TD BANK GROUP
GOLDMAN SACHS
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PRESENTATION

Unidentified Analyst, Goldman Sachs

All right. Next we have TD Bank. TD Bank serves more than 18 million customers. That's the sixth largest Bank in North America by branches. It's recognized by its customers for having outstanding customer service also known as disciplined risk manager with tremendous franchise value. The company views the current downturn to expand its footprint in the U.S., picking up Commerce Bank along with several FDIC deals in Florida, and more recently is having TSFG to its franchise. With us today, we have Colleen Johnston, Chief Financial Officer, to say more about the company strategy.

Colleen Johnston, Group Head Finance and Chief Financial Officer

Thanks very much, Ryan, and good afternoon. It's good to be back. Let me start, if you will, with a quick trip down memory lane, used to be two years ago, when I came to New York, a lot of investor haven't heard about TD Bank.

Today, as you may know, we have over 80 stores in the metro New York area and over $10 billion in deposits in this market. So needless to say, it's great to be here.

Let me begin with the legalities. This presentation does contain forward-looking statements and actual results could differ materially from what is discussed. Any forward-looking statements contained in this presentation represent the views of management only as of today and are presented for the purpose of assisting the bank's shareholders and analysts in understanding the bank's financial position, objectives and priorities, and anticipated financial performance as that and for the periods ended on the date presented, and may not be appropriate for other purposes.

Certain material assumption were applied in making these statements and you can find additional information about such assumptions and the material risk factors that could cause actual results to differ in our Q4 2010 MD&A, which can be found on our website at td.com.

So let's start with the three key takeaways on TD, a leading North American retail franchise, ability to outperform even in a tough economic environment and well positioned for growth. So, first of all, we do run a growth oriented North American Bank with a lower risk retail focus.

We have a consistent strategy north and south of the border to be the leader in customer service and convenience. We continue to leverage our products, processes, technology and people as we build the first truly North American bank.

Second, our model has proven its ability to outperform even during tough times. And you'll see this illustrated throughout the presentation, as I talk about the performance of each of our business segments. And three, we are very well positioned for growth.

Just by way of a quick story, it was two years ago at this time and all of us were in the middle of the devastation that was going on in financial markets and liquidity crisis. And our CEO, Ed Clark stood up in front of about a thousand of our senior executives in the organization with this very simple advice.

We know we're heading into a recession and think about the recession like a valley. We need to get to the other side of the valley with our model intact and emerge with momentum. What does that mean, first of all, getting across the valley is about being defensive, having best in class liquidity, capital, funding and risk management model intact, having being in the right businesses, having the right mix of businesses and having a great culture as an organization.

And finally emerging with momentum. And for us what that means is – was about investing in our franchises, being a bit contrarian in fact. So investing for growth, so that we would be well positioned coming out of the recession. And that's exactly where we are today. So I'm very, very confident that we have emerged with momentum on our side.

As Ryan mentioned, we are a top 10 bank in North America. A lot has changed in the world since my presentation last December. One thing has not. It is our standing as a top 10 bank in North America. 2010 was a very good year for us. We delivered double-digit growth in adjusted retail earnings and continued to execute on our strategy and made some strategic acquisitions in the United States.

For those of you, who are new to the TD story, this slide gives you a good sense of how we stack up relative to our peers on both sides of the border. We're a top 10 bank in North America in terms of total assets, deposits, employees, earnings and market cap. Our retail focus strategy has made us number one in Canada in adjusted earnings, retail earnings. And as you'll hear later on, with our investments in the U.S., we're now the third largest retail bank in North America in terms of adjusted earnings.

TD has a conservative risk management philosophy. Because of our risk discipline, we are one of the few banks in the world that largely avoided the direct impacts of the financial crisis. We avoid risks that we don't understand and we are realistic about risk reward relationships. This results in a strong focus on risk -- risk adjusted return. Our return on risk weighted assets in 2010 with 2.63%, which is stronger than our Canadian peers, and over three times higher than our US peers. This shows that we are very good managers of capital. We understand how to manage the risk reward capital paradigm and we've shown that we can deliver a significantly higher rate of return for every dollar of risk we take. Our strength and the resilience of our business model are just a few of the reasons that TD was recognized by Euromoney magazine as the best bank in North America in 2010 for the second year in a row.

