Q3 2024 EARNINGS CONFERENCE CALL
AUGUST 22, 2024

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By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause, individually or in the aggregate, such differences include: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include general business and economic conditions in the regions in which the Bank operates; geopolitical risk; inflation, rising rates and recession; regulatory oversight and compliance risk; the ability of the Bank to execute on long-term strategies, shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions and integration of acquisitions, the ability of the Bank to achieve its financial or strategic objectives with respect to its investments, business retention plans, and other strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank's technologies, systems and networks, those of the Bank's customers (including their own devices), and third parties providing services to the Bank; model risk; fraud activity; insider risk; the failure of third parties to comply with their obligations to the Bank or its affiliates, including relating to the care and control of information, and other risks arising from the Bank's use of third parties; the impact of new and changes to, or application of, current laws, rules and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; environmental and social risk (including climate change); exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes to the Bank's credit ratings; changes in foreign exchange rates, interest rates, credit spreads and equity prices; the interconnectivity of Financial Institutions including existing and potential international debt crises; increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; the economic, financial, and other impacts of pandemics; and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please refer to the "Risk Factors and Management" section of the 2023 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading "Significant Events" in the relevant MD&A, which applicable releases may be found on www.td.com. All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. The Bank cautions readers not to place undue reliance on the Bank's forward-looking statements. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2023 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2024" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2023 Accomplishments and Focus for 2024" for the Corporate segment, each as may be updated in subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable law.

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PRESENTATION

Brooke Hales – TD Bank Group – Head of Investor Relations

Thank you operator. Good morning and welcome to TD Bank Group's Third Quarter 2024 Investor Presentation.

Many of us are joining today's meeting from lands across North America. North America is known as Turtle Island by many Indigenous communities. I am currently situated in Toronto. As such, I would like to begin today's meeting by acknowledging that I am on the traditional territory of many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat peoples, and is now home to many diverse First Nations, Métis, and Inuit peoples. We also acknowledge that Toronto is covered by Treaty 13 signed with the Mississaugas of the Credit, and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

We will begin today's presentation with remarks from Bharat Masrani, the Bank's CEO, after which Kelvin Tran, the Bank's CFO, will present our third quarter operating results. Ajai Bambawale, Chief Risk Officer, will then offer comments on credit quality, after which we will invite questions from pre-qualified analysts and investors on the phone. Also present today to answer your questions are Raymond Chun, Group Head, Canadian Personal Banking; Barbara Hooper, Group Head, Canadian Business Banking; Tim Wiggan, Group Head, Wealth Management and Insurance; Leo Salom, President and CEO, TD Bank America's Most Convenient Bank; and Riaz Ahmed, Group Head, Wholesale Banking.

Please turn to slide 2. As noted on Slide 2, our comments during this call may contain forward-looking statements, which involve assumptions and have inherent risks and uncertainties. Actual results could differ materially. I would also remind listeners that the Bank uses non-GAAP financial measures to arrive at adjusted results. The Bank believes that adjusted results provide readers with a better understanding of how management views the Bank's performance. Bharat and Kelvin will both be referring to adjusted results in their remarks. Additional information about non-GAAP measures and material factors and assumptions is available in our Q3 2024 Report to Shareholders.

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

Bharat Masrani – TD Bank Group – Group President and CEO

Thank you, Brooke. And thank you, everyone, for joining us today.

In Q3, TD delivered earnings of $3.6 billion and EPS of $2.05. Business fundamentals were strong across the Bank.

Before I get into the details, I want to spend a few minutes on the announcement we made late yesterday. We continue to actively pursue a resolution of our AML matters. Discussions have been productive – and while we are not through the tunnel yet, we can see the light at the end of this journey. In our release, we noted that it is our expectation that a global resolution can be achieved by the end of the calendar year. The US$2.6 billion provision we just announced – combined with the US$450 million provision announced last quarter – represents our current estimate of the total fines to be paid related to these matters.

I also want to spend a minute on the remediation program itself. This is important work – and the remediation program is well underway. In May, we updated you on our progress. We've advanced on all fronts since then. We've onboarded leadership with deep subject matter expertise supported by increased staffing resources. We've hired from other banks, regulators, government and even law enforcement. We've invested in data and technology to enable improved transaction monitoring and data analytics capabilities. And we've implemented new cross-functional procedures for preventing, detecting, and reporting suspicious activity. While there is still much work ahead, we are pleased with the progress we've made. This is a priority. Our U.S. business is an important part of the Bank and of our future. We must focus on the work required to meet our obligations and responsibilities and build that future on stronger foundations. As I've said before – the failures were serious. We own it. We know what the issues are. And we are fixing them. I look forward to providing additional clarity as soon as I can.

Let's now turn to our third quarter earnings.

Revenue grew 8% year-over-year driven by higher fee income in our markets-driven businesses and higher volumes and deposit margins in Canadian Personal & Commercial Banking. PCLs were stable quarter-over-quarter reflecting continued strong credit performance. We completed our restructuring program announced in the fourth quarter last year – delivering efficiencies across the enterprise – and continued to prioritize investments in our risk and control infrastructure.

As of quarter-end, the Bank's CET 1 ratio was 12.8 per cent, reflecting the impact of the AML investigations provisions and shares bought back during the quarter, partially offset by organic capital generation. The sale of 40.5 million shares of Schwab – which brings our holding to approximately 10.1% – further strengthens our capital ratio, ensuring the Bank stays well above regulatory requirements after taking this provision. TD remains very well-capitalized, with ample liquidity and the means to invest in our AML remediation program, in our business and in the customer experience.

The Bank continues to shape the future of banking. This quarter, TD completed the migration of its main data platform to the cloud, eliminating related legacy systems and modernizing the Bank's data infrastructure. Enhancing scalability, security, and speed, TD's cloud-based platform is a key foundation for our forward-focused, data-driven organization. And we were proud that TD was recently named the Best Consumer Digital Bank in Canada for the fourth consecutive year, and the Best Transformation & Innovation in North America for the second consecutive year, both by Global Finance.

Let me now turn to each of our businesses and review some highlights from Q3.

