TD BANK GROUP
MORGAN STANLEY FINANCIALS CONFERENCE
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Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the Bank's 2011 Annual Report under the headings "Economic Summary and Outlook", as updated in the Second Quarter 2012 Report to Shareholders; for each business segment, "Business Outlook and Focus for 2012", as updated in the Second Quarter 2012 Report to Shareholders under the headings "Business Outlook"; and for the Corporate segment in the report under the heading "Outlook".

Any forward-looking statements contained in this presentation 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.

PRESENTATION

Cheryl Pate *- Morgan Stanley - Analyst*

I am Cheryl Pate, the Canadian banks analyst here at Morgan Stanley. It's my pleasure to welcome TD Bank to our conference today.

So TD Bank is truly a North American bank and TD Bank Group North America is the sixth largest bank in the U.S. by assets and operates approximately 1,300 branches in the U.S. TD Bank has been ranked number one Canadian bank for customer service and satisfaction both in J.D. Power and Synovate for several years.

With us here today from TD Bank Group is Bharat Masrani, Group Head of U.S. Personal and Commercial Banking. Prior to this current appointment, Bharat was Vice Chair and Chief Risk Officer of TD Bank Group. During his tenure with TD, Bharat has also served as Chief Executive Officer of TD Waterhouse Investor Services in Europe, Corporate Finance and Co-Head in Europe, Country Head for India, and Head of Corporate Banking in Canada.

I would like to thank Bharat for being here with us today. Just before we get started on the fireside chat format I would like to read the forward-looking information.

May I remind you that the speaker of today's event may make forward-looking statements that represent management views as of today. These statements are meant to assist listeners in understanding the Company's financial position, objectives, priorities, and anticipated financial performance and may not be appropriate for other purposes. Actual results can differ materially from what is discussed, and listeners should consult the Company's regulatory filings for the risk factors underlying these statements, which are filed with the securities exchanges and on TD Bank's website.

So with that we will go on ahead and jump into the fireside chat. Good morning, Bharat.

Bharat Masrani *- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank*

Good morning, Cheryl. Good to see you.

Cheryl Pate *- Morgan Stanley - Analyst*

Good to see you. Thank you for being with us today. I think I will kick off the questions.

Maybe we can talk a little bit about the growth opportunities we are seeing. In particular, mortgage has been an area at which you have been growing fairly significantly over the last few quarters, particularly given the refi boom that has been happening in the U.S. Maybe we can talk a little bit about the opportunities and sort of competitive environment within the mortgage space.

Bharat Masrani *- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank*

So good morning. Good to see you folks; some familiar faces I noticed. Great to see you again. Just before I get into the mortgages thought I would give you some sense for -- we released our second-quarter results as at April 30. Some of the new people here may not be fully aware that we end our quarter on April 30.

As a group we delivered good numbers, strong earnings of about CAD$1.7 billion. That is 14% increase year over year. Record retail earnings out of the overall group of about CAD$1.6 billion and I would say the model, which is centered around service and convenience, allows us to consistently deliver high-quality organic earnings as well.

Just to touch on capital, because I know this is always a question people have in their minds. We have strong capital position in the Bank. In fact, as the quarter ended April 30 our Tier 1 capital ratio was 12%. And on a pro forma Basel III basis, that is based on the rules as announced today, our Tier 1 common equity ratio was 7.4% in the Bank, which exceeds the requirement, at least as per OSFI's requirement that we need to be by January of 2013.

Turning to the U.S., yes, Cheryl, the mortgage business has been a strong business for us. The main reason behind it is the legacy banks that we acquire in the U.S. did not have any credible mortgage products and/or a platform. What we did since integration is to build out a brand-new platform, you know TD well, it's an important business for us.

So we did build out a platform that is Maine to Florida. We went through some intense training of our people, made sure that our offerings were competitive and compelling, and then given our model of service and convenience and our hope was that we could really take advantage of a lot of the dislocations that happened in the market.

