TD BANK GROUP
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PRESENTATION

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

Good afternoon, and welcome to TD Bank Group's First Quarter 2012 Investor Presentation. My name is Rudy Sankovic, and I'm 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 first quarter operating results. Mark Chauvin, Chief Risk Officer, will then offer comments on credit quality after which we'll entertain questions from those present and from prequalified analysts and investors on the phone.

Also with us 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 P&C Banking, and Mike Pedersen, Group Head, Wealth Management, Insurance and Corporate Shared Services.

We'd like to keep the call to about 45 minutes if at all possible. I do recognize the analysts have a busy day, and there is one more bank reporting this afternoon. So, if we can try and keep it quick, that would be much appreciated.

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 and 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 Q1 2012 MD&A and 2011 Annual Report available on TD.com. With that, let me turn the presentation over to Ed.

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

Thanks, Rudy, and welcome, everybody, and thanks for joining us this afternoon.

Colleen's going to take you through the first quarter results in detail, but first, I'd like to give you my thoughts about the quarter.

Well, obviously, we're off to a good start for the year. The momentum we built up in 2011 has carried through into the first quarter of this year, resulting in another record performance from our retail businesses and a very strong contribution from our wholesale.

Along with the announcement of strong results today, we were pleased to declare a 4 cent dividend increase. Now, this increase has an element of catch up to it as our stronger than expected EPS growth in 2011 resulted in a payout below the middle of our 35 to 45 percent payout range. But, the dividend also signal's the Board confidence in our ability to deliver sustainable, long term, quality earnings growth. As always, our Board will continue to assess our dividend payout in the context of our earnings and the environment we face.

While the headwinds remained, we're feeling a little bit better about the world than we did just three months ago, at least for now. In Europe, we're seeing reduced tail risk as a result of the European Central Bank's loan facility, which has clearly helped to alleviate the liquidity crunch. At the same time, there are early signs of recovery in the United States with evidence of an improved labor market and better consumer and business sentiment.

Despite the still fragile economic environment, the resilience of our retail focused franchise model came through once again in our first quarter results. Canadian banking continued to outperform with yet another record quarter driven by solid volume growth, the acquisition of MBNA, stable PCLs and a record low efficiency ratio. Looking ahead, we believe Canadian banking should deliver mid to high single digit earnings growth for the year, despite slowing personal loan growth and continuing margin pressures.

Wealth and insurance had good results this quarter, despite weaker trading levels and a severe weather related event. These businesses have strong fundamentals and are under-represented in some other respective markets. We should see good growth in wealth and insurance this year.

Our U.S. business delivered a particularly strong quarter. Despite the tough economic environment and the absorption of the full impact of Durbin this quarter, America's most convenient bank was still able to produce a record quarter. The low interest rate environment helped because it stimulated mortgage refinancing with balances up 34 percent over last year. Our multiple growth strategies are paying off. We have a number of stores that are just now maturing, which continue to help fuel new deposit and loan growth. We expect to add new stores at a rate about 30 plus a year. Cross sell initiatives are taking hold while our superior business model allows us to continue to grow organically in good times and bad. We continue to believe that our U.S. operation will show modest earnings growth this year despite the negative impact of Durbin.

Wholesale delivered another strong quarter despite an uncertain environment. I'm particularly pleased with the progress we're making on our franchise strategy. We finished calendar year 2011 as the number one equity underwriter in the leagues table rankings for the first time ever and number two in corporate debt underwriting. Our return on equity this quarter was a solid 19 percent, even after absorbing higher capital for market risk under Basel 2.5 and the higher Basel 3 capital requirements that were allocated to the businesses starting this quarter. Despite the prospect of difficult markets over the next couple of years, we're confident our 15 to 20 percent ROE target is achievable.

In this slower growth environment, we are very focused on ensuring that expenses do not grow faster than revenues. We're managing expense growth very tightly this year, and we continue to target a positive operating leverage. With interest rates expected to stay low until at least 2014, our management team has turned its attention to 2013 and 2014. We will continue to set ambitious targets to slow our rate of expense growth. In doing so, I want to emphasize that this is not about cutting cost but rather about finding permanent sustainable savings in our existing cost structure, which will allow us to reinvest in the business as we've done in the past.

On the capital front this quarter, our Basel 3 common equity tier one ratio hit 7.1 percent. We continue to feel comfortable with our capital position in line with our previous guidance.

