TD Bank Group

Quarterly Highlights

Q1 2022

Financial Results (YoY)

- **Net income** $3.7B, up 14% (adj.[1] $3.8B, up 13%) reflecting higher revenues and lower PCL, partially offset by higher expenses.
- **EPS** of $2.02, up 14% (adj.[1] $2.08, up 14%).
- **Canadian Retail earnings:** $2.3B, up 11%.
  - Canadian P&C $1,618MM, up 15%
  - Wealth $457MM, down 2%
  - Insurance $179MM, up 9%.
- **U.S. Retail earnings (incl. Schwab):** US$1,006MM, up 30% (C$ up 27%).
  - U.S. Retail Bank: US$806MM, up 31% (C$ up 29%)
- **Wholesale Banking** net income $434MM, down 1%.
- **Corporate** net loss $227MM; adj[1] net loss $127MM.

Revenue, Expenses, Credit, Capital

- **Revenue**: Up 4% on higher volumes, higher banking and wealth fee-based revenue and higher insurance volumes, partially offset by a normalization in discount brokerage trading activity and lower retail margins.
- **Expenses**: Up 3% driven by higher spend supporting business growth and higher employee-related expenses, partially offset by prior year store optimization costs and FX.
  - Adjusted[1] expenses up 2.8% excl. the partners' share of SCP PCL, or 3.7% excl. the partners' share of SCP PCL and FX.
- **PCL**: Provision of $72MM, a decrease of $241MM from a year ago largely reflecting improved credit conditions.
- **CET1 15.2%**: Flat QoQ as internal capital generation (45 bps) was offset primarily by common share repurchases (-17 bps), higher RWA net of FX (-13 bps) and a decline in the scalar for OSFI's transitional ECL arrangements (-10 bps).
- **Risk-Weighted Assets (RWA) increased 2.3% QoQ**, mainly reflecting higher Credit Risk RWA and Market Risk RWA.

Items of Interest

- **First Horizon acquisition** – See Financial Highlights (MD&A p. 5, ENR p. 3) for transaction details.
- **Share repurchase** – TD repurchased 7.5MM common shares under its normal course issuer bid (NCIB) this quarter and, from Feb 1 to Feb 28, repurchased another 13.5MM shares. Concurrent with the Feb 28 First Horizon announcement, the automatic share purchase plan under TD's NCIB automatically terminated per its terms (MD&A p. 5).
- **Net Interest Income Sensitivity (NIIS)** – Slide added showing upside to 25bp and 100bp rate increase in Canada and U.S. *(QRP, slide 25).*
- **Non-interest income** – Certain insignificant balances relating to gains/losses from financial instruments have been grouped together on the face of the income statement (FS&N p. 48) and in SFI (p. 6). *Net securities gain (loss), Income (loss) from non-trading financial instruments at FVTPL,* and *Income (loss) from financial instruments designated at FVTPL* (except for *Insurance subs*, which remains a separate line), have been reallocated to a new category called *Other income (hedging related and FI related gains/losses)*, and the *Other income* line has been renamed *Other income (fees and non-FI related gains/losses)*.
- **Expenses** – Amortization and impairment of mortgage servicing rights reclassified from Non-interest expenses (SFI page 7, lines 11-13) to Non-interest income – Other Income (SFI page 6, line 16). Amounts are immaterial and prior period results have not been restated.
- **Pipelines, Oil & Gas loan balances** – Pipeline exposures reclassified from *Pipelines, oil, and gas* (renamed *Oil & Gas*) to *Power and utilities* to align with peers. Applies to all breakdowns of credit exposures by industry and geography (e.g., SFI p. 20, lines 19-20).

