying, well, let's take some of that, increase the amount of that revenue outgrowth, and pour that into investments that will change our cost structure, going forward.

So every one of our executives comes -- they are presenting today what investments they're making in 2013 that will change their cost structure in 2014. So in fact, you actually become -- this year, our plan would actually have us increase our investments, not decrease our investments. You have the irony. And we can afford to do that because we did investments last year that made room for us to do that. And I think you have to -- you keep shifting your mix probably in this environment for less on the growth side and more on the cost reduction side, but you have to keep your investments going.

And today, last year we did -- if you got rid of FX and acquisitions and stuff like that, we had expense growth of about 3%. What we've said is we're in that same territory, probably would like to do a little better than 3% this year, but I'm not a believer. This idea that you sort of jam the numbers down, you do that, you look good for two years. Maybe that's when you should quit, and then you hand over your success for someone that's got to reinvest all over again.

And then, the other thing in our place is that what I'm going to do is we are not going to do this on the backs of the average employee, and that means in terms of compensation, and you've got to do it in a way that you're not just sitting in there and saying, well, why don't we fire the cheap people so we can pay the rich people a lot of money here?

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

When you look at your main divisions, are there any where generating positive operating leverage this year will just not be doable?

**Ed Clark** ***- TD Bank - President and CEO***

Really don't think so. I mean, the US is always on the edge because it's growing. If you're putting up 35 new branches -- we put up 41 last year -- it's definitely hard to have a great operating leverage in that environment. But I think we're -- we try to start with every business should have operating leverage in it.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

Fair enough. Talk about the competitive landscape for a little bit. TD Bank in the US has grown loans way faster than the industry. And certainly a few years back, some of that would have been attributable to weakened competition. Do you still feel like you're taking advantage of weakened competitors, or the US industry has picked itself up such that it's back to strong capital liquidity levels?

**Ed Clark** ***- TD Bank - President and CEO***

I would say it's definitely stronger, so I don't think we have as much easy pickings, if you want to put it that way. I mean, we really have two sources of loan growth. One is the mortgage business, and then the other is the commercial business.

The mortgage business is really a re-fi business. And so, the flip side of low interest rates, which are a bane of our deposit business, is to generate this incredible re-fi business. And we're a huge recipient of that. Now, even that business we are front-ending expenses for longer-term profits because just the origination of the business hurts -- depresses your income in the early round, but it's still a great -- the business we're putting on are putting on good spreads, very nice spreads in this environment.

So that business really -- I mean, to a certain extent, we're benefiting from the disruption in the mortgage market in the banks generally, but there's a re-fi business, and I think we're kind of taking our natural share because we weren't in it. And as soon as our customer base know we're in this business, then they say, well, then why don't I do it with you?

The commercial business, one where we would have been the beneficiary, but we're still getting a good 8% to 10% growth rate in that, which means our business model plus whatever weakness is still out there in the banking system is leaving the territory. We're getting pretty significant gap between our performance and everyone else's.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And clearly, the value of deposits in the low rate environment is different from the value of deposits in a high rate environment. So has the bank, other than on the municipal business in the US, has the bank looked at other types of deposits where it said, you know what, [in this] environment, we don't need to chase these types of deposits?

**Ed Clark** ***- TD Bank - President and CEO***

Yes. So if you look at our deposit numbers and look at what's happened to the government side, we've taken the government side down. Now, the interesting thing is we haven't taken it down as much as we anticipated because we've been repricing it so aggressively, we thought it would go away. Well, it turns out our competition has also learned how to calculate margins and ended up coming back to us and said, "Well, maybe we'll stay with you anyway." But we're definitely -- in the sense, that's a business where it would be an example, [you would say]. You've got to be very tough on your pricing at those margins.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

So when you look at growth and deposits -- of loans and deposits for upcoming years, the gap that the Bank has had relative to peers, do you see it staying as high as it's been, or starting to shrink somewhat?

**Ed Clark** ***- TD Bank - President and CEO***

No, I think we can maintain it for the next few years. That's definitely--.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

--And the US$1.6 billion target for net income in the US in 2013 is still something you're comfortable with?

**Ed Clark** ***- TD Bank - President and CEO***

Yes. Yes. Yes.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

You're giving me very quick, one-word answers. It makes it easy. On NIMs, how much will target help? Like, we've seen a decline in NIMs in the US. Will that abate as some of these credit cards come on the books?

