TD BANK GROUP
2012 ALL SEGMENT INVESTOR DAY
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PRESENTATION

Rudy Sankovic *- Toronto Dominion Bank - SVP, IR*

Good afternoon, my name is Rudy Sankovic, and I'm Senior Vice President of Investor Relations for TD Bank. Welcome to TD's very first All Segment Investor Day. We're very pleased that you could join us today. For those of you joining us via webcast or by the phone, we also thank you for taking the time to listen.

Today's event will feature a combination of short presentations and fireside chats. It's a bit of a departure from our traditional investor sessions, as we wanted to provide our investors and analysts with an opportunity to ask questions of the executive team in an unscripted fashion. Our CFO, Colleen Johnston, will be moderating the chats and will be actively asking the audience in the room and on the phone for questions. We hope that you find this interactive approach a bit more engaging.

A few housekeeping items before we begin. Washrooms through the main doors and down the stairs. If you have a mobile phone or a BlackBerry, we would appreciate if you could turn it off. Finally, we would love to hear your feedback on this event. There are surveys at your tables and we encourage you to fill them out. Your feedback will help us do a better job at future events. And please drop them off at the exit when you do leave today.

For those of you joining us on the webcast, you will receive an e-mail from us asking for your feedback.

Before we get started, let me get some of the legal formalities out of the way. I need to remind you that this presentation contains forward-looking statements and actual results could differ materially. These statements are intended to assist your understanding of our financial position for periods presented and our strategies, priorities and objectives and may not be appropriate for other purposes. Certain material factors or assumptions were applied in making these statements. For additional information, please see our latest annual report and quarter report available on TD.com. These documents include a description of factors that could cause actual results to differ.

And here's the agenda for the afternoon. We will start with opening remarks from Ed Clark, the Bank's CEO. Our CFO, Colleen Johnston, will then provide an overview of what we see on the horizon. After that each of our business unit heads will deliver a brief set of formal remarks followed by a fireside chat with Colleen. You'll also get an opportunity to have a Q&A session with Ed following the business presentations. Ed will then cap off the session with some closing remarks. We do encourage you to actively participate by asking questions throughout the sessions today, and we do plan to wrap up by no later than 4 PM. So with that, I'll turn the podium over to Ed.

Ed Clark *- Toronto Dominion Bank - Group President, CEO*

Thank you, Rudy, and welcome, everyone. I just want to start by saying how much I appreciate your taking the time to be with us this afternoon. I know you've got lots of things to do, and so taking out a whole afternoon is a big thing to do.

As Rudy said, I think we're going to try to make this as informal as we're capable of doing it. And so I think the idea is that by doing it as a fireside chat, we can try to sort of make sure that we get the questions or answers to questions that you have rather than have a bunch of talking heads. And a different change this time from what we have done at other investor sessions is usually we are focused on a single business. And we decided that really wasn't the issue for us today.

I think, if you go through our strategies and positionings of each of our individual businesses is well known. If we sort of step back and said, what do we think the question is that people have? The question people have is -- how fast can you grow and how are you going to grow in the current regulatory and economic environment? And that really is a TDBG question as opposed to a specific question.

I think we've given what some people might say are contradictory messages. I probably think it reflects the balance of risk/optimism that people have in this room, as we have continued to say to the marketplace that we are not adjusting our medium-term target of 7% to 10%. And indeed, we've said that in the short run we think we can get into that. But we've also said that we have to work hard to get into that sort of earnings range.

And why do we believe that we're going to have to work hard? I'd say in short form two simple issues, I think, would be fundamentally because the housing market, we believe, in Canada will slow down. It has obviously been a source of tremendous growth in our core Canadian banking business. And so we're not going to have that tailwind. I think we also, though, say in the second -- and that's quite prevalent across our businesses -- is that we see no signs that interest rates are going to move up soon by any substantial amount, and that we are entering into a fairly long period where interest rates will be below the levels that they have been historically.

So, faced with those two headwinds, in effect, or a disappearing tailwind and a new headwind, how are we going to get into the 7% to 10%? And I think in fundamentals you will see two things. One is a discussion about how to manage expenses in this environment and how to find sources of revenue growth that are less impacted by the slowdowns.

These are going to be the themes, I think, that you will see in each of the business presentations. If you start with expenses, I think one of the things that I would like to underscore is that we are very strongly opposed to kind of fire drill approaches to expenses. We have been on to this expense topic within our organization for well more than a year because we could see what was happening to interest rates. So this isn't a kind of discovery on our part that we have to do something about this issue. We have been working on this issue. And we don't really believe that people who manage their businesses by saying, well, why don't we have a short-term squeeze win in the end, because it just means those expenses rebound back 2 or 3 years later.

And so the critical issue is how do you actually reengineer your business processes so that you actually can deliver the same product or better products for less. And that means you actually have to, in many cases, invest in it, not just cut expenses; in some cases you have to spend money at the start in order to make those things happen.

I think in terms of our culture, the way I look at it is the very thing that allowed us to continuously outgrow our competition on the revenue side is actually the same skill set you need if you were looking for permanent reductions. And so what you have to have is a company that does develop around very simple strategies. And I think one of our core attributes is we keep it deadly simple. We make sure that across the bank that everybody is aligned, that there isn't anyone playing solo. And, as I said, we always say is -- and we are always investing for the future. So, today, I would say we are quite pleased with the results that we are having in 2012. Our focus is less on 2012 than on 2013, and particularly on 2014. And it's by getting ahead of these issues and looking down that I think you're going to create sustained competitive advantage the same as we did on the revenue side.

On the revenue side, I think we continue to like the business mix that we have. We think, in terms of having a business mix that both gives you stability of earnings and, I think, optionality for growth. We like the business mix that we have today. We think that each business embedded in it has its own growth opportunities. And so, yes, in the Canadian banking, you are going to see that we are saying that housing is slowing down. But that doesn't mean that other -- there are other businesses, and Tim will talk about that, that can't pick up the slack.

We also believe that fundamentally right now having a strong U.S. leg does give us an enormous revenue advantage because the reality is that the size of our US operations relevant to the opportunities that are available in the United States are so huge that, while we are not indifferent to the economic environment in the United States, we can still simply grow in that almost any environment just simply because we can take market share.

The other thing that you are going to see in all the presentations is to start working through what does it mean to be a North American bank. And we believe that this may not be something that's -- you're going to see visibly an impact on our numbers in the next 12 months. But over the next few years there's going to be more and more a competitive advantage that we have. We believe that by being a North American bank that we have been able to upgrade our capabilities in terms of people talent enormously. And so in terms of building a bench for the bank, being able to recruit across the world around the vision that we are a North American bank has brought us an enormously successful and powerful people to the bank. We believe that there are, in fact, operating synergies that we are able to capture as we work to bring each of the different functions across the bank to capture the economies of scale.

And we also believe that having the earnings power of a business that is actually fairly simple in the sense that we are in the personal and commercial business on both sides of the border, there are many things of where we want to invest in -- and in particular, you can take technology -- where we can spread those costs across a much higher earnings base than our competitors would have, and therefore we can afford to invest more and create sustained competitive advantage.

Finally, we are struck. I think a big surprise in learning to us is that by creating a brand in the United States, and I think it's clear that we now have a brand in the United States, that that is actually rebounding positively in terms of our brand in Canada. So there are activities that we do in the United States that actually strengthens our position competitively in Canada.

So I think the key themes you are going to hear is, yes, there are headwinds. I think we can't deny that there are some powerful headwinds out there. And despite those, we will, though, think we can still work to get in the 7% to 10%, but we want to emphasize the word hard. This is not a layup for us to do this. But we think we have the tools and the hands to be able to do it.

And the way the businesses are going to do that is by managing their expenses over the long run to bring down their cost structure, finding new sources of revenue growth that aren't impacted by the headwinds or developing new sources, ones, and taking advantage of the fact that we are a North American bank. With that, I'll turn it over to Colleen.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Well, thanks a lot, Ed, and welcome, everyone, and good afternoon. Our objective today is really to talk about TD's growth plans despite a very tough operating environment. Why don't I start by outlining the key takeaways? I just did, go back.

Over the medium term we are committed to delivering adjusted EPS growth of 7% to 10% a year. And here's how we'll do it. Number one, proven performance -- we've got a proven business model and an experienced management team that have delivered excellent results over the last 10 years.

Number two is focus on growth opportunities, and we have many growth opportunities. You're going to hear about many of them today. And we have been investing in those opportunities for years.

Number three is building competitive advantage through productivity management. We've always been focused on achieving positive operating leverage. We talk about that all the time. We still are, but it definitely gets a lot harder in an environment where revenue growth is slowing down. So we are committed to achieving permanent cost reduction by leveraging our scale and our buying power while still investing for the future. So, again, that's not easy to do, but I'll talk through some of the ways that we are going to do that. Our goal simply is continued outperformance for TD.

So let's talk a little bit about our proven track record. TD's performance over the last 10 years has been remarkable. Since 2002, TD has produced compound annual earnings growth of 18% and compound annual EPS growth of 14%. Over that same period, TD delivered the best total shareholder return of all large North American banks, American or Canadian. And not only did we continue to pay out a dividend through the financial crisis and this downturn, the Board has increased our dividend three times over the past two years, twice in 2011, a powerful statement about the Board's confidence in future earnings.

We deliver these profits by consistently earning the highest return for every dollar of risk compared to any Canadian or US large-cap bank. Our success has been largely the result of continuing to execute on our simple strategy, staying focused on growing our retail franchises in Canada and the United States, which now represents almost 90% of our total earnings. We have also built a lower risk dealer to generate stable returns by leveraging the franchise and delivering real value to real clients and at the same time becoming a top-three player.

Outstanding performance -- but that's the past. Let's talk about today's challenges and future performance. We have definitely entered a new environment with a number of challenges ahead of us. First of all, personal loan growth in Canada is starting to slow. We feel it already, and Tim will be talking more about that. But we do have the opportunity to take share because we are underrepresented in certain products and geographies. In the US, it's likely to be a more positive story. The economy is starting to gain momentum. And together with our relatively small market share, this should allow us to grow at all 2 to 3 times nominal GDP in a normalized environment.

The second challenge we face is the low interest rate environment. We have a significant profitable core deposit base. However, we are in an environment of very low interest rates that will probably continue well into 2014. That means those core deposits are less profitable. Low rates means steady margin erosion. As a result, we are even more focused on fee opportunities.

The third factor that's making things tougher is the regulatory environment. Given the financial crisis, regulators globally have been relentless. Banks must be bulletproof. What does that mean? It means more capital through Basel III; you are well familiar with that. Higher operating costs -- the bar has been raised on operating standards, controls and capability, especially for us in the US now that we are a top 10 bank. And lower revenues -- consumer protection measures have been harsh with Reg E and the Durbin amendment each initially taking 3% off our top line in the United States. And of course, regulatory and government policy changes affecting Canadian real estate secured lending.

And so, while regulation has been intense, we have already absorbed many of these impacts. But clearly, this will continue to be a headwind. So this is our base case over the medium term. But, as Ed always is, this is what we get paid to do, manage the risks and the challenges, yet continue to outperform.

So let's talk about productivity. This is an old story, but one that I like to tell and I've told many, many investors over the last few years. It's a story about 2008. And back in 2008, Ed said to our troops, all of our senior managers in the organization, let's get across the valley with our model intact and emerge with momentum on our side.

It was true clarity and leadership at a time that was very confusing in the world. The valley was the recession valley. Getting across the valley was about being defensive. But for us that meant being defensive about the balance sheet. Being defensive didn't mean cutting costs or deferring investments in the future. Our model intact meant that we didn't want to change our business model; we didn't need to. And it also meant protecting our culture, which makes us successful and allows us to attract and retain the very best employees. Emerging with momentum on our side meant continuing to invest for the future so we could grow when the world started to look better.

So we kept investing in branches and stores, sales capacity, best-run capabilities and the best people. Our TD story and our employment brand have allowed us to recruit globally for the very best talent while retaining our excellent team at TD. Our approach on growing expenses at the time was a contrarian move, and it definitely paid off for us. But owing forward, the headwinds are very real. And we are convinced that we need to keep investing for the future but only grow our expenses in the low single-digit range. This is our paradigm for the medium term.

This means we need to make productivity management a competitive advantage for TD. As Ed said, we're not into short-term thinking, just cutting costs or people or deferring initiatives. This isn't sustainable.

So many of you may think that productivity management isn't a core competency for TD, and I would beg to differ. I don't think we've made enough a part of our IR brand. We tend to talk more about growth. But I would point out that TD was the only Canadian bank to post positive operating leverage last year. You've seen over the years that we've made significant investments in growth, so I ask, how have we managed to lengthen hours, add Sunday hours in Canada, add branches in stores, relationship managers and advisors. The list goes on and on.

The answer -- behind the scenes, we have been taking out costs in each of our businesses. And you will hear more about that today from the various business leaders. Our big opportunity is to do this at the enterprise level, not just in our individual businesses.

We can further leverage our North American scale and our buying power to permanently reduce costs. Let me give you a couple of examples in the last couple of years. Back in 2009, we outsourced our North American real estate services, our 19 million square-foot portfolio over 2300 locations. We looked for the supplier that could deliver the most competitive price and the highest service levels across North America. Our North American buying power was a huge advantage and our growing business made this business very attractive to bidders. This was at a time when other banks were contracting and we had a phenomenal growth story. We now have a single supplier and a consistent, scalable model for growth. We reduced our annual category costs by 18% a year.

Another example is direct channel. We are committed to best-in-class capabilities for all types of sales and service delivery, branches and direct channel. But until about three years ago, each business managed their own direct channel activities -- contact centers, ATM networks, telephone and online banking. We now have one direct channel group for the bank. This has allowed us to save money and reinvest those savings in important emerging technologies. This is a fast-growing space, as you know, one where we want to be a global leader.

At the same time, we want to keep investing in physical distribution. And you've heard the numbers in terms of new branches and stores. So we need to be efficient. As Ed mentioned earlier, we can spread our investment dollars over a bigger business. Our total retail bank in Canada, combined Canada and the US, this is our scale advantage. We have the most retail earnings of any Canadian bank, and we are also more than two times larger than two of the large Canadian banks. And bringing that all together under direct channel means a more seamless customer experience, common look and feel across all our channels. This is a huge positive.

So I spend a lot of my time these days focused on the productivity agenda, and I can tell you Ed and the whole senior executive team have huge conviction around this. And again, you are going to hear more about it in their presentation.

So let me wrap up and we will hear now from our business leaders. Each of our business heads will outline the respective growth opportunities this afternoon. And let me summarize some of the common themes. First, we will continue to lead with service and convenience. It's our differentiator, and will continue to be a strong part of the culture. Second, we will continue to focus on leveraging the TD brand across our businesses. Third, we will continue to invest. It's our job to keep building the Bank for the future. And fourth, a focus on organic growth -- while we will always keep an eye on acquisitions where they make sense, we like organic growth. It offers strong return and we have many opportunities.

Altogether, we believe these strategies will allow us to deliver 7% to 10% adjusted EPS growth over the medium term, but it will be hard work. You will hear today that our goal is to grow our Canadian and US retail businesses at 7% to 10% and that wealth and insurance growth can exceed the top end of the range.

So let's move on with that agenda. Without further ado, I'll call up Tim Hockey, Group Head, Canadian Banking, Auto Finance and Credit Card.

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Thanks, Colleen. I feel like she just gave my presentation, so it might be a little repetitive, but let's get started. So as you are all aware, we have a very simple but proven strategy around service and convenience. We have been delivering on this strategy for over a decade. We stay true to our customer experience brand, and the consistency of that focus has been recognized year after year within the industry. We have been recognized as the leader in customer service for years now amongst the big five banks.

