



**TD BANK GROUP**  
**BARCLAYS GLOBAL FINANCIAL SERVICES CONFERENCE**  
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## PARTICIPANTS

### **Tim Hockey**

*TD Bank Group – Group Head, Canadian Banking*

### **John Aiken**

*Barclays – Analyst*

## PRESENTATION

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### **John Aiken – Barclays – Analyst**

Okay. I think we're going to start off with the next session. Very happy, obviously, to have Tim Hockey here, who has the distinction of at least having the longest title of the executives that I have here. Group Head, Canadian Banking, Auto Finance, and Wealth Management, TD Bank Group and President and CEO of TD Canada Trust. Is there a series of business cards that you hand out?

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### **Tim Hockey – TD – Group Head, Canadian Banking**

It's just one long foldout.

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### **John Aiken – Barclays – Analyst**

Anyway, Tim thank you very much for coming here. This is -- as you pointed out Tim is the one non-CFO that we have from the Canadian Banks. So, obviously talk to him about Canadian housing and everything else like that, because I'm sure you haven't had any questions about that. But along those lines Tim, the domestic performance of TD has been very strong and defying the expectations of the sell side analysts. But of course, we don't know what we're talking about. What has been the push and pull that you've had in your operations? Where are you going to be able to generate growth going forward and what are the challenges to that outlook.

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### **Tim Hockey – TD – Group Head, Canadian Banking**

Well we take a long-term view of these things, we started off, well literally if you think about at the beginning of the modern era being either Ed's tenure or the merger between TD and Canada Trust and we said our long-term goal for domestic operations with sort of 7% to 10% profit growth. And then over the decade we ended up doing 13%. So we were a little bit surprised, but if you ask us today what's our medium to long-term growth, it's still 7% to 10%. So then we gauge that against what are the opportunities available to us, and the current outlook in the environment. So over the last few years, we've been lucky enough to be able to capitalize on our growth opportunities, and in Canada they would be things like our business banking, our commercial bank taking market share, we went from fifth to second. Our credit card business is a great growth story in Canada where we were literally in six or seven spot and now we're number one.

Those massive homerun long-term type opportunities are obviously not there, but – they still have growth opportunities from an organic point of view, but they'll probably be more doubles and triples hopefully as opposed to homeruns. The overall environment in Canada obviously, slowing domestic loan growth concerns that we been hearing for years, obviously since the crisis about the growth in housing and housing prices and consumer indebtedness.

Our outlook is probably more moderate now. You heard us on the last call. We had a great quarter, fantastic quarter in domestic. But, we have a bit of brand for being a bit pessimistic. I'd like to call myself a paranoid optimist. On the one hand, you've got things that you capitalize, on the other hand the outlook, low interest rate environment – all those forces I talk about, will make it a little bit tougher to get into even in the lower end of that range.

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**John Aiken – Barclays – Analyst**

Part of the evolution within domestic retail is the digital and mobile strategy that the banks are putting forward. How does this mesh in with your strategy of convenience? I've got to believe that this is an extension of the branding. And how do you balance the implementation and the cost associated with that with trying to maintain profitability in the bottom line?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yeah, we actually see it as a massive opportunity. Our entire brand, whether it be in Canada or in the U.S., starts with service and convenience. Going back to last 30 years anyway, that was mostly exemplified by our long hours in our stores and our branches. In the future, if you reframe that saying, well, okay, if you have a mantra all around providing better convenience and better service to customers, there's not a lot more convenient than the devices we all carry around with us. So, how do we then translate that go-to-market strategy and then through those devices? So we actually think it's quite an exciting time for us in banking. How do we square that in terms of the investments?

