TD BANK GROUP
BARCLAYS GLOBAL FINANCIAL SERVICES CONFERENCE
SEPTEMBER 14, 2022

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PARTICIPANTS

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

John Aiken
Barclays Capital – Analyst

FIRESIDE CHAT

John Aiken – Barclays Capital – Analyst

Good morning, ladies and gentlemen. Kicking off the final day of our conference with Leo Salom, who is President and CEO of US Retail and America's Most Convenient Bank.

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

That's right. TD Bank.

John Aiken – Barclays Capital – Analyst

TD Bank. Fantastic. Leo, thank you very much for joining us. We really appreciate this.

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

Great to be here, John.

QUESTION AND ANSWER

John Aiken – Barclays Capital - Analyst

So, Leo, the elephant in the room, obviously, is the acquisition of First Horizon. Wanted to ask, first of all, can you give us an update in terms of the timeline? But secondly, and probably more importantly from my standpoint, is the strategic rationale for this acquisition. What do you think that it actually brings to your platform? And what do you envision moving forward with First Horizon?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

Sure, John. First of all, let me say that we're very excited about the First Horizon transaction for us. For those of you that may not be quite as familiar with it, First Horizon is a strong Southeast-based commercial bank – 412 stores, has a balance sheet of about 90 billion USD in assets. But what it gives us is an extension across the U.S. Southeast in markets that we were particularly interested in. It doubles down our presence in markets like Florida and North Carolina. But then it also gives a presence in a number of markets that are growing at 50% over the national average that are seeing big influxes. We refer to these as no tax or low tax jurisdictions that are really seeing a demographic growth profile that's quite attractive.

We also like the commercial bank. I think Brian Jordan and the team have built a very strong commercial bank, one that's very complementary to ours and I think it gives us a platform to actually go national. And so, we're really excited about that complementary [business].

And I think the other big opportunity is the retail. We believe we can bring our retail product capabilities to bear on the First Horizon client base. They've got a little bit over a million retail clients. So, the ability to bring our mortgage offering, our cards offering at scale is quite exciting for us as well. You put all those factors together, and we're really excited about it.

I can tell you I've spent quite a bit of time with Brian and the team. I think we've done 20 town halls in 13 different locations, really getting to know the team. And I can tell you, I'm more excited now than back in February when we announced the deal, really understanding the franchise and how we might be able to leverage it over time.

I can tell you we're far along in the early stages of the integration. We've set up the Integration Management Office. We've already done legal day one requirements and we're positioned to be able to close as we would expect at this point. We do expect to close the transaction at the end of the fiscal first quarter. And we're tracking well against that. A lot of work on the technology front in terms of understanding. We've landed on the fact that we will be bringing First Horizon onto our platforms. There'll be a few exceptions, but for the most part that will be the framework. We are in the midst of doing a technology gap analysis to understand how do we ready our platforms to receive First Horizon and do that as seamlessly as possible.

We've also been out meeting with community groups. We've done listening tours as part of the Community Benefits Agreement process. We've had a number of listening tours with over 125 community groups across the U.S. Southeast, and on August 18th we had the public hearing, the OCC, the Fed hosted. That is the normal part of the application process. But to your point, I'm sure there's going to be a lot of questions about how confident are we? We're extremely confident. We believe this transaction does not represent any financial stability or competitive consolidation risk. We've already announced that we will protect all the front-line staff, we will be retaining all the retail and commercial bankers. Likewise, we won't be closing any stores. So, if you look at the strength of the application, we're quite excited about getting this done in short order.

John Aiken – Barclays Capital – Analyst

Leo, one of the advantages that TD has always touted about your U.S. retail system is the convenience, the service, everything else like that. Can you talk to the level that First Horizon has had relative to TD in terms of what you may have to do for the branches or the training of the front-line staff to get them to the level that the TD customers have become accustomed to in the U.S.?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, I would say that the thing about First Horizon is that we might be in different locations, but there's a lot of cultural similarities between the two organizations. It's a very client centric organization, once again, more commercially oriented. So, if you look at the balance sheet, 80% of the balance sheet is commercial. But at their core, they're a very service-oriented organization. They're a very community focused organization. So, when you think of those things that you require to be able to bring two organizations together and do it effectively, I would say we have more in common than we do having to reconcile two different operations. So, I don't think that'll be a problem.

