TD Bank Group
Quarterly Highlights

Q2 2022

Financial Results (YoY)

- **Net income** $3.8B, up 3% (adj.[1] $3.7B, down 2%) reflecting higher revenue, partially offset by higher PCL, expenses and insurance claims

- **EPS** of $2.07, up 4% (adj.[1] $2.02, down 1%).

- **Canadian Retail earnings:** $2.2B, up 2%.
  - Canadian P&C $1,568MM, up 9%
  - Wealth $421MM, down 14%
  - Insurance $247MM, flat

- **U.S. Retail earnings (incl. Schwab):** US$1,079MM, up 3% (adj.[1] US$946MM, down 10%) (C$ up 4% and down 9%, respectively).
  - U.S. Retail Bank: US$902MM, up 6% (adj.[1] US$769MM, down 10%) (C$ up 7% and down 9%, respectively).

- **Wholesale Banking** net income $359MM, down 6%.

- **Corporate** net loss $151MM; adj[1] net loss $79MM.

Revenue, Expenses, Credit, Capital

- **Revenue**: Reported revenue includes an insurance recovery related to litigation. Reported and adjusted[1] revenue increased 10% and 8% YoY, respectively, reflecting volume and margin growth and higher fee-based revenue in banking businesses and prior year premium rebates for insurance customers.

- **Expenses**: Up 5% driven by higher spend supporting business growth and higher employee-related expenses, partially offset by prior year store optimization costs.
  - Adjusted[1] expenses up 6.5% excl. the partners' share of SCP PCL, or 6.6% excl. the partners' share of SCP PCL and FX.

- **PCL**: Provision of $27MM.

- **CET1 14.7%**: Down 49 bps QoQ primarily reflecting higher RWA net of FX (-50 bps), common share repurchases prior to First Horizon acquisition announcement (-31 bps) and impact from investment in First Horizon convertible preferred stock (-8 bps), partially offset by internal capital generation (45 bps).

- **Risk-Weighted Assets (RWA) increased 3.9% QoQ**, mainly reflecting higher Credit Risk RWA and Market Risk RWA.

Items of Interest

- **First Horizon acquisition update** – Summary of "Progress to Date" and "Next Steps" for the First Horizon acquisition (QRP slide 7).

- **DRIP discount** – Announced 2% discount on dividend reinvestment plan beginning with the dividend for the quarter ending July 31, 2022 (MD&A p.27 and FS&N note 13).

- **Proposed tax measures in the Canadian Federal Budget** – Bank is monitoring the status of Budget proposals and will determine the impact to the Bank's results when the legislation is substantively enacted (MD&A p.12 and FS&N note 16).

- **Interest rate benchmark reform** - Refinitiv announced the calculation and publication of all tenors of CDOR will cease on June 28, 2024 (MD&A p.45).

Financial Results (C$MM)

		Q2/2022	QoQ	YoY
EPS[2]	Reported	$ 2.07	2%	4%
	Adjusted[1]	$ 2.02	-3%	-1%
Net Income	Reported	3,811	2%	3%
	Adjusted[1]	3,714	-3%	-2%
Revenue	Reported	11,263	0%	10%
	Adjusted[1]	11,039	-2%	8%
PCL Ratio[3]		0.01%	-3 bps	+22 bps
PCL – Total		27	-45	+404
PCL – Impaired		314	-15	-67
PCL – Performing		-287	-30	+471
Insurance Claims		592	-22%	34%
Expenses	Reported	6,033	1%	5%
	Adjusted[1]	5,999	2%	5%
CET 1 Ratio[4]		14.7%	-49 bps	+50 bps
Net Interest Margin (NIM)[2,5]		1.64%	+7 bps	+8 bps

Loans (Average balances)

	Q2/2022	QoQ	YoY
Canadian Retail (C$)	504	2%	9%
Personal	403	1%	8%
Commercial	101	4%	16%
U.S. Retail (US$)	162	0%	-4%
Personal	78	1%	4%
Commercial	85	0%	-11%
Wholesale (Gross Lending) (C$)	64	8%	6%
Total (C$)	773	2%	5%

Deposits (Average balances)

	Q2/2022	QoQ	YoY
Canadian Retail (C$)	474	1%	8%
Personal	261	2%	7%
Commercial	170	0%	10%
Wealth	43	5%	10%
U.S. Retail (US$)	389	0%	3%
Personal	134	4%	12%
Commercial	112	-2%	7%
Sweep Deposits	143	-1%	-7%
Total (C$)	967	1%	6%

Segments

Canadian Retail (C$MM)