What we believe is that by leading in service and convenience, you can win over customers and take market share from competitors. When a bank is able to exceed the expectations of its customers and translate this into market share gains, it obviously drives growth and increasing shareholder returns. This is the TD strategy, simple but effective to the tune of a 14% compound annual growth rate in Canadian banking in the last eight years and a gain share of industry earnings of over 400 basis points.

While we have not only survived but thrived through the financial crisis, as we look ahead tough times are obviously far from over. We find ourselves in a prolonged low rate environment and a Canadian economy that is faced with record personal debt and an inflated housing market. There are more headwinds facing us and certainly less tailwinds than we have enjoyed over the last decade.

However, a decade ago when we started this journey, our goal was 7% to 10% earnings growth over the cycle, and we achieved 14%. Our goal has not changed. Even with all of these headwinds known, I continue to expect 7% to 10% earnings growth over the medium term. However, in the short-term, as Colleen said, it is not going to be easy to get there even if we are targeting the low end of that range. So let's take a look at how we are applying our strategy to hit that target.

First and foremost, obviously, we will continue to focus on retail banking and the customer experience. This, after all, has made us the brand we are today and given us the flexibility to make significant investments in higher-growth opportunities. These opportunities, three of which I will highlight today, have been part of our growth story to date, and we will continue to build on this momentum going forward.

Everybody knows about our service and convenience model. It's what we stand for. What is less well known is how this focus, married with a very simple financial formula, is the key to success. Our management team knows that our operating leverage has to be positive. In high revenue growth periods, we invest more back into our business. In low-revenue growth periods, we restrain our spending to match. By streamlining processes and reducing the amount of hurdles our customers and staff face, it becomes a virtuous cycle. It drives efficiency across the bank at the same time as improving the customer experience.

We also know that our leading position in some businesses such as personal accounts and real estate lending allows us to be a deep source of customer referrals to other businesses, such as wealth.

Beyond exemplary customer service, a key to our success is our distribution strategy. We believe that we win by being better at every interaction with our customers, giving them what they want. We have a branch system that delivers over 50% -- 5-0% -- more hours than the competition, including Sunday hours in more than 370 of our highest traffic locations. Even in this day and age of direct channels we continue to believe in face-to-face distribution. In the last five years, if you felt like there was a TD Bank branch popping up on every corner, that's because there was. We have dominated in branch openings with over 40% of all new branch openings in Canada being TDs. You can expect us to continue with over 20 new branch openings a year, including a focus in growth opportunities such as Quebec, where we have grown our network by almost 30% in the last seven years.

We know we still have lots more opportunity. It turns out that service and convenience are just as valued by our customers in (inaudible) Province as they are in the rest of Canada. You can see stats on branches less than five years old versus our more mature branches. Just looking at the 2011 fiscal year, you can see that newer branches were a key source of our growth.

Maturing branches are profitable in less than three years and we recoup our investment in less than five. With 12% of our branch network in this category, we have significant runway ahead of us, even in a slowing environment.

While branches are important, we must also adapt to ever-changing customer needs. We continue to make direct channel investing a focus with investments in ATMs with greater capabilities, a phone channel that is proactive rather than reactive and online and mobile tools that allow customers access at their fingertips. For example, allowing customers to book branch appointments online generated 14,000 new bookings and associated volume since its rollout. The recently upgraded TD mobile banking app is now the only Canadian banking app to offer customers an integrated mobile banking and investing platform with over 500,000 downloads in the first week alone. We operate our direct channels on a North American basis, meaning that both our Canadian and US operations benefit from scale and scale synergies.

So moving to business banking, this is an area we identified as having higher growth potential several years ago, and it has really started to pay dividends. The strategy, once again, is very simple. First, improve the number and the quality of your business bankers. We've hired over 500 new bankers over the past five years.

Second, rely on an experienced team to bring their deep industry knowledge to help their clients and bolster this with a conservative risk appetite.

Lastly, give those bankers the platforms they need to succeed by opening eight new business banking centers and investing in the systems that they use. The timing of these investments could not have been better. While everyone was pulling back during the financial crisis, we stuck by our customers, and now they are sticking by us. Our simple adage of don't make bad loans in good times so you can continue to make good loans in bad times could not ring more true. We were the only commercial bank to see deposit share market share gains in recent years, and we have gone from fifth place to second place in credit market share in the past five years.

This increased share translates directly to the bottom line, as we saw a 13% compounded annual growth rate over the last few years. More importantly, we have been able to achieve this growth without going out the risk curve. While we experienced average PCLs of about 20 basis points over a five-year period, our competition saw rates at two to three times this amount. These investments in our business bank give us a clear advantage and we will continue to target further market share gains in the years ahead, one client at a time.

So moving to TD auto finance, to properly tell you this story, we have to go back about six years. The acquisition of VFC in 2006 was a turning point in our domestic auto lending business, which had to that date been only a prime business and, obviously, only in Canada. Overnight, we became a full spectrum lender with a sizable dealer network. Again, our ability and desire to lend during the crisis and when competitors were pulling back in auto lending has resulted in fantastic share gains and the earnings growth that you see on the slides.

The success of our Canadian auto lending business gave us the knowledge and confidence to be able to expand into the US with the acquisition of Chrysler Financial. We now have a truly North American lending business in an asset class that was remarkably resilient through the crisis and we are poised to succeed in a market with significant pent-up demand for cars that will be filled over the next years.

Our growth has been strong. We originally aspired to a dealer network of 5000, but our model has been more popular than we imagined. And as of today, one year and two weeks after we closed the deal, and network as of this week just ticked over 8000 dealers. Interestingly, Chrysler OEM dealerships only make up about a quarter of this highly diversified network.

In our first month, over a year ago, we originated a little over $100 million in the US in loans, and last month we did over $800 million. However, as with any acquisition, there is lots of integration work. We are working hard to convert a once-captive full-spectrum lender to a bank-owned prime retail lender that operates under a different set of regulatory requirements. As well, we are not the only one that has recognized the value of this asset class and margins are thin, given the increased competition. Focusing on efficiencies and finding the sweet spot in risk-adjusted margins will be key while building the portfolio to a scale that is commensurate with its platform and opportunity.

Moving on to credit cards, with the acquisition of MBNA Canada, we are now a top dual-card issuer in Canada with about 19% market share. This brings together a best-in-class branch distribution network with MBNA's direct origination and servicing expertise. MBNA added 1.8 million MasterCard customers to our 4 million TD base. Over a third of these accounts are net new customers to TD and represent a great opportunity to cross-sell our suite of banking and investing products. This combination also gives us a dramatic scale and opportunity on a North American basis. Since forming the unit, we have hired a new leader to focus on the MBNA integration and build out the opportunity in front of us.

In the United States, we have two primary platforms for growth. The first is a private-label business that has been around for decades and includes such familiar names as [Carche], Bose and Toshiba. We see a lot of opportunity to build on this foundation and grow this business even further. We also have great upside in our bank card business in the United States. With the distribution network of over 1300 stores in the US and a team that delivers best-in-class service, we know our ability to deepen customer relationships with a TD credit card is just getting started and gives us enormous growth potential.

So in addition to having these growth opportunities that I mentioned, in this type of environment obviously we must continue to focus on our commitment to operational excellence, specifically, enhanced productivity and positive operating leverage. This starts with prudent expense management, knowing when and what to invest in and also when to cut back. One area of investment is process improvement and optimizing workflows on an end-to-and basis.

To give you an idea of what we mean, a simple example of a project this year is the conversion of account signature cards to an online format. This will save over 140,000 work hours this year alone. Through Lean Sigma processes that we have implementing over the last few years, we have enhanced our workforce capacity and improved our front-line systems to enable us to better serve our customers. As I said earlier, this strategy is not new to us. It's core to what we do and we have been doing it for a long time.

If you take a longer-term look at our back-office processing operations, the overall result is a good example. While the volumes serviced by these units have been rising at about a 10% rate annually since 2007, our unit costs have been declining at a 3% over the same period. Most importantly, we have been able to do this while improving the customer and employee experience over that same period. This is not easy to do when you are also reducing the operating center locations by 50%.

Lastly, while TD might not be synonymous with expense management, our efficiency ratio says otherwise. We have consistently been below our peer group, and our lead has continued to widen, dropping from the 60s a decade ago to mid 40s today.

So in closing, I hope that sharing some of these insights has helped to shed some light on why we are feeling confident about our strategy and the upside from just some of our higher growth opportunities that I've highlighted. While the environment ahead is one of obviously overall slower growth, I'm confident that we are well positioned for strong relative performance, given our investments that will continue to pay off.

If there's one message that I would like you to take away, it's that we will continue to stay true to our game with a focus on long-term growth. We believe banking is a game of inches played out over many, many years. And our strategy is right for our customers, our shareholders and our employees going forward. Thank you very much. I think we're moving over here, aren't we?

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

We are moving to the living room. That's the (inaudible).

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Okay. Is there a reason why I have five bottles and you have one?

QUESTION AND ANSWER

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Because there's one of me and there's five of you guys that are going to be sitting there.

Just for everyone's benefit, and how we are going to work this, this may seem a bit contrived, having one executive interview another. But what we really want to do is I'll lead things off and start maybe with some more of the frequently asked questions that we often get from investors and analysts. And then what we would like to do is really open it up to the group here and then open it up to the phones as well. We've got about 20 minutes for this, for each Q&A session. So we would encourage you to ask questions as well.

But Tim, I think probably the most frequently asked question these days is really around the Canadian real estate secured lending business. And everybody seems to be incredibly worried about it. You can't pick up a paper without reading about the concerns on the housing market, the mortgage market and how overheated it could be. We have a huge book of business; we have over CAD200 billion on the balance sheet right now. So why don't you talk about why you are not worried, and then why don't we also talk about the other side of the coin, which is what this is going to do to growth going forward, because clearly this has been a huge source of growth that's going to slow down.

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

To the first part of your question -- why am I not worried? I think that's quite a fair statement. I mean, do I worry? Certainly. I think I get paid to worry. We have been watching, obviously, in this business for a number of years now, and as all of the metrics start to tick up in terms of consumer debt levels, we have been quite anxious and active both looking at our own portfolio as well as the industry growth.

Having said that, we're quite comfortable when we look at our own credit exposures that, even when we stress a pretty significant stress scenario, we still make good returns. Stress testing, as you know, Colleen, has become a bit of a cottage industry, and we do many different scenarios all the time. And we approach many different angles to try and say, are we correct on this?

Having said that, do we wish -- what is our expectation? Our expectation if you talk to Greg Alexander, our TD economics head, he would say that it feels like the Canadian real estate market is 10% to 15% overvalued. What we are seeing very recently is, recently in the last month or so, is you are starting to see every market ex-Toronto start to turn down a little bit.

We are very supportive of the actions that the finance minister over the last year, last two years, have made, because there have been quite measured actions to reduce the amount of real estate secured lending debt. I should say that the non-real estate secured lending debt in Canada growth has slowed almost to a standstill. So really, the continued growth is around real estate-secured lending.

So when we look at it, we think, okay, it's starting to temper. The most recent implications that you mentioned from our regulator around real estate secured lending -- we are still figuring out the implications of that. But they are not going to accelerate growth; they are actually going to temper it even further. So the real balancing act is what will actually take the 10% to 15% overvaluation in the market out at a moderate pace as opposed to tipping it over and causing a crash.

We are actually feeling probably better about that than we would have six months or nine months ago.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Do you have the sense in terms of just rates of asset growth? We have said more recently that we are, in Canada, looking at sort of 5% to 8% asset growth. What does that look like over the next few years, in your view?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Well, it depends on the class. And the volatility over 20 or 30 years in each one of these different groups changes. But if you aggregate the whole thing together, our expectation is we will get -- call it 3% to 6%, 4% to 5% type levels of growth. This is a combination of our business banking, our retail lending and all in for Canadian banking. That's what it feels like.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Okay, great. Why don't we open it up to the floor for your questions. We have folks with mics that are positioned throughout the room. We will go to Andre first.

Andre-Philippe Hardy ***- RBC Capital Markets - Analyst***

Thank you, Andre Hardy, RBC Capital Markets. Tim, when [Commerzbank Corp.] was purchased, one of the opportunities was growing the card book. So it's not the first time we've heard that. Can you talk about the progress that has been made so far and why it will accelerate going forward at this point?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Well, certainly, when we -- first of all, it was from a standing start of zero. We had, at the time, about a CAD7 billion book in Canada and essentially zero in the US. So, first, we had to both build out the product set that was available for sale in the US. But frankly, more importantly than that, we had to actually equip Bharat's team with the tools and the culture around cross-selling. So that sample I've often used is, if you look at our ability to penetrate our Canadian branch distribution network, Canadian banks generally -- and, I think, TD in particular -- are very effective at cross-selling lots of different products to their customer traffic flow.

So our Canadian example of cards sold to customers in our branches would be about 30-plus cards per month, per branch. A few years ago when we started down this journey in the US, when we first started, that number in cards per store per month was one.

Now, that number is now -- I think we are running around five. So dramatic progress, but you see the potential upside. Do I believe we will actually get to 30-plus? I don't, and it's not because of the effectiveness of the stores. It's the different credit profile of customers in the US versus Canada. But, clearly, we've made huge growth so far and great strides, and it's clearly a focus for Bharat's team this year. But we are just starting to now pilot some of the tools in Bharat's' distribution channel that actually we know are so important, prompting our tellers at the front line to say, this is a customer who qualifies for a credit card. So we think there's years of upside growth.

Andre-Philippe Hardy ***- RBC Capital Markets - Analyst***

And when do you expect to go from a pilot to fully implemented?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Bharat [radar] rollout -- do you know when the pilot is?

Unidentified Company Representative

(Inaudible - microphone inaccessible) (multiple speakers)

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

The question was -- do you know when the actual rollout versus pilot?

Unidentified Company Representative

Sorry, of radar?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Of radar, yes.

Unidentified Company Representative

So it is in pilot; it's going well, and I expect the full rollout over the next couple of months or so.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Other questions from the floor?

Michael Goldberg ***- Desjardins Securities - Analyst***

Michael Goldberg Desjardins. Your service strategy never would have been as successful as it has been if you didn't have the support of your front-line staff that delivered that support. Now you're turning, in addition, to strengthen the productivity strategy. How do you enlist the support of your staff in the same way to generate ideas and also to execute on that improved productivity strategy?

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Yes, that is a great question because generally you might assume that one is contrary to the other. In fact, we don't find that the case at all. I'll give you an example. The results I showed about our productivity improvement in our back-office operations is a classic example. If I would have gone to visit one of our operating centers -- these aren't front-line staff but they're just as focused on customer satisfaction because they have their own measures of satisfaction. If I had gone seven or eight years ago -- and I do and I did -- what I would have found was a group that were not as focused on being the architects of their own -- how their work gets done in their shops. About three or four years later, as we started this journey to lean Sigma and literally looking at end-to-end processes, when I went back and visited the exact same group, it was night and day. I will never forget the presentations that were being made by mid-level back-office workers saying "We took a look at our processes and here is how it impacted the customer, here is how it impacted ourselves as employees, and we know that we can lean out the (inaudible) reduce the waste in the steps they get taken."

But maybe, Michael, to your point, what I saw was mostly the fact that there was an incredible rejuvenation of -- they were the architects of their own working conditions. That is the same group that was also reducing in operating segments or rather operating units, if you will, by over 50% and had significant FTE reductions as a result. And you see our internal employee satisfaction scores going up and our customer satisfaction measured of that units provision of services going up at the same time. So, I don't think it's about, as Ed said, about a fire drill where you say, okay, everybody has to slash expenses. This is a long-term strategy to say where is there waste in the system that, frankly, nobody wants to do if they see it as unnecessary steps and take those out. As I said, it is very virtuous. It reduces waste, it reduces cost, and it improves usually employee and customer satisfaction as well.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Over to Darko. After this, we will go to the phones and then come back.

Darko Mihelic ***- Cormark Securities - Analyst***

Thank you. It's Darko from Cormark. Couple of questions, the first is you have a wide range there of asset growth you said depending upon product category.

