TD Bank Group

Quarterly Highlights

Q1 2023

Financial Results (YoY)

- **Net income** $1.6B, down 58%, primarily reflecting the Stanford litigation settlement, a net loss from mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition[1] and the recognition of a provision for income taxes in connection with the Canada Recovery Dividend ("CRD") and increase in the Canadian federal tax rate for fiscal 2022 (adj [2] $4.2B, up 8%)
- **EPS**[3] of $0.82, down 59% (adj.[2] $2.23, up 7%)
- **Canadian Personal & Commercial Banking earnings:** $1.7B, up 7%
- **U.S. Retail earnings (incl. Schwab):** US$1.2B, up 17% (adj.[2] US$1.2B, up 23%) (C$ up 25% and adj.[2] up 31%)
  - U.S. Retail Bank: US$955MM, up 18% (adj.[2] US$1,014MM, up 26%) (C$ up 26% and adj.[2] up 34%)
- **Wealth Management & Insurance earnings:** $550MM, down 14%
- **Wholesale Banking earnings:** $331MM, down 24% (adj.[2] $347MM, down 20%)
- **Corporate** net loss -$2.6B; adj.[2] net loss -$140MM

Revenue, Expenses, Credit, Capital

- **Revenue**: Reported revenue includes a net loss from mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition[1]. Reported and adjusted[2] revenue increased 8% and 16% YoY, respectively, reflecting margin and volume growth in the personal and commercial banking businesses and impact of FX
- **Expenses**: Up 39% YoY driven by the Stanford litigation settlement, higher employee-related expenses, impact of FX, higher spend supporting business growth and higher acquisition and integration-related charges. Adjusted[2] expenses increased 11% YoY
  - Adjusted[2] expenses up 10.4% YoY excl. the impact of U.S. strategic card portfolio ("SCP") accounting and FX[4]
- **PCL**: Provision of $690MM
- **CET1 15.5%**: down 69 bps QoQ primarily reflecting higher RWA net of FX (-62 bps), the Stanford litigation settlement (-23 bps), CRD impact (-16 bps), mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition (-13 bps), elimination of transitional arrangement for expected credit losses (-8 bps), FX hedge on First Horizon closing (-6 bps), partially offset by strong internal capital generation (+42 bps), issuance of common shares under DRIP (+14 bps) and Other (+3 bps)
- **Risk-Weighted Assets (RWA) increased 2.8% QoQ**, reflecting higher Credit Risk RWA

Items of Interest

- **Cowen acquisition** – Closed March 1, 2023, accelerating our U.S. growth strategy and helping to create an integrated, North American dealer with global reach (MD&A p. 6)
- **First Horizon acquisition update** (QRP slide 7, MD&A p. 6)
- **Mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition** (QRP slide 28, MD&A p. 6, FS&N note 8)
- **Stanford litigation settlement** – On February 24, 2023, the Bank reached a settlement in principle relating to litigation involving the Stanford Financial Group. As a result, the Bank recorded a provision of approximately $1.2 billion after-tax in Q1 2023 (MD&A p. 6 and p. 19)
- **Implementation of the CRD and Change in Corporate Tax Rate** – On December 15, 2022, Bill C-32, *Fall Economic Statement Implementation Act, 2022,* received Royal Assent. This bill enacted the CRD and increased the Canadian federal tax rate for bank and life insurer groups by 1.5%, reported in the Corporate segment (MD&A p. 6 and p. 19)
- **Additional disclosure on Commercial Real Estate sector** (QRP slide 37)

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1. Mitigation of impact from 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 and Subsequent Events, and Pending Acquisitions" section in the Q1 2023 MD&A for further details.