Well, one of things that the industry is seeing globally and certainly we're starting to see in Canada, albeit a little bit more slowly than in the rest of world, is service transactions through your traditional branch outlets are peaking and starting to actually come down. In some other markets notably Northern Europe, you've seen more – much more dramatic drops in service transactions. Well, that is actually an opportunity for consolidation of branch outlets and some potential cost savings and an ability to redeploy your people out into the marketplace to still do what customers really want to do, which is to talk to a person face-to-face when it comes to buying things.

Service transactions are generally done obviously through automated devices but there's still a great opportunity to actually have those more intricate conversations about their financial desires and how their bank can help them face-to-face. And, so you can actually deploy your resources towards more productive energies and you can also spend some of the savings you get when service transactions go down into building out the technologies to make things more convenient for customers.

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**John Aiken – Barclays – Analyst**

How important within the context of the mobile strategy is a first mover advantage assuming you see rollouts and when a bank puts something out, we get the press release and it seems like the next week everybody else is following suit?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yeah. Our view is that in fact is practically no advantage. The example I like to use is actually, it's ironic that is today given its Apple's big announcement today. Apple is known, as being an amazing innovator, and they are an incredible company, obviously but, if you think about Apple actually has invented very, very little. What they have done is perfected many, many things. The tablet, the smartphone, the iPod, those

technologies there were some other players that actually rolled in out first. What they did is they took the time to actually make them consumer friendly, usable, beautiful, and yet being a first mover was not the most important thing.

So it's sort of our philosophy if you start for service and – with service and convenience as your strategic imperative then if you've got digital capabilities it's good to take your time to make sure that that actually works well. Now you can take that philosophy to an extreme, you can't be ten years behind, so there is this idea of being a fast follower but the objective should be to make it very easy to use for your customers to make it comfortable for them to do their banking with you. Bleeding edge is not the way you do that.

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**John Aiken – Barclays – Analyst**

We're going to start off with the first polling question if we can throw it up please. I think the Canadian bank valuations who perform against the U.S. peers over the next twelve months significantly outperformed, modestly outperformed in line, modestly underperformed or significantly underperformed?

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**Tim Hockey – TD – Group Head, Canadian Banking**

I think one is the right answer.

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**John Aiken – Barclays – Analyst**

Modestly underperformed but ironically nobody says significantly underperformed, I guess 2014 has taught us all a lesson.

Are there any questions from the audience for Tim? No? Well, Tim, I think that it's very unique with your role heading up Canadian banking and I know you are not the Chief Risk Officer but within the context of your operations, we're seeing credit losses at, I'm not going to say historic lows because I haven't gone back that far but I mean, these are exceptionally low levels and they just – they continue to improve. What's the outlook? When do we see an inflexion point, and realistically how are you managing your business in context of this what is typically or at least in a historic basis a very unusual period?

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**Tim Hockey – TD – Group Head, Canadian Banking**

The last couple of years when we were in the planning cycle as we are right now for the subsequent fiscal year, we've had an operating assumption that says we're not going to get a tailwind from credit losses anymore, and then we proceed to get a year or two of a bit of a bump from credit losses. But to your point, when you do actually look at historic norms, we're very close to it. And so are we assuming that we'll get anymore, well, no, just as we didn't assume for this planning year that we'll get a tailwind.

So, what we then do is say all right. What are the conditions that will actually reverse that? From a planning paradigm when we look at our economic outlook in Canada, we don't believe that there is going to be either a significant bump up in the two variables that will really impact that, being an interest rate spike or job loss number. The outlook looks fairly benign. So, the number will probably stay where it is. So, from an earnings growth point of view, then you have to assume that you won't get that tailwind and then you have to eke it out based on the other two drivers, revenue and expenses. So, we have had the benefit of year-over-year tailwind this past year, just as we did the previous year. I don't think we'll get it next year. So, we'll just have to do it the bump and grind way.

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**John Aiken – Barclays – Analyst**

Any questions?

