TD BANK GROUP

RBC CAPITAL MARKETS FINANCIAL INSTITUTIONS CONFERENCE

SEPTEMBER 18, 2013

DISCLAIMER

FORWARD-LOOKING INFORMATION

From time to time, the Bank makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis in the Bank's 2012 Annual Report ("2012 MD&A") under the headings "Economic Summary and Outlook", for each business segment "Business Outlook and Focus for 2013" and in other statements regarding the Bank's objectives and priorities for 2013 and beyond and strategies to achieve them, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may", and "could".

By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause such differences include: credit, market (including equity, commodity, foreign exchange, and interest rate), liquidity, operational (including technology), reputational, insurance, strategic, regulatory, legal, environmental, capital adequacy, and other risks. Examples of such risk factors include the impact of recent U.S. legislative developments, as discussed under "Significant Events in 2012" in the "Financial Results Overview" section of the 2012 MD&A; changes to and new interpretations of capital and liquidity guidelines and reporting instructions; changes to the Bank's credit ratings; changes in interest rates; increased funding costs for credit due to market illiquidity and competition for funding; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information; disruptions in or attacks (including cyber attacks) on the Bank's information technology, internet, network access or other voice or data communications systems or services; and the overall difficult litigation environment, including in the United States. We caution that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please see the "Risk Factors and Management" section of the 2012 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related the transactions discussed under the heading "Significant Events" in the relevant MD&A, which applicable releases may be found on td.com. All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to the Bank and we caution readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2012 MD&A under the headings "Economic Summary and Outlook", and for each business segment, "Business Outlook and Focus for 2013", each as 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.

PARTICIPANTS

Steve Boyle
TD Bank Group – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

André-Philippe Hardy
RBC Capital Markets – Analyst

QUESTION AND ANSWER

André-Philippe Hardy – RBC Capital Markets – Analyst

Started with our last session, so if everybody could grab a seat that would be helpful. And my name is André Hardy. I'm the Canadian bank analyst at RBC Capital Markets. Very happy to have Steve Boyle here with me, Chief Financial Officer of TD Bank, America's Most Convenient Bank. Last time we did this, I think we did it at Martha's Vineyard.

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes. Yes, that was even nicer than this.

André-Philippe Hardy – RBC Capital Markets – Analyst

It was a nice day, but different setting. For those of you who don't know Steve, Steve's been at – he was at Banknorth, which became TD since 1997. He was at Barnett Bank and Fleet before that and has since moved to Philadelphia as the TD operations have expanded. But Steve, on behalf of everyone here and on the webcast, thank you very much for joining us.

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Okay. I'm glad to be here.

André-Philippe Hardy – RBC Capital Markets – Analyst

I think a good way to start is perhaps with your Bank margins. For the last year there's been a fair amount of pressure on net interest income margins, but things seem to be reaching an inflection point. So I think it'd be useful for us to understand why margins have come down and why the Bank thinks we might be at an inflection point?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes. So obviously, we went through an interesting time here with historically low interest rates, and as we are in that environment, we were really saying that the risks were asymmetrical and that the bigger risk to us were rising rates and so we had the new position in our portfolio that over time we sold a number of our securities. We had shortened duration over time. And while that gave us a number of, a good amount of gains in the near-term, it had created a fair amount of margin pressure in addition to the margin pressure that I think all banks are feeling with pretty intense competition on loan pricing and just the normal re-pricing of our tractors. So all those things have led to pretty consistent margin pressure and obviously it was a concern to the market.

I think what we've seen is with the increases at the long-end of the curve now, we've been able to reposition our duration somewhat; we're still a little bit shorter than we had been. But the repositioning is there and that's giving us some good lift on our deposit margin. And we feel confident that that's enough to stabilize the margin and perhaps see some increases into next year.

André-Philippe Hardy – RBC Capital Markets – Analyst

So when you look at your margins, which rates are more important to you; is it short-term rates, is it long-term rates, is it the shape of the curve and can you help us perhaps understand how much upside there might be from here under different rate scenarios?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes. So our rates going up are good things as far as we're concerned. We're a very deposit heavy institution. But if you just think about it, when rates go up at the long-end of the curve, we're going to feel the impact of that on our income statement over probably a five-year period. When rates come up on the short part of that curve, we're going to feel that immediately.

