SOUTH FINANCIAL GROUP INC
Form 425
July 22, 2010

Filed by The Toronto-Dominion Bank
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12 under the
Securities Exchange Act of 1934
Subject Company: The South Financial Group, Inc.
Commission File No.: 0-15083

This filing, which includes (i) a communication sent to employees of TD Bank, America s Most Convenient Bank and The Toronto-Dominion Bank on July 21, 2010 and (ii) communications sent to employees of The Toronto-Dominion Bank and/or TD Bank, America s Most Convenient Bank on July 22, 2010, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and comparable safe harbour provisions of applicable Canadian legislation, including, but not limited to, statements relating to anticipated financial and operating results, the companies plans, objectives, expectations and intentions, cost savings and other statements, including words such as anticipate, believe, plan, estimate, expect, intend, should, may, and other similar expressions. Such statements are based upon the current beliefs and expectations of our management and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: the ability to obtain the approval of the transaction by The South Financial Group, Inc. shareholders; the ability to realize the expected synergies resulting from the transaction in the amounts or in the timeframe anticipated; the ability to integrate The South Financial Group, Inc. s businesses into those of The Toronto-Dominion Bank in a timely and cost-efficient manner; and the ability to obtain governmental approvals of the transaction or to satisfy other conditions to the transaction on the proposed terms and timeframe. Additional factors that could cause The Toronto-Dominion Bank s and The South Financial Group, Inc. s results to differ materially from those described in the forward-looking statements can be found in the 2009 Annual Report on Form 40-F for The Toronto-Dominion Bank and the 2009 Annual Report on Form 10-K of The South Financial Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission s Internet site (http://www.sec.gov).

The proposed merger transaction involving The Toronto-Dominion Bank and The South Financial Group, Inc. will be submitted to The South Financial Group, Inc. s shareholders for their consideration. The Toronto-Dominion Bank and The South Financial Group, Inc. have filed with the SEC a Registration Statement on Form F-4 containing a preliminary proxy statement/prospectus and each of the companies plans to file with the SEC other documents regarding the proposed transaction. **Shareholders are encouraged to read the preliminary proxy statement/prospectus regarding the proposed transaction and the definitive proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC because they contain important information.** Shareholders may obtain a free copy of the preliminary proxy statement/prospectus, and will be able to obtain a free copy of the definitive proxy statement/prospectus when it becomes available, as well as other filings containing information about The Toronto-Dominion Bank and The South Financial Group, Inc., without charge, at the SEC s Internet site (http://www.sec.gov). Copies of the definitive proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the definitive proxy statement/prospectus can also be obtained, when available, without charge, by directing a request to TD Bank Financial Group, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations, 1-866-756-8936, or to The South Financial Group, Inc., Investor Relations, 104 South Main Street, Poinsett Plaza, 6th Floor, Greenville, South Carolina 29601, 1-888-592-3001.

The Toronto-Dominion Bank, The South Financial Group, Inc., their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank s directors and executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2009, which was filed with the Securities and Exchange Commission on December 03, 2009, its notice of annual meeting and proxy circular for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on February 25, 2010, and the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010. Information regarding The

South Financial Group, Inc. s directors and executive officers is available in The South Financial Group, Inc. s proxy statement for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on April 07, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010, and other relevant materials to be filed with the SEC when they become available.

THE FOLLOWING IS A COMMUNICATION SENT TO EMPLOYEES OF THE TORONTO-DOMINION BANK ON JULY 22, 2010

1. Fight Over Consumer Agency Looms as Overhaul Is Signed The Wall Street Journal
President Barack Obama on Wednesday signed into law the most sweeping financial overhaul since the Depression, putting the country on a course toward a more muscular regulatory framework. See full story

2. Bernanke stands by stimulus withdrawal strategy The Globe and Mail
Federal Reserve chairman Ben Bernanke says the U.S. economic outlook is unusually difficult to predict, but not dire enough to warrant a shift in policy, dashing the hopes of investors who fear the recovery will peter out without a fresh jolt of stimulus. See full story

3. The lending tables turn: Banks woo small firms The Globe and Mail
Shawn Levangie got the call he d been dreaming of last summer when, out of the blue, retail giant Wal-Mart placed a $1-million order with his garden tool company in Nova Scotia. Alec Morley (SVP, Small Business Banking, TD Canada Trust) quoted. See full story

4. TD Bank benefits from newly planted forest London Free Press
In a series of firsts, 77,000 trees are being planted on abandoned farmland near London and the carbon credits generated sold to a major corporation to offset its gas emissions. Karen Clarke-Whistler (Chief Environment Officer) quoted. Same article appears in other Sun Media newspapers. See full story

5. Damage from last week s hailstorm could set record for Calgary; Insurance firms still receiving calls for claims Calgary Herald
More than a week after lightning, hail and heavy rain tore through the city, insurance companies are still tallying the damage to vehicles and property. Henry Blumenthal (VP and Chief Underwriter, TD Insurance) quoted. See full story

6. TD Ameritrade builds on Omaha ties Omaha World-Herald
Two years ago TD Ameritrade asked a developer to construct an office building in the Old Mill area that the company would lease as its headquarters. Fred Tomczyk (President and CEO, TD Ameritrade), Bill Gerber (CFO, TD Ameritrade) and Lorne Hurov (Managing Director, Real Estate, TD Ameritrade) quoted. See full story

7. We re from Wall Street and we re here to help MSNBC (Reuters)
Jason Ader, a former hot-shot casino industry analyst turned wealthy hedge fund manager, is rolling the dice, hoping to become a community banker in Las Vegas. But federal bank regulators haven t seemed very inclined to grant him his wish. And their reluctance underlines an unusual conundrum at the center of the U.S. financial system today. TD Bank mentioned. See full story

8. South Financial Group reports $214.1M goodwill charge on Carolina First Bank Charleston Business Journal (SC)
The South Financial Group reported a $314.9 million loss for the second quarter, or $1.46 per diluted share, including a goodwill impairment charge of $214.1 million on the value of Carolina First Bank. TD mentioned. See full story

9. National Bank aims to expand wealth unit; Concentrated effort to grow outside Quebec National Post (Reuters)
National Bank of Canada, the country s sixth-largest lender, aims to expand wealth management services outside its home province of Quebec through both organic growth and acquisitions, the head of the bank s wealth unit says. See full story

10. Wells Fargo Profit Rises as Loan Losses Fall The Wall Street Journal

Wells Fargo & Co. s profits jumped 20% from the prior quarter, as once-raging loans losses tapered sharply and hedging gains from mortgage-servicing rights again boosted the firm s bottom line. See full story

11. Traders at Morgan Stanley Help Profits Top Estimates The New York Times

Morgan Stanley faced near death during the credit crisis in 2008. Then it became so cautious that it missed the stock market boom in 2009. Now, however, it appears to have found its groove. See full story

12. L Industrielle Alliance pourra digérer American-Amicable [Industrial Alliance can digest American-Amicable] Finance et investissement

C est maintenant officiel : l Industrielle Alliance a conclu hier l acquisition des actions de la texane American-Amicable Holding, une transaction de 145 M$ annoncée le 28 avril dernier. [It s now official: Industrial Alliance yesterday concluded the acquisition of the shares of the Texas-based American-Amicable Holding, a $145M transaction announced last April 28.] See full story

13. Banks Generate Profits, but Struggle to Lend The Wall Street Journal

Even banks that survived the financial crisis in better shape than most of their rivals say they continue to have trouble making new loans amid the rocky economy. But at least profits aren t as hard to generate. See full story

14. Poor Loan Demand Damps Bank Profits The Wall Street Journal

Amid signs of improved second-quarter demand among businesses including airlines, trucking and machinery, there s at least one place where demand is a no-show so far banks. See full story

15. Tide of home insurance claims is rising; Water damage. Policies cost as much as 30% more than last year The Gazette (Montreal)

Home insurance costs in Quebec have jumped as much as 30 per cent this year over 2009 as underwriters report rising numbers of water damage claims, often stemming from the brief but heavy rains that have characterized recent Quebec summers. See full story

16. Même en vacances, les gestionnaires veillent sur vos placements [Even on vacation, managers watch over your investments] Les Affaires

Ah, les vacances ! Enfin l été, le soleil, le chalet, la mer... La période idéale pour décrocher. [Ah, the holidays! Finally the summer, the sun, the cottage, the sea...The ideal time to take off.] See full story

17. Look to 2011 for U.S. housing recovery as prices, sales continue to fall The Globe and Mail

House prices in the U.S. have stabilized, but look for a setback on Thursday as pressure wanes from a last-minute rush of home buyers seeking to take advantage of the federal government s tax credit. James Marple and Dina Cover (TD Economics) quoted. See full story

18. Honest advice for the wealthy? That s rich The Globe and Mail

It s pretty great to be rich, unless you re trying to get some decent advice about your finances. Professional financial planners are often just happy to see you walk through the door, and aren t particularly motivated to tell you the ugly truth about why your decision to invest in junior Congolese mining companies may not be the most clever idea in the world. See full story

Looking for TD s view on articles about the bank or the financial industry? Visit TD News & Views for background on some stories of the moment that may come up in your discussions with customers, colleagues and friends.