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

Yes.

Darko Mihelic *- Cormark Securities - Analyst*

I wonder if you can walk through the product categories. Then one of the things that Ed Clark suggested at the beginning was that obviously we're looking at a slow-down in volume growth but that you're always looking for fee. What are your top two potential fee categories that you're looking to grow?

Tim Hockey *- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust*

So first, in terms of asset growth, our expectation obviously is that real estate secured lending will grow to the -- or rather slow to the 3%, 4% 5%. I'm being a bit vague, A, because it's the future and, B, because we're not quite sure of all of the impacts we're now facing, not just a potential [Diossi] guidelines that was mentioned, how much of an effect that will be. But as I said, it's not going to be a net positive to growth rate.

If you go to overall consumer lending on a -- ex the acquisition of MBNA of course, you're looking at that growing at about the same level, maybe a little lower. But we are also potentially seeing a higher percentage growth rate on our auto lending business, and obviously we're still achieving great growth in our business model. So all in, that feels like it's -- and I will call it a 5% number something like that in the future.

On the re-pricing side, we've just launched in the last little while a fairly significant repricing of some of our accounts on the bank account side as well as some repricing to go to more risk-based on the lines of credit side. So going forward, we think the real opportunity is not obviously to continue to reprice your customers year in and year out. You really have to win at the main game, which is growing share, getting more customers to decide to do their banking with you. So we're not forecasting wholesale changes in fee structures over the next few years. Largely, that has been done by ourselves as well as the industry.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Great. Why don't we go to the operator to the phones if there are any questions on the phone.

Unidentified Company Representative

(inaudible)

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

No questions? Okay, let's go back to the room. Sumit?

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Summit Malhotra, Macquarie Capital Markets. The first question is for Tim. Commercial Banking, six years ago, you said it was an under penetrated business line. I think, in the most recent quarter, your growth was 14% year-over-year. And if you haven't caught BMO for number two, you were pretty close. So can you still consider this an under-penetrated business line first off?

Secondly, we talk a lot about the health of the consumer. What about the commercial borrower who has certainly been increasing their loan volumes at a pretty healthy clip for the last couple of years?

Tim Hockey *- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust*

Do we still consider it a growth opportunity? Absolutely. Our share now is, call it, 15.5%, something like that, all and of Consumer Banking. You're right. We've gone, as they say, from fifth chair to essentially second place, neck and neck, onsies and twosies between ourselves and the player you mentioned. And so, we're doing that in a way though that really does take advantage of those 500 more people literally feet on the street that are building out new relationships. So in many cases, it's not a deepening of credit granted to individual customers but frankly just getting more customers.

As you are probably aware, the Canadian business owner, if you will, has a very strong balance sheet generally. They are looking for opportunities to improve their own productivity agenda and the relationships that we were able to build over the last few years with those 500 bankers is strong and will continue to fuel our growth. We don't expect it to be 14%, but we never usually plan on those types of numbers to be our base case anyway. Paul Douglas, who runs that business, is very clearly on a mission to improve his market share. The trajectory that we feel is that we can do that by, as I said, one client at a time and without going out the risk profile continue to grow.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Great, thanks. Other questions?

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

I had one more if it's okay. It's actually for you Colleen.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

What the hey.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

You mentioned in your prepared remarks that we're all very familiar with the capital side of Basel III. If we look forward here, obviously liquidity and stable funding are a couple of issues that have been talked about. Capital ended up being expedited by OSFI in terms of when you have to be compliant. What have you heard in relation to stable funding and liquidity? Maybe just internally, how are you feeling about that? Because I think, from the outside, my view has been, given your deposit base, it should not be as much of an issue for yourselves as it would be for others. Is that the appropriate way to think about it?

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Yeah, I think it is. When you look at our balance sheet and our concentration of stable retail deposits I think it does position us a lot differently. I think the whole liquidity process is still a work in progress, frankly, and we're looking at different versions around that. But I think we feel quite well positioned on liquidity.

Timing is sort of anybody's guess. I think we're looking out to 2015 at the moment, but we will see where that goes.

Yes, Steve?

Steve Theriault *- BofA Merrill Lynch - Analyst*

Steve Theriault, Band of America Merrill Lynch. Couple of questions on auto finance if I could please. Tim, could you tell us how much of the CAD13 billion portfolio is out of footprint, and is that an area we could see you get more aggressive in if you are happy with how those portfolio seasons -- those portfolio season over the next little bit? Is that a big opportunity for growth? Is there any consideration getting back into the subprime market in the United States?

Tim Hockey *- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust*

Great questions. The way to think about our market and our footprint in the US is that essentially a third of the Carbine population is in footprint and a third of the dealerships. So we expect our growth to, frankly, over-index to our footprint, but it doesn't mean that we're not obviously going to be active in the dealer network outside of our footprint. We just -- the TD shield is there. Customers recognize our brand. We will over-index. We'll deepen the relationship. So that's a way to the way to think about the growth.

In terms of our go-forward strategy, as I said in my remarks, in the US, we're basically saying how do we take this platform that was captive and it was dormant for a period of time and both upgrade it from a regulatory and a risk management point of view? At the current course and speed, we are not comfortable going into subprime.

Now, I should differentiate between subprime and near-prime because, as everybody knows, there is quite a spectrum that you can move to on the risk profile. What we're finding as we're building this out is that the margins are very, very thin in the prime or the super prime space, and by moving down the risk profile into the near-prime space, you can actually widen those margins fairly significantly and, frankly, at the same time manage your risk to expand your risk adjusted margins. We're going to do that carefully because, frankly, every time you originate a cohort of loans, you just need to allow those to age 12-plus months so you can get a good sense of what is your guess, if you will, in terms of what the loss rates you're going to get right.

We're patient. We just think this is the strategy for the longer term that will allow was to build out. We don't want to go into an area like subprime right away and say, hey, let's try this and see what happens. That is not our approach.

Steve Theriault *- BofA Merrill Lynch - Analyst*

If I could just ask then on VFC, you mentioned VFC in your remarks today for I think the first time in a little while. Can you remind us how big that book was when you acquired it, how large it has gotten now, and are you anymore cautious, given the macro backdrop?

Tim Hockey *- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust*

Yes, when we bought it, it was about CAD300 million and I think it's -- we don't actually segment it that way now because it is all part of a large business, but the way we think of a full spectrum lender in Canada and the US is the optimal mix over time would be -- and this is what we have in Canada -- about 70% prime, 20% near-prime and 10% subprime. So the traditional VFC business would have been that subprime component. That is our market -- that is our distribution today of the various different segments.

In Canada, the non-prime market or the subprime market is pretty different than the US, as you can imagine. The risk adjusted margins are thicker with less variability through the profile. So we're actually more comfortable in subprime in the US, A, because we bought the capabilities with VFC and we've watched it over the last six or so years and seen it be very successful. So it was a big part of that growth story that I showed on the slide on Canada. It has given us the confidence to manage the Chrysler Financial integration and the buildout in the North American business but we will be more cautious. To date, our plans are not to expand into non -- into subprime as a category in the US in the near term.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

I think we have time for one more question. Rob?

Rob Sedran *- CIBC - Analyst*

Rob Sedran, CIBC. A couple of quick ones I guess. Tim, when you look at the history, you mentioned personal accounts and real estate secured lendings have been the drivers and that is a zero or near zero loss rate products. So the future seems like it is probably higher loss rate products that you are targeting. Do shareholders have to get accustomed to a little bit more earnings volatility through a cycle from TD?

Then secondly, we hear a lot of more about mobile payments lately. Is that a threat or an opportunity for this sector, and is it a channel issue or is a bank specific issue where that might materialize?

Tim Hockey *- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust*

I've got eight seconds. Yes, an opportunity. (laughter) So higher volatility in earnings? Yes, and partly just a function of having bought MBNA Canada. So just having our mix shift to a higher degree of Canadian credit cards, still very profitable obviously, and accretive and all of those good things, but there will be a greater degree of volatility through the cycle.

In terms of mobile payments, this is an area where there is lots of test and learns going on globally. There has been significant work done with other players, the telcos, and the finance -- the Ministry of Finance around the payments. [Top Force] that is just submitted their report. So the idea around mobile payments is an opportunity for us. It is unclear as to exactly how we're going to jump on that bandwagon, but we have a few irons in the fire as to what our approach might be, but it is clearly an opportunity but obviously it is also a threat.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Great, thanks very much Tim.

Rudy Sankovic *- Toronto Dominion Bank - SVP, IR*

Tim and Colleen, I appreciate your efforts. Colleen, great job as the moderator. I would like to now introduce Mike Pedersen, Group Head Wealth Management, Insurance and Corporate Shared Services. So, Mike, welcome to the podium.

PRESENTATION

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

Thank you, Rudy. So I think that most of you are quite familiar with the Wealth and Insurance businesses. My main message to you today is that both TD Insurance and TD Wealth are very strong franchises that are well poised for growth.

So, in Wealth, we're the number one direct investing business. We're number one in the private investment counsel business. We're number one in institutional asset management. We're number two in mutual funds but we're gaining share and we're also gaining share in the advice businesses that we've built up over the last several years.

In Insurance, we're the number one direct writer. We're number one in the affinity market. We're number two in personal lines overall and number two in creditor insurance. So I think our strength is reflected in the numbers that you see on the top of this slide. In Wealth, we've been growing earnings at 28% since 2009 and in insurance we have just begun to report the NIAT, but you saw was very strong in 2011. I have shown you here that, looking back, we also had good growth at 16%.

So, looking forward, we believe that Wealth and Insurance can achieve double-digit NIAT growth over the medium term driven both by revenue growth and also operating leverage or expense management. In fact, you saw this demonstrated in the Q1 results where we grew earnings by 14% despite depressed trading levels in Wealth and a severe weather event in Insurance.

Let me turn to strategy for these two businesses. So, we think that our strategy is different from our competitors', both in terms of the clients that we're going after and in terms of how we will compete.

So, in Wealth, we're going after mass affluent and high net worth clients but who are already with TD in our North American retail and commercial footprint. That is because it is simply easier to get TD clients than non TD clients and because it is a big opportunity for us. We're also targeting self-directed investors both because we're clear leaders in this space and because we think this segment will grow at an attractive rate. And then finally, we will continue to leverage our leadership position in institutional asset management in Canada.

In Insurance, on the other hand, it's quite different. Here we are targeting the mass market in Canada. So think of this as your average Canadian families who we believe are underserved by the insurance industry. We're also after TD customers. I'll explain why in a second. We're only doing business in the product areas that fit with TD's risk appetite.

So in terms of how we will win, it is really the same in both businesses. I will go into a bit of detail on each of these, but there are four things that will make TD Wealth and TD Insurance different from our competitors.

First, we will compete primarily on client experience and less on product and price. Second, we will leverage the TD brand and its capabilities and client base as much as we can. Third, compared to our competitors, we will disproportionately focus on direct distribution, so the Web, online, phone and so on. Then finally, we will be more conservative in terms of the risks we take in order to drive consistent earnings and growth.

So let's just take a look at each of those four differentiators.

The first is client experience. In both businesses, client experience will be our main differentiator. There are really three reasons for that. The first, you heard Tim say it. TD brand is known for great client experience. Our retail partners win awards all the time, both in the US and in Canada. So we feel that Insurance and Wealth should capitalize on that but also contribute to it. We haven't historically done that.

The second reason is simple. When a TDCT client comes in to do business with TD Insurance or TD Wealth, we want them to have the same great experience that they're used to. We want them to feel that they are dealing with TD.

Then third, the client experience matters to Wealth and Insurance clients. We believe it will help us acquire clients, drive better share of wallet, and retain clients. So in both Insurance and Wealth, you can see on this slide that we're making terrific progress in terms of improving our net promoter scores and we were at record levels in both businesses in the first quarter of this year.

So in Insurance for example, our score is eight times higher today than it was in 2009. That reflects that customers feel better about how we're signing them up, about how we're handling their claims and so on.

So to be clear, we're not yet where our retail partners are, but we're closing the gap quickly. We're also beginning to get some external validation of this, as you can see on this slide. In the last JD Power survey in Canada of brokerage clients, TD Private Investment advice scored number one among the major banks for the first time for clients above CAD500,000 in assets. So we really believe that this will be our number one differentiator and advantage and we're very focused on driving improvements.

So this next slides deals just with the Canadian Wealth businesses. So we feel that we now have all of the capabilities that are required to win in Canada and to penetrate the TDCT client base. We're now at roughly 2000 advisors, face-to-face advisors, including private bankers. We'll continue to grow this but we think we're now at critical mass.

In addition to that, our Asset Management business is very strong and performing very well, both in terms of generating growth and in terms of its investment performance. So we're gaining share in mutual funds. We're selling more and more packaged or managed product as opposed to individual funds.

An example is our Comfort Funds portfolio, which we sell in the TDCT branches and which we introduced about 3.5 years ago. It already sits at CAD6.7 billion and is also performing very well with only one of the five portfolios being less than four or five star rated by Morningstar. So this strong device capability is obviously helping to increase referrals from TDCT and, frankly, those referrals were ready at good levels. But we still feel that we're under-penetrated.

Wealth only has a relationship with a quarter of the mass affluent and high net worth clients in TDCT. We believe that is lower than the industry. That is not surprising because Wealth was late -- TD Wealth was late to the advice game in the Canadian industry, but it is an indication of upside.

As you can see from the bottom right-hand side of this chart, we tend to double the share of wallet when we refer TDCT clients to Wealth and we also generate significantly higher earnings per client. But much as we believe that we're actually doing really well in referrals, we're going to try to improve it. So Tim Hockey and I have announced a joint initiative this year in part to drive even more referrals to Wealth and the large majority of branches still have lots of upside for referrals.

This next slide deals with the US Wealth business, which is currently very small but which we recently announced we were going to build out over the next two years as part of TD's broader US franchise strategy. So I hasten to say upfront that while we're excited about this opportunity, in the short term we will be investing in this opportunity. So it will be a few years before you see any meaningful earnings growth.

So from a Wealth perspective, there are two things that are different about our US banking business compared to TDCT in Canada. The first is that despite the fact that TDCT has 4 million more customers than a Baird's business does, the mass affluent and high net worth clients in the two businesses have about the same total assets, just under CAD1 trillion. If you think about it, this makes sense because our US stores are disproportionately located in urban, high-growth, affluent areas. Think for example of New York City where we have 89 stores.

The second difference is that our US business has more high net worth clients than our Canadian business. And so for this reason, in the US, our primary Wealth focus will be high net worth whereas, in Canada, the biggest opportunity is the mass affluent segment.

So we have hired the leadership team to run our US Wealth business. You will hear more going forward, but in essence, in the US, we're going after the high net worth segment with a private banking model, leading with high net worth of lending, discretionary asset management and trust and estate services.

For the mass affluent clients, while we focus on high net worth in the short term, we will continue to strengthen our partnership with TD Ameritrade, leveraging their direct investing offer, their in-store investment consultants, or TD Ameritrade's network of independent RIAs. So again, over time, we think that over 1300 US stores and our strong US commercial banking presence are a very attractive growth opportunity for TD Wealth in the US.

This next slide is about direct investing where TD is the clear leader. So we're number one in Canada by miles. We're the top execution only broker in the UK and TD Ameritrade is number one by trades in the US. So very simply, we want to leverage this strong leadership position.

Last year, after having lost market share for several years while we invested in the advice channels, we began to invest more heavily in our Canadian direct investing business, including in marketing. Effectively, we switched from defense to offense. As you can see, this reversed the share trend and we saw strong market share growth in direct investing in Canada last year.

We think the self-directed market can grow quickly. So, as you can see in the upper right-hand corner of this chart, direct investing is projected to outgrow the advice industry going forward, as indeed it has for the last several years. There are really two reasons for this. One is demographics; the other is technology. So retiring Baby Boomers are increasingly comfortable trading on their own partly because of better technology, and tools and information, all of which makes it easier and it feels less risky to invest on your own. Of course, younger investors are very comfortable investing online.