What has happened since then is rates have come down quite dramatically. So, as the refi boom has taken speed, a lot of our customers that previously had mortgages elsewhere decided to refi with us because now we do have a mortgage business that they feel comfortable with. Their view was that we love your bank. We love your service and convenience. We love your wow culture, so why would we not at least try your mortgages out.

Hence, we have benefited greatly from that refi boom because these are TD customers who had mortgages elsewhere and now our refi-ing those mortgages and doing the refi at TD. So we have seen very good growth; high-quality mortgages from our perspective, great FICO scores, good loan-to-value. More than 60% of these mortgages are originated through our stores. So again it's a low cost channel for us and these are existing customers out there.

Your point as to the competitive structure in the industry, it's obvious that people who have legacy issues in the mortgage business are probably not as active so that gives us an opportunity to do even more. And I think this refi boom, at least if the Fed is right in keeping rates low, will continue for the foreseeable future and I see continued benefit for TD in that regard.

Cheryl Pate - *Morgan Stanley - Analyst*

And the margins on the product are quite attractive given the footprint largely in the Northeast, Mid-Atlantic. Sort of naturally a jumbo footprint where the competition, has been a little bit less willing to reengage in that product as well.

Bharat Masrani - *TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank*

You are right. Again, I think all banks are making the statement that they are seeing historical high margins in this product and rightly so given the number of players who are active and the legacy issues in some institutions. It makes sense and for us it's an attractive proposition.

One thing I should add is mortgages also have now evolved to becoming a relationship product. So what we are finding is when we have a mortgage with a customer we have seven-plus products and services with those customers, whereas a non-mortgage customer we would have four-plus products and services. It is turning out to be a highly relationship-oriented product. It's a good cross-sell, good anchor product to have so there is added benefit to being in that business.

Cheryl Pate - ***Morgan Stanley - Analyst***

It definitely helps increase share of wallet with the customer. We have a question.

Unidentified Audience Member

Before you move on from the mortgage topic, just if you could clarify the mix of product jumbo versus conforming, and then whether you are selling at all or keeping some of it on the balance sheet.

Bharat Masrani - ***TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

So I don't know the exact mix, but we are doing both. As Cheryl rightly pointed out, part of our footprint is the Northeast. Being in Metro New York there are not many conforming mortgages you can do because prices are so much higher than anywhere else. So I don't know the exact mix, but we are very comfortable with our underwriting and how we are managing the risk.

We are holding the mortgages on our books today, for the most part. If you look at our overall balance sheet, not only in the U.S. but the global group balance sheet, we do have capacity to hold this form of risk on our balance sheet. And, hence, are very comfortable with the returns, the risk-adjusted returns and justify holding on to the mortgages.

It's interesting this has turned out to be a good selling point to our customers as well. They like it, the fact that the mortgages are going to be held by the Bank. They feel that they can come to the Bank and have a discussion about their mortgage rather than trying to look for an investor that they will never meet. So it is turning out. I think it's interesting how this has evolved, but for now we are holding on to all the mortgages we have.

Most of the product, more than half the product is a 15-year product, which would be fixed. There is some 30-year product as well. It's a mixed bag, but that is the mix that we are seeing. The 15-year product is turning out to be more popular than people might have realized.

Unidentified Audience Member

I was wondering, can you talk about stress tests again? I apologize; you might have talked about this before. But specifically what kind of price decline do you assume in your condo portfolio?

Bharat Masrani - ***TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

So we do stress tests on a regular basis and I don't think we have specifically talked about particular stresses publicly. We have not disclosed that. But suffice it to say that we are very comfortable with our book.

I think you may be referring to a lot of publicity around the condo exposures of Canadian banks and the Canadian market. We have disclosed some numbers. I don't have it and we will maybe take your name and get back to you, but we have specifically talked about the fact that in the Canadian market we are not the largest condo bank.

Secondly, we do have insurance through a government agency. Not only for specific mortgages, but as well portfolio insurance. So feel very comfortable with where we are and have done extensive stress testing of our portfolio. Obviously stress testing, by its nature and definition, means stress, but the outcomes are very manageable for the Bank.