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**Unidentified Audience Member**

We see Toronto is pretty heated in condos like overall actually looks pretty balanced, but I wonder if you can talk to why you're comfortable with that, things particularly in multi-family don't sort of tip us over into more bubble like than not?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yeah. As you can imagine we keep a very careful eye on all the various different measures of what would constitute a housing bubble or not. And we've been watching this carefully, we I'd say in collectively, the industry, the regulator, our finance department, the government for many years, and I give our Finance Minister credit for having taken action, appropriate action because the balancing act from our point of view is, how do you slowdown the growth in asset bubble formation, but at the same time because of the importance of the housing sector of the economy, to not tip the economy over into recession. So, there has been about four, five different slight taps on the break I might call it, over the last four or five years that have taken a little bit of the growth off.

In fact, our Chief Economist is just doing some work now, that I would say that you're starting to see some effects of the mortgage insurance changes. For example, people in Canada are starting to pay we think, this is their hypothesis they're testing, are putting larger down payments down. So, the average down payment against the housing price is starting to increase. These are historic low interest rate times and so what you would expect to see is actually higher rates of consumer and consumer lending growth and you're not.

So, there has been a not an insignificant amount of job owning, the Canadian consumer saying wait a minute, too much debt is not a good thing. Combined with I think some more stringent criteria that all the banks are responding to as a result of the regulatory changes. So, the trick is to actually minimize the percentage chance of getting a bubble bursting thing in Canada.

My view is it actually has diminished a little bit in the last few years, this has been a four year or five year journey for us. It's not impossible if you ask our Chief Economist, he'd say it's probably 15%, 10% to 20% something around there, overvaluation which you could translate into what's the likelihood that there'll be a bubble. The good news about Canada is that there's lots of discussion amongst the industry players with our regulator and government to take a measured approach to slowing this down. So, the next question you can ask yourself because we do all the time is what if they're wrong, what if there's a 10% happening? And to really measure that, we take a look at us, obviously our stress tests. And so we've become quite expert I think as the entire financial industry worldwide has become over the last five years or six years in conducting stress tests. And we get ever more stringent.

So, our latest results would say that even with a housing crisis in Canada that is more severe than what was experienced in the U.S. and globally that we actually still maintain, believe it or not, earnings and capital levels that we're comfortable with. And it's partly because that there is a somewhat disproportionate risk balance between the banks and government vis-à-vis the mortgage business. And so that particular balance has been shifted if you read the papers and watch what's happening with our CMHC. In Canada, we're looking to right that balance between the industry and government carefully over time and its working.

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**Unidentified Audience Member**

The most recent quarter you guided to some NIM compression coming forward in the next quarter. I was wondering if you could speak a bit of the dynamics that played there and do you...

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**Tim Hockey – TD – Group Head, Canadian Banking**

NIM compression?

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**Unidentified Audience Member**

Yeah.

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**Tim Hockey – TD – Group Head, Canadian Banking**

In the last quarter we declared that notwithstanding we had NIM that didn't changed much both in Canada and in the U.S. that we're expecting to have some factors hit us in Q4, so we wanted to pre-declare that. In my world that's about 5 basis points. As we said at the time there are, we expect at any given point in time in this low interest rate environment that we would bump around by onesies and twosies, but in fact overarching trend should continue to be slightly down whereas we've been surprised pretty much three quarters in a row with a number either flat or slightly up. We try to be quite diligent about all these various different factors and there are some factors in the fourth quarter that we were sure from our marketing effort point of view for example will come to pass, then when you add them all up that our expectation is that number will drop about 5 basis points, and I gave some examples. One of them being, will be through our MBNA acquisition integration and as a result we'll be looking to increase our promo loan penetration.

Well that has an effect on your margins right there, it's very positive business to do but as you roll that out that will have I think about 1 basis point. So, you add that factor plus mortgage breakage plus a couple of other factors that are seasonal, look at it and say, it feels like it's about 5 basis points in the quarter. So, we declared it, and we think that that might be a bit of an anomaly but there is continuing to be a bit of an inexorable trend downward.

