TD BANK GROUP

RBC CAPITAL MARKETS CANADIAN BANK CEO CONFERENCE

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Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2013 MD&A under the headings "Economic Summary and Outlook", and for each business segment, "Business Outlook and Focus for 2014", each as updated in subsequently filed quarterly reports to shareholders.

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PARTICIPANTS

Ed Clark
TD Bank Group – Group President and CEO

Darko Mihelic
RBC Capital Markets – Analyst

PRESENTATION

Darko Mihelic – RBC Capital Markets – Analyst

Before we begin, I've been asked to tell you that Ed's comments today may include forward-looking statements. Actual results could differ materially from forecasts, projections, or conclusions in these statements. Listeners can find additional details in public fillings of TD Bank Group.

Ed Clark – TD – Group President and CEO

So, does that mean everyone else you've interviewed doesn't make those kind of forward-looking statements?

Darko Mihelic – RBC Capital Markets – Analyst

No, I don't – well, we had a few this morning. Why don't we start with a forward-looking one? You mentioned 7% to 10% earnings per share growth. You've been in the bottom end of that range again this year. We'll just start with why that is, and what you see as holding you back from giving us 10% plus.

Ed Clark – TD – Group President and CEO

What we set out to do was to run a bank that said, can we give you fairly predictable earnings growth, 7% to 10% a year. And I'd say, we've been pretty successful over the last 12 years in doing that, a little higher than 7% to 10%, but that's not a bad – it's better to err above than below. If you look at the last two years, and we don't exclude the insurance thing, but if you do exclude the insurance thing, then we did 8% and 6%, so for the last two years we are in the 7%.

But it is a medium-term goal. On the other hand, people use it to say, well, are you in the medium-term goal? And I think, we certainly see as management, our job is to try to get into that goal, and so we are saying, can we get close to the 7%?

Obviously to get the 7%, it's pretty hard for us to get to the 7% if Canadian Retail doesn't get into the 7%, just given the size of it to our total earnings. And I think if Tim were up here, he'd say, well, I'm going to have to work hard to do it; and I say, yes, you get paid a lot of money to work hard, so work hard, you know, like that's what you should do.

I think our Wholesale business, last year we were transitioning our Wholesale business because we still had a fair amount of security gains in 2012 that were coming through. And so, I think there is a good chance that our Wholesale business will well exceed our 7% to 10% target.

And we said in the U.S. that we're going to have modest growth in the U.S., which implies, I think, clearly less than 7%, but that's non-exchange rate weighted. And I think it's clear that the exchange rate's leaning in our favor here and certainly making it a lot easier to hit that target in Canadian dollars.

Darko Mihelic – RBC Capital Markets – Analyst

So maybe we can start diving into these businesses a little bit and talk...

Ed Clark – TD – Group President and CEO

Okay.

Darko Mihelic – RBC Capital Markets – Analyst

Maybe we will start with the Canadian side. So maybe just start with a bit of an update on the credit card situation and how does the Bank think about it? Credit cards are now seemingly a large part of the Bank across the business at this time of the cycle. Can you give some thoughts on that and how the early days are going and shaping up here with the Aerogold portfolio?

Ed Clark – TD – Group President and CEO

Yes, so let me take both in the sense that, if you look over the cycle, we like the returns in the credit card space and in this particular cycle, clearly the credit cards, frankly as an asset class, has behaved better than I think people had thought it would during the cycle.

We're quite careful. The way we run the Bank is that we have what we call a kind of risk cushion. So, we stress the Bank and every time we make a decision and say, if we had a stress situation, what are the kind of earnings are we going to get out of a particular asset class or a particular business. And we try to get a mix in our increase in our credit card portfolio. We try to find obviously some part – if you took an MBNA file, that's going to be more cyclical than what a Target file or an Aimia or Aeroplan file will be.

