

# Q1 2026 EARNINGS CONFERENCE CALL

## FEBRUARY 26, 2026

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Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "forecast", "outlook", "plan", "goal", "target", "possible", "potential", "predict", "project", "may", and "could" and similar expressions or variations thereof, or the negative thereof, but these terms are not the exclusive means of identifying such statements. 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, process, systems, data, third-party, fraud, infrastructure, insider and conduct), model, insurance, liquidity, capital adequacy, compliance and legal, financial crime, reputational, environmental and social, and other risks. Examples of such risk factors include general business and economic conditions in the regions in which the Bank operates; geopolitical risk (including policy, trade and tax-related risks and the potential impact of any new or elevated tariffs or any retaliatory tariffs); inflation, interest rates and recession uncertainty; regulatory oversight and compliance risk; risks associated with the Bank's ability to satisfy the terms of the global resolution of the investigations into the Bank's U.S. Bank Secrecy Act (BSA)/anti-money laundering (AML) program; the impact of the global resolution of the investigations into the Bank's U.S. BSA/AML program on the Bank's businesses, operations, financial condition, and reputation; the ability of the Bank to execute on long-term strategies, shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions and integration of acquisitions, the ability of the Bank to achieve its financial or strategic objectives with respect to its investments, business retention plans, and other strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank's technologies, systems and networks, those of the Bank's customers (including their own devices), and third parties providing services to the Bank; data risk; model risk; fraud activity; insider risk; conduct risk; 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-parties; the impact of new and changes to, or application of, current laws, rules and regulations, including without limitation consumer protection laws and regulations, tax laws, capital guidelines and liquidity regulatory guidance; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; environmental and social risk (including climate-related risk); exposure related to litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes in foreign exchange rates, interest rates, credit spreads and equity prices; downgrade, suspension or withdrawal of ratings assigned by any rating agency, the value and market price of the Bank's common shares and other securities may be impacted by market conditions and other factors; the interconnectivity of financial institutions including existing and potential international debt crises; increased funding costs and market volatility due to market illiquidity and competition for funding; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; 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 2025 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 "Significant Events", "Significant and Subsequent Events" or "Update on U.S. Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) Program Remediation and Enterprise AML Program Improvement Activities" in the relevant MD&A, which applicable releases may be found on [www.td.com](http://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 and/or on the conference call, are set out in the 2025 MD&A under the headings "Economic Summary and Outlook" and "Significant Events", under the headings

"Key Priorities for 2026" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Banking, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2025 Accomplishments and Focus for 2026" for the Corporate segment, each as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable).

Any forward-looking statements contained in this document and/or on the conference call 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**

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### **Raymond Chun**

*TD Bank Group – Group President and Chief Executive Officer*

### **Leo Salom**

*TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.*

### **Kelvin Tran**

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

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### **Brooke Hales**

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### **Matthew Lee**

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## **PRESENTATION**

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### **Brooke Hales – TD Bank Group – Head of Investor Relations**

Thank you, operator. Good morning and welcome to TD Bank Group's first quarter 2026 results presentation. We will begin today's presentation with remarks from Raymond Chun, the Bank's CEO, followed by Leo Salom, Group Head, U.S. Banking, after which Kelvin Tran, the Bank's CFO, will present our first quarter operating results. Ajai Bambawale, Chief Risk Officer, will then offer comments on credit quality, after which we will invite questions from analysts on the phone. Also present today to answer your questions are: Sona Mehta, Group Head, Canadian Personal Banking; Barbara Hooper, Group Head, Canadian Business Banking; Paul Clark, Group Head, Wealth Management & Insurance; and Tim Wiggan, Group Head, Wholesale Banking.

Please turn to the next slide.

Our comments during this call may contain forward-looking statements, which involve assumptions and have inherent risks and uncertainties. Actual results could differ materially. I would also remind listeners that the Bank uses non-GAAP financial measures to arrive at adjusted results. The Bank believes that adjusted results provide readers with a better understanding of how management views the Bank's performance. Ray, Leo and Kelvin will be referring to adjusted results in their remarks. Additional information about non-GAAP measures and material factors and assumptions is available in our Q1 2026 MD&A. I would also like to note that, effective this quarter, the Bank renamed its U.S. Retail segment to U.S. Banking to better reflect the segment's financial products and services. With that, let me turn the presentation over to Ray.

