TD Bank Financial Group
Investor Relations

TD BANK FINANCIAL GROUP
Q2 2007 EARNINGS CONFERENCE CALL
THURSDAY MAY 24, 2007

DISCLAIMER

FORWARD-LOOKING INFORMATION

From time to time, the Bank makes written and oral forward-looking statements, including in this presentation, in filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. All such statements are made pursuant to the "safe harbour" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets for 2007 and beyond and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. The economic assumptions for 2007 for each of the business segments are set out in the 2006 Annual Report under the headings "Economic Outlook" and "Business Outlook and Focus for 2007". Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "intend", "estimate", "plan", "may" and "could". By their very nature, these statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the management discussion and analysis section in regulatory filings made in Canada and with the SEC, including the Bank's 2006 Annual Report; general business and economic conditions in Canada, the U.S. and other countries in which the Bank conducts business, as well as the effect of changes in monetary policy in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; the accuracy and completeness of information the Bank receives on customers and counterparties; the development and introduction of new products and services in markets; developing new distribution channels and realizing increased revenue from these channels; the Bank's ability to execute its integration, growth and acquisition strategies, including those of its subsidiaries, particularly in the U.S.; changes in accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital market activity; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; the failure of third parties to comply with their obligations to the Bank or its affiliates as such obligations relate to the handling of personal information; technological changes; the use of new technologies in unprecedented ways to defraud the Bank or its customers; legislative and regulatory developments; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply; and management's ability to anticipate and manage the risks associated with these factors and execute the Bank's strategies. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. The preceding list is not exhaustive of all possible factors. Other factors could also adversely affect the Bank's results. For more information, see the discussion starting on page 56 of the Bank's 2006 Annual Report. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank's forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

CORPORATE PARTICIPANTS

Ed Clark	President & CEO, TD Bank Financial Group
Colleen Johnston	EVP & CFO, TD Bank Financial Group
Bob Dorrance	Chairman & CEO, TD Securities
Tim Hockey	Co-Chair, TD Canada Trust
Bernie Dorval	Co-Chair, TD Canada Trust
Bill Hatanaka	Chairman & CEO, TD Waterhouse
Bharat Masrani	President & CEO, TD Banknorth
Mark Chauvin	EVP & Chief Risk Officer

CONFERENCE CALL PARTICIPANTS

Michael Goldberg	Desjardins Securities - Analyst
Darko Mihelic	CIBC World Market– Analyst
Ian de Verteuil	BMO Nesbitt Burns – Analyst
Mario Mendonca	Genuity Capital Markets – Analyst
Jim Bantis	Credit Suisse First Boston – Analyst
Brad Smith	Blackmont Capital – Analyst
Shannon Cowherd	Citigroup – Analyst
André Hardy	RBC Capital Markets – Analyst
Rob Wessel	National Bank Financial – Analyst
Sumit Malhotra	Merrill Lynch – Analyst

PRESENTATION

Colleen Johnston - Toronto Dominion Bank – EVP & CFO

Good afternoon, and welcome to the TD Bank Financial Group second quarter 2007 investor presentation. My name is Colleen Johnston, and I am the CFO of the Bank. We will begin today's presentation with strategic remarks from Ed Clark, the Bank's CEO, after which I will present the Bank's second quarter operating results. We will then entertain questions from those present, as well as prequalified analysts and investors on the phone. Also present today to answer your questions are Bob Dorrance, Chairman and CEO of TD Securities; Tim Hockey and Bernie Dorval, Co-Chairs of TD Canada Trust; Bill Hatanaka, Chairman and CEO of TD Waterhouse; Bharat Masrani, President and CEO of TD Banknorth; and Mark Chauvin, Chief Risk Officer TDBFG.

I know that this presentation contains forward-looking statements and actual results could differ materially from what is discussed. Certain material factors or assumptions were applied in making these statements. For additional information, we refer you to our annual report. This document includes a description of factors that could cause actual results to differ and can be found on our Website at td.com. Ed, over to you.

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Thank you for joining us, and thank you, Colleen. Colleen is going to give you the details on how we did in the second quarter 2007. From my point of view, there are four things that I would like you to take away from today's presentation.

First, it was another quarter of outstanding performance for us. We delivered adjusted earnings per share growth of 25% year over year.

Secondly, we have enormous strength across all of our Canadian businesses. They're making an excellent contribution and are demonstrating the benefits of focused strategies and consistent investment.

Thirdly, we're making progress on our U.S. operations. We reached a couple of significant milestones there recently and we are confident about their long-term prospects. And finally, with such a strong first half of the year and with our expectation to maintain these adjusted earnings per share levels in the second half, I am confident that we will exceed, by a significant margin, our earnings objectives in 2007.

Let me turn to our Canadian retail operations. We continue there to be a clear leader in the marketplace. In TD Canada Trust, we had an incredibly strong operating leverage, as revenue growth of 12% clearly outpaced expense growth of 4%, producing record productivity despite the shorter quarter. And we continued to improve our already great levels of customer satisfaction. I'd like to comment on where we stand with our focus on managing expenses. Earlier this year, we said we expected revenues to slow down, so we wanted to slow expense growth and get ahead of the curve, while still investing in our businesses for the future.

Now clearly, revenue growth continued to grow faster than we had expected. Combine that with our expense discipline and you get exceptional earnings growth. We continue to worry about the effects of high Canadian dollar on central Canada and we still expect some slowing in revenue growth. But we are going to keep our expenses growing less quickly so that we maintain our traditional 3% revenue expense gap and we continue to see that we're going to have good earnings growth.

Canadian wealth management continues to perform well. Strong volumes in rising markets create a positive environment for our integrated offering. As a result of the action we took on repricing, our discount brokerage results were flat year over year. But we did have good bottom line growth by mutual funds and our advice-based businesses. The strategy to grow our advice channels in mutual funds was one that we set out on four years ago. The investments that we have made for the future and that we continue to make for the future are proving themselves out and generating excellent year-over-year earnings growth in this business segment.

Turning to wholesale, we had an exceptionally strong quarter. In fact, the highest quarterly net income in TD Securities since the fourth quarter of 2001. Our momentum as a top three dealer in Canada clearly continued this quarter as we were number one in Canadian equity underwriting; number one in mergers and acquisitions among the Canadian banks; number one in block tradings; number one in government debt underwriting; and number one in corporate debt underwriting. The business has really come a long way.

The restructuring of our structured products businesses that we completed last year was not easy. It was, though, the right move, removing long-tail risk and complex risk management requirements. Now what you're seeing this year is the power of the franchise that we've built. Yes, good markets clearly are helping our performance but the reality is you're now seeing the outcome of the tough decisions that we made and the hard work that we undertook that's been going on in the wholesale bank over the last few years.

Looking forward, we expect the second half of 2007 will look similar to the second half of 2006 in terms of earnings and that will result in a very good year for this business.

In terms of our U.S. operations, both of them reached milestones. With TD Banknorth, it was the successful privatization of the Company, a very positive outcome. Now, we know the U.S. banking economy is challenging right now and that TD Banknorth is delivering below our long-term expectations.

As we outlined on our May 7 call, we have taken the decisive actions, which we believe are necessary to change this situation. We have shared with you that we expect base level adjusted earnings of C$123 million for the fourth quarter and about C$500 million on a full-year basis for 2008. We will not be satisfied with earnings at these levels. Our focus is on turning TD Banknorth into a consistent earnings growth engine.

Bharat and his team are working hard to deliver better results, starting in the fourth quarter this year and moving into 2008. I hope that as many as possible of you will be able to attend our TD Banknorth investor day, the morning of June 28, for a deeper look at our plans for growth. I think you're going to be impressed with the team and the concrete actions that we're taking.

With TD Ameritrade, their milestone they announced last week, was the conversion of their clearing system. The conversion went very well. This essentially completes the transition of the TD Waterhouse U.S.A. clients to the TD Ameritrade platform. They can now focus on their long-term potential to grow organically and deliver value to our shareholders. This strategy is an integral part of our goal to become a leading North American financial institution.

Clearly, we had an outstanding first half of 2007. Looking forward, we expect to maintain our current levels of adjusted earnings per share in the second half of the year. I'm confident that we will well exceed our earnings objectives for 2007. With that, I'll turn the microphone over to Colleen.

