TD BANK GROUP
Q4 2011 EARNINGS CONFERENCE CALL
DECEMBER 1, 2011

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PRESENTATION

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Good afternoon, and welcome to TD Bank Group's Fourth Quarter 2011 Investor Presentation. My name is Rudy Sankovic, and I'm the Head of Investor Relations for the Bank.

We'll begin today's presentation with remarks from Ed Clark, the Bank's CEO, after which Colleen Johnston, the Bank's CFO, will present our fourth quarter operating results. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality. Afterwards, we'll entertain questions from those present in the room and from prequalified analysts and investors on the phone.

Also present today to answer your questions are Bob Dorrance, Group Head, Wholesale Banking, Tim Hockey, Group Head, Canadian Banking, Auto Finance and Credit Cards, Bharat Masrani, Group Head, US Banking, and Mike Pedersen, Group Head, Wealth Management, Insurance and Corporate Shared Services.

Following our fourth quarter investor presentation, we will be extending our call to review our IFRS opening balance sheet disclosures and to answer any questions on that subject. There'll be a short waiting period between calls while we set up, but you will not be required to log in again. I would like to keep the call to a tight one hour and then 15 minutes for the IFRS component. So, I will try and monitor that fairly aggressively.

Please turn to slide two. At this time, I'd like to caution our listeners that this presentation contains forward-looking statements and there are risks that actual results could differ materially from what is discussed. Any forward-looking statements contained in this presentation represent the views of management and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance may not appropriate for other purposes. Certain material factors or assumptions were applied in making these forward-looking statements. For additional information on these factors and assumptions, please see our 2011 MD&A available at TD.com.

With that, let me turn the presentation over to Ed Clark. Ed?

Ed Clark – *TD Bank Group – Group President & CEO*

Thanks, Rudy, and thanks, everyone, for joining us today. I hope I don't hurt anyone's feelings if I don't stay for the exciting discussion of IFRS after the investor meeting.

Colleen's going take you through the fourth quarter results in detail, but I'd like to give you my thoughts about the quarter and the year. Then, I'd like to focus on what our feelings are about 2012.

Now, obviously, this quarter was an excellent finish to a record year for TD with all of our business delivering strong results. Total adjusted earnings grew 30 percent with double digit increases for each of our businesses.

Our personal and commercial banking businesses on both sides of the border continue to have strong loan and deposit growth. And our wealth business strong inflows of new client assets. Wholesale bounced back from a tough third quarter to turn in a strong result with much improved trading revenues despite the continued challenging global environment, helped as well by higher security gains. Overall, it was clearly a great quarter.

So, let me take a look back at 2011. I think the last 12 months really speak to the earnings power of our retail focused business model and the growth it's capable of delivering.

This time last year, our full year adjusted earnings just crossed the $5 billion mark for the first time. Well, now, we've crossed the $6 billion mark. That's a 20 percent growth over last year in an environment which, to put it mildly, has been rather challenging and uncertain.

If you look at each of our businesses, all of them made really strong contributions and thrived despite the headwinds they faced. The growth in performance of TD Canada Trust in 2011 was nothing short of spectacular. TD Canada Trust set the pace for the rest of the industry in terms of delivering the best customer service and convenience, again, winning a number of prominent accolades.

With 17 percent earnings growth this year and a remarkable 13 percent compounded growth since 2006, TD Canada Trust remains an incredible growth leader. We've driven this growth through a relentless focus on reinvesting in our franchises to make sure we always stay ahead of the competition. Twenty-four new branches, Sunday hours, a significant investment in additional small business and commercial officers are examples of how we've invested to stay ahead.

Our insurance business also had a very strong year, driven by strong premium growth and improved claims management. This is another business in which we've consistently invested and where we're now seeing good returns.

Our global wealth business also had a record year with 27 percent earnings growth. We continue to do well at gathering new client assets and improving client satisfaction metrics. We also saw healthy trading volumes, a byproduct of the volatility in the markets. The business is focused on offering our retail and business banking clients legendary TD service and leveraging our leadership position in online brokerage.

TD Bank, America's most convenient bank, had another strong year, despite some very tough regulatory and economic headwinds. We delivered strong growth while continuing to build out our Maine to Florida footprint, opening 37 new stores and wowing our customers. We also successfully integrated the South Financial Group, giving us a top five position in South Carolina where we have just announced a major hub investment. We're confident about our ability to continue to win market share, even in a difficult economy. We have outperformed our US peer groups by a wide margin in terms of loan growth. Through a combination of strong organic growth and acquisitions, our US adjusted earnings grew 33 percent this year, a powerful indicator that our service and convenience proposition does work.

Our wholesale bank finished a difficult year on a strong note and showed that by having a diversified client focused business model, you can withstand harsh operating conditions like those we faced in 2011. We've got a business that now competes for the number one or two position relative to its Canadian peers, a tremendous accomplishment. It wasn't long ago where we set out our sights on being a top three dealer. We've clearly reached that goal.

These results again show that our strategy of growing a North American bank without going out the risk curve by investing in franchises with repeatable earnings potential allows us to outperform in challenging operating conditions. Our successes this year are also getting recognized by Euro Money, a leading business magazine which named TD as the best bank in North America for the third year in a row.

Now, none of this could have been achieved without the people who run this bank and their dedication to meeting the needs of our customers and clients. Our team of over 85,000 employees was outstanding this year. On behalf of the Board and the entire senior executive team, I'd like to take this opportunity to thank them for their efforts.

I'm also very pleased to announce and welcome that 1,700 employees from MBNA Canada have now joined TD Bank. We are delighted to have you on board. The MBNA acquisition closed today, making us a top tier dual card issuer in Canada. We now have a unique position in the marketplace with strong affinity positions in both insurance and credit cards.

Let me now share a few thoughts about 2012. In the last six months, we've certainly seen a negative shift in the mood about the global environment. There's still lots of uncertainty about how Europe's debt issues will ultimately be resolved.

Clearly, there is some tail risk of a major political failure. The most likely outcome currently seems to be a series of muddling along adjustments. The likely net effect will be slower growth and possibly a mild recession.

In the United States, we're seeing some signs of recovery. Businesses now have strong balance sheets and have achieved significant productivity increases. They are investing but are reluctant to do so boldly because of the risks in Europe, worries about the US political polarization and the continued fragility in the mood of the US consumer.

Absent the problems in Europe, it's not impossible that the US economy would get some real traction. Given, however, the current European outlook, we expect slow growth and at best only moderate reductions in unemployment rates. Interest rates are at historic lows and are not likely to rise significantly any time soon.