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### **Raymond Chun – TD Bank Group – Group President and Chief Executive Officer**

Thank you, Brooke. And good morning, everyone. Thanks for joining us. We had another strong quarter as we continued to demonstrate momentum across our strategic priorities.

In Q1, the Bank delivered a strong quarter – with record earnings of \$4.2 billion and EPS of \$2.44 – powering an ROE of 4.2% (sic) [14.2%], up 100 basis points year-over-year. We saw robust trading and fee income growth in our markets-driven businesses, volume growth in Canadian P&C Banking, and margin expansion.

Impaired PCLs ticked up quarter-over-quarter in Wholesale and U.S. commercial, reflecting a small number of borrowers across various industries. Overall, credit performance was in line with our expectations. We continue to expect fiscal 2026 PCLs to fall within a range of 40 to 50 basis points. Ajai will share more details shortly in his remarks. Our year-over-year expense growth continued to moderate this quarter, and we delivered positive operating leverage for the third consecutive quarter. We are on track to achieve our 3 to 4% expense growth target for fiscal 2026.

The Bank's Q1 CET 1 ratio was 14.5%, with strong organic capital accretion in the quarter. In January, we completed our \$8 billion share buyback and launched our new \$7 billion share buyback. As of the end of Q1, we had bought back approximately 84 million shares across these two buyback programs. We remain committed to consistently returning excess capital to our shareholders. We have conviction that TD's current share price does not fully reflect the Bank's intrinsic value – TD has strong momentum and we see considerable upside from here. Even with significant share buybacks, TD's robust organic capital accretion means it will take time for the Bank to reach a 13% CET1 ratio. This is an enviable position for any bank, and a unique advantage for TD. We are managing towards a 13% CET1 ratio by the second half of fiscal 2027.

Overall, we have momentum across our businesses as we continue to deliver on our strategies to deepen relationships, make TD simpler and faster, and execute with discipline. We continue to see potential upside to our 6-8% EPS growth and 13% ROE targets for fiscal 2026, provided that positive macroeconomic conditions continue.

Please turn to slide 3.

Canadian Personal & Commercial Banking delivered record revenue, PTPP, earnings, deposit, and loan volumes. In Real Estate Secured Lending, loans were up 5% year-over-year, and we continued to achieve

sequential origination margin expansion. In addition, we saw record Q1 originations in our proprietary channels. In Cards, we delivered the highest quarterly acquisition in a decade driven by record pre-approvals for our existing clients and record point-of sale deepening in our branches. We saw continued acceleration in the Business Bank, with loans and non-term deposits up 6% and 7% year-over-year, respectively. At Investor Day, we laid out our strategy to capture deepening opportunities including frontline expansion. We have added over 300 business bankers – an increase of 10% – since the end of fiscal 2024, and we are seeing the benefits of that strategy play through.

In U.S. Banking, we saw continued momentum across our core business lines as we deepen relationships with our clients. Midmarket lending balances were up 4% year-over-year, and we saw strong pipeline growth with commitments up 15% over the same period. U.S. proprietary credit card balances were up 15% year-over-year, with record digital acquisition. Earlier this month, we completed the conversion of Nordstrom's card clients onto our servicing platform. This is an important strategic milestone that provides scale as we build out our credit card franchise.

In our U.S. Wealth business, total client assets were up 12% year-over-year, with mass affluent client assets up 18% year-over-year. Wealth Management & Insurance delivered record earnings and assets. Let me start by congratulating the Direct Investing team. Last week, our leadership in the market was once again recognized, when personal finance expert Rob Carrick said TD Direct Investing "is still king" among Canadians' online trading platforms. As we saw in Canadian Business Banking, our frontline expansion strategy is also delivering results in Wealth. We added almost 200 financial planners and advisors since the end of fiscal 2024. In the most recent data, TD took 19 basis points of market share in Financial Planning, with newly hired planners delivering strong growth. This month, we successfully combined our discretionary businesses in Private Wealth Management. This simplifies our business model, enhances our value proposition to clients and helps position us for outsized growth. It is expected to unlock \$40 million in platform and operational efficiencies, as outlined at Investor Day.

And in Insurance, we continue to build on our position as Canada's leading digital, direct insurer, with almost 80% of our clients digitally engaged – strong progress to our Investor Day target of 90%-plus. We have significant growth aspirations for our Insurance business, and we are mitigating the volatility that comes with that growth. This quarter, we issued another innovative CAT bond in the Canadian market – the first that offers protection against aggregate losses of small and medium-sized CAT events.