Financial Results (C$MM)

		Q1/2023	QoQ	YoY
EPS	Reported	$ 0.82	-77%	-59%
	Adjusted[2]	$ 2.23	2%	7%
Net Income	Reported	1,582	-76%	-58%
	Adjusted[2]	4,155	2%	8%
Revenue	Reported	12,226	-21%	8%
	Adjusted[2]	13,102	7%	16%
PCL Ratio[5]		0.32%	+3bps	+28 bps
PCL – Total		690	+73	+618
PCL – Impaired		553	+99	+224
PCL – Performing		137	-26	+394
Insurance Claims		976	35%	29%
Expenses	Reported	8,316	27%	39%
	Adjusted[2]	6,541	2%	11%
CET 1 Ratio[6]		15.5%	-69 bps	+30 bps
Net Interest Margin (NIM)[2,3]	Reported	1.79%	-2 bps	+22 bps
	Adjusted[2]	1.82%	+2 bps	+25 bps

Loans[8] (Average balances)

	Q1/2023	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	524	1%	8%
Personal	414	0%	6%
Commercial	110	3%	14%
U.S. Retail (US$)	175	3%	9%
Personal	85	3%	11%
Commercial	90	3%	6%
Wealth Management & Insurance (C$)	7	-6%	-15%
Wholesale Banking (Gross Lending) (C$)	97	14%	64%
Total (C$)	864	3%	14%

Deposits[7] (Average balances)

	Q1/2023	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	441	1%	3%
Personal	279	1%	8%
Commercial	162	-1%	-5%
U.S. Retail (US$)	362	-4%	-7%
Personal	130	-2%	0%
Commercial	109	-3%	-4%
Sweep Deposits	123	-8%	-15%
Wealth Management & Insurance (C$)	36	-8%	-12%
Total (C$)	965	-2%	1%

2. 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 Q1 2023 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.
3. For additional information about this metric, refer to the Glossary in the Q1 2023 MD&A, which is incorporated by reference.
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 25 and 26 in the QRP.
5. PCL Ratio: Provision for Credit Losses on a quarterly annualized basis/Average Net Loans & Acceptances.
6. This measure has been calculated in accordance with the Office of the Superintendent of Financial Institutions Canada's (OSFI's) Capital Adequacy Requirements guideline.
7. Numbers may not add due to rounding.

Segments

Canadian P&C Banking (C$MM)

	Q1/2023	QoQ	YoY
Revenue	4,589	3%	17%
Net Interest Margin (NIM)	2.80%	+10 bps	+36 bps
PCL	327	+98	+295
Impaired PCL	220	+36	+70
Performing PCL	107	+62	+225
PCL Ratio	0.25%	+8 bps	+22 bps
Expenses	1,863	-3%	10%
Net Income	**1,729**	**2%**	**7%**

U.S. Retail (US$MM)

		Q1/2023	QoQ	YoY
Revenue	Rep. / Adj.[8]	2,791 / 2,791	3% / 3%	27% / 27%
Net Interest Margin (NIM)[8,11]		3.29%	+16 bps	+108 bps
Net Interest Margin (NIM) ex-PPP[8,11]		3.28%	+16 bps	+117 bps
PCL		149	-20	+132
Impaired PCL		158	+33	+59
Performing PCL		-9	-53	+73
PCL Ratio (Net[12])		0.34%	-6 bps	+30 bps
Expenses	Rep. / Adj.[8]	1,535 / 1,457	4% / 2%	22% / 16%
Net Income, U.S. Retail Bank	Rep. / Adj.[8]	955 / 1,014	3% / 5%	18% / 26%
Schwab contribution		222	-6%	11%
Total Net Income	Rep. / Adj.[8]	**1,177 / 1,236**	**1% / 3%**	**17% / 23%**

Wealth Mgmt. & Ins. (C$MM)

	Q1/2023	QoQ	YoY
Revenue	2,902	10%	4%
AUA[9,10] / AUM[10] (C$B)	541 / 414	5% / 4%	-3% / -3%
Insurance Claims	976	35%	29%
Expenses	1,182	-2%	0%
Net Income	**550**	**7%**	**-14%**

Wholesale Banking (C$MM)