Cheryl Pate ***- Morgan Stanley - Analyst***

Okay. Maybe we will keep on the theme of consumer lending and touch upon the Chrysler Financial acquisition which has been very successful in dealer sign up. Perhaps the auto space has become a little bit more competitive than we would have imagined a couple of years ago, but maybe you can sort of give us an update on your thoughts there in terms of the progress on building that out?

Bharat Masrani ***- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

I should start off, Cheryl, by saying very happy with how this acquisition has turned out for us. As many of you know, we bought this platform that was relatively dormant given the restructuring of the U.S. auto business, but it was one of the few platforms available in this space. So when you are happy with the asset class and the dynamics and the characteristic of the loans that were going to come with it, we are very happy that we were able to acquire it.

Since the acquisition we worked hard in rebuilding the platform. The dealer sign-ups, which is a key feature for success here, has gone very well indeed. I think in the U.S. we have signed up close to 6,000 and 7,000 dealers at last count, and so that is a great number.

We have started the origination machine, so originations now are perhaps slightly lower than what we had said when we acquired it, but not that much lower. I think the one surprise for us has been, or should not have been a surprise, but the overall market, the spreads are tighter than what the industry was expecting.

My view is that we probably caused that a bit by entering the market. I am sure existing players, when they see a bank like TD entering with a highly liquid balance sheet, ratings strength, highly capitalized, there is going to be a competitive response. And so I am sure we are probably I know one of the causes of it.

But that is okay, this will normalize over time. I think the long-term prospects for this asset class, for this platform are very impressive and we are very happy. I would like better spreads, but that will come in time.

Cheryl Pate ***- Morgan Stanley - Analyst***

Right. One of the recent areas you have identified as an area of growth is the potential to build out the credit card platform, particularly here in the U.S. Can we talk about the opportunity there and the strategy for building that out through the branch channels?

Bharat Masrani ***- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

So, as many of you probably know, credit card business is highly competitive and is a scale business and to start something from scratch it's not inexpensive. So for us, for the U.S. business, and I will talk about the U.S. specifically, the great advantage we have is the size and scale of our Canadian business. In Canada we have 4 million customers prior to the MBNA Canada acquisitions which gave us another 1.8 million customers. It gives us a very sizable credit card business in Canada obviously.

And so what we have done is essentially find ways to take advantage of our Canadian scale to build out our U.S. business, because if the U.S. tried to do this on its own it would be very expensive, it would take a long, long time before we can get any scale. So that is a bit of background for you.

In the U.S., through acquisitions we essentially have two forms of credit card business. One is a private-label business and the other one is what we call our bank card business which is core card that we issue to our customers. Relatively small business, but we worked hard in coming out with an offering that I feel is competitive and compelling.

We have done the same thing as we did with the mortgage businesses, build out a platform for our 1,300 stores from Maine to Florida, including in our contact centers as well, and now are working through other channels, like online for our customers to apply for credit cards. And it's going pretty well; still very small. If you look at from a selling perspective, a few years ago we would have done one credit card sold through our store per month. That number now has gone up to about five and to compare that to our Canadian business, which has been highly successful with its strategy, the number would be 30. So we think we are on a track there.

We have introduced a lot of sales tools for our people. My view is that we should be able to over time, there is no reason why we shouldn't, mimic our experience with the mortgage business. These are TD customers. We have their checking accounts, they love our bank, they deal with us for many other products. Why would they not come to us for their credit cards?

So I think over time I am hoping, my goal is that we can mimic the success we had in the mortgage business and have these TD customers come back home and have a TD credit card rather than a competitor's credit card.

Cheryl Pate - *Morgan Stanley - Analyst*

Great. One of the other things you have spoken about recently is focusing on high opportunity markets, such as Boston, Miami, New York, Philadelphia, and DC, including putting out a target to grow deposit share in New York City to number three by 2014. So certainly there has been a lot of growth by acquisition in previous years and now we are certainly at a sufficient scale. How do you think about the trade-off in terms of organic growth in these markets versus acquisitions at this point?

