TD BANK GROUP
NATIONAL BANK FINANCIAL
CANADIAN FINANCIAL SERVICES CONFERENCE
MARCH 25, 2021

DISCLAIMER

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 under the heading "How We Performed", including under the sub-headings "Economic Summary and Outlook" and "The Bank's Response to COVID-19", and under the heading "Managing Risk", and statements made in the Management's Discussion and Analysis ("2020 MD&A") in the Bank's 2020 Annual Report under the headings "Economic Summary and Outlook" and "The Bank's Response to COVID-19", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments under headings "Key Priorities for 2021", and for the Corporate segment, "Focus for 2021", and in other statements regarding the Bank's objectives and priorities for 2021 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: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, 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; technology and cyber security risk (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; model risk; fraud 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, and other risks arising from the Bank's use of third-party service providers; 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; regulatory oversight and compliance risk; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; environmental and social risk; exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; 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 2020 MD&A, 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 "Pending Acquisitions" and "Significant Events" in the relevant MD&A, which applicable releases may be found on www.td.com. All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. 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 the 2020 MD&A under the headings "Economic Summary and Outlook" and "The Bank's Response to COVID-19", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, "Key Priorities for 2021", and for the Corporate segment, "Focus for 2021", each as may be updated in subsequently filed quarterly reports to shareholders.

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

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Gabriel Dechaine
National Bank Financial – Analyst

QUESTION AND ANSWER

Gabriel Dechaine – National Bank Financial – Analyst

I would like to welcome our next presenter, Teri Currie, Group Head, Canadian Banking for TD Bank obviously and a role that she's had since the January 2016. We were supposed to be having this dialogue last year but things happened and here we are today. So glad we're able to make up for last year. Teri, welcome and good morning.

Teri Currie – TD – Group Head, Canadian Personal Banking

Thank you so much. It's great to be here.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. So let's talk about, I mean, I don't want to spend too much time on the retrospective but obviously the last year was very challenging for your results and we're starting to come out of the downturn here. Can you talk about some of the biggest challenges that were in place last year and how you see those challenges kind of either diminishing and basically what's driving your improved outlook, some of the key factors for that in the year or two ahead?

Teri Currie – TD – Group Head, Canadian Personal Banking

Absolutely. Thank you. So, I think what we really saw throughout the pandemic was the benefit of the investments we've made in our omni-channel strategy before coming into the pandemic which really served us well as customers needed to move more of their activity to a self-service or virtual format. Also we saw the real strength of the Canadian retail diversified business mix and the fact that wealth as an example in Q1 showed the highest trading volumes ever and the highest asset levels ever. Insurance earnings were very strong. When you look at the sort of core personal and commercial banking business, I think lots to talk about in terms of how we look forward to momentum. Real estate secured lending on a relative basis in 2020, obviously, we did see some challenge, and I put part of that down too as we entered the pandemic.

Our mobile mortgage specialist model was that our customers came into the branches to sign their lending deals so that we could introduce those customers to our great people in the branches into those relationships for them for the future. And also for our branch colleagues, we needed to get end-to-end capabilities to sign deals virtually. We worked through that very quickly at the beginning of the pandemic. But we did take measures – maybe more assertive measures on colleague and customer health and safety with 40% of our network closed for the majority of that time really between March and our full reopening in September.

The great news on real estate secured lending is we've done a great job of investing in that business. Arguably, the broadest set of channels available for customers to come to us. And I'd say the industry leaders in the digital capabilities. And we've seen our amortizing year-over-year growth grow every single month since we saw the full branch reopening. And we're continuing to invest in additional advisors, the training of our advisors, and in particular the automation sort of in the adjudication and the part right up to funding for mortgage volume growth. We've been consistent throughout the cycles in the mid-single-digits. We were higher obviously throughout the cycles in the mid-single-digits. We were higher obviously in the more recent periods with record originations in Q1 and our best two quarters ever in Q4 and Q1.

On the cards front, to speak to momentum, the investments we've made to round out our credit card offerings have really served us well. In the most recent period, our cash back results exceeded the industry. And if you think about the areas of spend where we have great strength to come as economic activity reopens in travel and luxury and entertainment, I feel like we're very well-positioned there.

If I think about direct investing, I mentioned it earlier but for the third year in a row, The Globe and Mail rated us tops amongst banks. That's obviously been an important contributor to the capabilities and the advice that we have available, both self-service and education through direct investing and across our wealth advisory, our branch banking advisors.