Our Canadian Personal and Commercial Banking segment delivered record revenues – reaching $5 billion for the first time – and record net income, up 13% year-over-year. These strong results were driven by robust loan and deposit growth, and substantial positive operating leverage. Across the segment, we are enhancing products and offerings through personalization and execution against our OneTD strategy – including strong momentum in referrals from our retail branch network to Wealth. In real estate secured lending, the Bank continued to deliver market share gains while supporting our growing customer base. And TD – which already has Canada's largest credit card account base – reached a new milestone with over eight million active accounts. In addition, according to the 2024 Bond Loyalty Report, TD credit cards ranked #1 across major issuers in program loyalty.

In Personal Lending, the Bank is supporting the financial journey of Canada's next generation of doctors, dentists, and veterinarians by enhancing TD's Student Line of Credit offering – and deepening relationships as their needs evolve. TD grew its leading deposit franchise, with another strong quarter for account openings. And, in the New to Canada market, we extended our packages beyond accounts, to include offers for both TD Direct Investing and the TD Cash Back Visa Card – as we add even more value for new Canadians.

In Business Banking, TD grew loans by 7% year-over-year. This quarter, the Bank launched TD Innovation Partners, a new team offering a broad suite of services to further address the needs of technology and innovation companies. TD already has more than a million business banking customers across Canada – and now with TD Innovation Partners, the Bank is helping the next generation of technology companies at every step of their journeys.

Turning to the U.S., the U.S. Retail Bank continued to deliver strong operating momentum – with sequential earnings growth and stable deposits excluding sweeps – and peer-leading loan growth year-over-year. TD grew consumer loans 8% year-over-year, with proprietary bankcard balances up 16%. We simplified our infrastructure and drove productivity savings across our credit card business with the migration of Retail Card Services into our consolidated, more advanced cards platform. In commercial banking, middle-market loan balances grew 18%. These strong results were driven in part by continued execution of our OneTD strategies – as TD Bank, America's Most Convenient Bank and TD Securities collaborated to bring industry expertise to middle market clients and prospects, and leveraged relationships to capture sponsor-backed finance opportunities. And, this quarter, we are proud that – for the fifth year in a row – TD Auto Finance received the highest ranking in the J.D. Power U.S. Dealer Finance Satisfaction Study. J.D. Power also awarded TD Bank, America's Most Convenient Bank the highest ranking in online banking satisfaction among national banks, according to its U.S. Online Banking Satisfaction Study – reflecting our investments in digital banking and our dedication to delivering legendary customer experiences across all our distribution channels.

The Wealth Management and Insurance segment demonstrated resilience this quarter, as strong fundamentals – including record revenues – enabled the business to earn through a significant increase in claims. For the last few years, we have seen an increase in the frequency of weather events. With TD's winning direct-to-consumer business model – and our ability to adapt to changes in the environment – I am confident that the Insurance business will continue to deliver an attractive return on equity over time. Our Advice businesses saw significant retail net asset growth across all our channels, coupled with market appreciation – driving total assets up 15% year-over-year. In Direct Investing, our leadership position is the result of consistent innovation to bring market leading capabilities to our clients. You saw that last quarter with the launch of TD Active Trader. And we've continued to innovate – this month, TD was the first bank in Canada to launch real-time partial shares, enabling investors to buy and sell a fraction of stocks, indices, and ETFs, making investing more accessible. This launch reflects the power of OneTD – with TD Securities providing the backend execution to support this new functionality. Our Insurance business was impacted by the severe weather events in the Greater Toronto Area and the wildfires in Alberta in Q3, and by hailstorms in Calgary and floods in Montreal this month. At TD Insurance, we are there for our customers in their moment of need. I want to thank TD colleagues for their tremendous efforts for our customers through these events. To support the communities impacted by wildfires, TD has made donations to the Canadian Red Cross and is facilitating customer donations at branches across Canada.

Wholesale Banking continued its growth with revenues up 14% year-over-year on broader and stronger capabilities. We continue to make good progress integrating our teams, deepening our client relationships, and gaining momentum across our banking and markets businesses. In addition, we enhanced U.S. share trading execution for our clients with a fully launched and automated TDSX Private Room.

Overall, our businesses performed well in Q3 – and I am confident in the strength of our franchise. We are operating in a challenging environment – with significant market volatility, rapidly evolving rate expectations, and heightened geopolitical risks. Amidst uncertainty in the outlook for the economies in both Canada and the U.S., retail customers and business clients alike are generally taking a cautious approach. As always, TD will be there for them as we navigate the coming months together.

And those of you in Toronto have likely noticed an addition to the city skyline: the new TD Terrace building. Inside the building is a state-of-the-art TD branch – built as a next generation innovation center, enabling the Bank to test new capabilities in a live environment. The Bank's unique and inclusive culture continues to attract talent. TD received a top score of 100 in the 2024 Disability Equality Index for the tenth consecutive year in the U.S. And – with the expansion of the Index to Canada for the first time this year – the Bank achieved the same top score in Canada as well. Across our businesses, our customers are at the heart of who we are and what we do. That’s why 10 years ago, we launched our first TD Thanks You campaign – to showcase our gratitude for their unwavering support. In this milestone year, we've taken our appreciation to the skies through spectacular drone light shows in cities across Canada.

Our colleagues live our commitment to our customers every day – and I want to thank them for all their efforts. I am confident that together, we will continue to deliver for all our stakeholders.

With that, I'll turn things over to Kelvin.

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

Thank you, Bharat. Good morning, everyone. Please turn to slide 11.

Reported earnings this quarter include a US$2.6 billion AML investigations provision. On an adjusted basis, earnings were $3.6 billion, flat year-over-year, and EPS was $2.05, up 5% year-over-year. Overall, we saw good fundamentals across our businesses, reflected in our strong top-line growth. This was partially offset by two items in the Wealth Management & Insurance segment: the impact of claims from severe weather-related events, which as a percentage of earned premiums was 40% higher than Q3 of last year, and provisions related to ongoing litigation matters.

Revenue increased year-over-year, driven by higher fee income in our markets-driven businesses and higher volumes and deposit margins in Canadian Personal & Commercial Banking. We saw record revenues in two segments this quarter – Canadian Personal & Commercial Banking and Wealth Management & Insurance. Expenses increased year-over-year, reflecting investments in our risk and control infrastructure and higher employee-related expenses. We continue to prioritize our investments and manage expenses diligently. While we continual to look for efficiencies in our cost base, we have now concluded our restructuring program. We have provided more details on slide 27.

Notwithstanding good execution against our restructuring initiatives, we expect fiscal 2024 adjusted expense growth to be in the high-single digits reflecting higher investments in our risk and control infrastructure, strong performance in our markets-related businesses, and certain items including litigation. PCLs were stable quarter-over-quarter.