Financial Results (C$MM)

		Q1/2022	QoQ	YoY
EPS[2]	Reported	$ 2.02	-1%	14%
	Adjusted[1]	$ 2.08	0%	14%
Net Income	Reported	3,733	-1%	14%
	Adjusted[1]	3,833	-1%	13%
Revenue	Reported	11,281	3%	4%
PCL Ratio[3]		0.04%	11 bps	-13 bps
PCL – Total		72	+195	-241
PCL – Impaired		329	+109	-137
PCL – Performing		-257	+86	-104
Insurance Claims		756	16%	-3%
Expenses	Reported	5,967	0%	3%
	Adjusted[1]	5,897	0%	3%
CET 1 Ratio[4]		15.2%	0 bp	+162 bps
Net Interest Margin (NIM)[2,5]		1.57%	-1 bp	+4 bps

Loans (Average balances)

	Q1/2022	QoQ	YoY
Canadian Retail (C$)	494	2%	9%
Personal	398	2%	8%
Commercial	97	3%	14%
U.S. Retail (US$)	162	-1%	-6%
Personal	77	2%	0%
Commercial	85	-3%	-11%
Wholesale (Gross Lending) (C$)	59	2%	1%
Total (C$)	758	2%	3%

Deposits (Average balances)

	Q1/2022	QoQ	YoY
Canadian Retail (C$)	468	2%	9%
Personal	257	1%	7%
Commercial	170	2%	13%
Wealth	41	3%	9%
U.S. Retail (US$)	388	2%	5%
Personal	130	3%	15%
Commercial	114	2%	12%
Sweep Deposits	144	2%	-6%
Total (C$)	958	2%	6%

Except as noted, figures reflect year-over-year change. ENR: Q1 2022 Earnings News Release, MD&A: Q1 2022 Management's Discussion and Analysis, SFI: Q1 2022 Supplemental Financial Information, SRD: Q1 2022 Supplementary Regulatory Disclosure, FS&N: Q1 2022 Consolidated Financial Statements and Notes, QRP: Q1 2022 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") and non-GAAP ratios to assess each of its businesses and measure overall Bank performance. Non-GAAP financial measures and ratios used in this presentation are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers. See "How We Performed" in the Bank's Q1 2022 MD&A (available at www.td.com/investor and www.sedar.com), which is incorporated by reference, for further explanation, reported basis results, a list of the items of note, and a reconciliation of adjusted to reported results.
2. For additional information about this metric, refer to the Glossary in the Q1 2022 MD&A, which is incorporated by reference.
3. PCL Ratio: Provision for Credit Losses on a quarterly annualized basis/Average Net Loans & Acceptances.
4. This measure has been calculated in accordance with the Office of the Superintendent of Financial Institutions Canada's (OSFI's) Capital Adequacy Requirements guideline.
5. Net interest margin (NIM) is calculated by dividing net interest income by average interest-earning assets. Average interest-earning assets used in the calculation of NIM is a non-GAAP financial measure. NIM and average interest-earning assets are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

Segments

Canadian Retail (C$MM)

Canadian Retail (C$MM)	Q1/2022	QoQ	YoY
Revenue	6,718	3%	6%
Net Interest Margin (NIM)	2.53%	-4 bps	-12 bps
PCL	33	-20	-109
Impaired PCL	150	+10	-17
Performing PCL	-117	-30	-92
PCL Ratio	0.03%	-1 bp	-9 bps
Insurance Claims	756	16%	-3%
Expenses	2,869	-1%	8%
Net Income	**2,254**	**5%**	**11%**

U.S. Retail (US$MM)

U.S. Retail (US$MM)	Q1/2022	QoQ	YoY
Revenue	2,201	0%	6%
Net Interest Margin (NIM)[6,8]	2.21%	0 bp	-3 bps
Net Interest Margin (NIM) ex-PPP[6,8]	2.11%	+6 bps	-2 bps
PCL	17	+79	-86
Impaired PCL	99	+46	-48
Performing PCL	-82	+33	-38
PCL Ratio (Net[9])	0.04%	+19 bps	-21 bps
Expenses	1,261	-2%	-4%
Net Income, U.S. Retail Bank	806	-10%	31%
Schwab contribution	200	3%	24%
Total Net Income	**1,006**	**-8%**	**30%**

Wholesale Banking (C$MM)

Wholesale Banking (C$MM)	Q1/2022	QoQ	YoY
Revenue	1,346	17%	3%
Trading-Related Revenue (TEB)[6,10]	726	42%	-2%
PCL	-5	+72	-25
Impaired PCL	-4	+10	-14
Performing PCL	-1	+62	-11
Expenses	764	16%	7%
Net Income	**434**	**3%**	**-1%**

Corporate (C$MM)

