TD BANK GROUP
SCOTIABANK FINANCIALS SUMMIT
SEPTEMBER 5, 2018

FORWARD-LOOKING INFORMATION

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Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2017 MD&A under the headings "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, "Business Outlook and Focus for 2018", and for the Corporate segment, "Focus for 2018", each as may be updated in subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof 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 as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.

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PARTICIPANTS

Bharat Masrani
TD Bank Group – Group President and CEO

Sumit Malhotra
Scotia Capital – Analyst

FIRESIDE CHAT

Sumit Malhotra – Scotia Capital – Analyst

Good afternoon, ladies and gentlemen. We are ready to get started with the afternoon session of our program today. So, without further ado, let me welcome to the stage our next guest and that is Mr. Bharat Masrani, President and Chief Executive Officer of the TD Bank Financial Group, a role that Bharat has held since November 2014, having first joined TD in 1987. Sir?

Bharat Masrani – TD – Group President and CEO

Good to see you, Sumit.

Sumit Malhotra – Scotia Capital – Analyst

Good to see you. Thanks again for joining me.

Bharat Masrani – TD – Group President and CEO

My pleasure.

Sumit Malhotra – Scotia Capital – Analyst

Well, I want to kick things off by handing the baton over to you. So, we, obviously, coming off another good set of earnings from the bank and three quarters into what's been a strong year. Thought we'd start by having you maybe step away from the quarterly results and talk a little bit more from a strategic perspective on key areas of priority for the management team at TD. It still seems like a pretty good backdrop, although we seem to want to talk more about late cycle in credit and things like that. But enough for me, over to you and let's hear what's on your mind, please.

Bharat Masrani – TD – Group President and CEO

Well, very happy with how the year is turning out three quarters in. And I won't recite all the numbers, like you said, you've seen them all. So, great performance in every part of the bank, Canadian Retail, not only are we performing financially, but making the right strategic moves, the investments we've been making on the digital front and as well as adding to our frontline staff to make sure that we have the appropriate folks who engage with our customers day in and day out. The U.S. has been a great story with a very friendly operating environment, great growth in the economy with higher rates and tax reform has been very helpful given our size in the U.S. now. As all of you know, more than 30% of TD now is in the United States close to a third.

And I was particularly impressed on the Wholesale side as well. We've made a lot of strides on the Corporate and investment banking front. And I talked about it last week in a quarterly call as to the type of deals we are doing, our capabilities on the U.S. dollars side in Bob's business. The new verticals we are creating, we used to be largely a media telecom shop. And Bob and his team have done a wonderful job in ensuring that we build out other verticals as well.

And what is particularly impressive is, how well the partnership model we put in place between TD Bank, America's Most Convenient Bank and Bob's business, the Wholesale business, that too is working well because we have many clients from Maine to Florida who require Wholesale banking services. TD Securities is now front and center on that as well. So, overall, happy with how the year is turning out and making the right investments and ensuring that we set the bank up for 2019 and beyond.

Sumit Malhotra – Scotia Capital – Analyst

Thank you for that. I want to get into U.S. P&C because clearly it's been a key area of strength, but you touched on Wholesale and that's not always the business line that's top of mind with TD given your smaller mix. I mentioned in your bio off the top, I think it's now been close to four years you've been in the seat. And that's one of the key maybe differentiators that you highlighted when you took over is that, how we're smaller in Wholesale, but we don't necessarily have to be as small as we are. And I look at the numbers pretty carefully, I think this was a record underwriting and advisory quarter for TD.

And be more to the point, you've had a longstanding presence now in commercial banking in the U.S. for more than a decade. How have you succeeded in marrying that commercial lending presence into your investment bank as far as United States is concerned? Because it's taken a little longer for some of your peers over the years.

Bharat Masrani – TD – Group President and CEO

Yeah. I mean, these things are easily said than done. A lot complications. You got larger organizations and client needs. We want to make sure we adapt to what the client requires. So, as we build out our commercial business from Maine to Florida, we quickly realized that the offerings many of those clients needed were not available through TD Bank, America's Most Convenient Bank. So, we had a explicit strategy as to what products make sense for them, what kind of calling we need to do, how do we make sure we optimize our calling officers between the bank and TD Securities and call those customers or clients, one client at a time and making sure we've got the offerings that make sense. So that has gone very well. And I'm very impressed as to how quickly – and one of the lessons, I guess, and perhaps we could have done this earlier, but I'm glad we did it, is to have people move back and forth between the bank and TD Securities to make sure we are doing it right.

