TD BANK GROUP
UBS BEST OF AMERICAS CONFERENCE
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Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the Bank's 2010 Annual Report under the headings "Economic Summary and Outlook", as updated in the Third Quarter 2011 Report to Shareholders; for each business segment, "Business Outlook and Focus for 2011", as updated in the Third Quarter 2011 Report to Shareholders under the headings "Business Outlook"; and for the Corporate segment in the report under the heading "Outlook".

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CORPORATE PARTICIPANTS

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

PRESENTATION

Introduction by John Hughes, UBS:

I think we're going to move on with the presentations here. Next up, we've got TD, obviously, the Canadian bank, and Canadian banks have been a shining example globally of how to negotiate a financial meltdown. Interesting now that this company has been rewarded with a market cap equivalent to Bank of America and Citigroup's. They are a very clever company.

They got themselves off the hook and put me on it in that I have to read out the forward-looking statements. So, please, bear with me. I'll whisk through this very quickly. But, given that I am on the hook, I am going to read it.

At this time, I'd like to caution our listeners that the presentation contains forward-looking statements. There are risks that actual results could differ materially from what's being discussed. Any forward-looking statements contained in the presentation represent the view of management and are presented for the purpose of assisting the bank's shareholders and analysts in understanding the bank's financial position, objectives, priorities, and anticipated financial performance and may not be appropriate for other purposes. Certain material factors or assumptions are required in making these forward-looking statements. For additional information of these factors and assumptions, please see TD Bank Group’s Q3 2011 MD&A and 2010 annual report, available on TD.com.

Thank you very much. See you next year. Okay. So I'm going to pass over to Tim Hockey. Tim is with us today. He's head of Canadian banking and the auto finance division. And, critically, he's running two of the major U.S. businesses as well - auto finance and credit cards. Tim has been with the firm for 28 years. Over to you, Tim.

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Thanks, Johnny. I think that's probably a good indication of exactly how conservative we are as a bank, that we do actually read out the forward-looking statements as much as we can and try and get somebody else to do it. Thanks very much.

I thought it would be very helpful, actually, to start with a high-level overview of how TD Bank is structured, so let's just move through slide 2 here. My responsibilities, as was mentioned, cover our Canadian branch banking franchise and our credit card and auto finance lines of business on a North American basis.

At TD, we run a growth-oriented, North American bank with a lower-risk, retail focus. The retail business is made up of Canadian banking, wealth management, which includes global wealth in both Canada and the U.K., as well as our strategic investment in TD Ameritrade and, lastly, the U.S. personal and commercial bank.

Our client-focused wholesale investment dealer is known as TD Securities.

We are primarily a retail-focused bank with approximately 90% of our year-to-date adjusted earnings coming from that part of the operation. The remaining contribution comes from our wholesale business.

As you can see, our TD brand is consistent across all of our businesses.

Our business is built on our service and convenience model, which is our competitive advantage. We have a strong history of success and have consistently been recognized as the leader in service and convenience.

Please, turn to slide 3. Let me start with some background. TD Bank is a 156-year-old bank that's anchored in Canada. We're a top-ten bank in North America. We have an enduring strategy, which is to run a growth-oriented, North American bank with a lower-risk, retail focus. We have a consistent focus both the Canada and the U.S. on being the leader in customer service and convenience. And we continue to leverage our products, processes, technology, and people as we build the first truly North American bank. We have significant scale, with over 1,100 branches in Canada and over 1,275 in the U.S.

Over the past four quarters, we earned CAD5.5 billion in adjusted earnings-- in retail earnings, and we get a better return for risk undertaken compared to our North American peers.

Our strategy is to build and run franchise businesses and to be relentless in serving our customers and building relationships. Our CEO, Ed Clark, often talks about the fact that everybody in the organization knows that, when they are creating a business plan, they have to describe how they "win the ties" or, in other words, highlight the competitive advantage in a tightly run race on the business.

So how do we win the ties? The obvious example is in retail. If you have branches in better locations that are open longer and give better service, it's hard to see how you don't end up taking market share. If we put a branch on the corner, whether it's in Canada or the United States, we expect we will always have more than 25% of the business on that corner if you come back in five years.

