TD Bank Group

Quarterly Highlights

Q3 2023

Financial Results (YoY)

- **Net income** of $3B, down 8%, primarily reflecting higher non-interest expenses, higher PCL, the payment related to the termination of the First Horizon transaction, and higher acquisition and integration-related charges, including winddown costs of the terminated First Horizon transaction, partially offset by higher revenues and a lower net loss from mitigation of interest rate volatility to closing capital related to the First Horizon transaction[1]. (adj [2] $3.7B, down 2%)
- **EPS**[3] of $1.57, down 10% (adj.[2] $1.99, down 5%)
- **Canadian Personal & Commercial Banking earnings:** $1.7B, down 1%
- **U.S. Retail earnings (incl. Schwab):** US$984MM, down 12% (adj.[2] US$1B, down 9%) (C$ down 9% and adj.[2] down 6%)
  - U.S. Retail Bank: US$842MM, down 6% (adj.[2] US$890MM, down 3%) (C$ down 3% and adj.[2] up 1%)
- **Wealth Management & Insurance earnings:** $504MM, down 12%
- **Wholesale Banking earnings:** $272MM, flat (adj.[2] $377MM, up 39%)
- **Corporate:** net loss -$782MM; adj.[2] net loss -$182MM

Revenue, Expenses, Credit, Capital

- **Revenue**: Reported revenue increased 17%, reflecting margin growth in the personal and commercial banking businesses; adjusted[2] revenue increased 12%
- **Expenses**: Up 24%, primarily reflecting higher employee-related expenses, the payment related to the termination of the First Horizon transaction, higher acquisition and integration-related charges including winddown costs of the terminated First Horizon transaction, and higher spend supporting business growth. Adjusted[2] expenses increased 15%
  - Adjusted[2] expenses up 15.4% YoY excl. the impact of U.S. strategic card portfolio ("SCP") accounting and FX[4]
- **PCL**: Provision of $766MM
- **CET 1 15.2%**: down 13 bps QoQ, primarily reflecting internal capital generation (+31 bps), increase in RWA (excluding impact of FX and TD Cowen integration) (-20 bps), repurchase of common shares (-21 bps), impact related to the terminated First Horizon transaction (-11 bps), impact related to the integration of TD Cowen (+11 bps), and other (-3 bps)
- **Risk-Weighted Assets (RWA)** (including impact of FX and TD Cowen integration) down 0.8% QoQ, reflecting lower Market and Credit Risk RWA, partially offset by higher Operational Risk RWA

Items of Interest

- **Share repurchase –** TD repurchased 14.25MM common shares under its existing normal course issuer bid (NCIB) as of Q3. TD announced intention to initiate a new NCIB for up to an additional 90MM common shares, subject to regulatory approvals (QRP slide 4, RTS p. 31)
- **Updated RESL disclosure** – Disclosure provides non-amortizing mortgage balances in mortgage loan portfolio (RTS p. 26)
- **Tax measures in Canadian Federal Budget –** *Budget Implementation Act, 2023, No. 1* received Royal Assent on June 22, 2023. Definition of "financial service" amended such that payment card clearing services rendered by a payment card network operator are subject to GST/HST. The implementation of the legislation was retrospective. TD recorded the cumulative prior period impact of $57MM in the financial statements, treated as an Item of Note in Corporate segment
- **Cowen acquisition** update (RTS p. 6)
- **Termination of the Merger Agreement with First Horizon** (QRP slide 27, RTS p. 6)
- **Equity commissions** – Updated mapping of TD Securities and TD Cowen equity commissions from "Full-service brokerage and other securities services" to "Broker dealer fees and commissions" in SFI Non-Interest Income (SFI p. 7)
- **Interest rate benchmark reform** – Cessation of remaining USD LIBOR settings effective June 30, 2023 and Canadian Alternative Reference Rate (CARR) working group announcement of November 1, 2023 milestone date for no new CDOR or Banker's Acceptance loans (RTS p. 46 - 47)