Colleen Johnston ***- Toronto Dominion Bank - EVP & CFO***

Thanks very much, Ed. Let me take you through the second quarter. Please turn to slide four. Let's start with the quarterly highlights. Total bank adjusted net income was C$995 million, up 28% from last year. This translated to adjusted earnings growth per share of C$1.36, up 25% from last year.

All of our businesses contributed to this growth, an excellent quarter overall. Our reported earnings of C$1.20 per share were up from C$1.01 last year. Our Canadian retail businesses continued to perform very well, C$674 million for the quarter, a new record, up 17% year over year. Net income from our U.S. retail businesses, TD Banknorth and TD Ameritrade, was C$125 million, up 28% from last year on an adjusted basis. Our wholesale net income of C$217 million was up a strong 55% from last year and up 10% from a strong first quarter of 2007.

The corporate segment posted a loss of C$21 million on an adjusted basis, improved from a loss of C$36 million last year. Our capital ratios remain strong, post-TD Banknorth privatization, with our Tier 1 capital ratio at 9.8% and the tangible common equity ratio at 7%. We're particularly pleased with our productivity performance. At the all bank level, adjusted revenues grew by 12% versus last year, while expenses on the same basis were up just 4%, a gap of 8%. This drove our adjusted efficiency ratio to 58.9%. We have made enormous strides on productivity in the last four years. In fact, a 900 basis point improvement since fiscal 2003.

On page five, we see reported net income was C$879 million or C$1.20 per share and adjusted net income was C$995 million or C$1.36 per share. We have three items of note this quarter. First, amortization of intangibles was C$80 this quarter or C$0.11 per share. Second, restructuring charge was C$43 million or C$0.06 per share. We presented details in our May 7 call. C$39 million is related to the restructuring, privatization and other merger-related charges from TD Banknorth. And C$4 million is related to the transfer of functions from TD Bank U.S.A. to TD Banknorth. Third, changes in fair value of credit default swaps, hedging the corporate loan book, which was previously called ACG-13. This amounted to a gain of C$7 million or C$0.01 per share in the quarter.

So, let's take a look at our businesses, starting with Canadian retail. Turning to page seven, to better compare TD with the disclosure of our peers, we provide a basically P&L for our Canadian retail business, which combines both Canadian P&C and Canadian wealth results. We are very pleased with our 17% year over year growth in this business. The total contribution from Canadian Retail represented 66% of total bank adjusted earnings.

Turning to page eight, we show results for the Canadian personal and Commercial Bank, TD Canada Trust. Net income of C$540 million was up 16% from last year, just shy of our record quarter in Q1 of '07, despite the short quarter affect in Q2. On page nine, we show revenues for TDCT of C$1.986 billion, up 12% from last year. The increase was supported by strong growth across most banking products. Strong volume growth and improved margin contributed to the C$151 million or 13% year-over-year growth in net interest income.

In terms of volume growth, Visa cardholder was up 24%, while real estate secured lending was up 11%. On the business side, small business deposits were up 8%, commercial loans were up 10%, and commercial deposits were up 8%. Fee revenues were up for core banking, business banking, and Visa due to higher volumes and the impact of fee initiatives. Insurance revenues were up as well, primarily on improved performance in our life business. Overall, we have experienced exceptional topline growth in TDCT.

On page 10 we show our net interest margin for the quarter at 305, up 7 basis points from last year and 2 basis points from the prior quarter. The increase from the prior year was attributable to mix of business due to the addition of VFC and Visa growth. Margins are expected to remain relatively stable for the balance of the year.

Turning to page 11. The provision for credit losses increased C$65 million from last year to C$143 million and C$5 million from last quarter. Our personal banking provisions increased C$50 million year over year, primarily due to higher credit card and personal lending volumes and the addition of VFC. Quarter over quarter, the personal banking provision for credit loss was up moderately.

Our PCL as a percentage of average assets has remained flat with the previous quarter. Please note, we expect continued volume growth in this book to result in modest increases in PCL's for the next few quarters. Despite the higher loan losses, we posted strong double digit growth in Visa net income this year. Small business and commercial banking provisions increased C$12 million, mainly due to net reversals and recoveries in the same quarter last year.

Page 12. Expenses of C$1.033 billion were up 4% over last year but down 2% quarter over quarter. Our efficiency ratio improved over 400 basis points from last year to 52%, a new record. Our very strong topline growth, coupled with disciplined expense growth, resulted in the efficiency gains that you see here.

Our year-over-year expense growth was due largely to volume growth and reinvestment in business initiatives. Expense growth moderated, while the topline continued at its prior robust pace. This led to operating leverage of 8%, which was just exceptional in the quarter. And the best part is that lower expense growth did not compromise our investments in future growth.

Page 13, market share. Personal lending share has improved 17 basis points versus last year, while deposits are down 7 basis points, mainly due to term deposits. We've seen impressive market share gains in our credit card business, with our Visa market share up 80 basis points year over year. Market share data on small business lending rose 80 basis points versus last year, while other business loans are up 7 basis points. Of note, our small business lending share as grown from under 16%, two years ago, to over 18% today, tremendous progress.

Let's turn to Canadian wealth management on page 14, which excludes TD Ameritrade. This business generated net income of C$134 million, up 19% from last year, another very strong quarter, in fact, a new record. Page 15. Total revenues of C$594 million were up 14% from last year, while expenses increased 13% to C$393 million.

Let me mention a change in the structure of our mutual funds that impacts both revenues and expenses. Previously, costs recovered from the funds were netted against expenses. We implemented a change, approved by unitholders, whereby they page a fixed percentage admin fee and we pay the actual costs. So, this increases both revenues and expenses. Excluding this change, revenues grew by over 11%, with a revenue to expense gap of 3%.

With respect to revenue growth, the balance of the increase was driven by growth in mutual funds and the advice channels. The mutual funds revenue increase was driven primarily by 17% growth in assets under management. Revenue from the advice channels was up from last year due to higher AUA, AUM and a 13% increase in client facing advisers. Our goal in 2007 is to increase client-facing advisors by 130 and we've added 41 so far this year.

Discount brokerage revenue was flat from last year as higher trades per day; net interest income on margin loans, trailers and foreign exchange revenue, were offset by lower commissions per trade. Revenues were up -- sorry, expenses were up from last year due to volume growth, the new fund fee methodology and higher variable compensation.

Page 16, we provide a breakdown of the TD mutual fund business as a percentage of both the banks and the larger industry group. Market share for mutual funds continues to improve with a 4 basis point increase in long-term fund bank share this quarter. Year-to-date, TD asset management is second overall in long-term fund net sales at C$3 billion.

Page 18 shows our U.S. retail business, which consists of TD Banknorth and TD Ameritrade. Net income was up 28% from last year on an adjusted basis. Let me begin by showing you TD Banknorth Inc.'s overall results. Please note, this slide and the following slide were part of a more detailed presentation of TD Banknorth's most recent quarter, as discussed in our presentation on May 7. That presentation is available on our Website.

Slide 19 shows TD Banknorth Inc.'s latest quarter and an overview of some Q1, 2007 themes. TD Banknorth announced adjusted earnings for their first quarter of U.S. $99 million, down from U.S. $116 million the prior year. The decline was due to higher provision for credit losses and a one-time charitable contribution of U.S. $8 million.

Additional earnings from Hudson and Interchange were offset by lower earnings in the remainder of the business. These earnings reflect the fact that banking in the northeastern U.S. remains challenging, with intense competition for loans and deposits continuing to moderate volumes and revenue growth.

Please turn to slide 20. Here we see the contribution made by TD Banknorth to TD Bank Financial Group in both Canadian and U.S. dollars. TD's second quarter 2007 U.S. personal and commercial banking segment net income was C$62 million on an adjusted basis, down C$2 million from last quarter but up C$3 million from Q2 2006. The impact of higher ownership and lower ongoing restructuring charges more than offset the higher PCL and the charitable foundation charge.

On slide 21, you can see TD Ameritrade reported first quarter earnings of U.S. $141 million. TD's investment in TD Ameritrade generated C$63 million of net income for the quarter, up 62% from the second quarter of last year, which included only two months of earnings. The slight decrease from last quarter is attributable to lower earnings at TD Ameritrade, partially offset by higher average economic ownership during the quarter.

