TD BANK GROUP

RBC CAPITAL MARKETS CANADIAN BANK CEO CONFERENCE

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PRESENTATION

André-Philippe Hardy - RBC Capital Markets - *Analyst*

So our next participant will be Ed Clark, Group President and CEO of TD Bank Group. Ed has been in his current position since late 2002 and had started at the Bank in 2000 following the merger of TD Bank and Canada Trust.

Ed had also spent time in capital markets and held a number of senior positions in his 10 years in the federal government. Outside of TD Bank Ed is a member of the Board of Directors of the C.D. Howe Institute and chairs the Advisory Council for Habitat for Humanity Toronto. And Ed was also a 2010 Cabinet Chair for United Way of Toronto.

Before we start, I have been asked to remind investors that the speakers at today's event may make forward-looking statements and that listeners should consult each company's disclosures filed with the securities exchanges and on their website for further detail. So, Ed, on behalf of everyone thank you for participating.

Ed Clark - *TD Bank Group - Group President, CEO*

Thank you for having me.

QUESTION AND ANSWER

André-Philippe Hardy - RBC Capital Markets - *Analyst*

So I think a good way to start would be for you to share your expectations for TD in 2012 and also as you look beyond 2012 at say 2015.

Ed Clark - *TD Bank Group - Group President, CEO*

Well, as we said at the end of I guess last quarter, I think we are going to have to work hard for us to get into our 7% to 10% earnings range for 2012. I wish that weren't the case, but I expect it is going to be the case. It doesn't mean that we can't do it, but I think we are going to really have to work hard to get there.

I think I will probably stay the course. It depends on your macroeconomics outlook, obviously, but my gut would tell me that is going to be true for 2013. And I think we'll all have some tailwinds when eventually interest rates move off where they are. And so I think by the time we get to 2015 I think things could have improved quite a bit, but I think we have a couple of tough years ahead of us here.

But that doesn't mean that you can't have growth in those years, both in earnings and in dividends, but you're going to have to work to get that earnings growth.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

What are the greatest sources of pressure you're talking about here? Are you talking about loan growth, margins, regulation, or a mix of all?

Ed Clark ***- TD Bank Group - Group President, CEO***

Well, I think you start off to back up and say -- what is your scenario? And the big thing that I think is what is going to happen in Europe. I guess the way I look at it is that there has been some improvement in that situation. I think this three-year funding of the banks is an important thing to have happened.

But I think even in the best case scenario, given that the solution for Europe appears to be massive austerity, it is hard to believe that Europe isn't going to have a recession. It is really the depth of the recession I am thinking of and that is going to transmit itself into the US.

I think I am more positive on the US than I would have been even a few months ago. I think even a few months ago we were starting to say we see some traction. I think that has continued. And so I guess the question is do you think the recession in Europe is going to be severe enough to knock the US off-track. My gut would say right now, no. But that is the premise you have to work.

But does all that still translate that Canada is going to slow down a bit? I think Canada is going to slow down a bit. So I think you have slower overall growth. You have continually bad news and the biggest bad news is none of these events seem to be moving the five-year interest rates, which is a core number for us.

And so very low interest rates really do play havoc with your profitability of your deposit base. And so that is why we think that is going to be the biggest negative for us in the next couple of years.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

And just how big a negative is it in your Canadian/US franchises if interest rates do not move for a couple of years?

Ed Clark ***- TD Bank Group - Group President, CEO***

Well, in a sense some of it we have already absorbed. But I think it is obviously a significant headwind. The issue is can you grow your way out of it, and can you reprice your way out of it. And you're going to be trying to pull both those levers.

I think the political consumer atmosphere today makes it very difficult to do much on the repricing side, so you have got to grow your way out of it. We have been pretty successful in the US in doing that, and I think we have been pretty successful in Canada, but that is what you have to do.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

When you look at your success, so your loan growth in the US has been, to use raw numbers, 10% better than the industry. In Canada it is not that wide a gap, but it is growing faster. What are some of the attributes that have led to that happening, and does it continue happening in both countries in upcoming years?

