

**TD BANK GROUP**  
**Q3 2020 EARNINGS CONFERENCE CALL**  
**AUGUST 27, 2020**

**DISCLAIMER**

---

THE INFORMATION CONTAINED IN THIS TRANSCRIPT IS A TEXTUAL REPRESENTATION OF THE TORONTO-DOMINION BANK'S ("TD") Q3 2020 EARNINGS CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALL. IN NO WAY DOES TD ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON TD'S WEB SITE OR IN THIS TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE WEBCAST (AVAILABLE AT TD.COM/INVESTOR) ITSELF AND TD'S REGULATORY FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

**FORWARD-LOOKING INFORMATION**

---

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), 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, statements made in the Bank's Management's Discussion and Analysis for the quarter ended April 30, 2020 ("Q2 2020 MD&A") under the heading "How We Performed" including under the sub-headings "Economic Summary and Outlook" and "Impact on Financial Performance in Future Quarters" and under the heading "Risk Factors and Management", the Management's Discussion and Analysis ("2019 MD&A") in the Bank's 2019 Annual Report under the heading "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments under headings "Business Outlook and Focus for 2020", and for the Corporate segment, "Focus for 2020", and in other statements regarding the Bank's objectives and priorities for 2020 and beyond and strategies to achieve them, the regulatory environment in which the Bank operates, the Bank's anticipated financial performance, and the potential economic, financial and other impacts of the Coronavirus Disease 2019 (COVID-19). Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "goal", "target", "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, individually or in the aggregate, such differences include: credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), liquidity, operational (including technology, cyber security, and infrastructure), model, reputational, insurance, strategic, regulatory, legal, conduct, environmental, capital adequacy, and other risks. Examples of such risk factors include the economic, financial, and other impacts of the COVID-19 pandemic; general business and economic conditions in the regions in which the Bank operates; geopolitical risk; the ability of the Bank to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans; the ability of the Bank to attract, develop, and retain key executives; disruptions in or attacks (including cyber-attacks or data security breaches) on the Bank's information technology, internet, network access or other voice or data communications systems or services; fraud or other criminal activity to which the Bank is exposed; the failure of third parties to comply with their obligations to the Bank or its affiliates, including relating to the care and control of information; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance and the bank recapitalization "bail-in" regime; exposure related to significant litigation and regulatory matters; increased competition from incumbents and non-traditional competitors, including Fintech and big technology competitors; changes to the Bank's credit ratings; changes in currency and interest rates (including the possibility of negative interest rates); increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk; and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please refer to the "Risk Factors and Management" section of the 2019 MD&A, as supplemented by the "Risk Factors that may Affect Future Results" and the "Managing Risk" section of the Q2 2020 MD&A and by the "Managing Risk" section of this document, and as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the headings "Significant and Subsequent Events, and Pending Transactions" and "Significant Events and Pending Transactions" in the relevant MD&A, which applicable releases may be found on [www.td.com](http://www.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 the Bank cautions readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in this document under the heading "How We Performed" and in the Q2 2020 MD&A under the heading "How We Performed" including under the sub-headings "Economic Summary and Outlook" and "Impact on Financial Performance in Future Quarters", which update the material economic assumptions set out in the 2019 MD&A under the headings "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, "Business Outlook and Focus for 2020", and for the Corporate segment, "Focus for 2020", each as may have been updated in subsequently filed quarterly reports to shareholders.

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

## **CORPORATE PARTICIPANTS**

---

**Bharat Masrani**

*TD Bank Group – Group President and CEO*

**Riaz Ahmed**

*TD Bank Group – Group Head and CFO*

**Ajai Bambawale**

*TD Bank Group – Group Head and Chief Risk Officer*

**Greg Braca**

*TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank*

**Teri Currie**

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

**Bob Dorrance**

*TD Bank Group – Group Head, Wholesale Banking*

**Gillian Manning**

*TD Bank Group – Head of Investor Relations*

## **CONFERENCE CALL PARTICIPANTS**

---

**Steve Theriault**

*Eight Capital – Analyst*

**Gabriel Dechaine**

*National Bank Financial – Analyst*

**Meny Grauman**

*Scotia Capital – Analyst*

**Ebrahim Poonawala**

*Bank of America Merrill Lynch – Analyst*

**Sohrab Movahedi**

*BMO Capital Markets – Analyst*

**Paul Holden**

*CIBC World Markets – Analyst*

**Nigel D'Souza**

*Veritas Investment Research – Analyst*

**Scott Chan**

*Canaccord Genuity – Analyst*

## **PRESENTATION**

---

### **Gillian Manning – TD – Head of Investor Relations**

Good afternoon and welcome to TD Bank Group's third quarter 2020 investor presentation. We will begin today's presentation with remarks from Bharat Masrani, the bank's CEO, after which Riaz Ahmed, the bank's CFO, will present our third quarter operating results. Ajai Bambawale, Chief Risk Officer, will then offer comments on credit quality, after which we will invite questions from prequalified analysts and investors on the phone. Also present today to answer your questions are:

- Teri Currie, Group Head, Canadian Personal Banking;
- Greg Braca, President and CEO, TD Bank America's Most Convenient Bank; and
- Bob Dorrance, Group Head, Wholesale Banking.

Please turn to slide 2. At this time, I would like to caution our listeners that this presentation contains forward-looking statements, that there are risks that actual results could differ materially from what is discussed and that certain material factors or assumptions are applied in making these forward-looking statements. Any forward-looking statements contained in this presentation represent the views of management 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. Forward-looking statements may not be appropriate for other purposes.

I would also like to remind listeners that the bank uses non-GAAP financial measures to arrive at adjusted results to assess each of its businesses and to measure overall bank performance. The bank believes that adjusted results provide readers with a better understanding of how management views the bank's performance. Bharat will be referring to adjusted results in his remarks.