And so, we look at it and say, well, what's the earnings cushion in a downturn that's available to us and are they offsetting, so that you end up getting a balanced portfolio that lives within our overall risk appetite for the Bank.

And so the Aeroplan was a very high ROE, high spend category and we like the earnings characteristics of it and so I think it's obviously a financially attractive deal. It has started off incredibly well. I mean, we're already massively ahead of our sales targets just in the very short time that we've had. So I think the first reaction – but we have to let things play out – the first reaction has been, I think people can see – if you want to see what it actually looks like.

Darko Mihelic – RBC Capital Markets – Analyst

Yes, sure.

Ed Clark – TD – Group President and CEO

You could give one of those to Gord if you want to. *(Mr. Clark holding new TD Aeroplan Visa Card)*

Darko Mihelic – RBC Capital Markets – Analyst

You didn't sign the back end, Ed.

Ed Clark – TD – Group President and CEO

In fact, I'll get one made up with his name and ship it over to you. I think we'll take the credit risk. But I think that as part of the deal, we significantly improved the quality of the Aeroplan card, and so I think people have sensed that this is really a very unique card and it's going to be a real value for the consumer.

Darko Mihelic – RBC Capital Markets – Analyst

And so maybe as an extension to that – I think we've talked a few times in the past about the Target kind of deal and it leaves you open to possibly doing others. Similarly, where does your exposure to cards get too big, if you were to do a couple more Target deals, as an example?

Ed Clark – TD – Group President and CEO

So, I think obviously the Target deal, it was a signature deal in the United States. Target is perceived as the best retailer in the United States, and had a contest in which it had all the best card companies in the United States to a bake-off and they chose us. It's been a very, very good deal for us. It's worked out financially, but Target's worked out to be a wonderful partner to work with and we're working extremely well.

So that does say that we'd like to get that deal bedded down and make sure it works and obviously we've had issues right now to deal with at Target and we've been working together with them on that.

Yes, I think you would anticipate that in the next three years or four years – and these are fairly unique offerings and you really want the quality of a retailer that a Target is, that wants the style of deal that they wanted and that we wanted and you just have to wait. And we know what those are, and we've obviously talked to people and they've talked to us.

The fact that we were able to win the Target deal is not lost on if you're a retailer, you'd say, well, Target has its choice to pick them; there must be something they like a lot about them. And so I think it has set us up to do more deals.

Darko Mihelic – RBC Capital Markets – Analyst

And there's no issue there. You can grow the credit card portfolio by what, another $30 billion. I mean, there has got to be some level at which...

Ed Clark – TD – Group President and CEO

Yes. I mean, clearly, we watch the size of our portfolio. We have a limit that we've said to the Board. Here's sort of where we're not going to say that publicly, but we're clear of what that is, and we would clearly watch it.

All card portfolios are not created equal, and so what you really want to do is to look at your portfolio, subject it to big stresses and say, well, what happens to your earnings in that portfolio. If we ended up acquiring a higher volatile portfolio, then you would have a limit that's different than if you had a lower volatile portfolio. I think that's how we'll measure what it is.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. So, tangent aside...

Ed Clark – TD – Group President and CEO

Yes.

Darko Mihelic – RBC Capital Markets – Analyst

Sticking with the Canadian Retail. The one stress that we keep hearing is one on cost. And I guess, Tim is now operating in a world of low revenue growth and we're really pulling back on costs. The issue is, TD is not known as being a cost control bank. You missed your overall bank-wide target last year. So, what is it that's happening this year on the cost front that's going to result in a different outcome for 2014 and 2015 in terms of operating leverage across all businesses? And, more importantly with Canadian Retail, because as you say, it's the biggest part of the business; you'll have a hard time hitting that 7% unless they produce positive operating leverage.

Ed Clark – TD – Group President and CEO

Just to pick a little bit of a long review. If you take a look at TDCT or look at Canadian Retail and look what our efficiency ratio is and see how we have compared over the last four or five years to all the other banks, I think it would be hard to claim that we're not a very good cost manager. Though I'm guilty as charged, we do it in the context that we also worry about the revenue side.