Despite the global headwinds, we're feeling positive about TD in this environment. Our possibly pessimistic view of the economic outlook is not matched by a pessimistic view of our prospects. We have seen that a business model built on service and convenience combined with continuous reinvestment will always outperform on a relative basis. We enter 2012 with strong momentum.

TD Canada Trust should deliver sold growth despite low rates, and we expect a slowdown in consumer lending. We expect loan growth will continue in the mid to high single digit range with a strong contribution from business banking volumes and continued personal loan growth, though at a slower rate than we've seen in the last couple of years. Offsetting this growth will be continued margin pressures. We'll manage our expenses very closely to ensure that we deliver positive operating leverage.

In the United States, we delivered a record year in 2011 despite the impact of the new overdraft regulations and tough economic conditions. We're confident we can do the same with the new interchange regulations, which are expected, to take away approximately $50 to $60 million in growth revenue per quarter next year. We've said we'll recover this over the next two years by introducing new products and optimizing our fee structure. We'll continue to reinvest in our franchise by opening 30 new stores and continue to grow our loans and deposits at a faster rate than our competitors. We expect that our US business will see modest earnings growth next year, despite the impact of interchange fees.

Our wealth business has good momentum and should continue to see steady flows from new clients, despite the volatile markets. While difficult to predict, we expect to see decent growth from wealth if the capital markets hold up.

Our insurance business, which will be combined with wealth starting in fiscal 2012, should continue its strong growth trajectory with the MBNA acquisition and expected premium growth adding to the bottom line.

Turning to our wholesale bank, while this is a difficult business to do forecasting, TD Securities should see continued growth in our core dealer operations next year. Offsetting this will be the fact we're unlikely to see the same level of security gains that we saw in 2011. We expect this business to generate a solid risk adjusted return on capital next year, despite the tough trading environment.

We will continue to invest in the future of our franchises while ensuring that expenses don't grow faster than revenues. In terms of earnings outlook, we remain committed to our medium term target of 7 to 10 percent adjusted EPS growth. Given the economic and regulatory headwinds we face, we'll have our work cut out to get there. But, that's certainly what we would like to do. I'm confident that we have a proven business model and an extraordinary management team to ensure we continue to grow in both relative and absolute terms in these tough times.

Let me make a few comments about our capital. We're in a very strong position going into 2012. We expect that our Basel III common equity tier one ratio on a fully phased in basis will be comfortably above 7 percent by the second quarter of 2012 and will be about 7.5 percent by the first quarter of 2013. In 2011, we generated over $2.5 billion in excess capital through earnings growth and after raising our dividends twice, another impressive achievement. With that said, we'll continue to manage our capital very prudently.

With that, let me wrap up and turn the call over to Colleen.

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

Thanks, Ed, and good afternoon, everyone.

Let me take you through our results, and we'll start with a review of the full year.

2011 total bank adjusted net income was $6.3 billion, a new record, up 20 percent from last year, and adjusted EPS was $6.82, up 18 percent year-over-year, also a new record.

Our 2011 results are a testament to the franchise earnings power of our retail businesses in both Canada and the United States. In total, our retail businesses delivered total adjusted earnings of 5.7 billion, up 20 percent over 2010 and also a new record. Retail earnings were 88 percent of total bank earnings.

TDCT had a record year, delivering $3.6 billion in earnings, up 17 percent over 2010. The personal bank, business bank and insurance businesses all had record years. Strong volume growth, positive operating leverage and improved credit helped drive another year of great performance.

Wealth management, by far a record year in difficult markets - our global wealth business delivered 569 million in earnings, up 27 percent from last year. Strong client asset growth and good transaction volumes were the key drivers.

The US personal and commercial bank delivered a record year with over US $1.3 billion in adjusted earnings, up 33 percent, driven by excellent loan and deposit volume growth, improving organic PCL and acquisitions. We continue to invest in our US footprint and build on the core fundamentals of the business.

Wholesale banking had a good year in the context of challenging markets with earnings of over $800 million, down 18 percent from a very strong performance in 2010. Strong security gains partially offset weaker dealer results.

Our corporate segment loss narrowed to $274 million on an adjusted basis, an improvement of $263 million from 2010 due to segment transfers and higher earnings on unallocated capital.

Tier one capital ratio finished the year at a strong 13 percent.

We achieved positive operating leverage of 1 percent during 2011.

Q4 expenses were elevated as expected. As we move to 2012, we planned a lower rate of expense growth to maintain positive operating leverage while still investing for the future.

Overall, this was an excellent result for TD.

Please turn to slide five.

So, turning to our Q4 results, total bank adjusted net income for the fourth quarter was $1.6 billion, up 30 percent from last year and 4 percent sequentially, another record. Adjusted diluted earnings per share for the quarter, $1.77, up 28 percent over last year, also a new record.

These strong results were driven by continued momentum in both our Canadian and US retail businesses, which delivered total retail adjusted earnings of $1.4 billion, up 18 percent from last year. Results in our wholesale bank were also stronger, despite very difficult markets. Adjusted net income of $288 million was up 33 percent from last year. These impressive results were primarily due to solid trading results coupled with a higher than normal level of security gains in the quarter. Corporate segment adjusted loss was $80 million.

Overall, these were very strong results with every business posting double digit earnings growth.

Please turn to slide six.

TD's reported net income was $1.6 billion or $1.69 per share. Adjusted net income was $1.6 billion or $1.77 per share. The difference between reported and adjusted results was due to five items of note, which you all have seen before.

Please turn to slide seven.

Canadian P&C had another very strong quarter. Net income was $905 million, up 17 percent versus last year. Our business bank and insurance businesses delivered particularly strong results this quarter. Net income was down 5 percent from last quarter's record performance.

Revenue was up 5 percent versus last year and 1 percent over last quarter. Excluding segment transfers, revenue was up 7 percent over last year. The year-over-year increase was driven by continued strong volume growth in real estate secured lending, auto lending, business loans and deposits as well as strong insurance revenue growth. These positives were partially offset by a lower margin on average earning assets.

Overall, average lending volumes were up 8 percent year-over-year, driven by real estate secured lending, which grew 8 percent, and business lending, which increased 14 percent.

Average deposit volumes were up 5 percent with core personal deposits increasing by 10 percent and business banking deposits growing at 11 percent. While personal deposit growth was positive for the quarter, we continue to see negative trending in the term deposit book, down 7 percent, largely driven by competitive pricing actions. We are implementing profitable strategies to reverse this trend.