Please turn to slide 12.

Canadian Personal & Commercial Banking delivered a strong quarter with record net income and revenue, reflecting loan and deposit volume growth and substantial positive operating leverage. Average loan volumes rose 6% year-over-year, with 6% growth in personal volumes – driven by real estate secured lending up 6% and cards up 10% – and 7% growth in business volumes. Average deposits rose 5% year-over-year, reflecting 7% growth in personal deposits and 2% growth in business deposits. Net interest margin was 2.81%, down 3 basis points quarter-over-quarter – as expected – reflecting the migration of BAs to CORRA-based loans. As we look forward to Q4, while many factors can impact margins, we expect downward pressure due to BA-CORRA migration and the impact of Bank of Canada rate cuts, partially offset by the benefit of tractor on and off rates. Expenses increased reflecting higher spend supporting business growth, including employee-related expenses and technology costs.

Please turn to slide 13.

The U.S. Retail Bank continued to deliver strong operating momentum – with sequential earnings growth – and peer-leading loan growth year-over-year. Average loan volumes increased 5% year-over-year, reflecting 8% growth in personal loans and 3% growth in business loans. We continued to deliver growth in mid-market commercial lending with volumes up 18% – a business that is also driving fee income. Average deposit volumes, excluding sweep deposits, were relatively flat year-over-year as the U.S. Retail Bank demonstrated deposit stability in a competitive environment. Net interest margin was 3.02%, up 3 basis points quarter-over-quarter, driven by higher deposit margins. As we look forward to Q4, while many factors can impact margins, we expect a modest NIM expansion due to the benefit of tractor on and off rates, partially offset by any potential Fed rate cuts. Reported expenses include a US$2.6 billion AML investigations provision. On an adjusted basis, expenses were relatively flat year-over-year, primarily due to higher operating expenses, offset by ongoing productivity initiatives.

Please turn to slide 14.

Wealth Management & Insurance delivered record revenue and strong fundamentals across its diversified businesses. Revenue grew 13% year-over-year, reflecting higher insurance premiums, fee-based revenue, deposit margins, and transaction revenue. Insurance Service Expenses were up 20% year-over-year, primarily reflecting increased claims severity, less favourable prior years' claims development and larger impact of severe weather-related events. We saw claims costs of $186 million this quarter due to severe weather events in the Greater Toronto Area and wildfires in Alberta in July. In addition, there have been two significant weather events so far in August – the Calgary hailstorms and the Montreal floods. For these two events, we expect claims and related costs of more than $300 million in Q4.

To help support analysts' and investors' analysis of our Insurance business performance, we have added disclosure of current quarter claims costs, net of reinsurance, to page 12 of the Supplemental Financial Information package. Expenses were up 13% year-over-year. More than half of this increase related to provisions for ongoing litigation matters, with the remainder driven by higher variable compensation. Assets under management and assets under administration increased year-over-year, both reflecting market appreciation and net asset growth.

Please turn to slide 15.

Wholesale Banking continued its growth, delivering revenues of $1.8 billion reflecting higher trading-related revenue, lending revenue, advisory and underwriting fees. This quarter, we also saw higher PCLs reflecting a few new impairments across different sectors. Expenses increased 12% year-over-year primarily reflecting higher variable compensation commensurate with higher revenues. The business delivered positive operating leverage and an efficiency ratio of 69%, as we continue to optimize the platform.

Please turn to slide 16.

The Corporate net loss for the quarter was $324 million. As you will recall, we guided to adjusted net losses in the $200 to $250 million range, although we expected it to bounce around from quarter to quarter, for fiscal 2024. We have increased investments in our risk and control infrastructure and expect Corporate adjusted net losses to remain above that range for Q4. Net corporate expenses increased $93 million compared to the prior year, mainly reflecting investments in risk and control infrastructure, partially offset by litigation expenses in the prior year.

Please turn to slide 17.

The Common Equity Tier 1 ratio ended the quarter at 12.8%, down 57 basis points sequentially. We had strong internal capital generation this quarter. RWA (excluding the impact of FX) increased slightly, primarily reflecting the operational risk RWA impacts from certain provisions taken last quarter. We repurchased approximately 13 million shares in Q3, and none in August to date. Our current NCIB expires on August 31st and we do not intend to repurchase any additional shares prior to expiry. Across the 90 million share buyback program – and our previous 30 million share buyback program – TD repurchased over 100 million shares, almost 85% of the shares authorized – delivering returns for shareholders while managing our capital appropriately. TD sold its common shares in First Horizon this quarter, generating 6 basis points of CET1. We had a negative 71 basis point impact to CET1 from AML investigations provisions this quarter, reflecting the earnings impact of this quarter's provision and the operational risk RWA impact of the provision announced last quarter. We expect a negative 35 basis point impact from this quarter's AML investigations provision in Q4. As a reminder, consistent with the Basel III Reforms, operational risk RWA impacts take effect on a one-quarter lag. This will be partially offset by a positive 54 basis point impact to CET1 in Q4 from the sale of 40.5 million Schwab shares.

With that Ajai, over to you.

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

Thank you, Kelvin, and good morning, everyone.

Please turn to slide 18.

Gross impaired loan formations were stable at 22 basis points for the Bank, as higher impaired loan formations in Wholesale and U.S. Commercial were largely offset by lower formations in Canadian Commercial.

Please turn to slide 19.

Gross impaired loans increased 3 basis points quarter-over-quarter to 44 basis points, driven by a few new impairments across a number of industries in each of Wholesale and U.S. Commercial, partially offset by lower impairments in Canadian Commercial.

Please turn to slide 20.

Recall that our presentation reports PCL ratios both gross and net of the partners' share of the U.S. strategic card PCLs. We remind you that U.S. Card PCLs recorded in the Corporate segment are fully absorbed by our partners and do not impact the Bank's net income.

The Bank's gross provision for credit losses was stable quarter-over-quarter, as an increase in the Wholesale segment was offset by decreases in the Canadian P&C, U.S. Retail and Corporate segments.

Please turn to slide 21.

The Bank's impaired PCL was $920 million, an increase of $50 million quarter-over-quarter, reflecting higher provisions in the Wholesale segment, partially offset by lower provisions in the Canadian Personal & Commercial segment. Performing PCL decreased $49 million quarter-over-quarter to $152 million. The smaller current quarter performing build was primarily recorded in the Canadian Personal and Commercial and U.S. Retail segments.