Vous cherchez des opinions et des articles de la TD au sujet du secteur bancaire ou financier? Visitez Nouvelles et Opinions de la TD pour y trouver de l information sur certains sujets d actualité qui peuvent être évoqués dans vos discussions avec des clients, des collègues et des amis.

Full Stories

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1. Fight Over Consumer Agency Looms as Overhaul Is Signed
The Wall Street Journal
07/22/
DAMIAN PALETTA
Pg. A1
President Barack Obama on Wednesday signed into law the most sweeping financial overhaul since the Depression, putting the country on a course toward a more muscular regulatory framework.
The law gives the government authority to take over and liquidate failing financial firms, injects transparency into transactions involving financial instruments called derivatives and will restrict banks from making risky bets with their own capital. It directs agencies to write hundreds of new rules.
But one provision that barely survived will have the most direct bearing on millions of ordinary people s lives: a new agency meant to protect consumers from abusive financial products, called the Bureau of Consumer Financial Protection.
The proposal was the source of some of the most intense debates in the long struggle over the financial-regulatory overhaul, and the battles are far from over.
The biggest looming one is over who will head the agency, and that heated up this week as liberal groups insisted the White House give the job to Elizabeth Warren of Harvard Law School whose idea the agency was. Banking groups were urging key senators to oppose Ms. Warren, calling her an activist who would impose policies they argue would hurt the availability of credit, especially for those with low incomes.
With Democratic leaders in Congress joining liberal consumer groups and unions in pushing for Ms. Warren and with many Republicans opposed the contest is shaping up to have the intensity and drama of a Supreme Court nomination. Senate confirmation is needed.
Mr. Obama s choice, expected soon, will be a momentous one because the first director will have great influence over agency s direction, wielding a roughly $500 million annual budget that doesn t require approval from Congress.
The new consumer regulator will be funded by the Federal Reserve and have independent powers to write and enforce rules governing how loans and other financial products are offered, bearing on everything from the type of mortgages people can get to the fees on their credit cards.
The agency will be able to enforce its rules against any bank with more than $10 billion of assets, as well as all large mortgage lenders, student-loan companies and payday-loan firms.
It will have an army of examiners to probe these companies practices. Small banks will have to follow the new rules written by the agency but they will be examined by other federal regulators.
The bureau s policies and rules could be overturned by other regulators only if they would put the safety and soundness of the U.S. banking system or the stability of the financial system of the U.S. at risk.
As a new agency born out of a deep economic downturn, the agency is a modern analog of the bureaucracies spawned by the Depression, like the Securities and Exchange Commission and Federal Deposit Insurance Corp.
Signing the financial-overhaul bill on Wednesday, Mr. Obama said, Our financial system only works our market is only free when there are clear rules and basic safeguards that prevent abuse, that check excess, that ensure

that it is more profitable to play by the rules than to game the system. And that s what these reforms are designed to achieve.

Ms. Warren had a front-row place at the ceremony, and afterward lunched with White House senior adviser Valerie Jarrett. On Thursday, about a dozen Democratic legislators are holding a news conference to call for Ms. Warren to be nominated to head the agency. But Sen. Christopher Dodd, the Connecticut Democrat who heads the Senate Banking Committee, said Monday Ms. Warren might not be confirmable.

Another candidate to head the consumer agency is Michael Barr, an assistant Treasury secretary and former University of Michigan law professor. During debate over how to construct the new financial regulations, Mr. Barr negotiated for months with bankers, and many prefer him to Ms. Warren. Mr. Barr also is very close to Treasury Secretary Timothy Geithner, which could help his candidacy.

Also a possibility is Gene Kimmelman, the Justice Department s chief counsel for competition policy and intergovernmental relations. He, like Mr. Barr and Ms. Warren, has a record of advocating measures that could crimp banks.

From the day the proposal for a financial consumer-protection agency was introduced by Mr. Obama in June 2009, it repeatedly faded and was resurrected. The debate pitted the White House, congressional Democrats and labor unions against thousands of U.S. business people, from bankers and auto dealers to dentists and lobstermen.

Supporters said the government needed new powers to protect Americans from abusive financial practices such as hidden fees in the fine print, which they argue helped cause the financial crisis. Opponents said the agency was a sign of nanny state that treats regulators as better equipped than citizens to make decisions.

The bureau survived when a handful of activists, politicians and administration officials were able to splinter the opposition with a mixture of canny politics and luck.

Massachusetts Democratic Rep. Barney Frank, supporting a new agency, drove it through a balky House of Representatives. In the end, its structure and the compromise that smoothed its passage sprang from an off-the-cuff suggestion from one of its critics, Republican Sen. Bob Corker of Tennessee.

Early last year aides to Mr. Obama, searching for ideas, dusted off a 2007 paper by Ms. Warren envisioning the new bureaucracy. A Harvard law professor born poor in Oklahoma 61 years ago, Ms. Warren was the granddaughter of a couple who lost their savings in the Depression after a bank failure. In the 1990s, after serving as an adviser to a bankruptcy review commission set up by President Bill Clinton, she waged a long battle against efforts to make personal bankruptcy laws more business-friendly.

The idea of a consumer financial agency wasn t universally popular in the Obama camp. Some aides warned Mr. Obama it would spark a big fight and might not pass.

In April 2009, White House chief economic adviser Lawrence Summers and Ms. Warren, longtime acquaintances from Harvard, met for three hours at an Indian restaurant in Washington, hashing out ideas about the possible design of such an agency. Playing a devil s-advocate role he often employs in policy debates, Mr. Summers questioned how such a bureau could be insulated from political influence. Ms. Warren left with a sense she had Mr. Summers s support of the agency.

Two months later, Mr. Obama appeared in the East Room of the White House before lobbyists, consumer activists and lawmakers and outlined his vision for the new consumer agency. Many were taken by surprise.

Consolidating powers of multiple regulators, it would write and enforce rules affecting a range of companies, from Wall Street banks to payday-loan stores. Almost any company that offered a financial product to consumers would

have to answer to it.
Administration officials thought the concept would resonate so strongly with the public that it would smooth the passage for the entire financial overhaul. But bankers and Republicans went on the attack, saying it would create an ungovernable bureaucracy and restrict credit.
Twenty-three business groups representing a wide range of industries sent a letter to all House members a month later urging them to delay any vote on the new agency. The letter so roiled Capitol Hill that Mr. Frank had to scuttle a planned vote in his Financial Services Committee on the issue because it was unclear Democrats could hold together.
Two days later, Treasury deputy secretary Neal Wolin met 250 bankers in a ballroom at the Capital Hilton. We cannot go back to business as usual, he said, asking for their support for an agency.
Barrie Christman, chairman of Principal Bank in Iowa, stood up after the speech. As the doctors would say it: First, do no harm, she said. We do believe there are solutions out there we just have significant concerns about many of the approaches that are in the current proposal. She received thunderous applause.
The U.S. Chamber of Commerce launched an ad campaign featuring a butcher complaining a new agency would drive up his costs. The ad attracted so much attention that in October it drew a rebuke from Mr. Obama, who called it completely false.
Mr. Frank of Massachusetts strongly backed the agency, believing that some lenders, left to their own devices, will take advantage of consumers.
But he can be a pragmatist, and when he saw that votes for the proposal were slipping, he reshaped it. He scrapped a White House plan to require companies to offer no-frills versions of their financial products, and he offered exemptions to community banks, aiming to disarm an influential source of opposition.
Despite the changes, when the broad financial-overhaul bill neared a final House vote on Dec. 10, the agency s survival was in doubt. Rep. Walt Minnick, a conservative Democrat from Idaho, rallied support for replacing the agency with a council of regulators with skimpy powers. Mr. Frank, the White House and unions mobilized against the Minnick alternative, and it narrowly lost.
In the Senate, the agency proposal had a vocal critic in the ranking Republican on the Banking Committee, Richard Shelby of Alabama, who called it a nanny state idea.
Mr. Dodd, under pressure from the White House and liberal groups, broke off talks he d been having with Mr. Shelby. Mr. Dodd instead started negotiating with Sen. Corker, although the Tennessean also was opposed to a stand-alone consumer regulator.