Excluding the impact of segment transfers, margin was down 16 basis points compared to last year and six basis points sequentially due to the low rate environment, increased pricing competition and changes in portfolio mix.

We saw continued momentum in our insurance business, which had another strong quarter, with revenues benefiting from premium growth and better claims experience.

Provision for credit losses of $212 million was down $27 million or 11 percent over the prior year due to improved credit portfolio performance, improved collection strategies and segment transfers.

Expenses increased 2 percent compared to last year. Expenses were elevated in Q4 this year and in the comparative period last year. Sequentially, expenses were up 8 percent due to timing of business investments, marking initiatives and employee related cost.

Operating leverage was 3 percent this quarter or 5 percent excluding segment transfers.

Overall, this was an excellent performance from TDCT.

Looking to 2012, we expect continued solid growth while margins will remain under pressure. Positive operating leverage, stable credit plus the acquisition of MBNA Canada should help drive high single digit earnings growth.

Please turn to slide eight.

Global Wealth Management, which excludes TD Ameritrade, delivered strong results despite difficult and volatile markets. Net income of $139 million was up 18 percent from last year but down 5 percent sequentially.

Revenue was up 9 percent from the prior year, primarily driven by increased fee based revenue from higher client assets and increased transaction volumes.

Expenses increased 8 percent from last year, mainly due to higher variable costs and higher employee and project related cost.

TD Ameritrade contributed Canadian $54 million to TD this quarter, up 64 percent from last year and 13 percent sequentially due to higher base earnings.

On the whole, this was another strong quarter for Global Wealth. Although equity market volatility makes prediction challenging, we are cautiously optimistic that increasing client satisfaction and steady inflows of client assets will drive good net income growth in 2012.

The Bank has completed its review of segment reporting. Starting in Q1 2012, we will be reporting a new segment, wealth management and insurance. These businesses both now report to Mike Pedersen.
Four quarters of restated results will be available in late January as part of our supplementary IFRS disclosures.

Please turn to slide nine.

Our US Personal and Commercial Bank delivered strong adjusted net income of US $325 million for the quarter, up 18 percent from last year but down 9 percent from last quarter. The year-over-year increase was primarily due to strong organic growth, improving asset quality and acquisitions. While there are various plusses and minuses versus the previous quarter, the decline was largely related to a more normalized level of other income plus the one month impact of the Durbin amendment.

Excluding the impact of acquisitions and segment transfers, revenue showed good organic growth of 8 percent compared to last year due to strong volume growth and improved fee income.

Organic volume growth continued to be very impressive. The core loan portfolio increased by 13 percent with residential mortgages up 42 percent and commercial loans up 10 percent compared to last year.

Core deposits, excluding the impact of acquisitions, government deposits and TD Ameritrade IDAs, were up 13 percent with personal deposits up 11 percent and commercial up 21 percent.

TD Ameritrade sweep deposits grew 30 percent compared to last year and 14 percent sequentially.

Compared to last quarter, margin on average earning assets was down seven basis points to 351, which was largely related to acquired loan accounting.

Total PCL was down US 17 million or 12 percent compared to last year as asset quality continued to improve modestly. The credit performance of acquired loans was in line with expectations. The decline in PCL quarter-over-quarter was acquisition accounting related.

Excluding the impact of acquisitions and segment transfers, expenses grew 11 percent compared to last year, largely due to new store expenses and investments in infrastructure.

Looking to 2012, we expect single digit growth in the US P&C segment. As outlined last quarter, the Durbin Amendment is expected to negatively impact gross revenues by approximately US $50 to $60 million per quarter in 2012.

We expect to recover lost revenue in the next two years through new product initiatives and fee optimization. We are confident that TD Bank, America's Most Convenient Bank, can continue to take share, and we plan to open more than 30 stores to support this continued growth.

Overall, it was a strong quarter for the US Personal and Commercial Bank.

You'll note that we've improved our disclosures related to acquired credit impaired loans and our acquired non-agency CMO portfolio. These balances have been removed from our impaired loan disclosures. We provided increased disclosure related to the underlying portfolios and related credit marks.

Please turn to slide ten.

Adjusted net income for wholesale was $288 million this quarter. Results were up 33 percent from last year and more than doubled versus Q3.

Continued sovereign debt concerns as well as lackluster economic data in the US led to significant volatility in the quarter. This supported higher revenues for our equities and currency trading businesses, partially offset by lower fixed income and credit trading revenues due to lower volumes.

Results for the quarter also included a higher than normal level of security gains.

On a quarter-over-quarter basis, trading revenues improved due to better trading in our fixed income currency and equities businesses. DVA adjustments on the Bank's own liabilities was not a driver of higher trading revenues.

TD Securities continued to make strong progress in growing franchise revenues, and this is clearly evident in our league table results.

Provision for credit losses for the quarter was $3 million.

Expenses were up 19 percent compared to the previous year due to higher variable compensation, higher employee related costs in franchise businesses and investment in risk and control infrastructure.

Going forward, we expect the operating environment to remain challenging in 2012. We remain confident that we can generate a solid risk adjusted return while remaining within the risk appetite of the bank.

Please turn to slide 11.

On an adjusted basis, the corporate segment posted a loss of $80 million compared with a loss of $163 million last year. The decrease was primarily due to segment transfers, higher earnings on unallocated capital and lower unallocated corporate expenses.

Updated guidance for the corporate segment will be included when the bank provides IFRS parallel year results in late January.

Please turn to slide 12.

While there are no material changes to our fourth quarter Basel III outlook, I did want to highlight a few items. Let me start with Basel II Tier I.

As I mentioned, we finished the year at 13 percent. However, the tier one ratio will be impacted by several items in Q1 including IFRS phase in, the MBNA transaction, Basel 2.5 and the deduction for our insurance subs. We currently expect our tier one ratio to decline by approximately 110 basis points in Q1.

At year-end, our pro forma Basel III capital ratio was 7.1 percent. This increase includes the Q4 equity issuance relating to the MBNA Canada deal, which closed today. Once you factor in the full impact of the acquisition, our Basel III ratio moves back down to approximately 6.7 percent.

We continue to expect to be comfortably above 7 percent by Q2 of 2012.

With that, I'll turn the presentation over to Mark.

Mark Chauvin – ***TD Bank Group – Group Head & Chief Risk Officer***

Thank you, Colleen, and good afternoon, everyone.

Please turn to slide 13.

