

TD BANK FINANCIAL GROUP TO ACQUIRE VFC INC. THURSDAY FEBRUARY 16, 2006

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CORPORATE PARTICIPANTS

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Tim Hockey - *Group Head Personal Banking and Co-Chair TD Canada Trust*
Bharat Masrani - *Vice Chair and Chief Risk Officer*
Colleen Johnston - *EVP and CFO*

VFC Inc.

Charles Stewart - *CEO and Director*

CONFERENCE CALL PARTICIPANTS

Ian De Verteuil	BMO Nesbitt Burns - Analyst
Michael Goldberg	Desjardins Securities - Analyst
Quentin Broad	CIBC World Markets - Analyst
Darko Mihelic	Blackmont Capital - Analyst
Andre Hardy	Merrill Lynch Canada - Analyst
Tim Lazaris	GMP Securities - Analyst

PRESENTATION

Operator

Welcome to the TD Bank Financial Group conference call. At this time, all participants are in a listen only mode. Following the presentation, we will conduct a question-and-answer session. I would like to remind everyone that this conference call is being recorded on Thursday, February 16, 2006, at 1 PM Eastern Time. For those of who are viewing the webcast on TD.com, you will find the forward-looking statement in the resource section.

Speaking on the conference today are Tim Hockey, Group Head Personal Banking, TDBFG, and co-Chair of TD Canada Trust; Charles Stewart, the Chief Executive Officer of VFC; Colleen Johnston, Executive Vice President and Chief Financial Officer of TDBFG; Erik de Witte, Chief Financial Officer of VFC; and Bharat Masrani, Vice Chair and Chief Risk Officer of TDBFG. Please go ahead, Mr. Hockey.

Tim Hockey - *Group Head Personal Banking and Co-Chair TD Canada Trust*

Thank you. Good afternoon, everyone. My name is Tim Hockey, Group Head Personal Banking and co-Chair TD Canada Trust. I would like to welcome you to this joint call between TD and VFC. I would like to first thank everyone for joining us on the phone. We realize that you have to juggle your schedules at the last minute to join us for announcements like this; and we appreciate you taking the time to join us.

Please note that this telephone conference call is also being audiocast. After the formal presentation, we will entertain questions from pre-qualified analysts and investors on the phone.

As mentioned, with me today are Charlie Stewart, VFC's CFO; Erik de Witte, VFC's CFO; Colleen Johnston, TD's CFO; and Bharat Masrani, TD's Chief Risk Officer. I know that this presentation contains forward-looking statements, and actual results could differ materially from what is discussed. Certain material factors or assumptions were applied in making these statements.

For additional information we refer you to our press release and presentation material. These documents include a description of factors that could cause actual results to differ and can be found on our website at TD.com.

As you saw in our announcement earlier this morning, we found and acted upon what we believe is a great acquisition for TD Canada Trust. In short, it is a growth opportunity that we believe will provide long-term shareholder value. I would like to turn the call over to Charlie Stewart to tell you a bit about VFC; and then I will come back to talk about the deal from TD's perspective. Charlie?

Charles Stewart - VFC Inc. - CEO and Director

Thank you, Tim. Hello, everyone, and thank you for joining us on such short notice today. For those of you on the phone who aren't familiar with our Company, I thought I would give you a quick overview of VFC.

We are one of the largest Canadian-owned indirect consumer finance companies in Canada. We have two basic product lines -- nonprime automotive purchase financing, which represents over 95% of our portfolio, and consumer loans made to existing customers with a proven track record.

Our loans are originated using Internet-based technologies through pre-qualified automobile and retail vendors across Canada. We have a team of 220 employees who serves over 25,000 customers. Our customers primarily include individuals with limited or no credit history, self-employed individuals, and individuals recovering from past credit problems.

Having started this business in 1994, we now have a \$380 million book of finance receivables, the bulk of which have been securitized; and we now have over 2,000 pre-qualified dealer relationships established. Our head office is located in Toronto, with regional offices in Montreal and Nanaimo.

Earlier today we announced an agreement for TD to acquire all of the outstanding stock of VFC in a transaction valued at \$326 million. As you may have seen in the press release, TD is offering to acquire all of the fully diluted common shares of VFC at C\$19.50 in cash, or the equivalent of C\$19.45 of TDBFG common shares and C\$0.05 in cash for each common share. VFC shareholders will have the right to elect to receive cash, TD shares, or a combination of cash and TD shares.

