TD BANK GROUP
CANADIAN RETAIL INVESTOR DAY
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INTRODUCTION

Rudy Sankovic – TD – Head of Investor Relations

Good morning. My name is Rudy Sankovic, and I'm the Head of Investor Relations for the Bank. Very pleased to welcome everyone in the room to our Canadian Retail Investor Day. For those of you joining us via webcast or on the phone, thank you for taking the time to participate.

Before I provide an overview of the morning, let me get the legalities out of the way for you. I'd like to caution our listeners that this presentation contains forward-looking statements. There are risks that actual results could differ materially from what is discussed and that certain material factors or assumptions are applied in making these forward-looking statements.

Any forward-looking statements contained in this presentation represent the views of management and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities, and anticipated financial performance. Forward-looking statements may not be appropriate for other purposes.

I'd also like to remind listeners that the Bank uses non-GAAP financial results to arrive at adjusted results, to assess each of its businesses and to measure overall Bank performance. The Bank believes that adjusted results provide readers with better understanding of how management views the Bank's performance. Additional information on items of note, the Bank's reported results and factors and assumptions related to forward-looking information are also all available in our Q3 2015 Report to Shareholders and also in the presentation accompanying this webcast.

Today's meeting will feature a combination of short and cycle presentations and two interactive Q&A sessions. We'll begin with introductory remarks from Bharat Masrani, the Bank's Group President and CEO and Tim Hockey, Group Head, Canadian Banking and Wealth Management.

With that, let me turn the presentation over to Bharat.

We'll then launch into a series of seven presentations from the executives, who lead the various businesses being profiled to-date and we'll also have a couple of breaks to allow you to re-energize throughout the morning.

With that – sorry, for both the Q&A sessions, we will encourage everyone to ask questions. There will be mics floating around the room, so that you do have an opportunity to ask the right questions of our speakers. Also pre-approved callers on the phone are invited to ask questions as well. Tim will bring the event to a close with some final thoughts and we do plan to wrap up by no later than noon.

With that, I welcome Bharat Masrani to the stage. Bharat?

Bharat Masrani – TD – Group President and CEO

Thank you, Rudy, and good morning. It's great to see such a big turnout after last night. I thought everybody would opt for the phone, terrific go Jays go, I guess. I'm delighted to welcome everyone who is here in person, via webcast, and on the phone, thank you, thank you very much for joining. This is a great opportunity to hear our leadership team talk about how we will continue to compete, win and grow TD's Canadian Banking business in the coming years.

We have a full agenda today as Rudy noted earlier. Our executive team is on deck to share their strategy, priorities and plans. They will help to explain why TD consistently outperforms our competitors as well as create shareholder value for the short and longer term.

Now, we don't spend a lot of time congratulating ourselves at TD. But part of what we'll do today is profile the incredible, the incredible track record of our Canadian Retail Bank. Great businesses win on their home turf, and that's exactly what we've done. The Canadian Retail Bank is TD's flagship business, contributing over 60% of our earnings. As you know, I joined TD almost 30 years ago. And in that time, our Canadian Bank has made bold transformational moves. The biggest one was the merger between TD and Canada Trust, 15 years ago. Since then, we've more than quadrupled our Canadian Retail earnings with double-digit compounded annual growth. We also have a track record as an innovator and disruptor.

Our longer hours change the way people bank. Today, TD Canada Trust is the global standard for excellence and the clear leader in service and convenience. We are one of the most valued brands in the world. And we have an amazing culture and team; that's our secrets sauce. I always say, others can mimic our products, match our prices, but no one, no one can replicate our people. If you want to know why I'm confident about our future, it is the incredibly talented people who understand what makes TD stand out in the marketplace.

This brings me to my key theme today. TD looks ahead to get ahead. If you want your business and brand to have staying power, you don't stay the same. You strive to be better, do better. But how we adapt without abandoning our core strengths is what sustains our winning ways. It requires experienced leaders, a relentless commitment to operational excellence, a culture that brings out the best in its people, and most of all, employees, who truly get their business and brand. We have it all. Starting with an incredible team and great leaders in Tim Hockey, Teri Currie and Riaz Ahmed.

Tim is responsible for Canadian Banking and Wealth Management. He's had a solid career at the Bank having joined Canada Trust over 32 years ago on the frontlines. In addition to his varied responsibilities in our Canadian Retail Bank, he's held senior positions in a variety of areas including mutual funds, retail distribution, information and technology, small business, credit cards and personal lending.

Teri joined Canada Trust in 1983, and similar to Tim, also started on our frontlines. Today, she is responsible for TD's integrated approach to technology with a focus on providing customers with seamless experiences across channels, online, mobile, phone, and ATMs. She is also responsible for our people strategies as well as our environmental, real estate and marketing strategies, all of which are important elements of what makes TD the better bank.

Riaz Ahmed joined the Bank in 1996 as an investment banker in our Wholesale Bank. He is one our most versatile executives. Today, he has responsibility for North American Credit Cards, Insurance, Treasury and Balance Sheet Management. Riaz also leads our Corporate Development group, identifying and acquiring businesses and assets that complement TD's strong North American portfolio.

Colleen Johnston, our CFO and Canada CFO of the Year in 2012, is also here today. In a couple weeks, we will mark Colleen's 10th anniversary as CFO of the Bank. Colleen is the main driver behind among other things, our Investor Relations effort, so I'd like to thank her and her team for putting together today's fantastic program. You'll be hearing from Tim today and our seven Executive Vice Presidents in Canadian Retail, combined they have over 220 years of global experience in financial services. Riaz and Teri are also here and we look forward to connecting with you throughout the morning.

Let me now highlight three priorities you'll hear about today. First, we will continue to grow and outperform the competition. And as you will see, we've got numerous levers that will help us deliver medium-term earnings growth greater than 7% in Canadian Retail. Second, we are focused on operational excellence, doing the right things and doing things right. TD has grown dramatically over the last 10 years, both organically and through acquisition. Over this time, integrating new and growing businesses has been a key focus for us. We are now turning our attention to optimizing them.

Running our business more efficiently enables us to take some costs permanently out of TD. It also helps us become a fitter and faster organization. We're going to reinvest some of the savings to enhance the customer experience, making it easier to bank with TD.

Let me put it this way, we love our customers. There is no greater privilege than to earn their trust and serve them, but we understand that banking is a means to an end. So when we can find ways for our customers to spend less time banking and more time living, that's a good thing. That leads me more broadly to our third priority. We will maintain our leadership in service and convenience. No one understands the customer relationship better than us. A lot of our insights stem from the feedback we receive from 30,000 Canadian customers every month.

We're leveraging our insights as well as best-in-class retail platform to deliver legendary experiences across all our channels. That's a big focus for us because the way the world is going, people expect their bank to be a tap away, a click away, a call away, and a block away. Enabling customers to bank anywhere is a good experience, but enabling people to bank their way is even better. That's how we are going to keep growing and deepening our customer relationships.

Today, we're focusing on how we are doing just that in Canadian Retail. But I would be remiss if I didn't mention TD Bank, America's Most Convenient Bank and TD Securities. In today's context these businesses are important for two reasons. First because our North American scale is a critical differentiator, allowing us to bring the best ideas and talent from across the continent and spread investments across two leading retail networks.

Second, because these business bring the power of One TD, diverse customer groups that need all of our products and services, whether that be cross-border banking, access to capital markets or any of our other products.

TD Bank, America's Most Convenient Bank, TD Securities and TD Ameritrade are all critical to our overall scale and all contribute to the power of One TD, truly more than the sum of the parts. Needless to say, I'm tremendously proud of all our teams, but none more so than the Canadian Retail team.

So without further ado, let me turn it over to Tim Hockey, who will talk about sustaining our winning ways in Canadian Retail business. Tim?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Great. Thanks, Bharat. And welcome to all of you that are here in the room as well as watching us online. As couple of people mentioned that it's been a number of years since we've actually had an Investor Day just focused on Canadian Retail. So we're looking forward to this and showing off a little bit and talking about our future. And I think it's also fair to say that a small amount has changed in the landscape over the last number of years, so it's worth updating you.

So I'm very excited to highlight the key accomplishments towards our goal of always being the better bank and about our growth plans for the future. I'm also excited that you're going to hear from the leadership team that made it happen in the past and will make it happen in the future.

But before I turn it over to them, I wanted to give you my insights on some of the key themes you're going to hear about today. I'm going to talk about the operating environment that we operate in and the role that I think it plays in the decisions that we make going forward. I'm going to start in a very simple way and reinforce that we attribute all of our success to our relentless focus on the customer. And our plans to go forward center on remaining the undisputed leader in service and convenience.

So as I mentioned, there are a few key messages that I'd like you to take away today. First, we are leaders in the markets where we have chosen to compete, and our performance reflects this over the years. Second, TD is built on a strong orientation to growth. Our retail branch network is at the core of our success and is arguably one of the best retail platforms in North America, if not the world. Of course, we're experiencing the same trends that are changing how people bank everywhere. We've been anticipating these changes for some time and have been evolving our customer focus to offer accordingly. We still believe that our branch network as a critical piece of our growth strategy and you'll hear more about that from Tom Dyck a little later.

Productivity is not something new to us. We've been on this journey for some time, constantly improving and creating efficiencies to support investments for the future. And the power of One TD leverages our scale to deliver the entire bank to meet any and all financial needs a customer or client has. By keeping the customer at the center of everything we do and relentlessly focusing on our pursuit of simplicity, customers can interact with us seamlessly and easily.

Great leadership is what differentiates successful organizations. At TD, I know we can only achieve exceptional results if we have exceptional leaders and teams. I mentioned earlier that you're hearing from each of the leaders of the Canadian Retail businesses. You'll see it for yourself that we're backed by an experienced and diverse leadership team. They have the drive to be the best, they inspire the world to win and they are very passionate about growing our businesses.

I'll now focus on why we believe we have the right strategy and what makes us Canada's leading Canadian Retail Bank. First, if it's not obvious it's our people. Our people, our culture and all the things we do differently that make us TD. People and our culture have always been our greatest competitive advantage.

Service and convenience is a theme you've heard a lot about and a theme we will continue to talk about. To us it is the best way to compete and win and it's what we stand for. Yes, banking can be this comfortable. So one thing that has changed about TD over the last few years and that we're very proud of is that we're becoming much more North American. We believe scale matters. And for that matter, we believe you need scale to win. And by making ourselves more scalable, customers can interact with us seamlessly as one bank with many offerings.

As I mentioned earlier, the concept of One TD is our key competitive advantage in our organic growth strategy. It brings the power of TD to our customers in a unique way that the competition cannot match. By mining the organic growth opportunities that exist between all of our businesses, we will create even more value.

So turning to the financials. We'd say our outperformance has been consistent over time. In all of the highlighted key metrics we have better than industry performance. Our revenue growth, net of insurance claims of 6% has been 140 basis points better than peer average. This is in large part due to our ability to outgrow the industry in loan volumes, as you can see, in the top right graph.

And we've achieved our top line growth while prudently managing our expenses. As we said before, our expense growth over time will be inside our ability to grow revenues. And we have done just that with an average gain of 140 basis points of operating leverage over the past four years. The result, pretty simple financial formula, is that over time we've consistently outperformed in net income growth as you can see from the chart on the bottom right by a margin of over 2%.

We continue to build on our market share with fantastic results. As you can see, we have number one or number two market share in every major category. We're proud of our performance on the real estate secured lending portfolio, where we've maintained our leadership. I'll also call out that we're number one in Canadian credit cards, and not long ago, we were number six. We're also number one in personal long-term deposits; number two in business loans; and again, it wasn't long ago that we were number five in business loan share. More on this later, but we do see more opportunity in Business Banking and have identified this as a place where we see potential for continued growth.

Turning to slide nine, the first half of 2015 certainly came with its fair share of headlines. But we do see the second half of the year having a better outlook and next year expect modest GDP growth in the 2% range. Our view on interest rates is a different story. In fact, we don't expect the Bank of Canada to raise rates until 2017.

On the credit side, we keep calling for credit to normalize, but it's proven difficult to predict. And although we do believe some of the impacts of weaker parts of the country will start showing up in our metrics, we actually haven't seen it much to-date. We have a saying at TD, we don't make a bad loan in good times, so we can continue to make good loans in bad times. It's an approach that has worked for us, and in fact, it's helped us take market share.

Lastly, on the regulatory front, it actually feels as if it is normalizing and moving to a post crisis world. Maybe it's because we've become more accustomed to anticipating the changes, but I also think it's to the credit of both the industry and our regulators. We are committed to an open dialogue and doing what's right for the industry, our customers and for Canada.

With all of these factors in mind, we feel actually pretty good about the outlook for our businesses. Of course, we're no better at predicting market volatility, weather conditions and other unforeseen factors that could materially impact our individual businesses than anyone else. But under these planning assumptions, we're optimistic about the next few years.

Looking forward towards our business priorities, we've broken this down in three ways. First, driving efficiencies and optimizing digital channels to deliver best-in-class service. We know customers' wants, needs and expectations are changing and growing exponentially. We need to keep innovating to stay ahead of the curve. Emerging and nascent technologies can create better products and services for our customers. It's also about investing in a seamless experience that deepens our relationship with our customers, bringing our whole offering to them.

Secondly, we will continue to grow our underrepresented businesses. Part of our success is the result of good organic growth and taking share. But as a priority, we'll focus on opportunities we see for growth in Business Banking, Wealth, our Unsecured Lending and Insurance portfolios.

Lastly, we will continue to drive productivity while investing in the future including completing an organizational review that has focused holistically on all of our businesses to set us up for success in the future.

Our three priorities are shared across all of our businesses. So you'll hear similar themes in all of the presentations this morning. As you heard Bharat say, it gives us confidence and our ability to continue to outperform over the medium-term. You'll hear this morning how we'll extend our legendary customer experience into all of our distribution channels. As customers start transacting more and more in digital channels, we will continue to differentiate ourselves with that same level of comfort and ease that they have come to expect from TD.

In Personal Banking, it will be about extending our lead in our core businesses, real estate secured lending and deposits, but also about capturing share in areas that we don't currently have our normal market share. Here our opportunities are organic and well within our risk appetite.

In Business Banking, the quest continues, that is the quest to be number one in this space. We have made remarkable progress and I fully expect this momentum to continue. And despite our rapid growth in credit cards, we see significant opportunities ahead. Now that we fully integrated MBNA and Aeroplan into our platform, this is another example of one of our businesses that has great organic growth opportunities ahead of it.

Insurance is a story of where the transformation continues, but also one of winning where we choose to compete. And why we compete here is simple. It's because our customers expect us to. Having a strong complementary insurance business helps us deepen relationships with our customers. As we continue to build a better insurance franchise, we are confident that we will see strong revenue growth from it.

In Wealth Management, we fully expect to capitalize on a decade of wealth, as some call it. We have built this business organically and much of its success speaks to the power of One TD. Strong partnerships with both the retail bank and the business bank to drive referrals that are now fueling peer leading asset growth. Coupled with a continued focus on efficiency, this is a business that we have confidence, we'll continue to deliver double-digit earnings growth.

