TD Bank Group

Quarterly Highlights

Q2 2021

Financial Results (YoY)

- **Net income** $3.7B, up 144% (adj.[1] $3.8B, up 136%).
- **EPS** of $1.99, up 149% (adj.[1] $2.04, up 140%).
  - *PCL recovery of $377MM vs. $3.2B provision in Q2/20*
  - *Insurance claims of $441MM vs. $671MM in Q2/20*
- **Retail[2]** earnings $3.5B, up 132% (adj.[1] $3.5B, up 128%);
  - **Canadian. Retail:** $2.2B, up 86% (adj.[1] $2.2B, up 82%);
    - Cdn. P&C $1,444MM, up 125%
    - Wealth $490MM, up 44% (adj.[1] $490MM, up 34%)
    - Insurance $248MM, up 31%.
  - **U.S. Retail Bank**: US$853MM, up 880% (C$ up 949%)
  - **U.S. Retail** (incl. Schwab): US$1,047MM, up 301% (C$ up 292%)
- **Wholesale Banking** net income $383MM, up 83%.
- **Corporate** net loss $186MM; adj[1] net loss $106MM.

Revenue, Expenses, Credit, Capital

- **Revenue**: Down 3% YoY: NII down 6% reflecting lower margins in the Canadian and U.S. Retail segments and the impact of FX. Non-Interest Income up 2% reflecting higher wealth and banking transaction and fee-based revenue and higher insurance volumes, partially offset by lower trading revenue and premium rebates for customers in the insurance business.
- **Insurance claims**: Down $230MM, or 34% YoY, on lower current year claims, a decrease in the fair value of investments supporting claims liabilities which resulted in a similar decrease in non-interest income, and more favourable prior years' claims development.
- **Expenses**: Up 12% YoY, mainly due to increase in retailer program partners' net share of the profits from the U.S. strategic cards portfolio on lower PCL. Up 1% otherwise, with higher employee-related expenses and store optimization costs largely offset by FX translation and lower legal provisions..
- **PCL recovery of $377MM / PCL ratio of -21 bps**
  - **PCL – impaired** was $381 million, lower by $586 million, primarily reflecting the continued impact of government economic support programs on the consumer lending portfolios.
  - **PCL – performing** was a recovery of $758 million, lower by $3,009 million on improvement in the economic outlook.
  - **ACL** – decreased $970MM to $8.0B QoQ mainly reflecting a performing allowance release (improvement in economic outlook and consumer credit attributes), as well impact of FX.
- **CET1 14.2%**: Up 63 bps QoQ on internal capital generation (+47 bps), actuarial gains on employee benefit plans (+17 bps), lower RWA net of FX (+8 bps), and other items (+3 bps), partially offset by a defined benefit pension fund asset deduction (-5 bps), and OSFI transitional arrangements for ECL provisioning (-7 bps).
- **Risk-Weighted Assets (RWA) down $12B QoQ**: Lower Credit Risk RWA (+38 bps CET1) mainly due to FX. Market Risk RWA (+1 bp CET1), and Operational Risk RWA (-1 bp CET1) largely flat QoQ.

Items of Interest

- **Impact of U.S. Strategic Card Portfolio Accounting on Total Bank PTPP & Operating Leverage:** Slides 21-22 of the QRP show how the Bank calculates PTPP and Operating Leverage at the total Bank level, by removing the impact of the gross accounting for this portfolio, along with the impact of FX translation, which was also significant this quarter.