As we look forward, we remain cautious about the future. While Europe has resolved its immediate crisis in Greece, it is challenged with the prospect of a low growth environment for many years to come. In the United States, the economic recovery remains fragile and may be impacted by what's happening in Europe. The slow recovery in both geographies will mean lower rates for a longer period of time, which will negatively impact our net interest margins for at least the next couple of years. This will remain our core challenge - hence, our focus on permanent reductions in our cost structure.

I remain confident that our proven business model can continue to outperform in the expected environment. While Canadian banking earnings are expected to slow down in the next couple years, we'll see an earnings rotation in other businesses to make up the difference.

TD Auto Finance and MBNA have good potential. Business banking environments remain healthy. Both insurance and wealth have under-penetrated businesses in Canada. And in the United States, TD Bank, America's most convenient bank, clearly outperformed this quarter and has very strong upside. Our wholesale franchise business is showing excellent resilience in tough markets.

With that, let me turn it over to Colleen.

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

Thanks, Ed, and good afternoon.

We are very pleased with our Q1 2012 results, posting record adjusted net income and record adjusted EPS. Our total bank adjusted net income for the quarter was over $1.7 billion, up 9 percent from last year, while adjusted diluted EPS was $1.86, up 8 percent versus Q1 of 2011.

These strong results were driven by continued momentum in our retail business, which delivered record adjusted earnings of $1.6 billion, up 11 percent from last year.

Results at our wholesale bank were strong with net income of $194 million. Net income was down 17 percent year-over-year due to the elevated level of investment portfolio gains in Q1 of 2011.

The corporate segment had an adjusted gain of $17 million versus a loss of $19 million in Q1 2011.

As we look across the total bank, we see a few themes worth highlighting. First, we delivered positive adjusted operating leverage of 190 basis points this quarter as a result of acquisitions, solid core revenue growth and prudent expense management. These results reflect our continuing focus on managing expense growth while still investing for the future.

Second, with respect to capital, we remain well positioned. Our tier one capital ratio was 11.6 percent, down 140 basis point from last quarter. The overall decline was due to our acquisition of MBNA, the implementation of the Basel 2 market risk framework, also known as Basel 2.5, plus additional capital deductions for IFRS and insurance subs.

Third, MBNA appears to be on track with respect to both performance and integration, in line with our previous guidance. From a retail perspective, MBNA earnings show up in Canadian banking and the wealth and insurance segments.

The first quarter represents a strong start to 2012 for the bank.

Please turn to slide five.

TD's reported net income was almost $1.5 billion or $1.55 per share. Adjusted net income was over $1.7 billion or $1.86 per share. The difference between reported and adjusted results was due to eight items of note.

This quarter includes three new items of note. $24 million in integration and direct transaction costs related to the acquisition of MBNA Canada credit card portfolio, $31 million release in the allowance for incurred by not identified credit losses, previously known as a general allowance, and the previously announced litigation reserve plus a marginal increase as a result of a settlement after the quarter-end.

I would also note that amortization of intangibles was lower as the legacy Canada Trust intangibles were fully amortized in Q4 of 2011.

Please turn to slide six.

Canadian Personal and Commercial Bank had another great quarter. Adjusted net income was $850 million, up 11 percent versus last year and up 13 percent from last quarter. This marked another record quarter for Canadian banking in terms of net income, efficiency and customer satisfaction.

Revenues were up due to solid volume growth across most product lines, strong fee growth and the acquisition of MBNA Canada's credit card portfolio. This was partially offset by lower margin on average earning assets.

The business generated good but slower personal lending volume growth with year-over-year increases of 7 percent in real estate secured lending and 19 percent in auto lending. Business lending volume growth was strong at 14 percent where we continue to make great progress.

Average deposit volume growth rates were also strong with personal deposit volumes increasing 4 percent while average business deposit volume increased 12 percent.

This quarter's results reflect the impact of the MBNA Canada acquisition. This acquisition contributed 5 percent to adjusted revenue and added 5 percent to adjusted expenses, 12 basis points to NIM, and increased PCL by 73 million.

Credit trends continue to improve with personal banking PCL excluding MBNA down 9 percent compared to last year due to better credit performance and enhanced collection strategies.

Margin was down two basis points compared to last year but up eight basis points sequentially due to MBNA. Excluding MBNA, margin was down four basis points versus the previous quarter and 14 basis points from Q1 2011 due to the low rate environment, portfolio mix and competitive pricing pressures. We expect margin pressure will continue in this low rate environment.

Adjusted expenses increased 8 percent compared to last year due to MBNA, higher employee related costs and continued investment in the business. As expected, expenses were well down over last quarter. Operating leverage was 2 percent.