Bharat Masrani - *TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank*

I think you mentioned five of the top MSAs in the country actually, but the interesting part is that these MSAs aggregate to about $1.6 trillion in deposits, in total aggregate deposits. It's about 1.5 times Canada, all of Canada, just to give you a perspective as to the scale and size of the markets we are in.

And, frankly, we entered the market five or six years ago but have a fantastic positioning in each of these markets. So take the example of New York City, today we are the fifth largest retail deposit bank. We set out a goal that we would like to become number three over the next four years and we think it's doable. We think what we were able to do over the past 10 years or so very proud of what we achieved, but we think we can extend that forward.

So many of you may be aware 10 years ago this is a de novo story. This is one store at a time, one customer at a time, $1 of deposit at a time. Today we have approximately 90 stores in New York City and the goal is to take that number to 140 to 150 stores.

With our model where we deliver the entire bank through our store, deposits, retail deposits, retail accounts, small business, commercial, etc. our store is our focal point. We feel we have a credible shot of becoming number three. So we have used that particular goal and strategy based on the dynamics in New York City, based on what might be available by way of location, our own analytics, etc.

Look at Boston, which is a slightly different characteristic for us, our bank has very good footprint outside of Greater Boston. We have approximately 165 locations in Massachusetts, but not many within Boston. So we feel that we can leverage our footprint outside of Boston, add new stores in Greater Boston, and get share.

Philadelphia is a little different. We do have a very good position. In fact, we will be one of the leading banks in Metro Philadelphia, but feel that still there are pockets there that allow us to grow. So I think each of these markets attractive from a macro perspective. We have the strategies that are different for each one of them, but all anchored around opening new stores, putting forward our model of service and convenience. There is a consistent theme there.

And so I feel that we will be able to get traction. We opened 37 new stores in our whole footprint last year. We have plans to open 35 this year. The New York goal we put out, there will be an additional number. We will work out over the next four years how many per year will come out of that initiative, but feel good that in each of these markets we do have solid plans to organically take share.

Your question about would it makes sense in some of these markets to look at perhaps acquiring rather than de novo and I have said this before, there is a compelling, smallish type of franchise available that would accelerate our growth. An example would be Florida. And we would look at it seriously, but it would be in that box where it would accelerate our plans. If we can accelerate it by three or four years, we would certainly look at that seriously.

Cheryl Pate ***- Morgan Stanley - Analyst***

Okay. So one of the other areas that we have clearly seen a lot of change over the past few years has been in terms of regulation, Reg E, Durbin, etc. and you guys have done a great job of mitigating a lot of the impact there. Can we maybe talk about some of the tools that you have been able to use to sort of generate revenues elsewhere that offset and anything else that may be still a thought process going forward to continue along that path?

Bharat Masrani ***- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

So just Reg E and Durbin, how can I forget those names? So Reg E, we announced when Reg E was introduced that will cost us $40 million to $50 million pretax per quarter. Durbin $50 million to $60 million pretax per quarter. And both numbers have turned out to be correct, so this is a headwind of about $100 million per quarter or $400 million a year.

And feel good as to how the bank has performed in trying to mitigate this. As you know, in our second-quarter results we delivered earnings of $358 million. Record earnings for our U.S. franchise.

So how did we do that? We did it in various ways and it's not done yet. For Durbin, when it was introduced I said it will take us probably two years to offset the impact of Durbin. I think that continues to be the case, but quite happy with how we are progressing.

So there is a few strategies we have employed. Number one is growth. We are all about growth. We have more customers today than we had yesterday and I have every confidence we will have more tomorrow than we have today. So as we get more customers in through our organic model through our de novo strategy that is certainly going to offset because it's going to give us more revenues.

Second thing we have done is we have introduced new products; new products that have allowed by us to have a value proposition that our customers are finding compelling. They are buying those products from us and that gives us more revenues to offset some of these headwinds.