Moving to the next slide, 2010 highlights, it's clear that 2010 was a year of significant growth for us, despite a recovering economy, low interest rates and an increasingly complex regulatory environment. Total bank adjusted net income was 5.2 billion, up 11% from last year. Adjusted earnings per share rose 8% and are back to the record levels we saw in 2007. And that achievement is even more impressive when you consider that we -- our share count is significantly higher than what it was back in 2007. In fact, back in -- after we closed the Commerce deal in 2008, our Tier 1 capital ratio was about 7.6%. Today, our Tier 1 capital ratio is 12.2%, which really makes my point about the same earnings per share off a much higher capital base.

The 2010 results are a testament to the power of our retail earnings base. And we hit a new record at 4.8 billion and that number was up 20% on a year-over-year basis. As you will see in a few moments, we earned over US$1 billion in our US Personal and Commercial Bank and we earned record earnings in TD Canada Trust almost 3.1 billion. So, overall, very pleased with our performance in 2010. So let's go a little bit deeper into the business segments. Let's talk about TD Canada Trust, our Canadian retail banking franchise. Our strategy is focused on two key elements, service and convenience. We are the undisputed leader in service and convenience in our markets. It's a simple, but very effective strategy.

First of all, leaders in convenience, we have 54% longer hours than our competitors. We've been the leader in longer hours for many, many years. And in Q4 2010, we made the strategic decision to further lengthen that lead by introducing Sunday banking in 300 of our 1,100 branches across Canada. Unlike in the U.S., Sunday hours is a new concept for Canadians. Being opened longer, makes it more convenient for Canadians to bank with us. It's a key part of our competitive advantage that helps us win the ties. In other words, it makes it easier for our customers to choose TD over the competition.

Customer satisfaction, we are the recognized leaders by customers and the industry. We've won JD Power in Canada for five years straight, ever since they started in Canada. And we've also been winners of the Synovate Best Banking award for six years running.

Not only are we the leaders in customer service, but we're also constantly raising the bar. We've seen our customer service scores rise every year, and at the same time, we've maintained a consistent gap with our competitors. Clearly leadership in service and convenience is TD's competitive advantage. So how do we maintain that advantage? We do it by continuously investing.

Over the past five years, one out of three branches opened anywhere in Canada was a TD Canada Trust branch. Our recent investment in Sunday hours is another great example of how we continuously reinvest. And when you put all of this together, we are able to outperform our peers. We've grown revenue by a compound annual growth rate of 9% over the last five years. And we've had a 3% revenue growth gap versus peers over that same period.

In fact, in 2010, our revenues grew by 10%, expenses by just 4% for six points of operating leverage. So when you look at our numbers, our bottom line grew by 25% in 2010 versus the prior year and you maybe saying, well, a lot of that may have been credit driven with improving credit, only 3% of our growth was due to lower credit losses in 2010. If you kept credit losses constant year-over-year, we grew the bank by 22% bottom line. It's just a fantastic story. And you've heard why. It's about being leaders in service and convenience.

Let's turn to slide seven. So the result of what I showed you on the previous slide is consistent long-term growth in earnings. Over the last seven years, TD Canada Trust has more than doubled its adjusted earnings. At the same time, we've improved our efficiency ratio by over 10 points to 47% in 2010. This is a perfect example of how we reinvest in our franchise to improve processes and maintain positive operating leverage. Clearly, our lower risk retail focus model has delivered consistent returns and proven its ability to outperform.

Going forward, we do have opportunities for growth in underrepresented businesses like credit card, auto lending, business banking, insurance and regionally in the province of Quebec. All of these represent areas where we do not have our natural market share and where we can leverage our strong branch network, customer relationships and competitive advantage to grow.