So, in the next little while, we will introduce several enhancements to build on our advantage and so in the last month, we have launched a Mobile Trading and we're already seeing usage grow. So direct investing is the thing that makes TD's Wealth business most different from our competitors' and we're going to leverage that strength more than we have in the past going forward.

So, turning back to Insurance, again here, we want to leverage TD's brand and client base but differently than in Wealth. I think you all know that outside of creditor and travel insurance we face very substantial regulatory restrictions in terms of our ability to cross-market to TD's client base. Nevertheless, the mere association with TD gives our insurance business an advantage. So 78% of our clients in TD Insurance are already TD clients. Even in Home and Auto where the restrictions are stronger, 42% are TD clients. It shows the power of the TD brand. The TD shield attracts TD clients to TD Insurance. So, again, in Insurance, we're focused on the mass markets because they're less targeted by the competitors because they're really the heart of TD's banking franchise and because we can serve them profitably with our direct distribution model.

One of the ways that we target this segment is through affinity relationships with employers, with associations, with educational institutions and so on. We're the leading affinity player in Canada and it allows us to capture clients with excellent risk and profitability characteristics. So you can see this profitability dynamic at the top right of this chart. Clients who deal with both TD Insurance and with the rest of TD are twice as profitable as TD clients who don't deal with TD Insurance.

Most importantly, I think we have substantial upside here. So, currently, TD only does business with 24% of TD's customers. In Home and Auto, by the way, it is only 5% and this explains in, part, our recent strong growth.

Even in creditor, we have lots of opportunity. In creditor, we're below the industry average and quite a bit behind the industry leaders, but our Q1 numbers were up 130 basis points year-over-year. We expect to make up further ground on the leaders going forward. So again, this speaks to upside and opportunity.

So, I said when I spoke about Wealth that direct distribution was an important differentiator for our Wealth distribution strategy. In TD Insurance, it is our distribution strategy. We're the leader in direct distribution in Home and Auto and that is a good place to be because as you can see on the chart on the top left, direct distribution is growing much faster in Canada than either the broker or the captive agent channels. In the last 10 years, direct channel share of total distribution has grown by 13% whereas brokers and captive shares have declined. You can see that this is reflected in our premium growth which has outgrown the market by almost 50% in recent years.

Similarly, our affinity premium growth in the past five years has averaged 9%, obviously well in excess of market as well. It also shows up in very strong market share gains in our various insurance categories.

The clients we're able to attract with direct distribution, whether they are at affinity clients or online clients or just TD clients, are just better clients. We see higher close ratios; we see better share of wallet; we see better retention; we see lower claims experience. So we like this model. It's profitable. It's higher growth. It has lower costs and we get to control the client experience.

Our final and fourth strategic lever -- and again, this applies to both Wealth and Insurance -- is a different risk posture than the competition. So in Wealth, this manifests itself mostly through our focus on in-footprint markets on our existing TD client base and on onshore as opposed to offshore markets. We also take a conservative view to the kinds of product we will sell, both in terms of risk to the client and risk to the bank, all in line with TD's risk appetite.

In Insurance, the difference between us and many of our competitors in terms of risk is quite substantial. You can think of TD Insurance as an insurance business being run with a bank risk appetite and in this case with TD Bank's risk appetite. We feel that TD Insurance has less at risk for four reasons.

First, we don't use brokers; second, we avoid tail risk products like universal life, whole life, certain kinds of disability, commercial insurance, variable-term, and so on; third, we carry zero equity investments and our fixed income investments are very short duration, again, because we don't have the longer-term product risks; and then finally, we take a very conservative approach to reinsurance in order to minimize our exposure to large unexpected losses. So for example, we reinsure our own risks aggressively but we don't sell catastrophe insurance to others, unlike many competitors, including some of our bank competitors.

So our expectation is that our approach to risk will result in less earnings volatility in these businesses than with some of our competitors. You saw an example of that in our Q1 results of this year.

So to sum up, we feel our strategy is very aligned with TD's strategy. We think it is compelling for clients and we think it is different from our competitors. We're targeting very specific client segments and we seek to win through the client experience by leveraging TD's brand and client base, by focusing on direct distribution which we believe will grow faster, and by employing TD's conservative risk appetite in both the Insurance and Wealth businesses.

So, again, in closing, we are shooting for double digits NIAT growth over the medium term in both of these businesses. Thank you very much.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Okay. Same format. A number of people in this room were likely at our investor day, Mike, a couple of years ago April of 2010. I would say, in that presentation, there was a lot more focus on the advice side, the asset management side. We had a major segment on the international brokerage side, direct investing side, which seems to have been downplayed a little bit in your presentation. Maybe you can just tell the crowd. I mean is that the take-away? Has the strategy changed or how should we be thinking about that?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

No, I don't think the strategy has changed at all. I think what you are hearing is that I feel that these businesses are where they need to be to compete on a level playing field. I spoke a little bit about it. We have now gotten a very strong advice business. We've got a very strong Asset Management business. We're gaining share in all of the relevant categories. This is for sure where we have the most upside in terms of profit growth going forward.

Having said that, the way I think about it is the projected industry growth is highest in direct investing but in TD, because of our relatively new advice business, we've actually got the highest potential growth in our advice businesses. So I feel like we've got the best of both worlds. We've got growth potential and advice where maybe the others don't. Because we are the leader, the clear leader in direct investing and that sector is going to grow well, we have great exposure to that as well. So that is what it is meant to imply and it simply reflects that we're rebalancing our investment priorities a little bit, having grown the advice and Asset Management businesses effectively.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

So do you think we're at our cruising altitude now then in terms of the number of planners and advisors? There was a time where we were talking about adding 130 a year. That goes back a few years. But are we sort of on -- are we sort of in a static mode now?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

We have grown these sales forces very fast, and I think we are at critical mass. So we may optimize the sales force a little bit to make sure it is working at full capacity at the same time that we're taking some of our investment resources and focusing on direct investing. But we still plan on growing the advice channels and growing the number of advisors we have. We may just be a little bit more opportunistic about it. We're about to launch a major intake in terms of new advisors that we're going to train and build, so no, we're still going to do that.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

And maybe when Bob is up later, we'll talk about -- because obviously the advisor side has been important to the equity underwriting business, and maybe we'll just explore that a little bit.

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

I look forward to that.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Just putting you on notice. So why don't we go to the floor and open it up for questions? I'm going to go to Peter first. He hasn't had a question yet. Yes, over to Peter Routledge. Then we will come back to you, Andre.

Peter Routledge *- National Bank Financial - Analyst*

Peter Routledge from National Bank Financial. Mike, you talked about TD's strength in the direct channel, which I think I get, and that those clients are younger. What happens when they get older and richer? Do they want more advice? And is your movement into the advice channel defensive as opposed to offensive, or a defense strategy as opposed to an offensive strategy?

Then the second part of the question would be can you compare your face-to-face advisors with your competitors' skills, AUA per client, that sort of thing?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

I will start with the second one. So, in general, we're of the view that we'd far prefer to build our advisory sales force than to acquire an advisory sales force. Because we started from a very low base a few years ago, we have had the luxury of selecting and recruiting exactly the kinds of advisors that fit with TD's culture and our business objectives, whether that is from a compliance point of view, from a sales culture point of view, from the perspective of being able to work with our branches, and so on.

I think we've built a tremendously strong advisory capability. That's why we're gaining share. I think that the proof is in the pudding in terms of some of the numbers that you have seen, both in terms of the earnings and the share. So I feel very good about our -- the capability of our advisors compared to the competitors'. They have more than we do still. I would still like to have more, but again, that is an issue of making sure we grow at the right pace and that we invest in the right priorities over the short to medium term.

I'm sorry. I've forgotten your second question -- your first one.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

About aging. Something we don't want to talk about.

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

Alright, so, I would actually say that one of the big upsides that we see in the direct investing business is in the aging Baby Boomers who are finding two things. One is that they have gotten more comfortable around investing knowledge as they've perhaps had advice of the last few years, and secondly that they've got better tools now and that it doesn't feel as scary as it used to.

So we're seeing two things that are interesting. One is more aging Baby Boomers having direct investing accounts. The second is that they have both. So 46% of our direct investing clients also have an advisor. Not all of those advisors are TD advisors, but they have -- so about half of them have an advisor. Obviously, those are older clients. So this is why we think that there is such good growth potential in direct investing.

If you look back over the last 18 years, direct investing grew 13%; advice grew 8%. Projections going forward is it will continue to be more direct investing. That's whether it's the US or Canada. Part of that is driven by Baby Boomers wanting to directly invest.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Great. Why don't we go to Andre?

Andre-Philippe Hardy *- RBC Capital Markets - Analyst*

Andre Hardy, RBC Capital Markets.

In your guidance, do you include the benefit of higher rates potentially? If not, how much additional margins might you be able to generate in a higher rate environment? Just to be clear on the rate question, do you expect additional pressure on your margins if rates do not move?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

Immaterial is the answer to the second part of your question. In terms of the whole issue of rates, it's a relatively minor part of our Wealth earnings, about 15% of revenues that are rate exposed. We have not built insignificant rate upside in the numbers I've shared with you today. So the expectation is we stay at 1% this year, average 1.2% next year, go up to I think 1.9% by 2015. So there is not a lot assumed in the numbers I gave you today.

If there are more rate increases, that does give us some upside, but it is not really significant when you compare it with fee income and with trading income.

Andre-Philippe Hardy *- RBC Capital Markets - Analyst*

But what would 100 basis points give you?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

100 basis points could give us revenues up to sort of CAD80 million, but that would depend on the extent to which you could pass it on to -- to the extent to which you had to pass some of it on to clients. So it's not really baked.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Other questions in the room? Over to Michael.

Michael Goldberg *- Desjardins Securities - Analyst*

Given your risk appetite, is there anything you will be able to offer to deal with -- to offer aging Baby Boomers as you described them to deal with longevity risk?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

You know, it is very difficult with the restrictions we face and it's difficult given our risk appetite. I think it is more likely you will see us tailor some of our existing suite of investment products to try to deal with some of that need. We just think it is better left to others who have different business models. There's lots of business we can go after without going there.

We have, on the investment side, introduced some product to specifically cater to the need for income and on certain time horizons, we've introduced funds that have targets in terms of return over three and five-year periods and so on. We'll continue to evolve that, but it's not going to be a major focus for us, given the risk characteristics around that kind of stuff.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Other questions in the room before we go to the phones? We've got Darko.

Darko Mihelic ***- Cormark Securities - Analyst***

Thank you. This is Darko again from Cormark. I wonder if you can maybe put a little bit of meat around the bones around the project initiative you have with TDCT that refer clients. What are you doing and what are you sort of targeting?

I guess a personal experience, I bank with all of the banks, as sick as that might sound, but one bank in particular seems to pass for me every week saying why don't you come in and talk to my advisor. I don't really think of that as being convenient, and I certainly don't think of that as being a TDCT trait, you know, where you walk into the branch and somebody is pushing you into a wealth product or to an advisor. So can you maybe talk about what the project is and more importantly what you are aiming to get from the project?

Mike Pedersen ***- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group***

Yes, so just to your point around your experience, I can show you the stats about how we (technical difficulty) client experience numbers in Wealth (technical difficulty) we did a really detailed piece of research on our own clients last year to understand where the pain points were and where the opportunities were. One of the most significant things that we found was that we didn't have the referral process right in the sense that some people did feel they were pestered and some people did feel that the process from the beginning of the identification of the need to the actual referral could've been a lot more elegant and a lot more comfortable. So, we put a lot of time into trying to make that experience a better one for clients, including the initial discussion about whether you in fact have needs that we want to satisfy.

In terms of what we're trying to achieve with this initiative, there are really three things. One is trying to help the sales team in TDCT, so Tim's sales team, be more effective at selling investment products. (technical difficulty). The second is to do a better job of identifying the kinds of clients that are appropriate to ask if they want a referral. Here we're going to leverage some of the capability we've built in our data area and we're also going to leverage some of the direct channels so that, for example, you might get a friendly call from to someone in our call center to inquire as to whether in fact you would like to talk to somebody in Wealth, so that we're not just relying on branch people to do it.

Then finally, we're reconfiguring the referral processes not just to improve the client experience but to ensure that you get to the right person, whether that be an investment advisor, whether that be a financial planner, whether it be private banker, portfolio manager, et cetera. So we feel that by focusing all these three things that we can have a fairly significant impact. We're just beginning to pilot this, so I can't give you much in terms of results, but both Tim and I feel excited about the upside that exists here.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Yes, and just to add, I mean, from my experience, oftentimes in organizations it is the silos that get you. Is that it is hard for businesses to manage customers across their lifetime needs. I think that is something at TD that we do particularly well. As Ed used to always say, we only have one boss and it is the shareholder, so thinking to the future and managing the customer. Wasn't it nice the way I tucked that in?

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

It was.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Anyway, why don't we go to the phone. Operator, is anyone on the phone? Any questions from the phone?

Operator

I have no questions from the phone line (technical difficulty)

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Okay, great. Why don't we go back to the room. We have got Steve again. Yes, Steve Theriault.

Steve Theriault *- BofA Merrill Lynch - Analyst*

Thanks. Steve Theriault of Bank of America Merrill Lynch. It's been I think about two years since you established or solidified the referral process between TD US and Ameritrade, so maybe you could give us a bit of an update there in terms of how that's progressed, maybe some of the -- some numbers around the referral stats and what is working well and what is working less well?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

So I think the answer to that question is that the trends are improving right now. I was in New York two weeks ago and spoke to both people in our retail stores and people in the TD Ameritrade branches. I'm encouraged by the cooperation that exists, by the flows that exist and about the upside that they think they have.

We're seeing growth in assets. We're seeing a higher amount of referrals week by week, and we're seeing higher close rates on those referrals.

Having said all of that, we do believe that there is significantly more upside, and both Bharat and I are keen to realize that as we go forward. We're not keen to share actual assets or referrals but just as a an indication, we are seeing in the -- it's relatively few locations we've got it operating well. The referral sort of in the 500 referrals a month, closed referrals in those stores and that's growing and rising. We think there is more upside. We have a revenue-sharing arrangement in place between us and TD Ameritrade, so this is a source of revenues and growth for TD. We think that, if we refine this over the next few years, this is part of the US wealth strategy to do this but then we have but there is more we can do.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Maybe I'll log in another question, Mike. The fact that Wealth and Insurance are now one business or one segment, can you talk about sort of the marriage of the two businesses? What sort of potential do we see in putting them together?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

Yes, so I think there is more revenue upside over the medium to longer term than cost upside. We have gleaned some cost synergies already. So for example, the HR departments now are together and the finance department reports to one person and the same in various other areas. There may be bit more, but I don't think it's going to be meaningful. The upside is in figuring which segments we can effectively cross-sell between. It's not clear. We have more leeway in terms of selling to Wealth clients than we do to the Bank clients. And so we're right now doing various pilots to figure out which segments are most susceptible to that, both ways. But I don't have any results yet. But just intuitively, I do think that there is upside to generate more referrals and more revenues.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Okay, great. Back to the room. Yes, Jason?

Jason Bilodeau *- TD Securities - Analyst*

Jason Bilodeau, TD Securities. As you look to grow out the Wealth Management opportunity in the United States, is there anything on the product side in manufacturing that you might want to flush out or fill in?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

Yes, we have to strengthen a few. In general, in order to build out that business, we need to hire lots of bankers and we've got an aggressive program to do that over the next few years. We need to strengthen the platform. We've begun to do that. We have created a strong operations and IT capability in the United States and we've consolidated various locations into one to have much stronger infrastructure. But the other thing is we need to make sure that we had the product capability to succeed in the competitive environment that exists down there. We're not far away. With the capability that we have in TD Asset Management, we just need to round out a few things like US Global Equities for example and we're working on that. We have to get a little better at lending to the high net worth segment. Again, working with Bharat, we've made really good progress in terms of creating that capability. I don't think we're -- we're not far away from having the product suite that we need to compete effectively. I think we will have it by the end of this year.