Please turn to slide 22.

The Allowance for Credit Losses increased by $288 million quarter-over-quarter to $8.8 billion, due to current credit conditions, including some credit migration, driven by the non-retail lending portfolios, volume growth and a $20 million impact from foreign exchange. The Bank's allowance coverage remains elevated to account for ongoing uncertainty relating to the economic trajectory and credit performance.

In summary, the Bank exhibited continued strong credit performance this quarter, as evidenced by stable gross impaired loan formations and PCL. Our year-to-date PCL result is 46 basis points. My prior guidance of 40 to 50 basis points for fiscal 2024 remains appropriate although results may vary by quarter, and are subject to changes in economic conditions.

With that, I will turn it back over to Bharat.

Bharat Masrani – TD Bank Group – Group President and CEO

Thank you, Ajai. Before we begin the Q&A session, I want to note that we have included the information that we are able to share on AML matters in yesterday's press release and our Q3 materials – we do not have additional information to share at this time. I look forward to providing additional clarity as soon as I can. For today, I suggest that we focus on the Bank's Q3 earnings.

With that, operator, we are now ready to begin the Q&A session.

QUESTION AND ANSWER

Operator

[Operator Instructions]. Our first question is from Meny Grauman from Scotiabank.

Meny Grauman – Scotia Capital – Analyst

I want to talk about capital. And specifically, it's not clear to me why you needed to sell down your Schwab stake to shore up capital. Even if I take into account the guidance on operational RWA coming in Q4. So if you could help me understand the thought process there. It seems like there's something else going on here in terms of other considerations. Especially given the context of buying back $1 billion worth of shares in the quarter as well. So hopefully, you can help me understand that.

Bharat Masrani – TD Bank Group – Group President and CEO

Meny, this is Bharat. You know that traditionally and historically, the bank likes to be well capitalized and frankly, likes to carry more capital than what may generally be necessary. In line with that, we think it's prudent to have capital. There is still a lot of volatility, and economic conditions are not as predictable as one would like, so this is just to be prudent and it makes sense. That's the capital framework we use, and we think it made sense to have the capital levels that we are projecting for the next quarter.

Meny Grauman – Scotia Capital – Analyst

So would this sort of conservative capital stance signal that AML fines could end up being materially larger?

Bharat Masrani – TD Bank Group – Group President and CEO

We announced US$2.6 billion yesterday. Additionally, we had announced US$450 million in the second quarter. And together, this is the current estimate we have on what it will take to put these matters behind us. That's how we follow this where the accounting rules are very clear on this. So our current estimate is that this is the amount it will take to move forward.

Meny Grauman – Scotia Capital – Analyst

And just another follow-up. So is it fair to assume that you're not comfortable going below 12.5% CET1? Is that where you're thinking in terms of your comfort level?

Bharat Masrani – TD Bank Group – Group President and CEO

We're targeting between 12% and 12.5%. So we continue to be comfortable with that target. But obviously, we review this on an ongoing basis depending on economic conditions.

John Aiken – Jefferies Securities – Analyst

With the sale of the Schwab stake, is it safe to assume that if at some future point when you end up below 10%, you'll lose board representation, and it will no longer be accounted under the equity method?

Bharat Masrani – TD Bank Group – Group President and CEO

Our current intention is not to go below where we are.

John Aiken – Jefferies Securities – Analyst

I understand that, Bharat, but – if you do go below that, is that the case?

Bharat Masrani – TD Bank Group – Group President and CEO

It's a strategic investment for us. We're very happy as to how this investment has performed. And our view is that our governance, requirements, and where we are, we are very comfortable with that. And we would like to continue at these levels.

John Aiken – Jefferies Securities – Analyst

Okay, Bharat. And is it safe to assume that the sale of the stake has no bearing in terms of the agreement you have on the sweep accounts?

Bharat Masrani – TD Bank Group – Group President and CEO

Yes.

Matthew Lee – Canaccord Genuity – Analyst

A question on expenses, your guidance is now high single-digit growth in 2024 – a bit of an increase versus mid-single-digit you mentioned prior. Maybe just breaking it down, is the core expense growth still 2% and now the investments have pushed it to high single digits, or are there other factors that maybe have played out in terms of updated guidance?

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

It's Kelvin. I'll take that question. Yes, there may be three factors. One is risk and control costs being higher than previously thought. Also, our markets-related businesses are performing really really well, and so therefore the compensation are driven by higher revenues – and we'll take that trade any day. And then plus there are a few discrete items like the litigation that we just talked about in wealth this quarter. Those are the three main factors.

Matthew Lee – Canaccord Genuity – Analyst

All right. And then a follow-up question on the AML costs themselves. It sounds like a lot of the investment being made is predicated on hiring additional talent, building it out, and maintaining some sort of AML infrastructure. Should we just assume those FTEs will remain with TD even after that build out is complete? And does that essentially mean the OpEx associated is kind of recurring?

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

Yes. Let me take that one, Matt. This is Leo Salom. Just to give you a sense, and I think Bharat outlined where we are making critical investments in the program and obviously, hiring the right leadership has been a first priority. And I think we've been very fortunate to bring – really – subject matter leaders from other G-SIBs, from the Department of Homeland Security, from the Treasury Department as well as the FBI and other law enforcement organizations. So we're really pleased with the leadership team that we brought on board. We've added over 500 colleagues to support this effort. And to your point, a good portion of those are program management resources that are scaling up data, technology, other process management changes that will, over time – those will fade away. But we're also making some important investments in an investigative capacity – in advanced analytics – and I would suspect that those would stay. So to give you a sense, there would be a portion of it that will be repurposed to other initiatives as we move forward.

But there's going to be an increase, a structural increase, to represent the model we want to run going forward, which I think will be a very strong AML program going forward.

Gabriel Dechaine – National Bank Financial – Analyst

On the expense commentary, Kelvin, you were saying that the corporate loss could be above that guidance range of $200 million to $250 million in Q4, because of risk & control investments and that type of stuff. If I look at your full year consolidated adjusted expense growth, adjusted for the strategic card portfolio, you're running at 10% growth, 9% if I exclude variable compensation. But at the start of the year, you guided to mid-single digits. Is that delta solely because of additional investments of this nature?