As in the past, we've excluded the debt securities classified as loans and the acquired credit impaired loan portfolios from the credit slides. The latter consists of the Florida FDIC covered loans and the acquired credit impaired loans from the South Financial and Chrysler Financial acquisitions. We exclude these portfolios to provide what we believe is a more representative picture of US credit performance.

Overall, the Canadian credit portfolios continued to produce the strong credit performance that we've come to expect over the past couple of years. That said, we are concerned about the increasing level of consumer debt held by Canadians. We regularly assess the impact this could have on our portfolios and we are adjusting our credit strategies where appropriate.

Throughout the year, the US credit quality has continued to improve. We've seen some lumpiness in PCL performance, but this is expected as we exit the bottom of the current credit cycle.

Overall, our underlying credit trends are positive. In particular, new formations have slowed, the level of problem loans is reducing each quarter, delinquency rates are improving and resolutions and recoveries are accelerating.

While we are happy with our Canadian and US performance, the ongoing global economic uncertainty concerns us. Having said this, we haven't seen any adverse effects on our credit performance, and our leading indicators remain positive.

A detailed breakdown of our credit exposure to Europe is provided in table 39 of the MDNA. As outlined in the table, exposure to the high risk countries continues to reduce with a majority of the remaining exposure to AAA countries and the highest quality banks within these countries.

We are closely monitoring these exposures and remain satisfied they do not represent a significant risk to the bank. Finally, our acquired portfolios and debt securities classified as loans continue to perform as expected.

Now, I'll turn the presentation back to Rudy.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Thank you very much, Mark.

Now, we'll move to the Q&A portion of the call. And as a reminder, there will be time for questions about IFRS in our second segment. So, I would ask you to please keep the questions to the fourth quarter. To give everyone a chance to participate, if possible, please keep to one question and then re-queue.

For those participating in person, can I ask you to identify your name and your organization before asking your question. And before ending the call today, I will ask Ed for some final comments and remarks.

So, why don't we get started in the room, and if there's any questions from our analysts in the room. Michael?

Michael Goldberg – *Desjardins Securities - Analyst*

Michael Goldberg, Desjardins Securities.

Bob, $286 million of trading revenue this quarter, more than two and a half times third quarter, but still 25 percent below fourth quarter last year - so, is $286 million above normal, below normal or sustainable?

Bob Dorrance – *TD Bank Group – Group Head, Wholesale Banking*

Not sure that there is a true answer that question, Michael. I think what we look at, what I look at, at least, is for the year, we had just under $1.1 billion of trading revenue. Prior years, we were quite a bit above that as we came out of the 2008 financial distress scenario.

But, if you go back prior to 2007, our normalized range was in and around $1.2 billion annually. So, that would be an objective. That's a target, so 300 a quarter on average. I certainly think we have the trading capability to do that. What's not forecastable is what markets allow. So if there's such a thing as normalized markets, our objective is $1.2 billion.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Thank you, Michael. Next question. John?

John Reucassel *- BMO Capital Markets - Analyst*

John Reucassel from BMO Capital Markets.

Two part question, one for Mike Pedersen, we'll start--just, it was surprising to see the brokerage commissions and other revenue line up in the quarter given what we saw. Was there something unusual or particular going on in that segment?

And then, for you, Tim, talk about the outlook for loan growth and the margin competition you're seeing there, and maybe dissect the squeeze in the margin pressure in the quarter versus prepayments or whatever else you might have seen.

Mike Pedersen – *TD Bank Group – Group Head, Wealth Management, Insurance, and Corporate Shared Services*

So, we saw pretty strong trading, particularly in the beginning of the quarter. I think there was trading on the volatility. We saw that weaken a bit toward the end of the quarter, heading into this fiscal.

John Reucassel - ***BMO Capital Markets - Analyst***

But, there was nothing unusual anywhere or?

Mike Pedersen – ***TD Bank Group – Group Head, Wealth Management, Insurance, and Corporate Shared Services***

No.

John Reucassel - ***BMO Capital Markets - Analyst***

Growth? Okay.

Tim Hockey – ***TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards***

And so, from a margin point of view, we were down about six basis points quarter-on-quarter, which is more than we thought, a very large number of moving parts, as you can imagine. And when we look through them one by one, unlike most quarters, pretty much every single one of them went against us in the quarter, which is a bit unusual.

But, having said that, if I had to group them, I would say that we had about two points of decline from competitive pressure, notably on real estate secured lending products. And that's sort of inclusive of a mortgage breakage, so I include that in that product mix.

We had about a little less than, well, just say it's a third, about two points basically from a balance sheet mix. We grew our loans a lot faster than we grew our deposits in the quarter. And I'd say the third was just the continued low interest rate environment where we've got our tractors and things that are just coming on at a lower rate than they were. So, that's how we'd make up the six.

John Reucassel - ***BMO Capital Markets - Analyst***

Okay. Just then on the loan growth outlook, do you see the mortgages in the commercial lending?

Tim Hockey – ***TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards***

So, of course, with the close of MBNA today, we get a bump, and we will all next year from a year-over-year. But, if you sort of strip that out, we would see that we continue to have a decline in the year-over-year growth rate from the rates we've had, but frankly, not as much as we again would have expected maybe a couple of quarters ago. We still forecast quite a strong growth in our--on our credit on the business banking side. So, it's mostly on the personal side that we see slowing.

John Reucassel - ***BMO Capital Markets - Analyst***

Thank you.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Okay. Thanks, John. Any other questions in the room? Okay. Operator, why don't we turn it over to the phones, please?

Operator

Your next question comes from Peter Routledge from National Bank Financial. Please go ahead.

Peter Routledge – *National Bank Financial - Analyst*

Hi, thanks. A question for Mark - on page 37 of the supp pack, I just want to understand your European counterparty exposure. In particular, you break out your European counterparty exposure. I know it's gross number to 57.7 billion. Can you talk about maybe the exposures drawn versus repo versus OTC, what kind of mitigance might be in there, collateral, for example? And also, I noticed the repo style transactions to European counterparties dropped by quite a substantial number, and maybe you could provide some color on that.

Mark Chauvin – *TD Bank Group – Group Head & Chief Risk Officer*

Okay. Well, in terms of the repo style transactions at $20.1 billion, that's the notional number. So, the contingent number would be much smaller. And all of that is secured with collateral, which would be all high grade cash or collateral, and it would not include any sovereign debt from the PIIGS. Really, it's concentrated in sovereign debt of Canada, US, UK and Germany and the Netherlands to some degree. And that was.