Jason Bilodeau *- TD Securities - Analyst*

All of that you think you can take care of organically or is there any sort of tuck-in you might need to do?

Mike Pedersen *- Toronto Dominion Bank - Group Head, Wealth Management, Insurance, and Corporate Shared Services TD Bank Group*

So the strong preference is to take care of the distribution side organically because of all of the risk involved with acquiring advisors, distribution and so on. I think we can take care of the product needs organically. It's not a huge deal to build those things, given what we already have, but not averse to looking at inorganic if an appropriate opportunity presented itself. I don't want to give you the impression though that we're out there actively looking for that every day. Our preference would probably be to build it organically.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Other final questions from the room? No? So why don't we wrap it up there. Thanks, Mike.

Rudy Sankovic *- Toronto Dominion Bank - SVP, IR*

So thank you, Mike and Colleen, for that. We're going to take a short break of about 10 minutes. It's around 2.05, so around 2.15, if we can all get back in the room and let folks on the phones just pause for about 10 minutes. Thank you very much.

PRESENTATION

Rudy Sankovic *- Toronto Dominion Bank - SVP, IR*

Okay, a 15-second warning now. Nobody pays attention to me. Don't worry. Okay. Thank you. We will restart the session, and next up is Bharat Masrani, Group Head US Personal and Commercial Banking. So, Bharat, welcome to the podium. Thank you.

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

Thank you, Rudy, and good afternoon. I appreciate the opportunity to provide an update on our US Personal and Commercial business. As you can see, Colleen's people would not trust me with the clicker, so I will prompt them to turn to the next slide, and this might be a good time to do that. Thank you.

I am extremely pleased with the progress we have made in the US over the past several years. TD Bank, America's Most Convenient Bank, is now a top 10 bank in the country. And right through the financial crisis, we significantly outperformed our peers in both loan and deposit growth. Excluding acquisitions from 2007 to 2011, while other banks contracted their balance sheets and barely increased their lending, we grew our loans by 50%, and our deposits grew more than twice as fast as our competitors.

Since first entering the US in 2005, we have grown our adjusted net income after tax through a combination of acquisitions and organic growth from about CAD130 million to more than CAD1.3 billion in 2011. And in recent years, we grew our earnings through the most challenging economic environment.

With respect to the CAD1.6 billion in adjusted earnings, before anybody asks me, that continues to be our target for 2013. We are working incredibly hard to meet that target and are held by some tailwinds and hindered to some extent by various headwinds.

Let me explain. First, the tailwinds. We have strong momentum on our side. This will allow us to grow our loans, including those from TD Auto Finance, as well as our deposits and fee income. Improving US economy will help, as will our efforts to moderate the rate of growth in our expenses.

From a headwinds perspective, historically low interest rate environment and regulatory changes such as Reg E and Durbin do create challenges. We have said this before. It will take us two years to earn our way through Durbin, and although we are making great progress, I am really pleased with the progress we are making. This is still the case. Taken as a whole, we continue to target CAD1.6 billion in adjusted earnings in 2013 and are working hard every day to get there.

From a medium-term perspective, notwithstanding the headwinds Colleen spoke of earlier, our goal is to grow our adjusted earnings in the 7% to 10% range over the next few years, consistent with TD's medium-term objectives.

Please turn the slide. Today at TD Bank, America's Most Convenient Bank, we have nearly 1300 stores along the East Coast from Maine to Florida. We operate in five of the top 10 MSAs in the US and are now in seven of the 10 wealthiest states. Our value proposition, similar to that in Canada, is built on providing our customers with legendary customer service and unparalleled convenience. Our regional banking model is designed to deliver the entire bank across all of our businesses to our customers and we do. And we have significant opportunities to cross-sell our more than 8 million Personal and Commercial customers, additional products and services including mortgages, savings accounts, credit cards, insurance, wealth and to provide a wider sweep of product suite to our corporate clients by leveraging our capabilities at TD Securities.

Next slide please, yes. Our franchise in the US is relatively young. For historical reasons, with the exception of Northern New England, including the states of Maine, New Hampshire and Vermont and Metro Philadelphia where we have either the number one or number two market position, most of our other markets are not as mature, and our share is in the low to mid single digits. This creates a tremendous opportunity to drive organic growth given our demonstrated ability to take share. The cumulative market opportunity for the top 5 MSAs in which we operate is in excess of CAD1.6 trillion in deposits. That is more than 1.5 times all of Canada. Our goal over time is to become at least number three, four or five in the major markets in which we compete, and as recently announced, we have set a goal of becoming number three in New York City over the next four years.

In the past two years, we have seen substantial growth in our mortgage business and have benefited tremendously from our service and convenience model. Given the size of the market, we expect continued growth in our mortgage portfolio. And the story is similar across other loan categories, including credit cards, commercial and industrial loans, corporate and specialty banking and TD Auto Finance.

Next slide, please. I mentioned earlier that our regional banking model is a key contributor to our success. Why so? At TD we have a customer-centric approach designed to deliver the entire bank across retail, commercial, corporate banking and wealth. Let me give you an example.

Cold Spring Harbor research lab is a prominent not-for-profit institution located on Long Island, New York. Founded in 1890, the lab conducts primary research and education areas of cancer, neuroscience and genomics and is home to eight Nobel Laureates. Our relationship with Cold Spring Harbor began several years ago with a small depository account.

Since then, based on a consistent team-based calling effort and creative financing solutions, we have displaced the lab's bank group and are now their primary provider with full credit and cash management services.

In addition, TD Securities provided pricing options for an existing bond, and we now also provide personal financing to some of the lab's senior executives. Additional opportunities include bond remarketing services for TD Securities, private banking, bank at work and wealth management. This example is not unique, and our ability to deliver the entire bang across all of our businesses is a key driver of our success and creates opportunities for further growth.

Next slide, please. Our de novo strategy, you have heard a lot about our de novo strategy, is a key contributor to our growth as well. In 2011 our maturing stores, i.e. less than five-years-old, contributed a significant portion of our overall deposit growth. Given this proven ability, we have plans to open an additional 35 stores in 2012 with an emphasis on our higher gross markets of Metro New York, Boston and South Florida.

New York City is a terrific example of how we execute our de novo strategy. We first entered the market in 2001, and over 10 years -- for the past 10 years, have grown our deposits by compounded annual growth rates of 58% such that today we have nearly CAD12 billion in deposits. We are currently number five in the market with nearly 90 stores and have announced plans to open more than 50 additional locations across the city over the next four years with a goal of achieving the number three market position.

Next slide, please. Over the past several years, regulatory changes, including Reg E and Durbin, combined with a low interest rate environment, have put added pressure on banks who diversify their revenue streams. The combined effect of just two regulatory changes had an annualized revenue impact in excess of CAD400 million pretax -- over CAD400 million pretax per year, and that is a negative with virtually no offsetting reduction in expenses.

Notwithstanding this, we have made substantial progress in both mitigating and offsetting these headwinds. How so? We approached the challenge from a customer-centric perspective, introduced new products, educated our customers on the benefits of our offerings, and help them make informed decisions about what was right for them. Optimize our fees in a manner consistent with our value proposition. In some cases, introduce fees that other banks have been charging for years, but we had not. And the response from our customers has been extremely positive. Let's face it, no one likes to pay fees. US consumers are savvy and know intuitively that there is no free lunch out there. What we have found that when you educate your customers and provide them with both value and choice, they respond accordingly. We are opening a record number of checking accounts today.

Simultaneously, our Customer WOW! Index, similar to our Customer Experience Index at TDCT, has hit record, record levels and is now well above our pre-commerce conversion scores. So, taken as a whole, I am extremely pleased with the progress we have made in response to the regulatory changes facing us and the industry, but there is still lots more work to do.

Next slide, please. Another area where we made significant progress but with tremendous upside is in cross-selling additional products and services to our more than 8 million customers. We have leveraged what has worked so well at TDCT while adapting our approach for the US market and have made great strides in laying the foundation for a true service and sales culture at TD Bank, America's Most Convenient Bank.

We implemented SR, our sales revenue system; embarked on a comprehensive sales training program for our frontline personnel in our stores and contact centers; and recently piloted radar, as I mentioned earlier, a sales tool that provides next best product recommendations in real time to our frontline folks. Radar has been used quite successfully, very successfully at TDCT for the past several years, and the early results from our pilot, as I mentioned earlier, is extremely positive.

When we brought our banks together in the US, we made the decision to enter the mortgage business as this is a core relationship product. In the first quarter, more than 60% of these new mortgages originated from our stores. A few years ago, that number would have been virtually zero. And while an average TD Bank household has more than four and a half products and services, for mortgage customers that number grows to over seven, an increase of nearly 60%.

We also introduced programs to engage new customers earlier and in 2011 saw a 25% lift in products and services sold to new households to the bank.

In addition, over the past year, we began leveraging our contact center, and in 2011 these centers opened new accounts equal to the production of more than 80 stores.

Lastly, we have significant opportunities to grow our wealth business, and as Mike shared earlier, we are working closely with this team to more fully integrate wealth into our offering, including further leveraging our relationship with TD Ameritrade for our mutual benefit.

In the coming years, I am confident that TD Bank, America's Most Convenient Bank, will be viewed as a service and sales leader in the US just as TDCT is in Canada.

Next slide, please. For the past several years we have invested significantly in our US franchise, including in our de novo stores, but we have done so prudently and have kept a close eye on our expenses.

What you can see here is that while the efficiency ratio of our peers has climbed, ours has trended downward and we believe it will continue to do so. We have grown our revenue, notwithstanding the regulatory and economic challenges we faced. And we continuously -- we are continuously looking for opportunities for productivity enhancements to permanently reduce our operating expenses.

One such example is customer capture, or C-squared, as we call it. Today at all of our stores we digitally capture transactions at the teller line and transmit those to our item processing sites. This investment not only improved the customer experience by reducing error rates, it also allowed us to reduce the number of item-processing sites from 10 to two and lowered the related costs by over 60%.

So, what are my key takeaways for you today? Notwithstanding the headwinds we face in the US, we are well positioned to achieve 7% to 10% adjusted earnings growth target, consistent with TD's medium-term objectives, based on, one, our unique value proposition centered on providing our customers with legendary service and unparalleled convenience; two, our competitive offerings; three, our proven ability to take share through organic growth; four, our opportunities to cross-sell additional products and services to our more than 8 million customers as our franchise matures; and lastly, our ability to manage expenses closely while driving productivity enhancements.

Thank you, and I look forward to taking your questions. Thanks very much.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Welcome.

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

Hello, Colleen.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

First question, Bharat. I think this has been an amazing seven-year journey when you look at the fact it's really just over seven years that we've had a US retail bank. And as you've pointed out, the growth has been astounding. And we are now a top-10 bank in the United States. But obviously, the top four have just enormous clout, enormous muscle, and they've repaired their balance sheets. You know, I saw a report on Bloomberg today that was talking about the whole too-big-to-fail phenomenon and that in fact, if anything, these banks are larger than they were before the financial crisis.

So, being top 10 is great, but how do you think about the muscle of those competitors, given what we are trying to do?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

Was this part of the script?

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

It was.

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

Oh, I see.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

I phrased it a bit differently, but --

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

I see. Great question. One should never underestimate your competition; we've learned that in various businesses that we operate. But I can say quite comfortably and very confidently that we will continue to outgrow. We will continue to take share. We've shown that before, during and after the financial crisis. We've shown that right through.

Now, why is that? It starts with what I talked about in my remarks, that we do have what many of us believe a sustained -- a sustainable competitive advantage centered on service and convenience. Products and services can get matched in a nanosecond, but not service and convenience. So we are true believers of that; we continue to work at that. You heard Tim and Mike talk about it's a game of inches. But if you continue with that advantage, you're going to win in the long term. And I have every confidence that we will continue to do so.

On the commercial banking side, we do have added advantages which I don't think disappear over the short term. We have a fantastic balance sheet. We have the liquidity -- somebody asked the question. We have the people. I know we have the reputation in the marketplace, and it is not lost on many commercial clients. Through the financial crisis, there were lots of institutions that walked away from those relationships. And you develop a reputation that lasts for a long time, so I think we are in a good position from that perspective.

And the one example I would really like to use is look at New York. We started in New York in 2001 long before people knew what a financial crisis would look like. And our model is not changed. In fact, in New York we love it when a location is available where there are three other major banks competing with us. Because our model ensures that over time we will be the most successful bank in that corner.

And the reasons are simple. After a while, the customer keeps on going to a bank, and they go at 5.00 and say, well, there is only one bank that is open. I go there on Saturday. Well, there is only one bank that is open. Sunday, well, this one is open. The stores look different. When you walk into our store compared to some others, I think our stores are more welcoming. You are not walking into, you know, visiting an inmate at a prison. It is a different experience, and our people wow our customers. So, again, not to underestimate competition, but I think we will continue to take share because our model is enduring.

Colleen Johnston *- **Toronto Dominion Bank - Group Head Finance and CFO***

Clearly, commerce was a rational disruptor in their markets. Do you think we are in that same category still, or are we too big to be a rational disruptor, would you say?

Bharat Masrani *- **Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

I don't think we are too big to lose our key advantages. We run the bank very regionally. We make sure, especially in the US because we are so small, we had to deliver the entire bank. That is the only way we can ensure that we are getting the right leverage points and it works in our model. So we have been very disciplined to ensure that we are very local. We have advantages of a very large group, not only in the US but globally, and we only take those advantages, but we are quite local in the markets we operate.

So yes, there would be some aspects that perhaps we may be more consistent from Maine to Florida, but we are pretty local. One example would be our pricing. We have 17 pricing regions in the United States, and that may grow depending on the markets we enter. So we are pretty local. We have to compete with different banks in different markets. So I feel that will continue for a while.

++ q-and-a

Colleen Johnston *- **Toronto Dominion Bank - Group Head Finance and CFO***

Okay, excellent. Why don't we open up to questions in the room. Why don't we go over to, we will start with Michael and then go to Peter and Rob.

Unidentified Audience Member

Bharat, tell me why I should not think that you are setting the bar low when you say 7% to 10% growth in the US when you run off the different opportunities that you feel that you have and as you describe it a unique value proposition?

Colleen Johnston *- **Toronto Dominion Bank - Group Head Finance and CFO***

Michael, we think that is an excellent question, and that was actually on my follow-up list. So over to you, Bharat.

Bharat Masrani *- **Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

Yes, I thought at the break you talked to Colleen and Ed. It is a good question. Should we be outgrowing our competition? The answer is yes. Should we be growing our US business in the multiple of GDP growth? The answer is yes, given our size, our value proposition and our positioning in the market, the answer is yes.

The reason why -- and in some years I am sure we will exceed 10%, in some years we may not, and that is all dependent on the pace of regulatory change, when some of these changes come. That may slow down a specific year, and you saw that. You saw the numbers we delivered when Reg E was introduced for a quarter or two. We had some headwinds that were more so than what you would have seen otherwise. So there is volatility from that perspective.

Having said that, not withstanding all these regulatory changes, I think the great thing for us is those changes apply to every bank in the United States. And when there is a level playing field, I think we win, and our model wins, and we have shown that.

So yes, it is a good question. I would not have framed it as putting the bar lower. We are trying to gain as much as we can, but we're also cognizant of the fact that there is some volatility here. Some of the headwinds we face in the US, particularly from the regulatory side, and I don't think there is as much confidence on the economic recovery yet. That is going to take ahold and regulatory pressures were to stabilize, then I think there is more upside.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Okay. Thanks for permitting that. We will go over to Peter.