Additional information on items of note, the bank's reported results and factors and assumptions related to forward-looking information are all available in our Q3 2020 Report to Shareholders.

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

---

### **Bharat Masrani – TD – Group President and CEO**

Over the last six months, TD's 90,000 colleagues have worked tirelessly to keep the Bank fully operational through the COVID-19 crisis, delivering for our 26 million customers when they needed us most. Whether working from home – or at a TD branch, store or other location – their hard work and dedication has been inspiring. I am very proud of their tremendous efforts, often under difficult circumstances, and I thank them for their contributions.

TD is a Bank, but we are also a community. We care for each other and our customers. Six months into this crisis, our culture and our people remain among our most important advantages. They are what will see us through this period of turmoil – and I am confident that they will enable us to emerge even stronger in the months ahead.

COVID-19 has affected us all, in ways none of us could have imagined. But over the last few months, it has become clear that some communities are being disproportionately impacted. To address this, TD has made important financial commitments and introduced new programs to support recovery and community resilience across our footprint. This includes allocating \$10 million through the annual TD Ready Challenge to organizations developing innovative and measurable solutions to address the inequities exacerbated by the pandemic.

We are also taking steps to confront more longstanding injustices. This quarter, anti-Black racism, and racism in all its forms, moved to the forefront of the global conversation. In response, TD further elevated our long-standing commitment to the active advancement, promotion and celebration of inclusion and diversity within the Bank and across society.

We announced concrete targets and important initiatives: to grow Black, Indigenous and minority executive representation; to invest in organizations that fight racism and promote inclusion; to introduce new training and development across the Bank; and to contribute directly to a future where everyone can thrive and achieve their goals.

This past quarter, thousands of TD colleagues participated in virtual events to better understand the power of inclusion to elevate us all; to celebrate Pride and Indigenous History; to join the effort and make a direct contribution.

While we may be apart physically, we are – in many ways – closer than ever; stronger than ever. As a purpose-driven Bank, this important work is fundamental to who we are, what we stand for, and what we strive to achieve.

Let me turn now to the current environment and our performance. TD entered this crisis from a position of strength, and through prudent financial and risk management practices, we remain well-capitalized, with a high-quality balance sheet and strong liquidity.

This quarter, we saw encouraging signs of activity across our footprint, as economies progressed with re-opening plans. People started to return to their workplaces. Firms stepped up hiring. Consumer and business spending picked up. And applications for loan deferrals have declined significantly.

We know the road to recovery won't always be smooth. The unprecedented actions taken by the Bank, our industry, governments, central banks and regulators have been critical in helping stave off a deeper crisis – and these measures cannot be sustained indefinitely. But they have served as a powerful bridge, sustaining households and businesses as the global search for a vaccine or effective treatment proceeds. The resumption in activity now underway attests to that.

The longer-term outlook is still uncertain – yes. And a measure of caution is warranted. But so, too, is some cautious optimism, given the positive signs we are seeing. As a Bank, and as a society, we must remain prudent, but also flexible – ready to adapt in real-time as the situation changes on the ground. That's exactly what we again did in Q3 and what we'll continue to do.

Last quarter, I talked about how quickly we were able to re-shape our operations to stay connected to our customers and support them through the depths of the crisis, thanks to the investments we've made – and continue to make – in technology, training and capabilities. Those investments proved their worth again this quarter as activity accelerated across our businesses:

- Digital applications have been enhanced with new features, self-service capabilities and other improvements, resulting in a continued high level of successful online and mobile transactions and engagements;
- In the U.S., we continued to process tens of thousands of small business loans under the PPP program in record time, helping support the backbone of our economy.
- Our new Canadian TD Ready Advice program is bringing personalized and timely digital content to millions of customers in real-time. And advisors in our branches, in our TD Ready Advice Centre, and on the phone are reaching out to customers to help them think through their financial options during this difficult period.
- TD Clari – our Chatbot – is providing seamless, no-contact information to thousands of customers a week, freeing our TD bankers to provide crucial financial advice to those who need it most.
- And, thousands of contact centre colleagues are providing expert guidance – most enabled from home.

We are also investing in the future:

- We continue to modernize our technology infrastructure, including migrating to the cloud to leverage its scalability, security, and speed. We are also enhancing our customer-and colleague-facing applications to deliver better experiences for our customers and a more flexible and productive "work from home" environment for our people.

- As customers become more digitally-enabled, we are working to increase the safety and security of customer-enabled data-sharing through the launch of FDX in Canada and other ventures with industry participants.
- And we were delighted this month to introduce our updated suite of TD Aeroplan Visa cards, following Air Canada's announcement of the new Aeroplan program. While we know it's early for many Canadians to be thinking about travel, we will be ready when they are. We're excited to deliver these new benefits, which further differentiate our position as the #1 credit card issuer in Canada.

We also continue to invest in our people.

- Through Future Ready in Canada and Be Legendary in the U.S., we are empowering our colleagues to provide customers with the advice they need to navigate these uncertain times with confidence.
- We are also investing in our colleagues' experience and career development – always central to TD's culture, this is more important than ever today. Where possible, we are helping our colleagues manage the demands of work and home-life. And we are helping them develop their capabilities and advance their careers – through redeployment opportunities, as well as training through TD Thrive, our self-serve learning platform, which now has 60,000 users
- And, for colleagues working at a TD location, branch or store, we continue to take precautions to protect their – and our customers' – well-being.

Our financial results this quarter reflect these investments, as well as the gradual economic re-opening that is underway.

In Q3, we delivered earnings of \$2.3 billion and EPS of \$1.25 –much improved from last quarter, as continued volume growth, moderating provisions for credit losses, and strong Wealth and Wholesale revenue helped offset ongoing margin and fee pressure in our personal and commercial banking businesses. In addition, our CET 1 ratio climbed a point and a half to 12.5 per cent, lifted in part by the transition of our U.S. Non-Retail portfolio to AIRB.

