TD BANK GROUP
MORGAN STANLEY
U.S. FINANCIALS CONFERENCE
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Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2010 MD&A under the headings “Economic Summary and Outlook” and, for each business segment, “Business Outlook and Focus for 2011”, as updated in subsequently filed quarterly Reports to Shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank’s shareholders and analysts in understanding the Bank’s financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.

PRESENTATION

Cheryl Pate - *Morgan Stanley* - Vice President

Good afternoon. So for our last presentation of the afternoon we have TD Bank Group with us today. TD is the sixth largest bank in North America by assets and operates approximately 1,100 branches in Canada and just over 1,300 in the United States from Maine to Florida. TD is truly the first North American bank and TD has been named the number one Canadian bank for customer service and satisfaction by both JD Power and Synovate for the past five years.

With us today from TD Bank is Ed Clark. Ed has been President and Chief Executive Officer of TD since December 2002. Prior to his appointment he was President and Chief Operating Officer for the bank. Following TD's acquisition of Canada Trust in February 2000, Ed joined TD as Chairman and of CEO of TD Canada Trust overseeing the integration of TD and Canada Trust retail operations. Ed has been President and CEO of Canada Trust prior to the merger.

In 2010 Ed was appointed to the Order of Canada, one of the country's highest distinctions, for his contributions to Canada's banking and financial industry and for the voluntary and philanthropic endeavors. I would like to thank Ed for being with us today.

And before we begin may I remind you that the speaker at today's event may be, may make forward-looking statements that represent management's views as of today and these statements are meant to assist listeners in understanding the Company's financial position, objectives, priorities and anticipated financial performance and may not be appropriate for other purposes.

Actual results could differ materially from what is discussed and listeners should consult the Company's regulatory filings for the risk factors underlying these statements which are filed with the Securities Exchanges and on their websites.

I would also like to remind you that TD is currently in its quiet period. TD's fiscal quarter ended on January 31st and their first quarter results will be released on March 3rd. Therefore, any responses to questions on earnings, strategy or other developments will be based on publicly available information.

And just to let you know, we are going to be doing a little bit different format for this final presentation. We are going to be a directed Q&A fireside chat. We are going to keep it interactive and then we will open it up to questions from the room afterwards. Thanks.

Good afternoon. So I thought maybe we would open it up with some thoughts on growth from a North American perspective as you are truly the North American bank and with good scale on both sides of the border, so maybe we can talk about the growth opportunities that you see, both Canada and the U.S..

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

Sure. Well, I think to start off with Canada I have been struck today meeting with different investments that we are all picking up this message that Canada is slowing down. And so what I have been trying to do is say to them, yes, slowing down, but you have to put it into context of what we were growing at, so if you take TD Canada Trust last year in 2010 had 10% revenue growth, 4% expense growth and 25% profit growth.

And so for my point of view it is probably unrealistic to think that forever you are going to grow your profits at 25% or your revenue at 10% in a GNP that real growth is 3% and nominal growth is 5%. And so to me I think if you look at the Canadian banking system it is more likely that you are going to get revenue growth coming down to some either at nominal GNP or slightly above nominal GNP, so a 6% kind of revenue growth number is a more realistic number.

Obviously in our 10% if you looked at it we were take -- we have been taking market share in Canada so we had an above average number, but if we came back towards the average then you are in the sort of 6% revenue growth and even if you held your expenses at 4% you have still got operating leverage and so I think you end up getting to reasonable profit growth with that.

I think you are going to get a slowing of the residential mortgage growth rate from that than it had before that would have occurred anyway, but has been obviously accelerated by the measures that the government took which we were strong advocates for, so we think they did the right thing.

And I think you are getting a continued rebound in commercial lending. Well, commercial lending didn't in the U.S. for, didn't for us, but for overall banks declined. You didn't get that so much in Canada, but you didn't also get a lot of growth and I think you are going to need some more positive growth, but the TD Canada Trust number does include both personal and commercial.