Financial Results (C$MM)		Q3/2023	QoQ	YoY
Diluted EPS	Reported	$ 1.57	-9%	-10%
	Adjusted[2]	$ 1.99	3%	-5%
Net Income	Reported	2,963	-12%	-8%
	Adjusted[2]	3,731	-1%	-2%
Revenue	Reported	12,779	3%	17%
	Adjusted[2]	13,013	4%	12%
PCL Ratio[5]		0.35%	+7 bps	+18 bps
PCL – Total		766	+167	+415
PCL – Impaired		663	+112	+323
PCL – Performing		103	+55	+92
Insurance Claims		923	+15%	+11%
Expenses	Reported	7,582	9%	24%
	Adjusted[2]	6,953	4%	15%
CET 1 Ratio[6]		15.2%	-13 bps	+30 bps
Net Interest Margin (NIM)[2,3]	Reported	1.69%	-7 bps	-5 bps
	Adjusted[2]	1.70%	-11 bps	-3 bps

Loans[7] (Average balances $B)	Q3/2023	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	539	2%	6%
Personal	425	2%	5%
Commercial	114	2%	9%
U.S. Retail (US$)	183	2%	10%
Personal	89	3%	11%
Commercial	94	2%	9%
Wealth Management & Insurance (C$)	6	-2%	-14%
Wholesale Banking (Gross Lending) (C$)	94	-1%	30%
Total (C$B)	884	1%	10%

Deposits[7] (Average balances $B)	Q3/2023	QoQ	YoY
Canadian Personal & Commercial Banking (C$)	442	1%	1%
Personal	284	1%	6%
Commercial	158	1%	-6%
U.S. Retail (US$)	334	-3%	-14%
Personal	127	-2%	-5%
Commercial	104	-1%	-6%
Sweep Deposits	103	-6%	-28%
Wealth Management & Insurance (C$)	30	-7%	-27%
Total (C$B)	918	-2%	-6%

Except as noted, figures reflect year-over-year change. ENR: Q3 2023 Earnings News Release, RTS: Q3 2023 Report to Shareholders, SFI: Q3 2023 Supplemental Financial Information, SRD: Q3 2023 Supplementary Regulatory Disclosure, QRP: Q3 2023 Quarterly Results Presentation.

1. Before the termination of the merger agreement, the impact of the strategy to mitigate interest rate volatility to closing capital related to the First Horizon transaction included 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. After the termination of the merger agreement, the impact of the strategy is reversed through net interest income. Refer to the "Significant Events" section in the Bank's third quarter 2023 RTS 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 Q3 2023 RTS (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 Q3 2023 RTS, 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 24 and 25 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.

TD Bank Group Quarterly Highlights

Segments

Q3 2023

Canadian P&C Banking (C$MM)	Q3/2023	QoQ	YoY
Revenue	4,570	4%	7%
Net Interest Margin (NIM)	2.74%	0 bps	+15 bps
PCL	379	+132	+209
Impaired PCL	285	+51	+143
Performing PCL	94	+81	+66
PCL Ratio	0.28%	+9 bps	+15 bps
Expenses	1,895	0%	5%
Net Income	**1,655**	**2%**	**-1%**

U.S. Retail (US$MM)		Q3/2023	QoQ	YoY
Revenue		2,642	0%	10%
Net Interest Margin (NIM)[8,11]		3.00%	-25 bps	+38 bps
PCL		185	+45	+102
Impaired PCL		193	+56	+88
Performing PCL		-8	-11	+14
PCL Ratio (Net[12])		0.41%	+8 bps	+21 bps
Expenses	Rep. / Adj.[8]	1,502 / 1,439	-1% / 3%	13% / 10%
Net Income, U.S. Retail Bank	Rep. / Adj.[8]	842 / 890	-2% / -6%	-6% / -3%
Schwab contribution		142	-23%	-37%
Total Net Income	Rep. / Adj.[8]	**984 / 1,032**	**-6% / -9%**	**-12% / -9%**