Peter Routledge – *National Bank Financial - Analyst*

France?

Mark Chauvin – *TD Bank Group – Group Head & Chief Risk Officer*

There is a bit, France would be the minority. There's a bit to France, but it's probably less than 5 percent. And then, if you look at, and all of our repos are from terms of over a day to under 90 days. So, they turn quickly.

I can't really comment on why it changed, it does, if you look over the last four quarters, it does change a fair amount just by the nature of it. And it must simply be the attractiveness of the trade itself.

If you go to the next column of the OTC derivatives, that number excludes collateral. So, if you include collateral, which again is the same high quality type of collateral I mentioned for repos, a little more restrictive, in fact, so it would have a very small amount of France, and then others, it's generally cash, either US or European. And if you take the cash out and net it down, it comes to about 4 to $5 billion.

And as it's all under a CSA. So, the mark to market is collateralized. So, the majority of the exposure is what we refer to as the future potential exposure of where it could go over the term of the trade kind of on a statistical 95 percent confidence basis, again, to the large counterparties in the AAA rated countries, generally speaking.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Great, thank you. Next question please?

Operator

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

Andre-Phillippe Hardy – ***RBC Capital Markets - Analyst***

Thank you. I was going ask a similar question. I guess you didn't address the $23.5 billion of drawn exposure to Europe on the same page, Mark.

Mark Chauvin – ***TD Bank Group – Group Head & Chief Risk Officer***

Yes. So, well, that's all investments, effectively. I'd say the vast majority are investments that are held in our investment portfolio either in Europe or in Canada or the US. And it is restricted to the high grade sovereigns again, and it would not include exposures other than the amounts that we would have declared. But, its' generally, to US sovereigns or agencies or items such as, well, not US because it's Europe but to European sovereigns.

Andre-Phillippe Hardy – ***RBC Capital Markets - Analyst***

Do you have a sense of how much is UK versus Euro zone?

Mark Chauvin – ***TD Bank Group – Group Head & Chief Risk Officer***

Well, it's specifically in our disclosure, if you look in the MD&A on the more granular breakdown we've provided, it gives it exactly at $5.8 billion is the UK portion.

Andre-Phillippe Hardy – ***RBC Capital Markets - Analyst***
Okay, thank you.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Thanks, Andre. Next question, please?

Operator

Your next question comes from Steve Theriault from Bank of America Merrill Lynch. Please go ahead.

Steve Theriault ***- Merrill Lynch Canada - Analyst***

Thanks very much.

I just wanted to follow up first on Michael Goldberg's question to Bob, going back to the trading revenue, October was probably a bit of a rebound month, I guess, but I was still surprised the equity trading contribution specifically was as high as it was. I think it was the highest we've seen since I think 2009. So, Bob, is there anything unusual going through the line, maybe some derivatives trades that are more one time in nature that are maybe creating some of the lift there? Can you give us a little color on the equity business in particular?

And then, also if I might sneak in one quick other question--I'm not sure who wants to take it, Bharat or maybe Colleen. There was a really dramatic increase in the Ameritrade deposit accounts in the quarter to the tune of I think just about 7 billion, which I think is the highest ever. Is that just money going to the sidelines at Ameritrade, or is there something more unusual going on through there?

Bob Dorrance – *TD Bank Group – Group Head, Wholesale Banking*

So, I'll just quickly talk to the equity side. It was a very strong quarter for the equity derivatives business, which benefited from an increase in volatility in equity markets.

We run a variety of businesses within the equity derivatives, ranging through options, swaps, etc. Overall, we try to run the business to be long vol to the extent that we can, that clients allow us, etc. So, we were long vol and vol went up, so we were able to take advantage of that. So, that's definitely a trading aspect of the business for the one key cause of why it probably would have been higher than typically that line would be.

Steve Theriault *- Merrill Lynch Canada - Analyst*

But, no big like total rated return swaps that were

Bob Dorrance – *TD Bank Group – Group Head, Wholesale Banking*

No.

Steve Theriault *- Merrill Lynch Canada - Analyst*

Outsized or anything like that?

Bob Dorrance – *TD Bank Group – Group Head, Wholesale Banking*

No, it was an explosion in the VIX in August.

Steve Theriault *- Merrill Lynch Canada - Analyst*

Okay.

Ed Clark – *TD Bank Group – Group President & CEO*

And it's Ed here on the Ameritrade. There are certain sort of institutional rules and frankly also some process rules that has meant that we haven't been able to get all the money over all in one lump. This is probably one of the last of the big lumps to come over that accounted for. Maybe, there's the normal growth, and then there was a few things that we're able to now move over. So, you won't see those kind of increases every quarter from now on, and it'll be more normal.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Okay. Thank you, Steve. Next question, please?

Operator

Your next question comes from Robert Sedran from CIBC. Please go ahead.

Robert Sedran *- CIBC - Analyst*

Hi. Good afternoon.

Bharat, the pace of mortgage loan growth remains quite strong, so I have two related questions. The first is how much of this is just a thinning out of the competitive environment and how much perhaps relates to price?

And then, I see the Case-Shiller Index continues to decline. The housing market continues to slide a little bit. How should we feel about credit risk as this book builds? Like, when you think business mix, how big would you like the mortgage book to be as a longer term aspirational target?

Bharat Masrani – ***TD Bank Group - Group Head, U.S. P&C Banking***

Yes. So, just on the why are we growing at the rate we are growing, I think--and I mentioned this before. What is going on is, because of the rate cycle, there is a huge amount of refi activity in the United States. And frankly, our legacy institutions, when we acquired them, did not have much of a mortgage business.

And so, when we put in a new platform, came together as one bank from Maine to Florida and our brand with the service and convenience proposition, we are able to take advantage of this refi boom. So, what happens is that these are TD customers that had their mortgages elsewhere. And as they refi, they'd like to bring them to TD.

And so, that's why we are seeing the growth in our book that you have just noted. And until this rate cycle continues, until this refi boom continues, I would expect, us to benefit, more so than perhaps, the overall market might suggest.

As far as credit quality goes, the geography where we are located continues to be quite strong. In fact, our underwriting is very strong, very high FICOs. The loan to values are very impressive. We monitor this on an ongoing basis. So, frankly I am not worried about the credit that we have in the mortgage book and are quite happy, continue to do the business that is available out there.

As to how big should this business be, I've said this before, that whenever we have a mortgage client, we have more than four other products with that client. When we don't have a mortgage with the client, then we have approximately two products with that client.