In the U.S. there has clearly been on the commercial side a mood shift, I would say in the last three or four months and so I think the business community has clearly responded to political events in the United States that it looks like potentially a political logjam isn't going to happen. The tax breaks were continued and so they are feeling better about the world and so I think we are seeing the same thing as everyone is people are coming in and saying, well, let's draw about on my line. I am going to do a little bit more investment than I thought.

And we have had strong mortgage growth throughout this period, personal mortgages, so we are doing about $500 million a month on net growth and that is because you have disruptive market, so I would say look at the United States and say the mortgage market has cured.

In fact, the housing market if anything has slid sideways in the last five or six months, and maybe some people would actually be more pessimistic today than they were before, but that has actually creating the housing market creation opportunity for us because mortgage availability isn't that great in the United States and so we find that we can lend into that market at good credit scores and good credit spreads.

Cheryl Pate - *Morgan Stanley* - Vice President

Great. Maybe I will start off by digging a little bit deeper into Canada P&C to start and clearly you have a very differentiated brand and the customer service awards I think speak for themselves in, and you can see that you have been able to take market share, so if we are looking in a slowing growth environment and particularly I think when we look at the mortgage market and compounded with the new rules that have come in and where we have seen sort of a lot of the growth over the next, over the last few years, how do you think about the other products that we have talked about growing the past such as credit card and in personal lending, as well as commercial lending as a partial offset to some of the slowing residential mortgage?

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

Yes. So I would say if you took our -- our brand is built around our retail brand and so I think our retail brand is one of those cases where you have a differentiation that every year means that you are going to win the ties, but it doesn't change market share dramatically in any single years, just cumulatively of every year.

The way I always put it, if you are on the branch and there is three other branches on that corner, and somebody comes at 4:02 in the afternoon they are going to see our branch open, the other two branches closed. Or they are going to come on a Saturday afternoon and so just incrementally you just gradually take a little bit of market share. You always win the ties that they go your way and now we are going to introduce Sunday banking in 300 branches in Canada.

And so I think that model, but you don't see huge market share shifts of it. You just find that you incrementally gain market share.

And we also, we invest our extra revenue faster branch growth for both the United States and Canada. We only opened about 25 branches last year in Canada so we just keep on extending our lead by opening up more branches than other people.

The big, in the last two or three years, the biggest market share shifts occurred in the small business commercial area where because we were the least affected by the different issues around the financial crisis we took a position that we were going to lend into the downturn, not tighten up during the downturn in Canada. And that meant we had fairly significant market share, pretty in historical terms unprecedented market share shift to us.

I think realistically you have to think that has kind of gone true. I think all the Canadian banks are back being aggressive and trying to restore those market shares and so I wouldn't see us as a necessarily competitive advantage to grow that much faster. I think our folks if they were up here, head of commercial was up here he would say absolutely I am going to outgrow the competition, but there is no, I think it won't be at the rate at which we did in the last two or three years because that never has been done in the history of Canada before.

I would say I think credit card growth has been pretty flattish now. I think the households are getting up to their limit in the sort of unsecured lending side and so are themselves starting to say maybe I should slow down here.

We are big players in the auto lending business and so that continues to be quite strong growth. And I guess the other factor that goes into our numbers is that insurance, we have been saying to the market, is going to have a fairly strong year next year and that will help on our total revenue growth side, --

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Cheryl Pate - *Morgan Stanley* - Vice President

Okay.

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

-- as well as profits.

Cheryl Pate - *Morgan Stanley* - Vice President

Maybe dig a little bit more into the competitive response of some of your peers and particularly as the markets become a little bit slower on the top line growth, one of those key things that we keep hearing about is price competition intensifying and that is something you certainly have been able to do well in the U.S. business is have that relative advantage versus some of your peers on pricing. Can you talk about the dynamics in the Canadian market on that respect?

