

# 2023 INVESTOR DAY CONFERENCE CALL

## JUNE 8, 2023

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Material economic assumptions underlying the forward-looking statements contained in this document include assumptions about the continued population growth in Canada; the recovery and continued performance of the Canadian housing market; continued largely favorable economic conditions; the normalization of interest rates; as well as the Canadian Personal Bank's ability to successfully attract and retain customers, including New to Canada customers; ability to successfully attract and retain employees, including specialists such as mortgage mobile specialists; the continued investment in and the successful implementation of digital and mobile enhancements; and the continuation of any existing co-branding or other arrangements with certain unaffiliated retail and service companies. Additional material assumptions are set out in the 2022 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2023" 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 "2022 Accomplishments and Focus for 2023" 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 securities legislation.

## **CORPORATE PARTICIPANTS**

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**Michael Rhodes**

*TD Bank Group – Group Head, Canadian Personal Banking*

**Brooke Hales**

*TD Bank Group – Head of Investor Relations*

## PRESENTATION

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### **Brooke Hales – TD – Head of Investor Relations**

Thank you, Bharat. I would now like to welcome Michael Rhodes, Group Head for Canadian Personal Banking, to the stage. Michael has been with TD since 2011, and he joined the Senior Executive Team in 2017 as Group Head for Innovation, Technology and Shared Services. Prior to that he led US Consumer Banking and Wealth Management and our North American credit cards and merchant services businesses. Michael's experience in financial services spans 30 years, but a fun fact is that he began his career as a mechanical engineer. Please welcome Michael.

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### **Michael Rhodes – TD – Group Head, Canadian Personal Banking**

Thank you, Brooke, and good afternoon, everyone. I very much appreciate you all coming today and listening to our session, we have some great content here, in fact, we have lots of material to cover, and so to make it simple, I'm going to leave you with three simple messages. First, the Canadian Personal Bank is the leading franchise in the market. Second, is momentum, we have momentum, and our momentum is grounded in solid execution disciplines. And third is about growth, and specifically, we have specific targeted growth opportunities and I feel very strong about them. So, I have an hour to talk to you here, but take these three messages, you kind of have it all. I think the next hour will fill it in a bit so you'll appreciate that. So, let me start with the first point - why do I say we have the leading franchise? It starts with scale – We have more customers –13 million of them. We have the best distribution. We have the best locations, coverage, and hours and we are Canada's largest digital platform. We have the best brand. Our brand, if you look at Financial Services brand studies, we consistently rank the top. We have a diverse mix of partners, including many who are the best in their categories, think about Amazon or Aeroplan. We have more interactions with customers than our peers. So think about this, more interactions, more customers, this creates an unparalleled opportunity to deepen our share of wallet. And to round out this strategy, we manage the business with a disciplined through-the-cycle approach. This has served us well in the past, it will continue to serve us well on a go forward basis. Plus, we continue to drive productivity and in doing so we actually create the opportunity in the expense environment, so we can invest in next-generation capabilities and growth. In Bharat's opening remarks, Bharat spoke about the trends shaping banking today. All this change and disruption, our strengths, our strategies, and our execution enable us to be successful as the operating environment evolves. In fact, customers continue to choose TD and our pace of winning new customer relationships is increasing. One out of every three Canadians bank with TD, so why do customers choose TD? They choose us because we offer convenience, legendary customer experiences – both in person and digitally – and a broad product suite to meet customers' needs. And, underscoring it all, our bankers' passion for the customers – and the power of our brand – these are second-to-none. TD is poised to capture market share; Bharat spoke about it – and we will outperform by being the bank of choice for all Canadians. So this is me giving you the thumbnail sketch. I'd like to play a video that tells it from the customer's point of view and then I'll move on....

Now you have to love a customer that keeps their TD Canada Trust bear for 45 years. We went up to like, 10 or 12 customers to do these videos and one of them had a bear from 40 years ago. That is loyalty. Our future growth is built on our current scale and strengths. I think the view you see here on this slide brings this to life. We have top two market share in all major product categories. Our reach and market coverage – through all channels – give us leading distribution capabilities across Canada. More Canadians live within two kilometers of a TD branch than any other bank – in other words, we are where the customers are. Typically, our customer transact through digital banking on average of 40 times per month. So this scale and distribution strength is coupled with a disciplined approach to risk and improved efficiency. This translates to exceptional returns. Since 2017, we have driven a 320 bps efficiency ratio improvement, with ROEs exceeding 50% in 4 of the past 5 years.