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2. Bernanke stands by stimulus withdrawal strategy
The Globe and Mail
07/22/2010
KEVIN CARMICHAEL
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Federal Reserve chairman Ben Bernanke says the U.S. economic outlook is unusually difficult to predict, but not dire enough to warrant a shift in policy, dashing the hopes of investors who fear the recovery will peter out without

a fresh jolt of stimulus.
Visiting Capitol Hill to deliver semi-annual testimony on monetary policy Wednesday, Mr. Bernanke defended his approach to nursing the world s largest economy back to health, which remains tilted toward unwinding the extraordinary measures the Fed deployed to reverse the financial crisis.
Mr. Bernanke stuck to his present course even though he said the rebound is only moderate and the economic outlook remains unusually uncertain.
Stock markets in the U.S. and Canada slipped as Mr. Bernanke testified because some investors were hopeful the Fed chief would either signal more confidence in the economy or take a more aggressive stand against signs the rebound is flagging. Housing starts fell in June, according to government figures released Tuesday, flaming fears the economy could fall back into recession.
We don t think a double dip is a high probability event, Mr. Bernanke told the Senate banking committee Wednesday. He also played down fears over a protracted collapse in prices, saying that at this point, there is not a very high probability that deflation will become a concern.
But that s not to suggest that Mr. Bernanke is enthusiastic about the state of the economy. Just last week, the Fed cut its 2010 growth outlook to a range of 3 per cent to 3.5 per cent, from 3.2 per cent to 3.7 per cent in April.
The cutback was made because of the market turmoil related to Europe s debt crisis.
In his report to Congress, he said he is concerned about long-term unemployment and the difficulty small businesses are having obtaining credit. The average 100,000 jobs per month the economy created over the first half of the year is insufficient to reduce the unemployment rate materially, Mr. Bernanke said. The housing market remains weak because so many vacated and foreclosed homes are weighing on prices, he added.
Since underpinning employment is part of the Fed s mandate, the uncertain economic outlook means U.S. policy makers likely will leave their benchmark lending rate near zero for a while perhaps until well into 2011, according to Paul Ferley, an economist at Royal Bank of Canada .
In the meantime, the Fed appears to be leaning toward paring the $2-trillion (U.S.) in financial assets it absorbed during the crisis when private buyers disappeared. But only leaning. Mr. Bernanke stressed that he is prepared to explore unconventional policy again if his current projections turn out to be too optimistic.
Even as the Federal Reserve continues prudent planning for the ultimate withdrawal of extraordinary monetary policy accommodation, we also recognize that the economic outlook remains unusually uncertain, Mr. Bernanke said in his prepared testimony. We will continue to carefully assess ongoing financial and economic developments, and we remain prepared to take further policy actions as needed to foster a return to full utilization of our nation s productive potential in a context of price stability.
Mr. Bernanke was open in discussing what those extraordinary measures might be. He told senators that the Fed could make more explicit its promise to leave interest rates low for an extended period, or that the central bank could cut the 0.25 per cent it pays on money commercial banks deposit at the Federal Reserve. Mr. Bernanke said the Fed might also return to asset markets, buying securities in a bid to lower prevailing interest rates.
Still, his prepared remarks went into far more detail about the Fed s plans to get the size of its balance sheet closer to the $800-billion in assets it was holding before the crisis.
That s not the emphasis some analysts were looking for.
Why the Fed finds it prudent to emphasize its ability to renormalize monetary policy when the output gap closes is

beyond me, Sherry Cooper, chief economist at BMO Nesbitt Burns Inc., said in a note to clients. Deflation, not inflation, will be more troubling for the foreseeable future.

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3. The lending tables turn: Banks woo small firms

The Globe and Mail
07/22/2010
GRANT ROBERTSON and JEREMY TOROBIN
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Shawn Levangie got the call he d been dreaming of last summer when, out of the blue, retail giant Wal-Mart placed a $1-million order with his garden tool company in Nova Scotia.

Business was about to boom, but when Trail Blazer Products Inc. went looking for financing to expand, Mr. Levangie found his line of credit was being squeezed.

In a tight lending climate, he was forced to take out mortgages and borrow from his father s company, eventually scraping together enough cash to buy the extra machinery needed so his Dartmouth company wouldn t miss its big break.

If we did turn the order down, you can pretty much guarantee that they wouldn t be reordering in the future, Mr. Levangie said. It would just show that we were incapable of handling it.

It s a problem confronting many entrepreneurs.

Small-business lending plunged during the economic downturn, forcing companies to slash operations and hoard cash. In Canada, this has created a problem for the banks that are eager to lend again: Many companies now find themselves in better financial positions and are in less need of credit, making for a more competitive landscape in the small-business lending market.

After not having his calls returned a year ago, Mr. Levangie now fields regular voice-mails from bankers wanting meetings.

It s extraordinarily competitive right now, said Gail Cocker, senior vice-president of commercial banking at Bank of Montreal, which has been trying to expand market share in business lending. We re definitely seeing a lot of price competition out there, a lot of competition on terms and conditions.

At the best of times, smaller companies generally have a harder time accessing credit than larger firms and, according to a study by the Canadian Federation of Independent Business in April, doing so became much tougher during the recession. At the time of the survey, loan applications from smaller Canadian business owners were being rejected at the highest rate since 2000, with one in five applications turned down.

Despite the fact that many small businesses don t require as much credit these days, that doesn t mean they ve all stopped borrowing. Having seen things tighten considerably starting in 2008, some companies have been opportunistically boosting their credit lines to ensure more of a cushion if another downturn hits.

We ve been scratching our heads a bit, said **Alec Morley, senior vice-president of small-business banking at Toronto-Dominion Bank**. You expect in an environment of de-leveraging that there will be a reduction in

utilization of credit and also applications for new credit. But we haven t seen that.
So as most companies reduce debt, a smaller number are strategically stockpiling credit.
Small businesses that do seek loans could face higher borrowing costs now that the Bank of Canada has raised interest rates for a second successive time, although to a still-low 0.75 per cent. Governor Mark Carney this week indicated that policy makers are more concerned about a rebound in global growth which he described as not yet self-sustaining and, in particular, the choppy recovery in the U.S., Canada s main export market and a vital source of revenue for many small firms. That suggests borrowing costs are unlikely to rise quickly.
The borrowing climate in Canada is a far cry from south of the border, where Federal Reserve chairman Ben Bernanke is urging lenders of all types to extend credit to smaller enterprises, in order to kick-start the economy s fizzling growth and try to cut into a stubbornly high unemployment rate.
Pointing to data showing that banks loans to small businesses in the world s biggest economy fell to $670-billion (U.S.) from $710-billion over the past two years, Mr. Bernanke called making credit accessible to viable small businesses crucial to sustaining the recovery.
Economists in the U.S. are divided over whether the drop in lending is more a function of banks that are still scarred from being left holding the bag after a wave of defaults and foreclosures or a byproduct of smaller companies having less appetite to borrow because they re worried about taking on more debt before the economy, and their sales prospects, look more stable.
In Canada, the July version of a quarterly survey of Canadian lenders by the Bank of Canada found a modest net easing in lending conditions for smaller companies. That marked the first time since mid-2007 that the survey found an increase in financial institutions willingness to lend to such firms.
The credit climate for small businesses started to stabilize in the first three-month period of the year after several quarters of tightening, according to the central bank s surveys. Up to then, improvements in access to credit were mostly limited to larger companies that source their financing from capital markets.
Ted Mallett, chief economist at the Canadian Federation of Independent Business, said his group s research suggests there hasn t been a huge improvement in lending over the past year, but cautioned against reading too much into that.
It s open to question how much of a deterioration there was from, say, the summer of 2008 to the winter of 2009, Mr. Mallett said. We don t have firm data on that, it s mainly anecdotal, but [our view] is yes, there was both a demand and supply-induced reduction in borrowing through that period, but it didn t seem to be as bad or problematic as what happened during the 1990-91 recession.
That experience, and the downturn of the 1980s, has contributed to many smaller businesses relying on other sources of loans, such as family members or suppliers, he said.
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CREDIT CONDITIONS
The Bank of Canada s Business Outlook Survey published last week found:
* 18 per cent of Canadian companies feel credit conditions have eased in the past three months.

* 8 per cent feel credit conditions have tightened in that time.

* 73 per cent feel they are unchanged.
(Numbers do not add up to 100 due to rounding.)

