TD BANK FINANCIAL GROUP
MERRILL LYNCH BANKING & FINANCIAL SERVICES CONFERENCE
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PARTICIPANTS

Ed Clark	President & CEO, TD Bank Financial Group
Sumit Malhotra	Analyst, Merrill Lynch Canada

PRESENTATION

Sumit Malhotra – Merrill Lynch Canada – Analyst

We're ready to get started with our next presentation. We're very pleased this morning to be joined by Mr. Ed Clark. Ed is the President and Chief Executive Officer of the TD Bank Financial Group, a position he's held since 2002. Ed joined TD in 2000 following the Bank's acquisition of Canada Trust where Ed had also been President and CEO. Prior to his time with CT, Ed held a number of senior level positions with the Canadian Federal Government and also spent time with our very own Merrill Lynch.

TD is the second largest bank Canada by both market cap and assets. The Bank has a leading position in the domestic market in retail banking, commercial banking, wealth management and capital markets. In recent years, the Bank has focused on US expansion and now has a 40% stake in -- on -- in wealth management firm TD Ameritrade and recently completed the acquisition of Commerce Bancorp. Ed?

Ed Clark – TD Bank Financial Group – President & CEO

Thank you, and good morning everybody. I'm delighted to have this opportunity to talk to you. Normally I put this slide up and say go ahead and read it, but I would say actually today it's probably worth my underlining -- we're in our quiet period. As you know, Canadian banks have a year-end of October 31st, and so I will have to be actually strictly observant to the fact that we are in our quiet period. So, in answering your questions, I'll be referring to only materials that are obviously in the public domain.

Clearly, we're operating in a pretty unusual environment just to set out the context from my point of view. I think, like a lot of people, I had thought that what we were going through up until August of 2008 was a one-year period of dealing with a financial services crisis built around structured products and the write-down of those structured products. And then, we were going to look forward to going into a recession and dealing with the economic consequences of the recession.

Obviously, I think the big surprise was the degree of return to a financial services crisis in September and October that, in fact, was much more severe than the previous 12 months in terms of a liquidity crisis that's impacted all the businesses.

But also, I think as a result of that crisis has made the now prospects for an economic downturn significantly more severe. And so, you've ended up with a financial services industry that's been in a sense whacked twice -- immediately by the September and October fallout but now looking forward, by how deep the recession will be and how that will affect the institutions.

In a broad sense, I think that the industry is going to get restructured, if I can put it this way, to look a lot -- more firms to look a lot more like TD. So, many of the things that we have done over the past five years are exactly the things that you would want to have done if you were facing this crisis.

It doesn't mean that we've been unaffected. No institution can operate in this environment and be unaffected, but I think we've been relatively unaffected -- less affected because we've made those moves.

But, we're also looking forward to an industry where I think a lot more people will be trying to imitate our strategies.

So, one of the key messages is that we are a North American bank. We're really the only one that has significant operations on both sides of the border. We're anchored obviously with a very strong Canadian operation, I'll go through that, but we also have a very strong US operation as well.

We're different, and I'll get into how we're different, but we're obviously very strong retail. About 90% of our earnings are from the retail side of the business. Last quarter that was 97%, but that reflects ongoing weaknesses, obviously, in our securities dealer. We're not different than everyone else.

And we are very much operators. Our focus is to build franchises and to build franchises, you try to find ways to make yourself permanently have a competitive edge, and then you're very tough and disciplined about executing against those operating standards. We have very good efficiency ratios. We've been very conservative on our liquidity practices, I'll get into that, but we don't take interest rate risk. We don't do the carry trade, and we prefund our long-term funding needs, and we have a very disciplined risk management strategy.

So, let me just briefly get over, in a sense, what we are. This gives you a chart that basically is year-to-date three quarters, and so it gives you a feeling for where we actually earn our money. The one thing in the chart though is that it understates our US because the commerce effect is only in there for one quarter. And so, the US number for the P&C business would be closer to 25% to 30% of our earnings, and all the other numbers would be going down proportionately.