Corporate (C$MM)		Q1/2022	QoQ	YoY
Net Corporate Expenses[7]		-168	-17%	-8%
Other		41	-70%	-53%
Net Income (Loss)	Adjusted[6]	**-127**	**-95%**	**-35%**
	Reported	**-227**	**-51%**	**-15%**

Commentary (YoY)

ENR Table 7 (page 6) and SFI (page 8 and A1)

- **Canadian Retail:** Net income up 11%.
  - Revenue up 6% on higher banking and wealth fee-based revenue and loan, deposit and insurance volume growth, partly offset by lower direct investing transaction volumes and lower margins.
  - NIM of 2.53%, down 4 bps QoQ on lower loan margins.
  - PCL of $33MM, down $20MM QoQ, as a small increase in impaired PCL was more than offset by a performing PCL release.
  - Expenses up 8% reflecting higher spend supporting business growth, including technology and marketing costs, higher employee-related expenses and variable compensation.
  - Operating leverage[11] of -143 bps.
- **CAD P&C:** Net income up 15%.
  - Revenue of $3,920MM, up 6%; expenses of $1,689MM, up 4%.
  - NIM of 2.44%, down 4 bps QoQ and down 13 bps YoY.
  - Operating leverage[11] of +227 bps.

ENR Table 8 (page 8) and SFI (page 10)

- U.S. Retail Bank net income up 31% primarily reflecting higher revenue, lower PCL, and lower non-interest expenses.
- Revenue up 6% on higher deposit volumes, margins, investment portfolio earnings and fee income, partially offset by lower loan margins and sweep deposit balances.
- NIM flat QoQ as lower PPP income was offset by higher deposit margins and investment portfolio earnings. NIM ex-PPP up 6 bps QoQ on higher investment portfolio earnings (see QRP slide 28).
- PCL of US$17MM, higher by US$79MM QoQ on higher impaired PCL (reflecting early signs of normalization of credit performance, including seasonal trends in cards and auto portfolios) and a smaller performing PCL recovery.
- Expenses decreased 4%, primarily reflecting prior year store optimization costs and productivity savings in the current year, partially offset by higher employee costs and investments.
- Operating leverage[11] of +947 bps (+357 bps ex-store optimization costs).

ENR Table 9 (page 9) and SFI (page 11)

- Net income down 1% reflecting higher non-interest expenses, partly offset by higher revenue and lower PCL.
- Revenue up 3% reflecting higher loan fees and prime services revenue.
- PCL recovery of $5MM, lower QoQ reflecting smaller recoveries in impaired and performing PCL.
- Expenses increased 7% primarily reflecting higher employee-related costs from continued investment in Wholesale Banking's U.S. dollar strategy, including TD Securities Automated Trading (Headlands).

ENR Table 10 (page 10) and SFI (page 12)

- Net loss for the quarter of $227MM. The YoY increase reflects a lower contribution from other items, partially offset by lower net corporate expenses. The decrease in other items primarily reflects lower revenue from treasury and balance sheet management activities in the quarter.

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6. Refer to footnote 1 on page 1.
7. Refer to footnote 2 on page 1.
8. U.S. Retail segment net interest income and average interest-earning assets used in the calculation of this metric are non-GAAP financial measures. For additional information about these metrics, refer to Table 12 in the Q1 2022 MD&A, which is incorporated by reference.
9. 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.
10. Includes net interest income TEB of $525 million, and trading income of $198 million. Trading-related revenue (TEB) is a non-GAAP financial measure. For additional information about this metric, refer to Table 13 in the Q1 2022 MD&A, which is incorporated by reference.
11. Operating leverage is a non-GAAP ratio that is typically calculated by dividing revenue growth by expense growth. TD calculates operating leverage as the difference between the % change in adjusted revenue (U.S. Retail in source currency) net of fair value changes in investments supporting insurance claims liabilities, and the % change in adjusted expenses (U.S. Retail in source currency) grossed up by the retailer program partners' share of PCL for the Bank's U.S. strategic card portfolio. Collectively, these adjustments provide a measure of operating leverage that management believes is more reflective of underlying business performance.
12. Canadian P&C and U.S. Retail Bank operating leverage is calculated by dividing revenue growth by expense growth.