In Canadian Retail, we saw strong quarter-over-quarter earnings growth, led by our Wealth and Insurance businesses. Net asset growth, elevated trading activity and a fourfold increase in online account acquisition drove record Wealth revenue. Insurance revenues climbed on volume-driven premium growth and strong take-up of our enhanced digital capabilities. And we maintained good momentum in Personal & Commercial Banking, with strong volume growth on high levels of customer engagement, and a continued acceleration in consumer spending and new account growth throughout the quarter, as economies began to re-open.

In the U.S., U.S. Retail Bank earnings improved significantly from last quarter. We continue to work with our customers through this difficult period, and the results are evident in strong loan growth and peer-leading deposit growth. Together with flat expenses, this helped offset the impact of lower margins and fee income. At the segment level, TD Ameritrade made a strong contribution to earnings, buoyed by heightened trading activity. And we still expect the Charles Schwab transaction, which remains subject to certain conditions, to close this calendar year, making TD an important shareholder in an industry-leader with the strength and scale needed to compete and grow in a highly competitive market.

Wholesale Banking delivered record revenue of \$1.4 billion and record earnings of \$442 million this quarter, on strong trading and client underwriting activity, including several marquee deals:

- We were joint bookrunner on Air Canada's C\$1.6 billion share offering and private placement of convertible notes;

- We also served as bookrunner on Verizon's inaugural C\$1.3 billion Maple issue, as our U.S. dollar strategy continues to gain traction;
- And we built on our leadership in the SSA space, acting as joint lead manager on eight USD benchmark trades, including a 3-year US\$1 billion COVID-19 Response Bond to support the private sector in Latin America and the Caribbean – TD's first bookrunner role for IDB Invest.

Our third quarter results reflect the resilience of our diversified business model and the power of our customer-centric strategy. Our model is a powerful enabler – allowing us to support customers through these volatile and uncertain times, while continuing to make strategic investments to serve them even better in the future.

I'll now turn it over to Riaz to review the numbers in more detail.

---

### **Riaz Ahmed – TD – Group Head and CFO**

Thank you, Bharat. Good afternoon everyone. Please turn to slide 8.

- This quarter, the Bank reported earnings of \$2.2 billion, and EPS of \$1.21. Adjusted earnings were \$2.3 billion, and adjusted EPS was \$1.25.
- Revenue increased 2%, reflecting volume growth across our businesses and record Wealth and Wholesale revenues, partially offset by margin compression and lower fee income as a result of reduced customer activity in the P&C banking businesses.
- Provisions for credit losses decreased by 32% quarter-over-quarter to \$2.2 billion. The decrease was mainly attributable to lower Performing PCL, reflecting a smaller increase to the Performing allowance for credit losses this quarter.
- Expenses decreased 1% year-over-year.

Please turn to slide 9.

- Canadian Retail net income was \$1.3 billion, down 33% year over year, reflecting higher PCL, lower revenue, and higher insurance claims. On an adjusted basis, net income also decreased 33%.
- Revenue decreased by 2%, reflecting lower margins, partially offset by volume growth and higher wealth and insurance revenues.
- Average loans rose 3% reflecting growth in both personal and business volumes. Deposits rose 18% reflecting double digit growth in balances across all businesses. Wealth assets increased 4% reflecting new asset growth and market appreciation.
- Margin was 2.68%, a decrease of 15 bps from the prior quarter, reflecting lower interest rates.
- Total PCL decreased by 18% quarter over quarter, primarily reflecting lower Performing PCL.
- Total PCL as an annualized percentage of credit volume was 0.86%, down 21 basis points quarter over quarter.
- Expenses were flat year over year on a reported and adjusted basis.

Please turn to slide 10.

- U.S. Retail net income was US\$490 million.

- U.S. Retail Bank net income was US\$260 million, down US\$487 million reflecting higher PCL and lower revenue.
- Average loan volumes increased 11% year over year, reflecting growth in the personal and business customer segments, including record mortgage originations. Deposit volumes excluding the TD Ameritrade sweep deposits were up 24%, including 25% growth in core consumer checking. TD Ameritrade sweep deposits were up 37%.
- Net interest margin was 2.50%, down 43 basis points sequentially, primarily reflecting the impact of lower deposit margins and higher cash and deposit balances.
- Total PCL, including only the Bank's contractual portion of credit losses in the strategic cards portfolio, was US\$655 million, down 20% from the prior quarter.
- The U.S. Retail net PCL ratio was 1.51%, down 52 basis points from last quarter.
- Expenses were flat YoY, reflecting productivity savings, partially offset by higher legal provisions and costs to support government programs.
- The contribution from TD's investment in TD Ameritrade was US\$230 million, up 5% primarily reflecting higher trading volumes, partially offset by reduced trading commissions, lower asset-based revenue, and higher operating expenses.

Please turn to slide 11.

- Net income for Wholesale was \$442 million, an increase of \$198 million reflecting higher revenue, partially offset by higher PCL and higher expenses.
- Revenue was \$1.4 billion, up 53% reflecting higher trading-related revenue and higher underwriting fees.
- PCL was \$123 million, down 67% from the prior quarter on lower impaired and performing PCL.
- Expenses were \$669 million, up 13%, primarily reflecting a higher accrual for variable compensation.

Please turn to slide 12.

- The Corporate segment reported a net loss of \$130 million in the quarter, compared with a net loss of \$173 million in the third quarter last year.
- The decrease primarily reflects the positive impact of tax items, which are held in Other.
- Adjusted net loss was \$76 million compared with an adjusted net loss of \$109 million in the third quarter last year.

Please turn to slide 13.