This price represents a premium of 38% over VFC's closing share price of C\$14.15 on February 15, 2006, and is 3 times our IPO price C\$6.50 in October of 2003. We think this is an outstanding transaction for our shareholders and for our business.

VFC will be run as an independent subsidiary of TD in the same way TD runs Meloche Monnex today. Davis, Erik, and I will continue to lead the business. Likewise, VFC's brand, products, pricing, and people will remain the same. So it's business as usual for our dealer partners.

Moreover, with TD's access to low-cost capital, as well as its own formidable automotive financing capabilities across Canada, this transaction will enable us to significantly accelerate our growth strategy.

TD's offer was reviewed by a special committee of independent directors and has the full and unanimous support of the committee, the entire Board, and the senior management team. The senior management and shareholders holding 29% of the stock have entered into lock-up agreements committing our support to the transaction.

That said, the transaction remains subject to the tender of a minimum of two-thirds of the outstanding VFC shares on a fully diluted basis and the receipt of necessary regulatory approvals, including the Office of the Superintendent of Financial Institutions.

This transaction combines one of Canada's largest and most respected financial service companies with the leader in nonprime automotive financing. We think that is a strong positive for our employees, customers, and 2,000 dealer partners across the country.

Finally, we think it's a transaction that offers a significant premium to our shareholders over our recent market price and, especially, over our IPO price just over two years ago. Back to you, Tim.

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Thanks, Charlie. After listening to what you said, people on the call may already have an impression of why we're excited about this transaction; but let me share a few reasons.

First this deal is consistent with TD's growth strategy. Second, it provides a logical extension of our existing business as a leader in dealer-based automobile financing. Third, it gives us a measured approach to entering a new high-growth market. Let me expand a bit on each point.

Why is this consistent with our growth strategy? As you have heard us say before, we have great opportunities for organic growth for TDCT, and our results clearly show that our growth strategies are working. But it is important to make investments now, so that we can continue to drive earnings in the future. In making those investments we look for opportunities to grow market share in areas that we are underrepresented.

We have said in the past that we have been enhancing our consumer lending infrastructure and we're pleased with our progress to date. But even with that strategy in place, there is an area of the consumer lending business that we don't currently serve. We don't currently offer our products to the nonprime consumer segment.

Our research suggests that this is an underserved market segment with significant growth opportunities. In fact, this market has become material in the UK and the U.S., and is growing in Canada. We believe that in Canada it will grow faster than the traditional consumer lending market will, and we want to be at the table.

So naturally, as part of our growth strategy, we have been looking at ways to enter this market that are consistent with our overall strategy and approach. This is a logical extension for us, as TD Canada Trust already has one of the country's largest auto dealer financing businesses. With today's announcement we are extending our existing business as a leader in dealer-based auto financing. It provides us with the opportunity to increase the range of products that we can offer to auto dealers and their customers.

VFC also allows us to enter into this market in a manner that is consistent with our risk approach. This is a measured approach. It is in keeping with our history of buying good companies with strong management teams and conservative operating styles, and then giving them the appropriate latitude and support to flourish.

For those of you who cover VFC, you'll know that this Company is a leading provider of automotive purchase financing and consumer installment loans. VFC and its outstanding management team, under CEO Charlie Stewart, have a proven track record as leaders in their field. They have a solid reputation with both dealers and customers.

In fact, VFC has a 10-year foundation and was the first in this space in Canada. They are experts in risk-based pricing, with a sound infrastructure, strong management, and great people.

It is this strong management team that will continue to lead VFC when it becomes part of the TD family. We won't be integrating operations. It will be led by its current management team, and it will continue to operate under its existing brand, which is well-recognized in the dealer network.

There is no doubt that there are differences between our traditional consumer lending business, and nonprime automotive financing. VFC knows their business, their dealer network, and their customers.

This acquisition provides us with the opportunity to leverage the expertise of VFC to learn more about the nonprime marketplace.

Now let me turn to the financial aspects of this transaction. In addition to being consistent with our strategy, we believe there will be long-term value creation for our shareholders. Specifically, the economics of the deal are such that the earnings accretion will be neutral in 2006 and positive in 2007.