So in terms of the immediate boost to the income statement and to our results, short rates are clearly much better. We would think that we're probably in an environment here where short rates aren't going to come up for the foreseeable future. So we're certainly not planning on that, but if it were to happen, it would be a great thing for us.

We haven't disclosed the U.S. impact; I think we have disclosed what the impact would be at the TDBG level, which is about $300 million for the first 25 basis points. And obviously, we're a big proportion of that with our heavy deposit base and you can probably do the math, we're at the floor, effective floor now on all of our deposits. So any of our float rate deposits as they come up, you're probably going to be able to lag pricing on that, at least probably for the first percent or so anyway, so a big number.

André-Philippe Hardy – RBC Capital Markets – Analyst

And is the recent repositioning of the duration of the asset enough to get margins up for next year or is it more to get margin stable versus what has been a declining trend?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, I think you should see a definite stabilization, and then we really don't like to predict the margin because there are a lot of variables in the math there, but clearly it's a positive thing for NII. And the actual calculated margin is going to depend on whether we grow deposits faster or loans faster and the mix of assets that we have on our balance sheet. But it's clearly a good thing for us.

André-Philippe Hardy – RBC Capital Markets – Analyst

And shifting perhaps to loan growth, which has been a very good story for TD Bank in the U.S. Can you perhaps give us some numbers around the loan growth relative to peers that the way you look at them and what in your mind has been the reason for the loan growth at TD exceeding U.S. peers? And then your outlook for the upcoming years?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes. So as you look at loan growth, I think we've shown some statistics that would say over the last four or five years, we're up 80% or 90%, and the markets up 5%, just extraordinary growth as we came through the cycle, and we were continuing to lend and other banks were shrinking. I think what you see now is pretty consistent outperformance for us. We show this graph that was say over the last 10 quarters; we've exceeded the market by at least 3% in every single quarter and the real reasons for that are several.

So the biggest one for us has been residential mortgages. In mortgages, we were very underpenetrated relative to our peers and relative to our deposit customer base, and so, particularly as we went through the refi environment, but in general, we've been able to grow that faster and we probably retained more on balance sheet than a lot of our peer banks have. That's a good source of growth, but it's going to slow a bit next year as the percentage of refi is clearly coming down, but we expect to continue to take share there and have that be a positive factor in our growth.

Auto loans are a big piece of our balance sheet now. We bought Chrysler Financial a few years ago. We've seen good growth there. The economics of auto lending are interesting and in that you are – through the recession people held off on buying new cars. And so there is a lot of pent-up demand for cars that you see one of the clear drivers in the economy is good demand for cars. And so that's helping auto lending on the one hand. On the other hand it's a tough spread environment as all the banks like the asset class and there's been a lot of competition.

We have shown a lot of growth in credit cards. We added Target and our own credit card book is growing relatively quickly. So that's a good source of growth for us. And then, the Commercial Banking market, as we move from essentially to regional banks and to a larger bank in the United States, we've been able to go up market and so that's helped us in terms of our volume. We're able to play in bigger deals than we used to play in before. We are able to attract new lenders and so that's helping us grow and commercially even though the overall commercial market isn't growing very much.

André-Philippe Hardy – RBC Capital Markets – Analyst

So one of the legacies of Commerce Bancorp was very deposit rich franchise and that the balance sheet was perhaps underutilized on the lending side, and certainly you mentioned credit cards and auto loans as areas where – and residential mortgage lending are the areas where there's been better penetration.

Can you help us understand where the growth has come from, i.e., is it from existing Commerce customers or legacy Commerce customers that have been cross sold to. Is it now lending more of a national product anyway, so it's not that tied to the Commerce channel or is it the branch creation that has continued at a time when the industry has been closing branches?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, so a few things. One, it's interesting we've grown our loans faster than deposits in almost every period on a percentage basis, but our base is so big that the gap is still pretty significant, that I think was about a 55% loan-to-deposit ratio. In terms of the sources of the growth, I think strategically clearly one of the really interesting things when we bought Commerce was lots of checking only customers and so it's great to have the anchor product, but it's a great opportunity for cross-sell. It's been a huge area of emphasis for us and we've been pretty successful at it.