So, very quickly in the US, which is relatively a new phenomena, that mortgages are becoming a relationship product. So, I'd like to, continue to grow as long as we get the good quality mortgages that we are, as long as we are able to cross-sell other products, and these are in our footprint, these are our clients, then I am happy to grow as much as I can.

Yes, there is a limit as to how much of that we would carry in our balance sheet. We still have lots of room. Once we hit such a limit, then obviously we'll have to think about, how do we securitize them or sell them to Freddie or Fannie. But, we are quite a ways from that point currently.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Thanks, Rob. Next question, please?

Operator

Your next question comes from Brad Smith from Stonecap Securities. Please go ahead.

Brad Smith *- Stonecap Securities - Analyst*

Sure. Thanks very much.

Colleen, a question for you. In the US Personal and Commercial Banking segment in the US dollar, slide eight in the supp-pack, we're being shown an average invested capital there of $17.8 billion. The holding company in the US last reported in excess of $20 billion, both in the second and the third fiscal quarter.

I was just wondering where is the balance of the capital that is employed in the US reflected in the sub-pack, and how do you separate the earnings relating to it to make sure that we get, a reflected return on invested capital in the US P&C Bank that is representative of its realities?

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

So, Brad, when we disclose our segment, invested capital in our returns, we're not disclosing this necessarily on a legal entity basis. What we are disclosing is the economic capital that we have committed to that business. And that reflects the amount of core operating capital that we require as well as any amount of goodwill and intangibles.

And that's the way our calculations work. So, again, I think it's difficult to try and tie that back to the legal entity basis. There are various reasons that we need to hold more capital in certain cases at the legal entity level. So, I think the key number to look at is the number that we show for the segment.

Brad Smith *- Stonecap Securities - Analyst*

But, Colleen, I mean, realistically if you're downloading capital into the US market and generating rates of return that are fractional compared to what you're showing us in your segment, don't you think that a fulsome reconciliation of that would be important, especially when the numbers are as big, in the $20 to $30 billion range?

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

I guess if your--what your question is, Brad, is whether or not there are earnings related to that capital that appear in the sub, that is not the case. The only earnings related--the earnings would only be related to the amount of economic capital that we have dedicated to the business.

Brad Smith - Stonecap Securities - Analyst

Right

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

So, I'm very comfortable with the way we're portraying the numbers.

Brad Smith - Stonecap Securities - Analyst

I would just note in closing, then, that the fact that the earnings that you report here are about $100 million above the legal entity earnings that you report in the US is quite remarkable if you think that there is no earnings here related to that extra capital. Thank you.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Thank you, Brad. Next question?

Operator

Your next question comes from Gabriel Dechaine from Credit Suisse. Please go ahead.

Gabriel Dechaine *- Credit Suisse - Analyst*

Good morning.

Tim, I didn't quite get your margin guidance in Canada. So, just let me ask it this way. If, nothing else changes competitively or rates wise, like what's the additional downside to NIM just from the rollover of your mortgage portfolio? And then, like what kind of mitigating actions are you taking to limit the amount of margin contraction you could experience?

And then, just--sorry, I'll sneak this one in there for Mark. That was a pretty juicy comment, "You're adjusting your credit strategies where appropriate." And that was in relation to Canadian lending exposures. Can you expand on that, what it means exactly? Thanks.

Tim Hockey – *TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards*

So, Gabriel, I guess what you're asking is what's our outlook for margin. So, the first, again, to note is that starting this first quarter we'll see a bump as a result of the MBNA acquisition.

But, barring that, if you just didn't add in the MBNA acquisition, we're expecting to see a sort of continued decline into the first few quarters, because that's pretty much all you can see out, about onesies or twosies, which is what we expected for Q4, frankly.

Some of it is related to continued pressure on real estate secured lending. But, there's a lot of puts and takes. And to your point about mitigating strategies, of course we have some that we don't tend to put on an analysts' call in terms of an answer.

Gabriel Dechaine *- Credit Suisse - Analyst*

Okay. What about the rollover or the refinancing, I guess, of the mortgage portfolio in brief?

Tim Hockey – *TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards*

We don't break it out product by product. There are some products that are obviously in a much more competitive environment today than they were.

And so, they are repricing at different rates, and it depends on what the attrition level is versus the new originations. So, I'd just say, in aggregate, that's the expectation of all of the puts and takes across our products.

Gabriel Dechaine ***- Credit Suisse - Analyst***

Okay. Thank you.

Mark Chauvin – ***TD Bank Group – Group Head & Chief Risk Officer***

And the comment I made was really to say that, we run stresses on the Canadian Consumer portfolio all of the time. And that kind of surfaces, maybe, the unsecured primarily areas of credit that might be the most vulnerable.

And so, what you do is you simply tweak the credit strategies or effectively the basis upon which you approve at the edge to tighten it up a bit to say that you have a lower impact should that stress occur.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Great. Thanks, Gabriel. Next question, please?

Operator

Your next question comes from Sumit Malhotra from Macquarie Capital. Please go ahead.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Good afternoon. Two numbers questions, please. First for Colleen, on page 14 of the supplement, we see your balance sheet and assets up about $22 billion quarter-over-quarter, which is pretty normal for TD. But, if I look at page 11 on the average assets side, you have a much more noticeable increase of about $50 billion.

It seems like a wide discrepancy between the two numbers for a single quarter. Can you help me understand what's happening there? And probably most importantly, was this somehow related to the increases we saw in either trading or securities gains in the quarter?

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

So, the answer is no to your second question. In terms of the earning assets versus the total assets, probably it would be better if I got back to you on that one, Sumit, just to square those two numbers instead of doing it on the fly.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Okay. And it's not actually earning assets, looking at average total assets, which went from 648 to 699. So, I think that would.

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

Let me get back to you on that.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Okay, that's fine. Then, my second one on the numbers side has to do with your other income page in the supplement, which is page 12. Non-interest income. Was surprised to see, and this might be for Bharat or Tim. Looking at the service charge line, I was surprised to see that up $40 million quarter-over-quarter despite the fact you had told us that Durbin would impact the US for one month this quarter. And I'm assuming that the Durbin impact hits the service charge line.

So, I guess if you could help me out here, Tim, was there some changes in your business that maybe offset the impact on Durbin, or just maybe some color on what's happening here?

Tim Hockey – *TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards*

Yes. Short answer is we did some repricing on the deposit accounts, and that had almost a full quarter's impact in our numbers.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

So, how much did that add for you in the quarter?