This transaction offers good synergies that are readily realizable, primarily from lower cost of funds and referrals. We will offer C\$19.50 per share through cash, shares, or a combination thereof.

Subject to the necessary regulatory approvals and two-thirds of the VFC's shareholders tendering to the offer, we expect the deal to close in the next two or three months. VFC's senior management and certain other VFC shareholders who in aggregate hold over 29% of the fully diluted VFC common shares, have already agreed to accept the offer and entered into lock-up agreements.

In conclusion, we're very pleased with today's announcement. We see this transaction as a prudent approach to getting into this emerging market and continuing to build shareholder value. What I mean by a prudent approach to building value is that VFC is a strong company with strong management. There is growth potential in this market segment. Yet even if we double the size of the book over the next three to five years it would still remain less than 1% of our total retail lending portfolio.

We're very much looking forward to working with the VFC team, and perhaps I will leave it there and ask if anyone has any questions for Charlie, Erik, Colleen, Bharat, or me.

QUESTION AND ANSWER

Operator

Ian De Verteuil from BMO Nesbitt Burns.

Ian De Verteuil - *BMO Nesbitt Burns - Analyst*

The first question is for Bharat. I don't know if it's for Bharat or the senior executives of VFC. The loan book, is this thing 100% risk rated from a capital point of view? What is the loan to value on the book? What's the historical default rates? And what is, broadly speaking, the loss given default on these loans?

Bharat Masrani - *TD Bank Financial Group - Vice Chair and Chief Risk Officer*

Ian, it is Bharat. We looked at them. The whole loan book, as mentioned by somebody earlier, is about C\$380 million. We did extensive due diligence on the book. We went through various stress scenarios, to make sure that the losses are manageable.

I don't have the specific details that you're asking me on losses, but I think it would be safe to say that this book experiences higher losses than what you would have seen at TDCT. On the other hand, the business model from a risk-reward perspective is attractive. So if you wanted any further specific details, I can take it off-line on the numbers you have asked me.

From a capital perspective, this is under Basel I, would be risk-weighted 100%. Under any other accord, obviously, we will have to see what the record asks us to do. But as you know, under Basel II there is a possibility that the risk weight might be higher than 100%.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

Maybe, Charlie can answer then. Is the loan -- when I think of subprime lending I think of loan to value. Are you lending -- do you have a sense on the value of the security underlying these loans?

Charles Stewart - VFC Inc. - CEO and Director

Sure, there is substantial experience that is fully disclosed on our website. There is a published economic model that truly shows we call our business less nonprime, more risk-adjusted lending.

We have a premium price product that has enough margin to justify the losses. Our current losses in the last -- the economic model we have published is 5.5%. Within our annual report, we also have a disclosure of a static pool analysis that shows year-over-year comparable loss curves, that show our losses over a period of time.

So year-over-year originations are normalized. You can draw some comparisons. So it shows that we have a yield that justifies absorbing the losses. So I think there is enough disclosure there. Again, as Bharat offered, we would be happy to deal with that in more detail off-line.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

Okay, I will get back in the queue.

Operator

Michael Goldberg from Desjardins Securities.

Michael Goldberg - Desjardins Securities - Analyst

I am quite confident that this is a very good business. But what I am really wondering about is the C\$326 million purchase price. Could you give us some idea of what the IRR is at this price? What assumptions are used to derive the IRR? I guess finally, why is this a compelling acquisition at C\$326 million?

Colleen Johnston - TD Bank Financial Group - EVP and CFO

It is Colleen. Why don't I talk a little bit about the price? We really think the price of this deal reflects the quality of the acquisition, and we think it's a fair price.

VFC is a very high-quality company as you're hearing. It's extremely well managed. Very good growth. It is profitable. Very good returns; currently in the sort of ROEs in the 16% to 18% range. Also, very good synergies associated with the deal, mainly on the funding and the referrals side.

So in terms of the economics, we have certainly concluded that the agreed-upon price represents a fair balance between the interests of both organizations' shareholders.

In terms of the IRR, we're looking at something in the high teens IRR on the deal.

Michael Goldberg - Desjardins Securities - Analyst

Okay. What kind of assumptions do you use to derive this IRR?

Colleen Johnston - TD Bank Financial Group - EVP and CFO

That is a five-year IRR, and terminal multiple of 13.6.