Operating highlights for the quarter include a 7% increase in average trades per day versus a seasonally slow Q1. Recently released April trends show an 8% increase in trades per day for March, and a C$10 billion increase in total client assets to C$292 billion. I will talk about a methodology change, which will affect U.S. wealth management when I discuss the corporate segment near the end of my presentation.

Let's now turn our focus to the wholesale business. On slide 23, we see wholesale generated net income of C$217 million, up 10% from last year, which is a traditionally strong quarter, and up 55% from the same quarter last year. This represented the highest quarterly net income since Q4 of 2001.

Let's look at the details on page 24. Wholesale revenue of C$642 million was up C$108 million or 20% from last year. We saw strength in all three areas of our business, our franchise businesses, trading, and investing. Strength in institutional equities, investment banking and fixed income was partially offset by lower foreign exchange trading revenue.

Higher security gains contributed to revenues in the quarter. Increased merchant banking activities has meant gains are being taken more quickly an anticipated. Notwithstanding the gains realized in the quarter, our unrealized gains have moved higher and are now over C$1 billion. Provision for credit losses of C$12 million was consistent with last year. The provision is related to the cost of credit protection in the lending portfolio. Expenses of C$329 million increased 2% from last year, due mainly to higher variable compensation, offset by lower severance and other operating costs.

Please turn to page 26. As I mentioned earlier, our corporate segment posted a loss of C$21 million this quarter, improved from a loss of C$36 million last year. The improvement from last year was due mainly to lower corporate support costs, which was largely timing related. However, the underlying costs are in a stable to declining pattern, as 2006 represented a peak year for costs related to regulatory, compliance, Basel II and SOX 404-related costs.

In our May 7 call, I noted the impact of the TD Banknorth privatization on our Corporate segment. The privatization of TD Banknorth will result in a higher net loss in the corporate segment, largely because we lose the earnings on excess capital. As I noted in our May 7 call, this means we anticipate our corporate segment will come in closer to C$-40 million, the upper end of our C$-20 million to C$-40 million range.

We're also implementing a methodology change in U.S. Wealth starting in Q3. For our investment in TD Ameritrade, we will align our capital treatment to the Basel II framework, which means we will have both equity and debt supporting our investment. As a result, we expect earnings from TD Ameritrade to be down about C$8 million after-tax Canadian per quarter, from what they otherwise would have been, as debt funding costs are shifted to this segment.

In conclusion, we achieved great results for this quarter following a great Q1. All of our businesses posted higher numbers than last year, with particular strength from our domestic businesses. For the first six months of 2007, we are up 22% in earnings per share. Needless to say, we are extremely pleased. So, now let's open the floor to your questions.

QUESTION AND ANSWER

Ed Clark *- Toronto Dominion Bank - President & CEO*

Ian, then Michael.

Ian de Verteuil *- BMO Nesbitt Burns - Analyst*

Just a couple little detail questions. The expenses in the dealer securities seemed somewhat lower. It looked like a great quarter from revenue point of view. I would have thought the expenses would have kicked more. And it looked as if trading was good but not knockout. It was still very strong. So, I would have thought the expenses actually would have been higher because they're more driven by the franchise, or what you guys call the franchise businesses.

Bob Dorrance *- Toronto Dominion Bank - Chairman & CEO, TD Securities*

I think what you're seeing, Ian, is last year we were absorbing expenses as we went through the year and exiting the structured product areas. So, those expenses -- as Colleen mentioned, expense such as severance, carrying people to actually do the exiting, as well as any gains or losses on exiting portfolios starting in the second quarter of last year were run through the income statement of the dealer. So, I think what you're looking at this quarter, this year is probably expenses more in line with what our true run rate is.

Ian de Verteuil *- BMO Nesbitt Burns - Analyst*

Does that mean that the -- when we thought about TD Securities, we always thought about C$400 million to C$500 million of earnings, is it a -- I know from what Ed had said in the back half of the year, sort of expected to be similar to last year. It's as if you've had -- is it base?

Bob Dorrance *- Toronto Dominion Bank - Chairman & CEO, TD Securities*

I think the qualification has always been that, in very good markets, we would exceed the range which was 5.25% to 6.25%, I think, is where we came out at the end last year as a run rate. But the caveat being, with very good markets, we should be able to exceed that, and obviously with lesser markets, be more within the range. We continue to look at ways of trying to grow the basic businesses that we do have, the basic strategies. Right now, is a very good time for wholesale businesses.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Michael?

Michael Goldberg *- Desjardins - Analyst*

I have a couple of questions. First of all, Colleen, you mentioned a change in terms of the notional funding for the Ameritrade investment. So, you've got a C$5 billion investment in Ameritrade. What would the split be between debt and equity? And just to confirm, previously you were thinking of this in terms of earnings impact being 100% equity funded. And now going to how much equity, how much debt?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

So first of all, Michael, I would look at this -- this is really internal transfer pricing, more than a fundamental change in the economics here. In terms of what we're going to do under Basel II, the regulatory regime, and this will kick in 2009, OSFI has just put out their guidance on this in March of this year; is we would be looking at a 50/50 split between basically Tier 1 and Tier 2 capital, in terms of funding TDA.

Michael Goldberg *- Desjardins - Analyst*

Is it between Tier 1 or is it common equity?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

No, it's Tier 1.

Michael Goldberg *- Desjardins - Analyst*

Okay. The second question, it seems like there's an interesting divide between the banks and their stance toward mortgage brokers, where there's some banks that are doing business with mortgage brokers for originations, and other banks that aren't. And I think it's fair to say that you're doing business with brokers. Could you just comment on what you see as being the cause of this divide in strategy? Why you've chosen the direction that you've chosen? And where you think it ultimately leads to?

Tim Hockey *- Toronto Dominion Bank – Co-Chair of TD Canada Trust*

Sure. So, we believe that you have to be effective at actually managing multiple channel distribution. We think brokers are a force, obviously, in Canada and as a bank and a funder, you have to make sure you're operating that and profitably and effectively. We look at the broker channel in literally two, call it maybe three key attributes.

First of all, it's a high provider of new-to-bank customers. So, a very -- a high percentage of or mortgages funded through the banker channel actually, are brand new to the bank customers, which we then cross-sell additional products and services to. It is economic profit positive, which means we're not subsidizing that channel with other channels. We also do it on a very integrated way, in that we try to make sure that we're operating our branch channel, our biggest proprietary channel, as well as our mortgage sales force alongside the broker channel.

We're quite happy with the operations of our broker channel. It's -- we're very large in that particular market, we have a huge and growing reputation for good service to that particular community and we think to do a good job in this business. And as you've seen from the real estate secured lending we've had, it's been a spectacular business for us and that includes the broker channel. So, we think we have to be very good at managing all these channels and we strive to do that.

Michael Goldberg *- Desjardins - Analyst*

Okay. And my last question. In looking at wholesale, do you think that it's fair to say that we're at or near a cyclical peak in this business?

Ed Clark *- Toronto Dominion Bank - President & CEO*

I'm sure you're directing that to Bob. Don't ask me that, that's for sure. (Laughter).

Bob Dorrance *- Toronto Dominion Bank - Chairman & CEO, TD Securities*

Thank you. I really don't know, Michael. Obviously, there are very good trends in wholesale business right now. So, you're seeing that in our results. At some in point in time, we're certainly not in the early part of the game, maybe not at the end of the game, but we're a ways along and we'll try to manage it accordingly.

Michael Goldberg *- Desjardins - Analyst*

So as far as you can see things right now, there's no impediments to things continuing the way they've been going recently? Is that fair to say?

Bob Dorrance *- Toronto Dominion Bank - Chairman & CEO, TD Securities*

I think that's fair to say. I think it's also fair to say that the visibility in the wholesale side is not that long in terms of how ahead we can see it. It's very hard to forecast.

Michael Goldberg *- Desjardins - Analyst*

Right. Thanks a lot.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Jim Bantis?

Jim Bantis *- Credit Suisse First Boston - Analyst*

Thanks, Ed. Just following up on the wholesale side, Bob. I did notice that the risk-weighted assets were up roughly C$8 billion in the wholesale segment. Is the Bank taking on more credit risk in terms of being involved in M&A transactions, leveraged finance because I can't imagine that's all market risk in terms of the increase?