Looking forward, we expect Canadian P&C banking to post earnings growth in the mid to high single digits in 2012.

Please turn to slide seven.

Wealth and insurance, excluding the impact of TD Ameritrade, delivered good results despite volatile capital markets. Net income of $294 million was up 14 percent from last year and 2 percent sequentially.

Wealth earnings were up 11 percent year-over-year. Revenues declined due to lower trading volumes, partially offset by strong asset and fee growth in the advice and asset management businesses. We are pleased with the growth in new net new client assets.

Expenses in wealth were down significantly year-over-year due to non-recurring expenses in Q1 of 2011 in the wealth business and proactive expense management.

Insurance earnings were up 17 percent year-over-year with increased revenue driven by premium growth, improved claims performance and the addition of MBNA. This was partly offset by the impact of a severe weather related event in November.

TD Ameritrade contributed Canadian $55 million to TD this quarter, up 15 percent from last year and 2 percent sequentially. We expect good growth in wealth and insurance earnings for the balance of the year.

Please turn to slide eight.

U.S. Personal and Commercial Bank delivered record adjusted net income of US$345 million for the quarter, up 6 percent from last year and up 19 percent from last quarter. The increase was primarily due to very strong core business growth and lower PCL, partially offset by the impact of the Durbin Amendment.

U.S. P&C's organic volume growth, excluding acquisitions, continued to be very impressive. Excluding the Chrysler Financial acquisition, average loans increased by 9 percent with residential mortgages up 34 percent and commercial loans up 5 percent compared to last year.

Average deposits excluding government deposits and TD Ameritrade IDAs were up 9 percent with personal deposits up 7 percent and commercial up 12 percent. TD Ameritrade sweep deposits grew 30 percent compared to last year and 5 percent sequentially.

This strong volume growth net of Durbin drove a 5 percent increase in revenue compared with Q1 of 2011. The gross impact of the Durbin Amendment was in line with our previous guidance, though this was somewhat reduced by indirect mitigation efforts.

The impact of the Chrysler Financial acquisition largely offset the impact of various accounting driven items last year.

Total PCL was down 25 percent compared to last year as asset quality continued to improve. While the overall credit quality of acquired credit impaired loans remains in line with our original expectations, PCL on these loans increased this quarter.

Adjusted expenses increased by 8 percent over last year due to the Chrysler Financial acquisition and investments in new stores. On a sequential basis, adjusted expenses declined by 10 percent, primarily due to elevated expenses in Q4.

We expect that strong core business growth will be muted by the Durbin impact resulting in modest earnings growth in 2012.

Please turn to slide nine.

Wholesale delivered very good results this quarter with net income of 194 million. Earnings dropped 17 percent versus Q1 of last year, entirely due to elevated security gains in the prior year.

Trading related income of $380 million was strong this quarter as improved results in the interest rate and credit portfolios more than offset declines in equity trading. I would caution you that this level of trading revenue is above ongoing expectations.

We remain comfortable with our previous guidance of 300 million per quarter over a normalized cycle.

PCL increased by $9 million versus Q4, primarily due to a single merchant banking exposure as compared to a small recovery in the prior quarter.

Expenses increased 3 percent sequentially as higher variable compensation due to improved capital markets revenue was partially offset by lower operating expenses.

From a capital perspective, you'll notice that risk weighted assets increased by $16 billion or 46 percent versus last year. This increase was driven by the revised Basel 2 market risk framework and was within our pervious guidance of three to four times our Q4 2011 market risk RWA. This increase recaptures the RWA decrease realized several years ago when we implemented our VAR models.

Despite the challenging market environment, our wholesale business performed well. We expect that wholesale will continue to deliver solid risk adjusted returns with a 15 to 20 percent ROE target in 2012.

Please turn to slide 10.

The reporting philosophy for the corporate segment remains the same, but the composition has changed under IFRS. On an adjusted basis, the corporate segment posted a gain of $17 million in the quarter compared with a loss of $19 million last year. The increase was partly due to lower net corporate expenses and a favorable tax item.

With the implementation of IFRS, the negative impact of non-controlling interests of about $26 million per quarter is now below the line and no longer resides in the corporate segment.

Looking forward, our new estimated range for the remainder of 2012 is an adjusted net loss of $40 to $80 million per quarter. As you know, corporate segment results contain some volatility and are inherently difficult to predict.

Please turn to slide 11.