Please turn to slide eight for a look at our wealth management business. TD's wealth management business has been in build mode for the last few years, and it is paying off. We more than tripled our global wealth earnings from 2003 to 2010, while investing in people and technology. We made a significant investment in this business by growing our advisor base.

We achieved critical math by increasing our client facing advisors from just under 700 to more than 1,400 today. We grew three times faster than the industry between 2003 and 2010. This investment has provided us with a tremendous amount of embedded growth. Nearly half of our advisors are working toward profitability, given that it does take a few years for new advisors to deliver a return for the bank as they build up the client base.

A key advantage of our wealth business is a leverage we created by building on the strengths of our retail customer base to grow. We view the wealth business as an extension of the retail bank. You can see on this slide that this is resulted in tremendous success in driving client referral, growing at a compound annual growth rate of over 30% since 2003. This is a powerful advantage for TD, because we gather an additional $1.11 for every dollar of assets that are moved or deposits that are moved from our retail business into wealth.

The largest business in our retail franchise is TD Waterhouse, our online broker. It's a largest of its kind in Canada with a 46% market share. With our leading position in Canada, our investment in TD Ameritrade and our TD Waterhouse U.K. platform, which is also the number one online broker in the UK, we are leaders and are well positioned to take advantage of growth in this area. This business has successfully earned through several significant industry price reductions over the last three years.

Overall, our wealth business now has scale to compete. We have a leading online brokerage business, a maturing advice business and strong asset management capabilities, and we're positioned for growth.

Turning to slide nine, so let's take a closer look at our U.S. franchise. In 2004, we made a strategic decision to expand into the United States. Given the limited growth opportunities in Canada and the large amount of capital that our Canadian franchise generate, we embarked on a growth strategy into the U.S.

Beyond the obvious opportunity to capitalize on a market 10 times a size of Canada, an important consideration was cultural fit. Even though the U.S. and Canadian banking models are different, we wanted to ensure that we stayed true to our focus on convenience and service.

We knew that in order to succeed in the United States, we would need to have scale in the markets in which we compete. From the first acquisition of 51% of bank north back in 2005 to the acquisition of Commerce in 2008 and our most recent acquisitions in Florida and the Carolinas combined with de novo growth, we have built significant scale along the eastern seaboard with excellent opportunities for growth.

Today, TD Bank, America's most convenient bank has deposits of US$126 billion and loans of US$56 billion. We've more than 1,250 stores and we're located in four of the top 10 metropolitan statistical areas in the United States, with access to over 53 million people within five miles of our stores.

We're top 10 deposit franchise in the U.S. with leading market positions in most of our markets, including being a top 10 bank in the attractive Florida market.

While, we've established scale by growing our footprint and building a deposit rich franchise, work remains to be done to grow our loan book, to optimize our balance sheet. The focus for this franchise is to grow organically, by focusing on deepening customer relationships through cross sell initiative. We've already started to see lots of progress on that front.

We're pleased with our growth in the U.S. profits, over $1 billion in 2010. And we're already working, and we're working very actively to improve our returns in the United States. We're focused on a goal of total earnings of $1.6 billion by the year 2013, with about a two-point improvement in our return on investment capital.

On the lending front, we've taken advantage of a disrupted mortgage market and increased refinancing activity as an opportunity to leverage our model to capture outsize growth. Overall, the U.S. retail franchise has made great strives. It has established relevant scale and is well positioned for continued growth in a disrupted market.

Turning to slide 10. Looking at the wholesale side of our business, our approach to the capital markets business differs from other Canadian banks. We have repositioned this business over the last five plus years to de-risk our dealer. And we believe that we are in a great position today. We took the view that if we didn't understand certain parts of the business or couldn't explain it, then we probably shouldn't be in that business.

So we unwound our structured products business in 2005, and we exited our non-franchise credit products group in 2007. The market worries about risk, and the dealer and so do we. That's why we've always had to believe that it's vital to take the right type of risk and ensure appropriate backstops are in place.