Wholesale Banking delivered record revenue and earnings, supported by strong client activities across Global Markets and Corporate & Investment Banking. The team continued to make progress on disciplined execution, achieving improved ROE and moderated year-over-year expense growth this quarter. Reflecting continued momentum, TD Cowen ranked in the Top 10 in ten categories in the 2025 Extel Global Fixed Income Survey, and TD Securities was awarded the Best Trade Finance Bank in North America by Trade Treasury Payments.

Please turn to slide 4.

This quarter, we continued to make progress against our strategy to deepen relationships, make TD simpler and faster, and execute with discipline. As we shared at Investor Day, TD has significant opportunities to grow franchised relationships across the Bank. This quarter, we drove increased penetration rates in both consumer and small business credit cards in Canada, and in our proprietary Bankcard in the U.S.

We are also making progress on our deepening targets in TD Securities. We launched synthetic prime in the U.S. and Europe. Our clients have told us they want to diversify their prime providers, and our robust balance sheet and capabilities position us well for this opportunity.

Our target of \$1 billion in value from AI over the medium term reflects both our progress to date, and our confidence in what's ahead. A core tenet of our AI strategy is to build once and use many times – scaling AI through repeatable patterns that lead to faster AI deployments and reduce cost of delivery. We saw the benefits of this approach with our Gen AI Knowledge Management Solution, which we first introduced in our contact centers last year, and have now deployed across our over 1000 branches in Canada. Questions that used to have colleagues jumping through screens are now answered in seconds.

We are taking the same approach with Agentic AI. We launched the initial scaling of an Agentic AI solution to simplify the RESL pre-adjudication process. This provides the foundation for broader Agentic AI adoption

across RESL and other businesses. We are executing with discipline across the Bank. Kelvin will share more details on our efforts to deliver structural cost reduction in his remarks.

We have a clear strategy that is driving higher ROE – with four consecutive quarters of ROE improvement in U.S. Banking, and ROE up over 400 basis points year-over-year in Wholesale Banking. I remain confident that we will achieve the medium-term targets that we laid out at Investor Day. In fact, for ROE, we may get there faster than we expected. At our current earnings, achieving a 13% CET1 ratio through share repurchases translates into approximately 100 basis points of ROE. Delivering on our \$2 to \$2.5 billion cost takeout would yield an additional 150 basis points of ROE. And all our businesses are laser-focused on driving ROE to their Investor Day targets. With these levers – and our strong performance in Q1 – I am confident in our path to 16% ROE.

Please turn to slide 5.

TD is the only Canadian company ranked in the top 100 most valuable brands in the world by Brand Finance. And we continue to invest to extend this leadership and deepen our client relationships. Earlier this month, we launched our new brand – reinforcing that in this complex, digital-first world, TD will always be More Human by delivering simpler, more intuitive, and more connected banking experiences in every interaction, and in every channel.

Thank you to our colleagues across the Bank for your dedication and commitment. TD is back to winning because of you.

With that, I will hand it over to Leo.

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**Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.**

Thank you very much, Ray, and good morning, everyone. Please turn to slide 6.

As we enter into 2026, we remain focused on our #1 priority and continue to make good progress as expected against our U.S. AML remediation program.

This quarter, we continued to improve the efficiency, the efficacy and the accuracy of our program. This month, our new KYC platform went live to our business users. This is an important milestone as it delivers a centralized platform that enables the collection & maintenance of customer information in a single Know Your Customer profile. As we complete the full implementation of this new system in the coming months, we will gain better insights about our customers, establishing an important building block of a strong AML program.

In addition, as we've spoken about previously, we are continuing to work on additional AI and machine learning capabilities. We implemented machine learning models in our transaction monitoring system last year, and additional models will be deployed in our program over the coming quarters.

Finally, we rolled-out an enhanced financial crime risk assessment methodology that is data-driven, resulting in a more sophisticated assessment of the Bank's financial crimes risks. I'm pleased with the work that our teams have been able to accomplish and I'm certain that we are building a sustainable program that will serve us well into the future.

From a financial perspective, while investments will fluctuate from quarter to quarter, we continue to expect our AML remediation spend to be US\$500 million in fiscal 2026. That said, the composition of our spend will gradually change towards validation work and lookback costs as we complete our remaining management remediation actions.