Ed Clark ***- TD Bank Group - Group President, CEO***

So I would say the two are quite different. Structurally the US is a high-growth entity, because we are such a small percentage of the markets in which we are operating that you can have super growth. If you go back in time that has been our position all the way along as we looked and we said -- TD Canada Trust has probably been growing at twice the nominal GNP now for seven or eight years. And we kept on saying to people -- well, if that goes on forever, TD Canada Trust will be the GNP of Canada.

Well, that is probably not one of the likely outcomes, and so at some point Canada is going to come down to be more nominal growth. Whereas by going in the United States we can grow at twice the nominal growth of the GNP in the United States forever and still be a small portion of the United States -- or forever being for a very long period of time.

So in the mortgage business we are having huge success because we weren't in the mortgage business there before. We have 4 million debit customers. That is probably the best way to think of our core banking customers. A big percentage of them have mortgages but didn't know we were in the mortgage business, and as soon as they know we are, they say why wouldn't we refi with you.

And then on the commercial business there is a kind of nice 10% to 12% growth that we go by just combination of taking market share and inherent growth.

In Canada it is much more difficult for us to grow much faster than the market. We did that in the 2009 period, being where we took pretty well massive market share in small business and commercial. And that is because our competition sort of pulled back, when we said -- no, let's not pull back. But I think that period is over, and so I think we might do better, but we wouldn't do substantially better.

So I think in Canada we have done better than our competition in every year. I think we can continue to do better than our competition every year. But I think the overall scene in Canada is to get closer to nominal GNP growth.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

So back to the US, you talk about the refi boom having helped a lot. In terms of customer penetration, how much runway do you still had to get to target levels in terms of having the mortgage of your customers?

Ed Clark *- TD Bank Group - Group President, CEO*

Massive. So we're probably 20%, 25% of where we should be, so we have a long way to go here. And so we've got a nice run here, a three- or four-year run here where we can have above-average growth rates in the United States.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

And then back to Canada, you talk about growth going towards GNP or to GNP growth, how does it get there? Do you think it gets there naturally or more measures are needed by the government to make it more difficult to get a mortgage?

Ed Clark *- TD Bank Group - Group President, CEO*

I think this is -- I have spoken publicly about this and sometimes the headlines don't capture what I'm saying, is I do think this is a very difficult macroeconomic choice. I think, absent macroeconomic considerations, I would move faster to get our rules back to where they were. But I recognize that no one today can tell you what is going to happen in the Canadian economy. So are we on the cusp of having a major slowdown or are we having just a gradual slowdown?

I think the government's inclination is -- well, why don't we get more clarity about that before we decide to tighten once more. I think the market is slowing down, but it is not slowing down rapidly. And so I think it had surprising legs to it, and that is of course helpful in one sense, but is also a concern in the other.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

How does TD as an institution protect itself against potential hiccups, be it housing price declines or condo construction? Have you changed your underwriting standards in certain areas in recent years?

Ed Clark *- TD Bank Group - Group President, CEO*

I think we haven't really. We have tweaks all the way along. Well, you are always tweaking, but I wouldn't call it a major change. But we have been on the cautious end of some of these things anyway and we would have changed them much earlier.

I think the essence of the issue here is that if you ask every bank's CEO, and if I ask every one of my groups and if I ask every one of our commercial clients who are in these businesses, all of them would say -- relax, I am not going to get hurt by this. And I am doing good underwriting standards.

What I would say is well, all of that may be true. And I think given the degree to which in our case we have CMHC insurance and a whole host of other things, what we do know from looking around the world is it is the second and third round impacts that you have to worry about. And so I keep on saying it is think about this from the macroeconomic point of view rather than your individual first-round hit point of view.

So certainly when we do our stress tests people come back pretty relaxed. But it doesn't mean that we shouldn't be worried about it. But it is a very difficult issue if you try to say what the right balance is right now.

I think the question is will this slow itself down on its own and therefore you don't have to pile on here or do you have to pile on to slow it down?

André-Philippe Hardy - RBC Capital Markets - *Analyst*

You talked about margin pressure and clearly the right environment having an impact on the deposit margins. The bank has made a card acquisition in Canada. The bank has made a car loan book or business acquisition in the US. Are you still looking for similar acquisitions where you can accelerate the deployment of deposits into higher yielding assets?