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4. TD Bank benefits from newly planted forest
London Free Press
07/22/2010
JOHN MINER
In a series of firsts, 77,000 trees are being planted on abandoned farmland near London and the carbon credits generated sold to a major corporation to offset its gas emissions.
The land is on the Munsee-Delaware Nation and the buyer of the carbon credits is the **TD Bank**.
It s the first carbon forest to be developed on First Nations land in Ontario and the first time a comprehensive guide has been used that accounts for the greenhouse gas value of the trees.
The Munsee-Delaware Nation has launched Munsee Tree Corp. to handle the project and hopes to expand to other areas.
There are a lot of nations in this region who have unfarmed land and, hopefully, we will be planting on those territories, said Chief Patrick Waddilove of the Munsee-Delaware Nation. The First Nation is also working with Fanshawe College to develop a green technology program, Waddilove said.
The trees being planted at Munsee-Delaware are a fast-growing hybrid poplar developed by researchers at the University of Guelph.
Tree Canada, a not-for-profit corporation, has calculated the 77,000 poplar trees will sequester 20,000 tonnes of carbon dioxide.
The plan is to grow the trees for 31 years and then harvest them for biofuel production, Waddilove said.
Planting the trees has employed 42 youth. The project is both good for the environment and for the Munsee- Delaware Nation, he said.
We are developing our own workforce, Waddilove said.
For the **TD Bank**, the project will help it to meet its commitment made in 2008 to have carbon-neutral business operations, said **Karen Clarke-Whistler, chief environment officer for TD**.
Clarke-Whistler said the project is about more than protecting the environment.
We are a bank. At the end of the day, we believe the world will be going this way, she said.
Hopefully, this gives us insight into some of the risk around those businesses and, hopefully, it gives us some

kind of competitive advantage.
Clarke-Whistler declined to say how much money the **TD Bank** has put into the project. Waddilove said the total investment by all the of the partners would be about $1 million.

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5. Damage from last week s hailstorm could set record for Calgary; Insurance firms still receiving calls for claims

Calgary Herald
07/22/2010
TAMARA GIGNAC
Pg. B2

More than a week after lightning, hail and heavy rain tore through the city, insurance companies are still tallying the damage to vehicles and property.
There are thousands of claims worth millions of dollars in what is predicted to be one of Calgary s most costly summer storms.
The financial cost of the 30-minute weather event which shattered glass, dented cars and smashed windshields probably won t be known until next month, according to the Insurance Bureau of Canada.
Meanwhile, the number of claims is piling up.
TD Insurance has been flooded with more than 9,000 calls.
 We re probably breaking records in terms of a hailstorm for Alberta, said **vice-president and chief underwriter Henry Blumenthal**.
The worst hail event in Canadian history happened in Calgary in 1991 and cost the industry $300 million.
Blumenthal said he believes the damage wrought from last week s barrage of ice could surpass that.
 That storm cost us $25 million and we know for a fact we ll exceed that by a fair amount, he said.
In some cases, field adjusters have spent days dealing with damage to cars and homes on a single street.
The brunt of the July 12 storm hit the northwest, where city crews responded to more than 100 calls relating to tree damage and flooding.
Ominous dark clouds began sweeping across the sky just before 2 p.m., finally letting loose a torrent of hail and rain punctuated by thunder and lightning that pelted surprised pedestrians and left vehicles riddled with pockmarks.
The hail smashed dozens of glass panes on a University of Calgary greenhouse, with damage to the campus structure estimated at $100,000.
The Co-operators Group, one of Canada s biggest insurance firms, has so far logged more than 2,000 claims for

vehicles, homes and farms.
It expects to cough up anywhere between $10 million and $15 million, mostly for pricey automobile repairs.
It s certainly one of the biggest and most remarkable storms we ve seen in a long time, said spokesman Leonard Sharman.
Financially it compares to the windstorm that struck Alberta in August of last year, said Sharman, referring to the deadly event that killed one person and injured dozens of others when a stage collapsed at the Big Valley Jamboree in Camrose.
The wind was the result of a 200-kilometre-long line of storm cells that moved southeast across the region.
Unfortunately, such vicious summer weather events occur with greater frequency than they once did, even with the help of hail suppression technology and high-tech weather warning systems.
We used to see one-in-a-hundred-year storms. Now they seem to happen every five or 10 years all over the country, said Sharman.

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6. TD Ameritrade builds on Omaha ties
Omaha World-Herald
07/22/2010
STEVE JORDON
Two years ago **TD Ameritrade** asked a developer to construct an office building in the Old Mill area that the company would lease as its headquarters.
But the developer went out of business, and the financial turmoil that began in late 2008 unsettled the marketplace and altered the plan. Instead, **TD Ameritrade** will own the headquarters, paying the $130 million price tag out of its cash flow.
In fact, the Omaha-based company has been making enough profit every three months to pay for the building, free and clear.
We ve got a lot of cash, said **President and CEO Fred Tomczyk**. We ve just grown so much. To create a campus in Omaha made the most long-term sense. This is the final piece. It s going to change the visual landscape of west-central Omaha.
While many investors lost money during the stock market correction of 2009, discount brokers like **TD Ameritrade** benefited as people used their services to find information and to make investments and trades.
Omaha is home to 2,000 full-time, part-time and contract **TD Ameritrade** employees, about half of them working in three leased buildings just across 108th Avenue from the construction site, at Farnam Street. When the new headquarters opens in the spring of 2013, the work force will come together for the first time since the company s early days.
We ve been sort of nomads throughout the city of Omaha, said **William Gerber, chief financial officer**.
Founded in 1975 by Joe Ricketts, the company also has space at Bellevue s former Southroads Mall, at 102nd

and F Streets and at 11218 John Galt Blvd. Those offices will close as employees move into the Old Mill campus, which will have room for an additional 400 employees.
Wednesday, about 120 people attended a groundbreaking ceremony to mark the official start of construction of a 12-story office tower and attached two-story pavilion. That s about 475,000 square feet, or about the size of eight football fields.
The project originally was estimated to cost $80 million, but enhancements during the planning stages added to its scope, Gerber said.
He and **Tomczyk** said the company could decide to sell it and occupy it under a lease in the future if that makes business sense.
In any case, **Tomczyk** said before the groundbreaking ceremony, **TD Ameritrade s** attachment to Nebraska is growing as the company expands, noting that more than 1,000 employees are volunteering at the Special Olympics under way in Lincoln.
This is more than about the construction. It s about our commitment to the community, he said.
The firm commitment to Omaha is important because other local startup companies, including Level 3 Communications and First Data Resources, eventually moved their headquarters out of state.
Concern that **TD Ameritrade**, whose biggest shareholder now is **Toronto Dominion Bank** rather than the Ricketts family, would do the same increased after **Tomczyk** became **CEO**. His primary residence is in New Jersey, where **TD Ameritrade** has executive offices.
But **Tomczyk** said the company is here to stay, and he frequently visits Omaha to oversee its operations.
Roger McFarland, an architect from the St. Louis office of HOK, said his team designed the new building to fit **TD Ameritrade s** functions.
The structure will have lots of natural light and fresh air, open work areas and floor plans, he said a great place to work as well as a great building, McFarland said.
He expects the building to earn a platinum Leadership in Energy & Environmental Design rating from the U.S. Green Building Council. The design features efficient windows and mechanical systems, nearby planted areas, recycled building materials, solar panels and other energy-saving elements, as well as backup electricity and other security measures.
Lorne Hurov, managing director of TD Ameritrade s real estate division, said concrete removed during the project s demolition phase, which began last fall, was ground up and used as fill during site preparation. Carpets will have recycled fibers, he said, and interior paint will emit no fumes to bother employees.
During the groundbreaking ceremony, Gov. Dave Heineman said **TD Ameritrade** is one of Nebraska s most successful home-grown businesses.
They re a leader, and we re pleased to have them right here in Omaha, he said.
Mayor Jim Suttle said the company is an outstanding corporate citizen, and the construction jobs created by the project are welcome, as is the company s own success.

The project is a positive sign that our city is on the path to recovery, Suttle said.
The site already is starting to bustle.
In the two years since **TD Ameritrade** announced its plans, the property has been cleared of most of the low-rise office buildings built there decades ago. A two-story dirt pile is settling the soil in preparation for foundation work later this summer. Cranes are being assembled.
A poster of an architect s drawing of the building is in place along 108th Avenue, which is narrowed for construction work.
Kiewit Building Group, the project manager, said the construction sector in Omaha had a 28 percent unemployment rate in March. This project will consume 900,000 hours of labor, or the equivalent of 433 people working for a full year.
Besides Kiewit, about 30 subcontractors will work at the site, with total peak employment between 400 and 450 people.
TD Ameritrade has about 5,200 employees nationwide, including more than 4,000 investment brokers.