With that, I will turn it over to Kelvin.

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**Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer**

Thank you, Leo. Please turn to slide 7.

Driven by robust topline momentum coupled with disciplined execution, TD delivered a strong quarter with record earnings. Total bank PTPP was up 19% year-over-year, after removing the impact of the U.S. strategic card portfolio, FX, and Insurance Service Expenses. We've shared the details on slide 23.

Revenue grew 11% year-over-year reflecting growth across all of our businesses. At 43 basis points, total PCLs were within our guided range.

Expenses increased 7% year-over-year, with approximately 1% driven by variable compensation, foreign exchange, and the impact of the U.S strategic card portfolio. We delivered our third consecutive quarter of positive operating leverage.

Please turn to slide 8.

This quarter, we incurred restructuring charges of \$200 million pre-tax, driven by further workforce optimization. We have now concluded the restructuring program, with total charges of \$886 million pre-tax. We expect fully realized annual cost savings of \$775 million pre-tax. Our restructuring program is one part of our broader efforts to drive structural cost reduction across the Bank. As you heard at Investor Day, we are targeting \$2 to \$2.5 billion in annualized cost savings over the medium term. AI is helping power these savings – as we scale through repeatable patterns driving faster deployment and reduce cost of delivery. Strong cost management – and a deeper understanding of unit cost – are also critical components of this effort.

In Insurance, we expect to deliver over \$150 million of claims cost reductions over the medium term through vendor optimization and AI deployment in fraud detection and process reengineering. This will drive reduced timelines for claims fraud detection and increased speed and accuracy for claims resolution – further enhancing the client experience.

We're also making progress in Wealth. Investments in process improvement, digital and AI capabilities are expected to reduce the time it takes to complete a financial plan by 50%, creating capacity for higher-value advisory and business development activities. This is just the beginning. We look forward to providing further updates as this work progresses.

Please turn to slide 9.

Canadian Personal & Commercial Banking delivered record revenue, PTPP, earnings, deposit and loan volumes. Average deposits rose 3% year-over-year, reflecting 3% growth in personal deposits and 5% growth in business deposits. Average loan volumes rose 5% year-over-year, with 5% growth in personal volumes and 6% growth in business volumes. NIM was stable, up 1 basis point quarter-over-quarter. With good revenue and disciplined expense management, we delivered over 200 basis points of operating leverage. We made strategic investments to deepen relationships – such as adding Business Bankers in priority markets – and equally to create simpler and faster client experiences that also reduce structural unit costs – including our launch of the RESL pre-adjudication Agentic AI capability that Ray shared. Going forward, we will take the opportunity to invest in our strategic priorities, while continuing with disciplined execution. As we look forward to Q2, we again expect net interest margin to be relatively stable.

Please turn to slide 10.

In U.S. Banking, year-over-year, earnings were up 22%, PTPP was up 7%, and ROTCE expanded by 330 basis points to 14.7%. Excluding sweeps and targeted runoff in our government banking business, deposits were up 1% year-over-year. Core loans grew 2% year-over-year, reflecting continued strength in Bankcard, home equity and middle market.

Net interest margin was 3.38%, up 13 basis points quarter-over-quarter, driven by an adjustment for client deposit rates in the prior quarter and higher loan margins from improved product mix. As we look forward to Q2, we expect NIM to modestly increase.

Expenses increased 8% year-over-year reflecting higher governance and control costs and employee related expenses. As Ray mentioned, earlier this month we completed the conversion of Nordstrom card clients onto our servicing platform. Going forward, for Nordstrom, TD will have a higher share of revenue and expected losses. Slide 22 provides an illustrative example of the accounting for our strategic card partnerships. As a result of the Nordstrom change, and consistent with similar transactions, we expect a receivable adjustment of US\$145 million to be treated as an item of note in Q2. The Nordstrom conversion was fully reflected in the guidance that we provided at Investor Day. U.S. Banking is on track to achieve our target of US\$2.9 billion in earnings in fiscal 2026.

In addition, I wanted to highlight a change in the presentation of our financials for U.S. Banking. TD invests in tax-advantaged entities to support the communities in which we operate, while generating income tax benefits. Previously, losses on these investments were recognized in non-interest income while the related tax benefits were recognized in provision for income taxes. Effective this quarter – to promote comparability with U.S. peers – we reclassified the losses from non-interest income to provision for income taxes in U.S. Banking. In accordance with IFRS, we made offsetting adjustments in Corporate segment so there is no change in non-interest income or provision for income taxes at the Total Bank level.