In this environment of constrained revenue growth, the focus on cost management is critical. While our expenses may fluctuate from quarter to quarter, we are firmly committed to managing core expense growth very tightly to deliver positive operating leverage this year in the face of slowing revenue growth.

Our adjusted efficiency in Q1 was 55.3 percent, the lowest in five quarters. Excluding the impact of MBNA, our Q1 expenses dropped by over $200 million from Q4, in line with our expectations.

With interest rates expected to stay low until 2014, combined with slowing loan growth, it's critical that we get ahead of these impacts and start focusing on expense growth beyond 2012. We have initiatives underway to permanently improve efficiency, and we'll manage expenses even more tightly in 2013 and 2014.

Despite slowing our rate of expense growth in future years, we remain firmly committed to investing for the future.

Please turn to slide 12.

Looking at capital, there are no material changes to our Basel 3 outlook. Our pro forma Basel 3 capital ratio was 7.1 percent at the end of the first quarter. We continue to remain comfortable with our Basel 3 guidance.

I would also like to highlight that in Q1, we changed how the bank allocates internal capital to our businesses. We will now be allocating based on future Basel 3 capital requirements of 7 percent of Basel 3 RWA plus goodwill and intangibles.

The RWAs reported by segment reflect today's Basel 2 methodology while capital has been assigned applying the Basel 3 methodology. We have also moved from ROIC to ROE as our return measure. Please note, the capital allocation changes have been applied prospectively.

Overall, we remain comfortable with our capital position.

Please turn to slide 13.

As we look ahead to the balance of fiscal 2012, we expect the operating environment to remain challenging. And I should remind you that the second quarter is impacted by two fewer days, which will lower EPS by roughly 6 cents.

I want to reiterate that our goal continues to be 7 to 10 percent adjusted EPS growth over the medium term, despite the challenging operating environment.

And 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 14.

As we've done in the past, the debt securities classified as loans in the acquired credit impaired loan portfolios have been excluded from the credit slides. The latter consists of the Florida FDIC covered loans and the acquired credit impaired loans for the South Financial, Chrysler Financial and MBNA Canada acquisitions.

These portfolios are excluded to provide what we believe is a better representation of the bank's credit performance.

Also, this is the first quarter that our credit slides are presented using IFRS accounting standards.

Now, let's turn to credit quality. The Canadian personal, commercial and wholesale portfolios continue to exhibit strong overall credit quality. We continue to watch the Canadian housing market and consumer debt situations closely and are adjusting our underwriting standards where appropriate.

We're continuing to see positive momentum in the performance of the U.S. credit portfolios as evidenced by the resolution of impaired loans exceeded new impaired formations during the past quarter, we are seeing fewer problem loans on the horizon and personal loan levels delinquency levels reduced during the quarters. We expect these positive trends to continue over the coming quarters.

Finally, our acquired portfolios and debt securities classified as loans continue to perform within our original expectations.

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

QUESTION AND ANSWER

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

Great. Thank you very much, Mark.

We'll now open it up to questions. To give everyone a chance to participate, if you could, let's keep it one question, and then we'll requeue if there is time. For those participating in person in the room here, could I ask you to identify your name and firm before asking your question? Before ending the call today, I will ask Ed to offer some final remarks.

So, why don't we get started with the folks in the room first, and we'll turn it over to any analysts or investors? John?

John Reucassel *- BMO Capital Markets - Analyst*

Thanks, Rudy. John Reucassel from BMO Capital Markets.

Bharat, a question for you, the U.S. numbers continue to be very good. Could you talk a little bit about it? It looks like the non-interest income in US dollars was up versus last year and even flat with Q4. How did you deal with Durbin? What happened in there? Why did you perform so well? And then, maybe some commentary on the loan growth, is this just a continuation of execution of what you've been talking about or are there special things going on there?

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

We think he's a miracle worker, so we're very interested in this question.

John Reucassel *- BMO Capital Markets - Analyst*

And is the 345 million in quarterly earnings, is this a new base? I'm just trying to understand the quality of the numbers that you generate.

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

So, I think there were four questions in that, John.

John Reucassel *- BMO Capital Markets - Analyst*

One question, four parts.

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

So, let's start with Durbin. We said that the impact of Durbin on a normalized basis is $50 to $60 million a quarter. And my view is that the number continues to be in that range.

In Q1, we did have certain sort of I would call positive sort of impact on that number for us. Firstly, seasonally, because of the gift card business, which is a big business for the bank, that does help us from a seasonal perspective.

We also had, I would say a timing as to how we get paid on some of the interchange in the U.S. So, those were positives.
perhaps the impact in Q1 was not as much as you might have been thinking. But, I think it is appropriate to say Durbin will cost us, you know, $50 to $60 million.