**Ed Clark** ***- TD Bank - President and CEO***

It will, but I wouldn't -- there's a little frustration in my voice because today, what you're forced by modern accounting to do, so the way we're going to treat a target is going to dismay people, and it'll make it even harder to understand our earnings, but that's really what the accountants say is the way we have to do it. So yes, it's going to move our NIM around dramatically.

And so, it gets harder and harder for ordinary people like me or you to sit there and say, well, can't I just see what's happening to your margins? I think the way you want to think of it is what is its earnings contribution, and that we've indicated to you. And I think that's the way to look at it, but it'll -- because it's going to dramatically alter our NIM. It's going to look like a very different bank just because we have to consolidate it all in.

**Andre-Phillipe Hardy** *- RBC Capital Markets - Analyst*

And there's been quite a few purchases in the US. And as you had said in this forum many years ago, most of them would be smaller and-or asset driven. Is that still what you expect in upcoming years?

**Ed Clark** *- TD Bank - President and CEO*

Geez, how many minutes did that take you to get to? So, I mean, let me try to address this issue, because I tried to address it at the quarter-end. And the only thing I would say that's happened since the quarter-end is that, clearly, our stock has been affected by this particular discussion. And so -- and the estimates that people have given me are a fairly significant number. I'm not sure that's true. It may be other factors, but whatever it is, there's overhang.

And so, the only thing I would say to people is, if you think I'm indifferent to that, I'm not. Even though I'm a -- because you know, I roll my bonuses. I roll all my -- when I do my stock options, other than give my money to charities, I put them back into TD stock. So I'm a long-term investor, and so I can ride these things out.

But I am sympathetic when you get these kind of rumors floating around that the average investor gets punished in this. And so, I do feel badly about that. I don't really know much more that I can say than what I said before, which is we have a bank where the CEO says, "I don't want to sell this, and I don't need to sell this." You have a bank in us that says, "We don't need to buy this," and we wouldn't do a deal that was stupid.

And for those who worry, well, maybe he's getting old and he will do something stupid, I say, well, this has to be a market-supported deal. And so, you can't do it given it -- the size of it isn't as big as some of the estimates that I've seen, but it still would be substantial equity raise. And if you don't have the money and can't do the deal.

And so, I can't really say -- you have a guy who says there isn't a deal, a guy who says he doesn't need to do the deal, and then the reality is the market's going to have to pass on the deal. And so, who knows what will happen out of that, but I'm frustrated in a sense that clearly it sits over our stock a lot, and I feel badly for our shareholders. But eventually, this will wash its way through, I think.

**Andre-Phillipe Hardy** *- RBC Capital Markets - Analyst*

And what about the Ameritrade situation? That's a company that's added a lot of value via acquisitions in the past. It's been one of the more successful acquirers in financial services. Is there more to buy for Ameritrade, or it's going to be an organic play for upcoming years?

**Ed Clark** *- TD Bank - President and CEO*

Again, I would say it -- Ameritrade clearly today has been -- it's the purest example of being affected by flat interest rates. And so, I don't think they or us get particularly excited about going doing an acquisition where you're doubling up on this interest rate [debt] unless there's some offsetting cost synergies or stuff that says, oh, no, you do this anyway in a realistic interest rate scenario.

And so, I think that's what stalled this market out. Clearly at the same time, the weakness in the market has put pressure on everyone because they're suffering from [interest rates in that], and so I think you have this classic just stall in the marketplace until people get better clarity.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And does it make sense to keep the ownership structure as is until consolidation in the industry is done, i.e. would TD consider owning more of TD Ameritrade ahead of the final round of consolidation?

**Ed Clark** ***- TD Bank - President and CEO***

Well, you never want to say never, because you might have a shift in view. But I think we're in a pretty optimum structure right now, and so I think we get the strategic advantages that we want, and this is a higher PE stock than our stock trades at, and so it's hard to see why you would trade -- issue at a low PE to buy a high PE, and what do you actually get. Given the nature of the agreement that we have with Ameritrade that runs out in 2016, there doesn't seem to be a lot of reason why we'd do anything.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

Let's shift to capital for a little bit, but maybe -- or I should say regulation, and I'm going to start with liquidity. I would suspect that the bank probably met the LCR as it was originally proposed, let alone the eased standards that we got on Sunday. So is there an opportunity for the Bank to change how it funds itself, or how much liquidity it holds, and perhaps improve its margins by taking advantage of the excess liquidity that, to me, it appears to have?