Last, but certainly not the least, you will notice that the structure of the house on this slide. We believe that our risk discipline forms a strong foundation for this house. We have a conservative risk-management philosophy with a strong credit culture and balance sheet and best-in-class capital and liquidity management. We only take risks that we understand and can manage. And we are realistic about our risk/reward relationships. Because of our risk discipline, we are one of the few banks in the world that avoided the direct impacts of the financial crisis.

For these reasons and others, we were also quoted by *Euromoney* magazine, which has now named TD Bank Group as the best bank in North America for three years running.

We deliver on our simple strategy and consistent focus, and we work on it day in/day out to deliver consistently strong results. Our financial performance has shown strong businesses can be successful and take market share even in tough economic conditions.

Please, turn to slide 4. This slide shows our four main business segments and our North American footprint. What's impressive about this slide is that, if you were to look back in 2004, TD had no U.S. presence, and now we're a top-ten North American player and top ten in the U.S. alone. We've grown to become a major player in the U.S. with significant scale, and we've done it profitability.

As shown on this map, our footprint is concentrated in key markets across Canada and the major metropolitan areas in our U.S. footprint, which runs from Maine to Florida.

Taken as a whole, our businesses are designed to leverage TD's strong brand positioning to deliver consistent results through various economic cycles.

Please, turn to slide 5. Our franchises have collectively driven an impressive and consistent story. We have a lower-risk, retail focus, reliable growth story that continues to deliver in line with our target adjusted EPS growth range of 7% to 10% over the medium term. Our adjusted earnings have grown at a CAGR, a compound annual growth rate, of 13% over the last five years, and our adjusted earnings per share have grown at a five-year CAGR of 7%. Overall, each of our businesses have grown over time and clearly demonstrated their resilience by continuing to grow profitability through the worst recession since the Great Depression. TD has demonstrated its ability to deliver solid growth across all of its businesses, even through uncertain economic times.

This slide on page 6 gives you a good sense of how we stack up relative to our Canadian and North American peers. Lots of numbers here, but the key takeaway is that TD is a top-ten bank in North America. That's true on a number of key metrics, whether it be total assets, deposits, market cap earnings, or number of employees. Our retail-focused strategy has made us number one in Canada in adjusted retail earnings. When combined with our U.S. franchise, collectively, we are now the third-largest bank in North America in terms of adjusted retail earnings. Our lower-risk, retail-focused model is a key reason that TD remains one of the few AAA-rated banks in the world.

Turning to slide 7, when we look at TD on a broader context, TD has a solid profile when compared to European banks. This is especially true when you look at our capital position. We are well positioned to meet the new Basel III capital requirements. Our most recent update to the market was that we expect to be in the upper end of the 7% to 8% range by 2013, well ahead of the implementation date for new capital reform.

Please, turn to slide 8. I'd now like to speak in a little bit more detail about our Canadian banking and insurance business, our Canadian TD banking segment, which includes TD Insurance that accounts for more than half of TD's total adjusted earnings. TD Canada Trust is our Canadian retail banking franchise, which offers a full range of financial products and services through our retail branch network, telephone, internet banking, TD Green Machine, our name for ATMs, and mobile banking. We have more than 1,100 branches across Canada, and we serve close to 12 million personal and commercial banking customers in Canada.

So how do we choose to compete? We believe that there are several ways to compete for any organization in any industry - price, product, or service. Both price and product can be matched in short order. We feel that the only true competitive advantage is service and convenience, and this is extraordinarily difficult for a competitor to replicate. Our clear leadership in customer service and convenience and a strong footprint are the key reasons why we are leading market share positions in virtually all product categories.

We are very committed to making investments in our franchise, be it in branches, customer-facing staff, and direct channel. While we have a strong reinvestment focus, given our ability to outgrow our peers, combined with a relentless focus on operational excellence, we have been able to consistently deliver best-in-class efficiency ratios.

Please, turn to slide 9. Then, we talked about our approach to running the business. I'd like to show you some of the indicators of the success of our strategy and our business model. Our strategy is focused on two key elements, service and convenience, and that hasn't changed in over a decade. It's a simple but effective strategy.