Ed Clark *- TD Bank Group - Group President, CEO*

We continue to look at them, but I wouldn't say we are in a frantic search for them. Because of -- we take our excess deposits in the US and we tend to occupy the space of very low returns, but very low capital requirements. The actual ROEs of them are not bad at all, so they are good ROEs.

So you have to really believe you have got a super asset class to want to then move from that spot. And so we're just digesting Chrysler Financial. I would say the spreads we are getting in Chrysler Financial were not what we would hope. So it is not surprising that when we entered the industry the industry didn't say -- well, we will all move over here and give you -- concede you this share.

So we are working our way through there. And so I think our preference would be with MBNA and Chrysler -- you know, we have got two good assets and I think would turn out to be very good assets here, but we should work those assets. That doesn't mean though if we saw a portfolio that had a great rate of return we wouldn't buy it. But it would have to be a good rate of return.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Is it -- I mean, these things are never black or white and perfectly predictable, but are asset-rich entities more attractive than traditional banks, which may be more deposit rich, or that is not a real --?

Ed Clark *- TD Bank Group - Group President, CEO*

Now, we wouldn't -- if it was a bank we wouldn't buy a bank just because it was asset rich, I don't think so, no.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Fair enough. When you look at your Canadian and US businesses, are you seeing any signs of credit stress emerging anywhere, be it in the US or Canada in retail banking?

Ed Clark *- TD Bank Group - Group President, CEO*

No, I think that is a part that is the eerie part right now is you have all these macro worries in your head, but they are not translating onto the ground into PCLs or formations or things like that. I think the US -- our US entity continues to get better on that front.

I think we have gone through pretty dramatic improvement in Canada. But every time we say -- well, they're not going to get any better, then it gets a little bit better again. So I would say it is not showing up in any of the traditional ways yet.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

I should have asked you earlier when you were talking about growth, but one of the things that has made TD Bank in the US and in Canada different is the pace of branch openings being greater than average. Do you expect that to continue in upcoming years?

Ed Clark *- TD Bank Group - Group President, CEO*

Yes, I think so. Certainly for 2012 we do. I think we are trying to work our way through -- we are probably more focused on 2013 than 2012 now. In an institution like ours it is a balance sheet company that generates an income statement. A lot of 2012 is in the can. The things that you can influence are in 2013.

So clearly we don't think that the issues of low interest rates are going away in 2012, so that means that we've got a plan for 2013 being another tough year, which means we have got to get our expense growth down. I think our expense growth will be down in 2012, but probably means it has got to come down again in 2013.

So you're going to look at everything when you do that, but I would say the thing that we will look at most reluctantly is to slow down our branch growth.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

In the context of all this the bank had a target of $1.6 billion for earnings in the US retail business. Does that still apply?

Ed Clark - ***TD Bank Group - Group President, CEO***

Yes. We don't see why we can't make that target. I say all that in the context in which when we did it we didn't think the US government would come along and do Reg E and Durbin and take away 20% of your after-tax income. So that is a big number that we have to do and still get to the same target. But we haven't changed our mind that that is a target we should get to.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

Then you talked about interest rates staying low and pressuring deposit profitability. Does the agreement with Ameritrade still make sense in this rate environment or is that something that needs to be looked at?

Ed Clark - ***TD Bank Group - Group President, CEO***

You mean from our side or their side?

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

From a fee bank side. -- from the TD Bank side.

Ed Clark - ***TD Bank Group - Group President, CEO***

No, I think it definitely makes sense from our side. I think it is a tougher situation from their side in the sense that they're not making as much money on it. But if you compared their situation to Schwab or the other players, they are clearly dramatically better off with having that agreement than they would be if they were out on their own and didn't have that agreement. So I think it has made a huge difference to their profitability, but not at a cost of our profitability.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

Let's switch gears and talk about capital for a little bit. Are you targeting 7% tier 1 common in early 2013 or are you expecting to have a buffer over that as Canadian banks typically tend to have a buffer over target minimum?