Michael Goldberg - Desjardins Securities - Analyst

What kind of growth are you assuming in there? Is it in effect leveraged, so that a portion of the purchase price is actually sort of internal debt?

Colleen Johnston - TD Bank Financial Group - EVP and CFO

No; back to your first question in terms of growth, you're talking portfolio growth now?

Michael Goldberg - Desjardins Securities - Analyst

Yes.

Colleen Johnston - TD Bank Financial Group - EVP and CFO

Yes, we are assuming a compound annual growth rate over the next four years of over 20%, which you will see is lower than -- now that is more the base case for VFC. That is before the benefit of referrals from TD.

As you can see from the graph, that is certainly a lower growth rate than they have achieved historically over the last number of years. To your second question, no; we have not assumed any leverage.

Michael Goldberg - Desjardins Securities - Analyst

Okay, thank you very much.

Operator

Quentin Broad from CIBC World Markets.

Quentin Broad - CIBC World Markets - Analyst

Just to go back to Ian's questions with respect to the loss cost; and I haven't had a chance to look at your website, so I apologize. But have you been able to see the stresses on this portfolio through a challenged consumer credit environment, versus the one we are in right now, or have been in, which has been benign, to say the least?

Charles Stewart - VFC Inc. - CEO and Director

The short answer, Quentin, is no. The Company has been in existence since 1995. We have not been exposed to any sustained downturn. We literally grew the business across the country. In '95 we were in Ontario only; '97 Alberta; '99 in the Maritimes; 2000 BC; 2001 the Prairies. I went into that detail -- and Quebec only in 2003.

The Company is still in its infancy of growing throughout the country, and we consciously diversified ourselves geographically to expose ourselves to the different economic drivers across the country.

In the short tenure of this Company we have not had a sustained downturn to test it. That being said, we've taken the time to educate ourselves. Companies that have been -- that have had a longer period of existence, in Canada and the United States, and believe that the stress test is a nominal factor.

The fact -- the way we administer with disciplined execution of credit, adjudication, and risk mitigation servicing techniques, we are pretty comfortable that we have a solid estimate of the ups and downs in our business.

Sorry. (multiple speakers) No, I was just saying I think as you take the time to go through the detail, that we -- in our pre-discussions, as we have spent a lot of time in front of various investors and analysts, since we went public two and a half years ago, this has been a fairly consistent question that has come up.

We have answered it by essentially -- because we have a risk-adjusted pricing matrix, that we charge more for a higher risk. We track those various portfolios by both period of origination, by interest rate charged, by geographical exposure, and we have substantial detail.

We do securitize our transactions. It should give the investor some comfort that we have a rating agency that does view all of our securitizations. They have ended up being very comfortable, and in recent periods have granted us some more flexibility in those structures, which I think is demonstrating an improved ability to forecast results.

Bharat Masrani - TD Bank Financial Group - Vice Chair and Chief Risk Officer

Quentin, the only thing I would add is, as I mentioned to Ian earlier on, that in our assessment we did stress the portfolio. Obviously as I mentioned, this is a higher risk portfolio than what we have at TDCT. But the business model sort of addresses that quite comfortably. We were comfortable with the losses, the stress in areas that generated.

Quentin Broad - CIBC World Markets - Analyst

Is all the credit adjudication done via computer modeling? I.e., it is live real-time, the dealers send in the data, and the computer kicks back the yes or no?

Charles Stewart - VFC Inc. - CEO and Director

In the year 2000, we implemented our own technology, Internet-based technology. It's enabled us since the year 2000 to be able to turn around a transaction in sub-10 minutes. Technology is used to be able to aggregate data and make a decision within a sub-10 minute time frame.

But we don't use a model to actually make the credit decision. We lever individual talent with that technology. In our fourth quarter, we were looking at about 15,000 transactions a month, and every single one of them we were responding to the market in sub-10 minutes.

Quentin Broad - CIBC World Markets - Analyst

Okay, and the asset pool itself, sorry, the cars that are being lent against, or part of the asset package I guess, what typically are those cars? Are they late model? Are they used? Who is the dealer network that you are tapping in this 2,000 dealer network?

Charles Stewart - VFC Inc. - CEO and Director

The dealer population that we have targeted is made up of not only franchise dealers, franchise being a manufacturer branded dealership, as well as independents. 95% of our businesses is used vehicles. The average age would be in the two to four year age of automobile. Roughly 50% of our originations come from the franchise dealer; roughly 50% comes from the independent dealer.

