TD Bank Group

Quarterly Highlights

Q2 2023

Financial Results (YoY)

- **Net income** of $3.4B, down 12%, primarily reflecting acquisition and integration-related charges, an insurance recovery related to litigation in the prior year, and a net loss from mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition[1] (adj [2] $3.8B, up 1%)
- **EPS**[3] of $1.72, down 17% (adj.[2] $1.94, down 4%)
- **Canadian Personal & Commercial Banking earnings:** $1.6B, up 4%
- **U.S. Retail earnings (incl. Schwab):** US$1.0B, down 3% (adj.[2] US$1.1B, up 19%) (C$ up 3% and adj.[2] up 28%)
  - U.S. Retail Bank: US$859MM, down 5% (adj.[2] US$944MM, up 23%) (C$ up 2% and adj.[2] up 31%)
- **Wealth Management & Insurance earnings:** $563MM, down 16%
- **Wholesale Banking earnings:** $150MM, down 58% (adj.[2] $213MM, down 41%)
- **Corporate:** net loss -$399MM; adj.[2] net loss -$177MM

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 10% and 14% YoY, respectively, reflecting margin growth in the Personal and Commercial banking businesses, the impact of FX, and higher advisory fees, equity commissions, global transaction banking and lending revenue in Wholesale Banking
- **Expenses**: Up 16% YoY, primarily reflecting higher employee-related expenses, acquisition and integration-related charges, the impact of FX, and higher spend supporting business growth. Adjusted[2] expenses increased 12% YoY
  - Adjusted[2] expenses up 12.3% YoY excl. the impact of U.S. strategic card portfolio ("SCP") accounting and FX[4]
- **PCL**: Provision of $599MM
- **CET 1 15.3%**: down 14 bps QoQ primarily reflecting internal capital generation (+28 bps), increase in RWA net of FX (-2 bps), increase in common shares from Dividend Reinvestment Plan (+14 bps), impact of Basel 3 Reforms implementation (+2 bps), impact of Cowen acquisition (-55 bps), mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition (-2 bps), FX hedge on First Horizon Closing (+4 bps), and other (-3 bps)
- **Risk-Weighted Assets (RWA) increased 3.3% QoQ**, reflecting higher Operational Risk RWA

Items of Interest

- **Cowen acquisition** – Closed March 1, 2023, advancing Wholesale Banking's long-term growth strategy in the U.S. by adding complementary products and services to the Bank's existing businesses (MD&A p. 6)
- **Mutual Termination of Merger Agreement with First Horizon** (QRP slide 26, MD&A p. 6)
- **2023 Schwab IDA Agreement** – On May 4, 2023, the Bank and Schwab entered into an amended insured deposit account agreement which replaced the 2019 Schwab IDA Agreement (MD&A p. 7)
- **Announced intention to initiate a new Normal Course Issuer Bid (NCIB) for up to 30MM common shares, subject to regulatory approval** (QRP slide 4, FS&N p. 25)
- **Removal of DRIP discount –** Removed 2% discount on dividend reinvestment plan beginning with the dividend for the quarter (MD&A p. 30, FS&N p. 25)
- **Additional disclosure on Deposit Base (QRP slide 27) and Commercial Real Estate sector (QRP slide 36)**

Financial Results (C$MM)

		Q2/2023	QoQ	YoY
EPS	Reported	$ 1.72	110%	-17%
	Adjusted[2]	$ 1.94	-13%	-4%
Net Income	Reported	3,351	112%	-12%
	Adjusted[2]	3,752	-10%	1%
Revenue	Reported	12,366	1%	10%
	Adjusted[2]	12,539	-4%	14%
PCL Ratio[5]		0.28%	-4 bps	+27 bps
PCL – Total		599	-91	+572
PCL – Impaired		551	-2	+237
PCL – Performing		48	-89	+335
Insurance Claims		804	-18%	+36%
Expenses	Reported	6,987	-16%	16%
	Adjusted[2]	6,693	2%	12%
CET 1 Ratio[6]		15.3%	-14 bps	+65 bps
Net Interest Margin (NIM)[2,3]	Reported	1.76%	-3 bps	+12 bps
	Adjusted[2]	1.81%	-1 bps	+17 bps