And so, yes, we take market share and revenue every year and that makes it a little easier to manage our costs, but the reason we do that is because we reinvest. It's not like we're sitting there having parties in the Bahamas. We're building more brand sense than everyone else. We have the number one mobile app in Canada. So in all the growth areas, we believe in a model that's growing revenue faster, spend the money to reinvest, so you can grow your revenue faster in the next year, and that's been a pretty successful model.

Definitely, last year we could do all right, and if you exclude the Insurance, and have negative operating leverage. And so, I've certainly said to the team, we cannot have negative operating leverage in 2014 because I don't think we'll get the tailwinds of the PCL declines that we got in 2013.

You will find that I'm focused, but I think Tim would say, that's not a new focus, we have been doing it steadily. We're not a bank that says, why don't we just shut down the place for a couple of years and look good for two years and be in trouble two years from now. The benefit of that approach is going to show that at some point here interest rates – and I think they've already started this roll back up – that for a Bank like us that is so deposit-heavy, is a huge, huge lift on the revenue side. We can send more of that revenue lift back to our investors, because we've not been under-investing in this period of time. As a long-term investor that has a lot of stock in this company, I like management that does better than just play it for the short run. But we'll get positive operating leverage this year.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. So I do have a question, and we'll leave Canada in a moment, but I...

Ed Clark – TD – Group President and CEO

Okay.

Darko Mihelic – RBC Capital Markets – Analyst

Actually got a question from the audience that relates more to Canada. So, can you comment on the significant amount of new office developments in Toronto and Calgary? Are we in a situation of oversupply? There's an increase of vacancy rates. So, do you have any concerns on this front? Let's keep it at that as that's kind of the way that it's worded.

Ed Clark – TD – Group President and CEO

This whole area, whether it's office or condos or the housing market, generally, you know, do I worry? Generically, I've been public about this, that I think Canada has gone through – and not just Canada, you can go to Scandinavian countries, you go around the world – countries that look like Canada had the advantage that China created a commodity boom, and we had functioning banks, and so we had low interest rate policies and so we were able to escape the downturn in a more fundamental sense. But we also created asset pressure, and so we've had inflation in housing prices.

And everyone sees it; you have cap rates that are quite low, and the real estate market takes off and that includes buildings as well. And so managing that you don't get this out of control I think is a big backhaul concern. I think the government has taken a lot of measures on the housing market to do that. I don't think we're going to have a bust, but I also would say that if we have to continue to run, and we may well run lower interest policies than the United States' runs, because our economy has an export challenge to it. We have to always lean against these asset bubbles in the real estate area. I think that's a prudent thing to do.

I think when the investors would be blunt about it in the United States and said Canada is going to collapse. All they did was tell me they didn't understand Canada and I think they paid a fairly heavy price for it. I don't think it's going to collapse, but I do think if you run a bank, you should be worried about every one of these things and you should worry them through and make sure. I think it's not at the bust thing, but I think it's something we should watch.

Darko Mihelic – RBC Capital Markets – Analyst

What are you doing to – running a bank, you should be worried. Okay, we get it. You're worried. What are you actually doing to control the exposure and not have...?

Ed Clark – TD – Group President and CEO

Yes. So, I mean, we turn down loans. We turn down loans and I was telling an earlier investor a case. Not very long ago, Tim Hockey was virtually in tears. There was a client that you'd die for, that's been our client for a long time, tremendously close relationship, but we said, go to the other bank, we're just not going to do that loan. And if that means if you're leaving us you leave us, but we're not going to change the way we do lending.

The Bank got to where it is because we made the tough choices to say 'no' and that meant – but if you ask why – look at our commercial bank, went from fifth to number two in Canada, well, because we were well positioned to go out to our customers in 2009 and say, we'll be there for you. But we're in that position because we were tough before 2009, and say 'no'. And so, I think that's deeply engrained in the culture, and so we're saying no lots of times here that we're not going to change terms of lending here to accommodate lending that's not right.