John Aiken – Barclays Capital – Analyst

So, you're not expecting a big cultural change being required of First Horizon?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

No. In fact, we've been doing these town halls where different members of my teams have been meeting with different groups. And I think the common reference back is – this is a high-quality organization, very principle based, very focused on clients, on colleagues, on the community. And that aligns with the way we go to market as well. I would also say there's even some structural similarities which are important. We operate what we refer to as a regional president model, so our regional president in any one given jurisdiction is responsible for retail, wealth and commercial. And we do that because we want to bring the entirety of TD to bear in that local geography. We refer to it as OneTD. They run the exact model. So, the ability to bring the two operating frameworks together, I think, is made easier by the fact that they have a similar go-to-market strategy.

John Aiken – Barclays Capital – Analyst

Fantastic. That touches on something that I was going to bring up a little bit later. In terms of the offerings that First Horizon has versus TD, you mentioned retail, commercial, but also wealth management. Wealth management is actually something that I find very interesting with TD. In terms of what is the go forward for wealth management in the U.S. given that historically, you've got the investment in Schwab, but it's almost labeled strategic. But for me on the outside it almost seems like just an investment, not really a strategy. So, what is the wealth management strategy moving forward?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

So, John, the acquisition of First Horizon would double our total asset base from a wealth perspective. First Horizon has over 400 advisors. So, it is a significant increase in terms of our wealth platform. As you know, when we operated with TD Ameritrade, we did have a shareholder agreement that basically said we were the bank and TD Ameritrade would act as the investment advisor. In the new framework of Schwab, we have a very important strategic relationship. We are quite comfortable with that strategic relationship, but we are building more resident wealth capabilities as part of our core franchise. And so, growing the mass affluent business, financial advisors in the stores is a priority for us. Likewise, continue to invest in our high-net-worth platform is a priority. I think in many ways First Horizon dovetails really neatly against that sort of core operating framework. They have a very well-developed private banking model, largely banking model. Likewise, they have both brokerage and an RIA framework that aligns with our models as well. So right now, we're spending a lot of time thinking through how we put these two organizations together. Technologically, I don't think there's going to be much of a concern. I think we'll be able to do that. We might even be able to convert the wealth businesses earlier than our stated conversion date. But I think the real opportunity is how do we accelerate our wealth presence. As you know, we would like that to be a much more significant part of our franchise. And so, we'll continue to not only focus on bringing the two together, but adding additional advisors, both on the mass affluent high net worth front, over the next few years.

John Aiken – Barclays Capital – Analyst

That's fantastic. Given your background in wealth management, I'm sure that it's going to be pretty high on the priority list. I'm going to take the opportunity to see if we actually have any questions out on the audience before I move away from First Horizon. We have one.

Audience Member

How much priority you're likely to place on transferring the commercial skills from First Horizon into the other parts of the TD U.S. where commercial was not a major part of the business line?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

As I said before, I think the commercial platform is very complementary, but there are areas where First Horizon is in commercial business segments that we weren't operating in necessarily. So, they've got a very well-developed national mortgage warehousing program. And that is complementary. We had done similar mortgage warehousing solutions with very large clients. But the scale of the First Horizon framework is something that's additive. So that's a good example where we would be taking that capability and incorporating that into our commercial bank. In a number of other areas, particularly in the commercial, corporate and specialty businesses, we have overlapping, but complementary capabilities, whether that's in the restaurants franchise business or in the leasing business or the ABL franchise. All of those I think will become larger, will have more scale, might have some broader coverage, and most importantly, will go more national, which is something that we were pursuing that strategy organically in any event. But this gives us a significant extension right across the Southeast and even into markets like Phoenix and Chicago, where First Horizon has a presence. So, in many ways, I view this as an acceleration of some of the organic strategies we were already pursuing.

John Aiken – Barclays Capital – Analyst

Well Leo, obviously a lot of discussion about the macro-outlook and where things are heading. I'm not necessarily going to ask for what TD's house view is in terms of the interest rate and certain things like that. But can you talk to the behaviors that you're seeing from your customers in terms of is there a sense of panic, or in terms of is this business as usual, both on the retail and on the commercial side?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, I think the word is uncertainty. I think if you look at what's happening, whether it's the lingering effects of the pandemic or whether it's war in Europe and just some of the geopolitical risks still surrounding those events, the supply chain disruptions we've seen and obviously inflation. Yesterday we got the CPI numbers back and it's amazing. Even small increments in the wrong direction is sending the markets into a bit of a frenzy with regards to what the downstream implications are. I think that report, though, will strengthen the Fed's resolve in terms of increasing rates. I think the market now is pricing at least a 75 basis point increase for the September FOMC meeting next week. So in many ways, I think that the speed at which rates are rising is raising the risk of recession. I think TD Economics is saying that the risk of recession right now is probably a coin toss, something like 50/50.