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**Unidentified Audience Member**

You made a couple of what seems to be attractive card purchases, excuse me, and I was just wondering, if you could explain what your card strategy is and what that might mean going forward?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Sure. Well, as I alluded to John at the beginning, if you go back 10 years or even 14 years to 15 years, in the Canadian context before we had our U.S. bank. We were a number one or two in pretty much every consumer product, but the one that we were six or seven from the Canadian context was the credit card business. And the reason for that is at the time it was literally illegal for banks to actually issue both Visa and MasterCard, TD buys Canada Trust. TD had a Visa platform, MasterCard was at Canada Trust. The Competition Bureau in Canada forced TD to sell off one of the two books, we sold off MasterCard, which meant that we had an underrepresented small share of credit card.

So, over the last 10 years, we've said this is an amazing opportunity, because we have about 40% of bankable Canadians, somewhere little less than that having a bank account with us, but a fraction of that number having an actual credit card. So, for the first number of years, we just organically grew market share from 6% to 7% to 8% to 9% and then of course during the crisis we had a couple of other great opportunities one being MBNA Canada, which was a fantastic purchase for us a few years back.

And then of course there was the Aeroplan both winning the Aeroplan rights, but also then doing the deal with CIBC to purchase their non-franchise customers. And so, that took us over that journey from last place in the marketplace to number one. It also gave us the opportunity in the subsequent period to once we'd established our U.S. footprint from a retail point of view to also say what we have some fantastic capabilities in Canada and we also have the ability to build out a credit card business.

You could argue the same way in the United States. First from getting very good at organic sales in our bank card business through the stores, and secondly to start making acquisitions or partnerships with large retailers and so of course the great program there was Target. So, we're quite pleased with how our credit card division on a North American basis has performed over the last decade and it's a combination of good organic growth practices with some great strategic acquisitions.

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**John Aiken – Barclays – Analyst**

Tim, along that, I think you said on the third quarter conference call, but you mentioned Target there. What is the spillover impact been from the data breach that they experienced?

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**Tim Hockey – TD – Group Head, Canadian Banking**

There certainly was a little bit of an effect in the early days. I can't say we're largely through it. I think that's probably not a bad phrase. We're largely through it now. Most of the impact has been felt in a reduction in the actual acquisition of card rates. I mean and but that's now started to come back up to pre-breach levels. So, we're actually feeling quite good about it. And our experience from a fraud loss point of view is minimal. So, it was much more of a headline event than an actual credit risk event, if you will, or a fraud risk event.

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**John Aiken – Barclays – Analyst**

Before we go to the next question, can we throw up the second polling question please? What do you value most about TD's operations? One is domestic retail operations; two, U.S. retail bank exposure; three, wealth management including its interest in TD Ameritrade; four, relatively low capital markets exposure; and five, significant liquidity in both of its retail operations?

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**Tim Hockey – TD – Group Head, Canadian Banking**

It should be an all of the above answer.

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**John Aiken – Barclays – Analyst**

Domestic retail operations. Now that's just because Tim is here.



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**Tim Hockey – TD – Group Head, Canadian Banking**

That makes me feel good. Thank you.

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**John Aiken – Barclays – Analyst**

Well following that, do we have any other questions for Tim, on the floor?

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**Unidentified Audience Member**

Can you talk about conditions in auto finance in Canada as well as in the U.S., and are we getting overheated here or is it not that bad?

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**Tim Hockey – TD – Group Head, Canadian Banking**

So our Auto Finance business is another one of those great growth opportunities again going back multiple years, combination of organic, as well as acquisition. It was a space that we were very small in back laterally eight or nine years ago. We jumpstarted our growth in that area by buying a small nonprime player in Canada called VFC in 2006, and then used that as a platform to extend to the point where we're a big player in Canada now. That then gave us the capability, the scale and the confidence in -- again once we had our U.S. operations to buy Chrysler Financial. And so, now we have a North American Auto Finance business as one of our big performers.