But these results, past and future, cannot happen without the best leaders. And our leadership is what differentiates TD from the competitors. To be the best, you must attract and retain the best people. You'll hear from each of the Canadian Retail business leaders throughout the morning. But before I turn it over to them, I wanted to call out how important the strength of this bench is to our organization. Quite simply, we know we have the best team in banking.

As you heard Bharat mentioned, together, they have more 220 years of global experience in financial services – and 135 years of that, by the way, is with TD. And we're turning the 160 years old as an institution this year and as stewards of this organization, it gives us all a great sense of comfort to know that we have such depth and experience running the franchises.

Each of our leaders you'll hear from today deliver incredible results for their businesses by relentlessly focusing on their people and their customers. But what's actually the most impressive thing about them is how they work together to bring the entire organization together, that's the power of One TD. We are incredibly proud of this team and we know that they are the reason that TD wins and will continue to win.

So thank you for your time today. And enjoy the rest of the presentations. I'll be back a couple of times to make a few more comments and also work with you on the Q&A. And so with that, I will now turn the microphone over to Tom Dyck, who will lead our Community Banking efforts and our branch distribution. Come on over, Tom.

PRESENTATIONS – PART I

Thomas Dyck – TD– Executive Vice President, Community Banking

Thanks Tim, and good morning, everyone. Little bit about me. My name is Tom Dyck and I'm the Executive Vice President for Community Banking. Currently, I have the privilege of leading our TD Canada Trust branch network coast-to-coast.

I actually began my career over 30 years ago, as a part-time teller while going to school at the University of Ottawa, and over that 30 years, I've had the opportunity to do a number of things including working in Retail, Commercial Banking, Wealth Management, and I've been in a variety of roles including product management, marketing and distribution in both Canada and in the United States.

So for this audience, you likely already know that TD Canada Trust banks about 40% of Canadians and continues to be the undisputed leader in service and convenience. So what I thought I would do in my time today is give you a sense of the journey we're on, and quite frankly, have been on to evolve our distribution network to strengthen our leading franchise. We've consistently outperformed our Canadian and North American peers precisely because we are constantly changing with our customers' needs and expectations.

Today, we're seeing the almost ubiquitous adoption of digital channels and the mobile device, in particular, is the first new channel to significantly change both customer behavior and expectation. Essentially, customers are redefining what legendary service and convenience is, based not just on what's offered by our competitors, but more broadly, based on their experiences with a variety of companies across all industries.

As Tim mentioned, we've anticipated these changes and began our journey to evolve our distribution capabilities over the past decade to take advantage, first and foremost, of our scale and our reach. In 2008, we centralized all direct channels, that's phone, online, ATM, mobile, across all businesses and on a North American basis.

To us, there were just obvious scale advantages for a TD wide network of about 2,500 branches and over 20 million customers and clients. Perhaps more importantly though, we expected that it would be critical in the future to build a consistently high level of customer experience, the TD experience, across all channels. So regardless of where, how or when the customer chooses to interact with us, we would deliver a seamless customer experience. And this strategy has served us very well and my friend Nandita will talk to the specifics of how we're leveraging this approach for a more digitally enabled future.

Now, on the branch side, in 2012, we began to invest heavily in the science of physical network design with the idea that understanding the opportunities and shifts at a very micro level would enable us to have a deeper understanding of our customers, our communities, and our markets. This would also allow us to make better decisions and would, in fact, give us the confidence required to change our approach.

At the same time, we launched and continue to launch a variety of new formats that would become the building blocks for this new distribution strategy. We also extended the notion of aligning with opportunity into every aspect of our approach, including where we allocate our people, how we develop them, to the processes that support the role of the branch in the future. And it's these strategies I'd like to talk to you about now.

So as I said, the adoption of the mobile device is, in fact, changing the way our customers bank, but perhaps not in the way you might expect. Large scale adoption of mobile banking is increasing the total number of interactions our customers are doing with us, while gradually reducing dependency and demand for both teller and phone-based services over the last four years, down about 2% and 10% respectively.

So our customers are embracing mobile, but they're not abandoning the branch for service quite as quickly as all the hype might suggest. In fact, when we segment our customers based along channel usage lines, we find that digital-only customers only represent about 5% of our customer base and as a segment are actually shrinking. At the other end of the spectrum, branch-only customers represent about 25% of our customer base, and in fact, they too as a segment are shrinking.

A whole two-thirds of our customers are embracing both digital and branches for service. Importantly, those customers who use both our branches and our digital properties buy more products with us and are more loyal than any customer who only uses a single channel, either digital, phone or branch. So it's critical to us to provide all channels for the foreseeable future, although they'll each need to evolve along with our customers.

In the short to medium-term, we expect that when a customer's needs are routine, they'll use their mobile device as the most convenient way to bank and over time that will displace transactions in the branch, on the phone and online at an accelerating rate, but not eliminating them altogether. Our management challenge then is to manage all of our channels proactively and flexibly along changing usage patterns.

Now the story is much more nuanced on the sales side. We expect the theme to be consistently applied that if a need is relatively simple, it will increasingly be made through a direct channel. Think new checking accounts, card sales, term deposit renewals, as an example. But if the customer's needs are more complex, think buying a home, planning for retirement or solving a problem, they are likely to use multiple different channels, sometimes at the same time and often multiple channels for a single need. What our research also shows is that customers will seek out a human touch at some point in their buying process, particularly for complex needs, often near the end, that will make them, well, more comfortable with their decisions.

The key to our future success then is to be good at managing the complete customer journey across all channels, particularly for more complex needs. And when we get this right, we also know that the customer rewards us with more of their business. Let me give you an example.

Several years ago, we enabled our telephone representatives to book appointments for customers over the phone at their local branch. We gave them the knowledge of the local branch, we gave them the schedule, we gave them the skills of the people that were in the branch and we didn't just give them the ability to book the appointment, but to pass the context and the information from the conversation they've had with the customer to the branch.

Last year alone, this process generated over $2.2 billion in sales in our branches. Now, with declining foot traffic and customers' expectations increasing for advice, we've been developing a more proactive outreach skill for our branch advisors and strengthening our pipeline and sales management tools and processes which are critical for the fulfillment of more complex needs. At the same time, we've been able to leverage our strong retail relationships to meet a broader range of our customers' needs, effectively providing expert advice across a wide spectrum.

For example, as a result of this One TD strategy, we have consistently been able to grow the number of retail customers who are now also wealth customers. And through this process, we've been able to grow the wealth book of business by over $24 CAD billion last year alone. Effectively, we're repositioning the branch to take a stronger advisory role and a transition from being a retail branch to more broadly representing all of TD in the local marketplace.

So the branch will continue to play a role in meeting our customers' needs. That said, what will be done in a branch will necessarily require the network design and physical building to evolve. With less service traffic, over time, we expect there to be fewer, smaller and more locally relevant branches. And we've already begun to take action. Where demand for day-to-day banking has declined substantially, we've consolidated locations, and importantly, we've been able to do so without any degradation in either customer retention or loyalty. And where markets are growing or where we have an opportunity to steal share from our competitors, we are opening branches.

We expect to continue to organically manage the network this way directed by our local insights and our market analytics and capabilities. With less foot traffic, there's also an opportunity to reduce the size of our branches. Currently, about a third to one-half of our branch footprint is dedicated to routine day-to-day service. So our new designs are open, comfortable and conducive to conversations rather than transactions. They're smaller on average 3,500 square feet versus our historical average of around 5,500 square feet. They are locally relevant, and very importantly, they are adaptable, and this is an important element.

While we know that our customers will change the way they use our branches, what we don't know is how quickly that change will occur. Our new formats are designed to be modular, in fact, they are modular, and can be reconfigured quite literally overnight for a fraction of the typical renovation cost.

We've also launched help and advice centers where day-to-day banking needs will be met on a fully self-served basis, and in that framework, our customers are able to complete over 90% of the transactions they could typically complete in a full-serve branch and help us nearby if they run into trouble. These centers are staffed with a complement of advisors that can meet the entire range of our customers' needs. We currently have four of these centers and we're thrilled with the results of them and plan to open up several more over the coming year.

In the end, we also know that while our customers like our branches, they love the people that are in our branches. So we're bringing our advisors where our customers are through new innovative formats. We've successfully launched pop-up branches in places like malls, temporary trailers and zones of new construction, and we have a mobile branch that can travel to a local festival, a community under construction or respond quickly to a natural disaster. In fact, we just deployed this mobile branch two days ago to the Town of Collingwood where during a renovation we uncovered a structural problem that caused us to close access to the ATMs. Literally overnight, we deployed the truck and the community of Collingwood had full access to banking the next morning.

Now, we're also applying this same approach to the evolution of branch technology. We've begun to refresh our platform with touch screens, faster processers, higher bandwidth to enable multimedia and multi-device conversations, just to name a few. Importantly, we've been able to evolve our branch channel while tightly managing our capital spend and reducing operating costs.

So by now, hopefully, you have a sense of how we've anticipated and taken action on the trends that we're seeing today, but we've been taking action for several years now. As a result, we've been able to hold branch expenses, effectively reducing cost annually to offset the natural inflationary pressures of things like increases to salaries, benefits and lease and utility costs, as an example, which typically increase at around 3% per year.

We've also invested in activity based metrics and forecasting and processes that allow us to more nimbly adjust our staffing level in line with changes in customer behavior. We've introduced automation and simplification of in-branch administration, change the way we support our teams by modernizing our approach. And contrary to what you might think possible, we've been able to do all of this and increase sales per FTE and per square foot, which we have recently benchmarked, on a North American basis, as best-in-class against our peers.

In fact, our ATM and phone channels have also been doing this in parallel, and they have been actively managing their costs through leveraging their North American scale, a focus on process and efficiency and continuously strengthening and improving their sales capabilities. As a result, Nandita and I have been able to manage our combined expense growth for all distribution to about 2% per year. What this has allowed us to do is that within that 2%, we have also been able to grow our investment in digital more aggressively and build out a leading platform that customers are increasingly embracing.

So looking forward, what can you expect from the branch channel? Well, our strategy will focus largely on much of the same with emphasis on four key pillars. First, with expected declines in foot traffic, we will continue to focus on deepening customer relationships through cross-sell and strengthening our sales management disciplines. We'll continue to improve our ability to manage our customers' needs, as they transition across channels. Extending our appointment booking into online properties, is a great example.

Two, the mobile evolution is not only changing customer behavior, but it's changing the expectations of our own people on how they want to learn, communicate and collaborate. So you can also expect us to increase our investment in our people, developing their ability to provide advice on complex needs. We'll modernize the way we train and support our people. Nearly, 50% of branch employees are millennials. It's hard to imagine. 50% of branch employees are millennials. These millennials learn and consume information differently than past generations. Employees want to google answers for just-in-time information. They want to watch videos to learn how to do things and they learned through gamification. We're already a leader in our use of social media and you can expect us to get much more active in social spaces as well, a new frontier for communities, again, to be where our customers are rather than where we might like to meet them.

Three, Leo, Paul and I are leading our Community Banking strategy which is a key element of our Canadian growth story, leveraging our strong retail position to grow all TD businesses. We'll continue to strengthen access to Wealth Management and Commercial Banking expertise through a combination of colocation and cross business sales management disciplines. We've already established local cross business leadership teams to this end and are building out detailed and specific market based One TD plans to win uniquely in each and every one of our communities. In fact, we've already aligned many of our metrics and incentives with this strategy, and I can tell you the early results are tremendous.

Finally, we will continue to align our people and adapt our physical presence with changing customer behavior and to take advantage of opportunities to grow organically. We'll also continue to leverage our investment in network design capabilities to more organically manage our physical network across all businesses and channels. You should expect to see us continue to close, open and relocate branches in the coming years. We are continuing to invest to optimize our market opportunity and to evolve with our customers.

Customers will continue to visit our branches, albeit less frequently, to connect with our people. Our customers want a human connection as a part of their relationship with TD. When they visit a TD location, they will be greeted warmly and our legendary experience will extend well into our advice, freeing our customers to focus on other more important elements of their lives.

We've all seen or read the flash in new branch design with iPad stations and electronics. Well, our strategy isn't about flash. Rather it's about a disciplined approach to evolve with our customers, not too far ahead and not too far behind. We are determined to be understated and very disciplined. To be honest, I just don't know why I would want to issue a press release about our journey and inform our competitors about our approach and in the process make change more disruptive for our customers and our people. Evolving is just how we do business at TD.

So, you can expect us to continue to take advantage of their cost opportunities available when our customers rely less on the branch for day-to-day service, while thoughtfully evolving and investing to grow our sales and strengthen the customer experience. In the end though, our strength is our One TD philosophy, which is really at the heart of our Community Banking approach. Perhaps, unlike other banks, we actually like each other. The Retail bankers like the Commercial bankers, who like the Wealth Management folks. And we work together in our local communities to meet the needs of all Canadians.

So with that, I'd like to pass the microphone over to my friend Nandita, who will share with you the journey we've been on in our direct channels. Nandita?

Nandita Bakhshi – TD – Executive Vice President, Direct Channels

Thank you, Tom, and good morning, everyone. As the newest member of the team, I thought I'll give you a brief snapshot of my background before I dive into the presentation. Similar to my peers, I started my career 25 years ago in a bank branch. Since then, my career has taken me to many companies in many countries and has allowed me to experience different facets of banking. I've led the product management team. I've innovated in payments. I've even rolled out a mobile wallet with European Telcos in early 2000 and I've also led retail franchises. I've worked at various medium to large banks like Fleet, Bank of America, Washington Mutual. I was not in the mortgage department, so I had nothing to do with the debacle there.

Six years ago, I joined TD. I joined as the Head of Product Management and I then became the Head of Consumer Bank. And about three months ago, in July this year, I joined as the Head of North American Direct Channels. In the last few months that I've been in my seat, I've gone out and talked to my peers, trying to understand how we can work together, as Tom mentioned, to serve our customers and also how I can help and my channels can help to achieve their business goals. And as I talk to you today, what you'll hear from me are two themes.

One, and Bharat talked about it, Tim talked about it and Tom mentioned it, how do we leverage our North American scale to bring best practices and efficiencies across our footprint? Second, we know we recognize that our customer experience is evolving. How do we make sure we as a management team work together, to make sure that we are allowing our customers, that we're providing our customers, a seamless transition across different channels in an omni-channel manner? So with that, let me dive into my presentation.

At a glance, our North American footprint is truly impressive. This scale represents a significant opportunity for Canadian Retail. You heard Tom talk about our branches. We have about 2,500 branches in the North American footprint. Supporting these 2,500 branches or about 2,500 branches are 4,800 ATMs. We have a brand-new fleet of ATMs, every single one that is owned and operated by TD has a touch screen, and those that are deposit-enabled have an image-enablement to it.

