The Toronto-Dominion Bank (NYSE:TD)

Q1 2024 Earnings Conference Call

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Company Participants

Bharat Masrani - Group President and CEO

Kelvin Tran - Group Head and CFO

Ajai Bambawale - Group Head and Chief Risk Officer

Raymond Chun - Group Head, Canadian Personal Banking

Riaz Ahmed - Group Head, Wholesale Banking

Barbara Hooper - Group Head, Canadian Business Banking

Tim Wiggan - Group Head, Wealth Management and Insurance

Brooke Hales - VP, IR

Conference Call Participants

Ebrahim Poonawala - Bank of America

Gabriel Dechaine - National Bank Financial

Paul Holden - CIBC

Mike Rizvanovic - KBW Research

Meny Grauman - Scotiabank

Sohrab Movahedi - BMO Capital Markets

Lemar Persaud - Cormark

Darko Mihelic - RBC Capital Markets

Operator

Good morning, everyone, and welcome to the TD Bank Group Q1 2024 Earnings Conference Call.

I would now like to turn the meeting over Ms. Brooke Hales, Head of Investor Relations. Please go ahead, Ms. Hales.

Brooke Hales

Thank you, operator. Good morning, and welcome to TD Bank Group's First Quarter 2024 Investor Presentation. Many of us are joining today's meeting from lands across North America. North America is known as Turtle Island by many indigenous communities. I am currently situated in Toronto. As such, I would like to begin today's meeting by acknowledging that I am on the traditional territory of many nations, including the Mississaugas of Credit, the Anishinaabe, the Chippewa, the Haudenosaunee, and the Wendat Peoples, and is now home to many diverse nations, Métis and Inuit People. We also acknowledge that Toronto was covered by Treaty 13 signed with the Mississaugas of Credit and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

We will begin today's presentation with remarks from Bharat Masrani, the Bank's CEO, after which Kelvin Tran, the Bank's CFO, will present our first quarter operating results. Ajai Bambawale, Chief Risk Officer, will then offer comments on credit quality, after which we will invite questions from pre-qualified analysts and investors on the phone.

Also present today to answer your questions are Raymond Chun, Group Head, Canadian Personal Banking; Barbara Hooper, Group Head, Canadian Business Banking; Tim Wiggan, Group Head, Wealth Management and Insurance; Leo Salom, President and CEO, TD Bank, America's Most Convenient Bank; and Riaz Ahmed, Group Head, Wholesale Banking.

With the move to the morning call, we will be ending promptly at 9.30 AM. Accordingly, please limit yourself to one or two questions and then re-queue.

Please turn to Slide 2. At this time, I would like to caution our listeners that this presentation contains forward-looking statements, and that there are risks that actual results could differ materially from what is discussed, and that certain material factors or assumptions were applied in making these forward-looking statements. Any forward-looking statements contained in this presentation represent the views of management and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities, and anticipated financial performance. Forward-looking statements may not be appropriate for other purposes.

I would also like to remind listeners that the Bank uses non-GAAP financial measures, such as adjusted results, to assess each of its businesses and to measure overall Bank's performance. The Bank believes that adjusted results provide readers with a better understanding of how management views the Bank's performance. Bharat and Kelvin will be referring to adjusted results in their remarks. Additional information on items of note, the Bank's use of non-GAAP and other financial measures, the Bank's reported results, and factors and assumptions related to forward-looking information are all available in our Q1 2024 Report to Shareholders.

With that, let me turn the presentation over to Bharat.

Bharat Masrani

Thank you, Brooke, and thank you, everyone, for joining us today. Before we turn to our results, I'd like to welcome Tim Wiggan, Group Head, Wealth Management and Insurance, who is joining us for the first time. Ray Chun is also on the call, now in his capacity as Group Head, Canadian Personal Banking. At TD, we have depth of talent and a strong leadership bench. I'm confident both Tim and Ray will build on TD's many successes and deliver the next phase of growth in these important businesses.

In addition, and speaking with many of you over the past quarter, I know there are questions relating to the Bank's investments in our risk and control infrastructure, including in our AML program. We are making comprehensive enhancements. This is a priority for the Bank, and we take our responsibility seriously to live up to our high standards. We will continue to mobilize the required resources to strengthen our capabilities. This includes the appointment of proven senior leaders in anti-money laundering, external advisors with deep subject matter expertise and investments in technology, process redesign and training.

We are accelerating investments in our risk and control environment, hiring hundreds of colleagues in these areas across the enterprise over the past two quarters. In short, we know what the AML issue is, and we are making progress in fixing it every day. I look forward to providing further updates as soon as I can.

Q1 was a good quarter for TD. Earnings were $3.6 billion, and EPS was $2. Revenue grew 5% year-over-year reflecting higher fee income and an improved macroeconomic environment for our markets-driven businesses, including the contribution from TD Cowen and higher volumes and deposit margins in Canadian Personal and Commercial Banking.

PCLs were higher due to continued consumer credit normalization and commercial credit migration in line with our prior guidance. While expenses were up 12% year-over-year, reflecting the inclusion of TD Cowen, expense growth moderated on a quarter-over-quarter basis. We made progress on our restructuring initiatives, delivering efficiencies across the enterprise while continuing to prioritize investments in our risk and control infrastructure.

The Bank's CET1 ratio was 13.9%, reflecting organic capital generation offset by an increase in RWA from strong volume growth and the impact of almost 21 million common shares bought back during the quarter. In an uncertain market, TD remains well positioned from both a capital and funding perspective with the capacity to return capital to shareholders while supporting our customers and driving growth across our businesses.