It's a bit of a tale of two countries. We're a -- we're a significant full spectrum player in Canada and we have very, very strong market share in the Canadian market. And our origination growth this particular year is very strong. We're up, I think 20% year-over-year in originations. The challenge in Canada is market -- margins have thinned somewhat to make the revenue growth even with those the asset growth numbers being strong to mute the revenue growth as a result of it. But it is still a strong player with a good ROE. But the competitive forces are quite strong.

In the U.S., what we had of course was the Chrysler Financial platform. And there was a bit of a focus to both right size that operation for the size of assets that we had on it, it's used to be at its prime, I think up to \$70 billion of assets on that particular platform and of course we had to runoff book when we acquired it. And then we've been building up our organic growth capabilities. We thought we'd get to be about 5,000 dealers, we got all the way up to 9,000 dealers and now we're starting to say, well it feels like about, you can start pruning that number back. I think, we're around 7,000 dealers now. To really focus on our best and in our most profitable dealers.

What's happened of course and you've all seen it, in the U.S. is that the margins that have been under attack to some degree in Canada have really been under pressure in the United States. So, margins have dramatically decreased. Couple of reasons, one is its quest for good quality assets, and I think the crisis really showed that auto loans were very high quality, high credit quality asset, and so there is a bit of a quest for that.

We have seen, I don't know if this is a bit too early, we have seen a little bit more discipline in the pricing in recent months, because the same sort of credit tailwinds we talked about in Canada have run through the auto finance businesses in the U.S., and they seem to be abating a little bit, so you don't have that pressure relief if you will on your earnings as a result, then there might -- we might see that come back in the margins, but again we don't believe that we can bet on margins doubling to where they were pre-crisis type



levels. So, we don't run our strategy on that basis. So, we continue to take the costs out, and make sure that we can buildup the capability to run a nice healthy business even in this competitive environment.

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**John Aiken – Barclays – Analyst**

Tim, there's been anecdotal evidence on both sides of the boarder, auto loan, the length of loans have been stretching out, and is this; one, is it a practice that TD is participating in; and two, how does that impact the outlook for the ultimate credit losses at some point down the road?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yeah. We've looked at it in both sides of the market, and the, it's a little bit more exacerbated in the U.S. than Canada, but we're very careful because there are elements of auto loan risk, some of it has to be with the life of the loan itself, and the duration thereof. I mean, there are very real forces that drive that out. One of the things we know is that cars are actually lasting longer on the roads. The average age of a car on the loan has extended – or car on the road has extended. It's partly because there wasn't a lot of new stock during the crisis to come out, but it was also that cars are actually better. So, we are very careful about how far out we go, but we're comfortable that we're only taking the risk -- we're not going as far out as many, but you have to take a look at the competitive environment and decide whether you're comfortable with the risk.

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**Unidentified Audience Member**

Hi, Tim. Can you talk about interchange and if it does get cut, what the options are?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Sure. So in, for those that don't know in Canada, there is a discussion and our Finance Minister has come out saying that he is wanting to have the networks agree voluntarily to decide to cap interchange rates in Canada. And so he's alluded to this – to an announcement that might be made in the near future. The effect of that, and it's a complicated business formula, the way the interchange works. But the effect of that is that our belief is that the depending on how dramatic the cut might be that the markets do tend to rationalize, and different players absorb some of that hit. The issuing banks might just absorb some of that hit. The acquirers themselves will change their economics, the merchant acquirers. The merchants will largely reap the benefit.