So, in Canada, we -- ourselves and the Royal Bank would be the two large retail banks. We're basically tied in most products. Some we're number one, and in some they're number one, and we have about 1,000 branches, very well located, very strong market share across all products. So, we're in personal, small business, commercial, insurance and wealth management.

In the United States of course, we have -- what is now TD Bank, America's Most Convenient Bank, and we're basically in the northeastern part of the United States. And then, we have TD Ameritrade.

We also have a wholesale bank. We've been shrinking the wholesale bank over the last five years and moving it from more a trading operation to a franchise play, and we're continuing the -- that journey.

So, let's talk about the Canadian [personal and] commercial, because we have a particular business model. We own the convenience and service space, and so we put our branches in the best locations. We open them 50% longer in hours than our competition, and every year we win the J.D. Power Award. We also win the Canadian award called the Synovate Award. And the gap between ourselves and the competition widens every year.

As I indicated, we're basically number one or number two in most products. We believe in growing our branches rapidly, and so we continue to add new branches and we could probably grow them two to three times as fast, our branch network, as our competition. And we have had an enviable record on the credit side.

What has this meant? Well, it's meant spectacular earnings growth. You can see that. We've been basically growing our personal and commercial earnings about 14% a year. That will have slowed down this year, so year-to-date we're sort of in the 7% to 8% but still very solid earnings growth on a continuous basis.

In the wealth management space, we are the number one discount broker, very strong market position. Among the Canadian banks, we're number two in terms of mutual fund assets. We've been growing the

advice side of our business, investing in our retail brokers and our financial planner and our private investment side of that business, so we've got very -- you'll see very, very good earnings growth even though we've, in fact, been growing -- investing in our business quite dramatically.

And on the other side, in the wealth -- in the US side, of course we have our investment in TD Ameritrade. They've spoken at this conference, and they have been having a tremendous performance.

So, we've grown our wealth management earnings, compounded about 27% so tripling our earnings -- doubling our earnings every three years. This year, we're having a pause in our earnings growth. We're clearly affected on our wealth management that a lot of our revenue is driven off assets. So, when the value of the assets go down, the revenue goes down, and you can't make corresponding -- we've had -- we've held our expenses very tightly in this area this year, but you simply can't cut your expenses in line with what's happening to your revenue side.

So, we're having a flattish year, and I think as long as these markets continue this deterioration, we're going to have flattish earnings growth in the wealth management side.

When you put it altogether, the remarkable story is that we basically grow our revenue 50% faster than our competition in Canada. I would say the only market share number I really look at is market share revenue and market share profits, because that's the only thing that matters in the end. And there indeed, we have a -- just a remarkable story that because we own this space called convenience and service, it translates in ourselves into simply attracting, retaining and growing those -- a share of wallet every single year.

You also can see on this chart though that the revenue is slowing down, and so I think that and combined -- the slowdown combined with the rise in PCLs does mean that you're not going to get the same kind of profit growth in this area as we've had previously.

So, in the US side, that's certainly been a significant investment for us. We first bought Banknorth, and then we bought the Commerce Bank. We're just now moving to position that bank as TD Bank, America's Most Convenient Bank. And what we want to have in the United States, and obviously the attraction to us in buying Commerce, was to own exactly the same space in the United States that we own in Canada.

So, we open the branches here 50% longer than the competition. We also win the J.D. Power Award every year, and so we've built around -- and our view in the financial services is that you can't compete -- you don't have a sustainable competitive advantage by trying to have better prices or by having better products. Both of those are easily matched. The only place that you can actually have sustainable competitive advantage is in the customer experience, and those are really built around two things, convenience and service. And that's the space that we own.

We have very good market share in all of the northeast, and in our view again we're -- where retailers is -- retail market share matters county by county, and what you want to have is very strong market positions in each of the areas that you choose to operate.

And because we are a North American bank, we're able to bring our scale economies across North America so that in fact in total, we're quite competitive from a scale point of view, therefore you can focus on getting local strong market position.