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

Yes. I have been in this thing now for a couple of decades, this business, so I don't count years anymore now, my just keep the number down. Talk about decades.

And so you are always talking about, well, surely all this competition is going to squeeze your margins. And I would say it probably in the long run is slightly squeezing our margins. As you know we run a model where we fully hedge everything so I don't believe I am smart enough to know where interest rates are going so we don't take interest rates vats. We don't do the carry trade. We force all our business to buy all the optionality that they give to the consumer.

And so I think when you look at our spreads you can actually get an option-adjusted spread and say, well okay, that is what you are actually earning in the mix of business that we have. And that number has stayed pretty, goes in the 290 to 300 basis point range, but I would say if you look back over ten years or 15 years, has crept down, crept down by a few basis points every year. We don't see -- I don't see anything that is going to cause that I think, so you have a negative long-term trend that you have to absorb every year slightly, slight compression, but I don't think you are going to find a fundamental shift in the spread.

Cheryl Pate - ***Morgan Stanley*** **- Vice President**

Okay. You did mention that you do fully hedge interest rate risk and so I guess when we think about a rising interest rate environment, and certainly we have started along that path in Canada, and our expectation is for that to sort of resume again in early parts of this year, so how do you think about your strong core deposit base versus some of your peers and some of the potential leverage you may have there, even given sort of the laddering strategy that you take and --?

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

Yes. So the one thing that we can hedge against is an absolute decline in interest, so the way I always put it if you have a checking account, and your average balance is $1,000 and you have 5% interest rates you made $50. If it's 1% you made $10 and there is no way, ultimately if it permanently drops to 1% you can't outrun that, so we do have a kind of laddered, like a laddered bond effect where we say, okay, let's smooth it out and so that it, you don't have gyrations in it, and which means that when interest rates start to go back up you don't get as much of the spread benefits because you are also going to get as much of the spread compaction.

And so I think generally though for TD Bank Financial Group as a whole if interest rates start to move up that is a positive factor for us. It is more so a factor in our wealth management, our insurance business and TD Ameritrade. And in the U.S. business where we have an imbalance between assets and deposits, in the Canadian banking system we are matching assets and deposits, so which you win on the one side you lose on the other. And if you look at our quarterly reports you can actually see what happened to deposit spreads and what happened to asset spreads and those curves will start to reverse as interest rates move up.

Cheryl Pate - ***Morgan Stanley*** **- Vice President**

Maybe touching onto the other part, expense management and I know there is a lot of initiatives underway, particularly in Canadian P&C. What type of operating leverage do you think is reasonable under a slowing top line scenario and recognizing that there will be investment spend --

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

Yes. So --

Cheryl Pate - *Morgan Stanley* - Vice President

-- built in as well.

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

-- and if it divide to in Canada and the United States, as I said, in Canada you had six points of operating leverage and that is not sustainable in my mind. We had always historically said we would like to have 3%. I have also always said that I thought that was a pretty aggressive goal. My leadership team doesn't think it is, but I think it is very hard as revenue comes down to maintain a full three points.

And there is a point at which, as I have said, you run those curves out to forever and you essentially say, well, I am going to have a zero efficiency ratio. There is a point at which you can't drive the number down, so I would think there is going to be some narrowing even from a three as we get into a slower, but we will definitely run at a positive operating leverage in Canada.

In the U.S. it is a little more difficult, a more complicated situation because we have in 2011 the first roll through of the full year of Reg E, --

Cheryl Pate - *Morgan Stanley* - Vice President

Yes.

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

-- and so we really haven't, we have only taken four months of Reg E this year for 2010, so we are going to get the full Reg E effect, so you are getting a one-time drop in your revenue number and we have a possibility, but not certainty that we will also then compound it in the latter half of the year by the Durbin Amendment coming, so the interchange, another one-time drop.