And then ultimately our belief is that consumers will bare most of the brunt, because what happens ultimately is that is that the, the fees to the merchants tend to go down by whatever percentage, they tend to absorb that into their revenues, they don't necessarily pass that along to consumers, but the issuing banks will recalibrate their rewards programs over time, that the consumers now in love. And so, what will happen generally as we've seen in other markets where this has happened is, that rewards programs and credit cards tend to diminish in their value to the consumer. So, depending on the size of the cap on interchange, there will be – I think primarily a fairly short-term blip call it less than a year, a couple of quarters in terms of revenue to the issuing banks generally and then you will find the market recalibrate with usually those effects on consumer points.

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**Unidentified Audience Member**

Tim, could you talk a little bit more about the expansion on the asset management and capital markets front?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Sure. This is a follow-on question, maybe if you want to...

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**Unidentified Audience Member**

Just real quickly the impact on Aeroplan deal and if you have protections around that?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Oh, the Aeroplan deal.

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**Unidentified Audience Member**

If the deal does get cut, yeah.

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yeah. So, the short answer is that when we were in discussions with Aimia around the Aeroplan deal, we did envisage obviously the change that might happen in the market because obviously it's happened globally with interchange rates. And so, there are contractual rights on both sides depending on the change. And so, we feel well protected vis-à-vis any change that might happen.

So, expansion in wealth, again, another great growth opportunity both in Canada and of course now in the United States on a couple of fronts. One, organically, in Canada, we believe that our strategy is very simple and that is – we're less interested frankly in acquisitions of wealth management players. We believe that that largely begets distribution, rather than manufacturing capability. And in Canada we don't believe that we need to acquire our distributor, we'd rather grow that organically 50 investment advisors at a time or 100 at a time, financial planners in our stores in our branches, that's our sort of build slowly and carefully because we have an amazing referral engine from our retail bank to our wealth division.

A new plank that we've sort of really started focusing on this last year or so has been around cementing the relationship between our commercial bank, which is now number two in the country versus number five much larger number of clients, and our wealth division, so really making sure that for business owners that we're really bringing our wealth division to bear. And that's starting to bear some great fruit in terms of increased referrals year-over-year.

On the manufacturing side obviously our acquisition little over a year ago was of Epoch, which has performed fabulously for us here. And we like that because of their capabilities in the equity space, we're much more known as a debt shop in Canada. Epoch is a fantastic firm has grown beautifully since the acquisition, and we've integrated into our offerings both in the U.S and Canada.

In the U.S, we have again a very similar strategy to what we originally had many years ago in Canada. Which is we have this 1,300 store network on the east coast and yet we don't have a very robust line of business offering to be able to offer to all those customers that love doing their day-to-day banking with us. And so whether it be our credit card offering whether it be our wealth management offering, there is an amazing opportunity, but it does take time to increase the relative rate of relationship deepening that you can get with your existing clients and so we're building out the capabilities. We have a platform in place, technology platform in place, and we are again adding significant numbers of private bankers essentially to our platform to be able to meet the need if our customers here in the U.S.

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**John Aiken – Barclays – Analyst**

Tim, what usually files in under the radar in wealth management, though, is that you actually have European operations, can you just touch on that quickly?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yep, we have a UK and direct investing platform, which is doing well, I would say, our bet is that we will see in the United Kingdom, some of the same of the same trends we've seen in North America. There have been some regulatory shifts, some of that will be our favor, we think we can really take advantage of. But it's a relatively small part of our operations.

But if you combine the capabilities we have in Canada, where our direct investing business has about 42%, 44% share in Canada. Our ownership position obviously in TD Ameritrade, as well as our UK operations. I think if you add it all up by trades, we're one of the largest direct investing, if not the largest direct investing platform in the world. So we have these capabilities sprinkled throughout North America, and the UK. The question is how can you really pay them off to grow, obviously going to be growing at a faster pace than probably more traditional investing methods.