We have 8,000 colleagues in our phone centers, and they serve over 20 million customers on an annual basis. They take about 55 million phone calls on an annual basis. In our digital, online, and mobile channels, the stats are impressive. We have about 9.3 million active online users and about 4.6 million active mobile users. Just this year, we'll have about 3 billion interactions with our customers. So what does it mean for TD? Simply put, our North American presence not only differentiates us, but serves as a strategic competitive advantage. Our scale allows us to do a number of things our competitors cannot do.

From a customer perspective, we can provide North American banking experience, and my colleague, Kerry Peacock, will talk about it in a second. But just think about the customer experience, when he or she does not have to drive across the border just to make a bill payment at a U.S. retailer called Macy's. Because now they can sit in their living room and by one click make that payment. Now that's customer experience.

We talked about deploying best practices and we've had tremendous success in this space. We rolled our image-enabled ATMs in the U.S., learned from it, and we're the first bank to roll it out in Canada. Customers love image-enabled ATMs because they don't need deposit tickets, they don't need envelopes. We bankers love it, too, because it reduces our cost of servicing the ATM because we don't have to send out a courier every night to pick up those checks. Similar story on mobile deposit. We rolled it out in the U.S. In fact, when we first rolled it out, our customers were having some trouble holding the phone and clicking the picture at the same time. I guess this was before the selfie days. I'm sure they'll be all fine now. We learned from it and we modified our experience. And when we brought it back to Canada, we allowed the customer to touch anywhere on the screen to take the picture of the check. That was very well-received by the customers, and this tells you that hi-tech and hi-touch can coexist.

Finally, we are also working to advance our high-performance culture to include innovation. Our employees are passionate about the TD brand, about providing legendary customer experience to our customers every day. We are now empowering them to embrace and foster innovation, and thereby we're creating a culture of innovation. I'd like to talk to you about an internal online community that we have created, with about 21,000 employees. They come together to give us advice and ideas on innovation, how to serve our customers better. One idea that this team came up with was to optimize our platform and saved the bank $2 million. So you can see that innovation is alive and doing well at TD.

Leveraging our high-performance culture, as I talked about, moving on then to our performance. So with this scale and this performance, no wonder we are a leader in all our channels. ComScore, an external benchmarking firm, ranked us number one in active mobile subscribers. Additionally, J.D. Power ranked TD number one in self-service banking. We recently launched online appointment booking, and I'm delighted to say that customers love it. And about 56% of consumers that actually book the appointment online and walk into our branches actually buy products and services from us. Tom talked about the fact that the traffic in the stores is going down. What a wonderful way of creating that traffic because this consumer has already identified that they want to buy a product or a service from us.

Moving on to the ATM, at 70%, this channel has the highest number of monthly customer interaction amongst all channels. And after we enabled these ATMs to become image-enabled on deposits, we saw a 10% to 12% increase in deposits just through the ATM channel. As you can imagine, it's much cheaper to deposit a cheque through the ATM than it is through our branches. We are also introducing sales through our ATM. A recent program to increase credit limits by simply clicking yes or no at the ATM was a huge success. A brand-new fleet of ATMs, new functionality, amazing customer experience earned us number one spot by J.D. Power.

Switching to the phone, this is an incredible TD success story. We generate today, and Tom alluded to it, we generate today, just this year, we've generated 189,000 referrals from our phone to the branches. Again, goes back to the fact that we can send customers over to the branches that really want to buy a product and service from us. By integrating MBNA Contact Center into North American Phone Channel, the bank will realize a run rate savings of $10 million in fiscal 2016. This again goes to the power of North American scale. The Phone Channel was also recognized both in Canada and in the U.S. by SQM for delivering industry-leading customer service.

Now let's talk about our priorities. Our priorities are simple. It boils down to focusing on the customer, focusing on the employee experience and a relentless commitment to excellence, which you saw was a theme with all of us.

So let me start with customer service. We focus on delivering a richer experience through all direct channels, making sure that these experiences are personalized, because our customers tell us, show me, you know me. And this leads to a greater engagement with the customer. One of the ways we provide a richer customer experience is by applying design thinking or design principle to our customer experience. You may be asking, what is that? What is design thinking? Well, let me tell you a little bit about it. It's a process. It's a process of collecting consumer, customer data and insight, converting them into ideas and concepts, and testing it with real customers. In fact, in instances, we have our customers co-create our user experiences sitting with us.

I'll give you a great example of that. I'm sure most of you here are TD customers and you know about our Quick Balance feature. If you hold the phone and you use your thumb and you just swipe your thumb over the phone, you can get a peek of your balance. And if you let it go, it springs back like a rubber band. It's customer-friendly, it's intuitive, it's discreet, and it has a wow factor that connects the customer to the bank.

There's another example how we've used design thinking and really making our experience customer-friendly. We had a product called Email Money Transfer, and that product was available online. The team took that product, applied design thinking, and made it intuitive, easy-to-use. In fact, you could take the payee information from your contact database on your phone and launch it on mobile. We saw a tremendous reception from the customer. In fact, the numbers went up 53% year-over-year of the usage of just this product. And the customers saw value in this product and were ready to pay us a fee. So it's a nice fee-generating that the digital channel's bringing to the bank.

Employee experience, I talked about how we are creating a culture of innovation. Our customers are today conducting their lives on their mobile phone. They expect as they walk into the branch for our employees to be well-versed on digital and talk to them in the language that they want us to talk to them. So we have taken, and Tom talked about it, how we're educating and training our employees to becoming digital ambassadors. So we have trained our employees. We've used gamification and marketing materials to get them really excited about the digital properties we're launching. And as a result, our employees are very comfortable talking about our mobile app, our mobile deposit and the other features. So we are making tremendous progress, not just on the customer side, but on the employee side too.

Relentless commitment to excellence. Well, direct channels is all about that. I've spoken about the benefits of a North American power house and how it can reduce costs. And the two examples I gave you were both first instituted in the U.S. and brought over to Canada. Well, I'll give you an example where we are actually piloting something – it's actually not in pilot, it's in production. It's being used today in Canada that we're taking over to the U.S., which is our mobile platform. We're going to be launching a brand-new mobile platform in the U.S. leveraging the one that we have here today.

Our phone channel has utilized common platforms wherever possible. We're leveraging technologies like the outbound dialer on both sides of the border. In addition, the phone channel has centralized its core functions and capabilities which has improved efficiencies. An outcome is that we have gone from 32 centers to 15 centers today.

In keeping with the evolving customer expectations, we are migrating transaction from branch and phone to digital. The cost savings benefit from this migration is tremendous. In 2015, we will deliver more than $80 million worth of savings from migrating customers from paper to eStatements, another benefit that the digital channel, the direct channel is providing to the bank. Clearly, we're leading across all channels, but as customers' needs evolve, we have to ensure that we are investing in the future. So for us, like others, the future is digital.

Now, let's talk about the TD innovation agenda. I think it's safe to say that innovation is top of mind in our industry these days. But at TD, we have a very interesting and a very simple philosophy to innovation. If it doesn't deliver for our customers, it's not worth the investment. We aren't trying to be all things to all people. We are focused on innovating based on our customer needs and expectations. So let me walk you through some recent examples of innovation for TD. Last year, we participated in the launch of UGO, Canada's first open digital wallet. UGO is actually broader than payments. It's a shopping experience. It includes payments, loyalty and gift cards. The adoption has been impressive. We anticipate a quarter of a million cards by end of year.

We also launched our app for the Apple Watch on the day the watch became available in the stores. This was huge for us. The app was a reflection of how we brought One TD to life. Customers can view their banking, credit card, investing information right from their wrist. In addition, we've been fairly aggressive in partnership and collaboration with FinTech startups. Let me talk about a few of those. We just recently signed an exclusive agreement with Flybits, a Canadian company that has developed a geolocation platform that will integrate with TD's banking app and will deliver personalized content and services.

So let me give you an example, so what should it mean for you? Once we've launched it, as a TD customer, which I'm sure all of you are, as you arrive at a mall, that offers free TD valet parking, we'll be able to send you a message and remind you to pull up for that benefit. So you don't have to do anything at all, just have to be a TD customer and we'll give you the message. Another great example of collaboration that's worth mentioning is with the company called Nymi and MasterCard. Nymi is a new payment solution on a payment system built into a wristband authenticating the customer by using their heartbeat. What's cool about this? That's first in the world. And we just got entered into a partnership with Nymi and MasterCard.

Last year, we opened the TD Lab in the Communitech Hub in Kitchener. The lab, the reason I like it, takes a startup approach to improving customer services through technology. It's staffed with the combination of full-time employees and some co-op students who embody the culture of entrepreneurship and innovation. We recently announced, I'm sure you've seen it, our further commitment to innovation by opening a new office in Kitchener-Waterloo that will employ 120 technology and software engineers next year. But rather than listening to me talk about it, let me direct your attention to the screen. And as you can see, the lab is in action right here.

Not what you expect from a traditional bank every day. But the cool factor aside, I'd like to leave you with these closing thoughts. Our direct channel strategy hinges on the following. Outperforming in digital is critical to our success. We're focused on building a culture of innovation internally, which will result in migrating more customer transactions to digital, resulting in a better customer experience and cost savings for the enterprise.

Our North American scale gives us a distinct advantage allowing us to leverage capabilities on both sides of the border, build things once, modify them, but use them in both countries. And our digital platform will benefit greatly this year from careful investment and partnerships we are making in the FinTech world. These will be funded by distribution efficiencies and bolstered by an unwavering commitment across the organization to create and foster innovation that is truly customer centric. Our integrated distribution strategy has served our customers well and has set us apart till now and we'll do so well into the future.

Thank you for your time. And I'd like to turn it back to Tim.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Thanks, Nandita. We'll give you our first break of the morning in just one minute, but I thought I'd actually take one minute just to combine the themes of both our Community Banking, traditional branch banking strengths and Tom's presentation, as well as obviously the fantastic innovations that is going on in Nandita's world.

So first, obviously, trends are changing and we are adapting as you would expect TD to do. But there are three things I want to reiterate here about that. First, we will continue to adapt and we will do it at our customers pace, not ours or not yours. Second, our branches are incredibly important to our customers and to us, but as customers start using them in different ways, they will look different as you saw, they will be different and they will meet very different needs.

Third, customers behaviors are changing and their expectations are rising quickly, but they want the same comfortable experience in all their channels, not just one. It means to win, you can't just pick one channel and say, yes, we're going to focus on that, I'm going to be great at that. To truly win, you have to have a seamless customer experience across all of your channels, whether it's needing instant help on the go by reaching a 24/7 phone agent, getting into the branch at 7:30 at night, getting advice on a Sunday morning or in fact doing a straightforward transaction on your mobile phone, it doesn't matter, it has to be seamless and fantastic, that's what our customers expect.

So this is what we mean when we say we keep customers at the center of everything that we do and why I'm confident we'll continue to have the best distribution network in Canada, if not the world.

So we're going to take a short break now and then we'll come back, I mean short. So we'll give you about 10 minutes, but we thought in the spirit of last night's win, we'd show you a couple of things. So roll the video.

Rudy Sankovic – TD – Head of Investor Relations

Thank you. Welcome back. And I hope you've enjoyed the two presentations that you've seen so far. So up now will be Kerry Peacock, who heads up our products area; and Andy Pilkington, who looks after the card portfolio. And then, we'll break – sorry, won't break, but we'll go to an interactive Q&A that Tim will moderate.

So Kerry, why don't you join us on the stage? Thanks.

Kerry Peacock – TD – Executive Vice President, Personal Banking Products

Thanks, Rudy. As he said, I'm Kerry Peacock, and I lead our Personal Banking Products. Just before I get into talking about that, I'll give you a little bit of information about me.

I've been with the banker, or a predecessor version of it for over 30 years, having started as a loans clerk in New Westminster, British Columbia, in what is now a Tim Hortons, as we merged those branches. I've had the privilege of working in a lot of different roles with the organization, everything from being a branch manager to running our credit centers, to leading our corporate and public affairs. Last time we did one of these, I was in Tom's chair. I've had a chance to run our direct investing since then. And for the last two years, I've been leading the Personal Product Group.

So, let's talk about Personal Banking Products. We have $250 billion in loans and $162 million in deposits, which represents 72% and 66% respectively of the Canadian retail book of business. Within that, we have really four businesses: real estate secured lending, personal lending, everyday banking and savings and investing. But we don't run it as kind of a holdco of four products silos, we run it as a integrated business so we can deliver holistic solutions to our customers and grow organically for the bank.

You've already heard a lot about our competitive advantages. We partner with Tom and Nandita to design product journeys that enable a legendary experience. And in addition to the world-class channels that Tom and Nandita run, we run some dedicated channels in the real estate space with our broker channel and our mortgage sales force and in the everyday banking space with our remote sales. That allows us more breadth and puts us where the customers are. In the broker space, it gives us more access to new home buyers. With the mortgage sales force, we can be onsite at builder sites or in realtor offices; and with our remote sales capability, our employees can take their tablet out and be in the mall or at a community event and open a checking account or savings account, credit card, or give you an access card.

We're also a leader in growing net customers, outgrowing the number of net customers beyond what the population growth is every year and that comes maybe really good at both customer acquisition and customer retention. You can see in our financials our discipline around margin management and risk in the PCLs, and we leverage our North American presence.

As Nandita mentioned, we have Cross-Border Banking Group and they leverage the benefit of the 1,300 stores we have in the U.S. to bring better products and services to our Canadian customers. As Nandita mentioned, we launched, in March, U.S. Bill Pay. So as a Canadian, you can now use your TD Canada Trust account to pay your Macy's bill or your Kohl's bill or wherever you happen to shop in the U.S. Combined, that Cross-Border Banking business will add $40 million in revenue to our books this year. So all of those things add up to our ability to outperform. So let me talk a bit about performance.

On our deposit side, we've gone from being number two in 2011 to number one in market share, in our day-to-day banking business, which is chequing and savings or what we will call non-term in the kind of market share stats. That is our anchor business. It is the place where we drive acquisition of new customers for the bank. It's about 70% of our personal deposit book and we've grown that market share 286 basis points in that timeframe, taking our share to 24.1% today.

On the term side – actually, one more point, on that, we've done that while the number of Canadians who switch banks is actually down by half from what it was and while we continue to grow the other investing businesses, which you'll hear more from Leo about later. On the term side, it's an example of our disciplined margin management. We want to retain our franchise term customers and we do that. But we are consciously running off our lower margin non-franchise book and that we have other funding sources in deposit side in wholesale so we can be very disciplined in our term pricing.

On the credit side, we have number one market share in real estate secured lending. Underneath that, similar to chequing and savings, we've gone from number two to number one in mortgage share, gaining 108 basis points of share. However, we have lost a little bit of space on the equity lending with a couple of process and product feature gaps, but that's actually real opportunity for us going forward, which I'll come back to in a minute, similar to the opportunity we have in personal lending.