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

No. So if you're looking at corporate, remember earlier when I talked about the – there are two items here – you're talking about the corporate net loss and then expenses. On expenses I talked about the 3 drivers that caused the increase. And remember that the higher expense growth rate partly includes TD Cowen as well because last year was a partial year, and this year is a full year.

Gabriel Dechaine – National Bank Financial – Analyst

Yes. I think on the Q4 call, you said mid-single digits, including these AML-type costs, and Cowen.

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

High single digits are the 3 factors that I talked about earlier. There's the risk and control, stronger markets-related businesses and then discrete items like litigation and so forth.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. And refresh my memory please. This year, you'd quantified $500 million after tax of the risk & control type expenses and then another amount of that magnitude in 2025. Is that correct?

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

No, I think the $500 million talked about the cost that we'd spent up until that point in time. We haven't talked about anything for 2025.

Gabriel Dechaine – National Bank Financial – Analyst

Nothing for 2025. But it seems likely that these costs could persist though into 2025. Is that unreasonable to expect?

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

That's correct. It's a multi-year program.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. I get you don't want questions on this regulatory matter. But the press release clearly outlined what your estimate of total penalties would be. I don't dispute that number at all. But there's also mention of non-monetary penalties. What are you thinking of there? Is an asset cap on the table for the U.S. business?

Bharat Masrani – TD Bank Group – Group President and CEO

Nonmonetary means anything that is nothing to do with money. So we said the US$2.6 billion – that is monetary. Anything that doesn't fit into that category is nonmonetary. I can't speculate. We're in the middle of our negotiations. We are making progress and it's not appropriate to speculate what the final deal would be. And as we put out in our press release, we expect to come to a resolution by calendar year-end. So I think it's best to remain patient. When we have more to say, we'll be happy to engage.

Gabriel Dechaine – National Bank Financial – Analyst

Right. But nonmonetary can involve financial impacts. You can agree on that, correct?

Bharat Masrani – TD Bank Group – Group President and CEO

I don't want to speculate. There might be compliance requirements. It can be various other requirements. It's hard to speculate. We are in the middle of negotiations and investigations. And we just want to make sure that we give you fullsome disclosures when it is appropriate, rather than speculating what it may or may not be.

Gabriel Dechaine – National Bank Financial – Analyst

All right. Well, in any case, I appreciate the transparency you provided last night.

Bharat Masrani – TD Bank Group – Group President and CEO

Good talking to you, Gabe. Thank you.

Ebrahim Poonawala – Bank of America Securities – Analyst

Just wanted to follow up with Leo on your response earlier. What I'm trying to figure out is how much of the remediation actions that you're taking for fixing AML, or risk & controls, is still a moving target – where you're still learning as you dig into for what needs to be done? And from a shareholder standpoint, I think the 2 questions are: does this cost expense creep – mid-single digit moved to high-single digits – could this become low-double digit and then some more next year? So that's what I'm trying to handicap. And the second is, given all these experts you hired – forget about the regulators – do you have a sense of the time line of when you can at least get this at par with management's expectation in terms of where you want the AML controls to be?

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

Thank you very much, Ebrahim. It's a very good question. Let me first just assure you that we've spent a lot of time in building a very comprehensive AML program. And it really looks at the program in its entirety – at all pillars, to ensure that we've got one of the most robust AML programs in the country. That's been the objective from the very beginning. I believe we have a very robust program. And we're executing – we're well underway in terms of the actual execution of the program. I talked about the leadership attraction. I've talked about the increase in complement in investigators and program managers, in data specialists, in the technology areas. And we are moving as quickly as we can to be able to make sure that we've got that mature infrastructure in place. We're also making investments in data and technology. So I feel quite comfortable that we have a road map to execute against and that we are executing against that plan. Certainly, over the course of the next year or two years, as our sophistication and advanced analytics increases, we are going to be even more effective at identifying and thwarting the risks that are present in the financial industry. But that's by design. That's exactly what we're trying to drive towards.

I believe that the costs that we have forecasted internally are appropriate for the program that we've outlined and I feel quite comfortable with the outcome. And I just want to stress – we're not looking to simply meet the minimum standard here. The instructions from Bharat have been very clear from the very beginning. We want a world-class program. We're making the investments required. And it will create an infrastructure that will allow us to continue to grow sustainably and build a franchise. Because we have an exceptional franchise in the U.S., and it's one that we want to continue to build.

Ebrahim Poonawala – Bank of America Securities – Analyst

Right. And Leo, the reason I'm trying to drill into this is, I think you said it looks like it's going to be a multi-year program to get to the endpoint. Obviously you don't want to comment on the nonmonetary penalties. But in a world where there's an asset cap, the concern is if this is going to be a 2 to 3 year deal, the U.S. franchise under an asset cap will have the risk of attrition. Is there a way that you can make us feel better about the U.S. franchise? If there's an asset cap and this takes multiple years, as someone who runs that business day-to-day, why that would be okay? And there's no risk of attrition?

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

Yes, Ebrahim. I would say, first of all I just want to emphasize, this is a priority for us. Getting this AML program complete and making sure that we've got that sustainable foundation is a first priority for me –

personally. So as I've outlined, we're making the requisite investments there. But I do want to just pivot for a moment and just point to the performance of the underlying franchise. If you look at the third quarter performance, we did have sequential NIAT and PTPP growth. That was powered by a 3 basis point increase in NIM, and peer-leading loan growth, and strong, stable deposit performance. Some of the areas that we've identified previously, like our bank card business, was up 16% on a year-on-year basis. Our mid-market business, where I've indicated we have an opportunity to be able to leverage the partnership with TD Securities and TD Cowen to be able to scale that business, was up 18%. Even our core small business franchise, where we are the largest SBA lender in our footprint, was up 8% in what has been a relatively subdued lending environment.

So I think the franchise continues to perform. There's no reason why that should end. We're going to continue to do what we need to do from a governance and control standpoint. But we want to continue to build a franchise that we're very proud of, and that we think can continue to consolidate itself in the U.S. marketplace.

Paul Holden – CIBC World Markets – Analyst

I want to follow up on that question a little bit, Leo. And I think you've already answered it to some degree. But when I look at the numbers for the U.S. segment, I see efficiency ratio effectively flat year-over-year which I think is pretty impressive given the additional investments you've had to make in risk & control. But I guess the counterargument to that would be, well then you've had to reduce branch count, you've had to reduce headcount. And so the concern would be – how does that impact revenue and productivity of the U.S. segment? Again, I think you've addressed it a little bit already. But maybe you can walk us a little bit through in terms of the strategies you're using to maintain market share, and to grow productivity per branch and FTE. Because that's kind of what I am seeing in the numbers.