Last quarter, I highlighted TD Invent, the Bank's enterprise approach to innovation. We have reached a milestone. As of this quarter, TD has over 700 patents across Canada and the U.S. And for the third consecutive year, TD was recognized by the Business Intelligence Group in its Annual Innovation Awards, ranking highest in the organization and product categories for the TD Accessibility Adapter, a browser plug-in that helps make online experiences more inclusive.

Let me now turn to each of our businesses and review some highlights from Q1. In our Canadian personal and commercial banking segment, earnings were $1.8 billion, up 3% year-over-year, and PTPP was $2.9 billion, up 6%

year-over-year. Expenses increased 6% year-over-year, reflecting higher employee-related spend and technology costs.

We saw strong volume growth on both sides of the balance sheet, while delivering another quarter of segment NIM expansion of 6 basis points quarter-over-quarter. In real estate secured lending, TD recorded its eighth consecutive month of market share gains, and personal deposits grew 3% quarter-over-quarter.

In everyday banking, we saw strong advisor productivity and record customer acquisition, with new accounts up 19% year-over-year and another strong quarter for new-to-Canada accounts. In credit cards, we celebrated a 10-year milestone as the primary credit card issuer for Aeroplan, Canada's top airline loyalty program. Since TD Aeroplan credit cards were first issued in January 2014, we have delivered exceptional value to our customers, serving more than 1 million Canadians who together have earned over 300 billion points on their TD Aeroplan credit cards, enough to fly round-trip from Toronto to Los Angeles 3.5 million times.

In business banking, we grew loans by 8% year-over-year. Small business banking helped over 165,000 clients conveniently repay their CEBA loans, providing over 70,000 pre-approved refinancing offers and almost $600 million in loans. And we saw growth in TD Auto Finance, reflecting strong performance in prime retail auto lending and accelerated acquisition of dealer relationships in our commercial business year-over-year.

Turning to the U.S. U.S. retail bank earnings were $752 million, down 26% year-over-year, and PTPP was $1.1 billion, down 17% year-over-year. Revenue declined 6% year-over-year, reflecting lower deposit volumes and margins partially offset by higher loan volumes and fee income. Expenses increased 3% year-over-year but declined 2% quarter-over-quarter as the bank's productivity initiatives helped offset higher employee-related costs and investments in business and control initiatives.

PCLs were higher compared to last year, with the increase reflected in both the consumer and commercial lending portfolios. With the contribution from our investment in Schwab of $144 million [indiscernible] segment earnings were $896 million. The U.S. Retail bank saw continued loan growth while maintaining its through-the-cycle underwriting standards. Loans were up 9% year-over-year, reflecting growth in mortgages, middle market, commercial lending and TD's proprietary bank card book. Quarter-over-quarter, deposit balances, excluding Schwab were flat and NIM compressed 4 basis points as the bank delivered balance sheet stability in a challenging market.

TD Bank, America's most convenient bank is serving small business clients with innovative solutions. This quarter, we added tap to pay on iPhone, one of the first banks globally to launch with this feature integrated within our mobile app. We also enabled Zelle for small business, enhancing convenience and functionality through near real-time payment capabilities.

And last month, TD Bank, America's most convenient bank announced a 3year community impact plan that will provide an estimated $20 billion supporting lending philanthropy, banking access and other activities for diverse and underserved communities across our U.S. footprint. The Wealth Management and Insurance segment earned $555 million this quarter, flat year-over-year. The business earned through higher insurance service expenses with revenues up 8% year-over-year, reflecting insurance premium growth and higher fee-based revenue in the asset management and advice-based businesses.

This month, TD Direct Investing was ranked as the number one direct investing brokerage in Canada by the Globe and Mailfor the second consecutive year. And we have now onboarded more than half of our eligible active trading clients on to TD active trader, the bank's completely redesigned platform for sophisticated active traders.

We had a strong start to the year in TD Asset Management with several large institutional mandates across multiple geographies one and funded and we were proud that several TDAM managed funds were recognized with 2023 fund-grade A plus awards by fund data, reflecting strong risk-adjusted performance relative to industry peers.

Finally, in TD Insurance, we continue to build on our digital leadership with Canada's number one direct insurer with one in three customers now buying their insurance online from end to end. Wholesale Banking delivered record revenues driven by the segment's expanded capabilities coupled with improved market conditions. We are gaining share across U.S. M&A and equity capital markets as we leverage the power of TD Cowen.

Expenses this quarter included a $102 million provision relating to the industry-wide U.S. record-keeping matter. Excluding this item, net income was $400 million, up 15% year-over-year. We are executing on one TD opportunities. This quarter, TD Securities and TD Wealth enabled fully paid lending to enhance returns for wealth clients. And in partnership with TD Bank, America's most Convenient Bank, we began to issue equity linked certificates of deposit, broadening the suite of products available to clients in the U.S.

TD Security has also continued to demonstrate its leadership in ESG acting as joint lead manager on TD's $500 million sustainable bond offering, International Finance Corporation's $1.5 billion social benchmark offering, supporting low-income communities in emerging markets and KFW AUD1.5 million green bond, the issuer's largest-ever transaction in the Australian market. Guided by our purpose TD is committed to creating value for all of our stakeholders. I'm proud that the bank was listed in the Dow Jones Sustainability Index North America Index for the 12th consecutive year. TD was also recently named a 2024 S&P Global Sustainability Yearbook member awarded to banks in the top 15% of S&P's Corporate Sustainability Assessment worldwide.

