TD BANK GROUP

RBC CAPITAL MARKETS CANADIAN BANK CEO CONFERENCE

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PARTICIPANTS

Bharat Masrani
TD Bank Group – Group President and CEO

Darko Mihelic
RBC Capital Markets – Analyst

PRESENTATION

Darko Mihelic – RBC Capital Markets – Analyst

One of the things that we've been touching as themes has been fintech and it just so happens that today your bank announced an acquisition, so why don't we just kick it off there. You acquired Layer 6 this morning. So maybe you can touch on that acquisition and your overall fintech spending and goals and wrap it all together for us in a message this morning.

Bharat Masrani – TD – Group President and CEO

Well, we're very excited with this acquisition. As you said, Layer 6 is an artificial intelligence company based out of Toronto, globally recognized. It's a leader among this emerging field. The founders were involved in setting up the Vector Institute at the University of Toronto. As many of you know, TD has a great partnership with the Vector Institute as well. And what this company will do is allow us to accelerate some of the things we've been working on in providing what we call connected personalized and legendary experiences with our customers. This particular unit is, as I mentioned, globally recognized. They do run various competitions around the world and many major players in this area; some of the global names that you would be all familiar with participate in that and I'm happy to report that Layer 6 actually won the competition. I think they call it RecSys is the name of the competition, I mean, the specific – specialized area folks would recognize that. So, I'm really happy to have the folks at Layer 6 become part of TD and we think it can accelerate our journey using artificial intelligence which we feel is critical in delivering evolving customer expectations as we go forward. So, terrific for the bank and this is in a series of moves by TD that you've probably seen over the recent past. You saw that we announced the partnership with Kasisto out of New York and we are now using their technology, their Kai chatbot in engaging with our customers. We do have a partnership with Amazon as well as they provide various functionalities through some of their properties.

So, this is an ongoing exercise for the bank. It is critical that we continue to participate in this area. This is the way our customers want to engage with banks in the future and we want to make sure we're at the leading edge of that expectation.

Darko Mihelic – RBC Capital Markets – Analyst

And can you talk to, I mean one of the things we opened up this whole conference was sort of the arms race in spending on technology. And if you're willing to talk to your budget on tech spending and kind of how it's geared and percentage of what's used to run the bank and what's used to sort of explore? And maybe you could just talk a little bit about that, if you could?

Bharat Masrani – TD – Group President and CEO

Yeah. So, we've made a lot of progress. I'd say a few years ago, a few – three years ago perhaps – three or four years ago, 25% of our tech spend would be geared towards what we call change of the bank and by definition 75% would be to just run the bank, keep the lights on, make sure our systems are up-to-date, et cetera and we've been able to shift that to now where 40% of our spend is geared towards changing the bank through innovation, new functionalities, using various new technologies such as artificial intelligence to connect with our customers.

I think many of you may have participated, I think Darko, I think that was a terrific introduction at yesterday's conference. I think you had something where folks were able to see some of the technology innovation. So, as many of you would have seen that there's a lot of good development coming in that respect. So I feel very excited as to how we've been able to very quickly move the bank towards the innovation agenda and with the acquisition of Layer 6 actually is very much part of how we are thinking about it.

So very happy with how we are evolving that. I think a few years ago, Darko, it was with you that we got into a discussion that the amount of reinvestment that is going into technology and all that, and I think it's good that we did what we did because it has really been beneficial for our bank.

Darko Mihelic – RBC Capital Markets – Analyst

You know one of the cool things we saw yesterday was the payments. And the ability to get those bills in there without even – to find your bills for you, which was really cool.

Bharat Masrani – TD – Group President and CEO

I was actually – the statistic that's still and I tell my people to go verify this, they say it is true – Bharat, you know that 50% of Americans actually miss a bill in a year and some of the things that we are building would be on how can we engage with those customers to make sure that we actually become their partners in that journey and using technology and using what we call this connected experiences to assist our customers in managing their finances and whereby providing a higher level of engagement with TD.