Wealth Mgmt. & Ins. (C$MM)	Q3/2023	QoQ	YoY
Revenue	2,779	2%	1%
AUA[9,10] / AUM[10] (C$B)	559 / 421	2% / 0%	6% / 3%
Insurance Claims	923	15%	11%
Expenses	1,170	0%	2%
Net Income	**504**	**-10%**	**-12%**

Wholesale Banking (C$MM)		Q3/2023	QoQ	YoY
Revenue		1,568	11%	46%
Trading-Related Revenue (TEB)[8,13]		626	30%	14%
PCL		25	+13	0
Impaired PCL		10	+5	+10
Performing PCL		15	+8	-10
Expenses	Rep. / Adj.[8]	1,247 / 1,104	5% / -1%	80% / 60%
Net Income	Rep. / Adj.[8]	**272 / 377**	**81% / 77%**	**0% / 39%**

Corporate (C$MM)		Q3/2023	Q2/2023	Q1/2023
Net Corporate Expenses[10]		-333	-191	-191
Other		151	14	51
Net Income (Loss)	Rep. / Adj.[8]	**-782 / -182**	**-399 / -177**	**-2,617 / -140**

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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. Net interest margin is calculated by dividing net interest income by average interest-earning assets. For the U.S. Retail segment, this calculation excludes the impact related to sweep deposits arrangements and intercompany deposits and cash collateral. The value of tax-exempt interest income is adjusted to its equivalent before-tax value. For investment securities, the adjustment to fair value is included in the calculation of average interest-earning assets. Management believes this calculation better reflects segment performance. Net interest income and average interest-earning assets used in the calculation are non-GAAP financial measures.

Commentary (YoY)

ENR Table 7 (page 10) and SFI (page 9)

- Net income down 1%
- Revenue up 7%, reflecting volume growth and higher margins, partially offset by a prior years' adjustment recorded in Other Income
- NIM flat QoQ
- PCL of $379MM
- Expenses up 5%, reflecting higher spend supporting business growth, including technology and higher employee-related expenses
- Operating leverage[8,14] of +241 bps

ENR Table 8 (page 12) and SFI (page 11)

- U.S. Retail reported net income down 12% (adj.[8] down 9%)
- Revenue up 10%, driven by higher deposit margins and loan volumes and fee income growth from increased customer activity, partially offset by lower deposit volumes, loan margins and overdraft fees
- NIM down 25 bps QoQ, due to lower deposit margins reflecting higher deposit costs and deposit mix shift
- PCL of US$185MM
- Reported expenses up 13%, reflecting higher employee-related expenses, acquisition and integration-related charges for the terminated First Horizon transaction, and higher investments in the business; adjusted[8] expenses up 10%
- Operating leverage[8,14] of -18 bps

ENR Table 9 (page 14) and SFI (page 12)

- Net income down 12%
- Revenue up 1% reflecting higher insurance volumes, fee-based revenue in wealth and investment income in insurance, partially offset by a decrease in fair value of investments supporting claims liabilities and lower transaction revenue in wealth
- Insurance claims up 11%, reflecting more severe weather-related events, increased driving activity and claims severity, partially offset by the impact of changes in the discount rate
- Expenses up 2%, reflecting higher spend supporting business growth including technology costs and employee-related expenses

ENR Table 10 (page 15) and SFI (page 13)

- Reported net income flat; (adj.[8] up 39%)
- Revenue, including TD Cowen, up 46%, primarily reflecting higher equity commissions, underwriting fees, trading-related revenue, global transaction banking revenue, and markdowns in certain loan underwriting commitments in the prior year
- Expenses, including TD Cowen, up 80%, primarily reflecting acquisition and integration-related costs. Higher expenses also reflected 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)

- Corporate segment's reported net loss for the quarter was $782 million, compared with a reported net loss of $752 million in the third quarter last year. The increase primarily reflects higher net corporate expenses reflecting litigation expenses during the quarter, partially offset by higher revenue from treasury and balance sheet management activities

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 $8 million, and trading income (loss) of $618 million. Trading-related revenue (TEB) is a non-GAAP financial measure. For additional information about this metric, refer to the Glossary in the Q3 2023 RTS.
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.