Financial Results (C$MM)

		Q2/2021	QoQ	YoY
EPS	Reported	$ 1.99	12%	149%
	Adjusted[1]	$ 2.04	11%	140%
Net Income	Reported	3,695	13%	144%
	Adjusted[1]	3,775	12%	136%
Revenue	Reported	10,228	-5%	-3%
PCL Ratio		-0.21%	-38 bps	-197 bps
PCL – Total		-377	-690	-3,595
PCL – Impaired		381	-85	-586
PCL – Performing		-758	-605	-3,009
Insurance Claims		441	-43%	-34%
Expenses	Reported	5,729	-1%	12%
	Adjusted[1]	5,691	-1%	13%
CET 1 Ratio[3]		14.2%	+63 bps	+320 bps
Net Interest Margin (NIM)		1.56%	3 bps	-27 bps

Loans (Average balances)

	Q2/2021	QoQ	YoY
Canadian Retail (C$)	460	1%	5%
Personal	373	1%	5%
Commercial	87	2%	2%
U.S. Retail (US$)	170	-1%	1%
Personal	75	-3%	-1%
Commercial	95	0%	3%
Wholesale (Gross Lending) (C$)	60	3%	-8%
Total (C$)	734	0%	0%

Deposits (Average balances)

	Q2/2021	QoQ	YoY
Canadian Retail (C$)	437	2%	20%
Personal	243	1%	14%
Commercial	155	3%	27%
Wealth	39	4%	29%
U.S. Retail (US$)	378	3%	23%
Personal	120	6%	23%
Commercial	105	3%	33%
Sweep Deposits	153	0%	18%
Total (C$)	**913**	**1%**	**16%**

Proven Business Model **Purpose-Driven** **Forward Focused**

We're in this together – Anchored by our proven business model and propelled by our forward-focused strategy, we are supporting our customers, communities and colleagues through these challenging times.

Except as noted, figures reflect year-over-year change. ENR: Q2 2021 Earnings News Release, MD&A: Q2 2021 Management's Discussion and Analysis, SFI: Q2 2021 Supplemental Financial Information, SRD: Q2 2021 Supplementary Regulatory Disclosure, FS&N: Q2 2021 Consolidated Financial Statements and Notes, QRP: Q2 2021 Quarterly Results Presentation.

1. The Bank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), the current generally accepted accounting principles (GAAP), and refers to results prepared in accordance with IFRS as the "reported" results. The Bank also utilizes non-GAAP financial measures referred to as "adjusted" results (i.e. reported results excluding "items of note") to assess each of its businesses and measure overall Bank performance. Adjusted net income, adjusted earnings per share (EPS) and related terms used in this presentation are not defined terms under GAAP and may not be comparable to similar terms used by other issuers. See "How the Bank Reports" in the Bank's Q2 2021 Earnings News Release and Q2 2021 MD&A (www.td.com/investor) for further explanation, reported basis results, a list of the items of note, and a reconciliation of non-GAAP measures.
2. "Retail" comprises Canadian Retail and U.S. Retail segments. See the Bank's Q2 2021 Earnings News Release and Q2 2021 MD&A.
3. Includes capital adjustments provided by OSFI in response to COVID-19 pandemic in the second quarter of 2020, please refer to "Capital Position" section of the MD&A for additional detail.

Segments

Canadian Retail (C$MM)

Canadian Retail (C$MM)		Q2/2021	QoQ	YoY
Revenue		6,062	-4%	1%
Net Interest Margin (NIM)		2.61%	-4 bps	-22 bps
PCL		-37	-179	-1,190
Impaired PCL		191	24	-174
Performing PCL		-228	-203	-1,016
PCL Ratio		-0.03%	-15 bps	-110 bps
Insurance Claims		441	-43%	-34%
Expenses	Reported	2,689	1%	4%
	Adjusted[1]	2,689	1%	5%
Net Income	Reported	**2,182**	**7%**	**86%**
	Adjusted[1]	**2,182**	**7%**	**82%**

U.S. Retail (US$MM)

U.S. Retail (US$MM)	Q2/2021	QoQ	YoY
Revenue	2,076	0%	2%
Net Interest Margin (NIM)	2.15%	-9 bps	-78 bps
PCL	-173	-276	-987
Impaired PCL	91	-56	-117
Performing PCL	-264	-220	-870
PCL Ratio (Net[2])	-0.41%	-66 bps	-244 bps
Expenses	1,267	-4%	4%
Net Income, U.S. Retail Bank	853	39%	880%
Share of net income from investment in Schwab and TD Ameritrade	194	20%	11%
Total Net Income	**1,047**	**35%**	**301%**