Darko Mihelic – RBC Capital Markets – Analyst

Now, is tech spending something that you feel is cresting now or do you think that the arms race is full on, do you think your tech spending grows by double-digit going forward or do you think that really it's growing at a more moderate pace for you?

Bharat Masrani – TD – Group President and CEO

Arms race is an interesting term that you're using. I think, the way to look at tech spending generally is that, we went through a phase post the financial crisis where lots of investment on the technology side was required to build out what you would call a risk infrastructure. And lot of that infrastructure actually was beneficial for the business as well, but that's what happened. And as the need for that infrastructure has reduced, I think it's been replaced with using those – that capacity for innovation and making sure that we are keeping up with expectations.

I think, overall, tech spending, yes, it is on the rise as you would expect, but there's a lot of shift going on within those budgets as to what is being allocated to what you call core infrastructure needs versus innovation.

Darko Mihelic – RBC Capital Markets – Analyst

Okay, thank you. So TD has a very large U.S. business, and I think you had a press release out yesterday on the tax impact. I think you mentioned the write-down potential of the deferred tax asset, but can you maybe flesh out a little bit here, because I don't think you spoke about the ongoing potential earnings lift, what is effectively a tax cut in the U.S.? So maybe you could flesh that out for us if you could?

Bharat Masrani – TD – Group President and CEO

Yes. At yesterday's – I'm sure, you have seen, we had a press release on a write-down that we will be taking in our first quarter with respect to deferred tax assets and other items on our balance sheet that would be impacted by the reduction in the corporate tax rate in the United States. The write-down will be approximately $400 million U.S. which will reduce our CET1, our common equity tier 1 ratio by about 9 basis points, so that was our announcement. But within the announcement, we also said that, on an ongoing basis, we feel on a net basis that the U.S. tax reform will be beneficial to the bank, but we did not quantify exactly how much that will be. The reason for that Darko is very simple.

As you said, we have a fairly large U.S. operation. We deal in many states. We deal in various loan products like low income housing credits and the like, and this particular tax reform package is quite complicated. There are some ambiguities in certain aspects. More clarification and more guidance is required from the IRS, from the Department of Treasury. So we are working through all that and should be in a position to provide more color on this at the end of Q1, which is a month and a half away or whatever, it's only half a month away, but by the time we announce our results. So that's the way we are looking at it. I'd rather ensure that we have a better handle on all these moving parts and then come out with more color and that's what we will do. But net basis, I want to make sure that I emphasize that point – the net basis, it should be beneficial for TD.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. Thank you. And then maybe why don't we just stick with the U.S. business when we're touching on it. Solid efficiency improvement, I think 290 basis points in 2017. Maybe you can talk to what's contributing to that and maybe just, broadly-speaking, loan growth looks relatively slow in the U.S. Maybe you could talk a little bit about that. So talk about the efficiency side and the loan growth side – is one affecting the other, or are they two separate things that we should be thinking about?

Bharat Masrani – TD – Group President and CEO

I think, firstly on the efficiency side, it is great to see the performance from the U.S. Our U.S. earnings are up 16% year-over-year in U.S. dollar terms, and it's terrific what the team has been able to achieve and we've been executing against the strategies we've laid out, have made the right investments, and obviously the operating environment has been positive as well and all that is combined to provide the numbers that we were able to post. So very happy with how that business is progressing.

With respect to efficiency particularly, I think the story is two-fold there. We've done very well on the revenue side. Many years ago, I think I saw many of you when I was down in the U.S., we used to talk about deepening customer relationships and how are we going to get there. How do we make sure that we are making progress with our mortgage product and if we have a checking account, can we get the savings relationship? And if you have the savings relationship, can we get the mortgage relationship and the like, and the credit cards as well? So now that has been a journey and you're seeing now some of those benefits flowing into our numbers and you're seeing good revenue growth as well.