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7. We re from Wall Street and we re here to help
MSNBC (Reuters)
07/22/2010
MATTHEW GOLDSTEIN
Jason Ader, a former hot-shot casino industry analyst turned wealthy hedge fund manager, is rolling the dice, hoping to become a community banker in Las Vegas.
But federal bank regulators haven t seemed very inclined to grant him his wish. And their reluctance underlines an unusual conundrum at the center of the U.S. financial system today.
Hundreds of small banks across the country are struggling to keep their doors open, but the industry s overseers in Washington, D.C. are more wary than ever about the breed of high-rollers that inhabit Wall Street, who come bearing bags of cash and the promise of an easy fix.
The fear is that financiers like Ader are looking to make a killing off distressed community banks. But he and other new bankers are determined to show regulators that they have them all wrong. To hear Ader tell it, he simply wants to help.
Still, the standoff continues.
Seven months ago, Western Liberty Bancorp, a publicly traded shell company managed by Ader, submitted applications to the Federal Reserve of San Francisco and the Federal Deposit Insurance Corp to acquire Service 1st Bank of Nevada, a small community bank in Las Vegas with just $210 million in assets. The applications to approve the deal, which the companies first announced last September, are still pending.
The approval process has dragged on so long that Western Liberty upped the amount of new capital it plans to sink into the four-year-old bank from $15 million to $25 million. Shares of New York-based Western Liberty recently were bounced from the NYSE Amex Stock Exchange, after the company with $86 million in cash but no

active operations to speak of, failed to meet the exchange s minimum listing requirements.
The 42-year-old Ader, who sits on the board of the Las Vegas Sands resort and casino company, hasn t given up on his wager that he can turn Service 1st, which operates a single branch located just minutes from the Vegas Strip, into a local commercial lender for the gaming industry. A married father of four children and a fixture in the Hamptons, Long Island social scene, Ader is confident the deal will eventually get done.
Our goal in this transaction is to strengthen an existing Nevada community bank, while generally infusing more capital into the Nevada banking system and local economy, Ader said in a recent interview at the midtown New York offices of Hayground Cove Asset Management, the $550 million hedge fund that he also manages. Our plan is to relist (the shares) after the deal is completed and approved. The NYSE has told us they want us to relist.
Ader s this-will-help-the-economy sales pitch may be his best bargaining chip with regulators. And it s something they are hearing more and more these days from money managers itching to break into the banking business.
To some degree, it s a strategy born of necessity. While regulators remain wary of Wall Street s new bankers, they recognize the pressing need for community banks to raise billions in new capital to avoid shuttering up.
Fear of easy money
The stalemate comes as a surprise to some. At the outset of the financial crisis the conventional wisdom was that private equity firms and hedge funds would emerge as the main buyers at government auctions of banks seized by regulators.
The experts said private investors would trip over one another for the right to buy a failed bank. After all, the deals still look like easy money all upside if the economy recovers and little downside risk because the FDIC often agrees to share in the losses and keep some of the worst assets.
But to date, fewer than two dozen of the more than 236 banks shut by the FDIC since January 2009 have been sold at auction to investment groups sponsored by private equity firms, hedge funds and wealthy financiers. A handful of investor-backed groups have bought bank-owned real estate taken on by the FDIC. Maybe the most successful private deal so far was the FDIC s March 2009 sale of IndyMac to a group led by a bunch of hedge funds and private equity firms.
Even investment vehicles officially sanctioned by bank regulators to do deals with the FDIC have largely remained on the sidelines.
SJB National Bank, a $1 billion acquisition company led by billionaire investor and real estate developer Stephen Ross, has yet to ink a deal for a failed bank.
Also still in standby mode is an investment vehicle called Stone Bank, in which private equity giant Blackstone Group Inc is a major partner. Led by Brad Oates, the former president of Bluebonnet Savings Bank, a defunct Dallas thrift, the Texas-based investment company is waiting final regulatory approval to begin hunting for a struggling or failed bank to buy.
Then there is distressed investment shop Lone Star Funds. Last summer it opened an office in Washington, D.C., to be closer to regulators as the firm acquired failed banks, but it has yet to complete a single transaction.
Some of the lack of activity is no doubt the result of financiers reassessing their options after the FDIC adopted new rules last summer. One of them requires investment groups looking to buy failed banks to pony up more capital than more traditional financial buyers like **TD Bank** and US Bancorp. Another forces them to hold on to their bounty for at least three years before cashing out. The more stringent terms have led some private investors to conclude that regulators have made it too difficult to make a quick buck off an investment in a failed bank.

To be fair, regulators have long preferred doing business with either an existing bank, or a management team with a proven record of success in running a financial institution. But in the wake of the financial crisis they are more cautious than ever that some money managers and financiers many of whom are unfamiliar faces in the world of community banking are simply looking to snap up struggling lenders on the cheap but have no long-term commitment to lending to businesses and consumers.

Not one of us

Right or wrong, a money manager like Ader raises some eyebrows for bank regulators, said people familiar with the process of getting banking deals approved. Before going out and starting his Hayground Cove hedge fund in 2003, Ader became a minor celebrity when the gossip pages romantically linked him to the actress Tara Reid, back when he was single and still a star analyst at Bear Stearns.

A skinny and boyish looking money manager, Ader is someone who has never before shown much interest in banking and that s what makes regulators so hesitant. Up until now, his main trade has been casinos, hotels and restaurants.

In fact, Western Liberty, which used to be called Global Consumer Acquisition Company, was set up by Ader as a so-called blank check company to buy a consumer-related business. In a November 2007 initial public offering, Global Consumer Acquisition raised nearly $300 million, most of it from other hedge fund investors.

Ader only settled on the idea of doing a bank deal after failing to find a consumer company to acquire. An earlier bid to buy another small bank in Nevada collapsed just months after the transaction was announced.

Since the 1st Service deal was announced, Ader has taken some steps to make the transaction more palatable to regulators. He rebranded the company and restructured it by allowing all those investors not committed to doing a bank deal to walk away and redeem their money. Many did, taking out some $200 million in cash. He also agreed to keep on much of Service 1st s management team to run the bank, which has a former Nevada governor and casino industry executives on its board, after the merger.

Hayground Cove s once substantial equity stake in Western Liberty was converted into 8.5 million warrants, which can only be exercised if the stock hits $12.50. Right now, Western Liberty s shares trade for half that price on the Over-the-Counter Bulletin Board.

Will these steps be enough to persuade regulators that Ader is a serious banking player and not out to simply salvage something for his Hayground Cove investors and other hedge funds still holding an equity stake in Western Liberty? The odds aren t great.

Carpet bagger bankers are not what the regulators or local communities want to see, said Ken Thomas, a Miami-based independent bank consultant and economist. Hedge funds and private equity firms may have big wallets but they don t necessarily have big hearts.

Take a chance

Still, the financial firms are as thick-skinned as they are deep-pocketed. And they are determined to win over regulators and show that they can be more like George Bailey than Henry Potter the hero and villain of the classic Frank Capra movie It s a Wonderful Life about a small town savings and loan company.

One way is to prove themselves to be helpful. In May, Carlyle Group, the Washington, D.C.-based private equity firm, was the lead investor in a $235 million capital raise by Hampton Roads Bankshares, a troubled mid-Atlantic lender with $2.2 billion in assets. Warburg Pincus and TH Lee Partners are committing about $270 million to the recapitalization of Sterling Financial. The capital raise will give the two private equity firms a combined 40 percent ownership stake in the Spokane, Washington-based bank.

Private investors are hoping that regulators will look more kindly on financial transactions designed to prevent a

capital-starved bank from becoming a failed bank. They also believe that government officials may even come to like them better after these recapitalizations, making them more likely to approve their bids for failed banks.

Familiarity and trust are important commodities in any business relationship and particularly so in the regulatory arena, said Thomas Vartanian, a bank regulatory attorney with Dechert in Washington, who has advised a private investment group involved in buying some failed banks from the FDIC. There is still a lot of discussion that needs to happen between regulators and the private equity side. It is an important part of the process.

One thing private equity shops and hedge funds are doing to speed along the getting-to-know-you process is teaming up with former bankers well known to regulators. The private equity firms are hoping that with these ex-bankers serving as the front men for acquisition vehicles and managers-in-waiting, it will be easier to get regulatory approval for proposed deals.

A group of former Bank of America executives, for instance, are at the helm of North American Financial Holdings, a Charlotte-based company that has raised about $1 billion from investors including private equity firm Crestview Partners. Led by former BofA vice chairman Gene Taylor, North American Financial came together to buy failed banks from the FDIC. But North American Financial s first deal was to invest $175 million in Florida s TIB Financial, a deal that gave the new bank acquisition company a 99 percent ownership stake in the Naples, Florida-based lender.

In an interview soon after the TIB deal, Christopher Marshall, North American Financial s chief financial officer, said the company had not given up on buying failed banks in its quest to cobble together a high-performing regional bank. And sure enough, on July 16, the FDIC announced that it was selling three small banks it had closed in Florida and South Carolina to North American Financial.

Another way private investors are trying to smooth out some of their rough edges, in the eyes of top bank regulators at least, is by getting face time with them.