On customer satisfaction, we are consistently higher than our competitors. We ranked number one in customer satisfaction in Canada by J.D. Power for the sixth consecutive years, and, frankly, J.D. Power has only been measuring satisfaction in Canada for six years, and we've won it every year. Over the last three years, there have been only two awards announced, J.D. Power and Synovate, and, in each of those awards, there are about 20 different sub-categories. So, if you multiply the last three years and those 20 sub-categories, out of the 60 possible wins, we've won 59 out of 60 categories over those three years.

We are consistently raising the bar and have seen our customer service scores rise every year since 2008. We are open 50% longer than the competition in our branches and have been staying open longer to serve our customers better since 2001. In February, we introduced Sunday banking and are now open on Sundays in more than 300 branches across Canada. Unlike in the U.S., Sunday banking is a new concept for Canadians. And, from what we've seen, they like it.

Not only are we leaders in branch convenience, we are also leaders in the online space and in the growing mobile banking market. TD has had more than a million downloads of our mobile banking app in Canada over the past 14 months, the most of any Canadian bank. We're continually focused on making it more convenient for Canadians to bank with us. It's a key part of our competitive advantage that helps us win the ties.

So, clearly, leadership in service and convenience is TD's competitive advantage. How do we maintain it? We do it by continuously reinvesting. Over the last five years, one in every three new bank branches opened in Canada has been a TD branch. Our recent investment in Sunday hours and our acquisition of Chrysler Financial and the proposed acquisition of the MBNA Canada credit card portfolio are great examples of how we invest for future growth.

When you put it all together, our leadership in customer service and convenience, combined with our commitment to investing in our future growth, we have been able to consistently outperform our peers on a regular basis. We've maintained a consistent revenue growth gap versus our competitors, a gap that has averaged nearly 2% over our peers over the last five years.

Please, turn to slide 10. One of the questions I get asked a lot is: What will drive future growth, given we already have leading market share positions and Canada appears to be headed for a slowdown? So let me offer some thoughts.

At TD, we're always looking to leverage our leading distribution capabilities. This distribution advantage allows us to look for areas where it had been underpenetrated as unique growth opportunities for us. We've highlighted some of these, which I'd like to discuss with you now.

In business banking, while we have long been leaders in personal banking, we have underinvested in the commercial space in Canada. We knew that our service and convenience model is one that very much resonates with small business owners, but, over the past few years, we have refocused and made investments in this space from technology to processes but, more importantly, in customer-facing business advisors. In fact, over the past few years, we've added over 500 business bankers. We saw this as a unique opportunity to grow while others were handcuffed by the recession and started to pull back. With our strong balance sheet and liquidity, we were able to continue to lend, and it's clearly paid off. Over the past two years, we have gained over 300 basis points in share, a level of share gain seldom seen in such a short span, and we have still room to grow.

Another key area for TD is the insurance space. In Canada, banks are restricted from selling life and home insurance through their branches but are able to sell certain products, such as travel medical insurance and credit life insurance on lending products. At TD, we are already the leaders in direct insurance and have leading affinity partner relationships. Here again, we have upside potential. To put it in context, we bank one in three Canadians, but we only insure one in ten Canadians. So, clearly, lots of growth, and we're already seeing good momentum.

Turning to credit cards, when we acquired Canada Trust ten years ago, we had to sell off our MasterCard portfolio, leaving us with a very small market share in Visa cards only. Fast forward a few years, and we've seen very strong organic growth by leveraging our strong branch network and customer relationships. In fact, we've had the highest year-over-year market share gain amongst peers in personal credit cards.

Now add it to the recent MBNA acquisition, which is expected to close in Q1 of 2012, and TD becomes a top tier, dual-issuance credit card company in Canada. Clearly, the MBNA transaction was a unique opportunity to build scale and provide another growth tailwind to our credit card business, and I'll spend some time talking specifically about the MBNA transaction in a minute.