Loans[7] (Average balances $B)

	Q2/2023	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	527	1%	6%
Personal	415	0%	5%
Commercial	112	2%	11%
U.S. Retail (US$)	179	2%	10%
Personal	87	2%	12%
Commercial	93	2%	9%
Wealth Management & Insurance (C$)	7	-3%	-17%
Wholesale Banking (Gross Lending) (C$)	95	-2%	49%
Total (C$B)	871	1%	13%

Deposits[7] (Average balances $B)

	Q2/2023	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	440	0%	2%
Personal	283	1%	8%
Commercial	157	-3%	-7%
U.S. Retail (US$)	345	-5%	-11%
Personal	130	0%	-3%
Commercial	105	-3%	-6%
Sweep Deposits	110	-11%	-23%
Wealth Management & Insurance (C$)	32	-9%	-24%
Total (C$B)	940	-3%	-3%

Except as noted, figures reflect year-over-year change. ENR: Q2 2023 Earnings News Release, MD&A: Q2 2023 Management's Discussion and Analysis, SFI: Q2 2023 Supplemental Financial Information, SRD: Q2 2023 Supplementary Regulatory Disclosure, FS&N: Q2 2023 Interim Consolidated Financial Statements and Notes, QRP: Q2 2023 Quarterly Results Presentation.

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 – Q2 2023: ($263) million, Q1 2023: ($998) million ii) basis adjustment amortization related to de-designated fair value hedge accounting relationships, recorded in net interest income – Q2 2023: $129 million, Q1 2023: $122 million, 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 – Q2 2023: $311 million, Q1 2023: $251 million. Refer to the "Significant and Subsequent Events" section in the Q2 2023 MD&A for further details.
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 Q2 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 Q2 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 23 and 24 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)

Canadian P&C Banking (C$MM)	Q2/2023	QoQ	YoY
Revenue	4,404	-4%	11%
Net Interest Margin (NIM)	2.74%	-6 bps	+22 bps
PCL	247	-80	+187
Impaired PCL	234	+14	+71
Performing PCL	13	-94	+116
PCL Ratio	0.19%	-6 bps	+14 bps
Expenses	1,903	2%	8%
Net Income	**1,625**	**-6%**	**4%**

U.S. Retail (US$MM)

U.S. Retail (US$MM)		Q2/2023	QoQ	YoY
Revenue	Rep. / Adj.[8]	2,654 / 2,654	-5% / -5%	14% / 24%
Net Interest Margin (NIM)[8,11]		3.25%	-4 bps	+104 bps
PCL		140	-9	+155
Impaired PCL		137	-21	+62
Performing PCL		3	+12	+93
PCL Ratio (Net[12])		0.33%	-1 bps	+37 bps
Expenses	Rep. / Adj.[8]	1,514 / 1,401	-1% / -4%	17% / 9%
Net Income, U.S. Retail Bank	Rep. / Adj.[8]	859 / 944	-10% / -7%	-5% / 23%
Schwab contribution		185	-17%	5%
Total Net Income	Rep. / Adj.[8]	**1,044 / 1,129**	**-11% / -9%**	**-3% / 19%**

Wealth Mgmt. & Ins. (C$MM)

Wealth Mgmt. & Ins. (C$MM)	Q2/2023	QoQ	YoY
Revenue	2,735	-6%	2%
AUA[9,10] / AUM[10] (C$B)	549 / 422	1% / 2%	2% / 3%
Insurance Claims	804	-18%	36%
Expenses	1,166	-1%	-1%
Net Income	**563**	**2%**	**-16%**

Wholesale Banking (C$MM)