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

Thank you very much for the question, Paul. Just to start, I'd say we have been very focused on creating the space to be able to make these critical investments. So on a year-on-year basis, in-segment expenses were flat. And I think I communicated three quarters ago that we were prosecuting a productivity program that really had four or five major pillars. One, we were looking at organizational health – post the First Horizon transaction, we were looking to rightsize the organization, and overall FTEs are down about 3% on a year-on-year basis. Second, we looked at our corporate real estate, including our store optimization program, to be able to identify areas of being able to rationalize what the current environment required. And we have been able to generate some productivity savings there. And then finally, we've been looking at both our technical architecture as well as our data architecture, to find opportunities to be able to simplify. In fact, I'm very pleased that this past weekend, we did consolidate our retail card services business onto our target cards operating platform and that will represent about a US$15 million reduction in operating costs.

So we are doing the things we need to do to be able to create operating leverage so that we can invest those proceeds, not only in the governance and control programs, but also in some of the critical areas that we've identified – like our digital and mobile environment, like investments in our next-generation store design, in cards, in wealth – areas that we think we're still underpenetrated and where the franchise – our 10 million client base – would benefit from a greater and a deeper relationship over time.

So that's really the strategy that we've been executing against. There's no doubt that as we execute on some of these programs from a governance & control standpoint, there could be some elevated expenses. And I'm comfortable with that. Because I want to drive to that sustainable platform in the U.S. We have such a signature, differentiated platform, we want to make sure that we've got the license and the capability to continue to grow at scale.

Paul Holden – CIBC World Markets – Analyst

Got it, thanks for that. And second question is a little bit of a follow-up on, I think, what Meny asked to begin with and the second part of his question and that is – why the share buybacks this quarter and then sell the Schwab stock?

Like that's a decision you must've weighed, I would assume, around the beginning of the quarter when you had a fairly good idea of where the provisions may come in. So obviously, it's a decision you weighed. Why did you decide to go ahead and repurchase TD stock, sell Schwab? Why does that benefit shareholders?

Bharat Masrani – TD Bank Group – Group President and CEO

So the accounting rules on this, Paul, are very straightforward. Our view is that the US$2.6 billion is our current estimate, in addition to the US$450 million we have taken. So we made sure that we follow that standard.

I think our buybacks have been continuing right through the year. And as Kelvin said, we have now completed 85% of what we had targeted, and the program now expires at the end of August. So I don't think I can add any more. We've always prudently capitalized, conservatively capitalizing the bank, and it made sense for us to do exactly what we outlined. And it makes sense in that our capital levels will continue to be where one would expect given TD's history and the way we manage capital. So very comfortable with how we got to where we did.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay. Maybe just for Riaz – if there was a desire on the part of the Bank, for the Wholesale bank to grow faster than maybe what had been contemplated when you executed on the Cowen acquisition, how much faster could you grow? And what sort of resources would you need for each incremental 100 basis points of growth?

Riaz Ahmed – TD Bank Group – Group Head, Wholesale Banking

Thanks for that, Sohrab. Look, I think if you just look at historic development in revenue over the last 5 years, the Wholesale bank has more than doubled. And I think that this is a business that does move quickly. And to your point, it can be grown fast or slow. But I think we have to make a balance in growing out our strategy, as well as weight our risk considerations from the perspective of making sure that we have the right talent in seats. And we've been able to hire just fantastic talent over the last two years in the various seats. But also continue to build our infrastructure to make sure that we have the right visibility over the risks in the business.

But look, I think there's a lot of room for us to continue to grow. Whether it be in prime businesses, transaction banking businesses, electronic trading, sponsors, leveraged finance. We've been able to bring up our revenue now to a consistent performance of $1.8 billion a quarter through this period of integration and build. And market conditions seem like they're only getting more supportive right now. So I do feel that the growth trajectory that we're on is a good one for the bank in aggregate. And maybe we can speed it up a little bit, but I wouldn't anticipate that we're looking to double it in the next year or two.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay. I appreciate that. And then, Leo, maybe one last question for the U.S. Retail segment. Expenses – maybe coming at it from a slightly different perspective. I think you were doing about US$1.5 billion in non-interest expenses a quarter in 2023. Excluding the US$3 billion of the legal provision, maybe you're trending at around US$1.6 billion, maybe a little bit higher than that. Does that US$1.6 billion this year, quarterly, factor in the investments, or the run rate of the investments, in risk & control? Or do you anticipate further investments that will drag that quarterly run rate of, say US$1.6 billion, even higher from here – aside from inflation and the traditional business growth?

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

Sohrab, I'd prefer not to provide specific quarter-on-quarter expense guidance now. But let me just take a step back for a moment. I think you should expect from us continued focus on productivity. And it is my objective to drive positive operating leverage at the local segment level.

There's no question that some of the governance programs, and the expenses thereof, are being reflected in the corporate segment as the investments that we're making in the U.S. will undoubtedly ladder up to the broader global program. So I think that operating model will be in place. I believe that the changes we're making are multi-year in nature. But I would expect that the bulk of the expense will be peaking in the early part of 2025 as our execution will be most concentrated in that period of time.

With regards to the focus, I do want to give us the opportunity to leverage the productivity initiatives that we're running at the local level to be able to reduce our run costs, give us more capacity for change, allow us to invest in the strategic priorities. But never compromising the risk & control initiatives that we've outlined for ourselves. And that is, at a very high level, the thought process – is one of creating capacity to make the investments required to continue to grow the franchise. And that we're going to stick to that operating framework. And I'll certainly provide regular updates with regards to our progress against that.

Nigel D'Souza – Veritas Investment Research – Analyst

I want to turn to your disclosure on reasonably possible losses. I noticed that the high end of that range is still at around $1.3 billion and is little changed from last quarter. So trying to understand why that hasn't come down given the AML provision you've taken this quarter? Are there any other legal or regulatory matters outside from AML that could lead to outsized fines or penalties?

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

It's Kelvin. We don't comment on RPLs. I mean there's a lot of puts and takes in the RPLs. We continuously make an assessment with the appropriate amount and update it accordingly.