Last month, the TD Charitable Foundation launched its 18th annual housing for everyone grand competition. The competition will focus on organizations in the U.S., providing services to support independent living for marginalized community members, including rapid rehousing and permanent supportive housing or transitional housing. And in a few weeks, TD will release its 2023 sustainability reporting suite, including our climate action plan. We are excited to share the progress enabled by dedicated colleagues across the bank who transform our aspirations into action. It is a privilege to work alongside our TD bankers every day. I would like to thank them for all they do to deliver for our shareholders and to make TD the better bank.

With that, I'll turn things over to Kelvin.

Kelvin Tran

Thank you, Bharat, and good morning, everyone. Please turn to Slide 10. This quarter, revenue increased year-over-year driven by higher fee income in our market-driven businesses and higher volumes in Canadian and personal Commercial Banking. Expenses reflecting the inclusion of TD Cowen also increased year-over-year reflecting higher employee-related expenses. We moderated expense growth on a quarter-over-quarter basis and made progress on our restructuring initiatives and reprioritize our investment.

PCLs were higher due to continued consumer credit normalization and commercial credit migration. As a result, earnings were $3.6 billion and EPS was $2, down 12% and 10% year-over-year, respectively. This quarter, we had a $0.06 impact from a provision related to the industry-wide U.S. recordkeeping manner. We also adopted IFRS 17 this quarter.

On Slide 26, you will see that we have updated our presentation of PTPP to show revenues net of insurance service expenses. Please turn to Slide 11. As I said on our Q4 2023 earnings call, in fiscal 2024, we expect run rate expenses, inclusive of the savings generated by restructuring program and investments to accelerate future growth to increase by approximately 2% year-over-year.

For fiscal 2024, we expect adjusted expense growth in the mid-single digits, reflecting investments in our risk and control infrastructure and the impact of TD Cowen. This quarter, we incurred a restructuring charge of $291 million pre-tax. We continue to expect to incur restructuring charges in the first half of calendar 2024 and that are of similar magnitude to the restructuring charges incurred in the fourth quarter of 2023.

As I noted last quarter, the restructuring program is expected to generate savings of approximately $400 million pre-tax in fiscal 2024 and annual run rate savings of approximately $600 million pre-tax. Cost savings will be driven by a 3% FTE reduction, real estate optimization and asset impairments as we accelerate transitions to new platform. This will create capacity to reinvest. We are on track to deliver our FTE reduction target and targeted fiscal 2024 and annualized savings.

Please turn to Slide 12. The Canadian Personal and Commercial Banking delivered a strong quarter, reflecting volume growth and margin expansion. Average loan volumes rose 7% year-over-year with 7% growth in personal volumes driven by real estate secured lending up 6% and cards up 11% and 8% growth in business volumes. Average deposits rose 3% year-over-year reflecting 6% growth in personal deposits, partially offset by a 2% decline in business deposits as small business banking customers drew down on balances to repay their CEBA loans.

Net interest margin was 2.84%, up 6 basis points quarter-over-quarter, primarily due to higher deposit margin. As we look forward to Q2, while many factors can impact margins, including tractor on and off rates and balance sheet mix, we expect NIM to remain relatively stable. Expenses increased, reflecting higher spend supporting business growth, including employee-related expenses and technology costs.

Please turn to Slide 13. The U.S. Retail Bank delivered strong loan growth and operating momentum in a challenging environment. Average loan volumes increased 9% year-over-year. Personal loans increased, reflecting lower mortgage repayments in the higher rate environment strong auto originations and double-digit growth in TD's proprietary bank card book. Business loans increased, reflecting good originations from new customer growth and slower payment rate.

Average deposit volumes, excluding sweep deposits, were down 2% year-over-year and flat quarter-over-quarter as the U.S. retail bank demonstrated deposit resilience in competitive market conditions. Net interest margin was 3.03%, down 4 basis points quarter-over-quarter due to lower deposit [indiscernible] the cost partially offset by the benefit of higher reinvestment rates. As we look forward to Q2, while many factors can impact margins, including competitive deposit market dynamics in the U.S., tractor on and off rates and balance sheet mix, we expect NIM to be relatively stable in the near term, influenced by similar drivers as those we saw this quarter. Expenses increased year-over-year, reflecting higher employee-related expenses. The decline quarter-over-quarter as productivity initiatives helped offset higher employee-related costs and investments in business and control initiatives.

Please turn to Slide 14. As I mentioned, the bank adopted IFRS 17 this quarter. We appreciate that analysts and investors may have questions on the financials and presentation impacts of this change. We have added Slide 35 to this presentation to assist in this regard. Fiscal 2023 results have been restated to reflect this new standard. Wealth Management and Insurance delivered good performance this quarter, reflecting the strength of the segment's diversified businesses.

Net income was flat year-over-year as higher revenue was offset by higher insurance service expenses and non-interest expenses, reflecting higher variable compensation commensurate with higher revenues. Like peers across the industry, we have seen deposit flow into GIC and other products in the high-rate environment. That trend has begun to moderate. We are also executing upon initiatives to help ensure TD retains that flow in-house and captures flows from other institutions. Assets under management increase year-over-year, reflecting market appreciation and assets under administration increased year-over-year, reflecting market appreciation and net asset growth.

Please turn to Slide 15. Wholesale Banking delivered record revenue. Net income for the quarter was $298 million, down 14% year-over-year. Excluding the impact of the $102 million provision related to the industry-wide U.S. record-keeping matter, net income was $400 million, up 15% year-over-year. Revenue, including TD Cowen was $1.8 billion, up 32% year-over-year, primarily reflecting higher equity commissions, lending revenue, primarily from syndicated and leveraged finance underwriting fees and trading-related revenue.

Expenses increased 60% year-over-year, reflecting the provision I mentioned as well as higher repo compensation commensurate with higher revenues. Excluding this provision, expenses increased 49% year-over-year, reflecting the inclusion of TD Cowen, which closed March 1st last year.