But before I talk about those, I wanted to give you our perspective on why we think we can continue to outperform when we're already the market leader in what some might call a mature business. So we see our ability to grow, like you might look kind of broadly, nationally and say there's not a lot of opportunity there, but when we look at it, we look at it and get it underneath and we see lots of opportunity, both in businesses where we're under our relative share, like personal lending, and in targeting segments whether they're geographic, demographic or life event.

An example of that would be new to Canada. We see lots of opportunity for us to leverage our number one position as the bank of choice for new to Canadians, to expand our business with that group by creating unique packages to meet their needs, including our Visa Direct offering that we launched in November of 2013 that allows those customers to send money to over 170 countries.

With all the size of our business, we also have the opportunity to grow by optimizing the businesses we already have. That has a number of elements, everything from pricing, so we can target offers to the right customers, to really getting to know our business and how we create value for the customer.

An example of that would be in the chequing space. Our data tells us how important it is to make sure we get a customer into the right chequing account at the first time they join us. And since we launched our new products in 2013, we've seen a significant improvement in our attrition levels, because we are getting the customer into the right product that fits their needs right from the get-go.

So let me take you through a couple of more examples of how we use targeting and optimization to drive growth in this business. The first one is real estate secured lending. First, we target growing by adding new features. Last November, we launched a new home equity product called FlexLine, it's actually a combined mortgage and line of credit product that delivers customers' flexibility and has good margins for the bank.

Since doing that, you can see that we've had significant improvement in our results, doubling our originations in that product year-over-year. We're also growing organically in that business by optimizing it. Through a structured program, we've significantly improved our retention of real estate mortgages, up 250 basis points to 92% retention. But to put that in something a bit more meaningful, we would have had to originate 20,000 new mortgages a year to replace that improvement in retention. And it's a continuous journey. Later this fall, we'll actually launch Click to Renew in partnership with our digital channels. So our customers – it's easier for our customers to renew their mortgage with us, and we'll save capacity in both the branch and the phone.

Another detailed example will be personal lending. In my world, personal lending is unsecured loans, loans and overdraft. And we see this as an opportunity business. As Tom said, 40% of Canadians bank with us and our research tells us that Canadians prefer their first person they choose to get their personal lending from is their primary bank. And so, we see a lot of opportunity here, because we're number one in everyday banking with that 24% share I mentioned, but we only have 14% share in personal lending. So we see a lot of opportunity for us to improve in this space.

So in 2014, we started to focus on that business. And in particular, we're focused on winning back our franchise customers who have personal lending with other companies. And we're seeing significant improvement here as well. We're up 7% year-over-year and we've gained 87 basis points of share which is more than all of our big five peers combined. And we've done that while our PCL rate is actually lower than when we started, because we're acquiring better quality customers.

So let me turn to what I consider the third pillar of growth for our business, one that number of people have been talking about today and that's operational excellence. If you get a process right, you deliver better customer experience and you save money and you can grow. So in our world, we hold our product people accountable for the end-to-end customer journey. They don't do that in isolation. They work in partnership with the branches and the other distribution channels with operations, with our control functions, but it's their job to oversee that entire journey from the shopping to the buying to the ongoing engagement. And because they're looking at end-to-end, we see improvements in our customer experience and our productivity.

A couple of examples, as Nandita mentioned, we now have our mobile deposit capture, which makes it easy for our customers to deposit a cheque with their phone or their tablet, which is enabled now end-to-end through the electronic cheque clearing and that also saves us in vendor cost, branch cost, branch capacity, and so we have a better customer experience and more streamlined process and it will save us $30 million a year. And we were able to be the first bank in Canada to do that when we've cleared the first check in April, because the U.S. had already gone to electronic clearing and we could leverage the knowledge in our U.S. base to bring that to market here.

On the digital front, we're definitely partnering with our channels to make sure that where customers want to do thing digitally, we're enabling it, and eStatements are a great example of that. We actually had a number of customers came to our website, wanted to get digital statements, but each of our products had their own process so the customers were abandoning it. Well, we streamlined that process. It's one process for all the products, gone back to those customers, help them get the digital statements that they wanted, and as Nandita mentioned, drives significant savings in eStatements.

We actually have a playbook that our teams use to map those end-to-end customer journeys and find the better way to deliver for our customers. And when we're working on the personal lending business, we mapped the overdraft process. And as a result, we changed it, we now offer the overdraft as a feature of opening a new account. It went from taking 16 minutes to mere seconds and we've doubled our number of overdraft sales in the branch network. So we know that working collaboratively with our partners across the company, we can really make a difference in our end-to-end approach, enhancing the customer experience and the productivity.

So in summary, I think we have the right recipe to grow the Personal Banking business. We're well-positioned to continue our leading market share by driving through those targeted opportunities and optimizing the business we have, well within our risk appetite. And collaborating with all of our partners across the bank, we can really drive an ongoing improvement in our customer experience and our productivity.

So now, I'll actually hand it over to my partner, Andy Pilkington, who runs one of our key products in Canada, our Credit Card business. Andy?

Andrew Pilkington – TD – President, Canadian Credit Cards and Merchant Services

Thank you very much, Kerry. Good morning, ladies and gentlemen. As Kerry said, my name is Andrew Pilkington. I've been at TD just under two years now, heading up Canadian Credit Cards and more recently Merchant Services. Prior to that, I spent six years at JPMorgan Chase, three years running the Canadian Retail Card business and then I was heading up their Global Commercial Card business out of New York. And prior to that, I spent over a decade with American Express, initially in Europe and then in Canada.

So I've been in Canada now as a resident for 12 years. I'm still trying to shake-off my Liverpool accent without much success. But Paul McCartney is playing at the ACC this Saturday night. So there'll at least be two Liverpoolians in town this weekend. I'm here today to talk to you about the remarkable journey that we've been on with Canadian credit cards. We've now built a book of $19 billion worth of loans and it's not only been done through acquisitions, we've also had some great organic growth in our legacy TD card book.

In terms of acquisitions, we bought MBNA at the end of 2011 and that gave us great leadership into direct-to-consumer credit card, marketing and also a strong footprint in the affinity space, and overnight, it made us the number one dual issuer of both Visa Cards and MasterCard in Canada. We're the only issuer with a very sizeable book with both networks. And obviously, we ingested a lot of MBNA expertise into the TD organization with that acquisition. A couple of years ago at the end of 2013, we acquired the Aeroplan relationship and a lot of the Aeroplan book. And I view Aeroplan as the crown jewels of the Canadian credit card industry and it served us extremely well. We're really building that book as we speak.

As you can see on the left hand side of the screen, some of the key metrics. We now have over 7 million active account holders with TD cards in their wallets, which is very impressive when you consider the population of Canada. And in terms of purchase volume or spend on the Visa and MasterCard rails, we have now $86 billion going through our books. And we're number one from a loan perspective by about $3 billion from our next nearest competitor.

So how do we maintain this competitive advantage? Well, first of all, we have best-in-class distribution and Tom and Nandita have been talking about that this morning. From a branch perspective, I've been really impressed in the time I've been here by Tom's branch network. I call it the selling machine, because they're so good at distributing not just credit cards, but all of our banking products. And in terms of phone, digital, direct mail, we have a number of other channels, which serve us extremely well. We have a broad and very complementary product suite. So we don't have too much overlap or competition between TDCT and the MBNA books. And we have real scale, as you can see from the numbers on the screen, that scale gives us great leverage in terms of negotiation with suppliers, which we have exercised and continue to exercise and also gives us a lot of internal synergies as Nandita alluded to behind the scenes, lots of savings which makes us more competitive.

It'd be remiss of me not to talk about our strength in the travel credit card space, which is very important in Canada. So we have a co-brand suites of products with Aeroplan, which gives us access obviously to Air Canada and the Star Alliance, but we also have our own proprietary First Class Travel Card, which is backed by Expedia, the world's biggest online travel site.

So let's have a quick look at some of the key metrics over the past four years where we've really changed our profile in the industry. You can see that our receivables have more than doubled from about $8 billion in 2011 to nearly $19 billion now, which is a CAGR of 22% annually. And as Tim mentioned, that's taken us from lagging well behind our competitors to actually number one.

Purchase volumes gone from $37 billion to the $86 billion number I mentioned and actually $13 billion of that purchase volume increase has come from our TD legacy book, the rest from acquisitions. So we have number one share, but we've done it very, very profitably. We've expanded our margins, and obviously, in a benign credit environment, we've had excellent credit performance.

So now, I'm going to share our priorities for both the near and the medium term with you all. So as I said, we've had a lot of success from retail, and as Tom mentioned, we're really looking to deepen further those customer relationships. And from a card perspective, that means getting the right credit card into the right hand of the right customer at the right time. So within three years, we're looking by 2018 to actually acquire through the TDCT channels, and not including MBNA, 1 million cards by 2018 and that will become our run rate after that. That would actually increase our penetration of TD franchise customers to 50%, so i.e. one in two TD customers would carry an active TD Credit Card which they're using.

From a TD Business Visa and I hope many of you in the audience have TD Business Visas in your wallets and you're using them. We have a tremendous opportunity. We made big improvements to the product set and our performance over the past couple of years, but we are underpenetrated in that segment and feel it's a real opportunity.

And then lastly, we have a great opportunity to reengage our MBNA direct model. I would not be telling the truth if I sit here and say that everything went seamlessly with our integration of MBNA. We've had some challenges with that integration, but we're now fully integrated with TDCT, as Nandita mentioned, and we are really looking to drive the unique capabilities that we have with the new platform to target customers and make offers at the right time, through the right channel, with MBNA.

We own the platform now, it's highly scalable. We have ambitions to grow credit cards, not just in Canada, but also south of the board in the U.S. and this platform may actually help us do both and gives a really competitive advantage. So the combination of these strategies and some other secondary strategies that we have in play, we believe, will add an additional $500 million by the year 2018 on to our revenue brace. So that's pretty big numbers on the screen, half a billion of revenue and 1 million of newly acquired accounts, both by the year 2018. So how we actually are going to do that? So allow me to show you one of the tools that we've developed, again, to try and ensure that the right card lands into right customer at the right time and this is for our TDCT channels.

I mentioned we're a leader in travel products and we all know that Canadians are extremely keen travelers, especially in the winter months, for obvious reasons. So we actually have our frontline ask customers, do you travel? And if the customer says yes, we ask them do they want to fly faster or do they want a travel flexibility? If they want to fly faster, i.e. spend less dollars on their credit card to earn a flight more quickly, then we'd offer them the market leading Aeroplan Loyalty Program, which frequent flyers and business travelers love, as I'm sure we all anticipate.

If they want flexibility, i.e., they're not so keen on flying, but they want to take cruises or land trips, then we would offer them the Expedia-backed First Class Travel Card. Not all customers want to travel or at the stage of life where they can so freely. So we also have options, you can see, if they say no, I don't travel and if they want to borrow, then we have the Emerald Low Interest Card, you can see on the screen, or alternatively, Cash Back is a very popular and fast growing segment in the Canadian Credit Card marketplace, so we've got those offers as well.

And really what we're trying to do is not just position the right card from our perspective, from an earnings view point, but also make sure the customer gets the right card in their hand with the right value proposition for them. If we manage to do that, then we'll become the customers' first choice, top of wallet is an extremely important status to have in the credit card industry. So you're wondering what may this have done for our earnings and our performance. So since we instituted this approach which is late June, early July, we've seen the growth of newly acquired accounts in our portfolio – across the portfolio grow at 10%, for these four focus cards is growing between 40% and 50%. So we think we're on to something with this approach.

We have exactly the same plan with our business credit cards, which is a great segue into our next theme, business cards. I mentioned a couple of minutes ago, I believe we've really punched below our weight, so to speak, in this actual segment, but that is changing and changing very rapidly. We've made some key investments in the last couple of years in business credit cards, and it is starting to pay off as we're now driving double-digit growth in our performance against many key metrics.

So we're building a very competitive suite of business credit cards with online easy to use self-service tools, which provide management information for businesses, to be able to control their expenses better, or very slick reporting to enable them to report for tax returns, et cetera. We've been refining processes with our operations team. We're working with risk management to update our strategies particularly in the small business segment, and we just really want to make it easier for our bankers to sell. Our bankers are very good at selling products, if you make it easy for them to sell, and that's what we're doing.

We do have a lower penetration rate in business cards. If you look at our total commercial customer base, the penetration rates of those who have a TD business credit card in use is lower than it should be. So we feel there's a lot of whitespace to grow here, and the key word on this slide is double. We're looking to double the customer base, another 150,000 accounts, double our penetration, and double our earnings so that we can take more than our fair share in what is extremely lucrative segment of the business.

Now, I'd like to move on to our third and key strategic objective, which is MBNA. So, MBNA is divided into three business lines. Our first line on the left hand side is really the core MBNA branded lending business. The second business is an affinity business where we work with hundreds of partners across Canada. And the third business line is our credit union business, which is incredibly important to us. If we look first of all at the core which is nearly 60% of the volume that runs through MBNA, this is our direct-to-consumer business. It's a lending business at its heart.

And this is why we took a bit of a hiatus when we went through the conversion of the platform from the Bank of America platform to our own newly built platform. But we're now back up and running, we're aggressively marketing our products and have developed many new strategies which optimize the risk/reward tradeoff and ensure really the customers that we go after from an MBNA perspective, actually complements the customers that we look to acquire from a TD perspective. We don't want to be going after the same set of customers for the main part.

From an affinity perspective, this is a great business. We work with over 300 partners across Canada. We have many sporting franchises; the CFL, the NHL, the NFL, we have the CAA in Québec, and in terms of colleges and universities, we have a 95% market share in terms of credit card issuance amongst colleges and universities, where we have existing college students as well as alumni actually signing up for the card. And the success of this business is really attracting customers who are loyal to a particular brand or institution, and then, really onboarding them and then really building the profitability of those accounts through making offers, making loans.

And just on a very topical theme given the video we saw before the break, we actually issue cards for the Toronto Blue Jays, and we issue cards for the Toronto Maple Leafs. And I was looking at some data here today, and I'm comparing how those cards were selling at the end of their respective seasons. As we know, the Leaf seasons normally ends in April, so I was looking at their sales in April, and I was looking at the sales of the Blue Jays in September. And I can tell you now that the Blue Jays' card sales were outstripping the Leaf sales by a factor of 8:1, which shows that money does follow success. And by the way, for all you Leafs' fans, I'm a Liverpool Football Club supporter, so you can take a shot at me later, there is plenty of ammunition.

In terms of the new platform with MBNA, one of the key benefits that we have with the new build is the four affinity partners, we can sign a new partner, say a university and actually design a program for them, customize it, pricing, customize the build, customize the plastic, and have that program up and running in a matter of weeks, not months and costing is tens of thousands of dollars, not hundreds of thousands or millions of dollars to launch a product. And last, but by no means least, we're very proud of the credit union business that we have, and the relationships we have as part of the CUETS franchise, and it's over a $1 billion of loans now on that book, and you can see they have very broad distribution, over 1,700 locations running the length and breadth of Canada.