**Ed Clark** ***- TD Bank - President and CEO***

Yes. So these rules just came out, and so that's probably a debate that we have to have internally as to how do we react to these rules if it turns out that -- when all the details that we have a large surplus by the new rules. We've always walked to our own drummer on all these things.

I mean, we carry liquidity when no one even knew what the word was, and we always carried more than twice the capital in the [dealer] than the regulatory regime was. And so, I think our natural bias is to say we are going to run our liquidity rules to what we think is prudent, and whether that means we have an LCR ratio that's huge or not is kind of irrelevant. We're going to do the right thing here.

But if the whole industry re-equilibrates around that, you have to look and say, well, how much competitive disadvantage have you imposed on yourself. I mean, we will always be -- the message that I've always given to the Treasury, we will be the last bank that calls the Bank of Canada. Now, the question is, how many months after everyone else calls do we have to have before they're -- and I think that's the debate we'll have to have.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

Shifting to capital, with organic growth and capital, the ratios are improved a lot in recent years. Where do you ultimately see the Basel III tier one common ratio stabilizing for TD Bank?

**Ed Clark** ***- TD Bank - President and CEO***

Yes, so I understand Gord says nine, so that was an interesting -- I think we're still working our way. I assume that, when he said nine, that he's working on the basis that the GSifi ends up at eight, but we haven't -- it's still an unknown that we don't know.

The way I look at it is you have to have a reasonable buffer above the eight, and so you have to stress-test and say how pro-cyclical is the nature of the businesses that I have. So if you had a business that was 100% residential mortgage, or you had a business that was 100% capital markets, the capital buffer would not be the same for those two businesses.

And so, we look at it and say, "Let's take each of our businesses and stress-test them, and then say what's a reasonable capital buffer, given the pro-cyclicality that's built into Basel III. And then -- because in the end, I think the right pricing structure that you should be pushing internally is you should charge that buffer down to the businesses that are creating the buffer. Now, there's probably a percentage of the buffer that you'd say any bank would have a buffer, no matter what it was, even if it was a pure residential thing.

So we're still working our way through. First, they haven't told us what the GSifi number is, and then -- so I wouldn't -- I don't know, nine strikes me as touch on the high side, to be honest, but Gord's a smart guy and got good people, and that's probably where he ends up. Really, I think it should be done by the nature of the business that you're running.

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**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And whatever the number ultimately winds up being, to the extent TD finds itself with excess capital in upcoming years, what would be the priorities for the deployment?

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**Ed Clark** ***- TD Bank - President and CEO***

So, I think from our point of view, we have this unique current position that we can reinvest the excess capital that we produce at higher rates of return than our cost of capital. So whether it's a target deal or an MBNA deal, clearly dramatically better than our cost of capital. And so I think, as long as you can do those deals -- and as you know, really, it's been a very long time since we've done a deposit acquisition.

We've been working on the asset sides. If I can buy assets -- we have a deposit base, so funding's not an issue for us. If we can buy assets at well in the double-digit rates of return, that's a pretty good use of capital from the shareholders' point of view. So we're under less pressure to sort of say, well, geez, let's get this stuff out of here and walk away from a target, or walk away from an [MDNA].

On the other hand, we have the irony, is that we have the highest rate of return, or used to have the highest rate of return for risk-weighted assets, so we naturally generate more capital than other people. And so, I think at some point you'll probably get to a capital return strategy.

The point that I've made before to people, which I'm a little surprised, everyone else seems to have ability to have point estimates on where their capital is, whereas I live in a world where every few weeks OSFI throws another rule that moves capital calculations around by CAD300 million or CAD400 million. And in the complex parts of our businesses, these are very complex rules that have not been sorted out yet. And so, I think this is something that would hope, maybe by mid-year, that I think we would all like. Did you get the rules all done so we actually know what they are and we can really figure out then what kind of excess capital?

So certainly in 2013 I'd love to be able to get to a position where we had a capital strategy for the Street.

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**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And the Bank had mentioned making acquisitions in asset management for quite a bit of time, and then the Epoch transaction was announced. Is this the beginning of a bigger investment outside of Canada in asset management, or this is what you were targeting, you now have it--?

**Ed Clark** ***- TD Bank - President and CEO***

--Yes. What we said, we said all along that we had a kind of capability gap, and as you know in this business, a kind of track record gap. So it's hard to build a wealth management strategy in the US and not have demonstrable capability you can show investors, or clients, here's what our track record, this is the team, and this is what we're doing. But I would say that's it.