Please turn to Slide 16. The corporate net loss for the quarter was $218 million compared with a net loss of $140 million in the first quarter last year. Net corporate expenses increased $63 million compared to the prior year mainly reflecting investments in our risk and control infrastructure.

Please turn to Slide 17. The Common Equity Tier 1 ratio ended the quarter at 13.9%, down 49 basis points sequentially. Internal capital generation was offset by an increase in RWA excluding the impact of FX, primarily reflecting volume growth. We continued our NCIB this quarter and have now completed almost 50% of our $90 million share buyback program.

Regulatory changes, which included the fundamental review of the trading book and negatively amortizing mortgages decreased CET1 by 17 basis points this quarter primarily reflecting an increase in market rates.

With that, Ajai, over to you.

Ajai Bambawale

Okay. Thank you, Kelvin, and good morning, everyone. Please turn to Slide 18. Gross Impaired Loan Formations increased by 4 basis points quarter-over-quarter to 22 basis points, driven by the Canadian commercial lending portfolio largely related to one file in the automotive industry and continued normalization of credit performance in the consumer lending portfolios, including some impact of seasonal trends in the U.S. cards and auto portfolios.

Please turn to Slide 19. Gross impaired loans increased 4 basis points quarter-over-quarter to 40 basis points driven by the commercial and consumer lending portfolios, partially offset by a reduction in wholesale banking.

Please turn to Slide 20. Recall that our presentation reports, PCL ratios, both gross and net of the partner share of the U.S. strategic card PCLs. We remind you that U.S. card PCLs recorded in the corporate segment are fully absorbed by our partners and do not impact the bank's net income. The bank's provision for credit losses increased 5 basis points quarter-over-quarter to 44 basis points. The increase is largely recorded in the U.S. retail, corporate and Canadian personal and commercial banking segments.

Please turn to Slide 21. The bank's impaired PCL was $934 million, an increase of $215 million quarter-over-quarter, largely related to continued credit normalization in the consumer lending portfolios, including some seasonal impact in the U.S. cards and order portfolios. And credit migration in the commercial lending portfolios across various industries. Performing PCL decreased 92 million quarter-over-quarter to 67 million. Current quarter performing provisions were largely recorded in the Canadian Personal and Commercial Banking segment.

Please turn to Slide 22. The allowance for credit losses increased by 79 million quarter-over-quarter to 8.3 billion due to current credit conditions, including some credit migration across the lending portfolio and volume growth, partially offset by a 122 million impact from foreign exchange. The bank's allowance coverage remains elevated to account for ongoing uncertainty relating to the economic trajectory and credit performance.

Before I conclude, I will make a few additional comments about the loan portfolio. Key credit metrics in our consumer lending portfolios are now broadly at pre-pandemic levels as rising unemployment and elevated interest rates have presented challenging conditions for consumers. Notwithstanding current conditions, performance of our Canadian result portfolio reflects its strong underlying credit quality as impaired PCLs remain at less than 1 basis point. And we see continued reductions in the negatively amortizing population.

Moving to non-retail. The wholesale segment continued to perform well with no new impairments over the past two quarters. Canadian and U.S. commercial gross impaired loans and PCLs have risen over the past year from cyclically low levels. Consistent with the economic trajectory. Pressure on the commercial real estate office segment is expected to persist, and we continue to bolster our reserves as appropriate. The bank's exposure to the office segment remains small.

To conclude, the bank exhibited good credit performance this quarter with PCLs in line with our prior guidance. Looking forward, I continue to expect PCLs for fiscal 2024 to be in a range of 40 to 50 basis points, although results may vary by quarter and are subject to changes in economic conditions.

With that, operator, we are now ready to begin the Q&A session.

Question-and-Answer Session

Operator

Thank you. First question is from Ebrahim Poonawala from Bank of America. Please go ahead. Your line is open.

Q – EbrahimPoonawala

Hi. Good morning. I guess maybe just Bharat for you, there's an unhealthy amount of speculation around how long you'll be in your seat and if there CEO succession waiting to happen at TD, I appreciate it's the Board's decision but given everything that's going on with dealing with the AML issues, change in leadership Canada, it has been unsettling for investors from the outside to get confidence that execution at the top is consistent and moving in the right direction. So, to extent you can address like how long you want to be in the seat and how we should think about it? That would be really helpful.

Bharat Masrani

Ebrahim, Nice to hear your voice, and good morning to you. I've read some of these reports and, of course, speculation. What I can tell you is I'm really focused on strengthening the bank serving our customers and creating value for our shareholders. We have a deep and highly experienced bench of senior leaders, including those on the call with me this morning. And hopefully, many of you can see, this team has delivered great momentum in all of our businesses, look at Canadian P&C, in our U.S. business, notwithstanding some of the challenges there. TD Cowen hitting on all cylinders. And so I'm very happy as to how the team is delivering. And we've talked about this before, as you would expect, we have very detailed and robust succession plans across the bank. So hopefully, that answers your question, and I appreciate the query.

Ebrahim Poonawala

And you want to run this bank for many years to come. Did I hear that?

Bharat Masrani

I'm focused. Every day I wake up, I'm focused on strengthening the bank and serving our customers, of course, is a top priority as is creating value for our shareholders. And hopefully, I'm doing that.

EbrahimPoonawala

And just a separate question in terms of the AML issue, not about the specifics, but what happened there? Again, for those of us who follow TD for a long time, it's -- the assumption is always TD ahead of the curve in terms of management, risk control investments. What do you think happened there? And does that cause you to kind of re-evaluate the rest of the bank, if there are any other issues that could emerge?