Having said that, we are trying very hard to mitigate the impact. As you know, there is no direct mitigation because it's not like Reg-E where we can change the behavior of our store folks and have customers opt in or opt out depending on, what their choices might be. Here, for us, the mitigation is more to do with our ability to optimize, our offerings, our value proposition out there where appropriate, to increase the fees, and more importantly, to offset it through growth.

As Ed mentioned and Colleen mentioned, we are seeing good organic growth in our business in the U.S., and that does help us to offset this. And I think I'd said this in an earlier call that my view is that within two years, we would have offset Durbin. So, that continues to be the case.

With respect to the fourth part of our question, our business and I've tried to figure out why the seasonality that we have in our U.S. business. But, we do. So, Q2, apart from being a short quarter, seasonally, it's not as strong a quarter.

Overall, I am still comfortable that we will, we're trying very hard. Tough to predict the future perfectly, but the guidance or the point we made is that our U.S. business should be able to evidence modest growth in 2012 from what we delivered in 2011, notwithstanding the impact of Durbin. So, I'm comfortable in saying that.

And with respect to growth generally, yes, it's the same. It might be boring, John. But, that's what we do for a living. It's getting one mortgage at a time, one customer at a time, one deposit at a time and one credit card at a time. And that's what it takes in our business, and we continue to work hard to generate that growth. And that's what's happening in our business in the U.S.

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

Thanks, John. Any other questions from the room? Okay. Operator, why don't we go to the first question on the phone please?

Operator

Your first question comes from Steve Theriault from Bank of America. Please go ahead.

Steve Theriault *- Merrill Lynch Canada - Analyst*

A question for Tim Hockey - Tim, I just want to make sure I understand what's going on with the HELOC trends. We've seen now several quarters of the HELOC book being relatively unchanged or even really shrinking slightly. Could you speak to what's driving this trend? Is it just that you product remains a little less competitive price-wise versus peers?

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

That's exactly right. We haven't changed our standards in any way. It's literally just the competitive market, and our pricing is a little off market right now.

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

So, I guess what I don't understand is if I come into the branch and I don't like the prime plus one pricing on the variable rate revolving portion, why don't I take a HELOC with a fixed option and get the flexibility of being able to draw down principle payments?

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

Many do. In fact, we often sell our HELOC because it has all of those features as a much more flexible option as a mortgage. So, it's not like we're not having any success in selling our HELOCs. It's just that there is very aggressive pricing elsewhere in the marketplace. So, we have the largest portfolio, and as a result, we're seeing a little bit of market share loss in specifically HELOC. But, on the other hand, we're getting it back on the mortgage side.

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

Okay. If I might, just one on credit cards - we've heard a lot about your mortgage efforts in the U.S., but could we get just an update on your credit card initiative? How successful have you been in ramping that business in the U.S.? And should we see any appreciable positive impact on margins or loan growth any time soon?

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

This Bharat, Steve. On the credit card business, relative to the business we have in Canada, it's quite small. But, we are seeing good growth in the number of cards that we are able to put out.

We have various initiatives that we've talked about previously as to how we are doing that. The main focus again is through our stores. We are America's most convenient bank. We have a huge customer base. And a lot of our existing customers have credit cards elsewhere.
So, we work on various strategies, to see whether we can cross-sell credit cards. And generally speaking, yes, it's quite a small business. We're happy with how we are progressing in that business.

And I forget the second part. Sorry, Steve. I'd say overall credit card is showing good momentum. And it's too small to make any material difference on the margin.

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

How much of the 12.5 billion of other consumer would be cards then?

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

About a billion.

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

About a billion. Okay. Thank you.

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

Thanks, Steve. Next question please.

Operator

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

Robert Sedran ***- CIBC - Analyst***

Hi, good afternoon. Tim, based on the information on slide six, I've got MBNA at roughly break even on the quarter. First of all, is that correct? And then, could you perhaps just give us a sense of the expected earnings emerging from this transaction and how long it'll take to start adding meaningfully to earnings?

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

Rob, it's Colleen. If you look at the math that we provided, I think it would lead you to conclude that it was a break even in the quarter. It actually was a bit better than that. I think part of it's just in the rounding, frankly. So, it added about 2 percent to the bottom line growth in the quarter.

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

And to answer the underlying trends, we're actually quite happy with what we're seeing. It will be in line with the guidance we gave previously we think for this year. Integration is going well. The employees have all signed on. The signs are up on the buildings, and we're selling lots of cards. So, we're quite happy. And I would say our early look at the credit quality is also better than we expected.