We got it. We got a fantastic group of people with a fantastic track record. We're delighted. I think the critical issue, always when you do these kind of acquisitions, is don't mess it up. Just leave it alone, let them keep doing what they're doing, and we can make a lot of money off this by feeding them business. That's what we're -- job is, is to get them more business and spread that fixed cost over a larger revenue base. But other than that, let's just have them keep doing what they're doing. But no, that's it.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And still on regulation, with the Fed potentially requiring foreign institutions to have capital in the US to support the US operations, what does that mean to TD in terms of internal things that need to get done? And ultimately, will we notice them as external investors in a consolidated entity?

**Ed Clark** ***- TD Bank - President and CEO***

Yes. I'm hoping that, in terms of your first question, that it doesn't make life incredibly complicated, and so -- in any sense, so think there's a big discussion going on is are the whole world going to move to holding company ring-fence structures. I would say it matters less to us probably than anybody because we're running kind of conventional retail banks. And so, the amount -- it matters much more on the wholesale side, where it's really hard to see how you run a world wholesale bank that's all as a ring-fenced. And imagine if you're in Britain and you've ring-fenced your wholesale from your retail, and then each of your wholesales are ring-fenced around the world. That makes a very complicated world.

So, so far, we haven't seen any indication that it would actually hurt us there. I actually think it may be helpful to the Street in the end, because there's always this worry that we're going to end up with a solo capital problem somehow. We don't believe we have a solo capital problem, and we've sat down with the Federal Reserve and we've sat down the OCC and we sat down with OSFI, and we're working our way through. But I think having fully articulated rules to say, yes, the way TD is capitalized and presents its capitalizations the right way in the US and in Canada, and on a consolidated basis I think would sort of say that would be good. Everyone could say, yes, we agree with what they're doing here.

So I think it actually can help clarify that everyone's on the same playing field of how to allocate capital.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

But it's not your expectation that we notice anything externally, maybe in the tax rate or cost structure or anything like that at this point?

**Ed Clark** ***- TD Bank - President and CEO***

Right. Not so far [our reading]. I mean, Tarullo gave his speech. We said we'll have to wait for the details, and the details were his speech. And so, we obviously have to work our way through. But I would say the indication is we're not the triggering company for them of why they did the speech in the first place. And so -- we may be getting the hook here -- [well, you mean] -- that's a question, [is it], I say that's worse. I was hoping I was getting the hook.

So so far I'd have to say, but it's always subject -- you never know. Something could come out of left field. But I'm not -- there's not high anxiety in our place around these rules.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

Fair enough. I will actually start with this question as it's going to be a good segway into the Canadian business, which we haven't talked about much, but it's actually more a question about the US. So, clearly, Commerce had a very strong brand in the markets that it was in, and then now TD Bank, America's most convenient bank, is much more spread out geographically. So how is the brand perceived throughout the markets that TD is in in the US? Does it have a brand advantage over the competition like it does in Canada, or like legacy Commerce might have had in the market that it was historically in?

**Ed Clark** ***- TD Bank - President and CEO***

I would say, in some sense the way to put that, if I can rephrase it, because I think the question you're asking is, is the business model that we're running, is it equally as powerful in Northern Maine or Florida as it is in New Jersey and New York. And I would say the answer is, as it is true in Canada, no. The example I always use is my mother, bless her soul, kept her Bank of Nova Scotia bank account till the day she died, opened one at my dad's insistence at Canada Trust, but in the end of the day, she was born in Nova Scotia, and Nova Scotia I always say is you're born either a liberal or a conservative, a Catholic or a Protestant, or Bank of Nova Scotia, Royal Bank. Those are given to you at birth, and you keep those birthrights until you die.

And so, it's very hard that -- it didn't matter whether you were up 24 hours a day, seven days a week, wasn't going to change. And so, that's true with the United States, too. And so, if you said what is our model optimum environment for our model is a highly urbanized center, the same way as in Canada, what's the best place for our model? It's where places are growing.

So why did we have such a significant lead in the new to Canada population? It's because they're up for grabs. And if you're up for grabs, and someone's open seven days a week and someone's open five days a week, well, you're just more logically going to get the guy over there, the seven day a week. And so, you win where there's churn or there's margin, and stuff like that.

So I would say it isn't a perfect model, but if you look at where we're putting our branches is where the model makes the difference. And that's why Tate, New York is obvious, Florida is obvious. They're places where the game is up for grabs.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

So on the topic of being open seven days a week versus five, in Canada we've seen your competitors extend their opening hours. Are you seeing it either in your financial results or when you do surveys of comparing yourself to others for opening hours, are customers recognizing that it's no longer just TD that has extended hours?