The overall market is -- we target about 6,000 dealers, so we have a substantial opportunity to increase the number of dealer origination points. The 6,000 that we target is a substantial subset of the overall dealer population in Canada, which is about 3,400 franchise dealers and about 10,000 independent dealers. So we think that allows us to target the quality segment of the entire dealer population.

Quentin Broad - CIBC World Markets - Analyst

Great, thanks.

Operator

Darko Mihelic from Blackmont Capital.

Darko Mihelic - Blackmont Capital Inc. - Analyst

First of all, congratulations, Charlie. This is a great deal for your shareholders. A number of questions that come to mind, off the top. First of all, it sounds like you are taking these out of the securitization trust and putting them onto TD's balance sheet. Is that -- is there any cost involved with that? In the future clearly you are going to be securitizing? Or are you securitizing in the future?

Charles Stewart - VFC Inc. - CEO and Director

I think the short answer is we will have to get postclose to answer those most clearly. Up until the period of closing we'll be running the business as normal. Postclose, I will throw that over to Colleen.

Colleen Johnston - TD Bank Financial Group - EVP and CFO

I think we are as well going to review the strategy around the balance sheet. Probably will be putting this on balance sheet in terms of the TD side. That is where we can actually start to get a lot of the funding benefits that we have included in the model.

Darko Mihelic - Blackmont Capital Inc. - Analyst

Okay. I think I know the answer to the next question, but just want to make sure. From an accounting point of view, will you be adopting gain on sale accounting or is this going to be portfolio accounting?

Colleen Johnston - TD Bank Financial Group - EVP and CFO

Portfolio.

Darko Mihelic - Blackmont Capital Inc. - Analyst

Okay. Provided it all goes on the balance sheet, of course. I guess the next question is, the recent announcements, Charlie, with the referral programs from the other banks; has this basically gone by the wayside?

Charles Stewart - VFC Inc. - CEO and Director

I don't think you could make that absolute assumption, but we clearly have adopted a communication strategy that began this morning. We will try to nurture and develop those relationships. We will just see what comes of future periods.

Darko Mihelic - Blackmont Capital Inc. Research - Analyst

Okay. With regards to your target, you have always talked about 12,000 independent dealers in Canada. You're targeting about 6,000. Has that changed now? Do you perhaps target 10? Does TD change the target market at all here for you?

Charles Stewart - VFC Inc. - CEO and Director

That has never been a topic of conversation. So I have no doubt that we will compare notes and benefit from each other's knowledge and strategies. But as of right now, I think I enunciated our plan best as status quo.

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Darko, it's Tim. The only additional point to that, in our existing TD Canada Trust indirect business we have about 2,500 dealers. As we look at the overlap between the two businesses, it is about 40% overlap. So clearly we think there is some possible opportunity to expand. But that is the stage we are at today.

Darko Mihelic - Blackmont Capital Inc. - Analyst

Okay. I guess, Charlie, when I look at the business now, I have always been a little concerned by having AmeriCredit. As I understand it, they are going to be coming back into the market in March/April. I have to imagine that Wells Fargo, after viewing this deal, is probably shaking in its boots, given that you're going to lower cost of funding. Is it possible what we see out there is an aggressive move on pricing in your space?

Charles Stewart - VFC Inc. - CEO and Director

We, I think, our approach will be consistent. We have always attempted to be the leader in our business. I think you have probably, as much as anyone, has heard the issue that our Company has tried to be that leader since day one. We started the industry in Canada.

We have always been constrained by access and cost of capital. I think it comes back to why we think this make so much sense.

We have always cautioned the market. We did in our discussions with TD, that our only response to competitive actions, both in pricing, destructive pricing strategies, or destructive credit strategies, our only response is to slow our growth. We are not going to be building a book of business that is not a quality portfolio.

I think that has been consistent with everything we have talked to with the folks inside of TD. We will continue that practice. We obviously think we have the capital to maximize the business opportunities, to lever the capabilities of the Company, and our marketing potential.

We will not change the pricing or risk strategies that we have adopted and that's kept this Company successful since its inception.

Darko Mihelic - Blackmont Capital Inc. - Analyst

Okay, one last stretch question if I may. Charlie, Davis maybe, do you guys have any sort of experience or thoughts about perhaps taking this product line and moving it into the U.S. through Banknorth?