Wholesale Banking (C$MM)		Q2/2023	QoQ	YoY
Revenue		1,417	5%	13%
Trading-Related Revenue (TEB)[8,13]		482	-27%	-29%
PCL		12	-20	+21
Impaired PCL		5	+4	+6
Performing PCL		7	-24	+15
Expenses	Rep. / Adj.[8]	1,189 / 1,116	35% / 29%	53% / 44%
Net Income	Rep. / Adj.[8]	**150 / 213**	**-55% / -39%**	**-58% / -41%**

Corporate (C$MM)

Corporate (C$MM)		Q2/2023	QoQ	YoY
Net Corporate Expenses[10]		-191	0%	19%
Other		14	-73%	-83%
Net Income (Loss)	Rep. / Adj.[8]	**-399 / -177**	**NM / NM**	**NM / NM**

Commentary (YoY)

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

- Net income up 4%
- Revenue up 11%, reflecting higher margins and volume growth
- NIM of 2.74%, down 6 bps QoQ, primarily due to lower deposit margins
- PCL of $247MM
- Expenses up 8%, reflecting higher spend supporting business growth, including technology and higher employee related expenses
- Operating leverage[8,14] of +325 bps

ENR Table 8 (page 11) and SFI (page 11)

- U.S. Retail Bank reported net income down 5% (adj.[8] up 23%)
- Reported revenue up 14% (adj. up 24%) driven by higher deposit margins and higher loan volumes, partially offset by lower deposit volumes and loan margins, and lower overdraft fees. Prior year reported revenue includes an insurance recovery related to litigation[15]
- NIM down 4 bps QoQ, due to lower margins on deposits reflecting higher funding costs
- PCL of US$140MM
- Reported expenses up 17%, reflecting higher employee-related expenses, acquisition and integration-related charges for First Horizon and higher business investments; adjusted[8] expenses up 9%
- Operating leverage[8,14] of +1,498 bps

ENR Table 9 (page 13) and SFI (page 12)

- Net income down 16%
- Revenue up 2% reflecting higher investment income in the insurance business, an increase in the fair value of investments supporting claims liabilities and higher insurance volumes, partially offset by lower transaction and fee-based revenue in Wealth
- Insurance claims up 36%, reflecting the impact of changes in the discount rate, more severe weather-related events, and increased driving activity and inflationary costs
- Expenses down 1%, reflecting lower variable compensation, partially offset by higher spend supporting business growth including employee-related expenses and technology costs

ENR Table 10 (page 14) and SFI (page 13)

- Reported net income down 58%; (adj.[8] down 41%)
- Revenue, including TD Cowen, was up 13%, primarily reflecting higher advisory fees, equity commissions, global transaction banking revenue, and lending revenue, partially offset by lower trading-related revenue
- PCL of $12MM
- Expenses increased 53%, reflecting TD Cowen and the associated acquisition and integration-related costs, continued investments in Wholesale Banking's U.S. dollar strategy, including the hiring of banking, sales and trading, and technology professionals, and the impact of foreign exchange translation

ENR Table 11 (page 16) and SFI (page 14)

- Reported net loss of $399MM, compared with a reported net loss of $151MM in the second quarter last year. The increase primarily reflects lower revenue from treasury and balance sheet management activities, a net loss from mitigation of impact from interest rate volatility to closing capital on First Horizon acquisition 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 Q2 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 $285 million, and trading income (loss) of $197 million. Trading-related revenue (TEB) is a non-GAAP financial measure. For additional information about this metric, refer to the Glossary in the Q2 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.
15. The Bank reached a settlement in TD Bank, N.A. v. Lloyd's Underwriter et al., in Canada, pursuant to which the Bank recovered losses resulting from the previous resolution by the Bank of multiple proceedings in the U.S. related to an alleged Ponzi scheme, perpetrated by, among others, Scott Rothstein – Q2 2022: $224 million pre-tax. The amount is reported in the U.S. Retail segment.