Darko Mihelic – RBC Capital Markets – Analyst

And is it – are there more no's today than there were two years ago and do you anticipate that the no's eventually...?

Ed Clark – TD – Group President and CEO

I think the Canadian market is different than the US market. The Canadian market kind of rotates, breaks out, where every once in a while someone says, well I got to get some market share, and then they start doing stuff crazy and then they get a series of no's, go on, and then they kind of ride out and they seem to go away. So, I don't know that it has changed dramatically, but it is a continuous process of people saying, I don't like the fact that I've lost market share two years so I'm going to take a run at you. And you have to, at that point say, well, you take the client then.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. And then switching gears to the US. So you mentioned US low growth expectations mostly due to securities gains. What are you doing behind the scenes to backfill those earnings that are lost by lower securities gains in the US bank?

Ed Clark – TD – Group President and CEO

Well, this is – are you talking about – maybe break out – you want to talk about loan growth or you want to talk about securities or you want to talk about both?

Darko Mihelic – RBC Capital Markets – Analyst

I want to talk about loan growth.

Ed Clark – TD – Group President and CEO

Yes.

Darko Mihelic – RBC Capital Markets – Analyst

And the prospects for that and as well as credit as well, but more loan growth.

Ed Clark – TD – Group President and CEO

Yes. So loan growth, clearly the mortgage business used to be a 30% growth business. It's probably for us right now a 10% growth business. So we've been running – 30% is a very big number, but it's multiplied by a very small number. And so you can exaggerate it supports you. But basically if you said, what are you running the US at? You're kind of running at 10% loan growth and 8% core deposit growth, if you're talking numbers, those could be wrong by one or two points time-to-time, but fundamentally that's the business model we're running, fueled by the fact that we keep on adding new stores in the United States. We'll add about another 34 stores, 15 in New York alone.

It's a very simple model; just do everything the same way every year and you'll get that kind of growth. We're getting still quite good, very good commercial growth in the United States. So I think there is no question that the US has turned here; I think significantly improved. I think the animal spirits have the – you can feel the fact that Congress hasn't done something stupid for a few months. It's making people say, ooh, maybe this is actually starting to change here and that these guys are going to get through this.

And so I do think the fundamentals are pretty strong. You can have a big debate about what does that mean, but I think you can feel it on the ground. People are more willing to invest and willing to borrow money. So I think we can get that kind of 8% to 10% loan growth, deposit growth in the next few years.

Darko Mihelic – RBC Capital Markets – Analyst

And the margins should be stable, because we've seen the changes that you've made...

Ed Clark – TD – Group President and CEO

Yes. So margins, I think we are at the inflection point right now on deposit margins and so, as you know, we tractor – you can call it a laddered bond portfolio – against our non-interest rate sensitive deposits, and what we're now rolling on is higher than the roll-off. And so we're at that inflection point. It's still important to understand that the fourth quarter NIM was less than the average for 2013. So, we actually have to have it go up in order to see 2014 and 2013 the same, and leaning against deposit margins are some thinning in lending margins. The way the NIM is calculated in the US is sort of – in Canada, the base of the NIM is assets; in the US the base is deposits, and we've had very good growth in deposits, but if we get good growth, that actually hurts your NIM because the deposits are bigger than the assets.

And then I'd say, we have a lot of other noise in our NIM accrual, the roll-in of Target and a bunch of other adjustments. But if put all the way through, we think NIMs basically are close to stabilizing – could be down a little, up a little, but are stabilizing in the US.