Bharat Masrani

Ebrahim, as you know, I can't talk more about the specific issue, but I can tell you -- what I can tell you is we know what the issue is. We are working very hard to fix it and it will get fixed. And when I'm in a position to give you more information, I'd be happy to do that. As far as our control infrastructure, we -- this is an ongoing situation for TD or any big bank and the environment changes and as we hear improvements from others, including our regulators, what the industry is doing -- we want to keep up with it and where appropriate, be ahead of it. So it's an ongoing process, and I'm happy as to know how we are making progress.

Ebrahim Poonawala

Thank you for taking my questions.

Bharat Masrani

Thank you.

Operator

Thank you. The next question is from Gabriel Dechaine from National Bank Financial. Please go ahead. Your line is open.

Gabriel Dechaine

Good morning. Quick one for Bharat. 20 million shares repurchased. You're still committed to the full money amount under the current program?

Bharat Masrani

Well, as we announced when we launched the program, our intention is to complete the program within the time line we set out. And with market conditions permit, we will continue to execute against the program.

Gabriel Dechaine

Okay. Perfect. And next question for Mr. Wiggan. On the -- well, wealth earnings were flat year-over-year market related, I guess, but also insurance, flat. Just wondering about the -- one of the issues P&C insurance, in particular, is facing is autotheft, and it's just a problem that keeps getting worse. How are you -- how have you been reflecting that in your pricing? And do you need to do more?

Tim Wiggan

Thank you for the question. So I think if you look at gross written premiums, we obviously -- we don't break down volume versus premium increases, but a healthy number overall on the G&I side, a 15% increase. As you've mentioned, we now have the insurance service expense, which was up 17% in the quarter. And as you know, that includes claims along with the maintenance and acquisition. So auto theft is a major issue in Canada. We had the National Forum on February 8th. So when you look at claims, it's also claims severity. So to answer your question, we have a number of programs to address this. But the main one that I would focus you on is what we call our tag program, where we're actually putting tags inside of automobiles. So similar to what you see with an Apple products that they're randomly placed. And what we found is those cars are often, as you know, place somewhere and the criminals come back later. This program allows you to actually track the car and return the car. So our success in returning cars is about 95%. So we're very focused on that. And then I would say, if you look at more normal claims related issues on the auto side, we have 25 TD insurance auto centers where you can not only get your car fixed, but rent a vehicle. And in addition, we have eight partnerships where we have priority placement in the queue, if you will to get your car serviced. So when we have a theft, we're aiming to return the car faster when you have more regular damage, we're aiming to, again, return the car faster and lower rental rates. So it's a major focus for us.

Gabriel Dechaine

Perfect. Thanks. And well, enjoy the rest of the week, everyone.

Operator

The next question is from Paul Holden from CIBC. Please go ahead. Your line is open.

Paul Holden

Thank you. Good morning. I want to ask a question on the U.S. banking business. You reported an adjusted ROE this quarter of a little over 11. I think if I attribute some of the investments you're making to risk control to that segment rather than corporate, then maybe it pushes the number down closer to 10. But anyways, the question is 10 is clearly below where you'd like it to be, do you think this business can get to in terms of ROE over time and what is required to get it back an acceptable return?

Leo Salom

Paul, thank you very much for the question. Let me just frame a little bit. Obviously, the macro environment in the U.S. is quite challenging. You saw some of that in the financials this quarter. But if you look forward, there's a number of things that I draw a great deal of comfort from. One, we are carrying a tremendous amount of operating momentum. You saw that in our loan growth, both in our retail and commercial loan portfolios. Retail was up 11%. Commercial was up 7% and if you look underneath it, we really did execute on a number of our strategic priorities. So we're carrying that momentum. Likewise, as Kelvin described, I think we're seeing margin stability in the short term I do -- I am optimistic about just the reinvestment rate opportunity and increased tractor maturities that we have on the back end of the year could give us some margin expansion opportunities. You combine that with the focus on productivity. You would have seen our quarter-on-quarter growth -- actually decline in expenses about 2% as we continue to lean in on productivity. It's going to be a big focus for us. And then finally, from a credit standpoint, as Ajai described, obviously, we're still living a period of normalization. So we can't be -- we can't predict necessarily when we'll see that peak. But I feel really comfortable with the quality of the origination that we have in our cards and our auto business. In fact, in our cards business, the new through-the-door FICO scores today are higher than our back book. So we're really being very disciplined with regards to the business we're putting on. I put all that together to say that I'm confident that the outlook for the back end of the year and going into 2025, will be strong. And that will, obviously, to your question, translate into higher return on equity profile. I don't want to give you a specific number with regards to -- we haven't necessarily set a target. But if you look at where we were in previous periods, we were above we were between 13% to 14%. I do think being able to revert back to that level is very feasible.

Paul Holden

Thank you for that. And then second question is just relating to consumer credit experience in some ways, surprised to see U.S. underperformed Canada or Canada outperform U.S. given higher leverage among Canadian consumers. So maybe you can talk to some of the trends and differences you're seeing between U.S. and Canada and why U.S. losses are higher versus Canada? Thank you.