We've done a great job in TD Auto Finance and direct lending has held up well in direct auto lending and we've continued to take origination share in TD Auto Finance. We announced the Wells Fargo equipment leasing purchase in Q1. We're looking forward to that deal closing in Q3 and we will see the opportunity to have more capabilities and more bankers available to our customers in that business.

I already mentioned the strong overall Canadian Retail results but I did at the beginning talk about our omni-channel capabilities. And we are the largest digital bank in Canada. We have the highest digital engagement according to Comscore and we continue to widen that. And that's really, again, those capabilities to move our customers across our channels and to help them end-to end-digitally has been a real factor.

When I think about the franchise going forward, we are obviously a deposit-rich, interest-rate-sensitive personal bank and Canadian Retail bank. And I think that positions us nicely as the yield curve potentially steepens. Who knows when that will happen exactly, but I think we're well positioned for that. And our leadership in personal deposits has continued to grow. And that's a way that we grow customers for the entire One TD franchise.

And when I think of some of the factors that have been difficult during the pandemic, we saw card balances come off quite significantly for those areas of spend that I mentioned that weren't happening. Customers weren't spending in those categories. And in the commercial business, we would have seen commercial line usage go down. And so the mix that we've seen has obviously been less attractive from a NIM perspective but very attractive from a volume perspective across those businesses. And so, again, if you put all that together, I think we're very well positioned to grow moving forward.

Gabriel Dechaine – National Bank Financial – Analyst

You've got a very large consumer and lending business. We'll set mortgages aside, but you've talked about cards. You mentioned auto lending. Are there any, and I hate to use the term, green shoots here? But what you're looking at the cards business and growing on to – in terms of spending and balances than auto lending, is there acceleration of momentum there? If you can throw some numbers around that, that'd be great.

Teri Currie – TD – Group Head, Canadian Personal Banking

Absolutely, we're probably half-half in terms of our business being everyday rewards, everyday spend, cashback and rewards, and then half travel, luxury, entertainment. And obviously, consumers have shifted some of their spend and we've seen that again in the strength of our Amazon partnership as an example. That partnership is very new and it's been incredibly great through this period of time. We're at about 166,000 new accounts in Q1 already from a standing start. And we have the exclusive availability for TD customers to shop with their rewards points on the Amazon site.

And clearly in this time that's been a real differentiator for us and a real strength. And again, the investments we've made in cash back and everyday rewards and partnerships have really helped us with the spend that we've seen consumers where they've gone to you know home renovation, food and grocery etcetera.

But obviously we all look forward at least I know I do to a time when we can travel again, when we will be out at concerts or out doing things with friends and family. And the return of that spend with the lineup of capabilities we have against that with our Aeroplan, Air Canada partnership our own TD rewards card and then the breadth of the partnerships. Our recent announcement with Air Canada and around the Starbucks have accelerated exclusively for TD Aeroplan customers. I just feel like we're incredibly well-positioned.

And to your point indirect auto lending has held up well there's still opportunity I think on the floor plan side as again economies reopen. And when we started to see some reopening in Québec you could start to see some of that activity as well continue to grow. And then the other thing I'd mention is as the pandemic started and we're very consistent lenders through the cycle, as we looked at the beginning of the pandemic, we took down some of our new credit offerings. Think about things like balance transfer or credit limit increases, pre-approvals, those types of things to wait to see how this unfolded. And obviously as we got later into the year and had more clarity, we started those strategies. And so, those strategies are starting to pay dividends for us, and we'll continue to as they did before.

Gabriel Dechaine – National Bank Financial – Analyst

I know my wife and I are looking forward to spending on travel again. The big debate is whether we take the kids or not.

But on the cards business, you've got the travel component and the cashback component, but also I don't know the size of it within the balances but the old MBNA business, which is more of a financing type cards business. Is that one the primary – like which of these three I guess are the primary reason why balances are down? And to the extent that there is, I call it the legacy MBNA, but what for lack of a better description, but is it going to take a long time for that those balances to come back simply because the borrowers that would probably veer towards those products are getting government support?

Teri Currie – TD – Group Head, Canadian Personal Banking

So obviously, we can't predict the exact timing. But as I mentioned, I mean the very large portion and the great sort of products and value, we have available to consumers in the travel entertainment luxury portion. We would expect as you've talked about wanting to go back to travel, and I imagine you'll take two trips, one with your kids and one with just you. So, you'll double the spending!

But we do expect that portion of the card spend come back. It's just we'll have to work through some of the excess deposits and timing on reopening of economic activity. As it relates to MBNA, what's been great about MBNA is we think about that as really a digital sort of hub for us to actually try things that we then can bring back into our bigger card portfolio, the TD card portfolio. And so, I did mention already some of the sort of risk strategies that we've taken down, balance transfer, credit line increases, etc.