So that became an important component of our business, and I think it's a growth trajectory we like. The other part of the business, what we call our U.S. dollar business in the Wholesale bank, many years ago, TD built up this capability where we became very prominent in, what we call, the supranational. So, the World Bank or the EIB, which are near sovereigns, when they want to raise funding and if they needed funding in Australian dollars or New Zealand dollars or Canadian dollars, TD would play a role. So, we decided about three years ago, four years – about three years ago, I guess, to build out the U.S. dollar capability there. So, what that has allowed us to do is, we've become very large in that business, but it provided us the opportunity to build this U.S. dollar business, which is critically important, we feel. And that now, in the real money business, we will deal with institutional clients like mutual funds and other asset managers for their sort of trading needs. So, it allows a lot of synergies not only in the U.S., but in Asia and the UK where we have good presence.

And so, all that has combined to create a more sort of profile for the TD Securities. And of course, we bought prime services business, Alfred Fried, which has turned out to be a good acquisition, which is fully integrated now. So, we now have the product suite that you'd expect from TD Securities in the U.S. market, the prominence, the brand and it's been going very well. I'm very impressed with how the team has brought this along and the synergies with the rest of the units we have in Asia and Toronto and obviously in the UK.

Sumit Malhotra – Scotia Capital – Analyst

And like I say, it's never going to be the business that we focus on first and foremost, but it has been.

Bharat Masrani – TD – Group President and CEO

But it's an important business, it's an important business. Relative to the overall size of TD, it looks small but it's more than $1 billion in net income after tax. So, it's not an immaterial line.

Sumit Malhotra – Scotia Capital – Analyst

And I think we've seen, if you can get consistent revenue growth coming out of the Wholesale operations, it's only going to help your all bank efficiency and operating leverage metrics, which have become so important to market sentiment.

Sumit Malhotra – Scotia Capital – Analyst

Let's stick with U.S. though on the bigger piece of the puzzle. The U.S. personal and commercial bank, going back to the Commerce Bancorp acquisition in 2007, really the strength of the TD franchise in U.S. has been the low-cost deposit base. And it's taken a while, but we finally had a consistent rate hike cycle and the benefits of having an overweight consumer deposit position have certainly been evident in your NIM expansion over the last couple of years.

Concept of deposit beta getting a lot more attention for regional banks, even large banks in the U.S. In your opinion, is it fair to say that your deposit beta is going to be lower as a result of this heavier consumer base that you have and are you seeing more competition for core deposits, and I obviously, base that on the view that your deposit growth has been slower of late?

Bharat Masrani – TD – Group President and CEO

Yes. It's been a terrific story for us. The U.S., yes, we've needed to be patient to build out the franchise. But when the bank is 163 years old, like 10 years is not a big deal when you're building out a whole new business, which represents close to a third of the overall TD story. So, very happy as to how that has turned out. I'm not going to recite all the numbers here. But just on the deposit side, the positioning we have, the service and convenience model now building out an omni-channel experience for our clients, the wow culture, we're open longest where stores still matter a lot. That has provided us with the opportunity to continue to grow, what I call, checking balances, transaction accounts and they do matter. So, yes, deposit growth has slowed down but not for that particular core part of our franchise.

If you look at our checking growth, very impressive, peer leading in the United States. Given our balance sheet, given our funding situation in the U.S., we don't have to chase hot money. So, are we a major player in the CD market? No. Are we a major player in other types of products where you have to pay up to attract the deposit, the answer is no.

And so, what that has resulted in is that happy with the growth we have on the deposit side. Yes, there is intense competition, but we think we are winning in the marketplace. And if you look at our cost of deposits, we're one of the lowest in the industry. And this is among the largest banks as well, and that's the story. So, now, on the beta, I mean, obviously, it's been a good run when rates are at zero and they start creeping up. You should expect betas to be lower and we saw that. At some point, they will normalize. But the great thing, Sumit, is that, if you're a checking bank, betas don't matter actually because they're non-interest-rate-sensitive deposits. We don't pay anything on them.