The big long-term trend, I mean like, when I make a comment generally about interest rates is probably – I mean the way I look at interest rates is it's hard – they are very hard to tell what these NIMs are going to do from day-to-day, but if you step back and look at this Bank, at the end of 2014 we'll have about $300 billion in deposits. And in that $300 billion of deposits, you can break-out and then say, there is probably 40% of that, $120 billion, that are sensitive. And if interest rates move up, we don't get a 100% of those dollars of the improvement in that rate because we have to give some of it away to the consumer. But there is about a $180 billion where there is not that, where they are basically rate insensitive.

So if you said – we did this back in May – we talked about what would happen. What's happened since then is the five-year rate in the US has gone up about 70 basis points. What's clear is that where the government, Federal Reserve is coming out is, they want to keep short-term interest rates lower for longer but are prepared to tolerate some backup in longer term rates. That's what's clearly going on there. Who knows as to how much backup there is, then when they are going to break on the short-term rates.

When you look at us, if you said, on that $120 billion, if you said, well, suppose you had to give half of it up, so I call that a $60 billion equivalent, then you have $240 billion of non-rate sensitive deposits fundamentally is the way to think of it. So, if interest rates move up 100 basis points, you got $2.4 billion. That's the prize. And if you step back and say, and the same applies – those are for whole, Canada and the United States. What's been going on here; the banks and we certainly are huge beneficiary of it is, for 10 years interest rates have been coming down. Not surprising, consumers responded to that by leveraging themselves up. Lending growth has been growing faster than the nominal GNP.

I can remember numerous times at this conference saying, that can't go on forever; like that's not possible. Things that can't go on forever don't go on forever. This is a good thing. If now, which is what we would say is that lending growth should be growing a little faster than nominal GNP, maybe better to grow slightly less quickly than nominal GNP.

On the other hand, if that's accompanied by interest rates backing up, we have another secular trend, which is, I don't know when this is going to occur, but I do know when it does occur, there is a huge prize for us, because we're so deposit heavy that you're going to revalue the base of those deposits and that the $2.4 billion is not an insignificant number for us.

So, I think it gets those balanced. I think what we can't tell you anymore is, you guys have to figure out is, when do you think these rates are going to change, and when this will roll in. Clearly, we have a laddered bond portfolio, it can take five or six years for that to roll in into you, but that's all right, it will roll in.

Darko Mihelic – RBC Capital Markets – Analyst

There are other challenges still in the US. When you take it back, when we had the Durbin Amendment, it held back the revenues significantly and it was a big hill. It seems like it is coming back. I mean it seems to be that the interchange issue is coming back. It's been pushed around, it's a little bit of timing, but it still looks like it might be another headwind. Have you looked at that and is it material for TD and how would you guys overcome that? Once again another fee reduction.

Ed Clark – TD – Group President and CEO

Yes. So, I do think there are risks in the United States and the politicians – because the industry misbehaved so badly around the world, the banking industry does not have a lot of political capital to stand up against interventions. And unfortunately the interventions are not exclusively against the guys who've got the world into trouble, they're against the ordinary banks too. And so I think you have to accept that there will be these interventions.

The reality is though that the markets often re-equilibrate. It hurts for a while, but then in the end, you have to pay for banking. You can't legislate that the banks will continue to exist and have free banking for everybody. So every one of these interventions end up with a whole complicated chain where then people adjusted this price and that price. And so, you could argue, I wish they wouldn't do it, but they may well do a lot of things, but then you've got to sit there and say, well then how do you re-price to recover those losses and how do you figure out.

The tragedy is that those re-pricings are not necessarily in the interest of what they originally were trying to do. I think the interchange was clearly in the end simply saying, we're going to tax the consumer to pay retailers more money. I don't know why that's such a great social good, but they didn't sell as that, but that's what it was.

Darko Mihelic – RBC Capital Markets – Analyst

So then, the last thing I mean, before we leave the topic of the US. One of the things that's dogged your stock a bit in the past has been headline risk with acquisitions and you've made some acquisitions in the US – you're large. The Citizens thing kind of came up, it went away; they recently sold a small portfolio of branches in the Midwest. Has that changed your view or is it possible now that we think of TD possibly looking at branch purchases, is that something that is in the cards?