Nigel D'Souza – Veritas Investment Research – Analyst

Okay. And then on Schwab. You talked about capital. But was liquidity a consideration in the decision to sell those Schwab shares? Could you have sourced liquidity from other avenues, other than selling your equity stake in Schwab? You have the securities portfolio, are there unrealized losses there preventing you from, I guess, selling back the liquidity to crystallize? Just trying to understand, is liquidity at all one of the considerations here?

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

It's Kelvin. The answer is no.

Nigel D'Souza – Veritas Investment Research – Analyst

Okay. And then just switching to credit loss provisions. Could you provide some colour on performing PCLs this quarter? You've seen some deterioration in unemployment rates in the labour market, but your performing PCLs are moving lower. So any colour there on what's offsetting the unemployment trends that we're seeing that's leading to lower provisions?

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

It's Ajai. You would have noticed that performing PCL quarter-over-quarter came down $49 million. Some of that was U.S. Retail. So U.S. Retail was down $23 million. And it's really coming from RESL and auto, with macro factors and seasonality contributing to that. Corporate segment is also down, again, it's some seasonality and macro factors. Wholesale performing was down for two reasons. One, there were repayments. So when there were repayments, any performing we held was released. And the second reason is because there were impaired – some of the performing PCL migrated to impaired. So those would be the contributing factors why our performing PCL is down quarter-over-quarter.

Nigel D'Souza – Veritas Investment Research – Analyst

Got it. And the lower impaired PCLs in Canadian Banking specifically, I assume that's not driven by rate cuts due to a lagged effect. So anything else that you could point to that's leading to provisions improving quarter-over-quarter?

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

Are you talking about Canadian P&C?

Nigel D'Souza – Veritas Investment Research – Analyst

Correct, Canadian P&C.

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

It's mainly driven by commercial. And as you know, impaireds in commercial can be lumpy. So there were lower impaireds in commercial, that was the big driver of impaired PCLs coming down.

Lemar Persaud – Cormark Securities – Analyst

Maybe for Leo and just kind of following up on the conversation with Paul and Ebrahim. Would it be fair to suggest that regardless of what comes out from these nonmonetary fines, bottom line, you feel confident in the ability to grow earnings in 2025? Is that a fair statement? I'm really just trying to understand, just given the peak in expenses in 2025, how will the earnings power of the U.S. franchise play out?

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

I won't front run any discussion on the nonmonetary penalty. I really want to wait to see the final global resolution. And as Bharat said, we'll certainly bring that forward as quickly as we possibly can because I know how important certainty is as we try to project forward.

I just come back to what we're trying to do is structure ourselves so that we can essentially continue to drive the governance changes in the core business – but still grow the franchise that we have. And so I think you've seen the operating momentum over the last several quarters has remained strong. In fact, in many cases, it's been peer-leading. And we've been very deliberate around trying to compartmentalize as best we can, the various efforts, so that we can continue to grow the franchise. I won't provide a guidance as to what 2025 looks like today. But there are some areas that really point and are quite favourable for the outlook. Clearly, loan growth has been strong. Deposit performance has been stable. And NIM performance has been peer-leading in terms of relative performance. I do think we have been, from an operating expense standpoint, we've tried to be disciplined without compromising the investments that we need to make in our risk environment. And I do think that the macroeconomic environment in the States, to the extent that we do get the benefit of some Fed rate cuts, will take some pressure off both consumers and businesses, and potentially spark some loan demand. So there are reasons to be optimistic about the U.S. operation. But I wouldn't want to comment right now with regards to what the final global resolution would bring forward.

Lemar Persaud – Cormark Securities – Analyst

Okay. And maybe let me try this way. Maybe this would be helpful. If we park any of the additional operating expense growth related to this AML, is there any tangible reason to suggest that TD's underlying performance would lag U.S. peers? Because it seems like the answer to that is no. But just curious your thoughts.

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

In terms of leading indicator growth, and in terms of the sustained momentum, I think we've been able to demonstrate peer-leading performance. And that would be our objective going forward.

Lemar Persaud – Cormark Securities – Analyst

Okay. And then I know you guys don't want to talk about this AML investigation, but I did notice some wording about overlapping class actions related to this AML investigation. Now I'm not a bank expert in litigation. And I know you guys can't comment on these cases specifically. But more broadly, can you comment on how successful these class actions typically are against – have been against – the Canadian banks historically? Like my thought is that the banks have these large legal budgets. And a number of these things come up but never really amount to much because the banks are able to successfully defend themselves. Is that a fair statement? Any thoughts on that?

Bharat Masrani – TD Bank Group – Group President and CEO

Hard to comment on that, Lemar. It depends on the situation, circumstance. I don't think it's appropriate to speculate as to how a particular case might turn out. Best is to wait out as to what those class actions might be. Given the type of business we have, large financial services companies serving tens of millions of customers, we do encounter many of these issues. And it's hard to predict accurately how each one might turn out.

Lemar Persaud – Cormark Securities – Analyst

Yes. I'm just thinking about maybe there's a hundred of these that come on average per year, but we hear about one. Is there any thoughts you can provide on that? Because sitting on this side of the table, I have no indication of how often these things are levied against the banks. Is there anything you can share on that?

Bharat Masrani – TD Bank Group – Group President and CEO

Unfortunately, I cannot. There are many cases, and we will see how each one turns out.

Jill Shea – UBS Securities – Analyst

In Canadian P&C, the results were strong this quarter – with revenue and volume growth. Could you just talk about the outlook there given the macro backdrop, and your expectations for loan and deposit growth, and how we should think about margins going forward?

Raymond Chun – TD Bank Group – Group Head, Canadian Personal Banking

Thanks for the question, Jill. It's Ray. Maybe I'll start and then Barb I'll hand it over to you on the commercial side. From a P&C perspective, let me first start by saying we're just incredibly pleased how we continue to deliver for our customers. And if you look across not only this quarter but previous quarters, you just see the terrific momentum that we have across the entire Canadian franchise. And if I start from a revenue perspective, the Canadian P&C businesses were up 9% year-on-year. Expenses – we're continuing to have disciplined expense management at 4%. And so we're achieving our goal of having strong positive operating leverage, not only this quarter, but for the second quarter in a row. We're above 500 basis points. And I think what's driving that, is really both sides of the balance sheet in the Canadian Personal Bank. You're seeing deposit growth at 7%. And we're continuing to see leadership in core deposits – and that's really being driven by our strategy around New-to-Canada. And we're seeing another record quarter for New-to-Canada acquisitions at the Canadian Personal Bank. And you heard from Bharat the enhancements that we continue to make on our New-to-Canada package from a OneTD perspective – now adding capabilities with our direct investing partners from Tim's world. And then from a loans perspective, you saw a good strong loan growth of 6%. And really, that's across the portfolio. RESL continues to be a strength for us. It's our 14th consecutive month of market share gains. We're up 6% there. Credit cards at 10% loan balance growth. And we're seeing very strong acquisition momentum in our credit card portfolio. And I think going forward, we'll continue to see strong acquisition momentum in our credit cards. We've got what we believe are market-leading partnerships that are resonating with Canadians.