Charles Stewart - VFC Inc. - CEO and Director

That has just not been discussed, and I think it just would be a future discussion if there was anything talked about or to think about.

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

I would just add that that might be a future synergy, but it is certainly nothing that we have expected. We expect this to be a high-growth opportunity for us here domestically. If it turns out to be a better opportunity north-south, then that will look at that as appropriate.

Darko Mihelic - Blackmont Capital Inc. - Analyst

Okay, great. Thanks a lot.

Operator

Andre Hardy from Merrill Lynch.

Andre Hardy - Merrill Lynch Canada - Analyst

I just wanted to get a little bit of meat around the numbers. First of all, on the revenue side, Tim, how much auto business do you turn down every year? Charlie, how much of that would you accept based on your current systems?

Then back to the other question, with the Bank of Montreal and Royal Bank deals, were those actually off the ground, or were they just concepts?

Then on the cost side, how quickly can you eliminate those securitizations, Colleen? Because your cost of funds would be 2 to 300 basis points less. So I am just trying to get a sense of how quickly you can improve funding there.

And are there any operating expense synergies?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

So let me talk on the revenue side. We currently -- obviously in the prime space, we have a much higher approval rating or approval percentage of the customers than the applications that we get.

One of the synergies as we mentioned in the model is that rather than having a portion of those being -- if we decline them from TD Canada Trust's perspective -- being redirected from the dealer to VFC. We would expect that we would actually have 100% look at those declines through our VFC channel, and so therefore get a higher representation.

Andre Hardy - Merrill Lynch Canada - Analyst

How big are the declines on an annual basis?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

I don't think we're going to build your model for you, Andre. We are comfortable enough that inside our revenue growth opportunity, this is a significant synergy to us.

Sorry, just then you asked -- the last question -- I think there was a couple in-between ones having to do with operating cost synergies. There is a small amount, but as we said, we clearly -- in fact we have actually factored in a few governance costs as well.

We believe this must continue to be run as a separate organization. Obviously it has to fit within the regulatory constraints and controls that we put on any organization that is part of the TD Bank. So as a result, those sort of synergies on the expense side are relatively minimal.

Andre Hardy - Merrill Lynch Canada - Analyst

Okay.

Charles Stewart - VFC Inc. - CEO and Director

And from VFC's side for a second, those revenue opportunities were literally at their lowest point. They have not been fully introduced to the market. So from the other relationships that we had previously announced last year, they have not been delivering any material benefit to the organization at this point in time.

There is a two-stage process that takes place even if a credit that potentially did not pass the credit standards of TD, that we would approve it, we still have a risk-adjusted pricing structure that the customer would then have to reevaluate whether they would be purchasing the car and paying a higher interest rate. So risk-adjusted.

So there is a two-stage process. So we don't necessarily believe that there is same -- you can't apply the same metrics of applications that VFC looks at and how much we would actually be buying. So I think those are an -- that's still an experimental process for the Company.

Andre Hardy - Merrill Lynch Canada - Analyst

Okay, and on the securitization, which would have the longest duration? Maybe five years or something like that?

Colleen Johnston - TD Bank Financial Group - EVP and CFO

I think at the extreme end. But in terms of your question around how quickly we can get at those benefits, we think pretty quickly. I guess there I would cite the velocity of new originations, portfolio turnover, in addition to the warehoused loans that we have currently. So we think we can get to those benefits pretty quickly.

Andre Hardy - Merrill Lynch Canada - Analyst

okay, thanks.

Operator

Tim Lazaris from GMP Securities.

Tim Lazaris - GMP Securities - Analyst

Again congratulations, Charlie. I think you did a great deal here. Three questions. Was there a formal process to get to the point where TD made this bid?

Secondly, is there a break fee in the transaction, and does management have a right to match if there is a higher bid?

Lastly, I think Manulife is a reasonable size shareholder. Is that still the case, and have they disclosed their intentions at all?

Charles Stewart - VFC Inc. - CEO and Director

Yes, Manulife will lock up. It has locked up. The Board of Directors considered the alternative of a process carefully and determined, with the concurrence of its financial advisers, that the interests of VFC and its shareholders were best served by pursuing this transaction.