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

Okay. Thanks, Robert. Next question please.

Operator

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

Peter Routledge – ***National Bank Financial - Analyst***

Thanks. A question just for Bharat - you answered some questions on the revenue side of your business, but on the expense side, I guess you cut average FTEs by 295. And expenses seem, granted the adjusted efficiency ratio is a little bit higher. But, you don't have Durbin in the numerator relative to the same quarter last year. So, can you give some color on what you're doing with expenses and how much more room do you have to take more cost out?

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

So, to give you a sense, firstly, quarter-over-quarter is always hard to make comparisons because there's always timing issues, etc. But, overall, I think, we have, like Colleen mentioned, similar to the rest of the whole of TD Bank Group, we have various initiatives that are U.S. is focused to make sure we are permanently reducing our cost base.

One example I would give you, and I don't want to take too much time here, is in our teller system in the U.S., we recently introduced imaging capability. So, when our customers walk in, their deposits are imaged on the spot before the customer leaves the store. What that does is, better customer experience, it's all accurate. If there are 29 checks instead of 30, if the customer thought they were depositing 30, we'd be able to fix that on the spot.

What it does is it allows us then to exchange those images not only with other banks, but to make our processing, more seamless, and we are able to transmit that electronically. So, it reduces cost, improves our experience for our employees. And frankly, good thing there is it's good for the environment, as well, because we don't have these vans running around trying to pick up checks from all of our stores.

It's just one example of some of the things we are working on to try and permanently reduce cost. But, these are, fairly long term type of projects. And my view is that, over time, we will be able to get more efficiencies out of our business in the U.S.

Peter Routledge – *National Bank Financial - Analyst*

What's your target for adjusted efficiency ratios say for 2013? If you're at 60 now roughly, where do you want to be?

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

I think the US generally, if you look at many of our peers, would run low to mid 50 percent, 55 percent or so. In our own case, given the type of balance sheet we have, we don't have as many, relatively speaking, commercial loans. And as we redo our balance sheet where we have more loans, you know, you should be able to see that ratio move towards what you'd expect out of the US peer group.

Peter Routledge – *National Bank Financial - Analyst*

The mid 50s?

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

Yes

Peter Routledge – *National Bank Financial - Analyst*

OK. Thank you.

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

Thanks, Peter. Next question.

Operator

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

Brad Smith *- Stonecap Securities - Analyst*

I was just wondering, Bharat or Tim perhaps, if we could get an update on the Chrysler integration and how the business is going. I'm particularly interested in, if we could get a sense for the revenue and income contribution that it's making to the U.S. segment. Thank you.

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

So, this is Tim, Brad. The dealer signups actually just crossed over the 7,500 mark. So again, as we said earlier, great acceptance from the dealer community.

Loan originations continue to be quite strong, up fairly significantly over obviously where we were from a standing start this time last year. I would say our revenue, as we've said before, is still challenged from a margin point of view, given that we're playing in the prime space.

Our expenses are relatively high on a run rate basis. But, I can tell you that our earnings contribution to date, relative to our expectations, is high, less from the performance of the underlying business, if you will, and more so from the performance of things like our leases being brought forward, good resell values on cars.

So, clearly, we still have some mitigation work from an ongoing business point of view, and we've got all sorts of remediation efforts, vis-à-vis things like compliance and bringing what was a captive auto finance company up to snuff now being fully regulated by a bank.

Brad Smith *- Stonecap Securities - Analyst*

Terrific. Thanks, sir.

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

Thanks Brad. Next question please.

Operator

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

Gabriel Dechaine *- Credit Suisse - Analyst*

Hi, good afternoon. Just a quick one - the accretable yield, does any of that flow through the revenue line in the U.S.?

And then, pick one here - let's go with loan growth in the U.S. So, I see that for the last few quarters, commercial loan growth has been trailing consumer. I know consumer is starting from a smaller base. But, you know, is there anything else going on there? Is it, more of a strategic focus on the consumer? Is it, competitive marketplace for commercial loans? Impact of the runoff business? What's the trend there that I'm not seeing?

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

Well, I'll start. It's Colleen on the accretable yield question. So, I think you're probably asking that in reference to the acquired credit impaired loans, whether there's anything unusual in the accounting. So, this quarter, what you saw is that we did have a larger PCL number related to acquired credit impaired loans. But, to Mark's earlier comment, we do expect that portfolio is performing within original expectations. So, we did have a PCL. We did not have anything notable on the revenue side.