- Our Common Equity Tier 1 ratio ended the quarter at 12.5%, up 144 basis points from Q2.
- The primary driver of the increase was a decline in credit risk RWA, which added 92 basis points to capital this quarter:
  - 72 basis points was attributable to the transition of our U.S. Non-retail portfolio to AIRB. We were pleased to be able to bring forward this transition, which we had hoped to implement by year end, into the third quarter.
  - The remaining 20 basis points reflects lower volumes, reduced line usage and parameter updates.

- The U.S. Non-Retail AIRB transition, coupled with the increase in performing allowances this quarter, eliminated the Expected Loss shortfall capital deduction and created an Expected Loss excess, which added to our transitional arrangements for expected credit loss provisioning. In aggregate, this contributed 31 basis points to our CET 1 ratio.
- Other factors included a 15 basis point increase attributable to organic capital generation, and an 11 basis point increase related to the issuance of common shares under our dividend reinvestment plan.
- With the increase in our capital ratio this quarter, the Bank has decided that, beginning with the dividend declared today and until further announcement, there will be no discount to the shares issued under our dividend reinvestment plan.
- Our leverage ratio was 4.4 percent this quarter, and our LCR ratio was 150 percent, both well above regulatory minimums.

I will now turn the call over to Ajai.

---

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

Thank you, Riaz and good afternoon everyone. Please turn to slide 14.

- Gross impaired loan formations were stable quarter-over-quarter at 23 basis points, primarily reflecting:
  - A decrease in the U.S. and Canadian consumer lending portfolios, and
  - The Wholesale segment, driven by lower formations in the Oil & Gas sector,
  - Largely offset by higher formations in the U.S. and Canadian commercial lending portfolios.

Please turn to slide 15.

- Gross impaired loans ended the quarter at \$3.8 billion or 51 basis points, up 4 basis points quarter-over-quarter, driven by:
  - The U.S. and Canadian Commercial lending portfolios, and
  - The Canadian Real Estate Secured Lending portfolio, largely due to the cessation of enforcement activities to resolve impaired loans in response to COVID-19,
- Partially offset by the impact of foreign exchange.

Please turn to slide 16.

- Recall that our presentation reports PCL ratios both gross and net of the partners' share of the U.S. strategic card credit losses. We remind you that credit losses recorded in the Corporate segment are fully absorbed by our partners and do not impact the Bank's net income.
- The Bank's provisions for credit losses in the quarter were \$2.19 billion, or 117 basis points, decreasing \$1.03B, or 59 basis points quarter-over-quarter.
- Although provisions for credit losses have decreased across all segments quarter-over-quarter,
- PCL remains elevated from pre-COVID-19 levels, primarily due to the ongoing pandemic.

Please turn to slide 17.

- The Bank's Impaired PCL decreased \$138 million quarter-over-quarter, as reflected in:



- The Wholesale segment, largely driven by less oil & gas related credit migration
- Performing PCL decreased \$894MM, reflecting:
  - A smaller increase to the allowance for credit losses this quarter

Please turn to slide 18.

- The Allowance for Credit Losses increased \$1.3 billion this quarter, primarily related to higher performing allowances due to the impact of COVID-19, and incorporates:
  - Our economic outlook for Canada and the U.S., reflecting:
    - A slower pace of recovery than forecast in the previous quarter
- Our allowance for credit losses increased across:
  - All segments, and
  - All major asset classes,
  - With the largest contribution by asset class reflected in;
    - the Business and Government portfolios,
    - Across a broad set of industries
- Over the past two quarters, in response to the COVID-19 pandemic, the Bank has:
  - Added \$3.9B in allowance, increasing our Total Allowance coverage of Gross Loans and Acceptances by 50 basis points to 124 basis points.
- The potential for further changes to our allowance coverage will largely depend on the magnitude and duration of the ongoing COVID-19 pandemic.

Please turn to slide 19.

- Let me now take a moment to touch on the Bank's deferral programs.
- Loan balances under bank-led deferral programs decreased \$14 billion from the second quarter.
- Deferrals have been largely concentrated in our RESL, auto and commercial lending portfolios.
  - From the inception of these programs in March, deferrals requests peaked in April, and have been steadily declining since then.
  - As expected, deferral programs and government stimulus have been effective in helping our customers manage through the pandemic to date.
- While it is too early to see any meaningful impairment in deferred populations,
  - We will continue to monitor and assess them closely over the coming quarters as the deferral and stimulus periods end.
- Now, let me briefly summarize the quarter:
- We continue to operate through challenging and uncertain conditions given the unprecedented impact from the COVID-19 pandemic, and
  - Have added allowances for credit losses accordingly.
- I'm satisfied with the Bank's allowance coverage, which reflects:
  - Our current economic outlook, and
  - Our portfolio and geographic mix.
- To conclude, we remain well prepared to manage through these difficult times.
- With that, operator, we are now ready to begin the Q&A session.

## QUESTION AND ANSWER

---

### Operator

Thank you. We will now take questions from the telephone lines. [Operator Instructions] And your first question is from Steve Theriault from Eight Capital. Please go ahead.

---

### Steve Theriault – Eight Capital – Analyst

Good afternoon, everyone. I wanted to start with a question on Canadian P&C expenses. Teri, I was looking back and this was the first time that P&C banking, excluding the wealth and insurance component, has had expenses down or flat since way back in 2016. And clearly, these are extraordinary times. But can you give a bit of an outlook around how much you think you can, or will, or want to rein in expenses over the next few quarters? Is this flat to down, something that we should contemplate here relative to the projects and the spend you think you want to undertake here over the next few quarters?

---

### Teri Currie – TD – Group Head, Canadian Personal Banking

Thanks for the question, Steve. We have continued to manage our expenses quite actively, and I would say prudently. And as you mentioned, for P&C they were down sequentially and year-over-year despite actually absorbing COVID-related costs involving reward for our folks in the field, as well as enhanced cleaning protocols and safety and security enhancements.