Not only do we think about opportunities from a product perspective, but we're also thinking about geographic opportunities remaining to us in Canada. Take the province of Quebec, for example. This is a key growth market for us. To put it in perspective, about 60% of our 1,100 branches are in the province of Ontario. That's about one branch for every 20,000 people in Ontario. In the province of Quebec, that comparative would be about one branch for every 73,000 people. We have much more branch density in Ontario, but our hours advantage in Quebec is just as strong, if not even greater. Over the past few years, we built out a team Quebec model with leaders that understand the nuances of the marketplace and to ensure that we serve local needs appropriately. We've also increased our investment by opening 20 branches in Quebec since 2005, one and a half times faster than the rest of the country. We currently have a less than 10% market share position. So, again, lots of opportunity, and we're making good progress there.

Beyond Quebec, there are opportunities in western Canada. And, as we look to build out solutions on a North American basis, that will provide for some cross-border opportunities as well.

Please, turn to slide 11. We've talked about underpenetrated opportunities, and that's a good segue into some of the recent acquisition opportunities that we've made. Both of these opportunities delivered us improved scale in key asset that help to accelerate our asset-generation capability, which is the key, given our significant deposit-to-loan gap in the U.S.

Let's talk about Chrysler Financial first. You may not know this, but TD already has a long history as an automotive lender and already a big player in Canada. When you combine our existing Canadian and U.S. business with the Chrysler Financial franchise, our total North American auto finance dealer network is now over 10,000 strong. In the transaction, we clearly were able to bring on a proven leadership team and gain an established platform, a platform that at its peak originated and held over $75 billion dollars auto loans.

While we're taking it slowly in terms of growing as a business, we're pleased with the progress so far. It's early days but the integration is going well, and we have already rebranded on a North American basis to TD Auto Finance. Dealer engagement has been strong, and we have over 6,800 dealers in our U.S. network now, well ahead of our original expectations. So good progress on the network, but I would say we're also seeing lots of competition in this market and have seen margins that are tighter than we expected, given the good performance in the auto loan asset category during the recession. On balance, we're still feeling good about the longer-term potential this acquisition provides us in a key growth market.

So let's move on to the MBNA transaction. Similar to the move we made to build scale in auto lending, we have done the same in credit cards. I spoke earlier that this is an area we were making progress in, but we were a smaller player in this market. This transaction will move us into a top-tier position that positions TD to be a dual-card issuer in Canada, allowing us to offer customers more choice.

Strategically, this transaction makes sense, as its business model is quite complementary to ours. It will combine best-in-class TD branch origination with MBNA Canada's direct origination business. We're also expecting to see benefits by adding relationships through the addition of 1.8 million new, active accounts, including a strong consumer base affinity business. We're expecting to change the business model in some ways, as we will be less aggressive on promotional rate offers, which is why we're expecting the book to run off to approximately CAD6.5 billion by the time we close in Q1 of fiscal 2012.

We're very excited by these recent acquisitions. And, when combined with our existing business, they provide a strong tailwind for organic growth, and both will be a key part of our ongoing focus to accelerate asset growth and market share.

Please, turn to slide 12. As there is obviously great interest in our U.S. business, let me provide an overview and some updates. A little bit of context for those less familiar with the U.S. franchise. In 2004, we made a strategic decision to expand into the U.S. Beyond the obvious opportunity to capitalize on a market ten times the size of Canada, an important consideration when we began our journey into the U.S. was cultural fit. Even though the U.S. and Canadian models are different, we wanted to ensure that we stayed true to our focus on service and convenience.

Our U.S. team has done a fantastic job of building our U.S. presence over the past six years from no presence in 2004 to, literally, almost 1,300 stores today through the acquisition of several U.S. banks and strong, *de novo* branch growth. We opened 35 branches in the U.S. last year, on track to 37 this year, and going forward in the 35 per year range. Our acquisitions are now all operating on the same platform and have all been rebranded under the TD Brand umbrella.

Today we have an extremely attractive franchise up and down the east coast with more than 1,275 stores from Maine to Florida. TD Bank, America's most convenient bank, has deposits of $151 billion and loans of $76 billion as of Q3. We are located in five of the top ten MSAs, or metropolitan statistical areas, with access to more than 50 million people within five miles of our stores. We're a top-ten deposit franchise in the U.S., including being a top-ten player in the attractive Florida market.