That said there's a lot of very positive factors out there. If you look at the more conventional – whether it be unemployment, jobs growth, some of the PMI index numbers, they still point to an economy that has got some legs to it. So it's that uncertainty, and I think we're seeing different client segments reacting a little differently right now. I think what we're seeing is a little bit more caution is in that small business, smaller regional commercial banking clients. They're being a little bit cautious. They're holding on to some of the liquidity that they picked up during the pandemic. And they may not be investing quite as quickly at this point in time. Ironically, at the other end, mid-market names are using this as an opportunity to potentially reposition themselves for this post-pandemic event. So, I think it depends on the segment. I think retail clients, generally speaking, are trying to get back to their pre-pandemic form. In fact, if you look at our credit card sales, credit card sales were up 10% in the third quarter. Balanced growth was up 7% and we're practically back to pre-pandemic levels in terms of activity and spend. So, I think it really depends. I think the next few months will be critically important, and how the markets digest the new interest rate reality I think will be important in terms of determining how things will play out next year.

John Aiken – Barclays Capital – Analyst

And then for your own operations in your planning or budgeting purposes, how are you trying to deal with this uncertainty in terms of not necessarily knowing where your customers are going to be at in 3, 6, 9 months?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

I think, John, the bank has always focused on being ready and being prepared. The reality is we run a very conservative model. We don't take risks in good times, so we can be there for clients in difficult times. And that's stitched into our core risk appetite orientation. We feel quite comfortable with where we are today in terms of our readiness, both in terms of origination risk appetite, as well as some of our collections and customer support areas. I will say, if you look at our financials at this point, if you look at just third quarter, both gross impaired loans as well as NCO are still at historical lows. So, we go into this period in a very strong position. I fully expect some degree of credit normalization. I think a 4% overnight rate is going to have a knock-on effect in terms of credit. But we believe our starting point is quite strong and we believe that the quality of the portfolio is quite strong. I think that'll put us in good stead.

John Aiken – Barclays Capital – Analyst

And then since we broached the topic of credit, how deep have you been on the dive into First Horizon's book, and how similar has their credit adjudication been to TD's historically?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

We did. I think I might have mentioned to you, John, in the previous call, as part of the due diligence, we took about 300 of their most significant loans in the portfolio, and we completely re-underwrote them. So, we treated them as if they were applications coming into our shop and we went through the entire process. I can tell you that to a single loan, we would have underwritten those. In some cases, maybe our credit classifications would have been a little bit different. But the underlying quality of their underwriting is outstanding. So much so, that almost two weeks ago, we announced that Susan Springfield, who was their Chief Credit Officer, would join TD as our co-Chief Credit Officer. That's a reflection of just how much we think about Susan, the credit team at First Horizon, and the continuity that we'd like to be able to bring about once we bring the two organizations together.

John Aiken – Barclays Capital – Analyst

And then in terms of outlook with this uncertainty, what are your thoughts in terms of volume growth moving forward? Because, again, like you said, the third quarter was very strong, at least from the outside view. What are your expectations moving forward on both the retail and the commercial side?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, as you said, the third quarter was strong for us. If you just break down some of the numbers, I think it gives a sense of what 2023 would look like. On a consumer lending perspective, we had 8% overall balance growth year-on-year. And on a quarter-on-quarter basis, it was up 3%, and in every major consumer asset category contributed. The mortgage portfolio growth was 14% on a year-on-year basis, cards up 7%, auto was up 6%. We did see good fundamental activity in the book, in some cases outstripping the rest of the market. In other words, outgrowing the rest of the market. So, we were quite pleased with our overall growth on the consumer lending side. Probably even more so I was really pleased with the second consecutive quarter of strong growth on the commercial lending side. The commercial lending on a quarter-on-quarter basis was up 2.9%. So, starting to see the growth that we had hoped in that. Now it was once again more mid-market, corporate based as opposed to small business and sort of community, a regional commercial banking base. But I think that momentum will serve us well as we go into next year. So, I'm quite pleased. I do expect that there'll be some degree of moderation in terms of that growth rate as we go into 2023. But I still believe that the fundamental strategies that we're pursuing will allow us to be able to have positive loan growth well into 2023.