But when you do the – when you look at the overall balance sheet, it's clear that if you want to fill that gap, you've got to do some indirect lending as well, so we have grown significantly in indirect auto, which doesn't have of course to tie in back to the core franchise and certain parts of our credit card business are more indirect, so the private label pieces like Target. We have some other private label credit cards on this tie back. So we're really interested in doing both. We're interested in growing our customer base, both through the stores, through direct marketing, through the phone and doing indirect lending as well.

André-Philippe Hardy – RBC Capital Markets – Analyst

And on the topic of branch opening, just how much of a contributor has that been to the deposit growth and the loan growth and maybe expand a little on that and explain what is it that TD sees as an attractive market to open branches in when what we hear from most competitors is the exact opposite?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes. So we still think that physical distribution is going to be an important part of banking on a going-forward basis. Clearly, there is lots of migration to electronic channels for servicing and whatnot even for sales, but we continue to think physical distribution is important.

In terms of growth, what we call our immature stores, so year one would be de novo, immature will be sort of one to five. That's the key area for growth for us and that's where we see a substantial portion of our deposit growth every year.

And I think one of the reasons why you continue to see us outgrow the competition particularly in core deposits is that we've kept that consistent level of investment through the years and so we have those immature stores that are still generating significant new account growth.

In terms of where we are focused, we do very well in urban, densely populated markets and in particular New York City has been very strong for us. So we started in 2001 with our first store, so we had absolutely no branch, no store presence in New York in 2001 and now, if you look at capped deposits – if you cap the deposits over $500MM per store – we are number five, the number five retail bank in New York City now and with a goal to get to number three by 2016.

And so that's been a tremendous opportunity for us as we refine our model. It plays really well there. So it's less about – people ask about demographics and whatnot, but for us it's really about where can you take share and so that's been a great opportunity for us to take share and we would like to continue to do that.

André-Philippe Hardy – RBC Capital Markets – Analyst

And as you look at your branches that get from immature to maturing if you will, are the balances they have in your two, three, four, five similar to what would have been the case for vintages of 10 years ago, five years ago? So profitability is going to be different given this type of environment, but the actual balances are you seeing similar...?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, no, you're right. We are actually seeing better growth. So our models would say that we can count on bigger stores, if we're opening a new store today than we could have, seven years or 10 years ago. So we'd like to think we're being more successful. But the profit hurdle is tougher in this rate environment.

And so you have to think a bit that rates are probably never going to get back to where they were, but that you'll have a more normalized rate environment and also a higher dependence on fee income.

And so we look not just – we used to be very focused on just what are the balances going to be in that store. Now we're very focused on, how many customers are you going to be able to attract and whether you're going to be able to sell to those customers.

André-Philippe Hardy – RBC Capital Markets – Analyst

And as you change that focus to try to get a more varied source of revenues from customers, did anything change to customer satisfaction which was always extremely high at Commerce relative to its peers in the Northeast?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, it's interesting that the Commerce strategy was more that, don't try to sell, cross-sell customers because they might think it's a hassle. And I think what we've said is, sales are an opportunity to build out the relationship. And we've found generally our customer satisfaction scores or we call it customer experience, we track net promoters that those have increased over time once we got through the conversion.

André-Philippe Hardy – RBC Capital Markets – Analyst

Okay. You said a couple of things earlier. You talked about getting to number three in New York City by 2016 as an objective, and you mentioned the balance sheet being very overweight deposits. How keen is TD at looking at acquisitions to help to close the loan deposit gap and to help to get to number three in the New York market?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, so a few things. One would be, we're very happy with our footprint today, and we're happy with our size today. So we don't feel any compelling need to do an acquisition. Having said that, I think our first priority would be to the extent that there were asset acquisitions available whether that was an acquisition of a portfolio or an acquisition of a capability to grow our loans over time, I think that would be attractive to us given our loan-to-deposit ratio.