	Q2/2022	QoQ	YoY
Revenue	6,623	-1%	9%
Net Interest Margin (NIM)	2.62%	+9 bps	+1 bp
PCL	60	+27	+97
Impaired PCL	163	+13	-28
Performing PCL	-103	+14	+125
PCL Ratio	0.05%	+2 bps	+8 bps
Insurance Claims	592	-22%	34%
Expenses	2,932	2%	9%
Net Income	**2,236**	**-1%**	**2%**

U.S. Retail (US$MM)

		Q2/2022	QoQ	YoY
Revenue	Reported	2,323	6%	12%
	Adjusted[6]	2,146	-2%	3%
Net Interest Margin (NIM)[6,8]		2.21%	0 bp	+6 bps
Net Interest Margin (NIM) ex-PPP[6,8]		2.17%	+6 bps	+16 bps
PCL		-15	-32	+158
Impaired PCL		75	-24	-16
Performing PCL		-90	-8	+174
PCL Ratio (Net[9])		-0.04%	-8 bps	+37 bps
Expenses		1,289	2%	2%
Net Income, U.S. Retail Bank	Reported	902	12%	6%
	Adjusted[6]	769	-5%	-10%
Schwab contribution		177	-12%	-9%
Total Net Income	Reported	**1,079**	**7%**	**3%**
	Adjusted[6]	**946**	**-6%**	**-10%**

Wholesale Banking (C$MM)

	Q2/2022	QoQ	YoY
Revenue	1,250	-7%	8%
Trading-Related Revenue (TEB)[6,10]	680	-6%	22%
PCL	-9	-4	+54
Impaired PCL	-1	+3	-13
Performing PCL	-8	-7	+67
Expenses	776	2%	10%
Net Income	**359**	**-17%**	**-6%**

Corporate (C$MM)

		Q2/2022	QoQ	YoY
Net Corporate Expenses[7]		-161	-4%	-13%
Other		82	100%	3%
Net Income (Loss)	Adjusted[6]	**-79**	**38%**	**25%**
	Reported	**-151**	**33%**	**19%**

Commentary (YoY)

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

- **Canadian Retail:** Net income up 2%.
- Revenue up 9%, reflecting volume growth, prior year premium rebates in insurance and higher fee-based revenue in banking and wealth, partially offset by lower transaction revenue in wealth.
  - NIM of 2.62%, up 9 bps QoQ; higher deposit margins, reflecting rising interest rate environment.
  - PCL of $60MM.
  - Expenses up 9% reflecting higher spend on business growth, higher employee-related expenses and variable compensation.
  - Operating leverage[11] of +22 bps.
- **CAD P&C:** Net income up 9%.
  - Revenue of $3,952MM, up 10%; expenses of $1,759MM, up 6%.
  - NIM of 2.52%, up 8 bps QoQ and flat YoY.
  - Operating leverage[11] of +391 bps.

ENR Table 8 (page 9) and SFI (page 10)

- U.S. Retail Bank reported net income up 6% (adj.[6] down 10%).
- Reported revenue includes an insurance recovery related to litigation. Reported revenue up 12% (adj.[6] up 3%) as business overcame lower income from PPP loan forgiveness and lower gains on sale of mortgage loans, with higher deposit volumes and margins and fee income growth from increased customer activity.
- NIM flat QoQ as the benefit of rising rates was offset by lower PPP loan forgiveness, lower loan margins and higher prepayment income in the prior quarter. NIM ex-PPP up 6 bps QoQ (see QRP slide 29).
- PCL recovery of US$15MM.
- Expenses up 2%, reflecting higher employee-related expenses and business investments, partially offset by prior year store optimization costs.
- Operating leverage[6,11] of +164 bps (-246 bps ex-store optimization costs).

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

- Net income down 6% reflecting higher non-interest expenses and a lower PCL recovery, partially offset by higher revenues.
- Revenue up 8% primarily reflecting higher trading-related revenue, partially offset by lower underwriting fees.
- PCL recovery of $9MM.
- Expenses increased 10% primarily reflecting continued investment in U.S. dollar strategy, including hiring of banking, sales and trading, and technology professionals, and the acquisition of TD Securities Automated Trading (Headlands).

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

- Reported net loss for the quarter of $151MM, compared with a net loss of $186MM in the second quarter last year. The decrease reflects lower net corporate expenses and lower amortization of intangibles.

Except as noted, figures reflect year-over-year change. ENR: Q2 2022 Earnings News Release, MD&A: Q2 2022 Management's Discussion and Analysis, SFI: Q2 2022 Supplemental Financial Information, SRD: Q2 2022 Supplementary Regulatory Disclosure, FS&N: Interim Consolidated Financial Statements and Notes, QRP: Q2 2022 Quarterly Results Presentation.

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 Q2 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 $581 million, and trading income of $99 million. Trading-related revenue (TEB) is a non-GAAP financial measure. For additional information about this metric, refer to Table 13 in the Q2 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.