We're well capitalized for the type of risk we take and this will continue with the new trading risk rules. Simply put, we've repositioned the business to focus on client centric activities, and we believe that this is the dealer model of the future. This chart shows that we're able to generate significant high quality returns on a consistent basis and we even made money during the height of the downturn in 2008.

In 2010, the business again produced excellent results with almost 1 billion in adjusted earnings, coming off a record year in 2009. Despite the changes we've made to the operating model, we've proven that a client focused, lower risk dealer can compete and deliver shareholder value. As of September 30, 2010, TD Securities held the number one spot in equity block trading and M&A announced, and we continue to maintain our position as a top three dealer in Canada. Going forward, the franchise is well positioned with key growth opportunities focused on expanding our North American fixed income currencies and commodities businesses.

Turning to slide 11, when you see these franchises together, you can see how they've collectively driven an impressive and consistent story, a lower risk retail focused reliable growth story that continues to deliver in line with our target adjusted EPS growth of 7% to 10% per year over the medium term. And we expect that we can at least meet this goal in 2011.

Our adjusted earnings have grown at a compound annual growth rate of 13% over the last five years and our adjusted earnings per share have grown at a five year compound annual growth rate of 7%. Overall, each of our businesses has grown over time, including demonstrating the resilience during the worst recession since the great depression. TD has demonstrated its ability to deliver solid growth across all of its businesses and the strength of our franchises positions us to maintain that momentum going forward.

Turning to slide 12, capital reform. I know this is a very key topic these days for investors and it's very important for us. Basel III and its impact on capital and liquidity continues to be an area of concern for the investment community. TD has always been very prudent in managing our liquidity, given our high-quality, low risk weighted assets, strong core deposit base and risk-based approach to funding contingent obligations, we can easily meet the proposed liquidity rules immediately.

On the capital front, there's still too many moving parts, first to share any specific guidance until we obtain clarity. But for the time being, we can tell you a few things. TD has a strong capital position today and a proven ability to generate capital from our operating businesses. We will increase dividends in line with earnings growth over time.

We will be impacted by the deductions for substantial investments, because of the size of our investment in TD Ameritrade. We expect to get some basket relief on the deductions, which will grow as tangible common equity growth. Overall, we remain very comfortable with our investment in TD Ameritrade and we don't expect the impact from capital reforms to change this deal.

So to conclude on capital, we do feel very confident that we will not need to issue capital to meet the proposed rule, even if we use conservative estimates. But until we get more clarity on the rules, we can't be certain at the moment in terms of how much excess capital we have.

Turning to slide 13. Although TD has been prudent in maintaining high levels of capital throughout this period of uncertainty, we view capital and dividends as two separate issues. Over the last 20 years, TD has grown dividends at a compound annual growth rate of 11%. Our current dividend policy is to payout about 35% to 45% of adjusted earnings. Our 2010 payout ratio was 42%, closer to the high end of our range. We believe that where we operate in that range depends on our confidence about the sustainability of earnings and TD's dividends are set by sustainable income. Fundamentally, our objective is to drive our earnings on a sustainable basis, so that we can grow dividends. That said, we do expect to provide an update on dividends when we announce our Q1 2011 earnings in the context of the Board's outlook on earnings and the bank's dividend policy.

Turning to slide 14, the outlook, while we are confident in our ability to grow, we're also realistic about the headwinds that we'll face in 2011. We're anticipating a cooler housing market in Canada. We saw real estate secured lending growth of 12% in 2010, while consumer lending volumes grew at a 13%. Moving forward, we're anticipating healthy but slower growth in the mid single digit range. Interest rates are also expected to remain low, which will continue to have an impact on our strong deposit rich franchise in the U.S. and in Canada. We're operating in an environment of increased regulatory reform. Our U.S. team is working through these changes, but it's fair to assume that regulatory reform will continue to have an impact. We did see some impact in our fourth quarter as it relates to Regulation E, one of the consumer protection measures that we've introduced earlier this year.