Winning a customer is important. Building long-term loyalty is critical. At TD – we do both. Our typical Customer has been with us for 17 years. And while distribution, brand and partnerships strengthen us, it's our passionate front-line colleagues that set us apart. They go above and beyond for

their customers each and every day. It starts with, we hire people that have a deep passion and care for our customers – you hire right. But then we invest in them, and we empower them. Our recent external benchmarks for colleague engagement show we score in the top decile. And our customer experience reflects this. We are thankful for our terrific team and the leadership they provide every single day. The hardest element of our model to replicate is our passionate front-line colleagues. Culture is so easy to observe but it's incredibly difficult to copy. To push ahead of the competition, we are doing many things including, we're modernizing the way we work. Bharat talked about this – this is TD's Next Evolution of Work – or NEW, as we call it. We are evolving the way technology and business leaders work together to enable capabilities for our colleagues and outcomes for our customers. This is a transformation – and the Canadian Personal Bank is at the forefront. We have increased our operating cadence and organizational agility, improved our processes, and eliminated waste to become more efficient. We're turbo-charging our speed to market. In the second quarter of 2023, the most recent quarter, alone, we launched 24 customer-facing features in our digital mobile platforms – tripling what we did over last year.

We all know technology is redefining industries, and financial services are no exception. TD is shaping the future of banking, with the customer at the center of everything we do. As an example, by the end of this year, we expect to securely migrate most of Canadian Personal Bank's customer data to the cloud – that's accounts, interactions, and transactions. This unlocks a wealth of customer insights supported by faster access to trusted data, and better tooling using best-in-class platforms. And these insights will also simplify and personalize interactions. AI plays a big part. Through Layer 6, that's our industry leading, award winning, AI capability - we enhance mortgage renewal efforts, we improve credit risk models, we build account-level flow of funds estimates, and the list goes on. Recently we accelerated pre-approved mortgage applications, our decision time from two-hours to less than ten seconds. And so, technology investments are important, but as we invest in technology, we are also doubling down on talent. People matter, and today – in some ways, more than ever. We have added over 750 branch-based personal bankers in the past 3 years. These are the colleagues who provide trusted advice on everything from day-to-day products like chequing accounts and savings accounts to investment products and mortgages. And to support the growth, we're also investing in marketing to drive demand. We've doubled digital acquisition over the past five years and significantly improved effectiveness. As an example, since 2019 our e-mail open rates are up 17%, our Click Through Rates are up 23%. This is money well spent.

As customers' expectations continue to evolve, the value of TD's branch network endures. Some observers have predicted the demise of the branch for years. More recently, if you listen, the narrative is changing, its shifting, with some global banking experts talking about the "Renaissance of the Branch". At TD we have been consistent – our branch network is – and will continue to be – a tremendous source of strength. In fact, we continue to double our share of customers in markets with high branch density versus those with low. TD has the most urban network in Canada, with the longest hours. This translates into a bigger book of business for each of our branches, with more balances, more accounts, and more transactions than our peers. And as transactions have migrated to self-serve channels, TD's branches are also evolving to drive even greater value. We have already doubled the ratio of sales to service-oriented colleagues. And as a result, since 2019, in-branch transactions are down 40%, whereas sales of new accounts per branch are up 15%. This is pushing down our cost to serve and allows us to redeploy the savings to grow the business. And as the nature of the in-branch experiences shift, we are re-formatting our branch network to better support private, advice conversations. We plan to renovate more than 200 branches in the next three years - that's about 20% of our network. In parallel, we are also reinventing the ATM experience, and plan to refresh almost 20% of our 3,000 Canadian ATMs this year. This will increase reliability, enhances security, improves customer experience and creates new features such as a more accessible design and larger, higher resolution screens.