And so we have been saying the market it is going to be pretty hard to see how you have operating leverage where the government of the United States has decided to actually take one-time cuts in your revenue and it will take us a couple years to find compensating revenue sources to get that revenue back up. So if we could do no operating leverage we would regard that as a victory in the United States, however terrible that sounds.

Cheryl Pate - *Morgan Stanley* - Vice President

I guess let's stay on the topic of the U.S. business. Certainly you had the opportunity to be quite opportunistic over the last year in terms of some of the FDIC deals, the South Financial and most recently Chrysler Financial, and sort of working at that imbalance of the assets to the deposits and also becoming a little bit more consumer-focused versus commercial in the loan book. Can you talk about how you think about the ideal mix of the loan book and maybe we will talk a little bit more on Chrysler Financial and some of the growth expectations there as well.

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

Sure. So I think in the sense of broadly what we are trying to do is, in the United States and other occasions is when you are running a retail bank what you want on the deposit side is concentration. And so I don't really have to have a big presence in California to be successful in New Jersey, but I want to be concentrated in the markets that I in, in New Jersey in order to optimize the franchise because you reach a size in your market share where you become the default choice for consumers.

And so you tend to concentrate your strategies around get big market share in the area you operate. Unfortunately that comes with, if your asset class is commercial, which U.S. banks tend to be -- they are not really retail banks. They are commercial banks attached to retail deposit handlers. You then get concentration in your asset class which as a risk manager is the exact opposite of what you want.

And so I think while we are happy to grow our commercial we don't want to, in a sense, fill in with about an $80 billion difference between our assets and our deposits so we have $80 billion more deposits than assets. You wouldn't want to fill them all in by regionally concentrated commercial lending, and so that is why we have been in the search for can we find a national asset gatherer where we like the asset class and to add on and compliment the locally concentrated deposit base.

And we are cognizant of the fact that lots of banks went out of market and blew their brains out, and so what is an asset class where you can have confidence that you can actually originate this asset without having a local presence that we can just use a national presence, and came to the conclusion that auto loans fit our risk criteria.

Cheryl Pate - *Morgan Stanley* - Vice President

Throughout the last couple of years you have been able to grow the mortgage business pretty successfully, and at in the U.S. P&C and also hold your own in commercial as well in an area where the market has, the industry has contracted pretty significantly. Can you talk about the opportunities you are seeing today, both in terms of mortgage and commercial and sort of the attractiveness of the pricing?

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

Yes.

Cheryl Pate - *Morgan Stanley* - Vice President

I think when we talked back in June at the Investor Day there was a definite benefit that you were experiencing in terms of pricing relative to peers, as well as taking share.

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

Yes. So I think on the commercial side I think the main difference was that we were not encumbered by bad loans, and were not distracted by other issues and so we, again as we did in Canada, went into the market and said we are here to lend to good credits. And that meant we could grow our commercial loan books at 3% or 4%, not spectacular numbers, but not negative numbers.

I think it would be nice. We would be hopeful that as the U.S. recovers that that number could move up, but I think we are also aware that the competitors have come back in just as in Canada they cured much of their issues and are now back in saying so it is a more competitive market.

We were wondering whether we are going to start to see declines then in the spreads because at that same period we actually had spread improvement in our lending book and we have seen that spread improvement stop, but we have not seen it deteriorate. So while the other competitors are coming back into the market that it is not causing us to have to move down our spreads.

Meanwhile on the mortgage business we don't see any real improvement from the consumer's point of view in that mortgage, and I think you can write credit scores with high credit spread mortgages in the U.S. today and we are doing about $500 million.

I think as we build our operational capacity -- I mean we are some people think too, but we are inherently a very conservative group, so we like to walk before we run and when we run we probably jog, not run. My kids think when I jog that I am walking, so I think we are going to keep, but we will probably move that $500 million up. It's not a lack in demand that is stopping us. It is our operational capacity to do it.