**Ed Clark** ***- TD Bank - President and CEO***

We haven't seen that, but they may have seen that. So, I mean, I don't think whenever you do anything, you get -- we have a model that sort of starts with the customer, and I think the part that people often don't get is I think you really have to start with the average employee who deals with the customer and build your bank around that, and then work in rather than to start with head office and work out.

I think that's not a very complicated business model. And so, I think there's going to be lots of competition for it, and I think that's really good. I mean, I think, if you took a look at what's happened to J.D. Power, we may win it every year, but what it takes for us to win it every year goes up every year. That's a really good thing for Canadians. Competition really works, and it drives better service for everyone. But our job is to reinvent the standards every year to make it harder for them to catch us, and that's what we're going to keep doing.

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**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And still on Canada, if we look at your revenue growth, first of all, on an absolute basis, it is decelerating. How much further deceleration should one expect in upcoming years? And then, secondly, on a relative basis, TD had consistently outgrown the industry on the revenue front, and it wasn't as evident in recent quarters. So can you talk a little bit about your expectations on an absolute basis, and perhaps why we might have seen a difference in the relative, as well?

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**Ed Clark** ***- TD Bank - President and CEO***

Yes. So I think we've been able to grow, as you say, the revenue a lot faster than other people, but the whole industry has been able to grow its revenue at a multiple of nominal GNP growth, and that's essentially because Canadians were leveraging themselves up. And when they do, financial services grow faster.

Now, we still think that, in things like insurance and in wealth management, we'll be able to grow at multiples to nominal GNP growth. And we have businesses -- we've taken big market share in commercial and been growing faster than the industry, and I think in cards and cars we're going to grow faster than the industry.

But in the core business, which is a big chunk of our overall earnings business, I think the nominal growth that's going to -- if you think the GNP of Canada's going to grow between 4% and 5% nominally, it's nominal, not real, that really matters here. I don't know why the Canadian financial services industry ought to grow that much faster than nominal GNP, and theoretically, it's even possible that it could grow less if you start to de-leverage.

And so, it's just a lot -- the percentage -- all the absolute numbers matter, even if you slightly outgrew, if the industry's growing at 5%, for you to grow 6% is harder than it is if the industry's growing 10%. It's just to say it's whatever happens. As things slow down, I think the churn is (inaudible) [open] and needs to grow faster.

So I think -- I've said for a long time part of the reason we chose to go in the United States in 2005 was we said it is naive for Canadians to believe that Canada will always outgrow the United States, and I think it's naive for TD to believe that we will always vastly outgrow our competitors in Canada. And so, you ought to have a second growth wave, and that's exactly what's happening. I think, without question, our US entity will grow faster than TD Canada Trust this year.

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**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

You've been very vocal about household debt being high, real estate prices being high. Do you feel that perhaps you adjusted underwriting standards earlier than your peers, which might have led to the relative revenue growth declining in recent quarters?

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**Ed Clark** ***- TD Bank - President and CEO***

We know that. I think we have the pamphlets of come across -- TD won't do this [vote], and we still will, so we know. But I'm sympathetic in the sense that there was a real debate in the industry and a legitimate public policy debate where some of my competitors said you're pushing the brakes too soon, and we don't have a problem, and why are we doing this. And we took the view that says, well, we don't know they have a problem until it's too late, so let's leave the party early.

And so, it's much harder for them to go in there and say I want you to slam on the brakes internally, even though I think this is dumb, and particularly if the rules haven't formally come into effect. And whereas it equally is impossible for us to say, well, we're -- so we said we don't care whether it doesn't -- the rules haven't come in effect. We're going to do the right thing and put on the brakes now. So we know we lost market share in that period of time, and I suspect for some time after, because it takes a while for these rules to be implemented through big bureaucracies.

But what I say is -- I've been in the business for decades -- is this, too, will pass, like lost forever. It's just a bunch of equity lending that we wouldn't do now was done by our competitors, and shows up in their numbers and hurts our numbers. And you say, well, life will go on.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

And just to wrap up our conversation this morning, how many more years should we expect you to participate in this conference, assuming we'll invite you?

**Ed Clark** ***- TD Bank - President and CEO***

Yes, so assuming -- invite me for next year, and I'll show up.

**Andre-Phillipe Hardy** ***- RBC Capital Markets - Analyst***

Okay. Thank you very much, Ed.