On the cost side as well, we've done a lot of investments in making sure on our digital properties as our customers are engaging with us differently, we want to make sure we're keeping up with that, looking at our store network. When I was down in the U.S., it wasn't too long ago, we used one model. Today, we have seven different designs and sizes, and there are certain locations that don't even have tellers anymore because it's a different type of an experience. So as we have made those investments, you can see some of the benefits on the cost side as well. And, frankly, we have the size in the U.S., where there's a scale advantage. As our business expands, you should see a scale advantage flowing through in our numbers and you're seeing that play out as well.

So I think it's a combination of all that that is helping us deliver the numbers that you saw. And I would expect that we will continue to make progress in the near-term and into the future. But we shouldn't underestimate the U.S. operating environment has also been very friendly with rising rates, the economy is growing quite smartly, particularly in our footprint and that is an advantage for us.

Darko Mihelic – RBC Capital Markets – Analyst

And how should we think about your loan growth? Should we think that you're shooting for premium to industry growth or…

Bharat Masrani – TD – Group President and CEO

And so you say that slower loan growth, and yes, for sure, from a Canadian comparison that would be an accurate statement. But we are in the U.S. and when we compare our loan growth with our peers in the U.S., I feel good that we are – we continue to take share, we continue to outperform, and I'd expect us to do that. I think overall loan growth, from a macro perspective in the U.S., has slowed somewhat, which is not to be unexpected given where we are in the cycle. And frankly, these things go in phases.

There will be – I think we now have a fiscal stimulus in the U.S. Would that mean higher investments by companies and would loan growth pick up a bit? Probably, but these things are hard to forecast precisely, what quarter will be, what number. But overall, I feel that the U.S. is in a good footing with all of these policy changes we've seen over the recent past should provide some momentum going forward.

Darko Mihelic – RBC Capital Markets – Analyst

And a question I often get, so I'll just throw it out there, is your U.S. sensitivity to rates and what's your outlook for Fed funds and interest rate increases in the U.S.? And maybe you can just tie that into what is your outlook, I guess overall for your net interest margin in the U.S. and speak to that?

Bharat Masrani – TD – Group President and CEO

As rates firm up further, the forecast of – the impact on our bottom line or on NII becomes more difficult. In the sense that the beta has changed quite dramatically, that is the amount we have to pass on to deposit holders and the like, and then there's a liquidity premium on loan portfolio, how that will play out. So as rates start to normalize, those effects become even more complicated, so more difficult to forecast.

Having said that, you've seen this in our numbers, I know there was a lot of noise in our NIM numbers out of the U.S. last year because we had a change as to how we treat certain items, between Corporate and the U.S., we wanted to be more consistent throughout all of TD and that created some noise. But I think Q4 number was a good number to look at because it was apples-to-apples, and then our NIM grew by 16 basis points.

And so rates have helped there without a doubt and my expectation would be as rates firm up, we should see a positive impact. And I think last quarter we gave some indication on an illustrative basis that if rates were to go up by 25 basis points on both sides of the border, what the impact would be – we came out with a number, I think it was $150 million or so. But that has lot of assumptions embedded in it, but I think the important part to note there is that as rates go up, it is a positive effect on our NIM and positive for the bank given our mix of businesses. We are heavy deposit-oriented bank particularly in the U.S. and rates going up is helpful.

Darko Mihelic – RBC Capital Markets – Analyst

And then, so let's switch gears and come back to Canada and talk a little bit about – I know one of the things that we talked about is on the mortgage market, the B20 guidelines kicking in and your overall growth. And I guess you guys look at it differently with the residential lending rather than just your mortgages per se, because of your HELOC offer....

Bharat Masrani – TD – Group President and CEO

Correct.

Darko Mihelic – RBC Capital Markets – Analyst

So, maybe you can talk a little bit about what your expectations would be for 2018? Given all the changes that have happened and how will TD play in and compete in this environment?

