TD Bank Group

Quarterly Highlights

Q4 2022

Financial Results (YoY)

- **Net income** $6.7B, up 76%, reflecting the net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition[1] and gain on sale of Schwab shares[2] (adj.[3] $4.1B, up 5%)
- **EPS** of $3.62, up 77% (adj.[3] $2.18, up 4%)
- **Canadian Personal & Commercial Banking earnings:** $1.7B, up 11%
- **U.S. Retail earnings (incl. Schwab):** US$1,163MM, up 7% (adj.[3] US$1,200MM, up 10%) (C$ up 12% and adj.[3] up 16%)
  - U.S. Retail Bank: US$926MM, up 3% (adj.[3] US$963MM, up 7%) (C$ up 9% and adj.[3] up 13%)
- **Wealth Management & Insurance earnings:** $516MM, down 15%
- **Wholesale Banking earnings:** $261MM, down 38% (adj.[3] $275MM, down 35%)
- **Corporate** net income $2,661MM; adj.[3] net income -$10MM

Revenue, Expenses, Credit, Capital

- **Revenue**: Reported revenue includes the net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition[1] and gain on sale of Schwab shares[2]. Reported and adjusted[3] revenue increased 42% and 12%, respectively, reflecting margin expansion and volume growth in the personal and commercial banking businesses and impact of FX
- **Expenses**: Up 10% driven by higher employee-related expenses, impact of FX and higher spend supporting business growth. Adjusted[3] expenses increased 9%
  - Adjusted[3] expenses up 9.8% excl. the impact of SCP accounting and FX[4]
- **PCL**: Provision of $617MM
- **CET1 16.2%**: Up 126 bps QoQ primarily reflecting sale of Schwab shares (+49 bps), strong internal capital generation (+44 bps), mitigation of interest rate volatility to closing capital on First Horizon acquisition +35 bps), issuance of common shares under DRIP (+13 bps), and FX hedge on First Horizon closing (+12 bps), partially offset by higher RWA net of FX (-19 bps) and Other (-8 bps)
- **Risk-Weighted Assets (RWA) increased 4.3% QoQ**, reflecting higher Credit Risk RWA

Items of Interest

- **Dividend Increase** – Announced dividend increase of 7 cents per common share, up 8% (MD&A p.64)
- **Establishment of a Wealth Management and Insurance segment** (MD&A p.30, FS&N note 29)
- **First Horizon acquisition update** – Summary of "Progress to Date" and "Next Steps" for the First Horizon acquisition (QRP slide 7)
- **Mitigation of interest rate volatility to closing capital on First Horizon acquisition** (MD&A p.20, FS&N note 13)
- **Sale of Schwab Common Shares** – In order to provide the capital required for the Cowen acquisition, TD sold 28.4 million non-voting shares of Schwab (MD&A p.20, FS&N note 12)
- **Updated RESL disclosure** – Disclosure provides breakdown of residential mortgages by remaining amortization that is not limited by the contractual amortization (MD&A p.54, Table 29)
- **Proposed Tax Measures in the Canadian Federal Budget** – On November 22, 2022, the legislation to implement the Canada Recovery Dividend (CRD) and the additional permanent tax completed second reading in the House of Commons. The legislation proposes the CRD to be a 15% tax on an average of 2020 and 2021 taxable income above $1 billion, paid in equal instalments over five years. If enacted as proposed, the legislation is expected to result in a CRD of approximately $800 million over the period. The additional permanent tax is proposed to be 1.5% of taxable income above $100 million. It would be prorated for the first taxation year that ends after April 7, 2022, and will result in revaluation adjustments to the deferred tax assets and liabilities (MD&A p. 28)

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1. Mitigation of interest rate volatility to closing capital on First Horizon acquisition includes the following components, reported in the Corporate Segment: i) mark-to-market gains (losses) on interest rate swaps, recorded in non-interest income, ii) basis adjustment amortization related to de-designated fair value hedge accounting relationships, recorded in net interest income, and iii) interest income (expense) recognized on the interest rate swaps, reclassified from non-interest income to net interest income with no impact to total adjusted net income. Refer to the "Significant Events and Pending Acquisitions" section in the 2022 MD&A for further details.