The good news is that that we're already seeing early signs of the U.S. banking model is responding to the impact of regulatory reform and our franchise is well positioned for these changes. Finally, global uncertainty does remain quite high at the moment. The U.S. housing crisis, the sovereign debt crisis in Europe and global trade imbalances are undermining investors and consumer confidence about the future. And we think we'll act at somewhat of a drag on the recovery going forward. So how does that make us feel at TD? Despite all of this we're confident that we have the team, the experience and the strategy to manage through these challenges and to continue to outperform. TD has proven that great bank with great franchise models can win and grow despite challenging economic conditions. Our strategy going forward is not going to change. All of over franchises are well positioned for growth. We'll continue to focus on the same customer oriented strategy that has worked so well for us in both Canada and the United States.

With our commitment to investing in our franchises we and with our introduction of Sunday hours in Canada and significant growth in our footprint and scale in the U.S., we know that we can continue to gain market share. With more than 80% of our retail earnings, our earnings coming from the retail businesses we're confident that we have the right business mix to continue to perform and deliver long-term shareholder value. However, we do understand that given that revenue growth will flow in 2011 we need to adapt as we prepare for more moderate, but still healthy levels of revenue growth, we're challenging ourselves to manage expenses more closely.

We will still invest for the future, but not at the same rate as the prior year. We're also expecting to benefit from continued normalization in the credit environment, although not likely to the same extent that we benefited in 2010. Overall we feel very confident that TD has emerged with momentum from the recession, our ability to navigate through economic and regulatory challenges in 2010 gives us great confidence that despite continued headwinds we can and will continue to grow. We have a simple strategy, a consistent focus and we work on it day in and day out to deliver long-term shareholder value.

So to wrap-up, let me leave you with the takeaways. We are a top ten bank in North America. We run a growth oriented North American bank with a lower risk retail focus. We have a consistent strategy north and south of the border to be the leader in customer service and convenience. We continue to leverage our products, processes, technology and people as we built the first truly North American bank. We build strong franchise businesses supported by continued reinvestment that has helped to generate repeatable earnings without going out the risk curve.

Our model has proven its ability to outperform even during tough times. We are well positioned to outperform and continue to execute on our growth strategy.

Thank you very much for your attention today. With that, open to questions.

QUESTION AND ANSWER SECTION

Unidentified Analyst

I guess I'll kick it off. The part on the retail bank, you talked about focus of loan growth. Are you seeing any real demand on the part of bars, I think, you listened to a lot of the presentations you've had today. I think we're starting to see some signs of loan growth emerging. Have you guys seen the same thing?

Colleen Johnston, Group Head Finance and Chief Financial Officer

So why don't I talk about both markets, Canada and the United States...

Unidentified Analyst

Sure.

Colleen Johnston, Group Head Finance and Chief Financial Officer

We've had – continued to have very, very strong asset growth in Canada. This quarter, Q4, our loan growth on a year-over-year basis was 9%. And that's the first time we've been into single-digit growth on loans in the last 16 quarters. So the Canadian market has been very strong. That's been fueled by growth in our real estate secured lending business. And just to give you a bit of a perspective on that, because I know real estate secured lending has a bit of a tarnish these days in many parts of the world. But for us, we have about $115 billion in Canadian real estate secured lending on our books. Our losses last year on that business, credit losses were $17 million. It's a fantastic asset class. And in fact, about two-thirds of that asset class in Canada is insured by Crown corporation of the Canadian Government.

We do expect as we head into 2011 to see that growth rate come down a little bit more to probably the mid single-digit rate, and we are seeing originations in our mortgage business in particular come off versus last year.

We're seeing the increasing optimism of our commercial clients, so in many respects, I think our view on the economy generally in Canada and the U.S. is that we're going to have fairly tepid growth into 2011. But what we're hearing at an operational level on the ground is lots of our clients are feeling more optimistic about the future and we're seeing that with our commercial base in Canada, also in the United States.

So to give you a bit of perspective, last year, excluding the impact of acquisitions, our asset growth in the U.S. was 5% and our deposit growth was 8% last year. So when you look at it, many banks, of course, are seeing declines in their lending base, as they experience the phenomena of deleveraging on the consumer and the corporate side. We have continued to grow and we've continued to optimize our network in the U.S.