Finally of course, we are a bank, and so balance sheets matter. And we have an incredibly conservative credit culture, and this has, in fact, acted to our advantage. And I'll show you some numbers on that. Again, quite spectacular growth, we've put in terms of EPS because in fact obviously we've been making acquisitions, but the results have been very, very good indeed.

Wholesale banking, we've been repositioning really for the last five years our wholesale bank. We exited all the sort of basic, non-Canadian lending around the world, shrunk that dramatically and got out of the major telecom and utilities lending. And then in 2005, I took a view that the structured product area was an area that was going to cause problems, and so we exited that structured product area in 2005 and 2006 at some cost at that time and not necessarily a popular decision, because people thought this was a great source of profits. But, I thought it was a great source of risk.

And we've been gradually moving the TD securities growth franchise play. We used to be the number five dealer in Canada. We're now clearly in the top three, excellent franchise positions. Clearly though, nobody's in -- who's in the wholesale side of the business today has enjoyed the last two months. If you have inventories of anything, the value of those inventories have gone down. We also have a significant head office portfolio, equity portfolio that certainly has been impacted.

And so you can see that in the results, and in fact the results have been trailing down. And so last quarter, we earned $37 million in the dealer, and so we're obviously being impacted like everyone else.

So, why are we different from other people? Well, this in quick summary: we have our business mix, our factor of North American focus, our credit culture, the fact of how we positioned our wholesale bank, how we manage liquidity and risk management and the fact that we are focused around being operators.

So, in terms of retail mix, you can see in terms of where we are getting our revenue from, we are clearly an outlier and in fact, if anything, this is out -- understating the degree to which we are retailing. Clearly, our retail businesses are growing faster than our wholesale business, so this mix continues to shift.

Secondly, we are unusual in the sense that we have geographic mix here, a balance between Canada and the United States where, as I indicated earlier, we're operating the same core business model. We're able to leverage on a North American scale our capabilities, but we actually have very strong market share in each of the places in which we operate.

And we're able to export to our US subsidiary how you run a universal bank model, so how do you take a wonderful franchise on the retail side and cross-sell things like wealth management and insurance, different products, things that we do naturally in Canada, that are less -- not as prominent in the US market, there are skills that we've developed. We are the best in the world at doing this, and we know how to in fact do it well.

Third of course, as I indicated, we own the service space and so it's really quite dramatic, the gap between our performance as measured by J.D. Power, but you could take any measurement that you want. You'll get the same sort of results. We believe this, in the end, is the core differentiator in the marketplace.

We have a very, very strong credit culture. You can see it in the numbers. You can either look at it in terms of our US space where we avoid it. If you take a look and say why do we have this better performance, well really it's where you lent, we lend in the northeast, how you lent, we didn't use commissioned sales people, we didn't lend outside our footprint, the kind of products we lent were conservative products and who we lent to were in fact our own customer who we knew. Those turn out to be, I think, if you take a look and say what's causing the problems in the US banks as they didn't do that in all cases.

And so really when you look at our performance, it's not such as an outlier if you said -- if you actually looked and said, "Well, if I took another bank and said if you lent in the northeast to a customer with a high beacon score and took a first lien home equity loan, what are you losing on that? You don't look so different than we do." We have discovered when we get it statistically that even there we're better, but

75% of the difference is just simply who we lent to, how we lent and what we lent, and by staying in that traditional lending fashion, we've ended up getting better performance.

The same is true in terms of in Canada, we're very conservative and in terms of our -- how we lend, but we're also conservative in terms of our provisioning. We provision very conservatively. As you know, in the terms of our US subsidiary, we're continuing to build reserves that we provide well above our charge-offs.

As I indicated, the stuff that really bothered the marketplace in the first year of this crisis, we had got out of and so, it meant that we didn't have write-downs as a result of that. Clearly, the current liquidity impacts every security dealer including our own.