As I noted – physical and digital working together is the winning formula in Canadian banking. And TD is the leading digital bank in Canada, we are the largest digital bank in Canada, with more online and mobile users than anyone else. Our self-service channels now account for more than 90% of interactions, the majority of these are mobile. In fact, since 2017, mobile traffic has increased at a compound-annual growth rate of 16%. And also, the strength of our brand shows in our digital results. TD is the most searched brand online, including for products like mortgages and chequing. Think about the opportunity this digital presence creates. Scale matters – but customer experience builds relationships and both our

internal and external measures show that we are creating momentum on customer experience. We are going to build on this digital advantage – invest in our applications and digital presence – and we will capture an enormous opportunity ahead. There's a lot on the roadmap so rather than me tell you about it, the upcoming enhancements, I have one more video I can show, that's going to show some of the great things coming, something to tee that up.

So Brooke mentioned I used to be an engineer at one point so I love bringing technology to solve problems, but it's the combination of technology and people together that makes things work. In fact, it's digital and branches working together that form our omnichannel strategy, and this is a key driver of our product and customer acquisition, our ecosystem. Branches often serve as a "shop online, purchase in store" assets. For every 2 Customers that convert digitally, there is another one who shops digitally and closes the transaction in the branch. The reverse is also true – our branches serve as billboards. They increase awareness and consideration of the TD brand and drive traffic to our digital platforms. You can see from this chart that our day-to-day account acquisition is strong –double digit increases in both branch and digital channels compared to last year and strong performance relative to pre-pandemic as well. Together, TD's distribution channels create a powerful acquisition engine. Last year, our net customer growth was 2.3% - that's almost double the rate from five years ago. The trend this year, it's accelerating. Since 2017, we have grown our customer base faster than Canada's population and we expect to continue to do this. We are serving customers how and when they want and are driving increased momentum across the Canadian Bank.

TD is a strong deposit bank; I think we all know that. But TD's strategy has been – and continues to be – focused on gathering core deposits such as transaction banking and savings accounts. Core deposits are high margin, they provide stable sources of funding, and they support relationships that enable further deepening opportunities. At TD we've increased our share in core deposits in 6 of the last 8 quarters. And with the increasing rate environment, including yesterday's move, we see a continuing shift of our preference for higher yield options. That said, to date, we are seeing a more moderate shift from core to term than compared to our peers. And we also continue to optimize our cost to serve – further enhancing profitability over time. Strong volume growth, lower costs, and higher margins – these are all good things!

On the other side of the balance sheet, we have delivered strong growth. As some of you may remember, I committed to create momentum in our real estate secured lending business on our Q1 2022 earnings call. We've delivered. We had the highest quarter-over-quarter growth based on spot volumes for 3 out of the last 5 quarters versus the other big 4 banks, including our most recent quarter. Our pipeline for real estate secured lending, RESL, is strong. Do I call this a victory – no, but it is concrete progress. In credit cards, TD's portfolio is very well positioned for outperformance, with strength in travel and other key categories such as balance consolidation and everyday spend. In fact, we had record credit card loan growth in the second quarter, up 14% year-over-year. Notably, as we grow, we consistently deliver low impaired PCL rates, which were lower than our Canadian peers in 3 of the past 4 quarters.

I've discussed the strength of our franchise – the key building block of the future. And I've outlined where we have momentum, and why. Now let's discuss growth. And how are we going to use our clear advantages to extend our leadership.

Our ambition is to outperform the market as the bank of choice for all Canadians. And we will continue to grow our net customer base growth at a rate faster than Canada's population. We will grow in critical segments and outperform in product areas that deliver strong returns through the cycle. And with immigration fueling population growth, we have targeted a 50% growth in New to Canada customer acquisition over the medium term. On the share side, we will maintain our #1 share position in core deposits. We have targeted #1 in credit cards. And in RESL, we want to capture meaningful share and reach \$500 billion in loans over the medium term. That's a 40% increase over our existing balances. Longer term, we aspire to be #1.

These are bold ambitions. And they're backed by a clear – and proven – approach. First, we are customer obsessed. We will continue to align our culture, capabilities, and our investments around the customer need. Second, we are doubling down on our strength in customer acquisition. Our brand

strength, distribution capabilities, and our focus on the New-to-Canada segment position us well. And third, enabled by investments in personal bankers, technology, and data – we are executing new approaches to deepen customer relationships. We are personalizing offers, delivering content in the right moments, and leveraging our colleagues for proactive outreach to build our share of wallet. And as we modernize, our tech stack will be improved, we will reduce costs and this increase our agility and speed to market.