That will come back, we expect, nicely over time both for MBNA and our TD cards business. And then, our partnership capability, we really run that through MBNA. So, our partnership with Amazon co-brand is on the MBNA rails. And our ability to again try things – we have an installment lending capability post purchase for our MBNA cardholders. And so, that's something that we can build, but then leverage that build back into our TD Visa overall portfolio and customer base as we get the learnings. So, I would say we expect the elements of spend that have been dampened due to the pandemic to come back over time, and we're well-positioned for that. And then, we continue to be able to leverage MBNA as a partnership vehicle, as a great opportunity for customers to bring their balances to us. And for some segments of the market, that's really the brand that they go to, and we want to be available to customers across how they want to interact with us.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. And last one on cards and in particular, pointed to the Aeroplan portfolio, is there any thought towards like an additional investment in that partnership? In the States, we've seen a few banks make additional commitments to point purchases with their airline partners, because it is a financing mechanism for the airlines in a tough period. Is there anything brewing on that front with TD and Aeroplan?

Teri Currie – TD – Group Head, Canadian Personal Banking

We we're delighted to launch the new program on November 8 with Air Canada and their announcement of the new value that's available for our 1.2 million Aeroplan customers. And we've worked together in the partnership to continue to find ways for our customers to both earn and redeem points and increase and enhance the value of that. The new value proposition does that inherently with the opportunity to use points for things like Wi-Fi or seat upgrades or things that weren't available to pool points from a family perspective. So, we think the value is there as travel returns. But we've also worked together on some accelerators of things like gas and grocery and things that were very relevant during this period and continue to be, and that's been well and that has created some good engagement. And then, again, I did mention the Starbucks partnership, but we've just announced that and the engagement and response to that has been very positive, and that's unique to TD.

Gabriel Dechaine – National Bank Financial – Analyst

Great. I'll move on to the commercial lending side of the business, and just your perspective on where things stand, with the commercial loan growth, your outlook, is it going to be positive this year? What's the pulse of the business moreover as you see it, there's no homogeneity there, but are they still very reluctant to take on credit or is that freeze thawing slowly but surely?

Teri Currie – TD – Group Head, Canadian Personal Banking

TD is a consistent and prudent lender through the cycle. And so, we've been there for our customers through the pandemic as we would have been pre-pandemic. I would say we've seen some very good growth in our traditional areas of strength, our agriculture business, multi-unit residential, commercial real estate. And where we and others I think have seen less growth has been on the commercial operating loans and lines. And that's a combination, I think, of more liquidity, some staying on the sidelines or prudence during an uncertain time.

As I mentioned earlier, if you think about again the balances for cards and for commercial lending, we would have seen equal, call it, about C$3 billion come off in that commercial loan line piece. And so, the business we're putting on and growing quite successfully in our core areas of strength is a lower margin business. And as businesses gain confidence and the economies start to reopen and they begin to invest, we'd expect to see that mix be favorable to margin as well as to volumes. And we feel very good about our bankers in the field close to our customers, continuing to do the right things to help them meet their goals.

Gabriel Dechaine – National Bank Financial – Analyst

And then, because deposit balances are quite high and loan growth is subdued, I've heard some bankers talk about that commercial deposit balance could actually stay high and we will see loan growth come back without having to see the deposits decline, because the businesses just want to maintain that extra liquidity and credit is relatively cheap right now. Is that a view that you have, that they're not mutually exclusive?

Teri Currie – TD – Group Head, Canadian Personal Banking

Overall, if you think forward from a shape of the balance sheet perspective, we'll start to see some of the sort of balance sheet mix dynamic change, which should be again – not sure the timing, but hopefully quite a positive. I think both on the personal and the commercial side, obviously, we've got more deposits. Customers have more liquidity. I think in the case of personal, we're really working with our customers to help them invest that savings that they might not have banked on before the pandemic for the future, and we're really seeing that play out in our mutual fund cash net sales growth, which has been quite strong more recently.

On the commercial side, I think it's hard to predict what will happen. I suspect over time, we'll see some of that deposit drawn down and we'll start to see the lines and loans being drawn for investment. But I always worry when we're trying to predict what will happen in the future. All I do believe is some of that deposit volume likely won't stick and will get invested and the loans will end up getting used to grow businesses in the future.

Gabriel Dechaine – National Bank Financial – Analyst

You did touch upon the interplay of the deposits and the wealth business. Have you stepped up efforts there to identify which customers have excess cash, earning low yield and they could be better off moving it into a wealth product? Like what's the modus operandi of the bank and can quantify some sort of incremental wealth AUM growth from that strategy?