Cheryl Pate - *Morgan Stanley* - Vice President

Okay. And then on the other side of that I guess we do have the excess deposit question and a lot of that coming from the Ameritrade relationship. Is that something we should expect to come back down over time as investor confidence increases and people move back into riskier assets? Or is that quite a sticky deposit that you would expect would prevail?

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

I -- we -- this is not sort of a new business for us, so we did the same with Waterhouse when we owned Waterhouse. It was just it was done internally and here you see it more externally. So I think we have a fair amount of history in this and we also obviously in Canadian and UK operations.

And so, no, our experience is that is actually more sticky than people understand that particularly what is interesting is, it might surprise, is that the active trader sits on cash and they don't really care took much about -- they are not in the game to make money on the cash that they are sitting on. They are in the game to have the cash available. If they want to do a trade they can do a trade and that is where they think they are making their money.

So I don't think -- I think you clearly got a one-time effect as the money market funds were basically transferred, and swept into our IDA account and I don't think that is going to be repeated, so I think you will have more normal growth, but I don't think we are going back into a world, I don't see it, where money markets are ever going to be, play the role that they did again, so that would be the major if you actually had something to bring it down. That would be the more major source, but I don't frankly see that. So I think we regard this as fairly stable, but clearly not going to grow the way it just did over the last couple of years.

Cheryl Pate - *Morgan Stanley* - Vice President

Sticking with the Ameritrade topic, one of the things we have been talking about a little bit over the last year as well is leveraging that relationship a little bit more on the wealth side with the U.S. P&C business, and maybe you can talk a little bit about how that is going and some of the initiatives that are underway.

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

Yes. I think we are in the early days. You could say, well, I interviewed you last time when you were in the early days so you are still in the early days? I think these things often take longer to actually do and really click in.

Ameritrade has been a spectacular story I think. I think Fred Tomczyk has done a fantastic job, been an unbelievable asset gatherer. Unfortunately lower interest rates gave up all that he was gaining on the asset side, but when this turns I think it is going to be a tremendous thing, but we have, taken us awhile to sort of get to this platform where we can plug it into our stores and start referring.

We are doing store by store and the referrals are coming in and in fact I would say the results are better than I think either side thought they would be, but it is part of a longer journey, generally in our U.S. store operation where this, these stores were built around a service model, not a sales and service model.

And so teaching people that it is good service to fill unwanted, your unfulfilled needs of customers is a cultural change and you have to go, again, in baby steps and so what might seem strange, getting people to sell mortgages helps them to sell TD Ameritrade because the main barrier you have to get over is, you mean I ask them whether they want this product, and I don't know, how do I feel comfortable? I have never done a mortgage before.

And when they get over that and then you say, well, do you have some money to invest? Would you like to open? So that is the journey you have to go to so, again, you won't just see huge, ballooning of numbers, but the thing I love about the retail business versus other businesses, this is not a restaurant that we open in every day. This is layering on effects, and so if you add one more customer tomorrow then the next day you still have that customer and then you add one more, and that is what makes this model so powerful is that they are built in and you are just constantly adding bit by bit by bit.

And that is why we can go out and say we deliver you a 7%, a 10% earnings per share and growth, and no drama, and I'm not making it up. It is built into the model to do that because I am not having to reinvent the customer base every year. So I am quite pleased, but I caution people that it is not going to move the numbers. Fred's numbers are going to be moved by his own distribution system and Bharat's numbers are going to be moved by his core business, but five years, seven years from now suddenly people will wake up and say they have a whole wealth business they built in the meantime.

Cheryl Pate - ***Morgan Stanley*** **- Vice President**

Obviously a lot of organic growth coming from some of the initiatives in the U.S. and expectations for a lot of branch builds over the next year as well. And you are sitting at 1,300 branches, actually more branches in the U.S. than Canada at this point. How do you think about your scale in the U.S. and are you still interested in additional tuck-in acquisitions, or is it turning to more of an organic growth story from your point?