Gabriel Dechaine - *Credit Suisse - Analyst*

Okay.

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

And just to answer the question on consumer versus commercial, on the consumer side, most of the growth is coming on the mortgage and HELOC front. And there, the answer is relatively simple.

The legacy institutions that we acquired did not have any meaningful business in the mortgage segment. We've built a very good platform now. Mortgages are available through 1,300 stores in the U.S.

And what is going on with the lower rate cycle is there's a huge refinancing boom in the U.S. So, a lot of our customers had their mortgages at other institutions. And as they refi because of the rates, they're coming back to TD. So, that's why we are seeing very good pickup in our mortgage business. We are very happy with the way that it's going with respect to credit quality, what other products we can sell to those customers, etc. So, that's going, very well. On the commercial side, we are showing good growth on its own. I think year-over-year ex-acquisitions, it's about 10 percent growth.

Given what's going on in the U.S., we feel that growth is good and in keeping with, what we feel is within our risk appetite. Now, generally, in the economy, there is more strength. We are seeing some pickup on the commercial side that should continue. And in our case, we do get the advantage that when we enter a new market through new stores, one of the key advantages we have is we deliver the whole bank. So, that does generate commercial business for us, as well.

Overall, I'd say it's more the story around, taking advantage on the consumer side rather than, losing focus on the commercial side.

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

Great. Thank you, Gabriel. Next question please.

Operator

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

Sumit Malhotra - *Macquarie Capital Markets - Analyst*

Thanks, good afternoon. Very quick one for Tim Hockey, and then maybe a longer one for Ed Clark. Tim, your expense growth this quarter realized MBNA in there for only two months, but it was 8 percent year-over-year. Would you expect the full year expense growth in Canada to be higher, lower or about the same versus that number?

For Ed Clark, some press reports during the quarter suggested that the bank was looking at the potential purchase of an asset in Florida. Been a while since you bought anything in the U.S., and been a while since at least I've heard you talk about it. You used to mention asset sizes that you'd be looking at or potentially looking at, and whether it was actual banks or assets like Chrysler Financial or MBNA Canada that had just a lending component. Can you give us an update on what you're thinking about potential U.S. acquisitions?

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

So, on the first one, on the expense growth, that's about the range. But, I would say that, I can assure you, we will have positive operating leverage for the year.

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

And maybe I can just clarify on that, just for the record. So, obviously, that 8 percent does include the MBNA impact. So, ex- that, we were up about 3 percent.

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

And in terms of acquisitions, I think we've been signaling the market that we now believe we have a strategic size in the United States. So, we're not size challenged, per say. We have said, that Florida would be a place that we want to fill in, and we would like, on the asset management side, to get some bigger strength in U.S. and international equities for our wealth management strategy. But, those would be smaller acquisitions. So, I think once you decide that you are not strategically challenged, you want to make sure that any acquisition you did was accretive.

And so, yes, we continue to look at portfolio of assets, and we'll continue to do that. And if we see something which is good for the shareholders, we will do it. But, we're not chasing assets, per se. And similarly, if we're looking at, banks, you know, we will want to be disciplined to make sure that it's a good deal from the shareholders' point of view. So, we continue to look at things, but we're not in a great hurry to do deals.

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

Thank you, Sumit. Next question please.

Operator

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

Mario Mendonca - *Canaccord Genuity - Analyst*

Question's already asked and answered, thank you.

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

Thank you, Mario. Next please.

Operator

Your next question comes from Darko Mihelic from Cormark Securities. Please go ahead.

Darko Mihelic – *Cormark Securities - Analyst*

Hi, thank you. Just a question on the corporate segment, Colleen, I'm staring at page 10 of your supplemental pack, and under IFRS accounting, the worst I've seen out of the corporate segment is a loss of 29 million. So, the question refers to why do we think a $40 to $80 million loss range is appropriate? Secondly, should we expect that to happen like right away starting Q2? Third, along the same lines, would it be real--in other words, is it possible that we just get an allocation among segments so that you might have a bigger loss in corporate but you have more earnings in, I don't know, wealth or something like that? So, can you give me some idea of why we're thinking 40 to 80 and how we should see that roll through for the rest of the year?

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

Yeah, so, Darko, the corporate segment has many, many moving parts. Structurally, we believe that that ongoing loss should be in the $40 to $80 million range. But, this quarter, just a number of those moving parts all happen to trend a little bit more positively, creating that outcome. So, it isn't a matter of pointing to individual items that really drove it, but it was a whole variety of things.