Ed Clark - ***TD Bank Group - Group President, CEO***

Yes, I think OSFI's expectation, as far as we understand it, is they want you to meet the 7%, and we'd prefer you to comfortably meet the 7%. So I think we are saying to the market we will comfortably meet the 7%.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

And given that constraint, if there are acquisitions is it fair to say they're more likely to be financed with stock and cash?

Ed Clark - ***TD Bank Group - Group President, CEO***

Right.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Your holding in Ameritrade is something that is costly. Now you will still comfortably meet what OSFI wants in Q1 2013, but do the new capital rules cause you to rethink the benefit of the ownership in Ameritrade?

Ed Clark - *TD Bank Group - Group President, CEO*

Not really. As you say, in the calculation we have in a sense paid for that. So you could say, well, if you sold it you could get rid of it. But when we look at the all-in benefits to us of that equity position we think it is a good rate of return business and it has a high-growth potential business.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

What about owning more of it given that the capital arbitrage will essentially no longer exist?

Ed Clark - *TD Bank Group - Group President, CEO*

So I guess the easy answer to that is we don't have anybody that wants to sell us the rest of it. But I would -- I would definitely say that given the capital that you have to put up it is not obvious that we get incremental benefits from owning more than we own right now.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

On Europe the exposure to the bank was larger than I think some investors expected, given that the bank doesn't really have a presence in Europe. So can you please talk about why the bank holds these European assets.

I would also be interested in why there hasn't been more marks on them, given that the CDS spreads expanded on many sovereign countries?

Ed Clark - *TD Bank Group - Group President, CEO*

Well, most of it has to do with our investment growth. Some of it has to do just with our investment portfolio. And they are all assets that we are not at all worried about having defaults on, so we are not particularly worried about them.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

But that being said, spreads have expanded for even some of the higher-quality countries.

Ed Clark - *TD Bank Group - Group President, CEO*

Where we have to mark-to-market, we do. Where we don't have to, we don't.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Fair enough. So when you look at the Bank's exposure to Europe what would give you concern? You don't sound very concerned about the current situation, but what would give you concern?

Ed Clark ***- TD Bank Group - Group President, CEO***

I guess if you said that we were going to have defaults by Germany and the United Kingdom, I would say I would start to get concerned.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

I don't think we will be holding this conference next year if that is the case.

Ed Clark ***- TD Bank Group - Group President, CEO***

So I think that is how we have positioned ourselves. There are relatively few countries in the world that we take collateral from, and they are all countries that we are into a barter world when they go down.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

We talk about capital. There are a lot of questions on capital. What about liquidity? TD Bank is a fairly well-funded bank, does it need to do anything to meet the new LCR constraints?

Ed Clark ***- TD Bank Group - Group President, CEO***

I would say if the liquidity rules were not changed at all, literally not at all, there would be some tweaks that we would have to do. But by and large philosophically we have run the institution for the last 10 years to the new Basel III liquidity rules. And we think there will be tweaks to them. There are some obvious things that I think do bear. So I think for us they're not a significant factor.

But it does depend. There are lots of little of these rules that really the details do matter here, but I would say philosophically there is not an issue and we believe that the tweaks will cause us to have no basic issues.

André-Philippe Hardy - RBC Capital Markets - ***Analyst***

Let's talk about capital markets a little bit. It is not as big a business for TD as it is for some other banks in terms of contribution to earnings, but it still matters, the volatility from it.

So when you look at your business and you look at recent results, how much of the results reflect secular pressure on the business versus cyclical pressure in your mind? Or said differently, how much upside do you see versus the results of the last half of 2011?

Ed Clark ***- TD Bank Group - Group President, CEO***

Well, I think, there is upside if the fundamental market conditions change. I would have to say I am in the pessimist camp that there is going to be a rapid resolution in Europe. I think Europe is clearly a major factor overhanging that part of our business. And I think one has to get one selves used to the idea that there it is going to take a little time to solve Europe.

I think there has been progress in Europe. I don't think we should get too pessimistic. I think the way I look at it is a lot of the tail risk has gone on in Europe. I think for the first time we are starting to do what I always thought is you should solve the banking problem and then solve the sovereign problem. And I think this funding of the banks for the ECB to basically come out and say -- there will not be a liquidity crisis in the European banks. It is important.