And so, the other thing I'd add is from a RESL perspective, what's driving our growth and we think will continue to drive growth as we move forward, is we launched a new channel in our RESL business called Mortgage Direct, and we've actually seen terrific results. And we're seeing conversion rates of our leads that are 3x higher than our traditional leads in the Mortgage Direct program that we launched just about a year ago. And so overall from Canadian Personal Banking, I couldn't be more pleased with the momentum that we have. Whether it's on the deposit side or the lending side. And I think our momentum will continue as we move forward into 2025. Barb, maybe on the commercial side?

Barbara Hooper – TD Bank Group – Group Head, Canadian Business Banking

Yes. Thank you, Jill, for the question. On commercial, we feel like we have very strong momentum as well. We saw loans up 7% year-over-year. That has moderated a little bit from recent quarters, reflecting the macro environment. Deposits were strong, up 2% year-over-year. That's a bit of an inflection point for us coming out of the CEBA loan repayments and the optimization of client balance sheets. And so we're quite encouraged by that. Margins have been relatively stable – absent the impacts of interest rate impacts. And so the interest rate environment will have an impact going forward. The market remains very competitive. But we're optimistic that we'll continue to be able to attract further growth at appropriate margins. Maybe one thing I would add is we are really seeing the benefit of our increased OneTD efforts. And so with our business clients, we have been able to serve more of their financial needs – their personal financial needs. And we're seeing the relationships deepen as a result and customers are very happy.

Darko Mihelic – RBC Capital Markets – Analyst

I will honour the no questions on AML and instead, focus on Canada one more time. I want to come back to what you just spoke about with respect to Canada. And I'll ask this in a manner that highlights my concerns with the quarter, and maybe you can beat them down. The first part is the 500 basis points of operating leverage. I mean historically, whenever we saw TD's Canadian business produce revenues of 9%, anything over and above 200 basis points of operating leverage is considered a no-go zone because you were always reinvesting in the business. Even if you were taking restructuring charges. In the past, and again, I've been following TD for a very long time, that was the sort of approach. It was always a reinvestment. And today, I see 500 basis points of operating leverage, an all-time low on efficiency ratio. And it begs the question for me. The question is, are you hitting the brakes really hard in expenses because you need to over-earn here for a period of time only to later have to spend again? So maybe you can beat down that thesis for me and explain why this is maybe transitory. Will you, in fact, try to revert back to a historical kind of operating leverage that has never really exceeded 200 basis points? Or is this a new paradigm that we're looking at for TD?

Raymond Chun – TD Bank Group – Group Head, Canadian Personal Banking

Thank you, Darko. Maybe I'll start. It's Ray. And thanks for the question. The way I think about our business over the last few quarters and moving forward, first and foremost, we are looking to consistently deliver positive operating leverage. So I think your statement around positive operating leverage and the history that we have with that is accurate. From an expense perspective, a few different levers that we're looking at managing as we move forward – and certainly, one of them is around finding the right mix within the complements. And when you actually look at the traffic within our branches, transaction traffic within branches are actually down 50% over the past – since the pandemic. And so we've looked at how do we actually find the right balance.

And what we're doing within our branch network is actually moving from a one service colleague to one sales colleague, to two sales colleagues – or two adviser colleagues to one service colleague. That's driving significant productivity while we're able to actually take down costs in our Canadian branch network on that side. And so I see that playing through from a productivity perspective. The other thing that we're looking at across the entire spectrum, on expense management in the Canadian Personal Bank – whether it's real estate, whether it's from the actual head office complements and what have you – and we continue to be looking at that as we line up our strategies as we move forward. But make no mistake, Darko, we are continuing to make investments to accelerate our growth in digital, mobile and omni to make sure that we're meeting the needs of our customers. And so we're able to balance on a go-forward basis, growing revenue on both sides of the balance sheet, while managing our expenses and making the necessary investments from a digital, mobile – and also improving our risk and control environment here in Canada.

Darko Mihelic – RBC Capital Markets – Analyst

So what would be your long-term target for operating leverage for this business?

Raymond Chun – TD Bank Group – Group Head, Canadian Personal Banking

The goal continues to always be to deliver on a positive operating leverage as we move forward. And that's always been the goal for TD Bank. And it will continue to be the goal for the Canadian Personal Bank.

Darko Mihelic – RBC Capital Markets – Analyst

So would it be fair to say 500 basis points?

Bharat Masrani – TD Bank Group – Group President and CEO

It's hard to provide guidance at that level. I think the point to make here is, we've got very strong revenue momentum driven by account acquisition. Particularly in the New-to-Canada segment. In addition to that, we are finding ways to have the business be more productive through technology. Ray talked about what's happening to traffic and how can we tweak our models. As long as those factors remain, where the account acquisition continues to be strong, driving revenue growth. Given the strength of Ray's business and Barb's business, we should see good positive operating leverage.

Operator

Ladies and gentlemen, this will conclude today's question-and-answer session. I will now turn the call over to Mr. Masrani.

Bharat Masrani – TD Bank Group – Group President and CEO

Thanks very much, operator. And thank you all for joining this morning. Really appreciate it. I know you have lots of questions on the AML matters. But as you can probably understand, we cannot tell you more than we already have. I understand that you want to know more. And I'm looking forward to the day that we can provide you all the details that you need. In the meantime, very happy with how our businesses have performed. If you look at the fundamentals in each of our segments, not only in Canada, but the United States, Wholesale, it's been terrific. It's great to see the momentum we have – in new account growth, revenue growth, loan growth. So it's good to see. And I could not be more proud of our bankers around the world – TD bankers around the world. And once again, I want to thank them for their dedication and delivering for all our stakeholders. Look forward to seeing you again at the next quarter end. Thanks very much.