This change lowers the efficiency ratio in U.S. Banking. As a result, we updated our medium-term target and now expect U.S. Banking to deliver an efficiency ratio in the mid-50s by fiscal 2029.

Please turn to slide 11.

In Q1, Wealth Management & Insurance delivered record earnings and assets. We saw market share gains across our businesses, led by 97 basis points of revenue share growth year-over-year in Direct Investing. Trades per day were up 10% year-over-year driven by new client growth and deeper relationships. ETF assets surpassed \$31 billion – up from \$17 billion at the end of fiscal 2024, and well on our way to our medium-term target of \$54 billion. In Insurance, we continued to focus on profitable growth, increasing ROE by 80 basis points year-over-year.

Sequentially, expenses for the segment excluding variable compensation were down 2%, reflecting disciplined expense management. We are driving structural cost savings while investing for the future, including unifying our discretionary Private Wealth businesses and our new TD Easy Trade app.

Please turn to slide 12.

Wholesale Banking delivered record revenue and earnings – driven by broad-based performance across Global Markets and Corporate & Investment Banking, with strength in commodities, global equity derivatives, and advisory fees and equity underwriting. Overall, performance reflects the depth and diversification of the platform combined with high levels of client activity and constructive market conditions. Impaired PCLs increased, reflecting a small number of borrowers across various industries. Ajai will share more details shortly in his remarks.

Expenses increased 5% year over year, as we continued to invest in technology and front office capabilities, spending to support business growth, and higher variable compensation.

Return on equity for the quarter was 12.6%, driven by strong revenue growth, moderating expense growth, and disciplined capital management.

Please turn to slide 13.

Corporate net loss for the quarter was \$153 million, a smaller loss than the same quarter last year, reflecting higher revenue from treasury and balance sheet management activities partially offset by higher net corporate expenses.

Please turn to slide 14.

The Common Equity Tier 1 ratio ended the quarter at 14.5%, down 15 basis points sequentially. We delivered strong organic capital accretion this quarter. The Bank repurchased 19 million common shares under its previous and current share buyback programs in Q1, which reduced CET1 by 38 basis points.

As Ray said, TD's capital position is a competitive advantage. We remain committed to consistently returning excess capital to our shareholders.

With that, I will turn it over to Ajai.

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

Thank you, Kelvin, and good morning everyone. I was pleased with the Bank's overall credit performance this quarter.

Now, let me turn to the results starting on slide 15.

Gross impaired loan formations were 27 basis points, an increase of 4 basis points quarter-over-quarter.

The increase was largely recorded across the Wholesale Banking and U.S. Commercial lending portfolios, related to a small number of borrowers across a range of industries, partially offset by lower formations in the Canadian Commercial lending portfolio.

Please turn to slide 16.

Gross impaired loans increased 2 basis points quarter-over-quarter to 58 basis points, or \$5.59 billion. The increase was reflected in the U.S. Commercial and Canadian consumer portfolios, partially offset by lower impairments in Canadian Commercial.

Please turn to slide 17.

Recall that our presentation reports PCL ratios both gross and net of the partners' share of the U.S. strategic card PCLs. We remind you that U.S. Card PCLs recorded in the Corporate segment are fully absorbed by our partners and do not impact the Bank's net income. The Bank's provision for credit losses was 43 basis points, an increase of \$57 million, or 2 basis points quarter-over-quarter, driven by: the Wholesale Banking segment, partially offset by lower provisions in Canadian Personal & Commercial Banking.

Please turn to slide 18.

Impaired PCLs were \$1.16 billion, increasing \$221 million quarter-over-quarter, largely as a result of credit migration in the Wholesale and U.S. Commercial lending portfolios, related to a small number of borrowers across a range of industries, partially offset by lower provisions in Canadian Commercial. More than half of the increase in the Bank's impaired PCLs this quarter was due to a single borrower in the Wholesale segment. We do not expect the level of impaired provisions in Wholesale this quarter to be reflective of a typical run rate moving forward.

The Bank recorded a performing PCL recovery of \$125 million, reflecting improvement in the macroeconomic forecasts, and migration from performing to impaired in the Wholesale and U.S. Commercial lending portfolios. The performing PCL recovery was primarily recorded in the U.S. Banking, and Wholesale segments.