Bharat Masrani – TD – Group President and CEO

So again it's important for the definition that you call real estate secured lending, and I think every institution has a different definition. But in our case, we look at mortgages and HELOCs in aggregate and see how we are we doing there. Because our HELOC product is called FlexLine. Embedded in that is an amortizing fixed rate feature. So that's more mortgage-like. So I think it's important to look at it in aggregate rather than just mortgage growth versus HELOC growth, et cetera. So if you look at 2017, I think we grew that by over 4% and my expectation in 2018, notwithstanding some of the B-20 effect and it will have some effect and our expectation is similar to what you've heard from other institutions.

I think, overall, notwithstanding that effect, the market to grow in for us to keep up with single mid-digit is probably the way to go and that would be our expectation. I think when you look at what's going on in the overall housing market in Canada, a lot of these policy effects are now playing out and one could argue that or say that it has had the desired impact that we've had a soft landing of some kind, and I think that's a good thing and we'll see how that plays out in the future. I think I've also said that at some point, we will have to look at the supply side of housing as well. And I know there are a lot of discussions as to how more supply can be put into the market. As we can sort of try and manage demand over the short and the medium-term, but over the long-term, we have to make sure there's enough supply coming in as with the population growth, more immigration coming into Canada.

Darko Mihelic – RBC Capital Markets – Analyst

And then sticking with Canada, just maybe you can talk because we spoke about the efficiency improvement in the U.S. maybe you can just weave in a little bit of talk on what we should be expecting from TD's Canadian business on the costs side going forward?

Bharat Masrani – TD – Group President and CEO

Yeah. So I know there is probably more volatility in our expense numbers than perhaps people would like to see, but I think it's the right thing to do for the bank. I think, overall, the way we look at expenses is that, are we making the right investments? Are we making sure that as customer expectations evolve that we're adapting to it? Are we sure we have the functionalities that are absolutely necessary to compete and frankly to grow our bank and if it means we have to make the investments when we make them, we will.

So that's the way we are looking at it. I think, over time, I mean last year I think the first couple of quarters in our Canadian business, expenses were elevated. We had said – relax, over the next two quarters' ends, our numbers will be what we've been saying and that turned out to be the case. So there will always be volatility in the expense numbers quarter-over-quarter, because we do not want to restrict ourselves in making the right investments because it happens to be a number that folks might find to be too volatile I think it's important to see, over the long-term, what we are striving for.

I would expect our Canadian business to deliver positive operating leverage, generally-speaking, over a year. But there might be instances where we don't because it was the right investments that we had to make, and when we do that, we talk about it. So that's what I'm expecting. Our Canadian business did very well last year and it was up 9% year-over-year. I think we continue to believe that mid-single digits is the right way to look at it for our Canadian business and that's what I would expect.

Darko Mihelic – RBC Capital Markets – Analyst

I'm going to throw you a curveball, Bharat. So far this morning with all of my speakers, I really haven't touched on credit quality because it's been so good, and the environment...

Bharat Masrani – TD – Group President and CEO

And you decided to do that with me…

Darko Mihelic – RBC Capital Markets – Analyst

And I've decided... well, you have very big market share in Canada. So from your position, how should we view credit quality and what are you worried about, if in fact you are worried about anything, on the credit quality front?

Bharat Masrani – TD – Group President and CEO

Firstly, as a banker, we are paid to worry, and we are in a type of a business where credit quality is an important aspect of a bank. So I'd say now we've had a very good run on credit. It's amazing how resilient the credit cycle has been. And frankly, we are now entering a phase, if you look at the U.S. with the fiscal stimulus, what's going on in the employment side, you can see this kind of extending even more.