The public portion of FDIC Chairman Sheila Bair s official datebook for the past several months, for instance, is peppered with meetings she has had with private investors and their legal and financial advisers. Some of the financiers looking to buy banks who trekked down to Washington to meet with Bair have included WL Ross & Co s Wilbur Ross, Lightyear Capital s Donald Marron, Blue Ridge Holdings chairman Milton Jones and National Bank Holdings Lawrence Fish.

It s not publicly known what was discussed at any of these private audiences. But soon after many private investors began to shift their focus to recapitalizations and away from simply putting all their effort into buying failed banks.

A rebound wager

For their part, the regulators aren t discouraging the course change.

FDIC is pleased that investors are investing in open banks that s a win-win for everyone, said Michael Krimminger, a top policy advisor to Bair of the FDIC.

One thing is certain: there are plenty of banks in the United States for private equity firms and hedge funds to target. By its own count, the FDIC s confidential list of problem institutions contains the names of 775 banks with $431 billion in assets.

But it s an open question whether private investors looking to sink money into a struggling bank can expect to make the same kind of return on their investments as they might have made from the acquisition of a failed bank.

The downside of an unassisted bank deal is that the buyer has all of the credit risk and no loss sharing, said Kevin Stein, an FBR Capital Markets investment banker, who is advising a number of investment groups looking

to acquire troubled banks.
Wilbur Ross, whose private equity firm recently bought a 25 percent stake in New Jersey-based Sun Bancorp, said consolidation in the banking industry is inevitable and he wants to be a player in the market. But Ross cautioned that putting money into small banks is no way to get rich quick.
Regional banks are not ideal candidates for quick-gain oriented speculators, said Ross, a financier who built his fortune by targeting beaten-up businesses waiting for a rebound.
And of course timing is everything for private investors. In doing their recapitalization deals, they are betting the worst is over for small banks and that they will see a rebound, much like their bigger bank siblings JPMorgan Chase, Bank of America and Goldman Sachs Group. Private investors are mindful of the $1.3 billion private equity giant TPG lost on its capital infusion into Washington Mutual, which was seized by regulators about five months after the money was committed.
Then again, the WaMu loss didn t scare away TPG. Last year it signed up for a bank acquisition vehicle put together by Starwood Capital Group s Barry Sternlicht along with Corsair Capital and Perry Capital.
From an investment perspective, some bank industry analysts said one of the best bank deals to emerge from the crisis is one in which a wealthy investor group acquired the remnants of IndyMac, a giant failed lender that regulators shuttered in 2008. In March 2009, the FDIC sold some $20 billion of IndyMac s assets and $6.4 billion in customer deposits to OneWest Bank, a new bank formed by the investors, for about $13.9 billion.
The owners of OneWest reads like a Who s Who of finance and industry and includes George Soros, Dell Inc founder Michael Dell, Dune Capital hedge fund manager Steven Mnuchin, private equity firm JC Flowers & Co and hedge fund giant Paulson & Co.
Critics have claimed the OneWest group got a sweet deal because it was able to leave the FDIC with some $4 billion in assets it didn t want and got regulators to agree to a loss-share arrangement. The closure of IndyMac cost the FDIC s insurance fund about $11 billion.
OneWest is proving to be a remarkable turnaround story, especially for its wealthy investors. The newly-formed bank, according to a regulatory filing with the Office of Thrift Supervision, has generated $2.2 billion in retained earnings as of March 31. In the fourth quarter of 2008, its final full quarter under FDIC control, the old IndyMac lost $2.6 billion.
It s the kind of success story that makes Jason Ader and other Wall Street big shots green with envy and willing to take a chance on small banks everywhere.

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8. South Financial Group reports $214.1M goodwill charge on Carolina First Bank
Charleston Business Journal (SC)
07/22/2010
The South Financial Group reported a $314.9 million loss for the second quarter, or $1.46 per diluted share, including a goodwill impairment charge of $214.1 million on the value of Carolina First Bank.
The Greenville-based bank also said Tuesday that it expects its acquisition by **TD Bank Financial Group** to close in September.

Excluding the goodwill impairment charge, the loss to common shareholders was $100.8 million, or 47 cents per diluted share, compared to a net loss of $85.8 million, or 40 cents per diluted share, for first quarter.
During the second quarter, South Financial reported an increase in nonperforming loans and allowances for credit losses, along with a decline in net interest income.
Our second quarter results are in line with our previous forecasts, with credit costs remaining elevated as expected given the continuing economic cycle, said President and CEO Lynn Harton. Our previously announced merger with **TD Bank** is progressing well through the various approval processes, and we currently anticipate the transaction closing in September, subject to shareholder and regulatory approval.
TD Bank Financial Group announced in May that it had agreed to purchase South Financial for about $192 million and expected to cover about $1 billion in future losses on the **South Financial** portfolio. Under the agreement, **South Financial** shareholders would receive $61 million in cash or **TD** common stock. Shareholders would receive either 28 cents per share or 0.004 shares of **TD** common stock for each share of South Financial stock owned.

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9. National Bank aims to expand wealth unit; Concentrated effort to grow outside Quebec
National Post (Reuters)
07/22/2010
JOHN McCRANK
Pg. FP6
National Bank of Canada, the country s sixth-largest lender, aims to expand wealth management services outside its home province of Quebec through both organic growth and acquisitions, the head of the bank s wealth unit says.
The Montreal-based bank plans to generate at least 50 percent of its wealth unit s revenues from outside Quebec within two years, versus about 40% now, National Bank s Luc Paiement, executive vice-president and head of wealth management, told Reuters.
National Bank is the dominant financial services provider in Quebec.
The bank has been making a concentrated effort to have its three business lines retail banking, capital markets, and wealth management work more closely to allow for more cross-selling to existing clients and promote organic growth.
But there is also a push to grow through acquisitions.
Mr. Paiement said it is unlikely that National Bank will do anything bold and major any time soon, but it has a few smaller, tuck-in deals in its pipeline.
I won t name it, but we are doing due diligence on a small acquisition very small for the bank overall, but it s good and we will keep doing that, he said. The price has to be right.
He said the bank would be aiming to hire more staff and keep on the lookout for acquisitions on the wealth side to bolster its presence in the province of Ontario.
National Bank owns a 25% stake in Vancouver-based investment dealer PI Financial and a 17.5% stake in

Winnipegbased investment boutique Wellington West.
Mr. Paiement said the bank could increase those holdings if the opportunities arise.
Probably not short-term, but in the next two, three, four years, hopefully something will come out of that. If we bought into Wellington West, we wanted to get closer to them, get to know them much better and hopefully one day they will be for sale ... If they want to sell the remaining (part of the business), we would be interested.
Looking abroad, most clients of National Bank s hedge fund platform, Innocap Investment Management, are either in Europe or Asia. Paiement said the plan is to keep building that business, and that the bank is currently looking at another venture in China.
It would be asset management and distribution of funds, both ways, he said. We could do stuff with Chinese investment and Chinese people could buy some of our product. It s early days. We know what we want to do. We are in final discussions with a partner and we ll see within three of four months.
National Bank s wealth management unit has $100-billion in assets under management and $100-billion under administration.
The segment includes investment dealer National Bank Financial; a full service brokerage; money manager, Natcan; mutual fund distributor, National Bank Securities; and National Bank Trust.

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10. Wells Fargo Profit Rises as Loan Losses Fall
The Wall Street Journal
07/22/2010
MARSHALL ECKBLAD and NATHAN BECKER
Wells Fargo & Co. s profits jumped 20% from the prior quarter, as once-raging loans losses tapered sharply and hedging gains from mortgage-servicing rights again boosted the firm s bottom line.
The San Francisco bank said it earned $3.1 billion in the second quarter, although earnings attributable to the company declined slightly from the year-earlier period.
But the bank signaled it expects credit problems to moderate as it disbursed $500 million from its accounts for future loan losses that it said it no longer expects to need. Wells Fargo s permanent losses from bad loans declined sharply in the second quarter, down 16% from the first quarter to $4.5 billion.
We believe credit quality has indeed turned the corner, said Chief Financial Officer Howard Atkins in a statement. And we expect this positive trend will continue over the coming year.
The bank also got a $626 million boost from gains tied to complex hedging positions on mortgage-servicing rights an asset of volatile value that banks hold when they service loans for themselves and other investors. Wells Fargo has used similar hedging gains to add a total of $6.1 billion to its profits over the last 15 months, or five quarters.
In early portions of a conference call with analysts Wednesday morning, Wells Fargo s chief executive declined to disclose estimates of how the bank s profits will be impacted by lawmakers and regulators new rules for the banking system. Bank of America Corp. said last week during an earnings call that coming rules will cost the bank as much as $4.3 billion in lost revenue and $7 billion to $10 billion in one-time charges. Bank of America s stock