Bob Dorrance *- Toronto Dominion Bank - Chairman & CEO, TD Securities*

No, that is growth and credit risk. And the credit risk that we're seeing is related to M&A activity, primarily bridge activity, primarily in Canada, and primarily activity that we're comfortable -- well, all bridges that we're comfortable in taking. Careful there, Mark. It's been, I think, a good part of everyone's loan growth and we certainly are participating in that loan growth.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Mark, do you want to comment on the quality?

Mark Chauvin *- Toronto Dominion Bank - EVP & Chief Risk Officer*

I think the risk-weighted assets certainly have increased in the last six months. We've seen a lot more activity in the last six months from M&A related activity, than we had in probably the previous several years. And it is pretty much concentrated, the bigger deals are in Canada. And there are ones that we're comfortable with overall.

Jim Bantis *- Credit Suisse First Boston - Analyst*

So, the majority of it is investment grade?

Mark Chauvin *- Toronto Dominion Bank - EVP & Chief Risk Officer*

Yes. It's -- certainly by size, absolutely, when they get to those amounts.

Jim Bantis *- Credit Suisse First Boston - Analyst*

Sorry, Bob. Just continuing. Sometimes, when a competitor makes a -- stubs their toes, you learn from them. When you look at your trading portfolios and getting data source in terms of mark-to-market portfolios, what have you learned, what have you done inside internally in terms of reviewing your own operations in this regard?

Bob Dorrance *- Toronto Dominion Bank - Chairman & CEO, TD Securities*

Maybe I'll share the question with Mark. And I think -- I like to confine my remarks to what it is that we do in terms of what we're looking at. And as you know, we made a decision about 1.5 year ago to exit parts of our business on the trading side. That decision was, for a variety of reasons, but a number of them were due to the fact that it was very difficult to actually transparently look at what the IPV or P&L was in those businesses. They were complex businesses and they were difficult, from a risk management perspective as well, to be able to support.

I think the statements that we made at the time were reflective of how we see taking risk in trading businesses. We're looking to be in businesses that have the combination of transparency, have a combination of the ability to mark your books from areas of many different sources, so that you can actually record appropriate values, but also have good guesstimate of what your P&L should be, as you're taking P&L through the course of the year. So, it was very much a focus on as what -- as well, I think, Jim, what we felt that we were good at doing and what we needed to, in terms of getting risk capital from the Bank, be good at doing. Find those strategies, have appropriate risk metrics around them and have appropriate buckets of risk around them as well in terms of how much notional exposure we wanted to have had any in one area.

Mark Chauvin *- Toronto Dominion Bank - EVP & Chief Risk Officer*

From a risk perspective, our primary objectives are to ensure that the market risk in all of our tradings businesses is appropriately identified, correctly measured, and then controlled within the limits. And Bob mentioned a few of the key principals that we do in achieving that. We have a limited appetite for illiquid or nontransparent transactions which we can't value. So, we really stick to those that we can get independent valuations through multi-contributed services.

But when you look at our market risk policies, they don't rely upon any one risk metric to measure the risk, they have a series of them. So, value of risk is one, but others of equal importance are like stress tests that will make sure that -- in the business that we're in, and if we were to get hit by that low probability, high-impact event and well beyond people's expectations, probably. But if it were to occur, that it would be within our overall risk appetite and we're comfortable with that appetite.

And then, one of the other key things, is we pay a lot of attention to where we make the money or lose the money. So we understand why we're making money and losing money, so that our risk metrics, in controlling business, can remain appropriate and relevant and they change all the time.

Jim Bantis *- Credit Suisse First Boston - Analyst*

Thank you.

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Can we go to the phones?

Operator

We have a question from Brad Smith of Blackmont Capital. Please go ahead.

Brad Smith ***- Blackmont Capital - Analyst***

Thank you. Ed, I was wondering if you could just revisit for me your return on invested capital expectations for your two U.S. investments? Sort of perhaps where you're at right now on that and where and what time frame you think you can achieve your targeted returns?

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Well, in terms of Ameritrade, as Colleen mentioned, because of the particular capital structure, it's actually generating a small amount of economic profit and it has pretty good growth prospects. Because as the cost synergies that come out of the conversion roll through, plus the inherent growth and asset growth in that business, the returns -- the economic profit ought to grow. So, we don't have a particular concern on the Ameritrade side.

Obviously, we do have a concern on the Banknorth side. We think we're around the 4% rate of return on invested capital to date. That's hardly a number that's acceptable to us. When we went in with the original acquisition, we said that we wanted to get back to an 8% return in the next three to four years. I hate to tell you that it's still three to four years away but I think realistically it is probably three or four years away. That's the kind of target.

I think it's worth, when you look at these investments, to keep recognizing that these are actually -- Banknorth is well above a 20% rate of return operating Company. So it's not like it's not earning itself a good rate of return but when you pay goodwill for something, you're paying for growth, fundamentally. And I always go back to the original, when TD bought Canada Trust, the TD personal and commercial bank was earning a 20% operating ROE and Canada Trust was earning a 20% operating ROE. And combined today they're earning north of 40%.

And so, what you have to do is that same magic with Banknorth. If you can get earnings growth, because these businesses are not actually that capital intensive. And I think you have to also shift the nature of the growth to a less capital intensive part. You will eventually get the ROIC up to acceptable levels.

If you said, what is our focus today? Our focus, frankly, we know where we are, so we don't need to spend a lot of time every month looking at that number, it's not going to move that fast. Our focus is getting earnings growth. And so, Bharat's mission, is we have a 7% to 10% earnings growth target for the Bank. And his job is to get Banknorth nicely into that range. So they're a source of earnings growth for the overall group.

Brad Smith ***- Blackmont Capital - Analyst***

Great. Just one other clarification. The Ameritrade carried balance on your balance sheet of C$5.1 billion. Am I correct that that's basically been an equity-funded investment and this Basel II is really just an internal allocation going forward?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

Yes, I think that's the right way to look at it, Brad. This is really more an internal transfer pricing change that will affect next quarter in anticipation of the new Basel II rules.

Brad Smith *- Blackmont Capital - Analyst*

Okay. And just to layer over the Banknorth comments on the Ameritrade. The same is say -- you're sort of saying the same thing there. You see some pretty powerful growth potential through this TD Ameritrade to get you to your acceptable level, whatever it is, of return on invested capital in there?

Ed Clark *- Toronto Dominion Bank - President & CEO*

Yes. Although, what -- just to clarify in a sense. Because of the capital rules, the actual regulatory capital, Tier 1 capital that we use up in Ameritrade is only $2.5 billion. So, in terms of what your denominator from the shareholder's point of view, how much Tier 1 capital you actually have to raise $2.5 billion. And so, we're earning above an 8% cost of capital against that number today, but we also see great growth potential in that space. As I say, driven in the early stages because there's still -- the cost synergies will roll through. And so, the fourth quarter earnings number for TD Ameritrade should reflect the cost savings from the conversion exercise. But then secondly, this is an asset gathering machine and the better we improve that asset gathering machine, you just get a natural growth that's not capital intensive. Your operating capital you have to put against additional growth is de minimus.

Brad Smith *- Blackmont Capital - Analyst*

Okay, thank you.

Operator

Your next question comes from Shannon Cowherd of Citigroup. Please go ahead.

Shannon Cowherd *- Citigroup - Analyst*

Good afternoon. I wanted to know if you'd already reduced the equity position in TD Ameritrade? And if not, what's the likely timing on that?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

Shannon, are you asking about selling our shares in the context of the of TDA's buydown?

Shannon Cowherd *- Citigroup - Analyst*

Correct.

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

So, no, we are going to be doing that in the coming months, is reducing our position to the 39.9%.

Shannon Cowherd *- Citigroup - Analyst*

Okay.

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

I don't have a specific time frame on it.

Shannon Cowherd *- Citigroup - Analyst*

Okay. But it probably would impact Q3?

Ed Clark *- Toronto Dominion Bank - President & CEO*

It's a minimal amount. We're about 2.6 million shares over the amount, so I would say it's a trivial amount that has to be disclosed.