Wholesale Banking (C$MM)

Wholesale Banking (C$MM)	Q2/2021	QoQ	YoY
Revenue	1,157	-12%	-8%
Trading-related income	558	-25%	-11%
PCL	-63	-83	-437
Expenses	705	-1%	14%
Net Income	**383**	**-12%**	**83%**

Corporate (C$MM)

Corporate (C$MM)		Q2/2021	QoQ	YoY
Net Corporate Expenses		-186	2%	-7%
Other		80	-9%	43%
Net Income (Loss)	Reported	**-186**	**-6%**	**-8%**
	Adjusted[1]	**-106**	**13%**	**-26%**

Commentary (YoY)

ENR Table 7 (p. 9), MD&A Table 11 (page 13) and SFI (p. 8 and A1)

- **Canadian Retail:** Reported net income up 86% reflecting lower PCL and insurance claims (adjusted net income up 82%).
  - Revenue up reflecting higher transaction and fee-based revenue in the wealth and banking businesses and higher insurance volumes, partly offset by lower deposit margins.
  - Net interest margin of 2.61% down 4 bps QoQ, reflecting changes in asset mix and the ongoing impact of the low interest rate environment.
  - PCL down QoQ reflecting a recovery of performing PCL largely related to an improvement in the economic outlook, partially offset by higher impaired PCL primarily in the commercial lending portfolio.
  - Reported expenses up 4%, reflecting higher volume-driven expenses and employee-related expenses, partially offset by prior year charges related to Greystone.
  - Efficiency Ratio 44.4%.
- **Canadian P&C:** Revenue of $3,580MM (down 2%), expenses $1,652MM (up 3%), and net income $1,444MM (up 125%).
  - NIM of 2.52%, down 5 bps QoQ and down 19 bps YoY.

ENR Table 8 (p. 11), MD&A Table 12 (p. 15) and SFI (p. 10)

- **U.S. Retail:** U.S. Retail Bank net income up primarily reflecting lower PCL and higher revenue, partially offset by higher expenses.
  - Revenue increased 2%, reflecting higher non-interest income (higher valuation of certain investments, fee income growth from increased customer activity, and higher gains on the sale of mortgage loans), partially offset by lower net interest income (as lower deposit margins more than offset growth in deposit volumes and PPP loans).
  - Net interest margin was 2.15%, a decrease of 9 bps QoQ primarily reflecting balance sheet mix.
  - PCL down QoQ on lower impaired PCL and a recovery in performing PCL, primarily reflecting an allowance release in the commercial and consumer lending portfolios largely related to an improvement in the economic outlook.
  - Expenses increased primarily reflecting US$49MM in store optimization costs and higher employee-related expenses.
  - Efficiency ratio of 61.0%.
- **Schwab and TD Ameritrade:** Reported contribution from Schwab increased 11% compared with the contribution from TD Ameritrade in the prior year.

ENR Table 9 (p. 12), MD&A Table 13 (p. 17) and and SFI (p. 11)

- Net income up reflecting lower PCL, partially offset by lower revenue and higher non-interest expenses.
- Revenue decreased primarily reflecting lower trading-related revenue and lower debt underwriting, partially offset by higher advisory fees.
- PCL was lower QoQ, primarily reflecting a performing PCL recovery.
- Expenses increased 14%, primarily reflecting higher variable compensation

ENR Table 10 (p. 13), MD&A Table 14 (p. 18) and SFI (p. 12)

- The net loss for the quarter was smaller reflecting a higher contribution from treasury and balance sheet management activities and lower net corporate expenses, partially offset by acquisition and integration charges related to the Schwab transaction.

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2. U.S. Retail PCL ratio including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio as an annualized percentage of credit volume.