In Canada, I mean look at the jobs numbers here and jobs do have a big – the correlation is quite strong on credit quality and we have seen particularly strong numbers out of Canada as well. So I'd say all the indications are that this should continue, but as all of us know when things turn, they turn unexpectedly and I'd say the things to watch there are geopolitical events. I won't underestimate the impact should something happen. I think sentiment matters and sentiment turns because, I mean, we see it already, some headline comes out of regarding NAFTA or TPP or whatever the case might be and sentiment tends to turn.

So I think those are all aspects to watch for, so I do worry about that. I think we are paid to worry. There are certain bubbles that have formed out there in certain asset classes that could have an impact. But I think you see the search for yield that is relentless, and that could cause unexpected outcomes for those investors and that would have an impact, so there's a lot of factors that go into it. I think history has shown us that none of us can predict exactly why we got into a downturn, but inevitably a downturn does occur. And from a TD perspective, we think about it. We stress our portfolios. We want to make sure we're adequately capitalized and the good news for us is that we have a business mix – the size, the geographic mix that is particularly attractive to manage that. So I like how we are positioned but that doesn't mean I'm not worried about credit, and as a bank, credit is an important aspect and important risk to worry about.

Darko Mihelic – RBC Capital Markets – Analyst

You touched on being adequately capitalized which is something that we wanted to touch on today. So maybe you can talk about the last little bit of reforms that are coming through, is there anything in there that concerns you? Was there anything that actually benefits TD going forward as we go through this idea of implementing the last of the Basel III or Basel IV reforms you want to call them?

Bharat Masrani – TD – Group President and CEO

And so I think, first, there's lots of discussion on the Basel I floor and I know OSFI is looking at revising its guidance. So I think that, when we conclude on that, that would be good as well for TD because we are constrained by the floor; it does have an impact on us. So I think that's one part of it, which I believe is coming to a conclusion. I think you're right on Basel III. Yes, the framework has been set but the Canadian consultation is expected to start in the spring of this year. We'll see how that plays out, because there are always uncertainties as to how consultations go. Each jurisdiction comes up with its own phase-in program or lack thereof, and we'll see how that plays out. But I think your thesis or hypothesis on that we have far fewer items now regarding uncertainty around capital than we used to have but that doesn't mean it's gone away, so I would keep that in mind. So I'd say, overall, we seem to be in a better place from that perspective than we were a few years ago.

Darko Mihelic – RBC Capital Markets – Analyst

And so does it feel like you're able to return capital back to shareholders in a more meaningful fashion? Are you comfortable to sort of – I know, you guys do your dividend increase once a year, but think about sort of capital return?

Bharat Masrani – TD – Group President and CEO

Yeah. So then, firstly on dividends, we, of course, look at our capital but that's not the driving force behind.

Darko Mihelic – RBC Capital Markets – Analyst

Of course. Yeah.

Bharat Masrani – TD – Group President and CEO

How we manage our dividend policy. Our dividends are more reflective of what our view is on earnings and that's how we look at it. I think from a overall capital management, nothing has changed. You've heard this before from us is that our priority in capital deployment continues to be to support our organic growth strategies. That's been a core part of our strategy. That is the TD story on how we've been growing the bank and we will always use capital, whatever it takes to make sure we are managing that. We've also been very vocal in saying whenever we think we can accelerate, it's on the capability builds that, that are going on in the bank and there are ways to do that through acquisitions, we will not be reluctant to deploy capital. I think, to some extent, Layer 6 kind of fits into that category, the announcement this morning.

And then, we also said that we have needs in the U.S. to – we have a unique balance sheet, I think it's a great advantage for the bank to have the deposit base we have in the United States, but it also provides us an opportunity to deploy that. And if we can do that through acquisitions, we will do so. Credit cards are particularly attractive, especially the way we have structured them in partnerships, where risk is more manageable and returns are good, and we are associating with brands that we like. So if more opportunities were to come by, we would do that. And then, there are, what I would call them, timing/opportunistic plays out there. I think we've seen them in Canada off and on, in the U.S., TD Ameritrade and TD together went out and bought Scottrade that fits into that type of category through some circumstance, the asset comes in the market and we want to make sure that we are ready and capable and are able to close a deal like that which we did.