Shannon Cowherd *- Citigroup - Analyst*

Okay. I think the increase to the general allowance this quarter was C$14 million. Could you just tell me how much was for Banknorth and how much went for VFC?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

There's sort of three moving parts in the general allowance fee. The Bank general allowances were -- there was no change in those general allowances. The Banknorth GA's were down about C$23 million. You have to look at the total math, as you know, in the U.S. the calculation methodology is different. And then you have the change that's due to VFC. And those are outlined in the supplemental.

Shannon Cowherd *- Citigroup - Analyst*

Okay. I'll look it up. Thank you.

Operator

Your next question comes from André Hardy of RBC Capital Markets. Please go ahead.

André Hardy *- RBC Capital Markets - Analyst*

Thanks. I just want to clarify this issue with Banknorth. What you're talking about next quarter is an earnings allocation event, not the hit to the Tier 1 ratio that you will get when the new standards are in place; correct?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

So, we're talking -- first of all, TD Ameritrade?

André Hardy *- RBC Capital Markets - Analyst*

Yes, Ameritrade, sorry.

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

So, we're talking again about an internal transfer pricing change that will actually appear to reduce the contribution to TD from TD Ameritrade.

André Hardy *- RBC Capital Markets - Analyst*

So not -- my question is, I thought under Basel II there was going to be a difference in terms of a -- from a capital standpoint, how Ameritrade was going to be treated and that was going to hurt you by about 150 basis points. Is that still something we should look for?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

So, that's -- you've got that right, and it would be slightly higher than the 150. So, that's correct, but, again, that doesn't come into play until 2009. What I would also caution is there's a lot of other impacts of Basel II, many of which, in fact, will be favorable to us potentially. But we, like the other banks, are currently working through those issues with OSFI at the moment. There's some peril, of course, in only isolating one aspect of the new Basel II regime. But that is one aspect, Andre, that will kick in in 2009.

André Hardy *- RBC Capital Markets - Analyst*

And you're a Bank that's made a fair amount of acquisitions in the U.S. What is your view on the double dipping issue? Is this going to be a meaningful item on your tax rate?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

Well, the way we look at it is, this is five years away and there's going to be a lot of consultation between that now and then, so this is not a major focus for us at the moment.

Ed Clark *- Toronto Dominion Bank - President & CEO*

But I think it's fair to say, from our point of view, it wasn't an economic factor in acquisitions decisions.

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

That's correct.

André Hardy *- RBC Capital Markets - Analyst*

Okay. And Ed, maybe one for you on Ameritrade. We're going to have a nice earnings lift from the integration of the clearing platform but probably a year from now the focus will again be on pricing pressure on the commission side. There's going to be this capital hit. Why stay in Ameritrade when I'm sure it would be an asset that would be very valuable to something else -- to someone else, excuse me.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Probably because it's very valuable to me. And so, I think if you take a look and step back and say; "What are some of the strategic dilemmas of Canadian banks?" Obviously I think, and what our results are showing, we have an enormously successful Canadian franchises. We've repositioned those franchises to make them into growth positions. We've repositioned to take dramatic -- what we think the tail risks out of those businesses, so they don't blow up. And we're growing our earnings stream at pretty unusual levels. The question I think you have to constantly ask yourself is; "Well, can you do that forever and can we really have our retail business grow at three times the G&P and this profit forever?"

I would like to believe that but unfortunately, I've study economics and it keeps telling me that one sector can't continuously grow at three times the rest of the economy, eventually you tap out. And so, I think for us, we say, find ways to go in the United States and we've decided to have a two-pronged strategy. We think the two prongs work together. I think when you come, you'll see on our day for TD Banknorth that we're getting good lift in the terms of the people's knowledge of our brand in the United States. And that's partly driven from TD Ameritrade's heavy advertising in the places that we occupy in TD Banknorth.

And it's very hard for a Canadian -- how many Canadian banks can stand up and say; "We have a top three position in wealth management in the United States."? Those are hard spots to get. So, we you have an asset that's meeting your economic cost of capital, that's growing every year. I'm not in the business of flipping assets. I'm in the business of growing great franchise plays and I think this can be a great franchise play.

André Hardy *- RBC Capital Markets - Analyst*

And how much does pricing pressure bother you in that business or worry you?

Ed Clark *- Toronto Dominion Bank - President & CEO*

If I told you I wasn't worried, you would start to wonder whether I was doing my job. I get paid to worry. But I would say, if you think about the mood in the marketplace over the past year, it's not that that's pricing -- I think people are dramatically less worried about pricing pressure today than they were perhaps previously. And I think the previous price pressure was a set of players jockeying to get themselves rightly priced. I would say. I think most of them have taken the price cuts and got themselves positioned. And I'm not sure there's any incentive for people to change their major -- the thrust of their pricing strategy. And we're see de minimus impact -- de minimus is probably an exaggerated term, probably less than de minimus impact, so far, attempts to go to zero pricing. So, it's just not a factor, so we don't feel the pressure right now.

Andre Hardy *- Merrill Lynch - Analyst*

Okay, thanks.

Operator

Your next question comes from Mario Mendonca of Genuity Capital Markets. Please go ahead.

Mario Mendonca *- Genuity Capital Markets - Analyst*

Good afternoon. One sort of nitpicky question. Colleen, going back to that C$8 million of the transfer. I understand entirely that it's internal, so one segment must benefit and I suspect you're telling us it's corporate? That's fair?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

Yes.

Mario Mendonca *- Genuity Capital Markets - Analyst*

Yes. Now, in talking about what corporate was capable of delivering, you talked about hitting the high C$40 million loss area. You haven't changed that. So in terms of new information today, it sounds like -- because you're not really saying, "well, it's C$40 million less C$8 million." The only new information is that Ameritrade is down by about C$8 million a quarter. Is that fair?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

Yes, I think that's fair.

Mario Mendonca *- Genuity Capital Markets - Analyst*

The more broader question I wanted to ask relates to -- I acknowledge everything in domestic retail is going extremely well, but over the last couple of quarters, it just seems like deposit competition is out there, again. DNS, more on the term deposit side; Royal now, premium rate savings account. TD's lost market share over the last couple of quarters and clearly it's not affecting the NIM, that's hanging in well. But where does that leave TD? Is a competitive response from TD likely in the near term?

Tim Hockey *- Toronto Dominion Bank - Co-Chair of TD Canada Trust*

There's no question that there's been a couple of other entrants and some obviously new activity in the high interest savings account. Again, just to clarify, Mario, the market share that we have been losing has been primarily in the term side. Notably in the second quarter, margins get remarkably thin around the RSP campaign. And just this month we've seen them fatten out again by about 15 basis points so far. So, we try to be very careful about exactly when we compete on very skinny margins. And so, we're happy to lose a few basis points. Having said that, our prime focus is on winning the day to day bank account business. And we've continued to grow that year over year, as we know that has nice thick margins. But I think you're right, there is more activity in deposit competition. And as Ed said, that's something that I get paid to worry about. So we'll watch that carefully and see what happens and figure out how to respond.

Mario Mendonca *- Genuity Capital Markets - Analyst*

Do you think Royal had any affect on TD this quarter with their premium rate savings account?

Tim Hockey *- Toronto Dominion Bank – Co-Chair of TD Canada Trust*

Don't know that, it's another entrant and another big one. They clearly had to decide how to defend against their own position. We think we've got a great distribution system with fantastic customer service and that actually gets us a premium from our customers relative to being constantly going after the last basis point of price.

Mario Mendonca *- Genuity Capital Markets - Analyst*

Colleen, just sort on a related matter, last quarter you suggested to us that margins in Canada could trend down to about the 300 basis point level. And I'm not suggesting at all that you need to be that accurate in providing NIM's like to a couple of basis points. But what's your feeling going forward? You suggested stable. Has something changed in your opinion?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

I think probably the mix issue and in particular, the Visa growth, Mario, has been a factor. So, I would agree with you that we're probably try to get a little too precise in terms of how we communicate some of those things. So, I think relative stability in the margins is what you should take away. We're quite comfortable in that message.

Mario Mendonca *- Genuity Capital Markets - Analyst*

Thanks very much.

Operator

Your next question comes from Rob Wessel of National Bank Financial. Please go ahead.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Rob, before you begin, I should note that this is Rob's last session on the call as the analyst. So I'd choose my words carefully, Rob, I expect a spectacular question from you.