We actually have in the credit union credit card space nearly an 85% market share, and we're investing heavily in technology and in a number of other functionalities to actually ensure that we retain those customers and grow that business, grow it for the credit unions themselves and also for ourselves. It was a strategic acquisition, MBNA made nearly 10 years ago, and it has given us access to a non-TD customer base that otherwise we would not have had access to. So all my colleagues that presented earlier, have talked about our commitment to excellence, and I want to talk a little bit about what credit card is doing to drive an efficiency agenda.

I took you through the four focus cards a little earlier, on sales tool that we showed on screen. That's not just about driving revenue, but it's also a key step in simplification. We actually have 18 cards, which we distribute just through TDCT, putting MBNA to one side here. 18 cards and it's just too many. It's too many for the employees, it's confusing. It's too many for customers. So we're looking to simplify choice and streamline our processes. So we will wind down products over the course of the next two years.

They are of either little value or just simply not competitive in the marketplace today because really when you look at it it's critical to have credit card products that; one, address customer needs; two, make healthy returns for us; and three, is really easy for our employees to understand and sell in the various distribution channels that we have. Because I firmly believe that less products means less collateral, less training, less complexity and less cost. And that also leads to a lot more confidence for the employees, more familiarity, better service, and that's ultimately going to create more revenue for us. So I'm anticipating material cost takeout and productivity gains as we move down this product rationalization path. And we'll also see some efficiencies with our network partners Visa and MasterCard.

So, I was introduced earlier as A. Pilkington, but I believe I've acquired a new nickname which is E. Pilkington, given my fervor to drive all things electronic, and trust me, I'm okay with that nick name, I've had many worse nick names in my life, but really what we're trying to do is drive paper out wherever we can, wherever it makes sense. And this was crystallized for me, just after I joined TD, I spent a lot of time sitting in the call centers and visiting branches, but particularly in the call centers not only did I see all the legendary experience and made me feel very good about joining TD, but I did notice as I was sitting listening to calls that a lot of customers had actually elected to take both a electronic statement and a paper statement.

So I started to ask the agent, hey, just the next three calls or four calls when you see a customer with this profile, can you see if you can encourage them to just move on to a digital statement because there is a lot of benefits for the customer, as well as for us. And it just shocked me how many customers that, sure, I will, yeah, I don't want a paper statement. Many of those actually told the agent that, yeah, I just throw the paper statements in the junk. I don't even open it, I just use the electronic statements. And here we are spending tens of millions of dollars sending paper statements out to people who actually don't want them.

So in the middle of 2014, we started with phone channel, Terry's unit was just so helpful in actually kicking this off with us. So just ask customers as they phoned in for whatever need, if we saw this dynamic to actually ask if they'd like to convert to pure digital statements. And since the middle of 2014, over the last year, we've actually converted over 1 million customers onto pure digital statements, which is just phenomenal. We've actually saved in this fiscal over $10 million in the credit card business just by converting customers from paper to digital. We're not forcing customers, but it does make a lot of sense. It's right for customers. It's right for the environment and it's right for shareholders. So there is still a big opportunity there, but we've already got over 40% penetration of credit card customers in TD Canada Trust who just take online digital statements.

So in summary, between travel, cash back, borrowing, loyalty, co-brands, affinity and credit unions we have lots of customer choice throughout Canada. We're highly focused on driving revenues across all the customer segments, but we are very much making sure that TDCT, MBNA and CUETS all work in harmony and don't compete with each other wherever possible. Through initiatives like eStatements, through synergies that scale brings, through product rationalization, we've got a great opportunity to drive greater efficiencies over the coming years.

And lastly, I haven't really talked about my team, but I have a very eclectic team of a large number of TD experienced people who really know how to get things done in the bank. We've actually hired a lot of people from the industry as well, who bring real industry expertise, not just from Canada, but from outside Canada. And with MBNA, there was a huge infusion of credit card talent brought into TD, it was terrific. So I feel that we have at TD, the best team of credit card professionals in the industry, and that's why I feel confident that we can manage to reach those objectives that I've laid out before in the last 15 minutes.

So that wraps up my presentation. I'd like to invite Tom, Nandita and Kerry to join me for Q&A, and Tim is going to moderate.

QUESTION AND ANSWER – PART I

Meny Grauman – Cormark Securities – Analyst

Hi. It's Meny Grauman from Cormark Securities. You talked a lot about the changes happening to banking because of technology. And I was just wondering, the interplay between the efficiencies that you talk about, as you move to the digital channel versus the new investments required, what's the sort of the net impact here? And over time, if you give us a sense of how those two competing forces interplay with each other.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yeah. So we look at it, and I think you saw it in one of the slides, in Tom's slide, that talks about our overall distribution expense. And you've all seen the stats that talk about the cost of a personally assisted transaction versus a digital transaction. And to give you a rough magnitude of those numbers, couple of billion dollars are spent in our branch network, about a quarter of that number is spent on the phone across all of these businesses, and about a third of that number is spent servicing over ATMs, and about an equivalent number to our ATM cost is what we spend in complete cost of our online channel.

So if you look at the ratios of those numbers, and we are blessed right now with an opportunity to say, customers notwithstanding they love our people and they like our branches a lot, they're not clamoring to use them more. And so you take that big cost base, and as Tom said, very carefully, methodically, rationalize where it makes sense, open where it make sense, reduce, make it more efficient, move to more advice, and it frees up a lot of expense dollars that you can now invest in our digital capabilities that Nandita talked about. So we're quite comfortable that we have been managing this trade-off effectively over the last few years, and we will continue in the next few years.

The trick to us is to do it at our customers' pace, and you've all written about, read about, heard about a massive shift that's going on. Well, the massive shift has been going on for years if not decades, and we've been managing carefully through that trade-off.

Meny Grauman – Cormark Securities – Analyst

And just as a follow up, that pace of technological investment, is that something that you see speeding up over time, or is there a sort of discrete jump somewhere and then flattening out, how do you just kind of see that profile of investment?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yeah. The way we think of it is, we're actually making some significant bets and investments in our technology infrastructure underlying it. So, most of the innovation types that you saw in the video, actually is done much more cheaply than what would have been traditionally the case with the massive mainframe systems and our legacy systems.

What our technology team is doing is modernizing our base sort of accounting systems, if you will, and that investment is going on inside our existing run rate. But at the same time, much of this innovation is being done at the customer interface level, and then interacting with those improved middleware protected legacy systems. And as a result the trade-off, as my belief is, it will get dramatically more efficient over time to make those marginal changes. And to give you good example of some of those cost to change at the margin, which were in the tens of thousands as opposed to what traditionally might have been $100,000. So it's actually getting more out the efficient frontier for investments.

John Aiken – Barclays – Analyst

John Aiken with Barclays. I guess, carrying on with that, there has been a lot of discussion around FinTech and all the myriad of possibilities that are out there. Can you give us some sense in terms of how you look at the investments you're making in technology, whether how you think about, do you want to develop this in-house, like we saw with the video on there, or how do we choose partners to try to marry up and do the best in breed that's out there on a third-party basis?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yes. So I will start and kick it over to refer to the guys for some examples here. The way we think about it generally is all of those options are available to us. The vast majority of FinTech firms, and we've talked to many, many, many of them, want to be partners frankly with the banks.

Very few of them actually believe that they will put Canadian banks or banks generally out of business. They would rather say, we've got this capability and if you look at all of the things we've talked about today, much of it is relatively recent innovations in distribution capabilities that came not necessarily invented by us, but absorbed by us and partnered up with us. So FinTech generally looks to work with us in many ways, and you've heard about some examples, but anybody want to offer another example of where we're partnering with the firm?

Andrew Pilkington – TD – President, Canadian Credit Cards and Merchant Services

I can, sure. So I talked a little bit about business credit card. We are upgrading our systems around reporting, as I mentioned. So we did a very complete exercise where we looked at we could build it ourselves or we could actually outsource it. But there are four or five global competitors who do this very well, they do it for many issuers. And when we did the math in terms of how much it would cost and how quickly we could go to market, we made the choice to RFP and go externally. So every major decision like that we'll look at the relative merits of in-house versus external. And where it makes sense, like it does in this case, we will go external.

Peter Routledge – National Bank Financial – Analyst

Peter Routledge, National Bank Financial. Question on your move or your ambitions in unsecured personal lending. Aren't we at the end of the household credit cycle? And isn't it now a bad time to be increasing personal lending share? How are you thinking about that?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yeah, well, I'll start and then throw it over to Kerry. We don't think so. Notwithstanding the credit cycle and normalizing, as we said, we actually have been quite careful about thinking where we're going to grant credit. And as you know, we're generally quite prudent in our individual decisions. So the approach we've taken on an unsecured lending is – well, I'll let Kerry talk about the approach we've taken because it's in keeping with that theme.

Kerry Peacock – TD – Executive Vice President, Personal Banking Products

And so we're looking at as expanding our lending to our franchise customers. So it's not about getting customers to take on more debt, it's identifying where franchise customers have debt somewhere else, whether they're good quality credit customers and offering them credit with us. So, for example, our line of credit product is unique in the market in that customers have the ability to fix in a portion of the rate if they wish. So we've got a unique product, and we're reaching out to franchise customers who have existing debt somewhere else that are at the top end of the credit risk curve.

So, to Tim's earlier statement, we try to be consistent in that we make the good loans both in the good times and in the bad times. And so I'd say this is right on that strategy of making good loans to good credit risk, to existing franchise customers.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

So just a reminder, we'll take calls over the phone as well. If anybody wants to chime in, the operator will let me know. But let's move to the next question in the room.

Sohrab Movahedi – BMO Capital Markets – Analyst

Thanks. It's Sohrab from BMO Capital Markets. A couple of questions: Tom, over the last three years, what has happened to the square footage trend associated with the branch network?

Thomas Dyck – TD – Executive Vice President, Community Banking

Yeah. It's actually interesting. Our average lease is around 20 years. And so to make a change to the average square footage of the entire portfolio of buildings that we have actually takes some time as we renovate, make the modifications, change, move that type of stuff. Where you actually see the dramatic difference is in the locations that we have constructed and occupied over the last 24 months to 36 months. And in those spaces, we've done branches in as little as 2,000 square feet.

But typically, we'll enter into a market at around 3,500 square feet but in a modular format. So that basically means we'll typically have, call it, three office, private office spaces as well as four teller locations. But because it's modular as traffic patterns change, we can quickly, as I said, just literally overnight remove a teller station and build a new office in that space for a real fraction of the cost of what it used to be. So it's more about the moving forward pace, and so that's going to bring averages down over time.

Sohrab Movahedi – BMO Capital Markets – Analyst

So that I understand, it's less about necessarily square footage coming down but making that square footage fungible, I guess, from location to location, is that the message?

Thomas Dyck – TD – Executive Vice President, Community Banking

It's both. So it's making it fungible, so that 3,500 square feet we can reconfigure overnight. But over time, we're replacing 5,500-square-foot locations with 3,500-square-foot locations.

Sohrab Movahedi – BMO Capital Markets – Analyst

And that time could be up to 20 years.

Thomas Dyck – TD – Executive Vice President, Community Banking

That's right. As the portfolio matures, that's right.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

But one other addition to that, obviously, as we look to merge potential sites, and let's face it, in some locations, we have a much higher penetration of branches on a geographic basis. So the way to think of it is, very close proximity to a branch is very important for day-to-day transactions. But as those day-to-day transactions move to things like our phones, then customers are willing to actually travel for a further distance for a less frequent transaction. So as a result, we have opportunities over the next few years to merge branches.

When you merge branches, especially, if you take two very large branches, as we often add, they're very dense urban shops. You put them together, they'd might actually even increase in size, believe it or not, but you'll only have one instead of two. Because they are very, very busy and large operations.

Sohrab Movahedi – BMO Capital Markets – Analyst

Yeah. No, I was less fussed about the individual branch sizes but more the overall square footage because that's ultimately. And then my second question is really for Nandita, I think, or Tim for that matter. I mean, you've talked about the people being the secret sauce at TD. But we're talking about how technology is going to dislocate that interaction with the people.

So maybe a tough question, why aren't you going to lose your competitive advantage over time if more and more transactions and interactions are going to get done away from your people? And then what's the price elasticity of this customer satisfaction that you give over the direct channels?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

So, well, I'll take the people question. It's something we've been talking about a lot, and we use to think that, wow, we need to come up with some alternative answer to our great customer culture in the front lines, over the phone or in our branches. And in fact, it's not an either/or, it's an everybody. And the way we think of it is, our culture about being customer-oriented is very, very infused throughout the organization. It doesn't just have to be the front line people. And so Nandita talked about it, in fact, they've all talked about it in terms of the approach that the teams are talking through product marketing, to the changes we make so that they are customer-emphasized.

So it doesn't matter if you're a customer-focused person. If you are a product officer or an IT manager and you're thinking about it from a design point-of-view with the customer at the center of everything, then I'm quite comfortable that we will continue to have our advantage with customer orientation.

Now, having said that, we will continue to have face-to-face salespeople and service operators through all of our channels for decades to come. As I said, it's been transitioning for decades. Many of you have heard me tell the story of when I started as a part-time teller, we were just rolling out ATMs. And when we were rolling out ATMs, my customers used to come to me over the counter and say, why are you promoting the use of those ATMs? You're going to lose your job. 32 years ago. We still have lots of tellers. So the point is, our people will be there in sales and service roles, and their attitude and culture with an orientation towards the customer will matter for decades to come.

Now, the price elasticity to that customer satisfaction, we see that it matters. We actually do see that our customers are stickier for having a better experience. Remember, the number one reason for customers to choose their bank is convenience, is the perceived convenience, the location of their branches, having all of those channels. But the number one reason why customers leave their bank is a bad service experience. So if you win on convenience and you win on service, you just get more than your fair share of customers, both deciding to come to you, and you lose just less than your fair share of customers deciding to leave you, and then you grow faster than the rate of population, which has been our experience.

I'll go to where the mic is going. Sumit?

Sumit Malhotra – Scotia Capital – Analyst

Sumit Malhotra, Scotia Capital. Couple of questions on the credit card business. And, Andrew, you started your slides by highlighting the size of the loan book. We actually haven't seen that loan book increase this year. We've had some decline in the past few quarters. So to start there, how much of that relates to actions on the part of the bank to counteract the consumer leverage trend and maybe economic trends in the country?

And then secondly, I didn't hear too much about what the attrition rates have been post the Aeroplan acquisition. Is some of the runoff you've seen in the loan balance related to Aeroplan customers choosing not to stay after the move to TD?

Andrew Pilkington – TD – President, Canadian Credit Cards and Merchant Services

Yeah. It's a great question, thank you. So very little of the runoff has been Aeroplan. Most of the runoff that we saw was actually around MBNA. I mentioned when I was talking that we had a huge conversion from one platform to another, and that just necessitated a cessation for a period of time of actual new sales and business.

So we had to sort of take a back step while we did the conversion, and that's really directly correlated with the drop-off in loans. But we are rapidly rebuilding that book. And as I said, we're back out aggressively marketing. And last month from an MBNA perspective, we had our record month for new accounts, so we are going to plug that gap. And if you look more recently, we actually have started to see our share go back up again.