Please turn to slide 19.

The Allowance for Credit Losses decreased \$144 million quarter-over-quarter related to a \$156MM impact from foreign exchange, improvement in the Canadian and U.S. economic forecasts, partially offset by higher impaired allowance in the Wholesale and U.S. Commercial lending portfolios.

Now, to summarize, the Bank exhibited strong credit performance this quarter, as PCLs were within the guidance offered at the end of last year. Additionally, we remain prudently provisioned, with allowance coverage of gross loans at 99 basis points, including more than \$500 million in reserves set aside for ongoing elevated policy and trade uncertainty.

Looking forward, while results may vary by quarter, and are subject to changes to economic conditions, we continue to expect fiscal 2026 PCLs to fall within a range of 40 to 50 basis points. TD is well positioned to operate through a variety of economic scenarios, considering: our prudent provisioning, broad diversification across products and geographies, our strong capital position, and our through-the-cycle underwriting standards.

With that, operator, we are now ready to begin the Q&A session.

## **QUESTION AND ANSWER**

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### **Operator**

[Operator Instructions] The first question comes from Matthew Lee with Canaccord Genuity. Please go ahead.

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**Matthew Lee – Canaccord Genuity – Analyst**

Thanks for taking my question. If we assume you reach 13% CET1 ratio by the end of 2027 and your cost savings continue to improve, and you achieve the earnings growth in your targets, I think my math suggests that you can get to that 16% ROE by the end of 2027. Can you maybe talk about factors that might prevent you from getting there or whether it's just a matter of accounting for the unknowns?

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**Raymond Chun – TD Bank Group – Group President and Chief Executive Officer**

Thanks, Matt. It's Ray. Thanks for the question. As I said at the end of our Q4 results, we are definitely seeing good momentum coming out of, first and foremost, fiscal 2025, and you saw that momentum carry through. And you're seeing that play through on our ROE at 14.2% after the first quarter. The way I would think about it, Matt, is on some of the things that we control. If you think about our CET1 ratio getting down to the 13% by the second half of 2027, as I commented in my comments, that gives us another 100 basis points. We are well on pace on our \$2 to \$2.5 billion expense takeout, and the discipline and the structural cost reduction. We're actually a bit ahead of schedule, I would say, on the things that we're focused on. That gives us another 150 basis points pickup on that. And if you look across our businesses for the quarter, every business at TD improved their ROE as per our Investor Day commitment.

So, what I would say is that we're certainly – as I said even in our Q4 comments, we are ahead of pace as to what we thought during Investor Day, and our confidence is high on getting to the 16% ROE – the guidance that we gave. That's the way I would think about it.

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**Matthew Lee – Canaccord Genuity – Analyst**

Okay. That's helpful. And then maybe just a quick one on the U.S. loan book. Total loans were down 9%, but core loans were up 2%. Can you just maybe help us understand what the areas of focus are in terms of growing that book in the U.S.? And when we should start thinking about core loan growth beginning to outpace the identified sales and runoffs?

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**Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.**

Matt, thanks for the question. So if you look at the core loan growth for the quarter, it was 2%. If I can break that down for you, we saw really strong consumer lending growth. As I prioritized in our Investor Day discussion, our credit card book, particularly our bank card book, is a major area of focus for us.

So just to give you a sense of the momentum that we've got in that segment, we saw 15% balance growth for the quarter. Unit sales were up 33% on a year-on-year basis. We use the term penetration rate as a critical indicator of the cards portfolio success, and we saw a 200 basis point increase in the penetration of credit cards to our deposit client base on a year-on-year basis. So we're making progress towards that plus 30% figure that we gave at Investor Day. And sales activities were strong coming out of the seasonal Christmas rush. So you put all those things together, we are pleased about our consumer lending growth anchored by that cards performance.

On the commercial side, a bit more of a tale of 2 cities. At the higher end, at the corporate mid-market business, we're seeing relatively good activity and loan demand. So our mid-market business, we saw 4% growth. And Ray, I think, commented in his comments, we saw 15% growth in actual commitments. So the pipelines look good at the top end of the – at the larger corporate end of the market. Likewise, in our specialty business, higher education, which is a really important segment for us – we saw loan growth of about 5%. So at the higher end, we're seeing good loan demand and the economic momentum in the U.S. is translating into good loan growth.