Rob Wessel *- National Bank Financial - Analyst*

I'm not sure I can come through with that, but I'll do my best. That was very good.

Ed Clark *- Toronto Dominion Bank - President & CEO*

(laughter).

Rob Wessel *- National Bank Financial - Analyst*

Had me a little speechless there.

Ed Clark *- Toronto Dominion Bank - President & CEO*

I think the rest of the crowd -- no, he's speechless! This is a -- I think I've achieved what I wanted to.

Rob Wessel *- National Bank Financial - Analyst*

That doesn't happen every day. I just actually wanted to ask you just a quick general question about the U.S. retail banking. I'm not going to ask you about return on capital or anything about that. I just wanted to ask you more, if the yield curve stays flat to inverted for say a longer period of time, perhaps, later into '07 and perhaps even into '08, do you think that this will spark or be the last catalyst before we get another round of consolidation in the U.S. banking sector? Or maybe put another way, do you think that will be the catalyst to bring the expectations of sellers more in line with the desires of the buyers?

Ed Clark *- Toronto Dominion Bank - President & CEO*

"Hope" is probably better than "expectation." We've been waiting for something to happen here, as I've indicated before. We're not in a rush. So in a sense, the fact that it seems to be taking a long time for people to get their expectations in line with their earnings is probably not a bad thing for us. Because I think there's lots of things the bear can do to get the Bank better positioned, so that can add value to future acquisitions. And so, 2007 is a year in which we're focused on those organic things.

And so, not having the dilemma of seeing an asset available at the price that I wanted is a good thing for me. But I have to believe that the continued price pressures, the continuing problems in the U.S. from a credit point of view, plus the constant regulatory burden that small banks face, does mean that we know the end of the movie, we just don't know when the movie is going to end.

Rob Wessel *- National Bank Financial - Analyst*

Let me ask you specifically, then. Do you think yourself, Ed, that the yield curve in the U.S. -- is your view that the yield curve will stay flat for say the next six or eight quarters? I know, you probably don't want to be an economic forecaster but would you at least allow that that was a possibility and would you assign any probability to?

Ed Clark *- Toronto Dominion Bank - President & CEO*

I've talked to tell you where Bob's business is going. I don't know if I should get into -- Don Drummond would be horrified if he thought I was talking --.

Rob Wessel *- National Bank Financial - Analyst*

Well, I'm leaving so I won't be able to hold you to it.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Right. I don't think our anticipation is a dramatic drop in the short-term interest rates. I think so far, we're all dealing with the fact that this is going on and it's continuing to go on stronger than all of us would have expected. And I'd now restrain myself from, as one of you said, stating the obvious that the game will eventually slow down here. So you sit there and say, I think right now if you were reading the situation, the U.S. is in a very balanced situation and so I don't think there's a lot of pressure to drop interest rates.

Rob Wessel ***- National Bank Financial - Analyst***

And I'm sorry if this sounds like I'm asking the same question for a third time but let's say then that --?

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Rob, you're beyond -- your time's up here, Rob.

Rob Wessel ***- National Bank Financial - Analyst***

Is my time up? Go into retirement. Yes. Let me take one last shot. Let's just say for the sake of argument, the yield curve does stay flat for the next six to eight quarters. Is there a period of time within that you think it's more likely to serve as a catalyst? Do you get a sense when you talk to sellers or you look at their P&L's that you at TD or Banknorth feel; these guys are only last another two more quarters before they really start having a lot of pressure? Or do you feeling, these guys can last another two years if the yield curve stays flat?

Ed Clark ***- Toronto Dominion Bank - President & CEO***

I would say, our experience in the U.S. market is heavily driven by the time horizons of the management team running these institutions. And I think it's very individualized. And so, what's striking is, that's what actually turns out to drive. And then if the management team wants to hand in there and try it out for another year, the institutions tend to stay there. And so, I think you can't -- there isn't a one-time predictor of these. But you're obviously having sectoral cumulative forces that are putting pressure on people that have a simple business model based on playing interest rate gaps and gathering cheap deposits and letting in the commercial sector. That fundamental business model, which is the business model of the small junior banks is under pressure. But I think it is very driven by the individuals who run those banks as to when they decide to throw in the towel.

Rob Wessel ***- National Bank Financial - Analyst***

That's excellent. Thank you very much.

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Good luck, Rob.

Operator

Your next question comes from Sumit Malhotra of Merrill Lynch. Please go ahead.

Sumit Malhotra *- Merrill Lynch - Analyst*

Hi, good afternoon. Another question for Tim Hockey on the funding side. Tim, when I look at the growth rate in securitizations, both on the mortgage, personal loan and card side as well, it looks to have picked up pretty sharply over the last year. When we look at your total funding portfolio for retail, how do you view securitizations against something like a premium rate savings account? Is it still more profitable in your view, from your deposit cost perspective, to securitize some of the lower yielding loans you have rather than go into something like a high rate daily account?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

So, maybe I can dive in here, it's Colleen. Really, when we look at securitization, that isn't a decision really that we make within our segments, per se. But clearly from a reporting standpoint, we do keep our segments whole, as if they had continued to have the business on their books. But we really look at securitization as one of many levers that we have in terms of our balance sheet management, our capital management. So we have various levers and securitization is one that we look at. And we would compare that to, again, other techniques, whether it's raising sub-debt, managing our assets, looking at other forms of insurance, that type of thing. So, with securitization, one of the issues with securitization is that it does create some P&L volatility and there's a fair amount of administration involved in securitization as well. So, we would look at that and the economics of securitizing versus, again, other techniques that are available to us.

Sumit Malhotra *- Merrill Lynch - Analyst*

I bring it up only because you've managed that loan deposit gap in retail better than any other Canadian bank. And it just looks like the pace of securitizations has picked up. And I've never really seen TD, until this acquisition closed this quarter, as being a bank that was really in the need to free up capital here. So, it seemed like it was more of a deposit type -- a funding type vehicle. And that was more where I was leading. Is that something you see as being --?

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

I think, probably back to Tim, just in terms of the fact that we obviously have very, very strong franchise, in terms of the deposit side, maybe, Tim, you can comment on that?

Tim Hockey *- Toronto Dominion Bank - Co-Chair of TD Canada Trust*

The reason for the distinction in the answer to question is, my job is pretty simple, which is not to worry about how the balance sheet works, it's just to make sure that customers want to come and actually put deposits in the bank with us and to do their day to day banking. So clearly, with our convenience proposition, the best customer service on the street, then you do gather more than your fair share of deposits. It's the center of our being, if you will. And so, as a result, that has the funding effects that you were mentioning. But my job is pretty simple, it's just to get more customers in and to bring their deposits with them.

Ed Clark *- Toronto Dominion Bank - President & CEO*

It's Ed here. Just to supplement that. This is a very strong philosophical view that Tim's expressing. We -- as far as Tim's concerned, he gets fully hedged cost of fundings and that's how he runs the place. We don't want him playing interest rate gaps. We don't want that distorting his view. He's got to mange an economic profit, he wants to give away an option to the consumer, he's got to buy that option from the treasury. And so, he has to really add operational value.

That's central to there. And then you make a separate clear funding decision is to say, well -- and the funding decision also reflects the capital decision, because obviously it affects your total assets that you have on your balance sheet. And you weigh those things off and you optimize both your funding costs and your capital structure. But that's done in the treasury, that's not done in the operating centers. And that will be true today in Banknorth as well. And it's a -- we believe that it's kept us out of a lot of trouble and kept our people focused on doing the real job.

Sumit Malhotra *- Merrill Lynch - Analyst*

Okay, I appreciate that answer, thank you. Last question quickly is on Waterhouse. You've talked about the changes you've made in the pricing structure over the course of the last year. I was still surprised to see the year-over-year commissions down 17%, especially with the strength in the market over the last number of months. Colleen, I believe you mentioned in your comments that trading activity was up. Is there something you can provide us here in terms of a metric and Waterhouse is Canada only now, obviously, so what was the year-over-year numbers like in terms of trades per day for retail clients? As a retail investor participating in this market rally, we've enjoyed. Thanks.