And after going through that whole framework, at the end of it, we feel that, all-in-all we think we have a lot more flexibility on capital, we would look at buybacks. So we'll continue to do that, Darko, and we've not been hesitant to buyback our stock when we think we are in that position. Now, you've seen that over the past couple of years, so nothing has changed from that perspective.

Darko Mihelic – RBC Capital Markets – Analyst

I'm going to turn to some of the questions that are being asked on the floor.

Bharat Masrani – TD – Group President and CEO

You are? You could read their minds?

Darko Mihelic – RBC Capital Markets – Analyst

Yes. Well no, I can read it here on this handy dandy iPad....

Bharat Masrani – TD – Group President and CEO

I see…

Darko Mihelic – RBC Capital Markets – Analyst

And the first question is the curveball I threw you on credit, but it gets a little more specific and are you concerned about auto loans and as a retail-focused bank, how should TD perform versus its peers and presumably under a difficult credit cycle, I guess that...

Bharat Masrani – TD – Group President and CEO

Yeah, so firstly on the auto loans. I mean that is an important business for TD on both sides of the border. In the United States, as you know, we are predominantly what I would call a prime, super-prime type of a business. Yes, we do have some near-prime business and that makes sense given the size of portfolio we have, but that's been our focus. We like the business. It is a business that we've been growing over the past little while and we've been very mindful of the cyclical trends in that as well, but given the nature of our approach in the United States, I feel that we should be able to manage a credit cycle quite well.
In Canada, we have what I would call a full-spectrum business. We do have near-prime business and of course prime business.

We did see some effect when there was the oil crisis when the oil price dropped quite dramatically that had an impact, but again we saw that was relatively manageable. So we do stress our portfolios. Yes, if there is a major downturn, it would impact us because we are a large player but we don't think it'd be such an extraordinary impact that we would be an outlier of any kind.

I think, generally, the point on a retail-oriented bank, again we run our underwriting, we have our businesses go through stress testing through a cycle and that's how we look at it. Being in the lending business, without a doubt through a downturn, we will suffer some impact but I would be surprised if we were a negative outlier in that respect. Given the size of our business, you would expect us to have our share of losses. But I wouldn't suggest that we would have extraordinary share of losses given the size and the way we manage our credit risk in the bank.

Darko Mihelic – RBC Capital Markets – Analyst

Thank you. Another question from the floor. Where do you see Ameritrade in five years and how does Scottrade help you get there? And why not own the majority stake in Ameritrade?

Bharat Masrani – TD – Group President and CEO

TD Ameritrade is just a fantastic business. As you know, it's the number one online broker in the United States and we are proud to say that TD is very much part of it. We've been in this business for decades and see how it has evolved. So I expect TD Ameritrade to continue to do very well over the next few years. I think the Scottrade acquisition has turned out to be a terrific acquisition. It was the right time and in that business scale really matters. I think you've seen statements from TD Ameritrade as to what it means for the business. We own approximately 45% of the company, give or take depending on how share buybacks might be coming through, et cetera. And we think, strategically and from a capital management perspective, the amount we own serves all the objectives that we've set out for ourselves, so we feel very comfortable with our position in that and I think, over the next few years, TD Ameritrade should do extremely well.

Darko Mihelic – RBC Capital Markets – Analyst

And then lastly here in the U.S., your percentage of customers banking online and app rating are far below peers. How do you narrow that gap and what tech spend is required to narrow it?

Bharat Masrani – TD – Group President and CEO

It's a good question. So in Canada, we'd be among the leaders in the same type of ratings that was cited in the question. In the U.S., we'd be more middle of the pack and that's not unexpected given the stage of evolution of our business in the United States, working very hard to make the right investments to make sure that we are engaging with our customers. I think yesterday's demonstration on what we're doing on the bill pay side over the next couple of months, three months, we're going to have our what you call next-generation platform for our digital properties in the United States.