So, coming to liquidity, we have a very strong deposit base. We actually have a bigger deposit base in the United States than we have in US assets, so we're overfunded in the U.S. Our personal and commercial bank in Canada is about evenly matched between assets and liabilities. And so it's only really the wholesale side that we need any external financing for. So, we're -- we have very, very strong, as I indicated, liquidity management policies. We don't take interest rate risk. If we embed an option in a product, we force people to actually buy it from the treasury. We've always charged a liquidity premium right through our wholesale dealer. And we believe in that model because we think people make wrong business decisions, if you send them wrong pricing decisions down from the center, and therefore we force people to fund.

The other difference from ourselves is that we're not very dependent on wholesale borrowings and so as you know, in the United States, the large banks in the United States face a wall of refunding that's got to come through. And so even with the government support, the fact is that they're going to have to refinance that debt at much higher spreads than they originally put the original debt on. This is not a major factor for us because of the way we've structured our balance sheet.

We are operators. We're trying to build franchises. We tell people that's what our fundamental business is. How can you build a franchise that is enduring, but always gives you the edge in competition? And that means that you have to constantly look ahead. And so our plans today are built around what we're going to do in 2007, so what do we have to do in 2009 to make ourselves better in 2010? And so you're constantly rolling ahead. And that's both in terms of keeping on building more stores and branches and spending money to bring your cost structure down. And generally we find that when you spend to bring your cost structure down, you also improve service. Because in fact, you're addressing the parts of the organization that don't work as well.

One of the numbers that we're quite proud of is that in fact our rate of return on risk weighted assets is dramatically higher. So, we consciously go out, we're very careful about charging people what it costs us in capital, to in fact take risk and so people are very careful about how they manage their assets.

The result of all this is that we actually earn about 2.5 times what the average American bank does for every dollar of risk we take. So, our -- you'll only have use the kind of implied leverage of risk-weighted assets to understand what our operational rate of return on our businesses are, our operational rate of returns are extremely high.

So, has all this worked to the benefit of shareholders? Yes. So, we've had a terrific run here, basically EPS growing 13% a year. Clearly 2008 is going to -- has been a challenged year for us, so we've not had growth in earnings this year. We've described it as a pause year, probably a negative pause year, so this has been a tough year, not because of our retail earnings, because they have continued to grow very well, but clearly we've been affected on the wholesale side of the business.

But despite that, if you take a look at -- because some people try to exclude write-downs, we don't think that's the right way to do it, if you own it, you own it, if you take losses, you take losses. So, clearly TD has performed spectacularly and in a relative sense, although from our point of view, not a satisfactory sense.

So, what's the key takeaways? We are a North American institution built around franchises. We've shifted the business mix to the lower-risk end. And we stay highly focused on executing and doing what we said we're going to do. I could open it up for questions here.

QUESTION AND ANSWER

Sumit Malhotra – Merrill Lynch Canada – Analyst

While the microphone gets set up, I'll start with the first one, Ed. So, here we are in New York and the red Commerce Bancorp branches are starting to be changed over to the green of TD.

Ed Clark – TD Bank Financial Group – President & CEO

Correct.

Sumit Malhotra – Merrill Lynch Canada – Analyst

You touched on the funding side. Obviously something that's becoming even more important in the last couple of months. You're leading market share, retail deposits in Canada. The sizeable deposit base at CBH on the retail side. Can you talk about what competitive pressures that's faced from some of the banks that have had capital and funding needs? And specifically the trade off between market share and profitability in your view for both of the franchises?

Ed Clark – TD Bank Financial Group – President & CEO

So, we're obviously in the unusual position that we are, in the sense, have the strongest deposit base, overfunded in deposits here in the United States and number one market share in deposits in Canada. And so that's an enviable position. But the bad news is that everyone wants our deposits. So, there's no question, this has been a challenging environment.