So, it kind of is a helpful part of our franchise. And I'd say the business has done exceedingly well. I remember sitting with you many years ago, you used to come down and visit me in the U.S. We were all saying, oh, my God, Bharat, how will you ever make this work. And today, ROE of 13%, it's growing at a fantastic clip. And we are a top 10 bank in our own right in the United States, and for a major foreign bank to do that, very happy with how that has turned out with TD.

Sumit Malhotra – Scotia Capital – Analyst

Before your time running the U.S., when I first met you, you were Chief Risk Officer of the bank.

Bharat Masrani – TD – Group President and CEO

I was, yes.

Sumit Malhotra – Scotia Capital – Analyst

And one of the, I mean, we'll take this twofold. I mentioned this in my opening. It seems to be this emerging view, at least one of the reasons that's been talked about for the stock performance of banks in both Canada and the U.S. not playing or not moving in concert with earnings growth this year, has been this view that we're heading into the late cycle from a credit quality perspective.

Candidly, it's hard to look at any of the numbers for most Canadian and U.S. banks and see any evidence of that. Although, if we were sitting here in 2006, I probably could have said the same thing. You've seen many cycles. You were in the U.S. for the big one in leaning up to 2008. Are you seeing any signs of stretching on the part of your bank peers to make loans happen? Are you seeing any frothiness in credit that's caused you to pull back? And the direct correlation is, how does this impact your willingness to make purchases in, say, the credit card space? And is it one of the factors that may be responsible for a deceleration in your organic loan growth in the U.S. bank?

Bharat Masrani – TD – Group President and CEO

So, firstly, I mean, as you rightly pointed out, all the metrics are benign. If I look at our own portfolios, look at Canadian Retail, the delinquency rates we see, the potential loss rates, we model all the scenarios out there. And I'm very happy with how that has turned out. Even on the U.S. side, where it can be more volatile given the market dynamics there, again, from a credit metrics perspective, it's been terrific. In wholesale, I mean, what can I say, it's been a fantastic run for quite a few years.

So that's the reality of the situation, notwithstanding. You've seen from Ajai, our Chief Risk Officer, talks about it that there have been quarters where we've been increasing our provisions, notwithstanding the benign nature of it, because you layer in trade uncertainties, rhetoric here some stress we might see and our models are quite dynamic and happy with how that goes.

I think your whole point on are we at the later stage in the cycle, perhaps. Everybody pretends they know the cycle so well. The only thing I'd say is that the indicators continue to support the environment we have experienced. Unemployment, very low; good economic growth both in Canada and the United States; employment creation continues to be impressive. And yes, we have all this trade sort of anger going back and forth. But apart from steel and aluminum, nothing else has been impacted and on Canada, as you know, a huge portion of our economy dependent on trade and largely with the U.S., the momentum in the U.S., we are going to get the benefit and you're seeing that play out.

But notwithstanding that, Sumit, as a bank, credit is always an issue. It's only a matter of time when it kind of emerges. And I feel good that from a TD perspective, we've been consistent through the cycle as to how we underwrite, how we adjudicate. We will not chase market share. There was a time when people were struggling saying how come you guys are losing market share. We've had a consistent approach that has really worked for us and we like to continue doing that.

On the credit card space, the components of credit card space that we have identified are, what I would call, inherently less risky. Ours is the more of the travel component of it or a cash back component of it. And we've sort of revamped our offering in Canada now and we are the largest credit card player here and happy as to how that has come along.

In the U.S., I think you're taking me there from – we lost the appetite on that. The answer is no. Actually, the credit card space particularly the two businesses we have, two main businesses. One is our organic growth within the TD Bank, America's Most Convenient Bank, and it's growing at a very good clip, but it starts with a very small base. So, it's still a relatively small sort of business, but it's a relationship business. When people have their checking relationship with TD, we try and have a credit card with us or a mortgage or whatever. So, it becomes an overall relationship.