Ed Clark – TD – Group President and CEO

We have a very simple way of looking at it. If I can put 50 new branches in New York, what does that cost me. And if I bought those branches, what would I pay for it and which of the PV is better and that's how we make that decision. And I would say that still says, don't make acquisitions right now in the US. I mean, if you take a look at what US Bancorp's Richard Davis was a fantastic banker in those – a very smart guy, but that's a pretty high price to pay for the branches and it's not obvious to us, certainly in our marketplace, that we would do that.

I think the other obvious fact is that we are in transition. We've got new people down in the United States. Bharat's taking over in Canada. I think that obviously means that it leans against – doesn't say you wouldn't do acquisitions – but it certainly leans against. And if you listen to what Mike has been speaking in the United States, I don't think you'll hear in our rhetoric; the acquisition word is not in our rhetoric and I think for obvious reasons.

Darko Mihelic – RBC Capital Markets – Analyst

What about your position in Ameritrade? Higher rates. Is Ameritrade in a position to think about making some significant acquisitions and what would your role be in that and I'd assume you'd be supportive, but any thoughts on that front?

Ed Clark – TD – Group President and CEO

So first off, we keep saying to people, we think we're ideally positioned in Ameritrade. We get the strategic benefit with our position in Ameritrade. We don't really say – and that's certainly what the deal – the extension of the deal says is, they're trading at twice our P/E and we would get nothing for that price-to-P/E, so why would you buy more of this? And so we like where we are.

But clearly, if Ameritrade could come out and buy something, in their case they have pretty significant cash flow. They have leverage capacity. So they wouldn't necessarily have to use a lot of shares. But if they did use shares, we would look at it and say, the cost of those shares, presumably they wouldn't do the deal unless it was highly accretive.

The acquisition, particularly one that they did, the big acquisition they did was thinkorswim and that's been a spectacular acquisition. They dominate the derivatives market; they bought a huge amount of intellectual capital of the organization. So yes, if they had something that was sensible, we would totally back doing it, but again, I think if you spent time with them, are they spending a lot of time looking at acquisitions. I mean they have an unbelievable growth model; they outgrow the market, they've taken market share. They constantly add assets faster than everyone else. I think a large part of them doesn't want to interrupt the story. We've got a competitive edge here, we're taking market share, why don't we just keep doing this.

Darko Mihelic – RBC Capital Markets – Analyst

I was thinking along the lines of something very sizeable.

Ed Clark – TD – Group President and CEO

Yes.

Darko Mihelic – RBC Capital Markets – Analyst

That would require maybe you picking up a piece of a bank, like E-Trade?

Ed Clark – TD – Group President and CEO

Yes, as an example.

Darko Mihelic – RBC Capital Markets – Analyst

So, I mean let's just throw it out there right now while we're at it. Would something like that be prohibitive for you?

Ed Clark – TD – Group President and CEO

If you're saying, in principle, in terms of the actual acquisition – don't want to comment on it, but I wouldn't – you can tell by my body language, been there, done that, so I don't think that's a likely event. But, do we have anything in principle against Ameritrade expanding, no. But we are like the shareholders in this room with us, I'm about, show me the money; prove to me that this is a good use of my capital. If it is, we'll do it; if it's not, our answer is no.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. And then maybe just as a last-ditch effort to talk about your acquisition strategy in the US. One of the things that keeps coming up is, you have a large portfolio of businesses; some of them are struggling. Let's take the insurance business as an example here in Canada. Is it really core? Is it a business that you could possibly divest of to help you invest in the US? Would that be something that you would think about, Ed, as you hand over the reins to Bharat? Is this something that is possible for TD to take something that looks like it's non-core and reinvest the proceeds elsewhere?

Ed Clark – TD – Group President and CEO

Yes. So we do not see in the US, unless we're missing something, we don't see this enticing acquisition in the US right now. So, we're not spending a lot of time saying, well, how could we find something that doesn't seem to exist?