fell sharply that day.
Wells Fargo shares were up 4.5% to $27.07 in recent morning trading.
With 6,600 branches in 39 states coast-to-coast, Wells Fargo and its massive books of consumer and commercial loans are a good gauge for the health of the nation s economy.
Wells Fargo s latest results hold better news than reports published earlier in the week from regional banks like Utah-based Zions Bancorp and Wisconsin-based Marshall & Ilsley Corp., whose books of troubled loans improved less during the second quarter than many investors had expected.
Indeed, even as bankers nationwide say U.S. businesses have an historically low appetite for borrowing money, Wells Fargo said its commercial lending has started to rise.
Among commercial loans, for the first time this year, we saw an increase in lending activity and line usage, Mr. Atkins said in the release.
Bankers have said for quarters that businesses are using their lines of credit at low rates the industry has rarely or never seen. Rising utilization rates, when seen broadly, will be one indication that businesses are borrowing money to hire, expand or order new supplies of goods and services.
Wells Fargo s total loans fell during the quarter and are now down 7.5% over a year ago. The bank said it grew its holdings of auto and student loans.
Wells Fargo s nonperforming loans, or loans at risk of becoming uncollectable, did in fact rise during the quarter, to $33 billion, even as Wells set aside less capital for loan losses than it has in many quarters.

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11. Traders at Morgan Stanley Help Profits Top Estimates
The New York Times
07/22/2010
GRAHAM BOWLEY
Pg. B3
Morgan Stanley faced near death during the credit crisis in 2008. Then it became so cautious that it missed the stock market boom in 2009. Now, however, it appears to have found its groove.
Along with the rest of Wall Street, Morgan Stanley took a hit to revenue and profit in the second quarter, a period that included a stock market flash crash and rising fears over the European debt crisis.
Profit fell 22 percent from the first quarter to $1.4 billion, the company said on Wednesday. A year earlier, the firm posted a loss of $138 million.
Morgan Stanley s new army of traders seemed to navigate the riled markets better than its rivals and certainly better than Wall Street had expected.
These were clearly challenging market conditions, said Howard Chen, an analyst at Credit Suisse. Morgan Stanley was less worse than others.
Morgan was the last of the Wall Street banks to report its second-quarter earnings. Goldman Sachs disappointed

markets on Tuesday with an 82 percent drop in earnings from last year, hurt by a slowdown in trading.
James P. Gorman, Morgan s chief executive, said in a conference call with investors that worries about global growth, indebted European governments and financial regulation had bred a lack of conviction among investors in May and June.
That is, investors large and small pulled out of the markets, causing a slowdown in bond trading and other activities like underwriting.
The flash crash on May 6, which officials are still investigating, had a particular souring effect on investor confidence, Morgan Stanley said. Ordinary investors withdrew billions of dollars from its wealth management business, which trades stocks and bonds for small accounts.
But Morgan more than held its own in equities trading, helping to lift its overall earnings beyond analysts expectations the biggest positive earnings surprise ever for Morgan, according to Capital IQ. Total revenue across all its businesses was $7.95 billion, down 12 percent from the first quarter but a 53 percent rise from a year earlier.
Morgan Stanley s results on Wednesday caused its shares to buck a declining market and close up 6.3 percent at $26.80.
Its equities business was flat while Goldman s was down to the tune of 49 percent, said Alan Villalon, a financial analyst at First American Funds, a mutual fund company in Minneapolis. They managed the quarter better than the other players.
Other financial giants, like JPMorgan Chase, Bank of America and Citigroup, also reported disappointing results from their trading operations when they announced second-quarter earnings over the last week.
Morgan Stanley scaled down its trading activities after it suffered painful losses in the turmoil of the credit crisis. That move would later disappoint its investors, when the bank missed out on the boom in markets last year. Rivals like Goldman took big bets and made hefty profits from trading. Morgan Stanley did not return to profitability until the third quarter of last year.
But it has since moved to rebuild its trading activities, adding 400 new salesmen and traders, a strategy that appears to be paying off, at least for now.
Ruth Porat, Morgan Stanley s chief financial officer, said the firm s larger sales force meant it could be closer to clients during the market uncertainty, a stance that helped it win some business from rivals.
We didn t have big misses, she said in an interview. We had some market gains, but it is still early days.
Earnings were heightened by $750 million in extra revenue resulting from an accounting change in the value of its debt and by a one-time $345 million tax benefit.
Analysts said the company showed cost restraint by reducing the proportion of its revenue it set aside for salaries despite having to pay a $361 million charge for a British bank tax on bonuses.
In its investment banking business, underwriting revenue was $597 million, 30 percent lower than a year ago. Morgan attributed the drop to lower levels of market activity.
Its asset management business was still losing money in the quarter. That unit is being overhauled by Gregory J.

Fleming, the former Merrill Lynch executive who joined Morgan Stanley at the beginning of the year.
On Tuesday, Goldman Sachs reported a quarterly profit of $613 million, its worst quarterly performance since the depths of the financial crisis in late 2008. Its profits were hit by the turmoil in markets as well as the cost of settling a civil fraud suit with the Securities and Exchange Commission.
 In some respects, M.S. s more conservative approach to balance sheet deployment to its trading businesses since the credit crisis, which drew criticism from investors last year, may be playing to the company s benefit in a period where deploying principal capital in fickle markets carries a higher level of risk, Barclays Capital analysts wrote in a research note.
Looking forward, Ms. Porat said in the conference call that the global economic outlook remained a concern, but she said the fear of a double dip recession was overstated. Nevertheless, she said, it would take time for investors to regain their poise.
 We are not expecting a rapid rebound in volumes, she said.
As part of its strategy to rebalance the bank after the big risks it took before the credit crisis, Morgan has concentrated a lot of resources on building its retail wealth management business, and this unit s performance in the latest quarter was disappointing, analysts said.
But Mr. Gorman, who took over as chief executive from John J. Mack in January, said he was confident about its future.
 The retail investor will not disappear, I am sure, he said. I have been doing this for a long time.

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12. L Industrielle Alliance pourra digérer American-Amicable [Industrial Alliance can digest American-Amicable]
Finance et investissement
07/22/2010
JEAN-FRANÇOIS BARBE
C est maintenant officiel : l Industrielle Alliance a conclu hier l acquisition des actions de la texane American-Amicable Holding, une transaction de 145 M$ annoncée le 28 avril dernier.
American-Amicable, qui commercialise principalement des produits d assurance vie traditionnelle, possède des permis de vente d assurance vie dans 49 États et territoires américains. Ses produits sont offerts par l entremise de 6 000 représentants autonomes. Ses couvertures totales en assurance vie totalisent 6,7 G$.
La filiale américaine de l Industrielle Alliance, IA American, compte maintenant 8 200 représentants. L Industrielle Alliance, qui affiche des actifs de 60 G$, aurait maintenant l oeil sur un petit assureur-vie californien, en tutelle en raison d une insuffisance de capital. La suite de cette transaction dépend des autorités californiennes. Mais il s agirait d une bonne occasion pour nous, d autant que l apport requis en capital pourrait provenir du capital excédentaire de notre nouvelle filiale au Texas, sans intervention directe de l Industielle-Alliance , avait déclaré au journal La Presse (6 mai), le président et chef de la direction de l entreprise, Yvon Charest.

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13. Banks Generate Profits, but Struggle to Lend
The Wall Street Journal
07/22/2010
MATTHIAS RIEKER and MARSHALL ECKBLAD
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Even banks that survived the financial crisis in better shape than most of their rivals say they continue to have trouble making new loans amid the rocky economy. But at least profits aren t as hard to generate.
U.S. Bancorp, M&T Bank Corp. and Comerica Inc. reported higher second-quarter profits Wednesday, while Wells Fargo & Co. saw its net income slip, as more borrowers were able to repay their loans and the profit margin on loans increased.
Loan demand remains stubbornly weak, though.
It s not as if we see much of a drop in [loan] demand, said Rene Jones, chief financial officer at M&T, a regional bank based in Buffalo, N.Y. It just hasn t gotten any better.
Some bankers are worried that improved profits on loans could evaporate if loan growth doesn t accelerate soon.
I hope that loan demand will improve, U.S. Bancorp Chief Executive Richard Davis.
San Francisco-based Wells Fargo, the fourth-largest U.S. bank in assets, said its net income fell 3.5% to $3.06 billion, or 55 cents a share, in the latest quarter from $3.17 billion, or 57 cents a share, a year earlier. Still, the latest quarter s profit was 20% higher than in the first quarter, surpassing analyst estimates, and was helped in large part by improving loan books and smaller loan losses.
We believe credit quality has indeed turned the corner, said Howard Atkins, Wells Fargo s chief financial officer.
At U.S. Bancorp, of Minneapolis, quarterly profit jumped 55% to $752 million, or 45 cents a share, from $482 million, or 12 cents a share, in last year s second quarter.
Scott Siefers, an analyst at Sandler O Neill & Partners LP, said the results reflected a strong quarter on better revenues and lower credit costs than we forecast.
M&T s profit nearly quadrupled to $189 million, or $1.47 a share, from the year-earlier $51.2 million, or 36 cents a share, partly because the latest period lacked one-time charges that weighed on M&T last year. Comerica, of Dallas, said its net income increased to $70 million, or 39 cents a share, from $18 million, or 11 cents a share, in last year s second quarter.
Unfortunately for banks, though, loan demand is weak because businesses many are timid about expanding while the economy s direction is so uncertain.
As a result, many borrowers don t need to tap existing lines of credit, much less take out new loans.
Comerica s finance chief, Elizabeth Acton, told investors that the bank s expectations for loan growth are shrinking, even though we did see growth at period-end on the commercial side, including real estate.
U.S. Bancorp executives said that credit-line usage among middle-market businesses improved, but bigger