With respect to the partnership deals, very happy with how that's turned out. In fact, if you look at even during distress, our partnership deals perform better than what people might have expected. And that's the type of profile we have with these partners. It's been a win-win. And frankly, I'll be open if there were more opportunities in that space. Even at this stage of the cycle, we would look at it very seriously.

Sumit Malhotra – Scotia Capital – Analyst

So, it's not. Yeah. There is no apprehension on your part that we would avoid a credit card transaction because of risk parameters. It's more about opportunity. And then the second part of it I mentioned was, your organic loan growth. I think you're telling me there, yes, it has slowed, but not because we're actively pulling back from some risks we see in the market.

Bharat Masrani – TD – Group President and CEO

No. So, there actually – I should have pointed that out. When loan growth slows down, that can be a potential indicator of maybe things are really slowing down. We should be careful here, et cetera. What we are seeing through this cycle, firstly, I've got to acknowledge my team, because notwithstanding the muted growth relative to historical rates, but it is still doing extremely well from a peer comparison perspective, particularly for now.

It's great. It's great what the team is doing. But what is actually going on fundamentally is that there is a lot of cash in these companies. And tax reform has made that even better for this company. So, many of them are using their own cash resources. Capital markets are strong. Rates have started to firm up a bit. The Treasurers are saying, well let's go and get the bond issue done now rather than waiting six months from now. So, there are other sources of funding for them and that is having an impact on loan growth. But there's no fundamental sort of pullback in investment or business investment or the sentiment that's out there. So, that's a good thing, because in time that loan growth will come back because the fundamentals are still strong.

Sumit Malhotra – Scotia Capital – Analyst

And to move off this topic and to marry the two, even if your loan growth has slowed perhaps because of your deposit base, your aggregate revenue which at the end of day is what we care about, is still high-single digits because you're getting more NIM expansion than many of your peers.

Bharat Masrani – TD – Group President and CEO

Yeah, the deposit business is very attractive now.

Sumit Malhotra – Scotia Capital – Analyst

Let's move to another couple topics that are going to be somewhat U.S. related. One of them is around capital. For most of the period since the banks moved to Basel III, CET1 ratio in 2013, TD had managed capital at the lower end of the group. That changed earlier this year when you had the big lift that came from the removal of the Basel I floor. So, by my math, you've used about 45 basis points of that capital on two items. Number one, buying a lot of your own stock. I've never met a CEO who felt his stock was properly valued. So, you certainly put that to work with 20 million shares in a relatively short period of time.

And then the Greystone deal. Two very different things, but I'll put it this way, I've never viewed TD in my experience covering the stock as a very big buyback bank. Has anything changed in the way you think about capital deployment and is it strictly, this is where the best return was?

And then secondly, Greystone, relatively small deal for TD as a whole, but looks like you're looking for a particular niche in your asset management business. So, if you could give us your thought process on those two please.

Bharat Masrani – TD – Group President and CEO

Firstly, the capital deployment framework, I think that's the best way to describe it has not changed. It's consistent, what we've said previously, continues to apply. Obviously, we want to use our capital to support all the strategic initiatives we have in the bank. We've been very clear as to what businesses we want to grow, what size they need to be, the opportunity we see in the marketplace. And we will continue to do that. And that takes capital and we are happy to deploy our capital in that respect.

We've also said that whenever we identify either an opportunity or a gap that can be filled or addressed through an acquisition we will use our capital to do so. I think Greystone in some manner fits into that category as does Layer 6, our AI company that we bought. And a few years ago we bought Epoch in the United States. Again, that fits into that category.

So, we will use our capital for that. We've also said on acquisitions that if you look at the TD history, acquisitions have played a very important role. I mean we couldn't be what we are in Canada if it wasn't for the Canada Trust acquisition and I'm sure the Bank of Toronto and Dominion Bank coming together in the 1950s.

So, it's been a big part of the TD story, including in the United States, you talked about Commerce Bank and various other acquisitions we did. So, we'd realize that's an important component of our strength, our capabilities but we want to be disciplined. So, we will look at acquisitions in the U.S., asset gathering type of entities are more interesting for us given the excess funding we have, and loan-deposit ratios, is the way it works in the U.S.