Sumit Malhotra – Scotia Capital – Analyst

The second question for that business would be related to fee income and your revenue growth target. A year ago at this time, a lot of us in the room were quite interested in what was going to happen with the interchange file that seemed to come and go without too much effect. So maybe just put it here: if you can talk about it, what actions have you taken in your business to offset that revenue loss?

And secondly, I'll try my luck here, depending on what happens next Monday, there may be other changes that get forced on banks from a fee income perspective. In that $500 million, are you modeling further pressure on portions of your fee income or maybe a lack of ability to raise fees going forward?

Andrew Pilkington – TD – President, Canadian Credit Cards and Merchant Services

Okay. I'm certainly not going to comment on the general election. But in terms of the interchange reductions, obviously, they hit the whole industry. As you said, there have been a lot of discussion for many years, so it allowed us to prepare what we would do to actually offset those interchange reductions.

And what we have done is we've taken into account, how customers will be impacted, what the competitive scenario was like to make sure we remain competitive, and also what the financial impact would be if any actions we took. So we took a number of actions across the portfolios to actually offset the interchange reductions, and we pretty much covered the entire gap.

Gabriel Dechaine – Canaccord Genuity – Analyst

Good morning. Another cards question, actually, you've got the target for 15% growth from the balances over the next three years. The industry as a whole hasn't grown balances for a number of years. And I'm just wondering if there is a unique set of circumstances whereby TD can actually deliver on that growth because the ROE on those assets is 3%, 4%, 5%. So it could be...

Andrew Pilkington – TD – President, Canadian Credit Cards and Merchant Services

Yeah, yeah. Good question. So the industry actually has recently, you're right historically, there's been very low growth in the credit card balances across the industry. But over the past couple of years, last year it grew by nearly 10%, and this year we're seeing growth in the mid single-digits. As Tim alluded to, we have a lot of opportunity in our credit card book. One of the initiatives that we have, I think Nandita alluded, was traditionally we've been quite conservative in the line sizes that we've granted, particularly in our legacy TD Card book. And as Tim pointed out, we were lagging our competitors, and that was one of the reasons.

So we have a major drive to actually where it makes sense, and very much thinking of risk and reward, to actually go back to our back book, if you like, where we have millions of customers, and where appropriate, give them higher line sizes, and we're seeing very large take, and that's actually allowing us to start increasing our balances again. So that's just one of the strategies we're deploying to make sure that we can match those growth levels which I mentioned earlier.

Gabriel Dechaine – Canaccord Genuity – Analyst

Okay. And then I guess, Tim you probably – like NIM questions or margin questions quite a bit. Just directionally over the next few years, I'm hearing a lot about the growth in cards, growth in unsecured lending, and eventually the growth in business banking. You've said you don't expect rates to go up, or you're not modeling rates to go up until 2017 or 2018.

So does the mix of your asset growth over the next few years cause your margins to increase? And then also the risk adjusted margin, what's the direction of risk adjusted margin underneath that?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yeah. So the general trend in margin over that same timeframe, "X" more than a marginal increase in interest rates, is sort of an inexorably minor amounts down, and again it's just a sustained low interest rate period. It's not over the five-year period. As we get a different mix shift, then we'll be obviously a little bit of an offsetting effect, but if I'm going for memory here, you'll start to see it sort of flatten out, and then slightly start to rise again. From a risk adjusted point of view, the short answer is again not knowing the risk adjusted margin number in my head, and if I did I'm probably wouldn't...

Gabriel Dechaine – Canaccord Genuity – Analyst

I was hoping one of us did.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

I don't need more margin numbers that I have to answer every single quarterly call. But generally, we're quite comfortable with the mix both at our overall balance sheet as well as from a risk perspective with the businesses we're trying to grow, whether the unsecured lending or credit cards.

Gabriel Dechaine – Canaccord Genuity – Analyst

Okay. Thank you.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Okay. One more question. Right at front.

Rob Sedran – CIBC World Markets – Analyst

Thank you. It's Rob Sedran from CIBC. A couple of more cards questions: I guess you're the number one card bank now, so you get a lot of questions on it. First of all, one of the products that MBNA was active in that you deemphasize was the balance transfer business.

How active are you in it, and what do you think about it? And then, the second question is, within the three-year to five-year window, your partner on Aeroplan will be undergoing some negotiations with its partner. How insulated are you from any changes at the Air Canada level to that structure?

Andrew Pilkington – TD – President, Canadian Credit Cards and Merchant Services

Okay. So first of all from a balance transfer perspective, again, I want to repeat myself, we did take a hiatus on that, from our core lending business in MBNA over the past year. But we're aggressively out there marketing offers for balance transfers. And with balance transfers there's always a balance between being out there – the time period you offer, the price that you're offering, it is an optimal point where you can make very good returns, but also if the time period goes on too long, and the price is wrong, it's not good business. And so we're just optimizing that model, and we're out there aggressively marketing MBNA balance transfers, as we started to do more so as well from a TD perspective.

In terms of Aeroplan, in a few years out, you're right, there are negotiations that are going to go on with some of the key suppliers. We're feeling very comfortable at the moment that we're in a very, we're in an excellent partnership with Aeroplan, and the Aeroplan and Air Canada will actually reach some agreements so the program will continue for years to come.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

All right. I think, it's time for our second break for 10 minutes, and we'll call everybody. Thanks.

PRESENTATIONS – PART II

Rudy Sankovic – TD – Head of Investor Relations

Welcome back everybody to the tail-end here of the presentations. I think we've got three great story lines here for you. So you're going to hear from Kenn Lalonde, Head of Insurance; Paul Douglas from Business Banking; and Leo Salom from Wealth Management. So I'm going to invite Kenn up to the stage to take us through the Insurance story. Kenn?

Kenneth Lalonde – TD – Executive Vice President, Insurance

Well, thank you Rudy, and good morning everyone. My name is Kenn Lalonde, and I'm delighted to be here to talk about our exciting and growing Insurance business. But before I get started, I'd like to tell you a little bit about myself. I've been with TD for the past three years. Prior to that, my career has spanned over 30 years; first, in the consumer packaged goods industry, and then in financial services both in Canada and the United States. I've worked both in the banking and insurance industries, and over the last 10 years, I focused on Life & Health and personal lines General Insurance.

So to begin, the Insurance business at TD includes both the Life & Health category where our primary business offerings are credit and balance protection products, as well as General Insurance where we have achieved scale efficiencies in home and auto. The combined businesses have achieved over $4 billion in premiums, and delivers strong ROEs both individually and collectively. So what's our competitive advantage? We have a loyal and sticky customer base through our affinity relationships and with our TD customers. Like other direct-to-consumer models, we have a cost advantage relative to physical distribution.

We have an advantage from a customer experience standpoint by being vertically integrated, and owning the end-to-end value chain, from sales and distribution, to product, pricing and underwriting, to claims management. This model positions us to constantly work every part of the value chain, which ultimately creates a superior customer experience. And finally and perhaps most importantly, we have the benefit and power of the TD brand. Our brand, which is one of the most trusted and respected in the market, is the envy of our competition in the insurance space, and particularly in home and auto.

So turning to the next slide. Through this cycle, TD Insurance has delivered strong performance that has positioned us as a market leader. Now, I know that many of you will recall the challenges we faced a couple of years ago in our General Insurance business related to the severe weather in Southern Alberta and the GTA, and our decision to strengthen claims liabilities related to Ontario Auto. When you've gone through an event like that, you look at all aspects of the company and you learn from the experience. We're now more customer centric from a product design standpoint. We've modified our pricing where we were off market, and we're more sophisticated in our approach to underwriting and risk.

In the General Insurance market, we're the leading direct writer focusing on personal lines with a 30% market share of the direct market. We continue to see consumer demand shift towards direct-to-consumer distribution channels as direct insurers have gained almost a point of share per year from brokers and agents over the past 10 years. But what really positions TD uniquely in the marketplace is the fact that we're the number one group affinity insurer, which offers better underwriting risk characteristics than the mass market, and moreover a compelling go-to-market strategy.

Affinity customers and the agreements we have in place with many professional, alumni and employer groups, some of whom are shown on this slide, represent 75% of our total book of business. And the benefit of these two leading positions is that we are the third largest personal lines writer in Canada. In credit protection products, we're the number two insurer amongst the banks, providing life and critical illness insurance on loans, including our customers' most important asset, their home. Our penetration rates have been increasing over the past year as a result of strong focus in our branches and mobile mortgage channels. We're number one in balance protection products by virtue of TD's leading position in credit cards, and the launch of Aeroplan last year further strengthened our position. And finally, in travel and non-creditor Life & Health, we're a small niche player, where we've generated good growth, and have solid opportunities to compete in a targeted manner.

On a combined basis, our book of business has been growing over the past four years as demonstrated by our in force policies, growing at a rate of 3%, and our premiums growing at a rate of 5%. Now, I spoke earlier about the power of the TD brand to Insurance. But I want to address the question of why TD has chosen to compete in the General Insurance category. Well, market research tells us that 80% of the Bank's customers expect TD to offer insurance products. Furthermore, 70% of Insurance customers are also customers of the Bank, and in our General Insurance business specifically, 45% of our customers are also customers of the Bank. This provides an attractive opportunity to cross-sell TD banking products to our insurance customers.

And what we also know, is that customers of insurance and banking are more tenured and more profitable to TD. And if you really think about it, it makes sense, that our affinity customers in particular, who are professionals like engineers and accountants, university or college grads, as well as employees of large companies would provide a customer profile that is attractive to TD overall. Finally, we've aligned our customer value proposition in insurance with that of the bank to position our products and services and customer experience to anchor on comfort, convenience and care, delivering value rather than focusing only on price as the key differentiator.

So in the Insurance business, the customer moment of truth comes at the time of a claim. This is where you're fulfilling the promise of the brand. If you get it wrong, you've simply lost the customer, and even if you mostly get it right, the propensity of the customer to shop increases dramatically. In a recent Accenture survey, they indicated that 38% of customers who have a good claims experience are still likely to switch. So we have to ensure that every step along the value chain is operating effectively and in a synchronized manner. This starts at the point of origination, making sure we provide the right coverage to customers when they buy a policy, to ultimately delivering a claims experience that is simple, fast, and meets customer needs.

And there are a variety of ways that we actually do this. We're improving the sales and service capabilities of our frontline employees through comprehensive advice training as well as advice-based tools to help ensure our customers have the coverage they both need and understand. Today, our customers can get a quote in just a few simple steps, either online, through their mobile device, or by calling in and speaking with one of our licensed advisors. We've also set up a claims advice line where customers can get advice on whether it's in their best interest to make a claim or not to make a claim without impacting their claims free discount.

Customers can also use our TD Insurance mobile app to start a claim within seconds, including taking photos of the damage to their vehicle, and submit all the necessary information directly to one of our claims advisors. And because natural catastrophes have such a significant human and financial impact by their nature, we've reengineered our entire approach to claims management following a catastrophic event. For example, we've introduced a mobile response unit, which we will deploy after a natural disaster to help our customers when and where they need us the most. Our team can answer questions, start a claim, they can issue checks, or simply handout water and supplies to families, who have been forced out of their homes.

Following last year's tornado in Angus, Ontario, our employees also went above and beyond creating a TD wow moment in Insurance to even help a family reunited with their lost dog Fonzie. The combination of all of these actions has led our Customer Net Promoter Scores to improve 25% compared to just three years ago. We're not quite at the legendary levels of our retail banking partners but we are well on our way.

So turning to business priorities. Looking ahead, we have three key priorities in Insurance. Our first and immediate priority is to enhance our existing business. We'll achieve this by understanding our customers and their needs better than our competitors, and continue to drive towards improvements in our value chain to deliver legendary experiences aligned with the TD brand. We'll continue to retain our top talent, and build our bench by attracting specialists from the industry. And we'll leverage the bank's expertise in data and analytics to enhance our own capabilities in pricing, underwriting and claims.

Next, we're transforming our technology platforms and infrastructure for all of our businesses to accelerate organic growth. These investments are imperative for us to maintain our leadership positions as well as to develop new products and enter new segments, and to out disrupt potential new entrance. We also intend to leverage the mobile and online capabilities of the bank to preserve and build upon our number one direct-to-consumer position, as consumers increasingly demand more mobile and online functionality. In addition, we can capture white space opportunities by leveraging our core capabilities to grow simple term life insurance in the currently underserved mass market in Canada, launch usage-based insurance in 2016, and explore small business commercial insurance.

Finally, we have a relentless focus on achieving operational excellence with the goal of driving efficiency to help fund our strategic investments and to deliver a better customer experience. For instance, we've implemented a new customer-centric claims operating model. We're consolidating our back offices. We're moving to a paperless environment, and we're leveraging the bank's capabilities in legal, phone channel, and vendor management. And it's worth calling out that improvements in vendor management are very significant to an insurance company, given that the single largest cost is claims. And here is an interesting fact, through our contractors we have purchased enough carpet to cover the Rogers Centre more than three times over. And after last night's party on the field they might need to have that carpet replaced. But we're able to leverage TD's buying power to lower claims costs, while delivering a better experience for our customers. The results of these actions will be high single-digit premium growth, and an improvement in our efficiency ratio of around 200 basis points by 2020.

So in summary, here's what I'd like you to remember. Insurance is a strong franchise business that's aligned to the benefit – and benefits from the TD brand. We have a business model that has the scale and capabilities to preserve and build upon our leadership position in the markets where we choose to compete.

Being part of TD offers us some unique advantages including the opportunity to deepen customer relationships. Also we gain huge efficiencies by leveraging the bank's scale and capabilities. The fact that we own and manage every part of the insurance value chain enables us to drive a superior customer experience, which I believe helps to distinguish us from our competitors. We're well on our way to creating the better insurance company within the better bank, that can deliver strong financial results over the business cycle, and be a core part of the TD franchise going forward. So thank you. And with that, I'll turn it over to my colleague Paul Douglas.

Paul Douglas – TD – Executive Vice President, Business Banking

Thanks, Kenn. Good morning. I'm Paul Douglas, and I head up Business Banking for TD in Canada.

Now my colleagues have all been coming up here crowing about their years with the bank, 20, 30 rookies. I actually do believe they have the potential to be decent bankers in time. In fact, I think, even Bharat has potential.

So for those of you who don't know me, I've been with TD. I'm in my 40th year at TD. And I'm starting to get a hang of it. And almost all of that time has been spent in relationship roles with corporate investment banking, commercial banking and in risk management. And I've been at various intonations of my current role as the head of the business bank for the last 11 years.

When I come home at night, if I can say that I've had a good day, there's a good chance that I spent that day with customers. And thankfully, I have a lot of good days. The business bank consists of three broad businesses: small business banking, commercial banking and TD Auto Finance. TD Auto Finance is primarily an indirect lending focusing on auto loans, but the key to success in this business is great relationships with auto dealers, and it's for that reason that TD Auto Finance is part of the business bank. But because of the obvious differences in the assets in Auto Finance versus Business Banking, I will talk about Auto Finance separately this morning.