Tim Hockey – *TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards*

We don't disclose that.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Was the offset in your business completely matched on the downside in Bharat's business, or what are we looking at differential wise? Or, don't disclose that either?

Tim Hockey – *TD Bank Group – Group Head, Canadian Banking, Auto Finance, and Credits Cards*

Don't disclose that either.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Thanks for your time.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Thanks, Sumit. Next question, please?

Operator

Your next question comes from Brian Klock of Keefe, Bruyette & Woods. Please go ahead.

Brian Klock - ***KBW - Analyst***

Oh, hi. My question is for Colleen. Colleen, can you remind me what the impact on the US net interest margin from the purchased loans was?

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

Sorry. What is your question is on the purchased?

Brian Klock - ***KBW - Analyst***

Yes. You said that the NIM contracted in the US P&C business and it was all related the impact of acquired loans or purchased.

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

Okay. So, what we're referring to there is really more of a mix issue. As you look at the income on some of those legacy portfolios, we have seen--we did see a decline in the quarter, which was probably a little greater than you would expect to see on a normalized basis. And then, that contributed to the seven basis points. So, some of that relates to the South Financial as well as Chrysler.

Brian Klock - ***KBW - Analyst***

So, that's not purchase accounting. That's just the repricing of those acquired loans.

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

Yes. And it's, in certain cases, the runoff of the book. So, in the case of Chrysler, as an example, you've got that book running off fairly quickly. And the margins on that book were pretty thick.

Brian Klock - ***KBW - Analyst***

Got you. And the just one follow up really quickly. I guess on the expense side, you guys did tell us about the expense billed for this quarter. I guess if we think, going to the first quarter of 2012, how much of the expense billed--because the expenses did come in a little higher than guidance. What do you think we should expect to see come out when we move to normalized first quarter 2012?

Ed Clark – ***TD Bank Group – Group President & CEO***

I've been trying to get the answer to that question. So, I'm very excited to hear what we're going to hear right now.

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

Yes. Me, too. First of all, this may sound feeble, but I would hasten to point out that foreign exchange was a factor in the quarter-over-quarter increase as well of about $30 million. But, we were ahead of the high end of the range that we had provided with our guidance. Otherwise, it was about $270 million.

So, as we look ahead to our forecast for Q1, excluding MBNA, the impact of the acquisition, which obviously will add some expenses, I think you could expect to see that number down probably about $150 million or so. But, we tend to be a little bit conservative on that. Usually, you do see the Q1 number come down a fair bit. And again, then we'll be adding the MBNA expenses.

Brian Klock *- KBW - Analyst*

Okay, great. Thank you.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

Thanks, Brian. Time for one last question, please?

Operator

Your last question comes from Mario Mendonca from Canaccord Genuity. Please go ahead.

Mario Mendonca *- Canaccord Genuity - Analyst*

Good afternoon. A quick question.

If you could help me think through the change in the business and government deposits just on the balance sheet as a whole, on page 14, from Q2 to Q4, about a $27 billion increase. And I imagine there's a number of parts.

And what I'm trying to get a handle on is how much of that increase is just your traditional growth in Commercial deposits versus, say, purchased funds or perhaps even TD Ameritrade. Does TD Ameritrade deposits go through there, if you could just help me think through that change.

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

So, why don't I start, Mario, just from some of the key drivers, and then maybe we can have Bharat and Tim just comment in terms of what's been going on in the Commercial businesses?

So, first of all, you have seen fantastic growth in Business Banking deposits on both sides of the border. The other factor that you're seeing this quarter is you would have seen us raise a lot of senior debt. And part of that was prefunding the MBNA acquisition, which we closed today. So, that was a definite factor in the quarter-over-quarter.

The TD Ameritrade sweep deposits go into personal deposits. Non-term is where you would see that 7 billion increase. I don't know if Bharat or Tim had anything to add on the--?

Bharat Masrani – *TD Bank Group - Group Head, U.S. P&C Banking*

All I'd say is, I think in your comment--in your prepared remarks, Colleen, you talked about, a huge increase in Commercial deposits in the US. And we have seen, are seeing, good growth in that number. And I'd say overall we are being quite selective in the type of deposit business we do, given the rates out there.

But, we are seeing some good growth, and these are core deposits. We are not seeing as much growth in government deposits, and that's on strategy because, we want to make sure that we are only doing business in that segment that is core and franchise business for the bank.

But, overall, quite happy with deposit growth. And some of those numbers are in Colleen's comments.

Mario Mendonca - *Canaccord Genuity - Analyst*

So, Colleen, just to be clear, the $27 billion, would you say, like, two thirds of that is your traditional Business deposit growth and the rest is purchased funding? Like, I'm just trying to understand what that $27 billion from Q2 to Q4 represents.

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

Yes. I'd say that's roughly right.

Mario Mendonca - *Canaccord Genuity - Analyst*

Two thirds/one third?

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

Yes.

Mario Mendonca - *Canaccord Genuity - Analyst*

And in the one third in purchased funding or the wholesale, what assets are up against that? Say--.

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

Yes, you'd see that mostly in the available for sale. We've just put that into liquid investments.

Mario Mendonca - *Canaccord Genuity - Analyst*

For sale pending what? Reinvestment into lending and everything else as the year progresses?

Colleen Johnston – *TD Bank Group – CFO & Group Head, Finance*

No. So, reinvestment into the MBNA transaction, which closed today.

Mario Mendonca - ***Canaccord Genuity - Analyst***

Oh, I see. Okay. That helps. That's helpful. Thank you.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Great. Thanks, Mario. So, that--thank you very much for your questions. And I'm going to turn it over to Ed for final comments.

Ed Clark – ***TD Bank Group – Group President & CEO***

Great. Well, obviously it was a pretty fantastic quarter, up 30 percent and a pretty fantastic year, up 20 percent. And frankly, a year where we did better than I think we thought we were going to do going into the year.

I would say we are certainly not unaware of the tail risks that are out there. And I think we've been managing the organization against those tail risks. And we're not unaware that we're looking at a growth trajectory for the world and certainly for North America, that's slower than one might have wanted with probably interest rates that are lower than one might have wanted.

And so, I think we find that, before we start wallowing in pessimism, we have to keep on putting the fact that we have continued to outperform, and I'd say as an organization we probably underestimate the advantage of outperforming. And so, by being able to take market share on both sides of the border and continue to adapt to make the kind of changes that you have to do to make money in this environment, those capabilities turn out to be worth a lot of money in the end.