Darko Mihelic – RBC Capital Markets – Analyst

Fair.

Ed Clark – TD – Group President and CEO

But as far as the Insurance business is concerned, it's easy to get down on businesses. We have a to do for position if you're talking about the property and casualty business. We're the number one direct insurer, we're the number one affinity player. If you talk to anybody in the industry, this is the prize property here. And that doesn't mean – we've learned some lessons – that we didn't stumble. And I think in Calgary, we learned the lesson that says, okay, all the other insurers are just dealing with their insurance clients, we're dealing with TD clients. And so, there is a big overlap between our insurance clients and our bank clients. And so, when you're adjudicating a settlement, you have to recognize that you're dealing with a core client. And so, you have to run your insurance company different than the other insurers and there is a cost for that.

And then I think in Toronto in particular, in the auto business, I think taking the direct model and going beyond affinity clients and sort of TD clients and into the general market, you have to be careful when you have a direct model, whether you can screen for fraudsters, as well as people who use agent portions, because they have people on the ground, or, frankly, if you take a look at the agent portions, they simply don't serve Toronto. And they don't want to put in agents in there, so they don't end up getting that business.

We've had to adjust our business models for both of those, but when you peer through and say, do I like being able to meet all my customers' needs? And I think in Canada, we have to keep recognizing that this is a big long-term strategic play of who owns the Canadian customer. And I think all five banks would tell you that's how they play this game. And so, when we own every part of the customer, that makes that customer stickier, that means when the great battle – I mean there is a huge battle coming in the next ten years of where the baby boomers finally settle. As they say, I want to whittle down my banking relationships, and the more things that they do with you, the more they're likely to end up saying, why don't I just go to TD? And so, I would give up that prize pretty reluctantly. And certainly if nothing exists, you can give it up.

Darko Mihelic – RBC Capital Markets – Analyst

I appreciate the commentary Ed. We've got maybe a minute and a half. Maybe last thoughts before you hand over to Bharat on the direction of TD and what we should think about – something that we can maybe really grasp our teeth into is, maybe for example is it possible that Bharat would say, the long-term earnings target goes to 8 to 12% or...

Ed Clark – TD – Group President and CEO

Well, I think it's...

Darko Mihelic – RBC Capital Markets – Analyst

Or, is it something less fundamental than that?

Ed Clark – TD – Group President and CEO

Yes. So I think if interest rates back up quickly then he's got to have to change that target upwards, there is no doubt about that. But I don't think you're going to see big change. It's not like, we took someone in from the outside, doesn't know anything about TD and say, we got a problem bank, clean it up.

This is my business partner for the last 12 years and was in a role of making the decisions, structured products, asset-backed commercial paper, going into the United States. More importantly I guess even than that, is that he is surrounded by a team that all believe. I mean, people make fun of us, but we all drink from the same Kool-Aid, but we do all drink the same Kool-Aid. We actually believe this motto; we believe in that culture. And that team loves the fact that Bharat is taking over and is loyal to Bharat.

I just don't think you're going to see big changes. But Bharat's going to be different than me and he's going to face a different environment than I am going to face, I think so as I say, we've had a leveraging play in banks, I think you're going to get now a more deposit / wealth management play in the next 10 years, and so you're going to have to adjust to that. I think the US banks, big banks have come back, and so I don't think it's going to be as easy to take market share in the US as it has. And so I think it's going to be tough. Bharat knows Canada, he knows the United States, and so I'm keeping my shares.

Darko Mihelic – RBC Capital Markets – Analyst

Thanks a lot Ed. We appreciate your candor as always, and we'll wrap it up there. We have a lunch in the next room, but don't quote me on that. We're back here just after lunch. Thanks.

Thanks a lot Ed. Appreciate it.

Ed Clark – TD – Group President and CEO

Thank you.