So all the other things have to be in place. The returns have to be there. It has to fit our risk appetite, et cetera, et cetera. But clearly that would be probably the most likely thing that we would do from an acquisition standpoint. You theoretically could do tuck-in acquisitions. We think those look expensive today relative to what you can earn on them in the near-term given the challenging rate environment. And those tend to be deposit intensive particularly as we have a pretty tight risk appetite and would run off some of the loans.

And then, the big question always comes up on the larger acquisitions and I think there is a very high bar regulatorily to do those things. There are the profit hurdles, I think would have to be there to have that make sense. And you'd probably have to finance that transaction so it would have to make sense to our investors as well. So there are a lot of hurdles that you would have to get over to do a larger acquisition.

André-Philippe Hardy – RBC Capital Markets – Analyst

If we isolate the transaction with Target and how have the economics looked as time has passed? Has it led to other retailers contacting TD and saying, hey, we've seen what you've done with Target, could we talk? And how leverage-able is what you've built to support the Target transaction with other potential transactions?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes. So I think Target has been great in a number of regards. Clearly, it helps us with our – to balance out our balance sheet, we've talked about that. I think the association which such a quality company as Target has really helped us in terms of getting other leads in other potential businesses. And then, financially, it was an attractive proposition; that's why we bought it. But I think it's performed a little bit better than we would have thought it would. So that's been a positive for us as well.

So I think a real win for us is something that's helping to balance out our balance sheet both from a more loans relative to deposits, but also increasing our risk weighting a little bit, where we had a very, very low risk balance sheet and we have a leverage ratio constraint in the U.S. So that's been helpful as well.

André-Philippe Hardy – RBC Capital Markets – Analyst

Okay. And maybe switching to credit a little bit; TD had a fairly good experience on pure traditional credit during the recession, and can you talk a little bit as to why that was? But then, I guess the negative today is not having had as many credit problems probably means less credit recoveries in upcoming years. So perhaps also talk about that and what the prospects are for loan losses or write-offs in upcoming years for TD?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, so I always like to have the problems of not having taken a big bath. So we have a very conservative risk appetite, and I think that really served us well through the downturn, and we're committed, Ed Clark and Bharat have made the statement I think consistently over time, the banks that really differentiate themselves are the ones that don't take the big hit in the dip. That over a cycle, you have smaller problems than your competitors have.

And clearly TD felt that through the last cycle and obviously wants to continue that going on into the future. And so we are very cautious not to make some of the mistakes that we saw other banks make through the last cycle and that we avoided.

I think you will see that there are clearly tailwinds from credit still, but you are probably looking for us and for other banks that those tailwinds are going to diminish over time and so I think the quantum may be a bit bigger for some of the other banks, but I think as that wears away over time, I think that's going to help us on a relative basis, but if reserve releases have been providing a huge chunk of your earnings that that's going to make the next couple of years harder than if they haven't. So it hasn't been sort of positive for us, but it hasn't been the huge positive like for some banks particularly here in the United States.

André-Philippe Hardy – RBC Capital Markets – Analyst

And as you look at your current loss rate, there is still probably room to go a little lower, but just not as much as some banks that have been more challenged; will that be a fair way to...?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, I think so and I think I must have to think of it two ways. So one is that credit quality is pretty darn good and it's going to stay a little bit better, but it can't get too much better. The other one is, we had some troubled portfolios that we bought in Florida through the FDIC acquisition and with the South Financial Group and those have been providing a network coverage for us and those portfolios are running off so that source of benefit is going to repeat overtime.

André-Philippe Hardy – RBC Capital Markets – Analyst

And you made the comment credit is pretty darn good. Usually that's the time when pricing becomes less good. And are there areas in your market where you're starting to see, let's hit the pause button or let's be less aggressive and then you pick auto lending to certain types of commercial lending, mortgage lending. Are they areas where you're starting to see what pricing is starting to make less sense?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, I think clearly competition is intense across almost all the loan classes and so we're quite cognizant of that, and I think it has increased our focus if that was possible on pricing. But it hasn't caused us to say we're going to stop anyway, so it hasn't got quite to that point. So I'd say competition is intense, but it's not yet sort of irrational in most markets.