Ajai Bambawale

Certainly. So what we saw this quarter actually was PCLs are up both in Canada and the U.S. and impaireds are up both [indiscernible]. In Canada, it's driven by commercial auto and cards and U.S. as well, it's commercial auto and cards. I think the one difference this quarter is on performing PCL. And that's because we built less performing in Canada. And the reason we built less performing in Canada is we built quite a bit of performing the previous quarter. And if you go and look at our HPI numbers last quarter, you would have seen it triggered built and we built for other areas like cards and commercial. So it's not like we haven't built in Canada, but yes, we built less. And then in the U.S., we actually had a small release in the U.S. last quarter and a build based on volume and credit migration this quarter. So overall, I think generally, the trends are consistent, but they can vary by quarter, can vary by product. The other thing I'd draw your attention to because you're really calling out the difference in consumer. If you look at our allowance numbers, okay, our allowance numbers year-over-year are up $790 million, okay? That includes FX. But if you look at it segment-wise, for Canadian P&C, that number has gone up $479 million, for U.S. retail, it's US$125 CAD$197. So that difference in the consumer has been taken into account in our allowance build, but PCLs can vary by quarter. So hopefully, that gives you color.

Paul Holden

That does help. Thank you. And I'll leave it there.

Operator

Thank you. The next question is from Mike Rizvanovic from KBW Research. Please go ahead. Your line is open.

Mike Rizvanovic

Good morning. A question for maybe Ray or Kelvin, but I wanted to ask about noninterest-bearing deposits which were down in your Canadian business by about 5% quarter-over-quarter. And just in light of the guidance we've been consistently hearing about this runoff of NIB is going to ebb and it clearly hasn't. So why is it not moderating? When I look at deposit rates and what is offered on the deposit side, it's not quite as I guess, juicy returns for customers as they might have been a month ago or better part of 2023. So why is this not monitoring at point? And what -- do you have any updated view on where it goes from here?

Raymond Chun

So I take that. It's Ray. Thanks for the question. If you look at our overall deposits first, let me start by saying one-third of our deposits sits in checking. The other one-third is in savings and another one-third is actually in term deposits. So a pretty good balance in how our deposits actually line up from a volume perspective. And we are definitely seeing moderation in our deposit migration. And so what you're seeing is actually money like the -- within the industry, deposits are migrating from our non-term deposits into our term deposits. The good story for TD is that first and foremost, those deposits are staying within our four walls. And we are seeing total deposits actually increasing and about 50% -- greater than 50% of our total deposits are actually new to bank money. And so that's where you're -- you overlay that with our strong core deposit book market-leading in Canada, and that's where you're seeing the NIM expansion that you saw quarter-over-quarter. And so I'm pleased with for me, our strategy around deposits and what activity that we're actually seeing. And I think from a NIM perspective, our guidance has been that you're going to continue to see stable NIM, at least for the second quarter. And then I would just say that as I think about our deposit business going forward that we're seeing terrific acquisition volume across TD. And you heard that from Bharat's comments, we're seeing record new account acquisition, up 19% on a year-on-year basis. And so certainly our value proposition is resonating with our clients, and we've seen five consecutive months of term deposit growth in market share. So I'd say overall, I hope that answers your question, but I got a good -- I'm confident with our deposit strategy and our pricing strategy.

Mike Rizvanovic

No, that's certainly helpful, but I'm more so thinking along the lines of, do you see any risk that even if rates do decline or when rates ultimately decline, is there some sort of difference in how the Canadian consumer views that demand deposit, that free funding that TD gets? And this will be more impactful for TD because of the size of your deposit base. But is there any risk in your mind that maybe Canadians are just a bit more demanding coming out of this rapid rate hiking cycle that we had, and perhaps the demand accounts, the free money that's been available to fund your lending just is not going to come back in any sort of meaningful way. That's what I'm sort of getting at in terms of the funding side.

Raymond Chun

I would say at this point, I'm not seeing anything that would show us that there's a difference on that question. What I would say is that, again, what we continue to see is from an acquisition standpoint, consumers are actually picking TD to do their day-to-day banking. We're seeing increased deposits overall, and we'll see as interest rates moderate, definitely to expect some of that deposit money will go into equities, but we'll see and we'll adjust accordingly. But at this point, I'm comfortable with where we're at.

Mike Rizvanovic

Okay. Appreciate the color. Thank you.

Operator

Thank you. The next question is from Meny Grauman from Scotiabank. Please go ahead. Your line is open.

Meny Grauman

Hi, good morning. I had a question about wholesale banking and was hoping you could provide some color in terms of performance by geography, Canada versus the U.S. and sort of the different trends, if we look at results between both geographies.

Riaz Ahmed

Yeah. Thanks, Meny. It's Riaz. Look, I think overall, when you kind of look at the revenue production this quarter at 1.8 billion, that's been kind of a nice lift of about 50% from where we were in the last full year before we acquired TD Cowen in 2022, where revenue per quarter was averaging about 1.2 billion. And that kind of lift is really coming from almost all areas in investment banking, as well as in syndicated leverage finance, transaction banking, as well as trading. And I was particularly encouraged that when last quarter I mentioned that we had raised our revenue power by 25% to about 1.5 billion, so it's nice to see that as markets have become somewhat more supportive that that continues to grow. And it's giving you the proof points that the acquisition is working. But look, as we continue to grow the wholesale segment, a large part of that growth is going to be based in the U.S. just because of the size of the relative markets. And while we've not historically disclosed the Canada versus U.S. revenue differences, might consider that in the future, but really we run a global business and particularly on the global market side. And it therefore sometimes can be a little bit of a bookkeeping exercise to parse the differences in liquidity funding, et cetera. But I kind of look at the overall production and feel pretty good about it.

Meny Grauman

Just to maybe ask a follow-up question on this. If I look at the quarter-over-quarter growth in revenue and wholesale banking, are we seeing similar growth rates between Canada and the U.S.?

Riaz Ahmed

I think the activity in both markets is coming back quite nicely. Equity capital markets have certainly shown more momentum in the U.S. than they have in Canada. But on the M&A side and debt capital market side, both sides of the market are seeing better days -- saw better days in Q1 than we did in Q4. And that momentum is coming back on both sides of the market.