I think the next step should be that they say -- and there will not be a solvency problem, because we are going to force them to raise the capital to solve the problem.

I think the sovereign problem is obviously a huge international transfer system negotiation that has to go on that we have got to accept will take a while. So all of that says that is a very tricky environment for the capital markets to do super well in.

So as long as on that I think you're going to have -- I think 2012 is going to be a pretty tough year. We like the way -- we like how the bank is positioned. We think we can make a decent rate of return, but it is hard to see how that is a growth industry in the next year or so given what is going on in the world.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Now when you look at your bank, it is adequately capitalized. It is extremely well-funded. Seemingly it would be able to take advantage of some of the challenges that other banks that are not well-funded, not well-capitalized have. So has TD been able to pick up market share in certain capital markets businesses or certain lending businesses as a result of the challenges of some of its competitors?

Ed Clark *- TD Bank Group - Group President, CEO*

I think there has been a lot of talk of that. I would say there a bunch of portfolios here, are there things for sale here that -- and we found whatever you looked at they would just kind of threw up and said -- my God, did they really lend that way? And they are not willing to mark down and take the loss on the loans that we would have thought.

I think the same is true generally is that they, the European banks, position themselves in North America in the places that the North American banks didn't want to position themselves. And so I'm not sure rushing in to fill in those spots now makes any sense for us.

We spent a little time trying to say is there a huge opportunity here, but I don't think it has turned out to be much.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

A couple of questions from the audience. One is the banks are being forced to hold more capital. They are being forced to hold more liquidity. Growth should be lower, but more stable. Does that have implications for dividend payouts in your view? As the banks become more utility-like could we see dividend payout ratios increase in upcoming years?

Ed Clark *- TD Bank Group - Group President, CEO*

It is an interesting -- and people have certainly said to us -- well, -- and as the lowest-risk bank why are you not the highest payout ratio bank, and you can make that argument.

I think the counterforce is that I think around the world Canada and Australia then being the extreme anomaly is going to look like pretty high payout ratios compared to where American banks are. I think we should wait a little longer in my view before you come to a view that we are going to have a sea change in payout ratios.

Our position is we tend to say to shareholders, because we are higher growth rate, over the long run we probably actually have higher dividends payouts, and that being able to increase your dividend every six months is worth a lot. And so it's a combination of payout ratio and whether or not you have the growth to keep on growing it.

So we kind of like where we are now. So I think we're going to, for the moment certainly, stay with the same view that says we are going to shoot to try to get in the midrange of our payout ratio, and if earnings testify growth you're not going to find us not willing to increase dividends.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

We also have a couple of questions on your P&C insurance business. It is a business that is growing mostly organically. What are your growth plans for that business going forward? Might it include acquisitions and might it include diversification outside of what is primarily an auto business, and secondarily a home insurance business?

Ed Clark *- TD Bank Group - Group President, CEO*

So we like a business that has structural advantages. That is why we like what we have in the US. Execution obviously matters, but you don't have to be brilliant if you're growing a mortgage business where your customers want to do business with you. And the same is true in the online brokerage business that we know that online brokerage business outgrows advice business.

The same is true is insurance. Having the direct insurer we know that in a market that doesn't have that much growth, that all the growth is being generated by the online direct insurers, and we're the number one player in that. So there is still tremendous growth in that business just exploiting the inherent advantages.

So, again, we like models that have structural advantages and where people stick to their knitting, keep it simple. So I think that is going to be a growth business. And it has a big advantage right now in the next couple of years that isn't cyclically affected by the same factors, and so it is going to be a source of growth to us. So I don't think we need to diversify to meet our growth objectives.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

A couple of more questions from the audience. And around the re underwriting of mortgages after say five years for fixed-rate mortgage what happens if house prices have come down in those five years or interest rates have gone up -- what happens in that year five when the mortgage comes up for renewal?

Ed Clark *- TD Bank Group - Group President, CEO*

So I think the reality is that you look at it and you make sure that you're still comfortable. I would say in practice you would be reluctant to push someone out of a house because the price had come down if you still thought that was going to be a good mortgage.