I would say that we've talked about over quite a period of time, the levers that are available to us. We will always invest for the future. And we will always invest to ensure that protect and comply requirements are met. And some of the levers that were available to us this quarter were some sequencing and prioritization of more discretionary activities, as well as some marketing expense that just didn't make sense in light of the context externally.

We're not in a position right now to give guidance because there's so much uncertainty going forward. But what I can tell you is, we will continue to prioritize investments to ensure that we meet, protect and comply requirements, that we invest in our business strategies, and that we also consider discretionary investments to build the business. But given many of the investments we've made in the past that we're leveraging, including our number one digital position in Canada, I feel pretty confident that we're in a pretty good place as we look forward.

---

### Steve Theriault – Eight Capital – Analyst

Should we think about Q4 as – in the past, we thought about it as a bit of a lumpy quarter in terms of expenses. Is that a headwind for this year at all?

---

### Teri Currie – TD – Group Head, Canadian Personal Banking

There are a lot of moving parts. If you go back to the beginning of the year, one of the things that I had commented on was the shape of our expenses last year in terms of first half, second half. And notwithstanding, a lot has changed including COVID-19 and we will still have some COVID-19 expenses in Q4. Just the nature of that first half, second half probably would see a decent shape for expenses in Q4, all other things being equal.

---

**Steve Theriault – Eight Capital – Analyst**

Okay. And just by the way a quick follow-up if I could. A very smaller than usual loss in Corporate. Riaz, I think you said that was driven by a tax item. Am I reading that right that that's about C\$30 million this quarter?

---

**Riaz Ahmed – TD – Group Head and CFO**

That was the change in the expenses of this quarter and would be about roughly right.

---

**Gabriel Dechaine – National Bank Financial – Analyst**

Good afternoon. I want to ask Ajai a couple of questions here on the credit stuff. First, C\$2.2 billion of provisions, about 60% of that is performing provisions. Wondering if you can maybe ballpark how much of the performing was due to model adjustments and how much was due to management overlay or whatever we call it these days.

---

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

Thank you for the question. If I look at the last two quarters, majority, and when I'm saying majority, it's very high, it's over 85% of our performing loans over the last two quarters is moderate. So, the overlay is basically about 15%.

---

**Gabriel Dechaine – National Bank Financial – Analyst**

Over the past two quarters, so – and they'd be about the same, no big – no difference on the skew this quarter?

---

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

Well, I would say, the overlays are coming down, because there's more in the macro output.

---

**Gabriel Dechaine – National Bank Financial – Analyst**

Got you. And then, wondering if you can quantify this for me. And you talked about what conditions need to arise for you to make adjustments to your ACL. Just wondering, what would your ACL look like or what kind of increase are we talking about if you were to shift 100% of the pessimistic scenario.

---

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

That's a good question, but that's not a number we would disclose. I think you know that our probability weighted ACL is greater than our base ACL. And if you look at our numbers, that difference has actually increased, which is telling you we're putting greater weightage than we have in prior quarters on our downside. And the additional data point I'm willing to share with you is that on the downside, we're actually using a W-shape.

---

**Gabriel Dechaine – National Bank Financial – Analyst**

Okay. So, your weighting on the downside is greater than your weighting on the base case?

---

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

No. I'm saying my weighting on my downside has increased quarter-over-quarter.

---

**Meny Grauman – Scotia Capital – Analyst**

Hi, good afternoon. Just a question on the ACL as well, up again to C\$9.2 billion. I'm just wondering – and I appreciate a lot of it is being driven by models. But in terms of that management overlay piece, at what point is ACL too high in your view? Can there be such a thing? And on a related question, what kind of coverage ratios do you prefer to look at? And what's your perspective on that question of – when I look at it, you could say it just looks too high?

---

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

On your second question, honestly, I don't have a target coverage ratio. That's not the way we work. Every quarter, we look at what the forward-looking scenarios are, we'll assess, we'll do a bottom-up assessment as well. We'll triangulate all the data, and then we'll take a call as to what's most appropriate for our book of business. I think you do know we're in very uncertain times, the shape of the reopening – who knows what's going to happen? Things could plateau in a few months. So, we're taking that into account. We're being appropriately prudent.

Now with respect to overlays, typically, I don't want to see too many overlays. I'd like to see it all in our modeled output. But we have to appreciate we're in unprecedented times. These models are grained on historical data that's quite different. So, there should be an expectation that we would use expert judgment and that will do an overlay. But over time, I expect the overlays to come down.

---

**Meny Grauman – Scotia Capital – Analyst**

Thanks for that. And maybe approaching in a different way just as a follow-up, it definitely makes sense that some banks are more conservative than others. But, I guess, the question is, is there something in your business that is making you more concerned that maybe we wouldn't see, is there a particular issue that is in part driving this conservatism?

---

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

Thanks for the question. My answer is, no. Our allowance reflects our geographic mix and it reflects our product mix. And very importantly, it reflects the times we're in. From my perspective, we are being appropriately prudent, there is nothing more than that.

---

**Ebrahim Poonawala – BofA Securities – Analyst**

Good afternoon. I guess, just first, I wanted to follow up on the comments you made about the weighting on the downside increased quarter-over-quarter. I get why that would be the case in the US, where things probably worsened a little bit since 2Q results. Could you tell us what on the outlook for Canada, the Canadian economy deteriorated, that would cause you to increase that weighting to the downside for the Canadian Retail segment?

---

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

Yeah, that's a good question. But let me tell you what's driving the numbers up; it's just not the downside case. What's driving the numbers is that even our base case is now reflective of a very gradual recovery.