Colleen Johnston *- Toronto Dominion Bank - EVP & CFO*

Why don't I start and then hand it over to Bill. So, I think what you're looking at, Sumit, is the supplemental and the other income, and only that really tells part of the story. It's just the fee side. But as I mentioned in my remarks, to your point, there are a number of other fees or income related to the discount broker side that in fact have increased over the period. And what that means is that our discount broker revenues have been relatively flat versus the same quarter last year. Maybe Bill can provide some more color.

Bill Hatanaka *- Toronto Dominion Bank - Chairman & CEO, TD Wealth Management*

No, that's correct, Colleen. We have taken -- we have changed our pricing regime and discount brokerage twice over the past year. That has resulted in a significant influx in new assets, significantly more transactions, more fee-based revenues and more spread-based revenues. So, as Colleen said, relatively flat performance. But in context of that pricing reduction, it represents a good solid performance to us.

Sumit Malhotra *- Merrill Lynch - Analyst*

And sorry. Do you have a number in internships of trades per day, just for a level of interest here on what activity levels are like?

Bill Hatanaka *- Toronto Dominion Bank - Chairman & CEO, TD Wealth Management*

We haven't been breaking out the trades per day at this time.

Sumit Malhotra *- Merrill Lynch - Analyst*

Yes, okay. Thanks very much.

Operator

Your last question comes from Darko Mihelic of CIBC World Markets. Please go ahead.

Darko Mihelic *- CIBC World Markets - Analyst*

Hi, good afternoon. Maybe just a broader question for Ed. It appears to me that some of the Canadian banks have found some fairly aggressive areas where they could cut costs. And the body language I'm sensing from you, Ed, is that you have a significant amount of flexibility in reducing your expenses should revenue start to slow down. I'm just curious why that might be? Has TD sort of conducted an internal review or a big review of your expense base with your business heads? I'm just curious to why you have or why I'm sensing that body language from you? And is this maybe perhaps a longer term cycle or perhaps all of the Canadian banks -- and I'm not necessarily asking you to comment on the rest of your competitors, but is there a sense out there that there is, in fact, a lot of cost cutting capabilities here that are being left on the table here at the Canadian banks?

Ed Clark *- Toronto Dominion Bank - President & CEO*

Maybe I'll start but then have Bernie and Tim just comment on it. I think, and maybe once again we're in a completely different philosophical position than what lies behind -- so I'm not a big fan of; "Okay, I've let my costs get out of control. Why don't I go lay off a bunch of people and have one-time operating expenses and stuff like that?" That's not -- I understand when you're restructuring you can do that, but as a fundamental business, I think our message to the leadership is, "You should grow your expenses less than you're growing your revenue. And the first thing you have to do is show me expense growth that grows the revenue two or three years down." So you can't do that by cheating your investment.

So, if Tim came in and said, "Well, I'm going to make my expense target because I'm not going to grow 30 branches this year," that would not be an acceptable business plan for us. Or Bill Hatanaka said, "Well, I'm not going to grow my financial advisors and my IA's," that would not be an acceptable business plan. So, we start with -- you've got to do the things that -- maybe we're obsessed with this, but we believe that ultimately franchises are built around, you can produce growth automatically year-in, year-out. You don't have to come up with the most brilliant trade this week to billow yourself out. You just build a machine that will automatically grow.

And you do that by thinking now, like our business plan today, our obsession is 2008, 2009 growth sources. And so what do you have to do today, what do you have to invest? Then once you set those in place; How do I then make sure that I'm growing my overall expenses less than I'm growing my revenue? What we started this year, as I indicated in my remarks, and we were quite open about it, we sat there and we said maybe wrongly, "The U.S. economy looks like it's going to slow down. When the U.S. economy slows down, Canadian is going to slow down." When Canada is going to slow down, our revenue is going to slow down.

In our particular case, we also have just the mathematical affect that we have DFC rolling through our two DCT numbers and that's going to come to an end. So we know in the second half, that's going to take some of the revenue growth out of those numbers. To me, what you do is way before you have to start cutting expenses, you put your foot gently on the expense brake and say, "okay, find ways to slow that down without touching any of the things that we need to do to ensure 2008 and 2009 revenue growth."

So it's not like we've got some magic formula, but in that, part of that looking forward, is find the places of the bank where we still think we have big inefficiencies and that we can re-engineer the processes and take costs out in a more permanent way. Just squeezing down costs, generally in my experience, never works. You do it for a year and then they spring right back. So, you actually have restructure how you do things. That's our whole philosophical approach to this. And it's imbedded in every one of our businesses. Tim or Bernie, you want to comment?

Tim Hockey ***- Toronto Dominion Bank - Co-Chair of TD Canada Trust***

The only thing I would add, to reiterate Ed's point. If you have this philosophy of an operating leverage gap, it's consistent over a long period of time, it's deeply engrained in the organization. The idea of having a fire drill type expense is actually quite destroying to a retail franchise. And so there's an incredible power to momentum that builds up and to a very simple paradigm in our case, the 3 point gap that builds up over time. And if we showed you a chart of TDCT's results, Bernie and I quite proud of fact that it doesn't matter which year, going back almost five years, you've pretty much got a 3 point paradigm, certainly year over year for a full year and pretty much every single quarter. It's just the way we do business.

Darko Mihelic ***- CIBC World Markets - Analyst***

Great. Thanks. I appreciate that. It just seems that some of your competitors are not suggesting that by any means that they're impacting front line sales, in fact, they're adding to front line sales. So, I thought that maybe there was something structural we're looking at here that you've also seen in your organization that gives you the confidence. But thanks very much.

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Ian?

Ian de Verteuil ***- BMO Nesbitt Burns - Analyst***

Ed, you talked about this issue of using the capital that you had to drive growth, and that's the analogy you used with Banknorth and to a lesser extent, with Ameritrade. One of the things that it does seem, it does seem as if the growth is also bringing some incremental risk to the Bank. When I look at that VFC and Banknorth, one of the things that strikes you is how much the loan losses have spiked. You have C$172 million in loan losses this quarter. There are some other banks that I don't -- that will have C$172 million of loan losses for the year.

I look at the quarter, how you had what was principally an asset business and you've put it with Ameritrade and it's more of a daily trading business now. So you've got that risk of business as well. When I think about all the transformations you've tried to bring to the Bank, there seems to be more growth but there also seems to be more credit risk, more daily trading risk. How do you view that within the context of the trade-off of capital?

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Yes, I think occasionally, even internally, I leave the impression that I don't like risk. And so, that is not our strategy at all because I don't know how you run an institution that's fundamentally making its money by taking risk and say, "I don't like risk." And so, if you took -- if I could run through each of those businesses. Every single business, almost, that we're in is a risk-taking business. And so, we look at the credit card business, and we have a pretty simple paradigm. In the credit card risk or the VFC business;

Is the spread I'm earning larger than the risk I'm taking on? And where's that sweet spot? And then, you obviously look at the volatility of that and say -- stress test it against different economic environments.

What we're saying in the case of Visa, we're actually earning -- Visa is a huge source of growth to us. It doesn't mean we're happy with the PCL's we are taking at Visa today. I think we are beyond our comfort level, because if we're having these kind of PCL's in this kind of economic environment, it's not obvious to us if you went into a bad cycle that we're in the right spot. And so we're making the adjustments. In the case of VFC, we actually very much like where they are and they seem to us to have sustainable, a nice, very nice profitable mix of the spread they earn versus the risk they take.

When we went into the U.S., as a conscious strategy on our part to say, "Let's shed out of TD the risks that we thought in the long run we're not getting rewarded for." And so, as you know, I have a strong view. I think all of these trades in nontransparent illiquid markets look you good. When you present value all the profits up-front, you look good for the short period of time but you're loading your balance sheet up with long-dated risk that you're not going to get compensated when they go bad. But we recognized that going in the United States involved more than just extending. And there's no question, we now have moved in and we have substantially more commercial credit risk in TD Bank. We doubled essentially the commercial credit risk in TD Bank by going into Banknorth.

I think we have major operational risks. Wherever you do acquisitions, you're a fool if you don't think you're running operational risks in doing that. And we certainly have entered into a space, in online brokerage, we're bigger into volatility in the sense of transaction revenue. Although, I do think people have not followed how dramatically that business has changed and the source of income for TD Ameritrade and how much new is NNI versus commissions. And so, volatility at these levels of interest rates, if you lock those interest rates and have our philosophy in terms of interest rate management, but you can mute a significant portion of the voluntary risk.