Financial Results (C$MM)

Financial Results (C$MM)		Q4/2022	QoQ	YoY
EPS[5]	Reported	$ 3.62	107%	77%
	Adjusted[3]	$ 2.18	4%	4%
Net Income	Reported	6,671	108%	76%
	Adjusted[3]	4,065	7%	5%
Revenue	Reported	15,563	42%	42%
	Adjusted[3]	12,247	6%	12%
PCL Ratio[6]		0.29%	+12 bps	+36 bps
PCL – Total		617	+266	+740
PCL – Impaired		454	+114	+234
PCL – Performing		163	+152	+506
Insurance Claims		723	-13%	11%
Expenses	Reported	6,545	7%	10%
	Adjusted[3]	6,430	7%	9%
CET 1 Ratio[7]		16.2%	+126 bps	+99 bps
Net Interest Margin (NIM)[5,8]	Reported	1.81%	+7 bps	+23 bps
	Adjusted[3]	1.80%	+7 bps	+22 bps

Loans[9] (Average balances)

Loans[9] (Average balances)	Q4/2022	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	520	2%	9%
Personal	413	2%	8%
Commercial	107	3%	15%
U.S. Retail (US$)	170	2%	4%
Personal	83	4%	10%
Commercial	87	1%	0%
Wealth Management & Insurance (C$)	7	-4%	-1%
Wholesale Banking (Gross Lending) (C$)	85	18%	46%
Total (C$)	839	4%	12%

Deposits[9] (Average balances)

Deposits[9] (Average balances)	Q4/2022	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	438	0%	4%
Personal	275	2%	8%
Commercial	164	-2%	-2%
U.S. Retail (US$)	378	-3%	0%
Personal	132	-1%	5%
Commercial	112	1%	0%
Sweep Deposits	134	-7%	-5%
Wealth Management & Insurance (C$)	39	-6%	-1%
Total (C$)	981	0%	5%

2. Gain on sale of 28.4 million non-voting common shares of Schwab is reported in the Corporate segment. Refer to Note 12 of the Consolidated Financial Statements for further details.
3. 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 "Financial Results Overview" in the Bank's 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.
4. FX impact solely related to the U.S. Retail Bank. Adjusted expenses excluding the partners' share of net profits for the U.S. SCP and adjusted expenses excluding the partners' share of net profits and FX are non-GAAP financial measures. For further information on accounting for the partners' program, please see slides 27 to 29 in the QRP.
5. For additional information about this metric, refer to the Glossary in the 2022 MD&A, which is incorporated by reference.
6. PCL Ratio: Provision for Credit Losses on a quarterly annualized basis/Average Net Loans & Acceptances.
7. This measure has been calculated in accordance with the Office of the Superintendent of Financial Institutions Canada's (OSFI's) Capital Adequacy Requirements guideline.
8. 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.
9. Numbers may not add due to rounding.

Segments

Canadian P&C Banking (C$MM)

Canadian P&C Banking (C$MM)	Q4/2022	QoQ	YoY
Revenue	4,454	5%	16%
Net Interest Margin (NIM)	2.70%	+11 bps	+22 bps
PCL	229	+59	+176
Impaired PCL	184	+42	+44
Performing PCL	45	+17	+132
PCL Ratio	0.17%	+4 bps	+13 bps
Expenses	1,921	6%	12%
Net Income	**1,694**	**1%**	**11%**

U.S. Retail (US$MM)

U.S. Retail (US$MM)		Q4/2022	QoQ	YoY
Revenue	Rep. / Adj.[10]	2,699 / 2,699	12% / 12%	22% / 22%
Net Interest Margin (NIM)[10,12]		3.13%	+51 bps	+92 bps
Net Interest Margin (NIM) ex-PPP[10,12]		3.12%	+52 bps	+107 bps
PCL		169	+86	+231
Impaired PCL		125	+20	+72
Performing PCL		44	+66	+159
PCL Ratio (Net[13])		0.40%	+20 bps	+55 bps
Expenses	Rep. / Adj.[10]	1,482 / 1,432	11% / 9%	15% / 11%
Net Income, U.S. Retail Bank	Rep. / Adj.[10]	926 / 963	3% / 5%	3% / 7%
Schwab contribution		237	5%	22%
Total Net Income	Rep. / Adj.[10]	**1,163 / 1,200**	**4% / 5%**	**7% / 10%**

Wealth Mgmt. & Ins. (C$MM)