We are moving towards an orchestrated, omnichannel model with data as the connective tissue. This enables powerful, more seamless interactions across customers' channel of choice - Branch, Digital, Phone or ATM. For instance, we can authenticate a customer in the branch or the Contact Centre using their mobile device. The reverse is also true. When customers connect to our 24/7 contact centers through their mobile app, their identity is automatically verified. They transact faster and securely. We call this Omni-Dial and we have multiple granted patents on this. We can predict customer needs through data-driven insights and deliver billions of digital "nudges" throughout the year to keep TD top of mind. In the digital age, speed matters but so does a human connection. If deeper advice or insights are needed, a skilled colleague is literally just moments away. We're not just trying to serve our customers; we want to make an impression – and we want to drive engagement.

Greater engagement is what creates this significant OneTD opportunity that we talk about. Our strategy is simple – if a customer has products with another bank...we want them to move to TD. That's it. Now we're already doing this well, executing effective playbooks to deepen customer relationships. In fact, the number of customers with 2 or more products with us has increased by almost 300,000 over the past year alone. As we improve execution, this volume will continue to increase. With 13 million personal banking customers, the potential is tremendous. Our branches are also a referral engine for small business banks. And in Wealth Management, we have a sizeable referral opportunity. Barb and Ray, I know later on today, you're going to talk about these. Because together, we are bringing the power of OneTD to all of our customers.

Let's drill a little bit deeper into our growth opportunities. In Everyday Banking, Savings and Investments, we provide day-to-day banking products such as chequing and savings, as well as investment products such as mutual funds and GICs. Our growth strategy is working. We have number one market share in our core deposits. Primacy is high and our customers are very engaged. We see that play out in our chequing account attrition rates which are at historic lows. In addition, TD has consistently maintained the number one market share in Interac debit transactions. But we're not resting. We are doubling down on our strength in customer acquisition, with a very specific focus on the New to Canada segment. We are also deepening relationships with customers, with growing recent momentum in the New to Investing segment. This is supported by Goal Builder which helps customers set financial goals – like saving for vacations, a new home, or retirement – and helps customers track their progress against that.

I've mentioned New to Canada a few times, so you've probably figured out this is pretty important and it is. To grow our net customer base faster than Canada's population – we have to target this segment. We are designing packages and experiences for the unique needs of new Canadians throughout their journey. To support the pre-arrival stage, TD has an exclusive strategic relationship with CanadaVisa – their one of the leading online sources of Canadian immigration information. Upon arrival in Canada, newcomers can access TD's compelling banking packages, including the industry's first package designed to meet the needs of international students. To support newcomers as they – and their families – establish roots in Canada, we continue to tailor our credit policies to their unique circumstances. Our branch network is so well positioned to serve this key market. In the communities with the highest newcomer populations, like Toronto, within these communities TD has a 26% branch share – this is a competitive advantage that is really difficult to replicate. And our branch colleagues reflect the communities in which they work. It is our privilege to serve those new to Canada in their preferred language. TD colleagues in our branches they speak over 80 different languages: almost 2,000 speak Hindi or Punjabi and more than 1,000 speak Mandarin or Cantonese. We already see accelerated growth in this segment, and I am confident that we will deliver on our medium-term objective to increase New to Canada acquisition by 50% over last year's level.

Let's turn to Credit Cards. TD has the leading credit card franchise, with the largest active customer base and a robust product line that includes proprietary and co-brand portfolios. Credit cards are important also because they drive customer loyalty, they create day-to-day interaction between the customer and the bank. Since 2019, our credit card spend per active account has grown by more than 20%, with increases in both discretionary and non-discretionary categories. We are also setting customer acquisition records – our digital platform and omnichannel approach power strong performance. In fact, in the second quarter of 2023, our most recent quarter, it was our best ever quarter for active accounts and digital acquisition. Plus, attrition has fallen by 110 bps since 2019, which represents about a quarter-billion dollars in incremental balances. And its high engagement through our loyalty program that supports retention. Over the past three years, we've seen 27% more customers actively engage in these programs. And as we grow, we continue to deliver strong credit metrics that underpin the profitability of our cards business.