But we're not in the business of not taking risks. We're in the business of figuring out the risks that we think ultimately, over the long cycle, you get well rewarded to take. And I would say secondly, that you're good at managing. And so I do think that different institutions could look at the same situation and say, "I am fantastic at managing this risk" and I could say, "I'm not very good at it." And some other people might say, "If you take the property and casualty insurance business, we've been superb in the property and casualty." We're clearly the fantastic number one leader in the property and casualty in terms of rates of return and growth. And yet, that's fundamentally a risk transfer business. And so, I think that's a business that we clearly have the internal expertise to know how to manage.

So I don't -- but I -- there's no question, as we withdrew, we also added risk. And I'm comfortable that, net, we're better risk position for rates of return on risk than we were in 2002, five years ago in the May 2002 conference. Where I think, at that point, some of you were skeptical of whether we were in a good position. Michael?

Michael Goldberg ***- Desjardins - Analyst***

A couple questions. On the M&A lending that you're doing -- that you've increased, so to what extent is credit risk being hedged? And where it's not being hedged, what would you say are the big economic assumptions to which is credit is sensitive? And at what level of those assumptions are the tipping points on quality?

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Maybe we can both do this. (laughter). So, a lot of the bridge lending on M&A's that we're doing is bridging to longer-term financing. So, you're bridging to equity debt or bonds, etc. and a lot of that activity is fairly the quick in terms of -- or bridging to the term loan B market in the United States. Where we see that the trimming out of the bridge is going to be immediate, we're relying on capital markets to do that. Where we're bridging to less immediate circumstances or higher risk circumstances, we're being fairly aggressive in terms of either selling down or buying protection.

Bob Dorrance ***- Toronto Dominion Bank - Chairman & CEO, TD Securities***

The only thing I would add is that we do it -- we will take the bridge on, but we have hold limits that are much smaller. And we have to have a comfort level that we can get there within relatively short periods of time. And that can be through a combination of things, whether it's protection or sell-down.

Michael Goldberg ***- Desjardins - Analyst***

And I have one other question. In Banknorth, C$167 million of gross formations this quarter. What gives you the comfort that losses won't be incurred or material losses won't be incurred on those formations. A lot of it is real estate related lending. What are loans values on that lending, generally?

Ed Clark ***- Toronto Dominion Bank - President & CEO***

It helps to have your Chief Risk Officer running that business or former Chief Risk Officer running that business.

Bharat Masrani ***- Toronto Dominion Bank - President and CEO of TD Banknorth***

I would have answered the bridge loan question differently. (laughter).

Bob Dorrance ***- Toronto Dominion Bank - Chairman & CEO, TD Securities***

We'll talk about that.

Bharat Masrani ***- Toronto Dominion Bank - President and CEO of TD Banknorth***

When we started with Banknorth, we did say that we do have concentrations in commercial real estate. That's the business that a lot of banks of this size are in. The real estate business is week. Especially for what we would call for-sale real estates, this is lot developers, condo developers. It's no secret. You've seen it in the newspapers, I've seen it that those markets are not as strong as they used to be. So, we are having a fair share of those credits as well.

And from my perspective, the good thing is that, at least based on the analysis that we are doing, we do not think we have substantial principal at risk. So, our loan to values, although they're not as great as they were when we made the loans, are still within acceptable levels. Having said that, given that I was the Chief Risk Officer before, there are surprises in this business and surprises generally in lending are not positive. So will have some losses? Yes we will, if the situation gets worse.

If there is a huge turmoil in the market, will we have higher losses? Absolutely. But are we doing anything that, from my perspective, is reckless? No, we are not. We assess that portfolio on an ongoing basis, we call it the way it is. Where we think that our loan to value cannot support the loan and there is no other mitigating circumstance such as guarantors or other interest reserves or whatever, we'll make it an NPA, we'll make the assessment. If the value is not there, we'll either take an allowance or charge it off.

So, that's the best way I can put it to you.

Michael Goldberg *- Desjardins - Analyst*

So Bharat, I presume that most of this lending wasn't done when you were over at Banknorth. But from what your understanding is, at the time that it was done, what was the -- was there a policy on the amount of cushion that they wanted in terms of loan to value?

Bharat Masrani *- Toronto Dominion Bank - President and CEO of TD Banknorth*

Absolutely. And this is not a new phenomenon at Banknorth.

Michael Goldberg *- Desjardins - Analyst*

What was it and where is it now, what do you figure?

Bharat Masrani *- Toronto Dominion Bank - President and CEO of TD Banknorth*

It's tough to answer what's the loan to value for the whole portfolio. Because I could give you that but I don't think that would be very useful because all the loans are not cross-collateralized. So, we might have a 90% loan to value on one loan and a 40% on another and if I tell you an average that's 60%, that's not going to be very useful. But suffice it to say, there are policies. Generally speaking, the performing portfolio will be around 75% loan to value. If there's an owner occupied property where the business is doing extremely well, the core business, then there might be a higher loan to value in that. Whereas, if it's in the hospitality business, then it would be a lower loan to value because inherently that's a higher risk sector. So absolutely, Banknorth has those policies and those policies continue to be followed.

Ed Clark *- Toronto Dominion Bank - President & CEO*

Maybe we can pick this up on June 28. John Fridlington, the Head of Commercial over there, and you'll have a chance to have a detailed to have a detailed conversation with him as to how he runs the place. Jim, last question?

Jim Bantis *- Credit Suisse First Boston - Analyst*

And just touching on some points you made about credit card losses being little adverse expectations, maybe, Tim, you can highlight what part of the portfolio? Is it non-TD customers that you're seeing perhaps this or is it a regional product?

Tim Hockey *- Toronto Dominion Bank - Co-Chair of TD Canada Trust*

No, there's no -- you have to remember, as I reported last quarter, we did a bunch of things when it came to our credit card book. We moved over to a new system. And then also, over the last 18 months or so grow that book quite considerably. So, I say generally, there's a number of factors. So, as an update on some of those. Colleen said that we're up 80 basis points, so we like our market share growth. We're up about 25%, 24% in actual outstanding volumes, so we like that and it's a strong double digit contributor.

The PCL growth itself, notwithstanding, it's being more than covered by the additional revenues in the business, is actually attributable to some degree to the operational challenges we had with the transition. We've largely fixed those operational challenges in terms of the root cause. But in fact, the PCL spike that we got as a result of that is going to take probably a couple more quarters to work their way through the system. There are, as Ed said, clearly some opportunities to say, "You know what? We don't like that particular cohort." And it can be across multiple card types and so our new system allows to us dial that back.

So we're actually implementing some changes that will both dial back our PCL rate in those areas but also there will be the anticipated slowdown in the revenue growth that we're getting as well. So, we're getting better at actually fine-tuning. But it can be many factors at play that drive it and no particular segment or geographic region.

Jim Bantis ***- Credit Suisse First Boston - Analyst***

Of the 25% increase in outstandings, is the bulk of it TD customers?

Tim Hockey ***- Toronto Dominion Bank - Co-Chair of TD Canada Trust***

Yes. Our strategy, as I've said before, is largely to penetrate our own customer base. And we've done that nicely and we have a huge upside opportunity because we have 10 million customers that walk into our branches and use our Web and not all of them have our credit card.

Ed Clark ***- Toronto Dominion Bank - President & CEO***

Good. Well, thanks very much. Just to re-summarize, I think obviously the first half has been a very, very good half for us. I think it reflects the fact that all of our Canadian businesses in which I think we positioned them extremely well as franchises, we've invested in them consistently over the last three or four years, they're all firing on all cylinders. Clearly, that's buoyed by good capital markets and a stronger economy, but I also think it reflects the fact that they're all very, very solid franchises.

We like how our U.S. entities are positioned, we like that Ameritrade has big growth prospects to it. And I think you're going to see when you come out on June 28 that we do know how to run a bank in the United States. And that we're going to get Banknorth in the 7% to 10% gross. And so all in, that's going to produce the kind of earnings, we've been running in the C$1.35, C$1.40, we see being able to continue that for the rest of the year. So it's going to be a bang up year in 2007 for TD Bank. Thank you very much.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, and please disconnect your line.