Meny Grauman

Thanks, Riaz.

Operator

Thank you. The next question is from Sohrab Movahedi from BMO Capital Markets. Please go ahead. Your line is open.

Sohrab Movahedi

Thank you. Before I ask my question, I just wanted to clarify something. I think, Kelvin, are you -- I just want to make sure I interpret it correctly. There's probably another plus or minus $300 million restructuring charge next quarter.

Kelvin Tran

No. So what we said is that in the first half of calendar this year, the total charge is going to be similar to last year.

Sohrab Movahedi

Okay. So last -- and last year charge being $363 million pretax.

Kelvin Tran

Right.

Sohrab Movahedi

Okay. Thank you. I appreciate that clarification. Bharat, I mean the good news is, think you've made it clear that the AML issues are understood, I suppose, and progress is being made fixing them. Are you in a better position now versus few quarters ago to give a sense of how long do you think that will take? And how much do you think it will cost.

Bharat Masrani

I wish I could, Sohrab. And I'm hoping that I'll be able to in the near term. But suffice it to say as I said in my prepared remarks, we know what the issues are. We are working hard to improve and enhance our processes, I'm confident that I've been with the bank many years that when we get on to a particular issues we find, we get on to those and fix them. And so this is from my perspective, something that we are doing. And when I'm in a position to give you more information, I too am waiting to do that, and I will certainly attempt to do that as quickly as I'm able to.

Sohrab Movahedi

Okay. But you don't think -- like what the information you're awaiting Bharat, will it have potential impact of more restructuring charges or less of the benefits of the restructuring charges taken to date being falling to the bottom line or would it -- do you wonder or is it possible it will necessitate a review of the expense program versus what you've kind of laid out for us currently?

Bharat Masrani

Well, I think Kelvin laid out our expense profile for the year at the end of Q4. We -- Kelvin did say that our core expense growth are expected to be. These are forecast and of course, things can change based on market conditions. Core increase should be in the 2% range, if you add on the additional risk and control improvements that we said we will undertake, that takes that number to mid-single digits. So I think that kind of gives you some sense as to how we are thinking about this. I think you also had indicated, Kelvin is sitting on my left. If I'm wrong, please correct me. That some of these expenses will be in the corporate segment because we expect those to sometime in the future, disappear. And some will be the running of some of these programs will be in the segments. And that will mean at least for a little while, the corporate segment expenses will be higher by about -- approximately double than what you've seen in previous years. So I think that gives you some sense Sohrab, but I don't think I can give you any more.

Sohrab Movahedi

No, no, I appreciate that. I appreciate the color. I just wanted to make sure that what had kind of contemplated is what's kind of reflected in here. And I guess the rest of it will kind of hear about in due course. Thank you for taking my questions.

Bharat Masrani

Thanks very much.

Operator

Thank you. The next question is from Lemar Persaud from Cormark. Please go ahead. Your line is open.

Lemar Persaud

Thanks. Maybe for Riaz, can you talk about some of the actions you've taken in that business to right-size the cost base? And then I'm wondering if you could just touch on the impact on your business from the proposed dividend tax changes in Q1 and expectations moving forward?

Riaz Ahmed

Thanks, Lemar. Look, I think as I mentioned last quarter, we completed the integration of the equities platform last year and a fair bit of the legal integration of the broker dealers, as well as some of the markets based technology integrations we expect to complete by the end of this calendar year. So I think as those integrations are advancing and we've got the leadership structure fully now announced and in place to lead us to the into the next phase of growth here for the wholesale bank that I think all of that is allowing us to get to an aspirational efficiency ratio that I mentioned of 66% in the last quarter. So, today being the eve of the first anniversary of the closing of the acquisition of TD Cowen, I'm really thrilled about how much progress we've been able to make in the year. And while at the time of acquisition, we said the integration would take up to 3 years, it seems to be going a little bit faster than that. So I'm particularly happy about that. And just while we're on the call because I know our -- some of our colleagues listen, I think it's just worth calling out the big congratulations to all of them for bringing us this far. So quickly, now as far as the dividend tax matter goes, you can see from the notes in the financial statements that talk to the tax reconciliations that our annual dividend deduction has ranged from about $100 million to $125 million a year. And so 112 of that would be the impact on our Q1 for '24.

Lemar Persaud

Okay. And then moving forward, should we just take the Q1 and just quarterize on that. So that's a reasonable expectation?

Riaz Ahmed

Yes, I think that would be reasonable. But of course, it's all buried in the otherwise fantastic growth we're having elsewhere in the business across the business. So yes, I think for your modelling purposes, that makes sense to adjust it by that much.

Kelvin Tran

I think it's important to clarify that the impact to Q1 is only one month out of three months.

Lemar Persaud

Right. Okay. And then maybe for Kelvin, just on this restructuring program. It's obviously fairly large, and it seems like you guys have good clarity on the size of the program and cost savings. I didn't see any changes to your 2024 and fully realized cost savings estimates. So maybe you could help me understand how much of this program is going to be used in kind of three buckets. So like growth initiatives, rectifying AML issues and then any amounts falling to the bottom line. I think those -- that's probably the right way to look at it. But any thoughts and if you could split that out between those three buckets, that would be helpful?

Kelvin Tran

Yes. So it's -- maybe the way to talk about it is through the numbers. The savings that are coming out of this restructuring program, we expect savings $400 million in 2024 and $600 million in '25 on an annualized basis. I would say the bulk of that would be reinvested in risk and control because you would have seen in the range that the we provided for the corporate segment, the increase, and that is a big -- the main contributor would be risk and control, although there are many puts and takes in corporate segment and then the residual would be in driving future growth.