John Aiken – Barclays Capital – Analyst

And then another one of the positives coming out of the quarter for your operations was the margin expansion that we saw. Now, is this simply a numbers game moving forward that higher rates mean that margin expansion? Is there any surprises or anything interesting that we should expect? Something along the lines of like what are you seeing in terms of the deposit betas?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

So, it was a really good quarter from a NIM perspective. So, on a year-on-year basis NIM grew 46 basis points, 41 basis points on a quarter-on-quarter basis. And I know that was well-received. It was what we've been telling the market. Given our balance sheet, the way we were positioned, this is why you would buy TD in this environment. So, I think we performed as expected. I would say to the question of what you might expect going forward, we still haven't seen the full quarter impact of the rate increases that we got last quarter. That will also funnel through. Likewise, as we mentioned earlier, a 75 basis point increase is probably expected at this point. And based on some of the discussion with the Fed, there could be a subsequent increase thereafter to get to that near 4% overnight rate. So that should augur well for continued NIM expansion. I would say to your point around betas, we fully expect betas to increase and therefore, the marginal value of some of those rate increases will begin to fall. But that said, I still believe that there's going to be some upward opportunities in terms of overall NIM spreads going forward.

John Aiken – Barclays Capital – Analyst

I'll pause to see if there are any questions in the audience? Not at this stage. Outside of First Horizon, the synergies, obviously, when we're in an environment where we are expecting volumes to increase, margin expansion, we are expecting to see top line growth. How do you manage your expenses? And, what are you looking for in terms of operating leverage or work efficiency ratio, depending on how you want to talk about it? Moving forward should we expect to see some leverage hitting the bottom line?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, you would expect us to continue to operate with the same framework that we've operated historically. We do aspire to deliver positive operating leverage. And in fact, this past quarter we generated 423 basis points. So, it was a strong quarter for us in terms of good revenue/expense discipline. I would say that this market opportunity will give us an opportunity to be able to invest more. And we are investing. We're investing in new stores. We're investing in digital. Increasing our advisory teams, both on the wealth side as well as the commercial banking front. Investing in those things technologically that not only support the First Horizon transaction, but also support the continued growth of our core businesses. We'll still be disciplined. And something that we try to do is drive ongoing productivity exercises so that some of those investments are, in fact self-funded and that we can deliver positive operating leverage. And, we'll continue to do that going forward.

John Aiken – Barclays Capital – Analyst

Can you talk about investments in technology and whether or not your operations benefit from being in a North American bank? Is there some sharing in terms of the costs or the technology between yourself and the Canadian operations?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, short answer to that is yes. Particularly as we move to a world where instead of building big single monolithic applications, you start developing microservices that you can then share and redeploy across the organization. That leverage becomes even more significant. I'll give you just one small example. We developed a very robust application to be able to acquire new clients digitally. It was developed by our Canadian personal banking business. When I was in the wealth world, we leveraged that piece of code to be able to accelerate some of our direct investing go-to-market strategies. We've just deployed that same piece of code in the U.S., an example where develop it once redeploy it multiple times and we'll do more of that going forward. I do think in some cases our technological frameworks are a little different. We leverage more external vendors for some of our technological platforms than our Canadian operations. But notwithstanding in terms of front-end, in terms some of the digital development, some of the front-end tools, I think there'll be a lot of leverage.

John Aiken – Barclays Capital – Analyst

And then can you talk about the evolution of the stores? Because, again TD, from my standpoint, was at the forefront in terms of the convenience, the sales to the retail side. Moving forward, should we expect any dramatic changes to the way the stores will look? And are you pulling anything in from First Horizon to maybe morph it into the TD style?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, we drive a tremendous amount of strength from our store network. In fact, historically, our store franchise has been a point of real differentiation for us. And, we still believe that there's an opportunity to grow our physical footprint. We want to be larger in markets like Florida and North Carolina. In fact, we are actively de novo-ing sites in those areas and we'll continue to do so. With the First Horizon transaction, we'll also be looking at some of those high growth MSAs right across their footprint and seeing if we can lean into them to be able to compete. We tend to want to achieve a top three position in terms of deposit share wherever we compete. And if you look at our track record on the East Coast, I think we've been able to do that quite effectively. Just a stat, since the pandemic, our deposit base has grown by 50%. And part of that is that strong store network and the operational framework that we've got there. So, we'll try to leverage that across the First Horizon footprint going forward.