Among other factors we considered were the possible impacts the sales process would have with our critical business partners, where the prospect of a change of ownership might undermine those important business opportunities without a certain outcome.

Management and our Board have determined that this offer is in the best interests of our Company and its shareholders. The Board will recommend to shareholders that they accept this offer. All of management and the Board have agreed already that we will accept the offer and have entered lock-up deals.

There is a break fee, and that is C\$9.5 million. It's approximately 3% of the purchase consideration.

Tim Lazaris - GMP Securities - Analyst

Right to match?

Charles Stewart - VFC Inc. - CEO and Director

Right to match?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Yes.

Tim Lazaris - GMP Securities - Analyst

Okay, thank you very much.

Operator

Ian De Verteuil from BMO Nesbitt Burns.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

Question for Tim. You know we have given you a fair amount of ribbing over the past couple of years about how cautious you have been proceeding down the unsecured lending business to your prime customers. I guess, how do you go from that to buying a company that is a subprime lender of used auto finance? Just how do you get there?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

We think this is actually very consistent with the strategy. What we have said in our prime consumer lending space is that we actually increased or rather lowered our risk profile in that business, because we believed we did not have the appropriate technical infrastructure, postmerger, to actually compete in that business well.

So as you well know, Ian, we have been investing for a number of years. We're still very confident as to the state of that particular business. But even when it is implemented fully, that will not be a model. It is model-based, and it will not be infrastructure that can be readily applied to this particular consumer segment.

So, commensurate with that actual technological build, the strategic review of the business said -- where else do we need to actually make sure that we are protecting in our own backyard the consumer lending space?

It was clear to us that this particular segment, notwithstanding it is higher risk, is a high-growth opportunity with good risk-adjusted returns.

So the next question we faced is -- how do we wish to enter this business? Given that the profitability growth that we are concerned with at TD Canada Trust, we wanted to make sure that we continue to build on that. So we did what we normally do, which is we go out and find the best possible business and management team to help us learn about and exploit that growth opportunity.

So we think it is completely consistent with the strategy. It is in no way a departure from our traditional consumer prime based business. As we said, even if we double, as we hope to, this business and the acquisition over the next little while, it will still be a very, very small percentage of our overall consumer lending book.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

So Tim, one of the important things here must have been the people. I haven't had the fortune of getting to know Charlie and his team. But can you talk a bit how you can be confident, and how your shareholders can be confident, that the management team that has this capability to be in this business, that they will be here in six months, 12 months to continue to run the business?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Great question. When it came right down to it, I would say that was the absolute key point in our mind. We know from the financials, and they are readily available, that this has been a good and growing Company.

But I would say through the discussions, either through due diligence or through the process of discussion, a couple things about the management team. They are very wise in the automobile lending business. Many of the team have been ex-bankers, so I guess that means we might get along well, as well. But culturally, as we have said in other acquisitions, it's a very strong fit.

There has been a few points in the discussion of the actual deal where management has very, very, very pleasantly surprised us by taking an approach that would be absolutely consistent with our view on how to manage this business.

In fact I would say surprised us on a couple of fronts, very, very pleasantly, which gave me great confidence that this is a team that is still engaged, very much knows their business, wants to grow it, cares about their people. All the values that we espouse at the TD Bank.

So it is not just a question of whether we have a financial lock-up for a number of years, which of course we do. To us and to me in particular, it was more important that we had their hearts not just their wallets.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

You (inaudible) tendered into the deal, are they all taking TD Bank stock, or are they just taking cash?

Charles Stewart - VFC Inc. - CEO and Director

We have committed to take some for a committed period of time. I'm very happy to volunteer some details in that at the IPO we have decided to -- we signed up three-year contracts. So that was the IPO. Through this process, as long as this transaction closes, we will also be committed to the business for a further three years.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

But can you provide any details on whether you're taking cash or stock? Because I think there are three senior people that have great reputations, yourself, Erik, and your COO. Are all three taking stock?

Charles Stewart - VFC Inc. - CEO and Director

We are all taking stock.

Ian De Verteuil - BMO Nesbitt Burns - Analyst

Thank you.

Operator

Michael Goldberg from Desjardins Securities.

Michael Goldberg - Desjardins Securities - Analyst

Beyond the auto finance, is the objective to grow a broader-based subprime consumer finance business?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

As part of our strategic review, we actually conducted two reviews. One is on the consumer lending space, culminating in this decision and this announcement. But I would also say that we are under review, as we are in many strategies, on the real estate secured lending businesses as well.