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

Yes. First off, Bharat would kill me if I didn't correct and say stores, branch was here, so in the United States. So I think we are at the point where we have got critical mass and we have a good organic growth machine and particularly now with this asset acquisition we have built in a sort missing strategic, one of the missing strategic puzzles.

So I think we look at the U.S. market and say, and I have said this publicly, if I never had to do a deal, if I didn't have to do a deal I am not going to assume that would kill me not to do a deal and certainly if I didn't do a deal in 2011 it wouldn't kill me not to do a deal because we don't need to do a deal. And I think as soon as you say that that informs how you look at deals.

And so we look at deals as, will this add value to the shareholders? We don't have to do this and so it better be better than organic growth.

And so we have always looked, when we went into Florida, is could I buy, build these branches for the cost that I am paying? And if the answer was no I couldn't do that, it's cheaper, and then you say, okay, I will buy them, but if it isn't I am not buying them just to make a statement here. So I think we look, we are probably reasonably reserved on the U.S. to say, well, we don't have to do anything so let's just do, the only the things we will do are stuff that we think are a good rate of return deals.

Cheryl Pate - *Morgan Stanley* - Vice President

Okay. Any particular geographies that you are focusing particularly in building out the stores and --?

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

I think we have obviously a store plan and that is another thing that is interesting that you mention it in the sense of in Florida like when we did FDIC deals they were the -- Riverside was exactly where our store build out program was going, and so we were just literally substitute. We were going to put a store there. They had one there. Why don't we just buy that store?

So we do have a store plan for the East Coast in the United States of how we would fill it in. I don't -- we have no desire to move outside that basic geography from Maine to Florida. That is the geography we will occupy.

Cheryl Pate - *Morgan Stanley* - Vice President

Maybe I will switch gears for a minute and we will talk about wholesale banking for a minute.

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

Sure.

Cheryl Pate - *Morgan Stanley* - Vice President

And how do you think about capital and normalized returns in the business, a lot of changes to come? Is 20% through the cycle still a sort of realistic target? Is that -- or are there changes to come in the business model?

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

Yes, yes.

Cheryl Pate - *Morgan Stanley* - Vice President

Obviously you do have a very client-focused model.

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

So I think everyone is aware we made the switch to the client-focused model a few years ago. I think the thing that may be a little different than some of the institutions, we were having about $30 billion to $34 billion and $35 billion of risk-weighted assets, and so if you use regulatory capital under the old regime you might have had $2 million of capital against that.

We actually carried from $3 billion to $3.5 billion, or that think that is $3.4 billion at the end of the year, so we always charged the dealer more capital than the regulatory capital requirements were because we didn't think the way they calculated the regulatory capital was the right way.

We also charged them liquidity premiums, again, optionality, every end of that. We pushed down all the full cost to actually operating that dealer, so that means that they, in making their business choices were much, pretty close to where Basel III is going to end up. There is a few items that are still outstanding and so we have said to the market we may add as much as $1 billion of capital into the wholesale dealer and then it should be operating at the $4 billion, $4.5 billion range.

So when we say 15% to 20% it is on a $4 billion to $4.5 billion capital base. And we think we are quite comfortable that that is a kind of running rate to the dealer and our franchise model to deliver that kind of running rate with the normal volatility in that business, but that kind of running rate without major surgery.

Cheryl Pate - *Morgan Stanley* - Vice President

Basel 2.5, I think you guys gave some guidance in the fourth quarter of three to four times increase in market risk-weighted assets which seemed pretty high relative to the other guidance for Canadian peers. Is this differences in internal models, conservatism, the mix of both or how do you think about that versus sort of the two times --?

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

Yes. So the one thing you know is you don't know what everyone else's balance sheet looks like. It may well be that we have been running more sophisticated models than other people, and therefore we are going to end up, as we go to Basel III, be more impacted than other people if you have had cruder models than the impact will be. As you move to a more sophisticated Basel III model you get savings that will offset some of the increase, but I don't actually know.