Rewards programs directly influence credit card decisions, and we have the best product line-up. Both TD First Class and our Aeroplan card were recognized by Money Sense as the best in their category.

We recently refreshed our proprietary rewards program and we have already seen new accounts up more than 60% on a year-over-year basis. On the partnership side, we have some of the best brands that we work with including Air Canada, Starbucks, Amazon, and Uber, these are all brands that you know. They have tremendous appeal in key segments and provide significant access to new customers. We relaunched our Aeroplan program in 2020. And as travel has rebounded post-pandemic, we've seen very strong growth, including the high-net-worth segment. Our partnership and loyalty innovations are paying off. We see this in behavior performance. Our balances are three times higher and our spend is four times higher for customers who actively redeem in a program. TD is redefining the credit card loyalty business, capturing share, and transforming customers into brand advocates.

Here's how we will achieve #1 in the medium-term. First, as customer behavior normalizes, balances will grow. We have recovered probably about a third of our revolve rate since pre-pandemic for our existing book and so there's significant upside as revolve rates restore. Second – we will win more customer relationships. We have momentum in "New to Bank" customer acquisition supported by strong product line up and our supercharged acquisition engine. Between 2019 and 2022, we saw an 8% increase in new accounts in credit cards. We expect to see another 20% over the medium term. So far this year, our year-over-year new account growth rate, we're surpassing this target. We are getting the right cards in the hands of our customers – and are increasingly earning 'top of wallet' position. We are building momentum towards the goals we have set out today.

Onto real estate secured lending – or RESL – this is clearly a key priority. And look, this is a market where you need to work harder and smarter to win business. Particularly as the market dynamic remains fluid - execution is critical, and we're delivering. Here's one approach we are taking. Our front-line bankers rely upon leads to be successful in reaching out proactively to customers. These leads are generally delivered by either an in-branch colleague, sourced through digital tools, or modelled based on customer data. Today, the leads we generate are more timely, targeted, and effective. The investments we've made in analytics and moving data faster are driving better acquisition volumes. On renewals and retention, we've taken a data driven approach backed by strong digital capabilities and front-line colleague engagement. We have seen retention improve by over 400 bps year-over-year. Now, that's a measure of total portfolio retention – if you look at our at-maturity retention, our performance from year-end 2022 is even better.

To achieve \$500 billion in loans, how are we going to do this? We need to increase loans by \$140 billion. That's a sizeable lift. To do that requires a sound, multi-tiered approach backed by strong execution. It starts with our 'off us' balance opportunity. You remember you saw from an earlier slide, \$270 billion was the number. So these are the loans, \$270 billion, our existing customers have with other financial institutions. Even with modest penetration rates, the upside is significant. Our investments in lead management will help us capture material market share here. To capture more opportunity, we will need to also improve the productivity of our front-line bankers. Over the past 10 months, we piloted a specialist approach in our branches. This has led to a 15% improvement in volumes with the pilot compared to our

current generalist model – this is a great success, and we will be rolling this out across our branches in the coming quarters. We also see an opportunity beyond our customer base by targeting specific segments with tailored approaches. A couple of examples, the Builder segment. This is a compelling OneTD market, where Barb will get to leverage the strong relationships our Business Bank has with real estate developers. Through recent investments, we are tapping this underpenetrated market. We are seeing momentum, with year-over-year improvement in a down market. Once again, I say New to Canada, this is a key segment. And with upcoming enhancements to our policies, our products, and our customer experience we want to franchise these customers. Another segment - Investors – this represents a \$66 billion opportunity, and we are taking steps to increase share. It's also important that we extend TD's fantastic track record to every community. In RESL, this includes our focus on the Indigenous communities through dedicated specialist teams. Mortgages are a complex and often daunting step in a customer's life. Advice, in the right moments, delivered with a deep understanding of customer needs, will drive better conversion and growth. We are designing our journeys to match our customers' engagement model of choice. Customers generally start online, then may go to the phone, and then to a personal banker – either in-branch or virtually. And once an application is submitted, our modernized platform, data, and automation deliver a faster, simpler experience to capture more business with improved back-office productivity. Our outlook for housing is optimistic over the medium term. And given that optimism in the medium term and the investments we are making, we are poised for growth, and we will reach our ambitions – in RESL – and really across the Canadian Personal Bank.