Lemar Persaud

So it's essentially just risk and control. And if you bucketed into that, is it fair then to say that this spend isn't necessarily going to drive additional revenues or benefits to the bank outside of risk and control. Is that fair?

Kelvin Tran

I guess you can always say which one do you prioritize? Because at the end of the day, we are expecting mid-single-digit expense growth. And so you say that, that is going to drive investment and then the rest is because of the growth in risk and control or the other first. We look at it as one portfolio basis, and we continue to reprioritize given the environment.

Lemar Persaud

Okay, thanks. That's it for me.

Operator

Thank you. The next question is from Darko Mihelic from RBC Capital Markets. Please go ahead. Your line is open.

Darko Mihelic

Hi, thank you for taking my questions. I know it's running along. Really quickly, two questions for Leo. First one, Leo, is when I look at the U.S. business, I'm trying to understand what you're aiming for this year in terms of loan growth and you can talk to this, whether it's relative to industry relative to where you are now, where do you see the biggest opportunities for growth? And given that the bank clearly had lots of capital are you actually aiming for above industry average kind of growth levels on the loan side? That's my first question.

Leo Salom

Great, Darko. Thank you very much for that question. Let me just give you a sense first at a macro level and then I'll look at it within the bank. From a macro perspective, just to be clear, I do expect there to be moderation in the level of asset growth in the market as a whole. In fact, we saw that we were pure leading in the quarter, in the first quarter. So to the extent that rates stay longer and to the extent that there is more pressure on consumers, I do expect that there will be some moderation in consumer loan demand. And on the commercial side, we've seen commercial entities, pulling back a little bit, waiting to see what happens with rates. And so they're taking a shorter view with regard to some of their decisions. Now from our perspective, in particular, I think we find ourselves in a bit of a unique situation. As I think shared with you, we've got 10 million retail clients, and we've been historically underpenetrated in terms of our consumer lending businesses. So the ability to bring our cards, our bank cards offer to bear on that subset of consumers to the extent that we can bring mortgage products and obviously continue to grow our broader consumer lending, it's an opportunity. So just to bring that to life a bit in our cards business, about 16% of our consumers today have a TD bank card in their wallet. Our aspiration is to double that. So that will give us to the extent that we lean into the honest opportunity, I do think that we'll be able to outgrow the market, and that's what we've done over the past three or four quarters. So, that really goes to what we're doing on the consumer side. Likewise, on the commercial side, you saw us post relatively strong growth. And I would say the partnership with TD Cowen and TD Securities is at the heart of that. The work that we're doing to redefine our mid-market franchise hand-in-hand with Riaz's team is giving us an opportunity to be able to cast a much bigger shadow in the mid-market space. And so we're really excited about that. The fact that the market is experiencing some degree of liquidity challenges, while we are in a much stronger position is giving us an ability to be selective and able to support clients through this sort of macro environment. So long-winded way of saying, I do believe that we'll be able to outperform from a lending perspective in the short term. But we're going to do going to do that prudently. We're that. We respect our underwriting criteria. We'll make sure that we're putting on good effective credit. But I do think we should be able to outperform the market.

Darko Mihelic

Okay. That's actually a very helpful answer. And my next question, and please don't judge me -- this might be a stupid question. I just don't know how this works. So today, you announced a three-year $20 billion community impact plan, so how should I think of that? Should I think of $20 billion consumer loans sort of coming on your balance sheet over the next three years? And I don't imagine these would be high spread, but possibly high PCL. I mean how should I think about this plan and what I should doing with my model, having heard this today?

Leo Salom

Darko, it's a really good question. First of all, let me say that I'm exceptionally excited that TD made this announcement. So just to define what it is, first of all, because I think it would be useful. So the $20 billion is really comprised of three lending categories. That $10 billion of that is mortgage lending to LMI consumers or say, in communities. Another $3 billion is to minority-led small businesses right across our footprint. And the final piece is $7 billion to development financing to affordable housing programs. I just want to remind everyone that we are obligated based on fair lending obligations in CRA to make those investments than we have been for some time. I think what this program does is lean in a little harder in a couple of categories to make sure that we are supporting our communities. It's fundamental to who we are. It's been part of our core culture. So I wouldn't expect this to translate into any sort of deterioration in our credit performance. We'll continue to apply rigorous underwriting standards to those -- to these programs, but it is meant be even more deliberate with regards to our fair lending and our CRA obligations.

Darko Mihelic

And these are all on balance sheet, correct?

LeoSalom

Yes, they are.

DarkoMihelic

Okay. Thank you.

Operator

Thank you. There are no further questions registered at this time. I will turn the call back to Bharat Masrani.

Bharat Masrani

Yeah, thanks very much. Darko, just to clarify on this. On the mortgage side, there are times when they're conforming mortgages, we transferred them to Fannie and Freddie, and so to try take dollar for dollar and say this is in the balance sheet, there's probably more -- we should provide you with more sort of explanation on that at a future date. But just to clarify that because it's a particular feature of the U.S. market that sometimes is not well understood. But overall, I'm thrilled with how the team has delivered. Like I said earlier, the momentum in our business is strong. We've had good volume, excellent volume growth in Canada, good loan growth in the U.S TD Securities, TD Cowen coming together.

And I would add my congratulations to our colleagues in the wholesale bank today is on eve of a major, major milestone. So it's great that we've come so far. And of course, I know this is Mr. Wiggan the rest us go by first name. So Tim, great to have you on this call as well. So with that, I would also take this opportunity to thank our 95,000 bankers around the world. They are the ones who deliver for all our stakeholders, including shareholders. So thank you and we will see you next quarter. Thanks very much.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time, and we thank you for your participation.