So let's begin with commercial and small business banking. And on this slide, you can see that we have $56 billion in loans and $84 billion of deposits. And you should note the strong ratio of deposits to loans, because it's a big advantage for us. It's indicative of higher revenues and returns per customer.

Small business banking operates in all of our retail branches across Canada. And we have over 500 small business banking specialists in the retail system to serve those customers. Commercial Banking operates in 50 Commercial Banking centers across the country. And in addition, we have a lot of Commercial bankers who operate in individual retail branches, particularly in agricultural space or even out of their homes. We hold the number two market share position in both loans and deposits, and we're progressing to number one.

To understand our strategy and our accomplishments in recent years, you need to understand a very simple truth. Mine is a relationship business. And our customers value the banker as much, if not more, than the bank. They want a banker who knows them well, and whom they know and can trust deliver the Bank in good times and bad times. Our strategy is simple. We want the best bankers we can find. We want as many as we can afford, and we want to put them as close to the customer as we can.

Since we started this program eight years ago, we've hired over 800 new bankers, most of whom we hired right out of university. And we trained them to be great bankers. You need to understand that to build a commercial banker especially out of a university, it takes about five years. And so of those 800 bankers, a lot of them are just now coming into their prime.

We have focused on our areas of weakness, both geographical and by industry. And the results have been striking. As Tim mentioned, we've gone from the number five position not that long ago to number two today, and in this business change is usually glacial. Even more striking, when we started, we were 1,000 basis points of market share behind the market leader and we are now 400 basis points behind, and that gap is shrinking.

You can see the growth in the last five years on this slide, with compound growth rates of 12% and 8% in loans and deposits over the last four years. Key to our success is our relationship with our partners, particularly our Wealth partners, who deal with wonderful Business Banking prospects. Our referral relationship with them is resulting and rapidly growing opportunities for both of us, and you can see the results in the last couple years on this slide, and this is the power of One TD.

For all the progress that we've made though, it's exciting to know how many opportunities we still have, and the proof points that we can achieve success in this business ongoing. We're still underrepresented in key geographies and in key products and industry types. Up until a few years ago, for instance, we had no leasing product. We bought a small leasing company, and we're still small by industry standards in leasing. But in the last four years, we grew that leasing companies book by 20 times, and we have the ability to keep growing at a very rapid pace.

We created a national agricultural business in 2008, and this focus allowed us to grow that business and its assets by 250%. And we're still not number one, but in that timeframe, we gained 470 basis points of market share. In 2012, we've rolled out a new program for professionals. And we've grown that book by 16% compounded since then, well above market. In fact, in the last year, we captured 30% of all of the growth in dental and medical loans of the entire market. These clients bode very well for the future in our Wealth business, when we can get them to deal with Wealth.

We're moving upmarket in loan sizes. And last year, our relationship managers increased the average size of a loan by 20% on all our new deals. We were under represented in Quebec. But by investing in this better banker strategy, we've grown assets by 19% compounded in the last four years and we've more than doubled our market share. Lastly, this year, we will further integrate the small business banker specialists I mentioned into the better banker strategy, and we expect to deepen relationships with all of their customers as we have in Commercial.

Now in my background, I spent two stints running, what you might know, as special loans. We don't call them special loans. And so I'm keenly aware of some of the consequences of rapid loan growth. But ours is a feet on the street strategy and we win business the old-fashioned way. One deal at a time, and very carefully. Notwithstanding the rapid growth in our market share over those years, I'm very proud to say that our loan loss experience across all Business Banking is less than half of our competitors.

All of these examples make me very comfortable to say, we will continue to take share year-after-year. We're particularly proud of our Auto Finance business, which you see on this slide. Despite the rapid amortization of this asset class, we have grown the book by 6% compounded for the last four years, and at an accelerating pace. In fact, in the last two years, we've increased our rate of origination by 46%.

Only three years ago, we had less than 50 Commercial Banking clients, auto dealers that used our floor plan product, and now we have over 350. And I mentioned to you earlier that the key to success in this indirect lending business is the relationship that we have with the auto dealers. We enjoy relationships with 5,800 dealers across Canada for the origination of retail auto loans and recreational vehicle loans, and it results in the growth that I've talked about. We are now number one or number two in prime, non-prime and recreational vehicle lending in this space. And in the last year, in the J.D. Power survey in this industry, we moved up four positions.

Notwithstanding our ability to grow in this business, the current environment requires even more focus on costs. We recently ramped up our ability to automatically approve car loans and to present pre-approved credit products to our small business customers, and the results have been very rewarding and there's scope for more. To give you an example of these results, we're now able to underwrite 16% more of our auto business, instead of doing it manually, we do it automatically.

Last year, we introduced a remote deposit capture as a convenience service for our business clients. And this is still young in terms of rolling out our product. But in the last three months, these clients have made over 90,000 deposits, which would have included over 1 million checks and they didn't even have to enter a branch.

Through a series of incremental improvements over the years to our credit process, we've increased the number of clients per commercial account manager by 46%, greatly increasing our efficiency. And we have more projects underway to increase the capacity to grow efficiently without distancing ourselves from our customers. So what would I like you to remember? This business is best grown carefully and deliberately for the long-term. We have significant momentum, and have taken about 50 basis points of market share every year for a number of years. The segments that we focus on have grown even faster, and they all have yet more room to grow. Our strategy is to focus on the best bankers on the street. And we have hundreds of young bankers who have yet to hit their stride. And our eyes are firmly set on the cost of doing business.

I want to thank you for your attention, and introduce my colleague, Leo Salom.

Leo Salom – TD – Executive Vice President, Wealth Management

Good morning, everyone. And I'd like to thank you very much for this opportunity to be able to share a little bit of the highlights of our wealth management business. My name is Leo Salom, and I look after TD's Wealth Management operations globally. And I've been with TD now for four years. I spent 19 years at Citibank, six years at Barclays and a number of retail and commercial banking roles that took me to the U.S., Latin America and Europe, and I'm awfully pleased to be here with you today to share with you, what I think is, a really exciting growth story within the overall Canadian retail portfolio.

Our Wealth business, I'll talk specifically about our Canadian wealth franchise. So that will exclude any discussion today around our U.S. Wealth operations and our equity interest in TD Ameritrade. So with that, as a bit of a framing, let me get started.

TD Wealth serves 2 million clients in Canada. And those clients have entrusted about $562 billion in assets to us. And we serve those clients essentially through two means, our Direct Investing platform, and the over 1,900 advisors that we have across the country. And you've heard a lot about One TD today, but what's really distinctive, I believe, and what's a huge advantage for the Wealth business is to be able to be partnered up with what is arguably the best Retail and Commercial banking business in North America, and our ability to introduce wealth management solutions to those clients.

It has been a huge catalyst of growth for the Wealth business, which is still a relatively young business. In fact, I think Tom referenced the fact that just client referrals from the Retail and Commercial bank during the 2015 year will represent about $24 billion in terms of net asset growth. And if you put all that together just to the size of our Wealth management business in Canada, on a trailing 12 month basis, we've generated $834 million in terms of after-tax profit. So a significant business, but still at a relatively developmental stage, which is exciting in terms of the growth prospects for the future.

Now, the business is comprised of three main lines of business. First, our Direct Investing business, which is really been where we've been a market leader. In fact, we invented the space here in the Canadian marketplace. We serve 1.2 million clients. They have $132 billion in assets with us. We have just under about a 40% share of the market. But while that's interesting, I think, what's more important is that it's the source of tremendous amount of innovation for us, technological innovation, process innovation, that we leverage across the rest of the Wealth business.

Our second business is our advice platform, and any business that's intermediated by a face-to-face advisor falls in that category. It's our financial planners in the branches, our full-service brokers across the country and our private client group executives that serve the high net worth client base. That is our fastest growing part of the business.

So we've really not unlike many of our competitors that have purchased broker dealers, we built this entirely organically. And over the past four years, that business is growing earnings at a compounded annual growth rate of 15%. And I think, as I'll talk about in a moment, I think, it's a significant source of profitability opportunity for the future.

And then finally and certainly, I don't want to leave them out, our asset management business. We are the leading institutional money manager in the country. We are the largest pension fund manager in the country, the fourth largest mutual fund company, second amongst the big five banks. And that is an area that is increasingly generating a significant amount of our profit pool.

So with that said, if I take that Wealth franchise in aggregate, I think we've got a very diversified platform. One that's got a proven track record and one that, I would submit, is poised to be able to deliver double-digit earnings growth through the cycle.

So let me talk a little bit about some of the fundamentals and some of the core operating stats. I'll start with NIAT growth. From a NIAT perspective, I mentioned the fact that, on a trailing basis, will generate $834 million or we have generated $834 million. That's a compounded annual growth rate of 12%. What really has led that or fueled that is strong net asset growth. This year, we'll generate $36 billion in terms of net asset growth in Canada, and that is driven, as Tom alluded to it, as Paul alluded to it, on the power of that One TD operating model, which having worked at two other organizations in a number of different wealth businesses, I would argue is just an example of global best practice in terms of truly bringing together the best of our Retail, Commercial and Wealth franchises.

Besides growth in assets, growth in terms of top line revenue growth, the business has also been very focused around operating efficiency. In fact, over the past four years, we've reduced our overall cost ratio by 500 basis points from 71% to 66%. And we've done that while investing in distribution, and while investing in some of the core technological platform innovations that we need to be able to compete. And we've done that while still delivering positive operating leverage for each of the four previous years, which has clearly required some discipline.

If I can just give you a little bit of context there. Last year, we launched a program called Wealth Transformation, which was really intended to try to simplify a lot of the core Wealth operations. It was focused around taking structural savings, whether it'd be in our organizational structure, whether it'd be in our core processes or simply in terms of some of our core technological platforms and some of our vendor relationships. And we systematically started to put a program in place. This year that program has generated $54 million in in-year savings, which has allowed us to be able to selectively invest in some of those growth opportunities that I've highlighted previously.

You put the focus on top line with an intense focus on operating efficiency, and as a result, this business has generated, is generating an industry-leading return on equity of 49%, which is two times the overall industry average. And the one item I'd ask you to take away from that, is that is as a result of the fact that this model is entirely organic in nature. We've not gone out and acquired platforms. And therefore, you get a sense of the true earnings potential, and the capital efficiency of this particular business.

So, in terms of overall priorities, I've had a chance to present to many of you, and our strategic priorities really have not changed. First and foremost, our focus is to reaffirm our leadership position in the Direct Investing space. And that's exactly what we're doing, with significant investments in both our desktop capabilities as well as our mobile platforms. Today, in fact, we're launching our new next-generation WebBroker platform, which I'll be able to give you a sneak preview of in just a moment. But I believe this is important, once again, because it will be the source of investment advice delivery in the future, and I'll come back to that point.

Our second priority is to execute against the advice opportunity we have, in both the mass affluent and the high net worth space. There is a tremendous amount of cross-sell that is still available to us. Our advice business still has a relatively low penetration of the TDCT available eligible population for advice solutions, and we really want to try to accelerate to take full advantage of that.

And finally, to continue the tradition that we have around innovation in the asset management space. We've historically taken our institutional capabilities and translated that into retail innovation, and I think it's served us exceptionally well. You put those items together, you combine that with a focus around transforming our ops and technological platforms, and I believe that we can not only sustain our earnings momentum, but we can deliver double-digit growth rates and aspire to be able to eclipse the $1 billion earnings mark in our Canadian Wealth Management business in the near future.

So, let me just, for a moment, take each one of those and elaborate a little bit more. And I'll start with our Direct Investing business. Segmentation is critical in the direct investing business. We've historically been the preferred choice amongst active traders, and it's an area that we are investing quite significantly in order to be able to provide our active investors with the most sophisticated active training tools and complete optionality in terms of mobile devices. It's an area that I think is going to be key for us, and in just a moment I'll give you a sense of what we built. That segment, today, generates 70% of our trades, 40% of our revenues. It's probably our most demanding client base, but one that once again gives us insight in terms of future generation type ideas that we leverage across the platform.

Our second segment is our long-term investors segment. And I think increasingly, this is going to be a very important segment. Clients are looking for investment guidance. They're looking for lower cost solutions. They want to avoid paying full service brokerage fees, but yet they're willing to pay for asset allocation and investment guidance. And so, we are very focused in that segment. This year, we will be launching a series of lower cost alternatives on the shelf. We've already launched 55 D-Series mutual funds. We'll complete that build out. And in early part of next year, we'll be rolling out our proprietary suite of ETFs, both passive and active in nature.

Finally, I would say, with regards to long-term investors base, that base will dictate, there's been much discussion about robo advisors. I truly believe that figuring out a way to deliver solutions to this long-term investors base, as part of an integrated platform, will be the key for success going forward in this space. And I think given our platform, we're exceptionally well positioned to be able to win in that space. And I'd like to, instead of giving you more words, I'd like to just, for a moment, showcase our new WebBroker platform that launches today. Roll video please.

The WebBroker platform is rolling out to new clients today, in fact. So I'm quite excited about that, and we'll be converting our existing client bases in ways over the next three months. So a big step forward, but I'd be remise if I just didn't describe a little bit of the process that went into that, because I think that's probably just as important as the launch today. The WebBroker program was the collaboration with Nandita's team in a completely new operating model, and an agile development model.

We brought our business leaders, our product owners, our design teams, our technology coders, we locked them in a room, fed them occasionally, and really we fundamentally changed the development process around this particular platform. As a result, we've shaved about 50% of the timeframe that we would normally take to develop the platform, and it's not just a front end.

The one thing that if I can leave you with one point on this, is that we built a platform that has the integration layer to allow us to innovate more rapidly going forward and bring other new innovations onto our direct investing platform, which might include both active trading solutions as well as long-term investing solutions in the future. So certainly a very important step forward for us.

If I can go to this second priority, it's really trying to accelerate the growth in our advice businesses. And I'll try to anchor this in some stats. We have 4.3 million mass affluent clients and 500,000 high net worth clients. And today, we only bank 10% of them with an advice investment solution. So incredible opportunity to increase.

Now, some of those clients might have a direct investing relationship, but many, many more could benefit from an advisory relationship. And it is that opportunity set that we're really trying to tackle. And I believe, once again I think it's one of the biggest opportunities we've got within TD Wealth, but I'd argue one of the biggest opportunities we've got across Canadian Retail. And what we're going to try to do is, we're targeting to own 15% of the mass affluent marketplace and 12% of the high net worth segment, and those are considerable increases from where we are today.

We've already taken a little less than 100 basis points in the segment over the past three years. This would represent acceleration over the next five years. But it's one that I think we're well poised, leveraging Tom's retail capability, Kerry's understanding of the retail client base and our wealth management solution set, I think we can truly integrate and realize this full potential.