Again, at the operational level, our clients are feeling fairly positive these days and we do expect that commercial growth can start to pick up a little bit. A lot of our growth in the U.S. has been more in the residential mortgage side and we accept to see commercial start to post a little bit better growth.

We expect deposit growth to remain very strong in the U.S., because of this phenomenon around having a significant number of younger branches. Over 20% of our branches or stores as we call them in the U.S. are less than five years old. So if you look last year, while it was about 20% of our stores, it accounted for over a third of our deposit growth, those stores accounted for over a third of our deposit growth. So it's a very, very important source of ongoing deposit growth.

Unidentified Analyst, Goldman Sachs

Two new questions in the audience.

Unidentified Analyst

Thank you. There was a press report today that TD might be a potential bidder for Chrysler Financial. So if you could give us your thoughts on that?

Colleen Johnston, Group Head Finance and Chief Financial Officer

Well I'm not in a position to comment specifically on any speculation that's going on out in the market. But what we have said consistently about acquisitions is that we will consider acquisitions that are strategically attractive and financially compelling, and we – I think we've proven that over time. We've grown our U.S. Personal and Commercial business. It's basically been de novo growth but also six acquisitions since 2005. Our current interest is more in more modest size deals that would perhaps give us some distribution or give us asset-generation capabilities, but we are not looking on at anything on a significant scale at the moment.

Unidentified Analyst

A couple of questions if I may. The footprint map is pretty interesting and you make reference to scale several times. It really looks as if you got scale in the mid-Atlantic in the Northeast, is there a priority to stitch that with your southeastern activities and get the benefits of continuous activity of concentration?

Colleen Johnston, Group Head Finance and Chief Financial Officer

We do like our footprint currently, which to your point is in the North-Eastern United States, and then in Florida, we've also moved up into the Carolinas through the acquisition of South Financial Group. We don't have a particular goal of trying to close that gap on the eastern seaboard. We – again, we like our geography generally, but no specific goal in that respect. So I think what we would be looking to do is to continue to increase our distribution in the Northeast. We like where we are in Florida. We started the year with about 30 stores in Florida, in the Southeast part of Florida. And that really was creating a bit of a strategic challenge for us, because there wasn't really enough scale to compete.

So having done the FDIC-assisted deals in Florida, as well us in the South Financial Group, which had a Florida franchise. We're now a top 10 bank in the Florida market and we think that gives us more scale to compete. We've got some branches now in the Carolinas a small beachhead in Northern Carolina as well through the South Financial Group. So we'll – I think look to continue to maybe intensify in those particular regions.

Unidentified Analyst

And your comment that there was 5% organic U.S. loan growth, was that evenly spread across your geography or was it concentrated in one area or another? And was it – how was it spread across asset type apart from resi?

Colleen Johnston, Group Head Finance and Chief Financial Officer

By asset type, the key area was in the residential mortgages where we have shown significant increase. And that was spread out pretty much through the geography, more in the northeast I would say, less so in the Florida franchise.

Unidentified Analyst

In your answer to the Chrysler Financial question, you said strategically attractive. And I was wondering if you could define that a little bit and specifically does the ability to cross-sell, is that part of strategically attractive? Would buying a book of loans be strategically attractive?

Colleen Johnston, Group Head Finance and Chief Financial Officer

So strategically attractive for us is really about leveraging the franchise value that we have right now. So if you step back from our acquisition strategy over time, what we tend to do is acquire very high quality companies with very good management and that's been our hallmark. If you look back at our history, so TD Canada Trust was acquired back in the year 2000. That has been an absolute runaway success. And I think by any measure is the most successful acquisition in Canadian business history frankly. It has been a, it was a huge inflection point for TD in having done that.