So, I would guide you back to the minus 40 to minus 80, for the remaining quarters of the year. But, as we have seen, that number is quite difficult to predict.

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

Thanks, Darko. Next question please.

Operator

Your next question comes from Cheryl Pate from Morgan Stanley. Please go ahead.

Cheryl Pate – *Morgan Stanley - Analyst*

Hi. Just a quick question for Tim Hockey - just wondering if you can give us some color in terms of mortgage originations, fixed versus variable rate. I think we've heard some color from peers that consumers moving more towards a fixed rate product, and sort of how your originations have sort of trended over the last couple of quarters in relation to that and to the degree that impacted the margin this quarter.

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

So, our overall portfolio is about 50/50 split. But, very clearly, like the industry, we've seen a shift to fixed. And I think that number is more like 70/30 now, depending on the product. In terms of a margin shift, we've had a little bit of benefit, but as you see, our margin on average earning assets has gone down a little bit. And so, it wasn't enough to move that dial.

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

Okay. Thanks, Cheryl. Next question.

Operator

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

Brian Klock - *KBW - Analyst*

Good afternoon. Just a quick follow up for Ed and actually maybe even for Tim. Tim, you talked about the Chrysler Financial deal and some of the margins being, a little bit tighter than initially expected. I guess there was a large auto platform that's, out for bid right now in the U.S., actually North American auto platform. It's a little bit bigger than the Chrysler platform. I guess you guys think that's something that would fit well with TD or would that be something you'd be interested for the right price?

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

I don't think we comment on specific situations. I would say, though, that we're quite pleased with what we have now.

Brian Klock - *KBW - Analyst*

Okay. And then, a quick question for Mark - some of your other peers have talked about the condo developer exposure that they have within Canada. Is that something that you could share with us?

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

Yeah, certainly. So, for condo developer, I'm assuming that's really the condos under construction.

Brian Klock - *KBW - Analyst*

Right.

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

So, that's the high rise. I mean, that's been an area that we would probably identify as the highest risk or one of the higher risks in commercial lending. So, we've always approached it from a fairly conservative perspective, meaning that we've had very consistent underwriting guidelines that we adhere to. We really only deal with kind of the most experienced builders that happen to be longstanding builders that we've had relationships with.

In terms of the underwriting guidelines, we always have recourse. We always satisfy ourselves that we're dealing with a counterparty with reasonable liquidity. And we require a certain level of pre-sales that would reduce the risk in our view and to protect against a sudden correction of any sort.

To kind of put it into context for you, it's not a big business for us in terms of, in the commercial bank, it's really less than 2 percent of outstandings. And that number has remained relatively constant for a while because it does turn.

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

Time for one last question.

Operator

Your next question comes from Ohad Lederer from Veritas Investment Research. Please go ahead.

Ohad Lederer – *Veritas Research - Analyst*

Thank you. I just have a question about the asset to capital multiple. I see it's up to 18.3. Just wondering then does that number incorporate all of the transitional relief that OSFI provided? And then, just wondering what the bank's thinking about that, given the robust balance sheet growth in the U.S. Does the ACM become a constraint or are there other solutions to get around it?

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

Ohad, we're pretty comfortable with where we are right now. As you say, on the IFRS impact, we do have--we have a transition element on that. But, we're quite comfortable with the ACM right now. We don't really see it as a binding constraint at all.

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

Okay, thank you, Ohad. And with that, I'll turn it over to Ed for final remarks.

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

Well, from our point of view, it was obviously a great quarter both in terms of the amount of earnings, but I'd also say the quality of earnings. And I would say, if you had to say what's the standout, I think it's clear that our U.S. entity in overcoming Durbin, did particularly well this quarter.

I think our message is that, the economy does feel a bit better. Certainly, the U.S. economy feels better. And I think Europe has taken out a bit of the tail risk. But, still, when you step back, you have to say that a low interest rate environment still seems like the best prediction here. And low interest rates do put downward pressure on our interest margin.

And hence, as I said, what you're going to see, and these are long investments to do, but we have to work and pour some more money into how do we actually permanently lower the cost structure of the bank to operate in a lower interest rate environment.

We continue to maintain that, we like the 7 to 10 percent target rate for our earnings growth. But, as I indicated last quarter, we're going have to work hard in this environment to get there. But, that's what you pay us to do. So, thank you very much.

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

Great. Thank you, Ed. And with that, I will end the meeting. Thank you for your time today, and have a good day. Thank you.