So, if you go to our disclosures, you'll see for Canada, for instance, our unemployment numbers are higher, our GDP numbers are lower, and our HPI numbers are also lower. That's what's driving our allowance numbers up. It's just a little more weight on the downside, but if you look at the difference there, it's not just that the downside is driving our numbers. We believe we are in uncertain times. It's the time to be prudent and our economic outlook reflects that.

---

**Ebrahim Poonawala – BofA Securities – Analyst**

Understood. And I guess, a question around capital, Riaz, I guess, CET1 jumped a significant bit, I guess, as we look out, it seems like we should still see the capital ratios lift higher. And I saw a news headline talking about you trying to be opportunistic on M&As. Just talk to us around outlook on capital. And just from a management standpoint, are you ready if an opportunity were to come through over the coming months to pursue a strategic M&A?

---

**Bharat Masrani – TD – Group President and CEO**

Sure, Ebrahim, this is Bharat. So, a couple of points. You pointed out CET1 at 12.5%. So, I'd say, historically and traditionally, TD – our view is having strong capital is always a good thing regardless of the environment. So, you're seeing a bit of that play out. Secondly, Ajai just answered three or four questions and all of them carried the theme of that we are in uncertain times. This crisis is unprecedented.

Yes, we are seeing green shoots. We are seeing gradual reopenings. We're seeing somewhat of a normalization in certain jurisdictions in which we operate. But we also recognize that these things could change quite dramatically. It could change because there's a spike in infections or whatever the case might be. Schools are reopening. So, who knows what's going to happen four weeks from now? So, the Bank is appropriately prudent and cautious about it. And when you're in that situation to have very strong capital numbers is also a good thing. We think that's the way traditionally TD would operate.

And then, I get to the point that you're asking. This is an unprecedented crisis. I think there's an overuse of the word unprecedented, but it's an appropriate phrase. It's an appropriate phrase to describe what we see in the environment. And without a doubt, before this ends, there are going to be opportunities. We feel that if and when they were to present themselves, then TD, as we did in the global financial crisis and most of the other downturns we've experienced in our lifetime that we want to be prepared.

If there are compelling opportunities, we want to make sure that we look at them seriously. And if they make sense from a risk perspective, return perspective, timing perspective, culture perspective, then we want to be ready to act. And capital levels provide us with that flexibility.

---

**Ebrahim Poonawala – BofA Securities – Analyst**

And then, Bharat, just on that, TD has been a big believer in retail distribution both sides of the border. Does the crisis and that adoption of digital among customers make you feel differently about bank M&A?

---

**Bharat Masrani – TD – Group President and CEO**

It's hard to say. I think there are different angles to look at from an M&A perspective. I think our belief in distribution has been more omni-oriented. I think this environment is showing that our view on omni, rather than digital-only has turned out to be correct. I think every channel of ours as long as we're providing those personalized connected and seamless experiences, they've served us well.

And so, I wouldn't want to totally discount bank M&A from it. I think our situation is such that we would look at any opportunity, but we would only do a deal that made sense from a risk, financial and a strategic perspective.

---

**Ebrahim Poonawala – BofA Securities – Analyst**

Got it. And Riaz, fair to assume that capital ratio sits higher from here at least in the near term?

---

**Riaz Ahmed – TD – Group Head and CFO**

Yeah. I think as I had mentioned on the call last time that we've been converting our books from standardized to advanced approaches for some time now. And the US non-retail portfolio was the last major portfolio to be converted. So, I think we're through that piece. And I expect the capital ratios from here to be more reflective of organic variables as well as potential migration effects if conditions get worse.

---

**Sohrab Movahedi – BMO Capital Markets – Analyst**

Thanks. Two quickies. One if I can just maybe ask Ajai, maybe it's a bit of a redundant question. But in past calls you've reminded us that there is a seasonality in the provisioning levels with the cards partnership. And that tends to historically have spikes towards the Christmas timeframe and coming out of it, so Q4 and Q1.

There's obviously lots and lots of reserves you've put up here right now. But is there still going to be some seasonality we should be thinking about when it comes to the cards portfolio and your share of it going into the Q4 and Q1 of next year?

---

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

The simple answer is, yes. In Q4 and Q1, you see the card PCLs build up because of seasonality. So, you will see seasonality. But what you should also keep in mind is that card balances generally have come down, so the seasonal impact may not be as great as it was previously.

---

**Sohrab Movahedi – BMO Capital Markets – Analyst**

Okay. Thank you. And maybe a quick question for – maybe not so quick, I don't know, for Bob. Bob, obviously, having the diversification benefits of your segment was quite helpful this quarter. I wonder if you could just paint us a picture of where you think you can take the business from here and what sort of additional resources you may need both people, call it, expenses and capital, or balance sheet-type resources, and what sort of expectations you want to set for us for the next, call it, couple of years?

---

**Bob Dorrance – TD – Group Head, Wholesale Banking**

Okay. Thank you for the question. I think as I've been talking about in the last number of years is that we have been investing particularly in our US dollar strategy, so that's both in the US region but in the US dollars globally. And that's turned out to be a very good investment. I think you saw some of the benefits of that in so far this year in the last couple of quarters. So that will continue to be the focus, how we continue to build out US dollar capabilities in those areas, where we choose to compete where we think we have competitive advantage and where we think we can make strong returns.

And in particular, in the corporate sector, there are lots of opportunities, especially in the US. We've significantly grown our US franchise in terms of corporate lending. We're building out the investment grade side, but we're also building up in non-investment grade side as well. And this pandemic crisis so far has allowed us the opportunity to both add clients, as well as to up tier in clients on the corporate lending side. That's the investment part. And from that, we've been able to increase our wallet share with respect to debt capital markets transactions, asset securitization, high yield offerings, foreign exchange hedging, et cetera, et cetera. So, building the product lines integrated with the client relationship.