Peter Routledge ***- National Bank Financial - Analyst***

National Bank Financial. Bharat, in the last couple of weeks, even over the last month, we have had some mixed data back from the United States in terms of the state of the recovery. What are your branches telling you about where the recovery is right now in your footprint? Is it sustainable, and is it stronger than the US overall?

And then b), I will give you credit for maintaining the CAD1.6 billion bogey, you said that two years ago, you are still there. How much margin of error if we do get something like a slowdown?

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

On the first question, what we hear from our customers, you see more confidence than what the headlines might suggest. A great example I can give you is I was visiting a market in Connecticut a couple of weeks ago, and we have a customer who builds boats. That is his business. And he is having record performance. He has never built so many boats in his history and doing well. But he has less people today than he had prior to the financial crisis. He is very efficient. He has become quite savvy on managing not only suppliers but his bank as well as to what he would pay us.

But he is the first guy when I saw him he says, Bharat, life is good, everything is going very well, but I'm still very nervous because I don't do any business with Spain or Italy, but I know that if something bad happens there, it is going to happen to me. So it is a long way of saying confidence is fragile. Sentiment is still nervous. But from the ground, you feel better. I think you have seen in our numbers, not only have we taken share, but within our own customer base, the lending has gone up. So there is more confidence from that perspective. But it is month by month numbers. Everybody is waiting on the Friday morning and to be moved by -- (technical difficulty). So your guess is as good as mine, but I'm feeling that things are getting better rather than worse without a doubt.

I forget the second question.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

CAD1.6 billion.

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

How can I forget that?

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Yes, I know.

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

Maybe my mind does that. Listen, I wish we were in a perfectly well-managed forecasting business. We are not. We are bankers. Based on what I can see in our business, the momentum we have got, we have come together as one bank. We are building a better bank in the US. I think we have proven and demonstrated that our model takes share. We are seeing the results of that. I mentioned in my remarks record checking growth. We are opening new stores. They are going exceedingly well. So I like where we stand.

But are there no headwinds there? Absolutely. If the economy were to fall off the cliff and we get into a major recession, obviously that is going to have an impact on us. So that we worry about that, but I'm not giving up on the target. We are working very hard to get there, and I'm hoping some of these macro factors go in our favor as well. At some point they will.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

But it is remarkable to look back, and that was just -- it was just under two years ago that we did that Investor Day and even how many headwinds we had since that time and things that have gone against us. You look even at the impact of Durbin, which has just been huge. But I think what has been so impressive is just the core of the fundamentals of the business, and the strength in delivering on that embedded value has been really, really impressive.

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

I think the only major regulatory change we were aware of was the impending Reg E, and that, too, was not outlined in great detail as to how that would work. In fact, at the time, there was debate, is it for new customers only, or do you have to go back to your existing customer base and have them opt in or whatever? And Durbin was on nobody's radar because the view was it will never get passed.

So yes, I thank you for reminding me, but I think the combined -- one was between CAD50 million and CAD60 million; the other one is CAD40 million to CAD50 million, and frankly, those numbers is what happened. That is close to CAD100 million a quarter, more than CAD400 million a year. But we were able to outrun that to some extent because of growth. We have more customers today than we had yesterday, and the way we count them will have more tomorrow than we have today. And that is what we have seen, is growth from those challenges, and my expectation is that is what we will continue to do.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Great. Why don't we go to Rob?

Rob Sedran *- CIBC - Analyst*

Thank you. I hope your boatbuilding customers isn't booming because he is building houseboats. The question I have is actually on the mortgage, sorry. It is Rob Sedran from CIBC. The question I have is on the mortgage market. It has not typically been a product that is balance sheet-friendly or balance sheet focused for banks. And so I'm wondering if you can talk about the evolution of that product in the United States and how your product or what you are selling might be a little bit different and why you are willing to warehouse that risk on your balance sheet?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

Yes, I think what the crisis -- not think but I think a lot of people are talking about this, what the crisis has shown is that customers are now more interested as to where their mortgage is. They don't want to be in a position where they have got their mortgage from one bank, and they go back to that bank and say, you know what, I lost my job. I need three months or whatever change. And even if that has not happened to them, they have started thinking about that because either it has happened to their neighbors or somebody else.

So from a customer perspective, this has evolved into a relationship product that I need to understand who holds my mortgage. If my mortgage is held in some foreign country, well, all of a sudden I'm worried. So that seems to be a new phenomena in the US market.

Frankly, in our case what we saw is that neither of our legacy banks were really big in that business. We decided that this is a good business to be in, not that we have predicted perfectly the relationship nature of it, but our Canadian experience had shown us that this is a great business to be in if you can manage the risks around it, if you can manage the various other issues that come with it, and it is a great product to be able to cross-sell other products and services.

So we did build out a platform. We built out a platform from Maine to Florida that provides great customer experience but is scalable and, frankly, robust enough to meet all of our internal standards of risk and compliance. And since then, we introduced our sales teams that I talked about in my remarks, and it has been quite remarkable as to the kind of business we have gotten.

Now the key reason why we got that business is that because we were not in the mortgage area and as the rates have dropped, there is a huge refinancing boom going on. So millions of checking account holders have decided, hey, we love this bank. They wow us with their checking products, so why would we not take our mortgage to them which was previously held by some other institution?

So we have seen we have been a beneficiary of the huge refinancing boom, and that is why you see the numbers you see.

Now your point about, why are you comfortable in warehousing this risk, whereas some others may not have? A few points on that.

Number one, given the size of our balance sheet in the US, and if you look at TD's overall balance sheet, we think some of these risks are quite manageable from that perspective, from a size perspective. Secondly, we are not just doing 30-year with no prepayment penalties. We have introduced new products there. In fact, a big chunk recently of our originations comes in a 15-year product. We are introducing other products as well that are more risk-friendly from that perspective.

And lastly, the way we priced these products, the way we fund transfer to our front office is option adjusted. So whatever hedging costs we would incur are embedded in how we sell these products. So I think overall I feel comfortable that we are managing this risk appropriately, and given the size of it, it is quite appropriate for TD to do what it is doing.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

I'm going to suggest we go to the phones. Operator, are there any questions from the phone?

Operator

There are no questions at this time.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Okay, why don't we go back to the room. We have Sumit?

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

Macquarie Capital Markets. The first question is more to do with the behavior of your customers in the US. If we go back to your event two years ago, I think it is fair to say you attributed part of the success that you had in 2008, 2009 to the fact that you stayed open for business and were willing to put on new business with their customers while some of your competitors were not. A couple of years later certainly some signs of improvement in the US economy. We have had a latest round of stress tests that shows the capital position of most US banks is in better shape. What kind of behavior are you seeing from those entities, and is there any signs of a return to some of the, shall we say, subpar lending practices we saw precrisis?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

It is a mixed story. It is a regional story in the US. Maine to Florida is a big market, lots of states. We have different types of competitors. So I would say large-ish banks continue to be disciplined. We have not seen the silly season emerge yet from a lending perspective. You do see sometimes some kind of behavior that is unusual. Surprisingly for some banks, we have seen on the deposit side behavior that would be not consistent with where the market is or where the rate cycle is. But for some of those institutions, I think they are preparing themselves for liquidity regime that might be coming up.

It is a different story with the very small banks. These banks have been decimated. I mean when we talk about Reg E and Durbin at our bank, given our overall size as to what the impact has been, I would not want to be in one of those banks as to what the impact is for them. And I am not talking of the ones that have been exempted. I am talking of the banks that are what I would call in no person's land. They are not big enough, neither are they exempted. And so for there, the only gain is to make large loans for now and pray and hope for the best that these things work out over time.

So I think it is a mixed bag from that perspective, but I am happy to see that at least the larger banks are still quite disciplined and have not forgotten what happened to them through this crisis.

Sumit Malhotra *- Macquarie Capital Markets - Analyst*

My second one is in the US, even ex of Ameritrade and ex of the very strong growth you have had in your loan book organically, I think you still have CAD25 billion more in deposits than you do in loans. The last two deals the bank has done, MBNA in Canada, Chrysler in the US, certainly seem like portfolio-oriented acquisitions of high-yielding books of business that you can fund more cheaply.

So my question here is, are you comfortable that you can grow the loan portfolio, continue to grow it at a pace that you reduce that gap, or is another acquisition of a portfolio type entity like, say, credit cards, something that would make a lot of sense given the mix you have right now?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

Well, the goal is to narrow that gap. And we have done a -- obviously I'm biased, quite a good job in getting to where we are today. And I think, as Tim mentioned, there is a lot of upside at TD Auto Finance to further utilize the funding we have available there over the next few years.

And there is no doubt that our deposit business is a very precious business to us. Yes, it may not be as lucrative through this cycle as it might be if the rates were higher, but it is still a very attractive business for us. So it is not as if we want to sort of narrow this gap by slowing down deposits. We are being very disciplined. If we look at the profile of how our deposit business has evolved, we are more into the core deposit business.

So the overall number, you say, well, you are not growing your deposits as you were previously, but I'm very happy that our core deposits are growing at a clip I would want to, and non-core government type deposits are essentially flat. So that is where we are today.

With respect would we look at portfolios that would suit our risk appetite? The answer is yes. I think we would be very careful as to what made sense. I'm not suggesting I'm staying up nights looking for credit card companies. But if there is an asset play that suits our risk appetite, that can give us a risk adjusted return that is attractive to us, that we can manage all aspects of that portfolio, we would certainly look at that.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

I think we will come back to the theme as well when we have Ed up here for the final Q&A. I'm going to suggest we go to Adrian and then Jason, and then we are going to have to saw off at this point. So, Adrian, over to you.

Adrian Mitchell *- Healthcare of Ontario Pension - Analyst*

Healthcare of Ontario Pension. I'm actually interested in, Bharat, in your answers to these questions but also Tim's answer to these questions. I'm wondering if you could talk a little bit from a cost point of view as to what percentage of your costs are in store labor costs, and what percentage of your cost base is not in the branches elsewhere?

And then secondly, if you could talk about changes in the way you are managing in-store labor hours and in-store compensation?

Bharat Masrani *- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank*

I don't have the exact breakdown as you are asking, but 60%, 65% of our expenses are on salaries and people costs. A lot of our FTEs in the US -- and I am sure it is the case with Tim -- are in our distribution businesses in our stores. So I don't have the exact percentage, but it's a big chunk of our business.

And what are we doing to optimize that? Some of the things we have done over the past few years, we are America's Most Convenient Bank, and we will continue to be America's Most Convenient Bank. And that is defined in the markets we operate in.

So most of our net worth, for example, in the US about 1000 stores out of the 1287 that we have would be open on Sundays, but there's 200-odd stores that would not be. I don't see a reason why where in the north of Northern New England that we should be open on Sundays when we might be the only bank in a particular community. So we have started to rationalize from that perspective without really going away from our core value proposition.

We are as well looking at -- I mentioned in my remarks customer capture, for example. What that has done is create efficiencies, not only in our stores, but generally in our bank. So this is where we digitally capture the transactions where previously you would have seen in the US TD Bank WOW! vans going around to each of our stores and picking checks and all that and transferring those to our item processing centers. Now those are digitally transferred.

So does that mean rationalizing our fleet of WOW! vans? Absolutely. It helps our green initiative as well. Will it mean that we are looking at optimizing a number of tellers we might have based on this particular technology? The answer is yes. And so there is countless other initiatives in the banks to constantly look for those opportunities.

I would not want to come across as all we want to do is reduce FTE. We would like to create more capacity to generate more revenues, and that is what we are doing. So a lot of those store personnel would then evolve to be either CSRs or FSRs to generate more business for the bank.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

We will end up with Jason, or did you have a follow-up, Adrian?

Adrian Mitchell *- Healthcare of Ontario Pension - Analyst*

(multiple speakers) -- the Canadian.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

I'm sorry, the Canadian perspective.

Tim Hockey ***- Toronto Dominion Bank - Group Head, Canadian Banking Auto Finance and Credit Cards, TD Bank Group and Pres & CEO, TD Canada Trust***

So the numbers are generally the same. In fact, all of the answers are the same, except for the initiatives that we are taking in our branch channel here in Canada. There will be a different set of opportunities. For example, the branch capture opportunity that Bharat talked about is primarily a function of the Americas being faster, if you will, with digitalization of checks.

Canada is catching up. That is an opportunity we have in Canada in the future. But some of the examples I gave around signature verification, for example, would have been exactly the same type of looking for efficiency. I think I talked about 140,000 hours of capacity created. That is the way we think of it. 2000 hours is one FTE. And so if you have a series of initiatives, you can actually take work out that is not value-added from the branch channel, and that obviously reduces your costs without impacting customer service.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

So why don't we wrap up with Jason? We don't want to cut into Bob's time here.

Jason Bilodeau ***- TD Securities - Analyst***

TD Securities. I wanted to get your thoughts on the acquisition environment, not necessarily your interest in propensity in doing deals, but are you starting to sense that there is a little bit of consolidation building up in the industry in the US, a little bit more deal flow? And if that is starting to take place, what might that mean for the industry over the next two to three years and your position in that?

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

That is a tough thing to say. Again, it is regional story. I think if you take a secular trend in the US over the long-term, are we moving towards a more consolidated industry? The answer is yes.

In fact, when Colleen proposed the first question, which I will remind you was off script, but where prior to the crisis, which is post-crisis in US businesses or the US banking industry is more concentrated, I don't think anybody intended that. But that is what has happened. So I think, from a long-term perspective, it is certainly a consolidating industry.

But, over the short-term, who knows? We continue to hear of certain institutions. I think PNC acquisition of the RBC business is fairly recent. You hear of smaller institutions being taken over. You are not seeing a total standstill from a macro perspective as you saw during the crisis. So there is something that is emerging. But I have not seen anything major, and that does not surprise me. Because there is a huge amount of regulatory uncertainty. The economy is still fragile, and frankly, there are some institutions, I am sure, where there is not full transparency with respect to their balance sheet.

So there it is that fundamental part that causes nervousness. But at some point do I expect the acquisition game from a macro perspective to restart again? The answer is yes because the business model is for certain institutions. The weaker ones that don't have a compelling proposition to sellout because they don't have a choice.

I think the great thing for us is that we have sufficient scale. We don't have to do a deal. So I know Ed is going to talk more about that. So we are in a great spot.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Great. Thanks very much, Bharat.

Bharat Masrani ***- Toronto Dominion Bank - Group Head, US Personal & Commerical Banking, TD Bank Group and President & CEO, TD Bank, America's Most Convenient Bank***

Thank you.

Rudy Sankovic ***- Toronto Dominion Bank - SVP, IR***

I appreciate your time. Great questions from the audience. So next I would like to introduce Bob Dorrance, Group Head of Wholesale Banking. So, Bob, last but not least on the business front.

PRESENTATION

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

Thank you, Rudy. Nice to know that last but not least. It is good to be here, and I will catch us up and get back on schedule. And I can't wait for Colleen's questions. So -- and I get to use the clicker myself.

So the story on TD Securities is from 2003 basically almost through the middle of 2006, we went through a significant repositioning of the dealer, and in terms of its strategies, in terms of its risk appetite, in terms of its alignment with the rest of the bank.

And I think that repositioning served us very well over the last five years, certainly through the financial crisis. And I think it will serve us very well in the future as well in terms of building a profitable franchise-oriented aligned dealer with the rest of the partners that we have in the bank within the risk appetite of what we want to do.

So that is the simple story. We have consistent strategies. We are going to stick to them and we are going to execute on them. And we are going to take advantage of being part of what you have seen today is a very exciting bank with many capabilities in retail, commercial, wealth, insurance, et cetera. And we have a dealer strategy aligned with both partners in order to be -- help service them and also to help grow a dealer.

Our simple strategies are, again, be a top rated dealer in Canada. That is where TD is -- has the most amount of competitive advantage. And that is where TD Securities can take advantage of the partner, the brand all the resources we have in the Canadian market. So we're very focused on being a top rated dealer in Canada.