Also said tuck-ins, within our footprint, that would accelerate our organic aspirations, will be very interesting for us. So, we will look at those opportunities in Canada. Okay, I don't want to be flippant about it. But we will look at anything and everything because of our size and not much, kind of, comes up in Canada, not that we will do everything, but we will certainly look at it seriously.

So, that is part of our capital deployment thinking as well. And when we go through that analysis and if we still think that there is far more capital flexibility than what is appropriate, we will seriously consider buybacks and that's when we decided to buy back 20 million shares. So, that's how we think about capital deployment and that has not changed, that is consistent with how we've been thinking about it.

On Greystone, it's a terrific acquisition. Yes, it may not be from an overall TD perspective, a huge transaction, but what it does for us is very important. TD Asset Management is terrific. The growth we have seen there has been great, but we did have a particular requirement for what you call alternatives, that we didn't have ourselves.

And as we are building out our high net worth business, our private bank, even on our institutional side, our clients wanted this asset class from TD. So, we've had a longstanding relationship with Greystone, and we started these discussions and so glad that we were able to do this transaction.

It's a terrific team. It adds a lot to TD Asset Management. I know you know some of the players there, it's great from a cultural and a brand perspective. And the great thing is when we close this transaction; we become Canada's largest money manager. And so, it's an important part of our offering and Greystone brings a lot to the table.

Sumit Malhotra – Scotia Capital – Analyst

Another part of the U.S. franchise and one when you mentioned acquisitions have played a part, sometimes divestitures or partial divestitures have played a part. You and I had a good conversation six months ago about the fact that AMTD is actually TD Ameritrade.

And, kind of, quietly this year, with your ROE moving over 17%, it's been aided by the fact that your contribution from Ameritrade, which again smaller part of the bank where you've effectively doubled your net income contribution, tax reform has helped markets and rates have helped, but so have the synergies that have come out of the Scottrade transaction.

From a strategic perspective, backing away from the numbers for a moment, you're a 40% shareholder in this business. How do you, if at all, impact the strategic course of action that TD Ameritrade takes with their business? And what is your appetite to become larger in that space?

Bharat Masrani – TD – Group President and CEO

Firstly, what a story for TD. We've been in the online broking business on both sides of the border for decades. And so it's been terrific and TD Ameritrade, the previous company was TD Waterhouse, many of you may recall that. So it's been just a great part of TD given our history. And the returns and the performance has been stellar over many, many years. It also plays a very important strategic part for our U.S. franchise, in a sense that, it is our wealth play in the United States, a major component of our wealth play.

A lot of our retail customers said TD Bank, America's Most Convenient Bank, particularly in $100,000 to $700,000 investable assets. TD Ameritrade is a perfect offering for that client base. And that's not an immaterial segment and we've been working hard to make sure that we can find ways to offer those products and the functionalities that TD Ameritrade brings to the table.

And then even in that space, TD Ameritrade is prolific, it's the leading edge of technological innovation because that's a core part of their strength. And that helps all of TD, if you look at what we enable to do in Leo's business with the new dashboard and TD WebBroker and the mobile offerings and options trading. Of course, the knowledge and how we kind of utilize it. So, it's been a terrific asset for TD and frankly strategically very important as well; so great as to how it has turned out.

Regarding the strategy at TD Ameritrade, I think TD Ameritrade has been very clear as to what they like to do. And of course TD plays an important role as to what happens at TD Ameritrade. And so you talked about the Scottrade transaction, I think it's terrific, it's terrific for TD Ameritrade, terrific for TD Bank.

And so we were very happy to be supporting that and doing whatever it took to get the deal done. And if there are more opportunities where it's a win-win, TD Ameritrade, TD Bank, why would we not look at it seriously? So we would. So, it's a business that is a core part of TD and will continue to be so.

Sumit Malhotra – Scotia Capital – Analyst

The Scottrade transaction amplifies that there's probably no sub-sector within financial services in which the ability to derive synergies very quickly are as evident as the case in what I'll call the discount brokerage space even though I know their business is more to offer that. At the same time, when you see some very large players in financial services, moving their price per trade offerings to effectively nothing; there's been a little bit of regulatory noise on areas like payment for order flow.