Where we're seeing a little bit of sluggishness in the U.S. market broadly is at the small business and sort of the lower-end community banking level. That segment is growing a little slower. And I think that those businesses are just more susceptible to the trade uncertainty, the supply chain disruptions and just the

current state of interest rates. So I think there, we're still seeing some muted growth. But when you take everything as a whole, I'm quite pleased with the 2% growth on balance. I would expect that growth rate to moderately accelerate over the next couple of quarters. And we should, to your point around when should the entire portfolio switch over to a net growth position – we are targeting that in the third quarter, total loans, so that would include those loans that have been identified for runoff. We would actually post net loan growth at the aggregate bank level in the U.S.

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

Yes. I've just got a quick one here on credit performance because we saw the impaired going and performing going in a different direction here, and you did a good job explaining what was going on in the impaired book and your expectations going forward. Just wondering about the performing release. I guess part of it is the U.S. – some runoff, but what macro changes did you make that might have resulted in these pretty material releases?

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

Yes. Thanks, Gabe, for the question. So again, I'll start by saying our performance release, it's well founded, and it's been through all our governance processes. And there are really 2 drivers of that release. One is the macro changes. And if you go and look at our disclosures, you'll see the unemployment numbers have improved both in Canada and the United States, and you'll see the GDP numbers have also improved. That drove part of the release. The second part, actually don't even think about it as a release – we built performing against names that were migrating. When that loan moves from performing to impaired, I have to reverse the performance and add it to the impaired. So those are the 2 component parts. But again, as I said, it's well founded.

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**Paul Holden – CIBC Capital Markets – Analyst**

Good morning. Two questions related to Leo's business. I guess first is with respect to the NIM expansion, 13 basis points this quarter, guidance for modest expansion next quarter. I think that was the same guidance we got this quarter. So what drove the upside this quarter and the potential it follows through next quarter? And then second part of the question, with that good NIM expansion – with you talking about loan growth starting to improve and crossing over to positive in Q3 and what I'm seeing good expense discipline – can we start to expect to see positive operating leverage and lower efficiency ratio out of the U.S. Bank in 2026?

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**Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.**

So Paul, let me take both of those, and then maybe I'll give you a sort of a summary view on the aggregate U.S. performance. Let me start with the NIM. We delivered NIM of 338 basis points, up 13 basis points quarter-on-quarter, 52 basis points on a year-on-year basis. So obviously, a strong print. Really 3 factors. One, the remaining impact of all the loan repositioning work that we did last year, which obviously gave us a strong tailwind. Second, selective repricing activities across both the deposit and loan book as we adjust the overall balance sheet to its new size. And third, the tailwinds that we're enjoying from tractor on rates. So those were the 3 primary drivers. And that was offset ever so slightly by the repricing by the Fed rate cut.

As we look at the next period, I won't have quite as much tailwind from the bond repositioning activity because that's already reflected in our NII. But I still think that we'll have margin expansion opportunities – they'll be more modest in nature. And then as we think about the rest of the year, obviously, that tractor tailwind will still be there, but we'll have to absorb the Fed rate cuts that are planned for the second half of the year. So that's basically in a nutshell where we think overall NII is going to be. But as you saw, the net interest income number on an absolute basis, from a revenue perspective was up 10% year-on-year. So we're really pleased with the momentum that we're seeing there in aggregate.

With regards to overall loan performance or the state of the business broadly, I couldn't be more pleased with the quarter. NIAT is US\$723MM, up 22% on a year-on-year basis and driven by both top line revenue growth and sound credit performance. I think it was a good solid profile. We are seeing acceleration in those critical loan areas that you mentioned, and I would expect that to continue over the next few quarters.

But I do want to hit your expense point. A lot of effort is going into our expense strategies, expense-strategic cost management strategies. As you would have seen this quarter, we did close 51 stores as we announced in the Investor Day – so we are going to see distribution savings. We continue to lean into our vendor management programs with a sizable win this past quarter, which certainly will contribute to our expense run rate profile going forward. AI and some of the process automation work is still front and center. And we are beginning to see some degree of opportunities to at least change the resourcing mix associated with our remediation programs, all of which should create some downward pressure on expenses for the balance of the year. So you put the revenue momentum that we're enjoying now, the pricing discipline we've put in place, the expense focus that we have and will continue to materialize over the rest of the year – I feel quite confident with regards to the outlook for the rest of the year.