Its really gone through two phases. I would say in this first year, from August 2007 to August 2008, there were a number of rogue pricers who were unusual in the sense that they were some of the more prominent banks in the United States that were clearly facing funding problems. The latest crisis has, in a sense, done a couple of things. Its taken some of the rogue pricers out of the market, in the sense that they've been consolidated by other players. And there's been a certain flight to quality that meant some of the bigger banks have ended up actually getting a flood of excess deposits. And so in fact, some of the pricing pressures come off in the marketplace. But as a general statement, deposits are now more valued. And as I said, I think as a general statement the market is going to look at imitate our model more and more, which means that I think people are going to more aggressively go after deposits and value deposits.

So, what we're seeing is in general a thinning of margins on the deposit side, matched by a growing spreads on the asset side and we've been probably reluctant to sort of fully redeploy our excess deposits in these uncertain times and I think will be now, as we have greater clarity of who's surviving it and who

not, redeploying some of those deposits more aggressively and, in fact, getting even better asset spreads.

I think it -- may, what you -- we find is that you just have to be highly focused on being aggressive on your pricing for your core customer and be prepared, frankly, to let hot money or institutional money go away, so you can end up getting where your nominal deposits might fall off, but in fact your core deposits are growing. And that's probably what's been definitely happening with us and we're not -- we're quite comfortable with that because we're not deposit short, generally. So, we don't need the hot money.

Unidentified Audience Member

What percentage of total North American P&C assets is represented by the US today?

Ed Clark – TD Bank Financial Group – President & CEO

Sorry what was the --?

Sumit Malhotra – Merrill Lynch Canada – Analyst

What percentage of total North American P&C assets is represented by the US?

Ed Clark – TD Bank Financial Group – President & CEO

Assets -- the US would represent -- we've got about $45 billion of loaned assets in the US, mostly commercial. So, that would be much bigger than our commercial book in Canada, which would be about $15 billion, but we would have a much bigger personal book in Canada, but that's in residential mortgages, 75% of which are guaranteed by the Government of Canada and in which we have almost no loan losses.

So, in terms of credit risk, the US would represent much more credit risk than Canada would be. That's, I think --.

Unidentified Audience Member

Well, where I'm coming from is my guess is if you look at the split of assets for P&C, between Canada and North America, my guess is from an asset standpoint, what -- the US is a much bigger percentage of assets than it is of profits today.

Ed Clark – TD Bank Financial Group – President & CEO

Of profits?

Unidentified Audience Member

Yes.

Ed Clark – TD Bank Financial Group – President & CEO

Yes.

Unidentified Audience Member

And I'm just wondering how you're going to close that gap so that you can achieve a similar level of profitability from the US business as you do from your very successful Canada business.

Ed Clark – TD Bank Financial Group – President & CEO

Yes. So, to us, this is what they -- the great opportunity is, is that in Commerce you bought really a deposit monoline, with a small asset book. And yet had a terrific brand, a terrific business model in terms of service and convenience and a great customer base. And so we do think we have the ability, because this is what we do for a living in Canada, is can we own the whole wallet of the customer? And gradually cross-sell that customer base? And every test that we do, the results are staggering to us. I mean, they're just good that they're almost unbelievable.

So, we do think you can widen that along. And as you do, you start getting a much better mix of rate of return on risk-weighted assets. So, right now, our rate of return in our US operation of risk-weighted assets would be significantly less than they would be in Canada because we have a full set of things that we're selling to the customer base.

Unidentified Audience Member

And really how long are you budgeting to get there?

Ed Clark – TD Bank Financial Group – President & CEO

Oh, I think that's a four to five year journey at least. I think it's -- I mean, that's a long journey to get there. But the great thing about retail franchises is you don't have to get there immediately. I mean, what you're doing is you're just layering on one capability after another that then is sustainable on one income stream that's been sustainable and you just keep adding to it every year.

So, we probably, it's a forever journey in one sense. But I'd say to change the business mix is definitely a 4 or 5 year journey here.

Unidentified Audience Member

Just finally, this is obviously a fantastic environment for people who have the capital and liquidity to originate assets in the US. So, how are you approaching this environment? Because you have such an amazing opportunity and a balance sheet in the US that would allow for that?