In the United States we extend the Canadian franchise, so we have a Canadian dollar franchise in general. We just can't operate in Canada alone, so we need to extend into the US, both in terms of corporate and in investment clients, and we do that as well outside of North America.

In the US what we have also been doing, we started basically three or four years ago with the financial crisis, is we started to build a US dollar fixed income and foreign exchange platform. We are growing that out, again, franchise related, billed customers, not just a trading business, and that has good momentum.

The other part of our US dollar franchise, I would say, is how do we build a US dollar dealer. We have a large and growing US Personal and Commercial Bank. Building out a dealer aligned to the strategies that Bharat was just talking about, I think makes infinite sense.

That is -- our strategy in the US and US dollars will be to build a dealer that is aligned to the strategy of the Personal and Commercial Bank in that market. So what we are doing now is Bharat's Bank has a core group of corporate customers. We are working -- we at TD Securities are working with the people covering those corporate customers to evolve a dealer -- treasury dealer type product strategy.

We have all the revenue shares in place. We have the business plan written and approved. We are staffed with people. We are executing on the strategy. What we will do is we will build a treasury securities types of businesses. So the cross-sales will be trade finance, foreign exchange, interest rate swaps, hedging products, cash management, wire payments, all the things that a treasury bank has -- can do.

So as the corporate relationships grow and mature on the corporate lending side, we will have all these products to cross-sell and we already have all the people in place, and we will do that readily.

Over time if as and when the franchise becomes more mature and the corporations more mature we will probably add capital markets types of business to that platform, but that will be only when the platform is ready.

And then, finally, outside of North America, we have again the Canadian extension strategy. We also have some very franchise oriented good niche businesses in global energy, global mining and in underwriting and distributing Eurobond type products for the super sovereign and agency space.

How do we win? I think this is -- both the entry and the takeaway is consistent strategy, aligned to TD, work within the risk appetite overall of the TD Bank. We feel if we do this well, if we execute well, we can earn 15% to 20% return on equity and provide to shareholder value throughout the organization.

So I would just quickly run through those three strategies I have already repeated. As mentioned, the repositioning of the dealer really took place to make it more franchise oriented, more domestic oriented in the early 2000s. If you look at our market shares now across all of our trading businesses we are either one or two in everything that we do in Canada, in (inaudible) product.

In the investment -- in the Corporate Banking we are the number two in syndicated loans for the last five years, notwithstanding the fact that our loan book is probably on the smaller side relative to our competition.

Last year for the first time ever we were number one in equity underwriting on a lead managed basis. I feel that we have built the capability to be a top three equity underwriter. It depends on what your client is doing any given year as to whether you are number one or number three, but we are right up there with the rest of the industry now.

So we have built out a very strong domestic franchise serving both the government and corporate client base, as well as the institutional client base across all products. We have very strong partners with all the parts of TD that I mentioned earlier in Canada as well.

So we are a good provider of product to TD Waterhouse. We are a good provider of hedging to TD balance sheet, et cetera. It is a strong relationship and I think the best advantage that we have to continue to be a good partner to this organization.

In the US, as I talked about, two basic US dollar strategies. The one on dollar building blocks, so basically we are the left-hand lower corner. Those are the types of products that we currently already produce and sell. And we have been working with TD Bank, America's most convenient bank in many of these areas, for a period time. What we are now doing is just refining the corporate buildout strategy to try to make it look more like it has in Canada over the years. And you can see the (inaudible) side of the balance sheet that there is a lot of opportunity as well.

This is, I think, our biggest growth opportunity. But again, it is a big growth opportunity partly because it starts from a fairly low base. But I think if we can do this properly we will build a US dollar investment bank in this organization that will have the same risk appetite alignment and strategies that we have in Canada. And the other part of what we are doing in the US, as I mentioned, is the treasury strategy.

Globally, or outside of North America we have -- there is a number of offices that are on that map. Quite a few of them are sales distribution offices or trade finance. We really operate in four main places in the world, one being Toronto, the other New York, London and Singapore. That is where our risk is taken throughout the world.

In the products that we are trading on a global basis, the trading products are foreign exchange, G10 currencies that we trade on behalf of clients, and the other part is the Eurobond business for the super sovereigns and governments such as the provinces here, Canadian government, US government, Australia, et cetera. We do not do European governments.

And then what we have also been building as well globally on the investment banking side is mining and energy as it relates to a Canadian nexus. So we do have investment banking capabilities outside North America and corporate bank.

So key takeaways. I think we have a pretty solidly diversified mix of business. You can see in the top-left how it is split out. FICC is about 40% of our business overall. And then the other parts being made between corporate investment banking and the equity business. So it is, I think, a good revenue mix.

You can see as well that 75% of our revenue is in Canadian -- in Canada -- Canadian dollars. It is probably a little higher than that, because there is some Canadian dollar-based revenue in the other segments of the pie.

I think the biggest growth will be in the US over time. I think we have done a reasonable amount of investing there; we have more to do. That is where our revenue growth will be. But I still think that there are market share gains that we can achieve in Canada, and however that is obviously much bigger revenue opportunity. Having said that the Canadian business tends to be more profitable than businesses outside of Canada.

So we are investing to grow, but I think as importantly in terms of message, I think it is the alignment that we have with our partners, the understanding of what our risk appetite is and the focus on our franchises is what is really allowing us to make 15% to 20% returns in a business that is going to be hard to do that over the next number of years.

So I will end there and look forward to Colleen's questions.

QUESTION AND ANSWER

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Welcome, Bob. (multiple speakers). I'm going to start with a bit of a touchy-feely type question here. Obviously, a huge theme in your presentation was around alignment with the rest of the bank and connection to the rest of the bank. But I think as most of us in this room know, if you look at universal banks there really has been -- historically for most universal universal banks sort of an enormous culture clash between the wholesale bank and the rest of the bank, in particular the retail bank. And maybe you can just comment on your perspective on that and tell us about the TD environment, because clearly having that connection to the rest of the bank is the power in your model. So tell us how you think about that, how you bridge that.

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

I think clearly between -- different types of businesses attract different types of personalities. So in the wholesale side we tend to get the quiet, thoughtful people. But that doesn't mean just because you have different types of personalities that you can't necessarily have the same culture. And I think the culture in the organization starts with -- or it can develop in many ways. But having a strategy that says -- okay, we are going to align our strategy and our capabilities with the rest of the bank.

And I think if you stay firm to that then you tend to get people who actually want to work in that culture. Some people don't, and they can choose, and we have allowed that to happen.

We are not going to change our strategy because we want to accommodate some group's desire to do something different than what we want to do.

Then the other part of it is more of a carrot side is that I think you come to realize that if you're part of a bank that has a big capital position, lots of liquidity --

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Yes, a big balance sheet.

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

A big balance sheet, a wealth management distribution capability, all the things that are corporate clients in the US. I think you then can say -- well, there is a competitive advantage to actually being part of this organization. So I want to be part of it, not just -- I want to go in work and be different and do what I want to do and not participate in the rest of the bank.

So I think as people have understood that -- and I think their strategy was validated through the downside. And I think the whole industry on the wholesale side had to pause and think about what is that they do in terms of career and savings and money, et cetera.

So I think there was a pretty good object lesson learned in 2007, 2008, 2009 from the perspective of, if I am in -- if I choose to be int eh integrated model or the universal model then I really want to align myself with what the rest of the people are doing. If I don't, I can always go to work somewhere else, even work in a boutique. But if you want to work at a bank, why not work at the best bank?

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

That is well said. I will ask one follow-up and then we will go to the room. Corporate lending, if you look at corporate lending historically I haven't -- I typically haven't thought of that as a great business on a standalone basis. The returns have typically been lower and you lose your shirt every seven or eight years, but clearly that hasn't happened.

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

Right.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

And this last downturn was kind of unique. If you look at our loan -- the construct of our loan losses commercial did very well, corporate did really well virtually, almost pristine, on the wholesale side. So I start to wonder is that maybe -- has that business shifted? Is it really more profitable over the longer term? And are we too small? Is that one of the growth opportunities we should be talking about for TD?

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

Good questions. I don't think we are too small given what we do in TD right now. I will start with that part. Because our franchise really on the investment banking is Canada, and I think we are pretty competitive in Canada in terms of our credit appetite.

Where we don't have significant credit appetite has been outside of Canada, and that is simply because we haven't seen a competitive advantage of how we could actually make money doing that, other than if there was some nexus to Canada.

So we will finance or participate in European auto companies, but they sell a lot of cars here and they securitize a lot of business, so we will do that. So our loan book outside of Canada is quite small and that is what differentiates us.

And whether lending turns out to be -- there are no more loan losses, who knows, but it is a tail risk that is there. I don't think is has gone away. I think that -- I think that we will be very careful how we participate in that tail risk.

And that is why I think -- I just mentioned -- I probably overly dwelled on it, but the opportunity to work with TD Bank America's most convenient bank in the corporate space will be a good opportunity for us, because I think Bharat wants to grow his balance sheet and we want to grow our cross-sell and build the dealer, and I think that is the virtuous circle of how we can get bigger in lending.

But I don't think lending is risk-free. I think -- I would have a concern I think if we were overly exposed in a market that we didn't really have the experience in. Like anything else, we are going to have loan losses in Canada, but at least we can work our way out of them. If we are going to have a loan loss in Europe, it is going to be much more difficult.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

A different story, sure. So why don't we open it up to the room -- questions for Bob. We will go over to Michael, then Peter.

Unidentified Audience Member

Thanks. Bob, your strategy has been to be, and continues to be, franchise driven. What do you think the outlook is for, I guess, the other end of the spectrum is to be trading driven for a dealer that is trading driven?

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

Well, I think clearly, there are more capital required to be trading oriented only. There will be liquidity issues. There are rules pending in terms of what that means. It is going to be a lot more -- regardless of whether you are proprietary trading or just trading regularly, the regulatory rules are going to be costly to enforce. So I think it makes it difficult.

[Also] collateral is an issue. People are far more aware of counterparty risk and what they will accept as collateral. So I think you are seeing the deleveraging of the trading businesses, and the deleveraging of some of the banking businesses as well, and that is probably going to continue for a while. So people are adjusting to that and I think they will adjust fairly rapidly.

Unidentified Audience Member

And I had sort of a numbers type question, maybe for both you and Colleen. But in the first-quarter as the banks adopted Basel 2.5 TD had the biggest increase in its market risk -- risk-weighted assets of any of the banks. It was significantly bigger than any of the other banks. Why was that the case?

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

I think mainly because we had had a debt specific risk BIR model approved many years ago and we were operating our economic capital on that basis. So with the new rules, our capital came back -- or are required capital under new models was higher than if you were just operating under a standard model.

So, yes, I don't have all the access to the other banks models and -- but that is our interpretation of why that was the case. We have worked hard since then to really, truly apply these models. And I think you'll see us adapt it with respect to market risk. That type of increase was the initial cut at it and now that businesses are looking at what the models mean, we will probably change strategies as well.

Unidentified Audience Member

(inaudible - microphone inaccessible).

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

Yes, change strategy. They are very punitive models with respect to credit risk.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Yes, central clearing.

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

Central clearing, et cetera.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

But I think it is worth noting that we downloaded the Basel III capital (inaudible) segments, which you first saw in Q1, there was less -- a less -- proportionately less or smaller increase to wholesale because we had already have been charging them with more capital given what we saw as a true sort of economic capital assigned to the business distinct from the regulatory rules. So I think that we had already recognized that our own view that the wholesale bank should be holding more capital. Why don't we head over to Peter?

Peter Routledge ***- National Bank Financial - Analyst***

Peter Routledge, National Bank Financial. TD has pretty strict limitations in terms of contribution from wholesale banking and capital usage. Given your growth strategies, could you grow beyond that current earnings or capital mix without stepping outside TD's broader risk parameters, which I suppose is a sneaky way of asking do you want more capital?

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Can I start on that one?

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

Sure.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Just to clarify your question a little bit, like I wouldn't say we have ever had any strict or restrictions in terms of the amount of wholesale earnings. I think if you go back about 10 years ago, Ed had declared we were going to be 80/20 in terms of retail wholesale, and we thought was a pretty comfortable mix. And that mix has changed over time where we are getting closer to 90% retail. But, frankly, that is a reflection of the enormous growth we have had in our retail earnings over that period.

And I think we are probably not looking to commit a lot more capital to the wholesale business, but where there are opportunities we will certainly take advantage of that.

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

Yes, I think that if we came up with strategic opportunities to grow the wholesale side, within the risk appetite I don't feel constrained that -- on the capital front. I think we have access to capital.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Definitely. Other questions from the room?

Unidentified Audience Member

Just a quick one to help maybe -- I tend to think in comparatives. I'm just trying to figure out who are you trying to displace in the US?

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

In the US?

Unidentified Audience Member

Yes, it is not Goldman Sachs I don't think.

Bob Dorrance *- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities*

No, no.

Unidentified Audience Member

Who are you targeting?

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

I like to look at -- as an example take a look at US Bancorp or PNC. Those types of Banks, regional banks, their investment business is a treasury security business, and so that is I think a really good place to start. Now we have that business in Canada too. It is a very good business, all the banks do. So we want to focus on building that business out.

That requires a healthy corporate banking relationship as well, which we need to help grow also. So two parts of the strategy. One grow the relationships with the corporate banks, and then two, as we add the relationship and provide the treasury services to them.

So I think the treasury service part of what banks do is a very valuable part of what we might be able to do for -- or what we plan to do with TD Bank.

Unidentified Audience Member

But just so I don't misinterpret what you got here on this slide, it says that you want to take the goals that you have and migrate them into the US, which is to be a number one, two or three dealer. That is not the ultimate goal, I am reading -- am I reading that -- I must be reading that incorrectly, just please (multiple speakers).

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

No, we are -- we want to be -- we don't have the same marke share objectives in the States. The marketer objective is in Canada to be a top three dealer. In the US we want to be allied with TD Bank America's most convenient bank to build that a dealer that way.

We are not going to buy a dealer. We're not going to get into capital markets. We don't see the profitability of doing that. But we see tremendous potential in terms of good quality asset growth and treasury services provision coming from TD Securities, and so that the strategy.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Last question to Sumit and then we will saw off go to Ed.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Thanks, another quick one on comparators. When I think of the smaller broker-dealers in Canada at disproportionate amount of their revenue has come from energy and materials over the last 10 years.

You are obviously -- or the bank dealers are obviously at the other end of the spectrum from a diversification and size perspective. So when you think about your underwriting and advisory fees if you had to ballpark a percentage, how much is coming from energy and mining or how much has come from energy and mining over the last 5 to 10 years?

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

Our energy business has been the biggest contributor to revenue of that nature. We were relatively small and later on mining, but we have grown that out. So I don't have the numbers off the top of my head, but as energy turned down last year it wasn't back to the M&A for the whole industry. We really benefited from things like financial services and real estate and all of those products, the yield oriented products, as an example.

So there it was a reasonable mix of business. If they all hit on -- if they all hit at the same time we would have quite a bit of growth but they don't tend to. So we tend to just have steady growth with the -- energy has been good. I wish we would have had a greater market share in mining, but we didn't. We will grow that out.

And again, just one of -- somebody mentioned we are not all that great at forecasting. What we really want to do is just have the capabilities to take advantage of the markets when they show up.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

If I said half your business would that be too high?

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

Yes.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Okay, thank you.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Thanks, Bob.

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

Thank you.

Rudy Sankovic ***- Toronto Dominion Bank - SVP, IR***

Thank you very much, Bob. Well done.

Bob Dorrance ***- Toronto Dominion Bank - Group Head, Wholesale Banking, TD Bank Group and Chairman CEO & President, TD Securities***

I was just getting tangible here.

Rudy Sankovic ***- Toronto Dominion Bank - SVP, IR***

So we are down to our final segment, and I will ask Ed up to the podium. (multiple speakers). Colleen, at the end of the fireside chat maybe if we could ask Ed to come to the podium for some final concluding remarks please. Okay, thank you.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Welcome, Ed.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

Thank you.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

So we thought we would go for the gusto right out of the gate here With the most frequently asked question these days.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

By whom?