I don't think you'd expect significant changes in terms of the store format, but I think what you will see is a pivot towards more advice centres as we try to continue to increase sales of more sophisticated products through the stores, whether that's mortgages or whether that's wealth products or small business specialty solutions. The configuration of the stores will change a bit from less transactional sites to places where clients can engage in more sophisticated financial needs discussions. There could be a little bit of change in terms of the physical layout of the stores and some of the features and functionalities. But for the most part, the store will still be a very important part of our operating model.

John Aiken – Barclays Capital – Analyst

Well, as a quick aside, I very much love walking through Manhattan because it feels like home. I see TD on almost every second corner, and it almost feels like Toronto. When we talk about the evolving advice model, and I'm going to go back into the wealth management side of the equation, is there anything in your offering or are there any major gaps that may need to be addressed or resolved down the road? Or is this just something that is going to require more focus from TD in terms of either bringing in some more advisors and just education and trying to get a greater share of wallet from your clients?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, it's a great question. I would say major gaps, no. But areas that we're leaning in on, we clearly want to grow our consumer asset generation capabilities. And so that's mortgages, cards, auto – continue to expand our ability. If you look at our loan deposit ratio, we have an opportunity to grow into a larger asset base. So, being purposeful in terms of what we're doing in those areas will be a critical focus area. I think we're picking up a little bit of momentum over the last couple of quarters. But that's going to be an area of focus for us.

You mentioned wealth. I really believe that it is critical for a retail bank to have a world class wealth operation. Being able to follow a client through their continuum, through their life journey I think is absolutely critical. And we have 9.7 million Americans that we serve. I want to be able to serve them fully through that entire lifecycle. So, investing in both the distribution, the capabilities to be able to do that at scale is going to be a big area of focus for us.

I'd say the third one is despite the fact that we have a very large commercial bank, I still believe that we can have a more significant coverage in our mid-market space. We've been very strong in small business. In fact, we're the leading small business lender, consistently #1 SBA lender from Maine to Florida. We've got a very strong regional commercial bank, the embedded community commercial banking teams. But I think in that mid-market space, I'd like to be larger and I think we've got an opportunity to grow our coverage teams.

And once again, going back to the question that was posed earlier to go national, we'll do that in stages. The first stage is bringing First Horizon into the fold. But over time, there's no reason why we couldn't. We're already national in some of our corporate verticals like health care. We will want to continue to build on that success going forward.

John Aiken – Barclays Capital – Analyst

I'm assuming that's not going to require too much investment, maybe a couple of locations elsewhere and maybe some more bodies. But essentially you have the expertise in these verticals and you can just push them out?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

It's hiring the talent to be able to be credible in the markets in which we want to serve. So, I wouldn't say it's an insignificant investment, but we already have the fixed cost to be able to take on some of that expansionary growth.

John Aiken – Barclays Capital – Analyst

And Leo, I have to ask tangentially only because its topical, the TD's announced acquisition of Cowen. Does that do anything to your operations? Is it additive in any way, maybe on the wealth management side?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

We're very excited about that for Riaz's business on the TD Securities side. It's almost a perfect complement. We've historically been very strong on the debt capital markets front. We've had a strong corporate banking presence. We've had very strong cross-border FX capabilities and this bolts on a terrific mid-market focused, equity research, equity capital markets, and M&A shop. So, it sort of completes the puzzle for us from a capital markets perspective. Since it is slightly more mid-market oriented, I think it also provides the commercial bank with an ability to better serve our clients as they grow, as they need to tap into equity markets. Now we have that resident expertise, both in terms of industry coverage support, but also execution capability. So, we're very excited about it and look forward to working with that team in the near future.