But that is a very different business, different models, different players. Obviously our competition has in some cases announced an attention to enter this market, which as you know in the Canadian banking space usually gets all of us looking more closely.

So I would say that, where I am not here today to announce a broader nonprime lending strategy, that is something that we will keep open as we make sure that we continue to grow the lending business in Canada.

Michael Goldberg - Desjardins Securities - Analyst

What I mean specifically is, even leaving aside real estate secured finance, I'm just getting that the consumer finance that might be unsecured, or any other kind of consumer finance aimed at a subprime market.

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Great question. Our intent is to make sure that we can integrate this particular business well. Learn about it relative to this consumer segment. And once we get comfortable that either we have the capability and talent to do it internally or organically, we will do that. Or we will again look for a possible acquisition if the management team is not capable of doing it internally.

But we would first have to get very comfortable that beyond nonprime indirect auto this is a business that we wish to enter.

Michael Goldberg - Desjardins Securities - Analyst

Okay, thank you.

Operator

Quentin Broad from CIBC World Markets.

Quentin Broad - CIBC World Markets - Analyst

Yes, Tim, just to follow up your comment; and I think you have made it twice now, once in the formal comments and then once in the Q&A, in terms of if you double the size of this business, it is still not all that significant relative to the size of your consumer business.

I guess I'm just curious. Given the accretion on an all-cash deal doesn't income very quickly, and it is not huge when it does come, I'm interested to know what the accretion might look like if it were all stock.

But given that and given your comment that it really doesn't get that big relative to the rest of your platform, does this say something about the ability of the banks to spend their capital in Canada on material acquisitions; and how much of a challenge that is, given your acquisition today and Maple yesterday by Scotia having similar type of financial parameters around it?

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Good question. I would say that when we look at this deal on a stand-alone basis, we are comfortable with the economics. What we haven't put into the model is some of the softer benefits. I.e., learning about this particular marketplace; and perhaps it would allow us, as I said in my last answer, to enter the nonprime consumer space in other segments.

But I think we are comfortable with the overall financials of this particular deal. If there were other opportunities that were presenting themselves, obviously in the Canadian marketplace there are not a lot that are literally on the floor for picking up at great deals.

So when we think there is a good tuck-in or a strategic acquisition that allows us to extend ourselves into a new segment that is worth investing in. And that is why we think this is a good deal.

Quentin Broad - CIBC World Markets - Analyst

So just in terms of the due diligence required for this type and size of deal, and the effort Bharat talked about, having to go through the portfolio. But how much due diligence would have to go into this size a deal?

Sometimes you say it doesn't matter whether it's a \$50 million loan or a \$5,000 loan; you still have to go through the same way. So kind of the return to time spent; it is a lot of time for this or not in terms of --?

Bharat Masrani - TD Bank Financial Group - Vice Chair and Chief Risk Officer

The due diligence we did was obviously extensive, Quentin. The bank has a due diligence framework. It applies to every deal we do. We were comfortable with the amount of effort we put into it. I am not sure you're asking the question regarding the upfront due diligence, or are you referring to the ongoing challenges for this type of business? I am not sure.

Quentin Broad - CIBC World Markets - Analyst

Well, it would be a combination of both, Bharat. The upfront requirements in terms of looking at this deal that on an ongoing basis, I assume, you sound like you are going to keep VFC separate and distinct. So I assume they will have their manpower just as they do now; and it should not change an awful lot, I would assume.

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

That's right. That is exactly what our strategy has been. So there is obviously some interconnection and some governance required from the bank. But we're very confident that the acquisition of this management team in particular will make that very seamless and relatively easy for us to manage. As we said earlier in the commentary, we've got some expertise in doing that and letting businesses grow like we did with the purchase of Meloche Monnex 10 years ago.

Quentin Broad - CIBC World Markets - Analyst

Thanks, guys.

Operator

Mr. Hockey, there are no further questions at this time. Please continue.

Tim Hockey - Group Head Personal Banking and Co-Chair TD Canada Trust

Great. Well, thank you all for joining us today. I appreciated it, once again, to do it on such short notice; and I thank you all for attending.

Charles Stewart - VFC Inc. - CEO and Director

Thank you.