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**Unidentified Audience Member**

I guess I will kind of direct this question for everyone, but can you comment on your thoughts on the new bail-in debt proposal, and any kind of thoughts on costs or changes to your platform that might cause?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Yeah so being the lone non CFO I'll give the layman's answer which is frankly I view my job quite simply, and that is, we have a proposition, where my job is to just get more Canadians to decide to do their banking with us. And the challenge for us all as management members of banks in Canada or in the U.S. is to make sense of the various different capital rules that are ever-changing, bail-in being one of those, and obviously you are all trying to figure out as we are the impact of the ever increasing sort of levels of capital.

Bail-in in particular isn't something that is part of my bailiwick, but it is something that is, you can imagine and if Colleen was up here, she would give you a much more fulsome as to challenges. I've learned over my career to sort of let the debates rage as to what the capital is and then react in terms of the implications on my business, in terms of the appropriate pricing we would have in place to have a proposition that gives great service and convenience to Canadians to do their banking. So, I mean, I realize that there will be impacts on our capital regime and I find that I can be a bit distracted in my day-to-day job if I try to keep abreast of the recent changes and what they might be.

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**John Aiken – Barclays – Analyst**

And can we throw up the final polling question please before we run out of time? How do you view TD strategy of pursuing portfolios of assets to utilize its excess liquidity? Negatively, is not creating value; neutral; positive but will take time to truly generate accretion; and outright positive and TD should pursue more?

Overall mainly positive but not terribly aggressive. Do we have anything else from the floor?

Well, Tim, one of you talked about – you answered the bail-in capital question about how you manage your job, but what I think is very unusual about your mandate particularly is that you span retail banking but also wealth management, but there's certain key products that actually aren't reporting in to you. How do you manage that interplay and how did this unusual structure come to play?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Well, if – you're specifically referring to insurance and credit cards? Well, we have an amazing executive by the name of Riaz Ahmed. And when you look at the span of control that my business has, and you could say that well, a more appropriate organization structure would to make sure cards are in there, but cards on a North American basis is a massive business for us. And I ran that business for a decade, and Riaz is an incredible executive, and as we were looking across the portfolio and how to do the right load balancing. We got to the stage where credit cards were so much that they could warrant to all the attention, credit cards and insurance combined could warrant the attention of a group head and so that's the way we decided to structure this.

I am very proud of what we're able to build. The interplay at the Canadian Retail level is that Riaz and myself essentially own the various different pieces combined. We make sure that there are all the right governing mechanisms in place to make sure that those two pieces which are very symbiotic as you can imagine, credit cards get sold through our branch network and through our online channels. But every bank has the same thing, you can decide to organize somewhat differently, it's a question of how do you operationalize the right decisions so that you make the maximum benefit of the different pieces that work together.

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**John Aiken – Barclays – Analyst**

We have time for one final question from the floor.

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**Unidentified Audience Member**

Some of your competitors have made a fairly successful foray into the U.S. capital markets business, TD is still seeing very much of Canadian only on capital markets. Any comments there, any ambitions there?

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**Tim Hockey – TD – Group Head, Canadian Banking**

Our overall strategy is that we believe our predominant capabilities as an entity overall is in the personal and commercial banking on both sides of the border. As I said, there's a little bit of capability build in direct

investing, more nascent in wealth. But if you look at our capital markets business, what Bob Dorrance would say if he was here is that we're very much focused on being the franchise market player, very focused on our Canadian customers.

But of course, many of our Canadian customers, whether it'd be our major corporate clients or our junior corporates or our small businesses even or our Canadian consumers who want to banking in the U.S. and they need help. So, our primary purpose even for expansion in capital markets is to be that provider predominantly to Canadian corporates in their U.S forays. But, there's obviously growth opportunities for us. Prime mandate is that we want a decent return in that business, 15% to 20% and to grow it appropriately in a risk-based way. And as we build out more capabilities in the United States, it could well be that that becomes more of a growth opportunity for us.

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**John Aiken – Barclays – Analyst**

Well, Tim, thank you very much. We're going to leave it there.

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**Tim Hockey – TD – Group Head, Canadian Banking**

Great, thanks.