Ed Clark – TD Bank Financial Group – President & CEO

So, we're approaching it pretty conservatively. I guess the way we look at the US right now is that it's very hard to know what the value of assets are. And the thing is, when you buy banks, you buy balance sheets

and you buy assets. And so given the uncertainty about how deep the US recession's going to be, you're making a bet on that essentially and how deep that recession is when you're buying banks.

So, we've said we have the advantage that we don't actually have to buy a bank to execute our business plan. So, I think one of the things in our story that makes us different is that we can grow organically. If you take a look at the average bank in the US and strip out acquisitions, it's not obvious, but there's a lot of real organic growth there. And in Canada, we have constant -- we're not making acquisitions, so that growth you saw was all organic growth. And the Commerce has an organic growth model. So, we're not -- we don't need to make acquisitions to execute our business plan. So, when we look at acquisitions, we say, well, they have to be in our footprint. They have to be, in fact, cheaper than building out, because we can build new branches successfully. And they have to involve pretty minimal asset risk. So, if those conditions come together, we do acquisitions. But if they don't come together, we won't. And so we're obviously watching the situation. But you're not going to see us suddenly move up the risk curve, the risk environment.

Unidentified Audience Member

Could you discuss your operating ratios relative to your peers, both in Canada and the US please?

Ed Clark – TD Bank Financial Group – President & CEO

What our operating ratios are?

Unidentified Audience Member

Yes.

Ed Clark – TD Bank Financial Group – President & CEO

So, in Canada, we're operating our efficiency ratio and our P&C business, it is about 50, 51%. So, we've been historically operating with an income -- a revenue to expense cap of about 3%. That basically disappeared this year where we continue -- we grew our number of hours and we decided to invest in the business and I do think that as revenue comes down, we're not going to be able to see a significant operating leverage there, but we're already at 50, 51, and so we're not unhappy with where we are. And the United States, we're in the mid-60s right now. And we haven't got the synergies from the merger.

I think that will bring it down, but it'll be awhile before we get to the Canadian. We are growing the branch system. We're growing the branch business 30, 35 new branches a year, moving up to 50 to 75 once we're through the merger. And that does put a -- that's probably worth about ten points on the efficiency ratio. So, we would rather be cautious. I think if we were to take over the Commerce and suddenly get too hair-shirtish about expenses. I think we could destroy the culture there and that culture is worth more in revenue than we save in the expenses. So, we're going to move that number down gradually, but not radically.

Unidentified Audience Member

So, with house prices in Canada declining, can you please touch on the key differences between the Canadian and the US mortgage market, for example, recourse to the borrowers' personal assets.

Ed Clark – TD Bank Financial Group – President & CEO

Yes.

Unidentified Audience Member

If they default? And if you can also update us on how [rich] loan-to-value ratios on your mortgage books in both Canada and the US?

Ed Clark – TD Bank Financial Group – President & CEO

Yes. So, it's a completely different market. First off, mortgages, the Canadian banks essentially originate, most of the mortgages and they keep those mortgages on their balance sheet. And so the whole incentives are different because, in fact, we own this risk and so we have been a conservative force.

Secondly, there is an interest deductibility for the mortgage. So, you're not incenting people to overborrow. So, if I borrow, I'm paying real interest. We have about 75% of our file, as I said, is actually government guaranteed. We're running right now about a one basis point loss on our mortgages.

In the worst situation, Canada in the '80s, had a 20% decline in housing prices and it soared to seven basis points. So, to give you order of magnitude of the kind of losses. And that just reflects the fact that we loan -- we have to, by law, if you're lending at more than 80% loan-to-value, you have to actually get it guaranteed by the government. You have to buy insurance.

So, the whole system is set up. The mortgage book is not, when we look forward, the mortgage book is not where we see problems. Where we will have PCLs are really two areas. One will be in the unsecured lending. Which is still a small part of our file. But still that's where you'll definitely get hurt.

And if the recession comes to Canada, which seems inevitable, then your commercial book, even if you're conservative, you're going to take hits, but again you have to put it in the context, these are not dramatic numbers that you're going to see here. So, I -- we think PCLs will grow in the next couple of years. But we're starting from a pretty conservative base.