The third thing we have done is optimize some of our offerings that are out there, so last year we introduced a new suite of checking accounts. Previously at TD Bank, America's Most Convenient Bank you largely got one or two forms of checking accounts. Now we have four or five different forms of checking accounts depending on what your needs might be.

One of the accounts, Simple Checking, requires a monthly fee. Our customers have told us and are okay in paying fees as long as it makes sense. Normally people think they should get everything for free. So we are seeing some ways of optimizing our offerings and as we have done that that has given us more revenue.

So when you take those three aspects together that has allowed us to offset some of these major, major headwinds, because these are not small amounts of changes. Yes?

Unidentified Audience Member

As a Canadian bank your RWA is calculated slightly different than here in the U.S. for the U.S. part of the Bank. Could you go over some of the main differences, because obviously the RWA of a Canadian bank ratio to total assets is much lower than a U.S. bank?

And with the acquisitions that the Canadian bank has made with Chrysler and such, it really doesn't seem like that RWA ratio has raised against total assets that much. And I am wondering how you rolled the U.S. up into that Canadian number that gets reported at the end?

Bharat Masrani *- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank*

So our public filings are because the issuing bank is the Canadian entity, so it would be based off all the Canadian rules, how we consolidate up. I am not aware of any major changes that would impact and I will look into it. First time somebody has asked me this question on the big differences.

But we do file our call reports in the U.S. based on U.S. rules and we do have a different asset mix. For example, a big portion of our Canadian mortgage business or mortgage book would be insured and that will attract a different form of capital, perhaps, than the U.S. mortgages that may not be insured. So I think those are differences you would see you.

Our U.S. business is largely commercial loans, mortgages, HELOCs, and that may attract a different form of waiting because we don't have the same form of insurance as in Canada. So those are the only major differences I can think of, but we can get back to you as to what those reconciliations are. But I am not aware of that causing huge differences in the numbers you are seeing.

Cheryl Pate *- Morgan Stanley - Analyst*

Any other questions from the audience?

Cheryl Pate *- Morgan Stanley - Analyst*

Maybe just one last one from me as we sort of wind down. When I think back to the investor day you had here in New York a couple of years ago, one of the key benefits of the service and convenience model that we discussed was the margin premium, if you will, relative to peers that customers were willing to pay more to bank with TD. I think historically we talked about I think it was about a 10 basis point advantage, and that had widened out given the competitive dynamics at that point.

Can you talk about sort of where we are sitting now and if we are still sort of seeing that benefit on the net interest margin side?

Bharat Masrani ***- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

A lot has happened since that investor day. I think we have been through a financial crisis, the whole industry has restructured to some extent.

It's tough to come up with specific analytics as to what premium you get, but without a doubt in my mind, my opinion it does give you growth. Our model does give you growth, more so than perhaps if we were not running this model. We are open longer than any of our competitors in all the markets. Stores look and feel different.

We do have the wow culture and I know I got investors here and sometimes people can relate to that. Being a retail banker that is very important to us and we have got very competitive products. We are not the cheapest in the market and we are still able to get good share and grow our book.

So I feel the model is a viable and sustainable. It has shown that in our business the only sustainable positioning is service and convenience. That price and product are not going to be compelling over the long term because they will be matched. So feel very comfortable with the model we are running.

It is giving us the growth that is necessary, not only to offset the current headwinds but to show consistent growth in our earnings and franchise and the number of customers we have in the U.S.

I know it's not answering your question precisely as to numerically what premium we are getting, but it's hard to say given the major changes that have occurred. I think over the years I am sure there will be lots of great studies done, but I feel confident that is the right model for us. Hopefully, as investors, you have seen that we have delivered the numbers.

Cheryl Pate ***- Morgan Stanley - Analyst***

Absolutely. Great. Well, please join me in thanking Bharat for presenting today.

Bharat Masrani ***- TD Bank Group - Group Head, U.S. Personal and Commercial Banking & President and CEO, TD Bank, America's Most Convenient Bank***

Thank you.