To get a better sense of our scale, we have a store on Wall Street in New York City that has $1 billion, plus, in deposits. That's higher than the deposits of 93% of all of the banks in the United States.

We have a winning franchise in our U.S. business, which is modeled after our Canadian business and is working exceptionally well. We're experiencing great organic loan and deposit growth, which is especially compelling when compared to the growth of other U.S. banks. From December 2007 to December 2010, right through the financial crisis, we grew our deposits by over double that of our competition. And, while we had organic loan growth of 30%, while our competitors decreased their lending by 4%. This success has continued in 2011. In our fiscal Q3, our U.S. continued to deliver peer-leading, year-over-year, organic growth with loan and deposit growth increasing by 12% and 10%, respectively.

We are looking forward to the continued growth and success of our U.S. personal and commercial banking business. We know that there is uncertainty in the economy and regulatory headwinds. But we have faced challenges before, and our lower-risk, retail-focused business model has enabled us to continue to grow. And we feel good that we can continue to do so.

Please, turn to slide 13. So, looking forward, what do we see for our strategy? We would characterize it as a combination of tailwinds and headwinds, but, taken as a whole, there is continued opportunity for strong growth in the coming years.

First, the tailwinds. Our brand, both from a customer perspective and an employee perspective, is extremely strong. We have significant growth opportunities embedded in our maturing stores in both Canada and the U.S., including over 200 in the U.S. that are less than four years old. We have continuously invested for the future by opening new branches in key locations and investing in customer-facing staff to deliver best-in-class customer service.

And, finally, our acquisition of Chrysler Financial and the proposed acquisition of the MBNA Canada credit card portfolio are great examples of lending platforms that are expected to provide us with new avenues for growth.

Overall, we are extremely optimistic about our long-term future.

Having said that, of course, we do see some headwinds, although we are well positioned to respond to them.

First, the macro environment is clearly uncertain. Although the economy appears to be gradually improving and the recovery is trending in line with past recessions, we are feeling the effects of a tepid recovery and slow employment growth in the United States.

Additionally, personal loan growth has slowed down in Canada, as we are seeing some early signs of consumer delevering. In part, due to changes to the mortgage rules in Canada, the mid-teen percentage levels of loan growth experienced in Canada in recent years is not sustainable. Going forward, we expect to see slower but still robust levels of growth in the mid single digits.

As we have shown over the past several years, our model delivers strong operating results, even in an uncertain environment. And, as I outlined today, we feel good about the numerous growth platforms that will help us to continue to drive organic growth.

Second, the low-interest-rate environment could persist for a prolonged period of time, which will have a negative impact on our margins, particularly for a deposit-rich bank like TD.

And, third, while we have more clarity on regulatory reforms in the U.S., such as the Durbin Amendment, it will take some time to implement mitigation plans to recover the lost revenue and expect that it will take a couple of years to earn through the impact of these reforms.

However, taken as a whole, we believe we are well positioned to lever to tailwinds and to mitigate the headwinds.

So, with that, I'll close and be happy to take whatever questions you have.

Unidentified Audience Member:

Just, as far as costs on the retail side, you make a strong point about how you have better service, better locations, longer hours on the retail side. Does that significantly impact your costs on the retail side versus your competitors?

Tim Hockey

Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Great question. In Canada, in our space, if you look over a long period of time, ten years ago, we had a cost efficiency ratio in the 60% range. This past quarter, we hit 45%. That's literally 300 basis points better than the nearest competitor. And as I said, we also have 50% more hours, seven-day banking, and, by far, the best service on the street. And, as you say, most would look at that and say, well, that has to be a more expensive model. I don't believe it is. As we've shown from an efficiency point of view, it certainly has lower cost per revenue dollar.

Our strategy is twofold - both, we're a growing company. As I said, we've been growing our revenues about a point and a half, two points better than the competition, but, frankly, we're also relentlessly focusing on taking costs out.

One example is if you go back ten years ago to when TD and Canada Trust merged, we had one particular operating back office group that had, literally, 2,000 people and 28 different locations. Next year, they'll have 400 people and one location. And that particular operating group in terms of the functions that it serves has had its volume increase by over two and a half times.