I would say the same has been true in the United States, in particular with the Commerce acquisition, where if you think about Commerce and the capabilities that that gave us, it was fantastic geography, fantastic distribution and branches and great management. So we were able to take that and build what we call the better bank. So what we're very good at doing as I say is acquiring quality franchises and taking them to the next level, taking the best people from our organization and from the acquired organization, the best systems and processes, the best products and making it the better bank. And that's what we think of a something that's strategically attractive.

In terms of asset generation, we are -- one of our gaps currently in the United States is that we have a lot more asset or a lot more deposits than we have lending assets. And that was part of the balance sheet that we acquired with Commerce. And in fact that gap has now widened, because of the TD Ameritrade deposits which are with us in our US Personal and Commercial Bank, currently about 45 billion. So asset generation capability is also very interesting to us as we think about rounding out the franchise generally.

Unidentified Analyst, Goldman Sachs

We have time for one more quick one.

Unidentified Analyst

Hi, thanks. When you were talking about wholesale, there were two things I wanted to ask you about. First was, you said you unwound your structure products group. You then said you only do what you understand and you only do client centric things. So there seems a bit of a contradiction that you were in structured products, so if you could reconcile that for me. And then the second thing you said was that you expect your market risk weighted assets to go up by three or four times. Why such a big increase? That I think it's bigger than what most of the other wholesale market players are talking about.

Colleen Johnston, Group Head Finance and Chief Financial Officer

Yeah, okay. So going back to, first of all, the businesses that we understand and can explain, that was really a lot of the impetus for getting out of the complex structured products business in wholesale.

Unidentified Analyst

[inaudible]

Colleen Johnston, Group Head Finance and Chief Financial Officer

Yeah, that was -- that have been -- TD have been in that historically. Again, if you want to just take a step back, TD had, did not acquire a dealer back in 1988. Believe it or not, over 20 years ago when the Bank Act changed. So TD's wholesale business had grown in a somewhat different directions than some of the other wholesale banks in Canada, was perhaps not as much of a deep franchise value in client relationships and it had been a larger corporate lending book and a large trading book. And that's the way the business had evolved.

And, again, I think as -- in particular as our new CEO came into the chair, he took a hard look at those businesses, working with the senior executive team and said, these businesses seem safe. They seem to be very profitable. A lot of times in wholesale that is where you make a lot of money, is in the -- you have higher -- a wider margin businesses on the complex side. But the more and more we looked at those business, we said, are the risks transparent? Do you have good price discovery? Are they mark-to-market, or they mark-to-model? Typically the latter. And the more we looked at all of those dimensions, the decision was made that -- this really didn't fit with what is a lower risk, primarily retail focus for us.

And in fact, a lot of wholesale banks would say that if you have a significant variance in your earnings over time that that's something that investors understand. I think that's tougher to understand when we're self declared lower risk, more predictable and stable franchise. And that's really what we're offering to our investors and that hence the decision to get out of those businesses. It's not like we had perfect knowledge of what was going to happen as we headed into 2007. But the way we looked at just the characteristics of that business. We said it didn't really make that much sense.

Oftentimes when you get in wholesale, as people will come and say, it's often a mystique about those businesses where you have a bunch of people or a small group of people who understand them and nobody else does. And that doesn't really work in our organization. I think one of the greatest tragedies of the financial crisis was that what we became apparent is that you had CEOs and Boards of Directors that didn't understand the businesses that they were in. They didn't understand the risk that they were taking on behalf of their own institution and on behalf of their clients, and in our view, that's unacceptable. We have to make sure that our Board, our CEO and our senior executive team understands exactly what risks we're taking.

On your question on the risk weighted assets, I think why you might be seeing a bit of a departure from or the expected impact of Basel III or Basel 2.5 is that we have -- we are approved by the regulator on an internal model. As opposed to being a standardized model, our models have been approved by the regulator at lower levels. So with probably the percentage increase that you're seeing for us might be larger than what you're seeing for some other who do not have that regulatory approval in place.

Unidentified Analyst, Goldman Sachs

Join me in thanking Colleen.

Colleen Johnston, Group Head Finance and Chief Financial Officer

Thank you very much.