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**Paul Holden – CIBC Capital Markets – Analyst**

Okay. That's good. One follow-up, if you don't mind. Just looking at the quarter-over-quarter change in branch count down roughly 5%, but FTE up roughly 2.5%. Maybe you can just talk quickly into in terms of where you're adding headcount, and then I'll stop there. Thanks.

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**Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.**

Paul, I'm glad you brought it up because I should have mentioned it before, but we had a really important transaction that we closed. We successfully converted the Nordstrom portfolio onto our platform. So effective this past weekend, we are now servicing all of Nordstrom onto our platform. So the FTE increase that you saw was essentially additional call center representatives, our collection staff and fraud to be able to manage that expanded volume flow that now we'll be managing directly. Previously, it was managed in Nordstrom. So we've taken – we've expanded our staffing to be able to support that portfolio.

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

Thank you. I just wanted to – a question for Sona. If I remember correctly, I think at the Investor Day, the medium-term type of targets for your business would have had efficiency ratios, which I think you're at right now and ROEs around, I think, where you're at right now or at least were in this quarter. So is this as good as it gets for your business from those sorts of metrics? Or is there still room for improvement here Sona?

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

Thanks, Sohrab, for the question. Yes, you're referencing our Investor Day targets. So both on efficiency ratio and ROE, we're targeting the 40% range. Sohrab, maybe if I just step back and look at both of those. So our efficiency ratio – obviously this quarter, both from a revenue and an expense perspective, we're pleased with the performance this quarter. As I look at what we talked about at Investor Day, there's a number of levers that we have to manage efficiency ratio and improve efficiency ratio. We talked about distribution optimization. We talked about tech platforms and procurement. But what has become an even greater driver, I would say, since Investor Day, is how we will deploy AI to favour efficiency ratio.

Maybe I'll just spend a few seconds on that. Our approach there is really to drive simple and fast experiences, but they come with real P&L outcomes. One example I would share with you – so you heard me talk a lot at Investor Day about speed and specialization. It's absolutely core to our RESL strategy. And so we recently deployed and started to scale agentic AI into the RESL workflow. That's taking pre-adjudication processes from 15 hours down to minutes. So it's delivering speed to decision. As we said, speed was a big strategy, a better colleague experience that helps us win more business. And of course, it takes out structural cost as well.

So I think what you will see is a number of things that we will do will benefit efficiency ratio and will benefit ROE over the long term. And these are short-cycle cases that we get up and down and deliver real value. So back to your point – I think we're very pleased with the performance, and we'll continue to lean in, and we're making very good progress on our Investor Day targets across the board.

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

And I think if I heard you correctly, but correct me if I'm wrong – since Investor Day, you would have – you would move these targets higher basically, lower expense ratio and higher ROE just because of the traction on AI. Is that fair?

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

Not quite, Sohrab. I think you will see us lean heavily in. Our targets, we hold on our specific targets, but the momentum and progress is incredible. We just see an engine that is humming and we see lots of possibilities.

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**Raymond Chun – TD Bank Group – Group President and Chief Executive Officer**

Maybe I'll just jump in for a second also. What I would add is that the benefits that we think we will get now from an AI perspective – we put out the \$1 billion, \$500 million in revenue, \$500 million in expenses, as Sona outlined with one example with the agentic. We now see how much that can be scaled across the organization across every business line. So if you think about this mortgage example, it can be applied in credit cards, can be applied in small business banking, can be applied in commercial banking, in the U.S. And so I do think we're going to get more from the value from an AI perspective beyond the \$1 billion that Sona commented on. And then again, we're seeing good momentum, better momentum than what we had thought during Investor Day as – which was only 6 months ago. So I think a great start to the year and lots of momentum. And then if the macro environment continues, we do think we have upside both to our ROE at the enterprise level and to the EPS guidance that we provided.

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**Operator**

There are no more questions in the queue at this time. I would now like to return the call to Mr. Raymond Chun for closing remarks.

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**Raymond Chun – TD Bank Group – Group President and Chief Executive Officer**

Well, thank you, operator, and thank you, everyone, for joining us today. We appreciate your questions and comments. In Q1, we continued our strong momentum, delivering robust top line growth, positive operating leverage and record earnings. ROE was 14.2%, up 100 basis points year-over-year as we continue to execute against the strategies and targets that we've shared with you. Fiscal 2026 is off to a strong start, and I'm confident TD will continue to deliver for its shareholders. I look forward to connecting with all of you again next quarter. Thank you.