André-Philippe Hardy – RBC Capital Markets – Analyst

Okay. There is still five minutes left, so I have more questions, but if anybody has a question in the audience don't be afraid to put your hand up. And – yes, go ahead.

Unidentified Audience Member

Maybe if you could expound upon the M&A comments about the regulatory hurdle. Is it more challenging today? There is some kind of back-room talk that the large banks, the banks of your size, have really been getting the body signals from the Fed that for the time being we just don't want to you guys doing deals. Is there – do you guys get that feel from the Fed or not?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

I wouldn't say, John, that there is anything explicit, but you know hey, there is a red line or whatever. But I think that if you just think about – if you put yourself in the regulator's shoes, there is an awful lot of scrutiny on the regulators today as there is on bankers. And I think everyone wants to make sure that you're not going to have a deal that blows up and then somebody says, you know, why did you let the bank do that.

And so I think the view is that you're going to have be – there's not a phase in period where get compliant over time or at least make things better or whatever. I think there's a view that things had better run pretty smoothly once you buy the bank. And I think that lots of people that have bought banks over the last several years are seeing that there's quite a tale to the things that you've bought, whether that's with your regulators or with litigators out there. And so I think it just pays to be cautious in this environment. And I think that's what you hear from most bankers right now. And I think most regulators would think that it also makes sense to be cautious.

Unidentified Audience Member

Would you say that there is more scrutiny today than when you did the Commerce deal?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, a lot more.

André-Philippe Hardy – RBC Capital Markets – Analyst

I wanted to ask you and I get this question from investors a lot. How can TD Bank have a 15%-17% tax rate in the U.S.? Is it sustainable?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, sure. So yes and yes, I think probably the biggest piece that people don't appreciate as much is that along with other regulatory issues, the expectations on the Community Reinvestment Act or CRA Act in the United States also continue to increase. And so for us one of the primary vehicles that we use in order to remain in good stead with the Community Reinvestment Act is the Low-Income Housing Tax Credit, and so it's a really plain vanilla product, every bank uses it, but that probably has about a 10% reduction in our tax rate right there. And so that's quite significant for us and the other items I think we've talked about in the past.

So those are really pretty steady state or becoming little bit smaller. So I think that the percentage that that plays in our income really is what's critical in terms of our tax rate and something that probably isn't appreciated as people look at our numbers. They think they see a lower tax rate and they think tax risk and there's really not a lot of tax risk in these low-income housing tax credits.

André-Philippe Hardy – RBC Capital Markets – Analyst

Paul…?

Unidentified Audience Member

(Inaudible)…what are your thoughts?

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Yes, so I'm not an expert on the Canadian condo market, but I will say that what we've seen and I think what that the market has generally felt is that while clearly there was some pretty significant asset appreciation in Canada which caused some folks some concern. I think you saw a lot of shorting of Canadian bank stocks that the – both the government and the Canadian banks have been pretty prudent in managing that risk, and that there have been a number of measures that have been taken that seem to be taking some of the steam out of the market. You have seen slower loan growth across all the banks.

And so I think that the risk of a housing problem in Canada is being reduced. And I think that you do see banks, there is a lot of condo lending, but it seems to be fairly prudent from what I can tell. So I think it's something that people are clearly interested in, but it seems like the risk there is reducing. And I think you're starting to see that in the price of the Canadian banks shares.

André-Philippe Hardy – RBC Capital Markets – Analyst

So we're out of time so we'll make that the last question. So thank you very much Steve.

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Okay.

André-Philippe Hardy – RBC Capital Markets – Analyst

And this actually wraps up the conference. So on behalf of all my colleagues here at RBC Capital Markets, thanks for your attendance. Everybody on the webcast, thank you for tuning in and we look forward to seeing you next year.

Steve Boyle – TD – EVP, Finance and CFO TD Bank, America's Most Convenient Bank®

Okay. Thank you.