Wealth Mgmt. & Ins. (C$MM)	Q4/2022	QoQ	YoY
Revenue	2,631	-5%	-1%
AUA[11] / AUM[11] (C$B)	517 / 397	-2% / -3%	-7% / -7%
Insurance Claims	723	-13%	11%
Expenses	1,208	5%	1%
Net Income	**516**	**-10%**	**-15%**

Wholesale Banking (C$MM)

Wholesale Banking (C$MM)		Q4/2022	QoQ	YoY
Revenue		1,159	8%	1%
Trading-Related Revenue (TEB)[10,14]		560	2%	10%
PCL		26	+1	+103
Impaired PCL		24	+24	+38
Performing PCL		2	-23	+65
Expenses	Rep. / Adj.[10]	802 / 784	16% / 13%	22% / 19%
Net Income	Rep. / Adj.[10]	**261 / 275**	**-4% / 1%**	**-38% / -35%**

Corporate (C$MM)

Corporate (C$MM)		Q4/2022	QoQ	YoY
Net Corporate Expenses[11]		-187	-5%	-7%
Other		177	743%	29%
Net Income (Loss)	Rep. / Adj.[10]	**2,661 / -10**	**NM / 94%**	**NM / 85%**

Commentary (YoY)

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

- Net income up 11%
- Revenue up 16%, reflecting margin expansion, volume growth, and increased client activity
- NIM of 2.70%, up 11 bps QoQ; higher deposit margins reflecting rising interest rates, partially offset by lower margin on loans.
- PCL of $229MM
- Expenses up 12%, primarily reflecting higher spend supporting business growth, including technology and employee-related expenses
- Operating leverage[10,15] of +388 bps

ENR Table 10 (page 11) and SFI (page 10)

- U.S. Retail Bank reported net income up 7% (adj.[10] up 10%)
- Revenue up 22% reflecting higher deposit margins, higher business and personal deposits, higher loan volumes and higher earnings on investments, partially offset by lower overdraft fees and higher valuation of certain investments in the prior year
- NIM up 51 bps QoQ, as higher margin on deposits reflecting the rising interest rate environment and positive balance sheet mix was partially offset by lower margin on loans. NIM ex-PPP up 52 bps QoQ (see QRP slide 33)
- PCL of US$169MM
- Reported expenses up 15%, reflecting higher employee-related expenses, acquisition and integration-related charges for the First Horizon acquisition, and higher investments in the business; adjusted[10] expenses were up 11%
- Operating leverage[10,15] of +1,084 bps

ENR Table 11 (page 13) and SFI (page 11)

- Net income down 15%
- Revenue down 1% reflecting lower transaction and fee-based revenue in wealth and a decrease in the fair value of investments supporting claims liabilities, partially offset by higher insurance premiums
- Insurance claims were 11% higher
- Expenses increased 1% reflecting higher spend supporting business growth, including employee-related expenses and technology costs, largely offset by lower legal provisions and variable compensation

ENR Table 12 (page 14) and SFI (page 12)

- Reported net income down 38%; (adj.[10] down 35%)
- Revenue up 1%, reflecting higher global transaction banking, trading-related, and lending revenue, partially offset by lower underwriting revenue and loan underwriting commitments markdowns
- PCL of $26MM
- Expenses increased 22%, reflecting the continued investments in Wholesale Banking's U.S. dollar strategy, including the hiring of banking, sales and trading, and technology professionals, timing of employee-related costs, acquisition and integration-related charges, and the impact of foreign exchange translation

ENR Table 13 (page 15) and SFI (page 13)

- Reported net income of $2,661MM, compared with a reported net loss of $150MM in the fourth quarter last year. The increase primarily reflects gains from mitigation of interest rate volatility to closing capital on First Horizon acquisition and from the sale of Schwab shares[16], lower net corporate expenses, and a higher contribution from other items

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10. Refer to footnote 3 on page 1.
11. Refer to footnote 5 on page 1.
12. 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 18 in the 2022 MD&A, which is incorporated by reference.
13. 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.
14. Includes net interest income TEB of $407 million, and trading income (loss) of $153 million. Trading-related revenue (TEB) is a non-GAAP financial measure. For additional information about this metric, refer to the Glossary in the 2022 MD&A.
15. 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) and 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.
16. Refer to footnotes 1 and 2 on page 1.