I think one of the difference in the Canadian system is because we own the mortgages, these are our customers. And we stood by our customers in the 2008 to 2010 period and modified lots of things to keep them there. And we find those are good business decisions in the long run, but they are also the right social decisions, and so we do exactly the same. I mean, you work your way through the situation.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

On condo construction, just how big a book is that for the TD Bank? What has the TD Bank changed in the last few years, if any, to reflect what seems to be a more heated construction market?

Ed Clark - *TD Bank Group - Group President, CEO*

So it is not a big -- we are not a big player in this market, so I wouldn't say we are the dominant player; far and away, we are not. I would say we haven't actually -- we probably did our changes seven or eight years ago, not now. So I think we have played a very isolated style in that business and are comfortable with where we are.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

And in terms of that construction exposure, what about the people who work in the construction business, is that something the Bank considers in its underwriting of personal credit as a potential risk?

Ed Clark - *TD Bank Group - Group President, CEO*

The people that work in that business?

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Yes.

Ed Clark - *TD Bank Group - Group President, CEO*

I don't know that I can -- in other words, we haven't gone and done a cut that way, so you have to ask -- get Tim Hockey here tomorrow and ask him that question.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

It sounds good. Just stepping back, there is -- a lot of questions had a negative slant to them. You know, this business has gotten worse, rates are low, margins are going down. When you look at the various businesses that you're in, which ones are more attractive today than they would have been pre-crisis?

Ed Clark - *TD Bank Group - Group President, CEO*

I would say generally the crisis has turned out to be net quite positive for us right across the board because the crisis took out competitors all across the board. In the US we couldn't have conceived, I think, of being as successful as we have been absent the crisis.

And I think while US banks have recovered enormously, I think it is hard for us up here to fully appreciate what life must be like on a daily basis running a bank with the number of lawsuits and major issues that are tying you down. And it's hard to get growth oriented in an institution where you are spending most of your time correcting errors of the past.

So I think the crisis was a huge positive for us. As I said, in Canada, people seem to go into the 2009, 2010 period and pull back from the commercial and small business markets and so left us an ability to grow our share in unprecedented ways.

So I think in general the crisis has made all those businesses give us opportunities to grow them. I know people are very pessimistic, but we think the wealth business is great. Insurance business is great in Canada. Commercial business is great. There is no question the personal business should slow down, but again to go back to what I said earlier, to believe that you would grow at twice the nominal GNP forever, it just wasn't possible.

So now you're growing at nominal GNP. Well, if you get your expenses right in line then that is not a bad business. These are pretty fantastic businesses.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

So one of the businesses you mention as growing is commercial. And people think of TD as a personal bank, but the commercial growth is even greater. So can you help us understand what has happened that has led to the commercial growth accelerating so much, and for TD to be a share gainer, not just the beneficiary of a better commercial environment.

Ed Clark *- TD Bank Group - Group President, CEO*

So we started really five or six years ago saying we didn't have our natural share. We isolated these underrepresented business. We said if you think of our natural share in Canada as 21%, 22%, where are we not 21% or 22%, and so why don't we build a strategy that over time will let us go there?

So we added both small business bankers and commercial bankers and paid the price of taking those costs to build up the capabilities and open up new offices across Canada and gradually build up the capability.

Then, as I say, what happened that was a surprise was that in 2009 and 2010 a lot of competition stopped. And so we had commercial clients coming across to us and saying -- any chance we could split the business and you take half the business?

So as it happened, it was fortuitous that we had built up the capabilities and then there was actually -- room to actually take advantage of those capabilities.

But our whole philosophy is in building franchises. –We have multiple strategies that you invest in that will yield results at different periods of time, so that you are always getting a new wave of growth from something that you invested in three or four years. And if you run these businesses around a 12-month horizon you never do very well. It never works. So you've just got to sit there and say -- do I have another thing coming on two years from now or three years from now?

André-Philippe Hardy - RBC Capital Markets - *Analyst*

You touched very briefly on Chrysler Financial earlier and the spreads. And we didn't really talk about MBNA, but can you please update us on those two acquisitions, and what is going on with loan growth and spreads and cost synergies versus plan?