corporations are dragging down the overall credit-usage rate.
Comerica reduced the amount of money it reserved for loans that it expects won t be repaid, but U.S. Bancorp and M&T added to their reserves.
U.S. Bancorp said high unemployment, falling home prices and the topsy-turvy economy are too worrisome to justify loan-loss reserve reductions.
Wells Fargo Chief Executive John Stumpf said the bank is getting close to seeing a peak in its levels of troubled loans.

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14. Poor Loan Demand Damps Bank Profits
The Wall Street Journal
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PAUL VIGNA and JOHN SHIPMAN
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Amid signs of improved second-quarter demand among businesses including airlines, trucking and machinery, there s at least one place where demand is a no-show so far banks.
The reasons are many. Some corporations remain reluctant to invest heavily in new business because they re uncertain the spring uptick will last. Others are sitting on a veritable mountain of money as profits have soared. Meanwhile, consumers remain fixated on paying down debt, rather than adding more.
Wells Fargo & Co. s total consumer loans were down about 2.6%, or almost $12 billion from the year-earlier quarter. Commercial loans were down 14%, or $48 billion. Finance chief Howard Atkins said the bank began to see signs of increased loan demand in the second quarter from businesses and to a lesser extent consumers. Chief Executive John Stumpf said business clients use of credit lines was relatively unchanged from the first quarter and still at historic lows.
Other large banks are seeing the same. As we look on the loan demand side, it continues to remain weak as the consumers continue to delever, Bank of America Corp. Chief Executive Brian Moynihan said last week. There s no loan demand, because there s no demand for the [client s] products, Mr. Moynihan said.
Bank of America extended $174 billion in credit in the second quarter, but that s down from $211 billion a year earlier. The company funded $72 billion in first mortgages, down $111 billion from a year earlier.
The bursting of the housing bubble has erased enormous amounts of Americans paper wealth, the stuff that makes consumers feel more comfortable about spending cash. In response to feeling less wealthy, consumers paid off loans of all kinds, including credit-card and mortgage debt.
Consumer credit has fallen 15 of the last 16 months, including a combined $24 billion drop for April and May. And the process may not even be close to over.
Between September 2001 and the Lehman Brothers crash in September 2008, U.S. consumer credit, not including mortgages, increased 59% to nearly $2.6 trillion. Since then, consumer debt has declined about 6% or $166 billion, to a little more than $2.4 trillion.
Lack of demand is forcing some banks to look more aggressively for borrowers. Salt Lake City s Zions Bancorp is

seeing bigger national banks coming into its pasture looking for customers, Chief Financial Officer Doyle Arnold said Monday. What we have seen in the last couple of months is a fairly significant increase in price competition for the better quality, larger commercial loans and perhaps more modest increase in competition for more typical smaller business loans, he said.
The bank has been careful about matching loan pricing and terms, but it seems pretty clear this price competition is real, and is in some instances meeting it, he added.

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15. Tide of home insurance claims is rising; Water damage. Policies cost as much as 30% more than last year
The Gazette (Montreal)
07/22/2010
CHERYL CORNACCHIA
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Home insurance costs in Quebec have jumped as much as 30 per cent this year over 2009 as underwriters report rising numbers of water damage claims, often stemming from the brief but heavy rains that have characterized recent Quebec summers.
Consumers are only now becoming aware of the changing insurance landscape because July is the traditional moving period in Quebec, a time when many renters turn into homeowners and existing homeowners receive insurance renewal notices in the mail.
Everyone wants to know what is going on, said Richard Beauchamp, a part-owner of Assurances Robert Beauchamp Inc. in Chateauguay.
Again this week, insurance brokers at his company spent hours fielding calls from frustrated home insurance policyholders, looking for ways to reduce premiums.
In some cases, information about a new roof or water tank or the installation of a backwater valve can help reduce a policyholder s overall cost, Beauchamp said, as can a new centrally monitored alarm system with a water sensor, a retired mortgage or a stellar credit rating.
But with the notion of insurance being to spread the risk, thousands of Montrealers are still facing five-to 30-per-cent increases on their home insurance this year.
Water damage now accounts for about $500 million of the $1.2 billion worth of home insurance claims filed in Quebec annually, said Anne Morin, a spokesperson for the Insurance Bureau of Canada s Quebec division.
Ten years ago, Morin said, fire and theft were the two main reasons homeowners filed insurance claims, but smoke detectors and alarm systems changed that.
Now water is the big-cost item -accounting for more than half of all claims, up from 45 per cent in 2005 and 21 per cent in 2001, Morin said.
Think l Acadie Circle and the city s most recent torrential rainstorm, July 9, which left hundreds of basements flooded and roofs leaking across the city.
While home insurance policies do not cover the cost of repairing a leaking roof or a foundation that allows water to

infiltrate a home, they may cover the costs of the damage incurred as a result.
Claims can add up quickly with many basements today finished professionally and filled, for example, with computer equipment, HD home entertainment systems, wine coolers and furniture.
We re not smoking in bed and making french fries (anymore), but there are new risks, Beauchamp said.
What was good 40 years ago is often not good now, Beauchamp said, noting how homeowners in new subdivisions on the South Shore have been vulnerable to flooding because they often rely on the overburdened infrastructure of small towns.
Warren Williams is the owner of RWI Insurance , an insurance broker in Ste. Anne de Bellevue and a company his father started in 1924.
Williams said water damage accounts for about 55 per cent of the claims he processes from his mainly West Island clientele -homeowners who pay about $800 a year for insurance on properties that range from $300,000 to $1 million.
Leaky roofs, outdated water intake systems from the municipal line, worn-out washing machine hoses and non-existent backwater valves are often the culprits, Williams said, noting updates help a homeowner to reduce insurance rates.
But other forces drive up home insurance costs, he said.
In Quebec, he explained, insurance companies have traditionally made more money from automobile insurance because they have not been exposed to bodily injury claims, coverage that Quebec drivers obtain through the SAAQ, the provincial automobile insurance agency.
But as the auto insurance industry has become more competitive -rates in Quebec fell this year by as much as 15 per cent -it has become harder for underwriters to subsidize the home insurance side of their business with auto- insurance profits. They ve been borrowing from Peter to pay Paul, Williams said.
The cost of reconstruction -whether as a result of fire or water damage -has increased 20 to 40 per cent over the past eight to 10 years as building supplies and labour costs have mounted, he added.
But, Williams said, many homeowners who have received increases on their premiums can often negotiate lower rates through their insurance agent or by going to a broker like himself.
Set by postal code, base premiums are established as a result of an area s claim history, its access to fire and police services, the state of municipal infrastructure and exposure to various risks, such flooding and sewage backup.
Individual traits of a home -the state of its roof, electrical wiring, location and claim history -and its occupants can result in that base rate being adjusted up or down, Williams said. You have to make sure you are getting the appropriate discounts.
Insurance companies offer various discounts, so high rates can be avoided if you are 50 or older, mortgage-free, a non-smoker and have a good credit rating, Williams said.

Clarity is usually the best policy
No one wants to learn after the fact that the terms of their home insurance policy do not cover them.
The following risks are among those that are usually not covered and require a special rider for which you must pay extra, if available:

- Theft of jewellery exceeding $3,000 in value.
- Damage to boats, all-terrain vehicles, recreational vehicles or snowmobiles.
- Oil tank decontamination and removal.
- Damage from vermin (that could include birds, bats or insects).
- Sewage backup.
- Flood.
- Earthquake.
- Rupture of the water intake pipe to your home from the municipal line.
- Burst water pipes if your house is unoccupied without heat for more than three days in winter.

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16. Même en vacances, les gestionnaires veillent sur vos placements &#