Unidentified Audience Member

I'll jump in with another one here, maybe ask you to put your former government hat on. Obviously in the last few months, globally there's been increased aid or capital provided by governments to financial institutions. I think it's fair to say the challenges or the capital issues faced by Canadian banks have been not as bad as their peers globally and for that reason, the Canadian government maybe hasn't been as aggressive in aiding financial institutions. Do you think that banks like TD or insurers, if we go to that space as well, have been disadvantaged on the funding market relative to some of the moves made by foreign governments?

Ed Clark – TD Bank Financial Group – President & CEO

No, I don't actually think that. I've been a strong advocate that we would like to get through this crisis without government bailouts. There have been no bailouts of the Canadian banking system. I think we

have an opportunity to come out of this with a worldwide brand that we actually do know how to run banks pretty well.

The only thing that the government -- the government has done two things. One is that they've agreed to buy back some of the mortgages that they've in a sense guaranteed.

This is a pretty good deal from the government's point of view. We pay them 25 basis points to guarantee our mortgages. As I say, our loss ratios have ranged from one basis point to seven basis points. So, you make money on providing the guarantee. And then now you have us pay you to take those mortgages back and they've been doing auctions that have been well north of 100 basis points to buy the mortgages back from them that already have their guarantee. So, there's no change in the government's net debt outstanding. And so they're making money on that 100 basis points as well.

So, in a sense, we're giving money to the government, not the government giving money to us. I think, though, that is an important source of financing. So, the Canadian banks are really using this unique position that they have, by having very strong balance sheets with good mortgages on it as a way of funding themselves at rates that are in fact comparable or better than banks around the world are able to fund themselves, without -- with the guarantee. So, in fact, I would say we've ended up in a good position and so I think -- and we don't -- I think we -- the only move that we did have right now is that the government -- the regulator has also moved up our percentage of preferred share financing and our tier one.

We've had traditionally a rate of only 30%. The rest of the world has a much more leveraged capital structure. So, when we look at our tier one ratios, we look like we have lower capital, but in fact if you looked at tangible common equity, we have higher ratios than the rest of the world. So, I think the regulator correctly concluded that if we're -- since people don't do that analysis, we ought to move the Canadian tier one ratios more apples-to-apples comparison, so we moved it 30% up now to 40. That's still dramatically less than everywhere else in the world, but it will mean that our tier one ratios will go up.

So, I think Canadian banks have a real opportunity of getting through this without government aid. And I think government aid, always in the end, comes with strings attached that we don't want. So, I think this is a good development.

Unidentified Audience Member

Hi. Just in terms of your US deposit base, do you have any plans for potentially acquiring a failed US bank or deposit base in a failed US bank?

Ed Clark – TD Bank Financial Group – President & CEO

I think, obviously, we speak to the regulators regularly and we are, as one of the few AAA banks in the world, we're well regarded in the United States and so I think we'd be seen as a suitable buyer. I think if a deal came along that was in our footprint, and we were getting government guaranteed of the assets, obviously, we would take a look at it. But it doesn't necessarily mean that we would do it.

We would want to make sure that the deposits are in places that we want to actually be and that the deposits are real, they're not just hot money. And so -- but we will look at all of deals. But as I indicated, we're not in a hurry because we have a business model that works without doing it. So, it's -- we do a very simple calculation is if we went into this city and build out new branch systems, we have pretty good models that tell us what those will look like and is the economics of that superior or is it acquisition superior? And in both -- in one case, we control the assets we put on, so we wouldn't want to end up with

assets that wouldn't be, from our point of view, as good as the assets that we could put on our own. So, yes, the answer is yes, but I wouldn't hold your breath that we'll do something. It would have to be a good deal for us to do something.

Sumit Malhotra – Merrill Lynch Canada – Analyst

Thank you. Okay. I think there's no further questions. We can leave it there. Ed, thanks very much.

Ed Clark – TD Bank Financial Group – President & CEO

Thank you.