Does that give you any pause about getting bigger in this business or do the economics, you mentioned it, I remember getting e-mails from Larry Waterhouse at a previous time asking me about his TD shares. Your Waterhouse USA business was down to a very small size when you did this deal. I think this quarter you picked up close to $300 million, and maybe I'm a little heavy there, but over $200 million in earnings. So, it's definitely come a long way. Do the economics and the economies of scale from M&A trump whatever may be happening in terms of competitive regulatory pressures in that business?

Bharat Masrani – TD – Group President and CEO

Sumit, I used to be part of the online broking part of TD. Of course, part of TD Waterhouse many, many years...

Sumit Malhotra – Scotia Capital – Analyst

UK or...?

Bharat Masrani – TD – Group President and CEO

Yeah, UK in the late 1990s and all that. And this issue of commissions, oh my God, they're going to be dropping and payment for order flow, that's going to go. So, how many years ago was that? I don't want to give my age away, but this is an ongoing part. This industry has a terrific ability to adapt. Recently, about a year ago, when was it? Again, one of the competitors moved, others moved. In fact, at TD Ameritrade, they didn't go all the way, and I think they're doing pretty well notwithstanding.

So, I mean these pressures will be there, but it's a terrific business model. The way it's been set up with TD and TD Ameritrade. It's a capital-light model at TD Ameritrade. It works very well. So, of course, we get paid to worry about compression and what if commissions go down? And we must have solid strategies.

But the overall fundamentals of the business as to what it provides the value proposition it gives to millions of Americans is just compelling. And that's not going to change. So, of course, we should worry about it. We get paid to worry. But there's no major, sort of, strategic imperative that puts this into question.

Sumit Malhotra – Scotia Capital – Analyst

That is understood. Thank you for that. We've got not too much time left. So, why don't we bring it, I guess I could say to this side of the border, but this first question is probably more holistic in nature anyway. One of the themes I've been discussing with some of your counterparts this morning is the interplay between the need to invest in the business and the efficiency improvement that you folks have communicated to the market and the market has come to demand. Sometimes, it's a little bit too literal is that it feels like we want to see 2% operating leverage in every business, every quarter.

But let's get more to that strategic point. TD's had periods where the operating leverage, for most of the last year, have been quite heavy. And then other ones, like this one, where it seems like the expenses pick up. What is the ROI conversation that the management team has as far as the investments TD is making in the business? And how as shareholders do we determine, what's the right number? What's the right growth rate? And how are we getting value for this technology spend?

Bharat Masrani – TD – Group President and CEO

Great question. So, one of the core values of TD and we've talked about it for many years is to ensure we're investing for the future. That becomes core to our growth story, the franchise we've built, and why we continue to be successful. So that has not changed. So, we will continue to invest. And when you talk about operating leverage, and I think I've said this in many of our calls that, of course, we strive to have positive operating leverage. And for the most part, we do deliver it.

But I won't fuss too much that in one quarter, it didn't happen. Yeah. And even sometimes, in some cases, might be even in a particular year. But overall, are we sort of running the bank where we will or we do for the most part deliver a positive operating leverage? Of course, we do. But if there are opportunities there, we are not going to say, let's not make the investment, because, oh, my God, the quarter is coming up and the numbers are going to look bad.

I mean, this year, look at in 2018. If you look at our last three quarters year-to-date operating leverage, you'll say, what's not to like. Yeah. Q3 was, I don't know how many basis points negative operating leverage. So, I mean, that's the way I would look at it. When we saw that the operating environment is as strong as it has turned out to be, the first two quarters at TD, the expense growth was muted. It was very low.

We said, and we were very open about it and we will invest, we will accelerate some of our investment decisions. And you saw an uptick in our expenses and I think Riaz last week pointed out ex-FX, ex the impact of foreign exchange, expense growth for the year will be 5%. So, people can do the math and make it easier as to how that would work.

And frankly, from my perspective, that choppiness on a quarter-over-quarter perspective will continue for a couple of quarters in fiscal 2019 because the first two quarters of fiscal 2018 was very muted. That's how we look at it.