On the government side, globally, I think we have lots of opportunities still. We had built up our SSA business fairly significantly in dollars and we're top five in dollar market share there. That being said, there's still a more opportunity, there's still going to be lot more financing in the government side, not just in SSA, but in provinces, in federal governments, in agencies, et cetera. So, we see a continued opportunity there. And we've also branched out from dollars and we're doing sterling. And we've started to make the solid inroads into euro as well.

And then if you look at the institutional client base, be it hedge fund or real money, central banking, we've expanded our product suite in order to both help on the origination focus but also to build the client and product relationships there. So prime services, commodities, foreign exchange, various structured product businesses that we're building in the US on equities, et cetera.

I think what we will do is that – and we have been as we've tried to make those investments partly out of adding that people, but also partly out of looking at where we need to find synergies in order to improve productivity, in order to fund that. And we're funding that as well. I think, as you well know, there's been a lot of electronification of many of the business opportunities. And that leads to productivity and allows us money to invest.

I think on average, we want to continue to grow the franchise. There aren't a lot of opportunities in our marketplace to do significant acquisitions but we have added teams and we'll continue to look for that. And then, we'll add people and we'll integrate and build the franchise the same way as we have in Canada, which still remains an important market as well.

---

**Paul Holden – CIBC World Markets – Analyst**

Good afternoon. I want to ask you for your perspective around timing or potential timing under your base case for actual loan impairments. What we've heard from some of the other banks is first we will have to see these loan deferrals roll off, which is an end of Q4 or partway through the Q4 event, and then, impairment kicking mid-2021. Wondering if that's consistent with your view or how really – I guess, how are you viewing the timing on impairments?

---

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

Thanks for the question. As you know, both the deferral programs and all this stimulus provided either to corporations or to individuals have been very beneficial. I'm not seeing a lot of impairments in the near term. I think the impairments to me will pick up when some of the stimulus programs end. And in my judgment that will be in 2021. I can't pinpoint a quarter, but my gut tells me it will be more of the second half of 2021.

---

**Paul Holden – CIBC World Markets – Analyst**

Interesting. Okay. Thank you for that. And then, second question would be with respect to Canadian retail banking. I'm just wondering how you're viewing potential market share opportunities today across mortgages and other personal lending products. Given the COVID uncertainties, if you pull back a bit in terms of appetite to gain market share? Or is that more steady course in terms of what you want to do from a market share perspective?

---

**Teri Currie – TD – Group Head, Canadian Personal Banking**

Thanks for the question. It's Teri. So, I'll talk a little bit about RESL and maybe the business overall. So, in this quarter, our sequential volume growth would have been third relative to our main competitors. That I feel like if I think about the quarter, we were competing in some sense with one arm tied behind our back. As of August 24, we have fewer branches opened than three of our four top competitors. And I think we've been somewhat more conservative with our safe reopening. But having said that, by the end of September,

we would have the majority of our branches open, all other things being equal as the environment shakes out over the next month.

And so, if I just step back and look at the RESL business, I feel really great about how we're positioned for growth. You may recall that in 2019, we implemented our Future Ready strategy. And those distribution changes were an adjustment for our colleagues in branch banking in particular as they adjusted to the model and in particular the handoff of more complex deals to the mobile mortgage specialists. But when we entered this year, we really saw an uptick of kind of a 40% volume year-over-year increase pre-COVID of branch banking activity.

And so as we went into COVID with the flattening of the curve activities and the closure of the branches, we have seen branch originations come off a bit. And then for our mobile mortgage specialists, as we went into the COVID period, we changed to have customers signing with mobile mortgage specialists, which required a little bit of setup. We quickly got ourselves in a place where that capability was there. But that caused us a little bit of drag in the early part of the quarter.

We really saw significant increases by July and our third-party volumes were very strong in July, and our branch originations are picking up. So, with the investments we've made in distribution, in operations, in automation, in training and with the network open, I feel like we're well-positioned to grow the business, and our retention was very strong up 60 basis points in the quarter.

From a risk perspective, because that was a component of your question, we continue to have grown this business in the mid-single digits over a number of periods and have been able to do that within our risk policies and our risk appetite.

---

**Nigel D'Souza – Veritas Investment Research – Analyst**

Good afternoon. I just had two questions for you. And the first if I could turn to risk weighted assets, and when I look at credit risk and drill down on asset quality that was a benefit this quarter, I was wondering if you could speak to what drove that. I assume it is retail exposures and maybe if you can provide any details of how that split between residential secured versus qualifying revolving credit?

---

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

The asset quality improvement is really coming from two things. It's lower utilization of lines, so lower utilization – part of it would show up under volume, but when you have low utilization – a piece of it shows up as basically quality because the probability of default is less. So, part of that benefit has been attributed to quality. And then, the second part of that is we did update our non-retail TD parameter for 2019 data. And as you know, 2019 was relatively benign. So, we got some benefit from that. So overall those two things offset any credit RWA increase because of migration.

---

**Nigel D'Souza – Veritas Investment Research – Analyst**

Okay. So just a follow-up on that, does that mean that the non-retail RWA updates are going to lag a bit through the cycle? Is that how we should interpret it or – and the retail is going to be more sensitive on RWA? Or is there a different way to look at it?

---

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

Yeah, retail, I would say, does lag because what happens in retail is you got to wait for the bureau scores to get updated and that feeds back into the RWA. The other thing that you have to keep in mind also is there's a charge-off in retail that is much faster. So, there's a bit of a lag because of retail.

I think the other very important point is that generally the regulatory capital calculations are quite different than IFRS 9, right? IFRS 9 is forward-looking it's more volatile because of macro factors, because of



probability weights. RWA is all backward-looking. It's a through-the-cycle view. And generally that view – because it's through the cycle, it changes very slowly.