Teri Currie – TD – Group Head, Canadian Personal Banking

We've certainly seen the strength of our One TD in our Canadian Retail business, as I mentioned at the beginning, with wealth asset levels at the highest levels ever in Q1. What we did at the beginning of the pandemic is we leveraged our really strong data and analytics capability inclusive of the capabilities of Layer 6, who you'll recall is the company that we purchased a couple of years ago.

And we actually segmented across our Canadian Retail customer base into very small micro segments. And what happened in the pandemic, as you know, is there were people facing hardship, or importantly, the segment that we've really focused on is those that we think were about to go into hardship. And we stood up a TD Ready Advice Center and outbound calling capability. This is not just customers who had deferred and then calling them when their deferral was coming up. This was actually proactively – and we continue to – going out to customers where we could see changes in their activity that caused us to be cautious or concerned about where they were headed. We've connected with over 40,000 of those customers so far and over a quarter of them have taken us up on the spot on the help that likely helped them not to get into their next issue.

So, we feel very good about that and that really helps us to continue to build out credit and advice capability for the future. On the other side of the spectrum, to your point around call it stay-at-home savers, there was this segment of customers who potentially had not been invested and hadn't anticipated this opportunity to plan for the future. And we've – through either outbound outreach or capturing as customers who are in orders of magnitude more frequently coming in through our external properties to get information about advice and investing, we're triaging either those inbound or calling outbound both providing digital or self-service hedges, if you will, or our advisors directly calling across our businesses to get those customers appointments to help them to make their investments for the future.

One TD, so the – really the referrals across our Canadian Retail businesses has been a strong component of our success in franchise year-in and year-out, and that is no different. The hardest part of the pandemic for some of our partners to the branch banking world, our wealth advisors and our business bankers, is for them not to be able to get into the branch to work with their personal banking colleagues because that really creates the connections, relationships and the magic, if you will, of One TD. Just to give you a stat, for the RSP campaign, last year, we took an approach of extending our hours. This year, we did the same thing, but we did it virtually across many of our branches, and our appointments were up 17% year-over-year during that kind of end of RSP campaign period.

Gabriel Dechaine – National Bank Financial – Analyst

Well, let's talk about the branch network, and I know there's – I'm hearing different opinions. But to me, it seems like the branch network we see today for all banks including TD, what happened in the past year with traffic falling off a cliff, some of that traffic might not come back, like we're in structural changes. Is the acceleration of branch footprint reduction something you're thinking about? What are your thoughts there?

Teri Currie – TD – Group Head, Canadian Personal Banking

I've been very consistent on this topic and the pandemic hasn't changed my view. Customers want all channels and they want them for different reasons at different times. And the Future Ready strategy that we had been on since the end of 2018 in the branch banking network, which is really shifting what happens inside the walls away from service to advice, and I say that only in that we would have three years ago had call it two-to-one our branch staffing being service to advice. And now, it's about a one-to-one mix and that's driven by what customers are coming into the branch for has shifted. As you know, 92% of our financial transactions are now performed self-service. So, the omni capabilities, as I mentioned earlier, that we had really served us well through the pandemic. Our branch network, is largely urban.

We are a leader in the majority of the priority urban markets. We continue to have an hours advantage. When we were in the height of the first lockdown, we would have seen 40,000 appointments across the network in a week. So, people still want to come in and most of the things that I heard from customers in terms of feedback during the time when we had the branch closures were feedback about access and wanting more access. So, we continue to believe that the branch network is important, and that our omni-channel strategy is the right one, that our pivot to advice is serving us well, and we're adding more advisors across all of our businesses in service of that requirement of customers.

But what has changed and I think will sustain us into the future is how flexible we can use our capacity in the network. So, as an example, it would have been in the past pre-pandemic that when a customer booked an appointment online or over the phone, their option was which branch would you like to book that appointment in, what's the branch close to you or what's convenient for you. Now with virtual capabilities, the question is would you like a virtual appointment, and if so, we can now use the full capacity and the full hours across time zones of our network to meet that customer need. So, that will serve us well. The other piece is when we had branches closed and the phone volumes were very high, we had branch bankers helping answer the phones for the contact center. And that hybrid approach to helping our customers will also sustain both as a talent strategy and I think an ability to develop our people more quickly for the bank.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. We're past the 25-minute mark. We've had a very thorough discussion here. And I appreciate us making up for lost time from last year and hope the rest of your day and week go great. Nice to see you again.

Teri Currie – TD – Group Head, Canadian Personal Banking

Thank you, Gabe. It's very nice to see you. Glad we could do this.