But I think your fundamental question, are we making the right investments for the future? I'd say technology is not an immaterial component as we digitize the bank and it's not just at the front end. In front end I think, TD has done a fantastic job, we are Canada's largest digital bank by a number of users, TD MySpend, TD for Me and I can give you all the details as to what wonderful things we've done on TD, like TD MyAdvantage, as to what it does, but it's also the internal digitization of the bank. How can we reduce errors, gain efficiencies, those are as important a component for us.

And then, our acquisition of Layer 6 has given us a particular capability that we want to leverage and leverage not only from a client perspective and we've already started to do that in how do we personalize our experiences. That's what our customers want. We've got in North America, I mean, 23 million, 24 million customers, so how do we personalize these experiences. And AI has been an important component of it. And I also feel for the bank on managing fraud risk and cyber risk, this will play an important role going forward.

So, I think that's the way we look at it and it's not just technology, last quarter, we added quite at a good clip financial advisors in our system right through Canada, financial planners because there is a great demand for that among TD clients. So, these investments are for the right reasons, building out the capabilities, digitizing the bank and taking advantage of our size, scale and brand, and that's what we've been doing.

Sumit Malhotra – Scotia Capital – Analyst

And if I'm not mistaken you've avoided putting a number on technology spend and I think to some degree we like numbers obviously. We like to compare who's spending this. I do feel like I've used this term a couple times this morning, it becomes a bit of an arms race that you're spending 3, he's spending 4, so, this guy must be better, unless we know what the end product is, whether you're successful in preventing attacks or bringing new customers to the bank. Sometimes the best technology spend might be the stuff we never hear about if you're never the victim of a hack or a security breach.

Bharat Masrani – TD – Group President and CEO

The best way, I think, the way I look at it, of course, absolute numbers matter, we've got to make sure we're having the right discipline. But what we've done from a capability build perspective is even more important. So, I'd say two or three years ago, 25% of our technology spend would be what I would classify as investing for the future. So, what we would call change the bank. So, building out offerings for our customers or building some internal digitization that may create efficiencies or reduce errors and improve customer experience so 25% of our spend was towards that.

We've moved that now to 40% of our overall spend, in those categories. I think that's a better metric than, did I spend $100 million more or not. Where is the money going? And that becomes even more. So, very happy with how we've been transitioning. Of course, I want that 40% to go up even more. Teams are working hard to get there. But I like the trajectory we are on.

Sumit Malhotra – Scotia Capital – Analyst

Last question for you. I guess you could call this somewhat of an acquisition since you're part of the consortium that has reached an agreement to purchase Aimia. You obviously moved to lead financial partner status in the Aeroplan program at the end of 2013. Is there any capital or economic impact you can share as to what TD's impact will be from going through this acquisition? And then to wrap it up strategically, another partnership type program on the credit card side. Do you feel that the economics have been a win for TD shareholders and continuing with this program rather than having your own specific travel offering?

Bharat Masrani – TD – Group President and CEO

So first, very happy that the consortium was able to come to an agreement with Aimia on this. And if the deal does get completed, it will allow Aeroplan miles to be converted to the new loyalty program, and that's great for millions of Canadians and great for TD Aeroplan customers, so very happy with that.

Sumit, we are still in a lot of negotiations with all the parties concerned here, so I don't think it'd be appropriate to give you details, financial or otherwise at this stage. But what I can say is that from a credit card travel segment, we feel great into our positioning there. So, we have two core offerings in that respect. We've got the TD Aeroplan offering and we also have TD First Class. And so depending on what the client need is there is how we look at it, and I think we've got offerings that meet all our client requirements.

And credit cards, I think we talked about it in one of your conferences. A few years ago, we were not the leading player in the credit card space in Canada. And we said, hey, that's a strategic focus for us. We want to grow this the right way with the segments we want to be in. And I think we've done that and that continues to be the case. It's an attractive space for us.

Sumit Malhotra – Scotia Capital – Analyst

Okay. Well, I had to try on the economics, right? I always appreciate you taking the time and thanks very much for participating again this year.

Bharat Masrani – TD – Group President and CEO

Thank you for having me. Thanks very much.