I think what we are doing in having personalized and connected experiences using AI, I think you saw the Kasisto announcement and now with the acquisition of Layer 6, that should all in aggregate help us become even more engaging than what we are today. So, I expect us to improve in those ratings over time, but very happy with where we are from where we started a few years ago. I mean we are a major player in the U.S. We are a top 10 bank; more than 9 million Americans now dealing with TD on an ongoing basis and we are engaging with them through every channel including our digital properties.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. We have maybe time to sneak in one more question from the floor.

Bharat Masrani – TD – Group President and CEO

Sure.

Darko Mihelic – RBC Capital Markets – Analyst

So, TD has $70 billion out of $240 billion of Canadian HELOCs, why is this tail risk product been so – such a large source of the growth vs your competitors?

Bharat Masrani – TD – Group President and CEO

It's a great question actually and I've asked our people to look at it, because for us the way – when we look at FlexLine, which is where lot of the growth has been coming in. FlexLine got introduced a few years ago. And as I mentioned earlier, within the FlexLine product, you have this one feature which is an amortizing fixed rate portion which is more mortgage-like. So, in a way you can say that many of our customers would choose a FlexLine fixed rate amortizing feature than a mortgage because it provides more flexibility should they ultimately need a HELOC on top of that or whatever the case might be.

So I think that's the way to look at it that our numbers actually in what you would classify as HELOC embedded in that is a large mortgage-type of product. So I wouldn't want to say that we are a lot different than others with how much we have as a percentage of our book that is purely a revolver-type of HELOC versus not, so that's one point.

Secondly, as a bank a few years ago, we did lose share on the HELOC product. There are various reasons behind it and then we built a FlexLine product, having all the training out there and making sure that this resonates with our customers and that we were adapting to what the customer needs were. We are, in fact, reclaiming some of the share that we had forgone. So that's how I look at it and don't find that our focus on HELOC is a lot different than what you would expect out of TD.

Darko Mihelic – RBC Capital Markets – Analyst

Great. Thank you so much. I think we're at the last end of our thing. I'm going to throw the floor back over to you and maybe just, if you could just give everybody a key message or a key theme that you would want to investors to walk away with today.

Bharat Masrani – TD – Group President and CEO

Yeah. Thanks, Darko. And I'd say I'm very happy with the progress we are making in the bank. Last year, we delivered 14% earnings growth, embedded in that is our Canadian business, which is of course very important to us that grew at 9%; and our U.S. business, as I mentioned earlier, grew at 16%, even our Wholesale business grew at 13%, and largely driven by – and all our businesses are largely driven by organic growth.

So terrific performance by the Bank and this is as a result of the investments we've been making over the past few years and that continues forward and then our view is that, with the operating environment as it is which is very positive for TD and unless something dramatic were to happen on the geopolitical side or some of the risks we had talked about, the bank should be in a position to deliver within its medium-term guidance of 7% to 10% earnings growth in 2018.

And we are doing that the way we like to do it – by engaging with our customers, having more customers bank with TD than what we had yesterday and hopefully we'll have more tomorrow than what we have today. So, it's by organic growth, by making sure that the engagement we have and the tools that are available today are available through TD, and Layer 6 is a great example of that. Here is a Toronto-based artificial intelligence company that is world-renowned that is now part of the TD family. And we've talked a lot in the past, Darko, about disruption and what would happen to banks, and are your business models broken, and I'd say this is a great example of how TD is adapting to this new reality and new expectation and how we are remaining on the leading edge with our customers.

So, it's an exciting time at TD and I want to thank all of you for your confidence in our bank and for your support. I appreciate the time.

Darko Mihelic – RBC Capital Markets – Analyst

All right. Thank you very much, Bharat.

Bharat Masrani – TD – Group President and CEO

Thank you.