How do we do it? A little combination of both distribution expansion as well as changing the advisory platform that we're going to deliver it against. First, we're targeting an increase of 500 advisors to be able to increase our coverage and support the branch as much more fully across the network. And secondly, we're really focusing on enhancing the client experience through a new advisor desktop next generation. A lot of the things that you saw with regards to Direct Investing, we're going to make that the foundation of our new advice platform going forward. And I think that will be a differentiator.

I will say we're already a leader from a customer service standpoint. In fact, in J.D. Power's most recent full-service brokerage survey, we were ranked number two overall, just one point behind the number one position, and we were number one amongst the big five banks. So, clearly, for an organic business that is really a decade old, we've really made a great deal of progress. And I think we're very, very well poised to be able to continue to grow that business at some pace.

The final business I'd like to touch on is our asset management business. And as I said before, historically, what we've done well is taking our institutional scale and knowhow and been able to translate that into innovation in the retail space. We've been leaders in low-volatility solutions, target return products, retirement funds, risk reduction pools, all of which have really driven some of our sales. In fact, this year, 54% of our long-term mutual fund sales came from products that we launched just five years ago.

So a significant catalyst for growth. And it's not just about getting top line sales growth, it's also about driving core performance. And I'm pleased to say that of our total AUM base in the retail portfolio, 64% of it is either ranked first or second quartile. So, we've gotten good innovation and follow that up with strong quality investment management performance.

Going forward, our aspiration is to be number one in terms of long-term mutual fund sales. This year, we were number two. Year-to-date, we've sold $8 billion in terms of long-term mutual fund sales. That's up 30% year-on-year. And once again, that's a product of the collaboration that we talked about before, working closely with Kerry's Retail Savings and Investment team, working closely with Tom's distribution team, to be able to embed a better mutual fund sales process at the branch level, and I think we're making good progress in doing that.

Our second area of focus is obviously our institutional business. As I said before, we've long been leaders in that. Once again, Benefits Canada ranked us the number one pension fund provider in the country. But I think, historically, we've always been viewed as a fixed income institutional shop. And clearly, we've got a 20% market share in that space, so that's a significant footing. But increasingly, clients are asking us to also take on U.S. global equity mandates. And they're also asking us to be the outsourced CIO of record to actually manage full asset allocation mandates for both pension fund providers as well as some of our family office businesses.

What's important about that is that comes at significant margin increases vis-à-vis the historical margin that we have in the book. So we've been able to deliver, in this business, double-digit revenue growth in a segment that typically has single-digit, low-to-medium single-digit asset growth. So that's quite exciting for us in terms of being able to drive some additional profitability. Obviously, our objective in this space is to sustain our number one position in the institutional market.

So if I can leave you with some simple takeaways, I strongly believe that TD Wealth has a strong organic growth model, one that enjoys an incredible relationship with arguably the best retail and commercial banking business in North America. And we are just beginning to fully mine that opportunity and be able to realize on the potential that exists there.

We will make select investments and distribution to be able to coverage that market much more effectively. And that coupled with, as you've heard from many of my other colleagues, a relentless focus around operational efficiency will allow us to be able to deliver double-digit earnings growth through the cycle.

And so with that said, I'd like to thank you very much for your time. And I'd like to ask my colleagues to come back up, Paul Douglas and Kenn Lalonde. Thank you very much.

QUESTION AND ANSWER – PART II

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Okay. We're in the home stretch. I know it's been a long morning for all of you not used to sitting this long. So that's why we gave you a couple of breaks, but we've got another 20 minutes or there both for questions. So, stick your hand up and we'll get the mic to you. Right in the middle of the room. And if you've got your hand up, then we'll get another mic to you.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay, thanks. Tim, I think the question is for you, series of presentations. Everyone of the sub-groups, let's say, have pretty aspirational goals around operational improvement, and they all have expense saving plans, they all have investment priorities.

I assume you sit on top, you look across, I'd like to know what's the highest priority as far as investment, and where is the biggest expense save going to come from?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

So, where is the...

Sohrab Movahedi – BMO Capital Markets – Analyst

Biggest expense save is going to come from when you cross every one of them.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Great question. In terms of the overall highest priority, generally, if I can back up a little bit, it's probably just generally growth. And you may say, or that's a weasel-out answer. The reason why I say it that way is because if you look across each one of these very large businesses, then you see opportunities for growth. Now, if you look at Leo's $800 million business, he can grow at double-digit earnings. If you go to Kerry's real estate secured lending business, it's going to grow at a slower rate, but obviously it's a very large business in the Canadian context. So growth on a large race, even if it's a lower rate, is going to get contributed to the overall targets that you saw for Canadian retail up there.

So each one of these, and the reason why I'm saying it's just generally growth. Each one of our leaders in each one of our segments is very much focused on where are there opportunities still in the Canadian marketplace to find growth. And it might not be the home runs that we had over the last 10 years and taking our credit card business from last to first, but there are lots of singles and doubles in each one of our individual business lines.

So now, your second question is, where's the biggest opportunity for cost saves? As I alluded to earlier, I think the shift that we're starting to see is twofold. One is our largest expense base being our face-to-face channel is the one that customers frankly are saying, I will use less because I can use to my greater service and convenience, a much lower cost channel. So we will manage that migration appropriately. That's going to be the biggest opportunity probably in bulk.

But if I then had to say, what is another opportunity? I'm very excited about the opportunity that technology is giving us. We often think of it is as a threat. It is, but at the same time, it is an enormous opportunity because if you see at much more incremental costs than what have been traditionally the case, we can add remarkable amounts of customer convenience and service through all of our business lines over the next few years. So, I'm feeling quite good about the fact that we can actually save in some areas where our customers are starting to say, you build me this new capability, I'd love to use it.

Sohrab Movahedi – BMO Capital Markets – Analyst

Can I just follow up on that very quickly? So I assume you're talking about earnings growth, not necessarily volume growth here.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yes.

Sohrab Movahedi – BMO Capital Markets – Analyst

And I assume we're talking about at the overall Canadian Retail as opposed to the individual business. So in other words, Kerry can grow her business by 1%, but that will matter a lot more to Canadian Retail....

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Exactly, exactly.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

What we try to do is, you saw the targets at the total Canadian retail level. And we try to say, where are the best opportunities to invest for the long term, notwithstanding there might be an opportunity in the short term to say that's a business that might not grow, but we think in the next little while, that will be in the future.

So a great example would be when Paul talked about equipment leasing. He said, all right, what's my next opportunity platform to bolt on in a white space, and he went out and bought a very small business and a team that basically said, I can take this equipment leasing business. And he said, bolt it onto the side of the best Business Bank in Canada. And he's just been extraordinary successful at growing it out. But that's a growth on a small base, but it's profitable growth and it gives them a new platform to continue to extend out over the next little while.

Peter Routledge – National Bank Financial – Analyst

Hi. Peter Routledge, National Bank Financial. I kind of came here skeptical about the Insurance business and about whether it was really core to Canadian Retail's strategy. And I appreciated your discussion on customer loyalty and I have a better appreciation of why you think its core.

Can I ask the question a different way though, since I'm still a little skeptical. If TD were to get out of that business, sell it to another player, how would that harm Canadian Retails customer franchise over the medium term to long term?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Well, I think it would be a decrement to that 80% of customers that expect us to offer the product. The way we think of it is, this is the most powerful brand in Canada. There isn't a soul in Canada that doesn't see the shield that we all wear on our jackets and know exactly what TD stands for and does. And when they see it, they think financial services. And they include in that financial services, insurance. And so, as a result, when they look at us, our issue is very simple.

And you've heard this theme from across the presentations today, which is all about bringing the power of all of us collectively to bear to our customers. So when our customers sits down with one of Paul's business bankers or one of Leo's advisors and says, oh, by the way, included in my financial needs is insurance. We have a great team that will step in behind and be able to offer that product. If the customer expects it, we want to stand up and deliver that. So I think it would be quite a detriment to what our customers expect of us in terms of a full financial services offering.

Peter Routledge – National Bank Financial – Analyst

Yeah. Why do you think your peers haven't figured that out, like, no other bank really competes in this way in that market. What are they missing and why?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Well, I can't speculate on what their strategies are or the choices that they need. We've made lots of different choices over the last few years, and which is why we've had the outperformance that we talked about this morning. I prefer to believe strategy is about making discrete choices that gives you advantages over your competitors. And so, if we all made the same choices, we probably wouldn't be making the outperformance that we have to date.

Peter Routledge – National Bank Financial – Analyst

Thanks.

Mike Rizvanovic – Veritas Investment Research – Analyst

Hi. Mike Rizvanovic at Veritas. So sticking to the Insurance business, and it looks as if the personal lines account for the majority of the $4 billion in premiums. And when I look at the numbers based on regulatory filings, historically, you've outperformed on premium growth quite significantly, but at the same time your loss ratios in both auto and personal property have been much higher than industry peers.

And so, as you reprice to better reflect risk, presumably you're going to be less price competitive. How do you get from $4 billion to $6 billion in premiums in five years, because that would be a growth rate that would be, again, above industry level?

Kenneth Lalonde – TD – Executive Vice President, Insurance

Right. But when we take a look at the publicly available data, what we don't see in those numbers are non-OSFI regulated entities. And when we take a look at the core business itself, and look at the composition of that core business and when you're trying to match it up against all of our competitors, today, we would be running at a higher loss ratio than our competitors. And that's a function of both the mix of business, but also a function of the geographies in which we participate.

So in terms of the growth, the way that we're looking at this is to reduce our claims costs over time. And if you take a look at last year's numbers and this year's numbers and the previous numbers, you'll see that our actual loss ratios are improving. And in addition to that, we do see significant organic growth opportunities even within the core business in the future to outpace our competitors.

Mike Rizvanovic – Veritas Investment Research – Analyst

When I was referring to loss ratios being above industry levels, it's specifically Ontario Auto. And so I'm just wondering why the differential there? So it's Ontario Auto specifically versus...

Kenneth Lalonde – TD – Executive Vice President, Insurance

So again, if you go back into our history, and you take a look at the loss ratios for the business overall, we were uncompetitive in the direct market space. And if you have again looked at how we've operated in Ontario in the recent two-year period, where the regulator FISCO has actually encouraged all insurance industries to decrease their rates and rates are decreased on average about just over 6% over the period since the government actually called out the desire to reduce rates by 15%. In that same period, for our total book of business, we actually took rates up 5%.

So when you look at it over the last couple of years and you'll look out where we're today, we've essentially been working with the regulator to reprice our book of business, in order to be able to make it more profitable and create better contribution from that business.

Mike Rizvanovic – Veritas Investment Research – Analyst

Thanks.

Question – Unknown

Tim, you've talked a lot about investments in the business and the focus on efficiency is going forward. When I put those two together and come to the operating leverage metric that, you in particularly have talked about a lot in your time in this role, it hasn't been very TDCT-esque for the P&C business this year.

So when we think about the efficiency mandate you're discussing, is it going to be still some time for the restructuring benefits to work their way through and get you back to a positive operating leverage? And what's the paradigm to use your term that we should be thinking about in this environment?

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Yeah. So this past year, obviously the operating leverage has been much closer to zero or fluctuating up and down, and our paradigm hasn't changed. And it won't change. And that paradigm is simple, which is, as I said earlier, grow our expenses inside our rate of revenue growth. The revenue growth rate obviously is challenged in the current environment for the industry. So that means our expense growth has to come down.

We still target positive operating leverage, and all of our business leaders knows that's the case. That makes it tougher, and the productivity mandate that we've had inside the organization over the last few years have been targeting, call it, 2% to 3% annual efficiency increases, like any manufacturing plant would try to do. And we've, sort of, built that discipline inside our businesses.

What we're doing going forward is saying, all right, well, there are opportunities, as I said earlier, to continue to do that plus there's probably even more opportunities to dig a little deeper to fund some of that investment growth. But there's no question, positive operating leverage is our target. And as we get a low efficiency ratio and ever lower efficiency ratio, it's get harder and harder, but that's still our desire.

Question – Unknown

And then for revenue to Paul and your business, it seems like 10 years ago, you talked about business banking as being an underpenetrated business for TDCT. It doesn't seem like that's the case today, especially since all banks have been pushing business loan growth within the face of a slowing consumer trend.

So, when we think about 13% CAGR in your loan book in an economy that's growing 2%, 2.5% at best, are you seeing any signs of now over-leverage on the business borrower that we should be thinking about given this rapid growth? Maybe more specifically on your targets, what sectors or geographies do you feel the bank can grow the business book more than it already has?

Paul Douglas – TD – Executive Vice President, Business Banking

We're still underrepresented in the West, in Quebec and Atlantic Canada. There are certain industries, leasing, for instance, there are many competitors that are much larger than we are. We have a very large client base that can use that product, and that's why it's growing so fast. There're some industry types that we are less involved with than others, so there is no lack of places to grow our representation in the market.

Question – Unknown

And anything on credit or business borrower leverage?

Paul Douglas – TD – Executive Vice President, Business Banking

You can look at the results from all banks and loan losses are very, very low. And when you look at what's going on in terms of formation of problem loans, it's still very minor, it's not a big issue. We're not going out the risk curve to grow, we're adding really good bankers to convince people to switch banks. And that's how we're growing, it's not any other way.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Any other questions? Any questions on the phone?

Operator

There are no questions on the phones.

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

It looks like people want to get to lunch. All right. With that, I'll just make some final comments and we'll wrap it up.

CONCLUSION

Tim Hockey – TD – Group Head, Canadian Banking & Wealth Management

Okay. We're in the home stretch. I know it's been a long morning for So just before we wrap up, all I wanted to do is to leave you with some key themes from today. And I know that we've shared a lot of information, and that was our desire, frankly, to give you a peek under the covers to say, how do we get the results that you've seen in the past as well as what you'll expect from us in the future.

So, first, let me just, if you haven't get this theme, it's pretty clear that we believe that the best strategies are the enduring strategies. The ones that you can explain simply to your investors, to your employees and your customers and deliver day-in and day-out. That strategy has to be deeply rooted in the customer, and precisely doing what they want you to do. We let our customers tell us, how they want to bank, where they want to bank and when they want to bank.

Secondly, the same orientation that you've seen in the past from us continues. And that is a strong orientation to growth. And these, taking with our ongoing commitments to productivity, means you can expect us to continue to outperform. But we can't control the environment around us, and we've talked a lot about the headwinds and the tailwinds, and it feels like there might be more headwinds continuing the next little while. We don't assume tailwinds for our success. We continue to say, we will outperform over the longer term, just because of those enduring strategies. We've been built on an enduring franchise of leadership in franchise businesses that deliver customers value, while also adding value to our shareholders.

Last, if you didn't get this theme, you have been asleep this morning. But we have fantastic leaders, I could not be more proud of this team. They are incredibly excellent at what they do, and they are focused on delivering all of these strategies in the future. Their individual track records obviously speaks for themselves, but frankly, the power that you see in this room isn't the individual, it's the team and their teams working collectively with the power of One TD.

Thanks for your time this morning.