I know what my numbers are and as I said I know that I think we will probably be in the $4 billion to $4.5 billion territory, which will represent an increase in regulatory capital for sure in the dealer, but not so much in terms of what it impacts how we do business.

Cheryl Pate - *Morgan Stanley* - Vice President

And we will continue on the capital theme then, Basel, jump over to Basel III, --

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

Yes.

Cheryl Pate - ***Morgan Stanley*** **- Vice President**

-- of the, made some comments on likening the Canadian banks to be there sooner rather than later and sort of taking that as 2013. And you have been pretty vocal on not wanting to rush the Canadian banks to jump ahead of the global banking systems, so maybe a little update on your current thoughts on Basel III?

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

Yes. My evidently unsuccessful campaign, is that what you wanted to put it? So I am not sure that -- obviously from our point of view I am not sure why we did this, all this negotiation and ended up having a phase-in and then say, well, why don't we all go sooner?

But obviously I think the mood among the regulators around the world, and to a certain extent I think they would say the mood among investors is, well, why don't we just get this over with and so rather than phase this in let's bring it forward, I think OSFI has been very careful in not saying exactly what date they mean to bring it forward to. They are just saying it is not 2019. It is obviously before that.

And I suspect what they are doing is waiting out to see where the regulators around the world actually end up and where do the markets really end up as to where they think institutions should be, but I think all the Canadian banks have said, well, let's for the moment hypothesize that they mean January 1, 2013, and I think at least my sense is everyone is saying, well, I can make that rule. I think the penny is dropping in the marketplace, yes, but we are making that rule by saying we are going to devote the capital that we would have been growing in the next two years to making that rule.

And so that means the amount of excess capital that you have to do acquisitions is being diminished by your necessity to actually get to the rule that sooner, and that’s what I said from a shareholder's point of view, and I am a very big shareholder. That means I have to tie up all that capital just to meet these rules rather than to go do more productive things with it. And but if that is where the world is going that is where we will go.

Cheryl Pate - ***Morgan Stanley*** **- Vice President**

Right. And obviously you were able to do the Chrysler Financial deal without doing an equity raise on the back of it. Does this new strictness change how you think about future acquisitions and/or the dividend?

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

It doesn't change how I think about acquisitions because, as I go back to my earlier remarks, I believe you shouldn't do acquisitions unless you were prepared to issue shares. So the fact that you had excess cash means you could have bought back shares with it, so you are adding the fact issuing shares if you are just kidding yourself, so I think it doesn't change to me. When we look at the economics we ought to be able to do deals, only do deals where we would be willing to issue the shares, if it turns out we don't have the excess cash.

It has no effect on my view of dividends. I have been a sticker on this. I think you set your dividend ratio in relationship to what you think your natural growth rate is.

We have the lowest dividend payout ratio because we have the highest natural growth rate and I think you should run your business such that you can internally generate enough capital to grow your business at what your optimum rate is. I don't -- really I would feel uncomfortable growing a business where I had to keep on issuing shares just to keep up the capital to fund my organic growth. And so we have a very high organic growth, natural organic growth and then it rolls back into a 35% to 45% dividend payout ratio, but our promise to shareholders is that that is the number and if we see expected earnings tells you that we are too low we will increase the dividend.

Cheryl Pate - *Morgan Stanley* - Vice President

Maybe I will open it up to the room at this point if there is any questions.

QUESTION AND ANSWER

Unidentified Audience Member

I was looking through your slides here and I noticed that in Canada total number of loans and total deposits are about the same, $180 billion, $190 billion, like one-to-one. And in the U.S. it is like $62 billion and $138 billion. Does that include TD Ameritrade's cash balances?

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

Yes. So and then so in Canada we run a matched book. That is what I was saying essentially. And if anything our loan book in Canada tends to go a little faster than our deposits because we have a significant wealth management business that drains off in a sense cash from our retail base and puts it into mutual funds, or into TD Waterhouse or whatever whereas we don't have that yet in the United States.