So it just sort of shows that it's relentless focus on constantly investing in the next best process, leaning out our processes. Six sigma is something that's a big part of the way we do business, and we're constantly taking opportunities out.

Now, having said that, 45% ratio is tougher to get lower than a 60% ratio, but we still believe that we have lots of opportunities to improve our costs.

Unidentified Audience Member: (Inaudible question)

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

I don't know if we're the very first phone call, but we certainly get a lot of phone calls from i-bankers with ideas. And, certainly, we have the relative performance and a relative stability, safety, cash nature, and it's served us well over the last, certainly, few years in acquisitions.

Our position now, however, though, is we have a great franchise from Maine to Florida that's well ensconced. You could have said in the earlier days we didn't have a big enough footprint. But, in North America now, as a top-ten player, we clearly believe that we have great opportunities to build out organically. And, frankly, therefore, we have a higher hurdle rate when it comes to the financial returns expected and synergies expected. And, if you look at the outlook in the United States, given the franchise and the footprint we have now, where, as opportunities are presented to us, we're not sure that we would jump at the next one because it does knock you off the puck a little bit when it comes to actually, that's a Canadian analogy, by the way, knocking you off the puck, when it comes to the organic growth opportunities in the U.S.

Unidentified Audience Member:

Just a couple of questions. The first one is with your insurance operation in Canada. I mean, what are the challenges, given that I guess you can't sell insurance out of your branch network.

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

You can't sell traditional life products that tend to be sold through face-to-face sales forces through the branch channel. We can sell something called creditor insurance. And one of the things we do is, for every loan or mortgage that we deliver through our Canadian branch network, about 55% of them have a credit insurance wrap around them. It's a nice, very profitable business for us. The life insurance is specifically what's prohibited.

We're very good at direct insurance provision. We're one of the leaders in Canada. And we also have a very good affinity business. But the leader of our insurance business looks at the total premium market in

Canada. And, as I said earlier, we have a very small penetration. So we see that as nothing but great upside. We don't, however, see that there's going to be a change in the regulatory environment that will allow life insurance sales through branches in the short term.

Unidentified Audience Member:

And what can you say on the Canadian housing market?

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Our view is that a lot of the growth that we have seen in Canada has been due to an increase in the housing market and, therefore, the leverage ratio of Canadian. It's now tipped over the level where it's a bit higher than what the U.S. was. The sort of debt-to-income ratio in Canada is now at 148% level or something like that. The U.S. peaked north of 160% and has now crossed below Canada. So it's something we look at. Largely, that has been driven by the housing market.

So, if you asked our chief economist, he would say that it feels like the Canadian housing market is overpriced by about 10% or 15%. The good news is that the Canadian mortgage business is quite structurally different than those elsewhere and, notably, in the U.S. And, as a result, we have a government guarantee that protects us well against a pretty significant downside.

If you look at our uninsured i.e., non-government-stamped mortgage business, our loan-to-value ratio is less than 50%. And so we feel quite protected on the downside if there is in fact a correction.

Unidentified Audience Member:

Can I ask a little bit about your move into auto lending?

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Yes.

Unidentified Audience Member:

I just wondered what the attractions of that business were. And, also, just how much do you leave your business vulnerable to the strength or otherwise of Chrysler's market share and their brand?

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Okay. Great question. First is a point of clarity. We bought Chrysler Financial, which was their auto lending arm that used to captive. And a number of years ago, it was spun off. And so, now, Chrysler Financial has no affiliation with the actual dealer, and the name brand is now converted to TD Auto Finance. So we are moving Chrysler Financial from being a captive auto lender.

We've combined it with our existing Canadian and U.S. bank-owned auto finance divisions, and we've created one, now, independent. So, if you look at that 6,800-dealer network in the U.S., less than a third are Chrysler dealers. The rest is broad business.

So, generally, our move into the auto finance space - first, the strategic rationale. Very simply put, as I said, in the U.S., what we have is about 1,300 stores that are extraordinarily good at generating deposits. What they are not as good at doing is generating organic loan growth. And so, as an offset, we have, literally, $60 billion plus, of excess deposits. And, rather than putting them in a securities portfolio, we'd rather generate good, quality assets.