And so, that's why when we look at next year, we're still focused on maintaining earnings growth of 7 to 10. We're telling you that that's going be hard work to do that, but it's certainly what our mission statement tells us that we should be trying to do.

Thank you very much.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Great. Thank you, Ed. And that ends our official Q4 earnings call.

Operator

Ladies and gentlemen, we will now begin the review of the IFRS disclosures. If you have a question, you may queue up at any time.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Thank you. Welcome back to the IFRS portion of our call. Colleen Johnston, our CFO, will speak to you about the transition to IFRS and the impact that has on TD. She's going to be joined by Xihao Hu, Senior Vice President and Chief Accountant for the bank.

So, Colleen, I will turn it over to you to speak to the slide.

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

Thanks, Rudy, and hello again, everyone. So, we'll start the second part of the call. We did want to take some additional time today to discuss IFRS transition, specifically note 34 to our financial statements.

Today we'll be discussing opening balance sheet adjustments only. In late January, we'll be rolling out our 2011 parallel year results under IFRS, and we'll discuss P&L impacts in detail at that time.

I'd like to start by commending and thanking my amazing finance team and all of the work that they've done in the last three years to get ready for IFRS. Their work has been truly world-class. IFRS is now official. Effective November 1st, 2011, it's GAAP for us and we'll no longer be reporting under Canadian or US GAAP.

Again, as you know, I'm joined today on the call by Xihao Hu, TD's Chief Accountant. From a business standpoint, IFRS represents an accounting change only and will not impact our business operations or decisions. The financial statement and regulatory impacts have proven to be manageable. Let me simplify this as much as possible.

Firstly, under IFRS our shareholders' equity declines by 3.9 billion, which consists largely of 2.1 billion of reduced goodwill with the balance due primarily to the following impacts: pension 0.9 billion; de-recognition 0.6 billion; and loan related items, including origination costs and commitments, of 0.4 billion.

For Basel II regulatory capital purposes, this initial adjustment will be phased in over five quarters, starting Q1 of 2012, with an impact of roughly 20 basis points per quarter. However, for Basel III purposes, the total impact will be roughly 50 basis points lower, as the pension amount has already been deducted in calculating our Basel III pro forma ratio from common equity tier one capital.

The goodwill reduction, sorry. Let's talk about goodwill. Under the new IFRS rules, we're required to value our transactions at the date of close as opposed to the date of deal announcement. We've actually always thought this made more sense. The goodwill reduction arises because we've elected to retroactively adopt the new IFRS rules with respect to acquisitions. This has no impact on our regulatory capital ratios.

The lower goodwill relates entirely to US acquisitions. You may be asking how this will impact our US return on invested capital. Next year we're making changes to our capital allocation methodology. The major change is that we'll be allocating Basel III capital to our segments. The net effect of IFRS and these other changes means the US return measure will remain relatively unchanged.

Finally, our balance sheet assets will grow by 48 billion, due mainly to loan securitizations which will be going back on balance sheet.

As mentioned earlier, we'll go through the P&L impacts in January. However, our parallel year shows an increase in adjusted EPS of roughly 1 percent due to IFRS.

And with that, we'll open it up to questions.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Great. Thank you very much, Colleen. So, why don't we do the same? If there's any questions in the room, we'll start with these folks. Otherwise, we'll go the phone. So, Michael?

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

Michael Goldberg, Desjardins.

With IFRS, insured securitized mortgages, as you said, Colleen, come on the balance sheet and use capital, if just in boosting your asset to capital multiple. How much do rates on these mortgages have to go up in order to achieve an acceptable return on capital for those loans if they're on your balance sheet?

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

Well, Michael, those assets are not capital intensive at all. There's very low amounts of capital held with respect to that. It will have an impact on our TAC multiple, but that's a pretty minor issue for us.

So, securitization still will continue to make sense for us in terms of being an advantageous way to fund the bank. But, obviously we will not get off balance sheet treatment going forward.

Rudy Sankovic – ***TD Bank Group - SVP, Investor Relations***

Thank you, Michael. Okay. Operator, any question on the phones, please?

Operator

Your next question comes from Mario Mendonca from Canaccord Genuity. Please go ahead.

Mario Mendonca ***- Canaccord Genuity - Analyst***

Good afternoon. Just one quick question, Colleen.

The MBNA deal closes. That takes your common equity tier one ratio of Basel III to 6.7. Are you then saying that there's another 50 basis point decline next quarter on implementation of IFRS?

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

No. So, that--so, all of the numbers we have shown you under Basel III do include the impact of IFRS rolling forward over the next five quarters is essentially the impact. So, that will not affect Q1. It will not be entirely in Q1.

Mario Mendonca ***- Canaccord Genuity - Analyst***

No, I'm talking Basel III now. I'm not talking Basel II.

Colleen Johnston – ***TD Bank Group – CFO & Group Head, Finance***

Right. Same thing.

Mario Mendonca *- Canaccord Genuity - Analyst*

So, in Basel II you're going to, sorry, Basel III, you'll also amortize in the effect?

Colleen Johnston *– TD Bank Group – CFO & Group Head, Finance*

Correct.

Mario Mendonca *- Canaccord Genuity - Analyst*

Over five quarters?

Colleen Johnston *– TD Bank Group – CFO & Group Head, Finance*

Yes, that's correct.

Mario Mendonca *- Canaccord Genuity - Analyst*

The full impact being 50 basis points?

Colleen Johnston *– TD Bank Group – CFO & Group Head, Finance*

Right, because we're already deducting the pension asset.

Mario Mendonca *- Canaccord Genuity - Analyst*

Right. That part I understood.

Colleen Johnston *– TD Bank Group – CFO & Group Head, Finance*

Yes.

Mario Mendonca *- Canaccord Genuity - Analyst*

Yes, so securitization. Okay. That's helpful. Thanks.

Rudy Sankovic *– TD Bank Group - SVP, Investor Relations*

Next question, please?

Operator

There are no further questions on the phone lines. Please continue.

Rudy Sankovic – *TD Bank Group - SVP, Investor Relations*

One last chance. Okay. Well, thank you very much, Colleen, for the IFRS update.

So, that concludes the call. If we can be of further assistance to anyone, please give the Investor Relations team a call and we'll definitely try and help you out.

So, that concludes the call. And we wish everybody the best of the holiday season, and we'll see you here for the Q1 earnings call. Thank you.

Operator

Ladies and gentlemen, that does conclude the conference call for today. Thanks for participating. You may now disconnect your line.