Ed Clark *- TD Bank Group - Group President, CEO*

So we just -- MBNA is still fresh so it looks good, but we will have to run it a little longer to make sure that it all looks -- but I think we are quite pleased with what we ended up getting. And obviously got it at a pretty reasonable price. So I think there is nothing there that is negative from what we originally told investors.

I would say in the case of Chrysler, we are getting -- we're doing better than we thought we were going to do in terms of acquiring dealers. And we have grown our volumes a little bit faster than I think we thought we were going to do.

On the other hand, the industry spread seems to have come down. So I think this is an asset class that people all discovered at about the same time. So I think we are in the stage now of saying -- okay, we're going to have to really work at maximizing our margins in that business, and that is going to take us a little bit of time.

The other thing that happened in Chrysler was we actually did better in 2011 than we originally anticipated. And so it means the growth of it -- the contribution to earnings 2012 and 2011 is going to be less than we thought. In some sense we got the earnings sooner than we thought we were going to get them.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Then wealth was mentioned by you as another area that is going quite well. Now let's forget margins on the cash management or margin loans for a second, but if you think of the commissions and the asset-driven fees, what is the greatest source of upside in upcoming years from the wealth business?

Ed Clark - *TD Bank Group - Group President, CEO*

Well, I would say the long run, and if you take the two sides -- I mean, we have the online business which we have in Canada and then in Ameritrade in the US, that has been a great business where that business inherently I think outgrows the advice business. And we have been adding assets and it has been a tremendous success story.

I would say right now there is some evidence, and Fred has been talking about this, is that the individual investor is going a bit to the sidelines right now and is finding the volatility hard to take and not knowing how to position themselves.

I think you just don't know how long this happens. And so we had phenomenal numbers in 2011, so in a sense the crisis produced great results, but after a while it wears people out, and so I think we are in a little bit of a pause.

Meanwhile, for us, we have been building our advice business. I mean, we were not a big player in the advice business and we have grown that business a lot, and I would say we are now at critical mass. It has got some traction. And that business is quite a profitable business for us, and we are doing quite well on it.

I think in the US we have got a big opportunity in the sort of private banking space. Our wealth strategy in the US is a combination of high-end private banking and then Ameritrade into the branch systems. And both of those are working, I think, as strategies.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

So, in Canada, you mentioned you have now got critical mass in the advice channel. So do you expect the growth on the wealth side to be more in line with the market going forward or are there still plans to add brokers or do something cross-selling-wise you haven't done in the past that might lead to above-average growth?

Ed Clark - *TD Bank Group - Group President, CEO*

What I think we do quite well in is cross referrals from our retail side to our wealth side. One of our cultural attributes is that we don't like silos, and people who want to live in silos don't live longer with us. So I think that works quite well. So I think given the strength of our retail that causes us to have a much stronger wealth side.

I think we have still got lots of opportunities there to do even more. So I think we should be able to get above-average wealth growth compared to wealth growth of our competitors. I don't think there is an inherent advantage that we have other than that we have a core retail side that we can exploit better.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

On the topic of wealth, as people get older, as the boomers age the need for insurance and the need for capital protection or income certainly goes up. How does a bank deal with that in its branch network where it can't distribute insurance products?

Ed Clark *- TD Bank Group - Group President, CEO*

Well, I think that over time is going to be where the mass of money is as we triage them out of the branch into financial planners or private investment for retail brokers. But I think they are onto it. There is no question for society that we are having a whole set of population that wants absolute return products more than they want relative return products.

And figuring out how to get them, but also to get them an absolute return product that actually works for them in the context of the interest rate environment there is not a magic bullet. We don't have it and nobody else has it.

I am not sure that where the government is and obviously they're not going to open up the annuity market. I am not sure that is such a barrier to that.

André-Philippe Hardy - RBC Capital Markets - *Analyst*

Well, I appreciate your time, as usual. We are almost out of time, so we will wrap it up. And thanks again.

Ed Clark *- TD Bank Group - Group President, CEO*

Thanks for having me.