John Aiken – Barclays Capital – Analyst

We're getting close to the end. I want to give a final opportunity for the audience to ask questions, else I'll hog the puck, like usual. No. Okay. So Leo, in the current environment that we're sitting in, you talked about very strong third quarter, very strong growth, can you talk to what the competitive dynamics are out there? Are you seeing anything in terms of pricing structure deals going through that may be questionable? Obviously, TD is not going to follow down that path, but are there any pressure you're seeing or is this generally just the economy is moving higher so the rising tide is lifting all boats?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, I would say the market is very competitive and you have to look at each industry segment. Even look at the auto segment just as one small example. We've seen very competitive pricing given the supply constraints in that particular market. Until recently we were seeing pricing that was starting to flirt with uneconomic origination. And so being present but being judicious when a market becomes red hot like that is critically important. I think we've fared well. We've been able to strike that balance effectively. We've managed in our commercial banking book to resist transactions that that do not make economic and credit sense and be disciplined. And I think you see them in some of our credit performance numbers. And we'll continue to do that. But I do think that growing some of our coverage capabilities, going back to the top, will give us a chance to be able to be present and be able to compete effectively for business that we do want to underwrite and that we want to bring on board.

John Aiken – Barclays Capital – Analyst

One of the interesting facets for TD in your operations that differentiates it is the white labeling of the credit cards. I'm not going to ask you to educate the audience in terms of how the numbers flow through or anything else like that, but what's the attractiveness of this business to you in terms of the economics? Or is this relationship building? I mean, what does it bring to the table for your operations?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

So maybe for the broader group, just so that I can describe our credit card business, because I think it'll be important to put the private label business into some degree of context. We operate essentially three lines of businesses within our credit card. We've got our traditional proprietary bank card business. We have something we refer to as our retail card services group, think of that as a point-of-sale lending solution. And then finally, we've got our private label card business. Collectively, that's $15 billion USD in size. As I said before, we want to grow the cards business. We believe it's a very good category. We've got a great foundation, but we'd like to get greater scale. I think what the private label businesses do is they allow us to partner with first class retailers, to be able to build scale, and that scale then gives us the ability to be able to drive down our unit cost, and be able to invest and innovate in terms of making our cards offerings even much more compelling going forward. So very pleased. Just a few weeks ago, we did sign an extension through 2030 of the Target relationship. And Target is probably one of our most significant clients in the portfolio. Having that certainty once again helps us continue to build the scale in our cards business to be able to compete going forward.

John Aiken – Barclays Capital – Analyst

Presumably these partnerships give you access in diversification to customers that may not necessarily be either in your footprint or within what you would typically go after?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

Correct.

John Aiken – Barclays Capital – Analyst

Okay. Leo, in terms of the environment moving forward, can you talk to work from home and philosophically, what TD is thinking, and whether or not, this is going to have any implications for how you build out your operations, and whether or not there's any expense implications, either positive or negative?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

John, first of all, I can't say enough about the way our TD colleagues have responded in the past two years. If you would have told me two years ago that we'd go home, we'd send everyone home, and we work from home for two years, and that we were going to be able to do what we've been able to do. It's just remarkable. I can't say enough about the 26,000 employees across the U.S.

I will say that I do believe that we will operate within a hybrid operating model going forward. I think the pandemic has permanently demonstrated that we can operate a flexible operating framework. And so, we will preserve that. That said, I do have a bias, and that is I do believe that bringing teams together on a regular basis just builds on the culture that we've built at TD. And I think that's incredibly important, not just in terms of sharing an identity, but also creating that sense of belonging where our colleagues can feel part of something larger than themselves and can feel an affinity with an organization that shares their values. I think that's important. And it also drives greater creativity, greater innovation, particularly in some of the areas where you're not just processing, but you're actually inventing and you're trying to reframe a complex problem. And so, we are trying to bring some of our key teams, those that – where that collaboration is critical – back to the office on a more regular basis. So, we'll still be flex, but with a greater component than what's been the case over the past two years. And we're in the midst of doing that right now. There will be some opportunity to rationalize real estate. I wouldn't hold that out as a significant...

John Aiken – Barclays Capital – Analyst

Expenses aren't going down 20%?

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

Right. I don't want you to build that into your model yet. But, the reality is, I do think there's going to be an opportunity to just rightsize our real estate and potentially change the configuration to dovetail with this. I also think the technology is going to be important too. When we were all working from home, the digital framework, the WebEx and the Zoom calls, it worked quite well. When suddenly you have a hybrid model, you want to make sure that you don't alienate anyone that might be working from home in one instance or another. We're working through that. But I think bottom line is that we have picked up new flexibility that we're going to leverage going forward.

John Aiken – Barclays Capital – Analyst

Fantastic. Well Leo, with that very passionate response on the last question, I'm going to leave it there. Thank you very much. Really enjoyed the conversation.

Leo Salom – TD – President and CEO, TD Bank America's Most Convenient Bank®

Great seeing you, again.