So we have about $80 billion of which $40 billion would have been TD Ameritrade. These are all approximate, sweep accounts and $40 billion of our own deposits that are bigger than our assets.

Unidentified Audience Member

Okay. So that accounts for part of it. I thought maybe the fact that it has been slow growth in the U.S. the last few years with the downturn in the economy you haven't -- you don't want to make loans just for the sake of making loans when you have excess deposits. And when Vernon Hill ran Commerce he was like on a one third ratio. Would that be an overhang from Commerce that you keep bringing in the deposits, but you don't have loans to be made?

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

Yes.

Unidentified Audience Member

You don't want to make the loans.

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

Yes, exactly. So in a sense certainly buying the Commerce we bought, some of it had that bias. We had our own bias in the sense that we were building out branches or stores and they tend to gather deposits first and so you were -- we have accentuated that bias, plus the TD Ameritrade sweep.

I think our ratio is that we have been growing our deposits in the U.S. about 7% to 8% a year and we have been growing our loan book about 4% a year. So we have a gap and then we are lagging the gap because the growth rates on bigger numbers are actually higher than the ones on the smaller number.

The thing is that would you like to close that gap entirely by growing commercial lending in Northeastern United States, and my answer is no. I think you want to try to diversify your asset base and so that is why we looked at the Chrysler Financial deal.

Unidentified Audience Member

Just one other thing. I saw it again in one of your slides here, Adjusted earnings over the last five years on a CAGR basis growing 13%, but EPS was 6% to 7%. What's the reason for that? Are you issuing a lot of shares to your employees or is it shares are issued at acquisitions or --?

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

Yes, yes. So the difference, the downtime in between the two represents, we bought, we have done a series of acquisitions in the United States, means that we have issued shares to do that. And then during the downturn in 2008 I think we, I may not be 100% accurate, but we were probably the first bank in the world to go out and issue equity.

So we took a very strong stance in 2008 that we would not take government help, that we would go out to the private sector and we would restore our capital to whatever position would make us insulated against the downturn and that turned out to be a very good buy for those who participated in that share issue, pained me to death to do it, but it was the right thing to do for the institution.

Unidentified Audience Member

Thank you.

Unidentified Audience Member

(inaudible - microphone inaccessible) Just talk about the metrics that you have for acquisitions and how those have changed over time.

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

Yes. So I would say in a qualitative sense I think when we were coming into the United States if you took a look and said the financial hurdle that I took to buy Commerce you would say, well, Commerce is running our exact model that we run in Canada in the heart of the United States. It can help me transform the entities that I already have, so you probably had a lower hurdle rate to say I think I have to do this.

I think what we are seeing today is I have done all that. I don't need strategic acquisitions in the United States. I want money making acquisitions in the U.S.. And so that says is you certainly want those deals to be accretive and you certainly want to have the opportunity to get yourself I think realistically in the 12% to 15% rate of return rates.

And people -- I love it that everyone does 20% ROE deals. It is just that it never turns up in the end that they are 20%. I think realistically you should say taking conservative views of the number can you be at deals that are 12% to 15%? As it happens I think Chrysler will turn out to around north of that, but I think that is a very unusual situation and can't be duplicated.

Unidentified Audience Member

That's got to be partially a function of the funding benefit that you bring to the table with Chrysler.

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

The way we run our system is, again we are kind of bears on this, we give the benefit to the deposit gatherers, the full opportunity cost of those funds. So we when doing the economics of Chrysler we treated it as if we went out and borrowed that money to fund those loans and we credit the deposit with that spread, anything below that that is how we run the bank.

Cheryl Pate - *Morgan Stanley* - Vice President

I think we are at our time limit if there is no other last question in the room. All right, Ed, thank you very much for being here with us today, always appreciate it.