		Q1/2023	QoQ	YoY
Revenue		1,345	16%	0%
Trading-Related Revenue (TEB)[8,13]		662	18%	-9%
PCL		32	+6	+37
Impaired PCL		1	-23	+5
Performing PCL		31	+29	+32
Expenses	Rep. / Adj.[8]	883 / 862	10% / 10%	16% / 13%
Net Income	Rep. / Adj.[8]	**331 / 347**	**27% / 26%**	**-24% / -20%**

Corporate (C$MM)

		Q1/2023	QoQ	YoY
Net Corporate Expenses[10]		-191	2%	14%
Other		51	-71%	24%
Net Income (Loss)	Rep. / Adj.[8]	**-2,617 / -140**	**NM / NM**	**NM / NM**

Commentary (YoY)

ENR Table 7 (page 9) and SFI (page 8)

- Net income up 7%
- Revenue up 17%, reflecting higher margins and volume growth
- NIM of 2.80%, up 10 bps QoQ, primarily due to higher deposit margins reflecting rising interest rates, partially offset by lower loan margins
- PCL of $327MM
- Expenses up 10%, reflecting higher spend supporting business growth, including technology and higher employee-related expenses
- Operating leverage[8,14] of +676 bps

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

- U.S. Retail Bank reported net income up 18% (adj.[8] up 26%)
- Revenue up 27% driven by the benefit of higher deposit margins from the rising rate environment and higher loan volumes, partially offset by lower loan margins and deposit volumes, lower overdraft fees and lower income from PPP loan forgiveness
- NIM up 16 bps QoQ, as higher deposit margins reflecting rising interest rates were partially offset by lower loan margins and negative balance sheet mix
- PCL of US$149MM
- Reported expenses up 22%, reflecting higher employee-related expenses, acquisition and integration-related charges for the First Horizon acquisition, credit card growth-related expenses, and other business investments; adjusted[8] expenses were up 16%
- Operating leverage[8,14] of +1,126 bps

ENR Table 9 (page 12) and SFI (page 11)

- Net income down 14%
- Revenue up 4% reflecting higher margins, an increase in the fair value of investments supporting claims liabilities and higher insurance volumes, partially offset by lower volumes and transaction and fee-based revenue in wealth
- Insurance claims were 29% higher, due to changes in the discount rate, increased driving activity and inflationary costs, partially offset by fewer severe weather-related events
- Expenses were flat reflecting higher spend supporting business growth, partially offset by lower variable compensation

ENR Table 10 (page 13) and SFI (page 12)

- Reported net income down 24%; (adj.[8] down 20%)
- Revenue was flat, reflecting lower trading-related revenue and underwriting fees, offset by higher global transaction banking and lending revenue
- PCL of $32MM
- Expenses increased 16%, reflecting the continued investments in Wholesale Banking's U.S. dollar strategy (including the hiring of banking, sales and trading, and technology professionals), acquisition and integration-related charges primarily for the Cowen acquisition, higher severance, and the impact of foreign exchange translation

ENR Table 11 (page 14) and SFI (page 13)

- Reported net loss of $2,617MM, compared with a reported net loss of $227MM in the first quarter last year. The increase primarily reflects the Stanford litigation settlement, a net loss from mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition, the recognition of a provision for income taxes in connection with the CRD and increase in the Canadian federal tax rate for fiscal 2022, and higher net corporate expenses

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8. Refer to footnote 2 on page 1.
9. Includes assets under administration (AUA) administered by TD Investor Services, which is part of the Canadian Personal and Commercial Banking segment.
10. Refer to footnote 3 on page 1.
11. 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 2023 MD&A, which is incorporated by reference.
12. 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.
13. Includes net interest income TEB of $261 million, and trading income (loss) of $401 million. Trading-related revenue (TEB) is a non-GAAP financial measure. For additional information about this metric, refer to the Glossary in the Q1 2023 MD&A.
14. 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.