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Everybody, everywhere -- CEO succession. Yes. So back in March we had our phenomenal AGM in New York.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

It was fantastic.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

It was amazing between Toronto and New York. And during our Chairman's formal remarks, as well as your formal remarks, you both made certain statements about where you're at now and how you're thinking about your career with the bank. And I would say there was maybe a little bit of confusion. I think you -- well, we will ask you what you are trying to say. But I think there might have been a little bit of confusion in terms of the interpretation of that. So maybe you can just enlighten everybody in terms of what you're trying to say and why.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

Okay. But maybe I should probably announce that having seen this presentation I think I'm going to stay another 10 years so that we can put this issue to rest here.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Thanks a lot, yes.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

I think the origin of this was during the financial crisis I think we, the Board and I, woke up to the fact that I had a contract that was ending in March 2013. And the Board said, well, that doesn't feel very good. We weren't sure that the crisis was going to be over, and we are not sure we want you to retire there in any case.

So we did an announcement -- we changed the contract to make it open-ended, to remove any severance payments, to freeze the pension, et cetera. Did a bunch of stuff that basically said the Board could come in this afternoon and Brian could say goodbye, and I could leave.

I think though in making the announcement of that change, it left a number of people with the impression that therefore I was going to retire on March 2013, whereas the actual statement was not before March 2013. So that was the problem that I gather we didn't correct perfectly in the sense that there is still questions about it.

So I think what Brian said is, and what I've been saying is obviously I'm getting to the end of my run. I think organizations remain vibrant if people don't stay too long, and that you get renewal in organizations. And so in the next few years I'm going to retire. I haven't said when I'm going to retire, but it is going to be the next few years.

I think the second thing that Brian said is, and the Board is pretty relaxed about replacing Ed, because we have got an -- and evidently, I think, it is clear we have a competitive advantage in the strength of our bench and the depth of our bench. And so we have a number of people that could replace me. But it is going to be someone from the internal side.

I think the most important thing in the sense from an investor point of view, and I think there's two questions that are legitimate questions. And that -- one is where is this going to cause a lurch in strategy? And is it going to change the culture?

And I think what you're seeing here today is that the management team is not -- this isn't Ed Clark strategy, this is the management team's strategy. And it is the management team's culture that is going to be -- so we don't think -- we don't think anybody -- the team is here and is working here because they like the strategy and they like the culture.

If I could, it was something that Michael said that struck me, is that we probably don't talk about this, and I'm not sure, because it always sounds a little corny if you talk about it. But if you said -- what do we spend more time on, I think, than the average banker. We spend more time on HR issues, on working and trying to make sure that we have got the right people in the right job, recruiting people, growing people.

And then the second thing that we spend a lot of time on is culture. And that is because you can't run our strategy, to Michael's point, you can't have people -- tens of thousands of people on the front line every morning getting up at average compensation levels but doing way above average performance in terms of looking after customers unless you surround them with a culture that they feel good about.

And you can't reengineer places. I mean, we see it all the time. People try and deal with cost. And I look at it and I say, are you like brain dead. Get out, walk with the coworkers, figure out what is going to take to get them enthusiastic. Because if you try to reengineer in the old fashion way, you're going to destroy the culture.

And I think the whole management team, what I love, is they get it. It is instinctive. Tim is out there walking the floors talking to the people. And that is the difference in a sense -- I think that is the sustainable, competitive advantage.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Great. Another frequently asked question. Investors always want to know about our appetite for acquisitions. And we always talk about -- we will -- and I said it myself, we will keep an eye on acquisitions, in particular, that are financially or strategically compelling. So where are you out on this at the moment? Clearly things have been quiet for the last year or so. How are we feeling? What is the environment telling us?

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

You know, I think it really hasn't changed. We looked at 2012, I think and basically sadi in the market, other than if we could find something -- a small thing to help us in Florida or a small asset manager, those were the two that we said that we had strategic gaps on. I think we look and say the economic uncertainty and the regulatory uncertainty in the world and in the United States was such that doing big acquisitions didn't make any sense to us.

And I think we also looked at our own place where we were, where we had built the way we described it, we were doing the TD Canada Trust merger was we built a bank, but we hadn't build a better bank. And that Bharat was at the stage of taking this bank and making it a better bank and it would take away from that effort if we were to put another merger on there.

And I think that is still our position, and we haven't found any of these little ones to do. So in a sense I think we have been on hold. I think what we are obviously he going to do as we go through the year and look towards 2013, is that environment improving enough that we get brave enough.

I think the other phenomenon that we did -- to continue to see though to be realistic is, because we are not strategically imperiled, and therefore we don't have to do a deal, there is really no reason why you would do a deal unless it made sense from the shareholders' point of view.

And I would say that in the United States there is a lot of CEOs and financial institutions who don't feel that. They would say, I have to do a deal. I am either going to buy or be bought and I don't want to be bought. And if that means I sacrifice the shareholders for a few years, I will do that.

And so there are lots of places where even if we might like the company, we're not going to be competitive, because we are not going to take that attitude. And so that drives you that you've got to have -- well, why do I have a competitive advantage, because I probably won't pay what competitors will, but if I have better cost synergies or a bigger -- or whatever, I have to find -- so it is a pretty small set of sets that I think for the moment we would see possible.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Great. Let's open it up to the floor.

Unidentified Audience Member

Ed, with your operations in the US, but also obviously based in Canada, you have seen the operations of the regulator on both sides of the border. And I believe it was in Colleen's commentary the fact that demanding regulatory environment is still a headwind, but it seems to be easing a little bit.

Are we seeing the pendulum swinging that maybe the bulk of the pain has come through and that the impact, either actual costs or opportunity cost on the regulatory environment, is now just going to be back in line with what you are seeing for expenses or revenues?

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

I hope. We haven't seen what the Consumer Protection Agency in the United States is going to do. So I think that could be the third thing to drop here. So we have had two in the Reg E and the Durbin. And to be fair to Bharat here -- I usually am not fair to him, but I will be fair to him today.

If you actually do the numbers, and say when we pick the 1.6 billion at what has happened to him, you know in the 1.35 billion -- I will call it 1.35 billion, 1.345 billion that he earned, he has had to absorb in that. So if you had set the numbers, he is [CAD150 million] to [CAD200 million] down and still going for the 1.6 billion. So he has had -- we really set a much higher target for him than originally we were setting when we were setting the 1.6 billion.

So with if we don't get that one more big piece, then I think what we're going to still though see is continued regulatory pressure -- so I think your operating costs. And if you look at the transcript of the US banks reporting, they're posting some pretty big expense numbers increase. And they are all saying, I am doing it because of the regulatory overload.

So I think -- I don't think that -- the pendulum hasn't swung yet. I think it is still swinging out here that we're going to keep on going down this route of micro-regulation.

And what I have been arguing publicly is I think the industry should get behind Basel III capital and liquidity, because I think fundamentally the industry wasn't well-capitalized and wasn't -- didn't have the right liquidity policies. And if the industry would get behind that position, they would have more credibility in fighting this micro-regulation move.

And I do think the consumer will pay a big price if we keep on going down this micro-regulation route. And I actually think it is a high risk strategy. I think it is increasing risk rather than decreasing risk. But I think the industry has lost a little credibility to make that argument, because they spent too much of their energy fighting having adequate capital and liquidity.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Are there questions from the room? Why do we go to Peter, then Michael.

Peter Routledge *- National Bank Financial - Analyst*

Thanks, Ed. Sometimes in the next several years you will hand the baton off to your successor. And as you do so, if that possess you, what could trip us up, what should I really watch out for, What would you answer?

Ed Clark *- Toronto Dominion Bank - Group President, CEO*

You didn't give me that question.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

(laughter). We didn't rehearse that one.

Ed Clark *- Toronto Dominion Bank - Group President, CEO*

Yes. Well, I guess what I would say, and what I always would say is when your employees -- we always say that we are a customer focused model, and that is true. But internally I say you cannot win the customers if you haven't won first your employees. And listen to your frontline employees because they are telling you what is really going down.

And if you ever break that model, like I always say, the difference -- most banks start with what they want to sell and then try to convince the customer to buy it. I think you always should start with what -- the customers will tell you exactly what you want, but often it is the employee that will tell you -- and can we actually deliver that, and that is what they want. And I would say, if you ever lose that then look out, you'll break the model.

Colleen Johnston *- Toronto Dominion Bank - Group Head Finance and CFO*

Over to Michael.

Unidentified Audience Member

A little while ago Jamie Diamon delivered his rant indicating just how upset, concerned, et cetera, he was at the more assertive nature of regulation in the US. But do you think that actually looking at your peers among bank CEOs in the US that they are finally coming to grips with the fact that the regulators are going to be more assertive, and that given that fact, as you pointed out, that they should find some way to establish a modus vivendi for that type of environment?

Ed Clark *- Toronto Dominion Bank - Group President, CEO*

Yes, I guess, yes, not (inaudible), because Jamie Diamon has got -- he has got to be -- he is a fantastic CEO, and he runs a fantastic bank. If there was a slight difference in our point of view, is I would say don't attack Basel III in principle because Basel III in principle is right, both on the capital and liquidity side.

I would not -- I think the surcharges -- we are going to end up with national surcharges too. And I think if you're going to have banks of this size why are you surprised that they're going to carry more capital to protect them?

I think by having a rant against that, what I was trying to say is you lose some of the power of fighting against prescriptive regulation, which is where -- the US has always been a prescriptive regulator versus Canada, but it is getting even more prescriptive. If I have a worry is that inadvertently Canada -- and Julie Dickson has spoke a lot about this and really carved out a name for herself around the world as saying -- I'm a principle regulator. I'm not a prescriptive -- we are not going down the prescriptive route.

I think (inaudible) is under a lot of pressure to say, well, why don't you show that you can be prescriptive too. And that is partly because people want to have this -- in order to try to get a level playing field around the world, which is very important to get it, but then it means that everyone is looking at everyone else's, and if you're just doing principle does that make it look like you are as tough a regulator as is if those who are giving you 2,700 pages of regulation behind one principle.

It would be a national tragedy if having had the best financial system, have the best regulator in the world, have the actual right idea, regulatory reform caused us to become prescriptive. I am trusting that Julie, because she has been the champion of this, will say, no. But I think she is under a lot of pressure to show that she could look like foreigners. But foreigners haven't done very well and Canada has done very well.

Unidentified Audience Member

If I could follow up, when I saw this lawsuit against RBC, I wondered whether this was an indication in fact that the US is looking to be more principles-based than rules-based. Do you think there is any indication that that in fact may be what is happening? Because the rules-based system has only created opportunities to establish roadmaps to circumvent the intent of the rules.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

Right. I see no evidence that the [US] is moving more principle-based.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

I think we had a question over here. No? Why don't we do a quick check on the phones to see. Operator, do we have any questions from the phone?

Operator

You have no questions on the phone.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

Thanks. Did I see Darko.

Darko Mihelic ***- Cormark Securities - Analyst***

Ed, we often look at the impressive track record of TD, and we see -- you have it here in your own slide deck, so I will just repeat some of them for you -- 14% CAGR and EPS, best for shareholder returns. That is the return on RWA. Yet your stock continues to trade below peer averages when you look at on valuation basis from a PE and a price to book value per share basis.

I am an analyst. I get paid to have my own opinion, but I like to hear your opinion on why that is. And what it is you think you could possibly do differently to get your valuation higher?

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

Well, I think if I was on the Board I was just change the CEO. I think that is probably the first thing I would do. I guess what I say internally is that people put way too much energy on PE or price-to-book, and that price is determined for us by the end earnings. And what you multiply earnings by you might get a one-time lift or up or down, but it is only a one-time lift. And so, yes, since I have been the CEO we have had a lower PE than all the people who we have outgrown our earnings every single year.

So, you say, if that -- the market can keep placing its bets, but meanwhile my stock is growing faster than their stock, because it is driven by E, it is not driven by PE.

So I do think you can get too wound up. I would say if you want my personal view is people have huge doubts about whether this US strategy will work or not. And I always say to investors, I get that. That is a perfectly legitimate point of view. The United States has been a troubled land here. And there have been more examples of people going down into that troubled land and losing than there have been successful.

And so we are making a bet that if you take a look at my shareholding, I defer every one of my cash bonuses. I roll it all into stock. When I cashed out my last big options I rolled it all into the stock. I have my view of where this is going to end up, but I can perfectly understand why somebody can say -- I don't want to touch the United States with a 10 foot pole. So I think that just sits over our stock.

And I say, who cares in the end, because our earnings growth is so much superior to everyone else, our price will be better than everyone else, and so just hang in there and it will take care of itself. But I do think there is a legitimate concern whether you should -- I look at -- and I guess the argument that we are making, what I think people are missing entirely, but it is probably because it is a 3 to 5 year effect, is over time the distance between us and all other -- the four large banks it is going to get wider and wider in Canada because of what we are doing in the US.

And it is -- the rebound into Canada and their competitive position in Canada I think people don't get, because they are not looking at your total personal commercial earnings, they are only looking at Canada as if it is a subset.

And I think the strategies -- I think generally in terms of organizations when you run a strategy that says it is no growth strategy, whatever happens over time, you atrophy. When you have a growth strategy, but particularly one where you can then use the scale economies of a North American base, this will change the position in Canada among Canadian banks.

But that is a long-run effect, and I get why if you're investing in on 18-month basis you say -- but I don't like the United States right now. And it hasn't -- the United States has been a place that is easy to like over the last five or six years.

Colleen Johnston ***- Toronto Dominion Bank - Group Head Finance and CFO***

I am going to suggest we saw off there, Ed. We want to get some final remarks from you and meet our commitment to get everybody out by four o'clock. Thanks.

Ed Clark ***- Toronto Dominion Bank - Group President, CEO***

Well, I will be quick. I guess one of the things that I always say to investors, particularly ones when I meet them for the first time, it is not our job as management to sell our stock. We have a very simple job, which is to tell you how we are going to run the Company, and make sure that we actually run the Company the way we tell you we are going to run. And the way we're going to run the Company probably doesn't fit the investment portfolios of lots of investors. And certainly doesn't -- will fit it for if every one point of time of whether where they think the better play is.

And so I also say there're probably lots of ways that any company can make money or any company in banking can make money. You just have to figure out how you know how to make money. And so the way we look at it is that we know how we can make money. We know how we can deliver 7% to 10% earnings per share growth. We know how we can avoid having a blowup and we have set out to write a strategy that says we can do that.

But it doesn't mean that at any point in time other people won't have strategies that grow faster than us, and other people that have strategies that may be taking risks, but as long as those risks don't come and bite them, they will do all right.

And so I think the important thing as we through all this is all we are trying to do is say have we -- here is how we are trying to figure out how to hit what we do actually think is a hard goal, is how can you in the environment that we are entering with a slowdown in housing in Canada, and continued low interest rates, and compounding regulation, how can we continue to hit our 7% to 10%? And I think our message is we think we can do it, but we actually are telling you, plain bluntly, it is hard work. This is not a slam dunk. We are going to have to work hard to do it.

But we are going to do it by managing our expenses, not on a short-term basis, but how do you actually permanently lower the cost. Constantly looking for ways in which we can add growth or we have avenues of growth that aren't being impacted by those factors. And then over time what you're going to see is a play out of what it is to be a North American bank. We are the first bank to ever try this. And we believe there is huge underlying potential, but it is going to take time for that to be realized, but it will be realized.

Once again, thank you for -- I know this is a long -- four hours out of your day is a long time, but taking that time to be with us.

Rudy Sankovic - ***Toronto Dominion Bank - SVP, IR***

That wraps it up for it today. So thank you very much for joining us. I hope it was a useful and productive exercise to listen to our growth story. And so thank you very much and have a good day. Thank you.