---

**Nigel D'Souza – Veritas Investment Research – Analyst**

Yeah, that's very helpful. And just a last quick question, if I may on your deferral book, specifically, on small business and commercial, I know it's too early to talk about impairments. But could you maybe just provide some color on geographic mix and sector mix of that deferred book just so we have some insights on what the composition is?

---

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

Yeah. So that deferred book on the commercial side, it really goes back to what are the impacted industries. And you'll notice we have a new slide – I believe, it's slide number 29 where we call out what the industry's focus are. And part of those industry's focus include commercial real estate, and there are some riskier segments within commercial real estate. For example, retail CRE, to the extent you have nonessential retailers on your rent rows, there's some risk there, there's some risk associated with hotels, some with office CRE. The other segment I'd call out is just a retail segment, restaurants, and again, coming back to the nonessential, retailers, then there is transportation. And within transportation, air transportation and cruise lines though our exposure is fairly small there, a bit in health and social services as well.

So then if I come back to deferrals and who took the deferrals it's really along the lines of the impacted industries. Some of the biggest users of deferrals are in commercial real estate, which are in retail, because these are the sectors that are most impacted by COVID-19. I hope that helps.

---

**Scott Chan – Canaccord Genuity – Analyst**

Hi, good afternoon. Just on the U.S. Retail side, I think in your prepared remarks, you talked about record US mortgage originations. And I was wondering if you could provide a perspective on the outlook on US mortgages and perhaps on cards and autos on how it's progressed through COVID-19?

---

**Greg Braca – TD – President and CEO, TD Bank America's Most Convenient Bank**

Sure. It's Greg, Scott. Thank you for the question. So first, I would just give you a little bit of a backdrop that over the last five plus months or so, we've definitely seen a slowdown in general activity starting in March, and then progressing through various parts of the footprint in the US. Certainly, you saw a lot of slowdown in the Mid-Atlantic, in particular New York, New Jersey and Pennsylvania markets as those were the hot points for COVID-19. That would translate to lower card spend, lower retail, credit line spend. And certainly, we saw that play out in the Mid-Atlantic states.

As we got into late spring and then into early summer, and through mid-summer, really the focus of the pandemic in the US shifted to the Southeast, really down through the Carolinas and Florida. And you would have seen a lot of that slowdown where retailers, both large and small, consumer spending patterns would have slowed down. And you would have seen that while some of the more hard hit markets earlier on were starting reopen up.

On the mortgage front, the way that translates is with rates so low, you certainly saw a shift from a percentage from purchase volume to much more refinance volume, but what we're certainly seeing real-time right now is record volumes that we're taking in right now for refinance and some purchase volume that is still holding up. There's a lot of activity right outside the major cities, in the suburbs. And we're seeing really record activity up and down the footprint from Maine to Florida.

As I said, mortgages are up. Given what we've talked about, more muted growth than we've traditionally had over the last year or two in auto and certainly depressed card spend translating to a less card balances. Does that get you what you wanted, Scott?

---

**Scott Chan – Canaccord Genuity – Analyst**

That's perfect. And maybe just follow-up on that, just on margin on the US side, down 43 bps quarter-over-quarter. Can you maybe talk about the outlook there as it bottomed and then maybe from the Canadian perspective as well?

---

**Greg Braca – TD – President and CEO, TD Bank America's Most Convenient Bank**

All right, sure. Well, let me start and then I'll turn it over to Teri. So yes, certainly, you called it right, 43 basis points quarter-over-quarter and then 77 basis points year-over-year. But for the quarter-over-quarter number what you saw was a little bit of a lag, as LIBOR didn't come down immediately with the 150 basis points of rate cuts that took effect in March right away, you still had widened credit spreads in the market because of all that was going on at that point. And then, certainly, a lot of that LIBOR spread came down as you got into Q3 to more normalized levels given where Fed funds were and that placed a great focus on our own margins, and you see some of that.

In addition to us, we had very, very strong deposit growth. So, the way I'd give you the quarter-over-quarter look and year-over-year look as well is it's rates certainly but the volume and mix of the business because the volume that we're taking in is certainly being reinvested at far lower rates than would have been traditionally on the book. So that's kind of the view.

We're not really updating the outlook given a lot of uncertainty over the next couple of quarters as we think about this. But I'd say, the general trend given where loan rates are, you could see further pressuring a bit on margins as you look out.

---

**Teri Currie – TD – Group Head, Canadian Personal Banking**

And it's Teri. Just to pick up on the similar theme, about a half of the rate cuts would have worked their way through in Q2 and they've been fully worked through in Q3. There will be still downward pressure in the near term. Lower cards in the asset mix would be one contributor to that. And then, over time, tractor repricing will play a role, but then a lot of moving parts, but certainly more modest compression we would think.

---

**Operator**

Thank you. There are no further questions at this time. I'd like to turn the meeting back over to Mr. Bharat Masrani for closing remarks.

---

**Bharat Masrani – TD – Group President and CEO**

Thank you, operator, and thank you all for joining us this afternoon. I'd say, overall quite happy with how the quarter has turned out given the environment in which we are all living through. The performance has been good. Our businesses are doing what you'd expect us to do from TD, and we have strong capital levels. And we talked about that on the call, it is a good advantage for the bank to have.

So overall very happy with how things are turning out, albeit happy from a relative perspective, with the environment, nobody is happy. And hopefully, in the next 90 days, we are into a different situation.

I would like to take the opportunity to thank my TD colleagues around the world. They've done just a masterful job in adjusting to a very difficult environment and they've been there to deliver for our customers

and for the communities in which we live and work. So a big thank you to 90,000 strong TD bankers around the world. You make us feel proud as to what you do day in and day out.

With that, again, thanks for joining us today and we look forward to having another discussion 90 days from now. Thank you very much.