So, in our search for what would be a good asset-generation business, if you look at auto loan through the recession, I think one of the big surprises through the Great Recession was how well auto loans performed. It turns out that people will stop paying their mortgages well before they'll stop paying their car loans, it turns out. And, as a result, we like that asset class.

Chrysler Financial was a fantastic buy for us. It's got a great management team. It was literally lying dormant because it did not have a funding mechanism. So a Canadian bank comes along with a whole bunch of excess deposits and then says - Let's go and build it out. We kept the management team, combined it with our existing business, and we clearly believe we're on the track to be, certainly-- we're already in the top five bank-owned auto finance dealers in the U.S., and we believe we'll be top five overall, even compared to the captives in the next five or ten years.

Unidentified Audience Member:

Apologies for asking a blunt question. But if the housing market comes off by 10% to 15%, what would happen to the assets? And, at the same time, relying on the government is a nice thing to do, but we know it's not always the safest bet going forward. So what would be the impact on the overall economy if that happened?

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Yes. Great question. As you can imagine, one thing the industry has become very good at doing in the last little while is running stress tests. And so we've run multiple versions of stress tests on exactly that scenario.

The stress test that I refer to a lot is one that looks a lot like the U.S. We've done one scenario where we would see a 30% correction in Canadian home prices, that we would see unemployment skyrocket from, currently, about the 7% range to the sort of low teens. And you would see interest rate shock go up by a few hundred basis points I think. When you look at that particular scenario, we've sort of modeled through both the impact on our credit losses on our home portfolio, our real estate secured lending portfolio, and unsecured debt. And, certainly, you would see our PCLs after the government stamping, if you will, increase many hundreds of millions of dollars. But it's still quite within our risk tolerance.

And, to your point, the government is well aware and has been party to that stress test exercise and collected both the impact on the banks as well as the impact on the CMHC, the insurance body. And it's quite comfortable with the risk.

Unidentified Audience Member:

Looking at your great objectives, how would you say the bank fits between securing unique, new customers and tapping into your existing customers with the classic cross sell? And, if there are differences in the margins?

Tim Hockey

Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Different story, depending on the geography. If you talk about Canada in particular, we already bank about 40% of bankable Canadians, and that number will jump markedly with the acquisition of MBNA Canada. One of the things that Canadian banks generally and TD, in particular, are great at doing is cross-selling through an existing branch network. We're fabulous at it.

One of the statistics that I use that shows the opportunity, for example, of asset sales through our U.S. distribution network is, on average, through our Canadian branches, we sell about 37 credit cards per branch per month. That same number in our U.S. store is less than one. And so it shows that it's part of the heritage of our U.S. distribution network that they came from a let's gather all the deposits, and they might get a loan every once in a while heritage to one where we're very much moving to a cross-sell mantra. And, in fact, sales is the highest form of service.

And so what Bharat Masrani, my counterpart in the U.S., is doing is very much taking that ability to cross-sell to his existing 6 million customers I think, and we have great opportunity to do that.

So, in Canada, the strategy is very much we have a dominant share of Canadians who have one product or another with us, why wouldn't they have additional products? The MBNA acquisition is a classic one. Not only do we add a million new customers, but, instead of being only able to offer a Visa card to our existing customer base, we can now offer Visa and a MasterCard. And we know they like to carry both of them.

Unidentified Audience Member:

Are you able to use the TD Ameritrade deposits to fund lending in other parts of the business, or is that just deposited?

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Yes. We have a relationship through TD Bank, America's Most Convenient bank. And it forms part of our excess deposits.

Unidentified Audience Member:

Just on the cross-selling, is there any potential that you see of the insurance laws being relaxes to allow you to sell life ultimately? Is that even something that's ever been discussed?

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

It certainly is discussed a lot. But it's been made clear by our government that that is not a prohibition that they're interested in relaxing at this time. The industry has lobbied in various degrees over the years, but we don't expect that to change in the near future.

John Hughes, UBS:

Thank you, Tim, very much. We'll move on to the next presentation.

Tim Hockey
Group Head, Canadian Banking and North American Auto Finance, TD Bank Group, President & CEO, TD Canada Trust

Thank you.