

# Quarterly Highlights

Q4 2020

## Financial Results (YoY)

- **Net income** \$5.1B, up 80% (adj.<sup>1</sup> \$3.0B, up 1%).
- **EPS** of \$2.80, up 82% (adj.<sup>1</sup> \$1.60, up 1%).
  - Reported earnings and EPS include a \$2.25 billion net after-tax gain on sale of the Bank's investment in TD Ameritrade (\$1.42B pre-tax) – see below for details.
- **Retail<sup>2</sup>** earnings \$2.7B, down 9% (adj.<sup>1</sup> \$2.7B, down 9%);
  - **Canadian. Retail:** \$1.8B, up 3% (adj.<sup>1</sup> \$1.8B, up 3%);
    - Cdn. P&C \$1,278MM, down 3%
    - Wealth \$345MM, up 19% (adj.<sup>1</sup> \$369MM, up 16%)
    - Insurance \$179MM, up 31%.
  - **U.S. Retail Bank:** US\$403MM, down 41% (C\$ down 41%)
  - **U.S. Retail** (incl. AMTD): US\$658MM, down 27% (C\$ down 27%)
- **Wholesale Banking** net income \$486MM, up 204%.
- **Corporate** net income \$1,984MM; adj.<sup>1</sup> loss \$213MM.

## Revenue, Expenses, Credit, and Capital

- **Revenue** up 15% YoY (adj.<sup>1</sup> up 1%): NII up 3%, non-interest income up 32% primarily reflecting \$1.42B pre-tax net gain on the sale of the Bank's investment in TD Ameritrade
- **Expenses** up 3% YoY: Includes \$163 million in corporate real estate optimization costs (not treated as item of note).
- **PCL down \$1,271MM QoQ:** PCL – impaired down \$472MM, reflecting the ongoing impact of bank and government assistance programs in the consumer lending portfolios and prior period impaired provisions in Wholesale; PCL – performing down \$799MM on a smaller increase to the allowance for credit losses.
- **Tax recovery** of \$202MM; adj. tax provision \$636MM – see Schwab summary below for reconciliation
- **CET1 13.1%:** Up 62 bps QoQ from internal capital generation (+30 bps), actuarial gains on employee benefit plans (+6 bps), OSFI transitional arrangements for ECL provisioning (+6 bps), Schwab transaction (+2 bps), and RWA and other excl. Schwab (+18 bps).
  - **Risk-Weighted Assets (RWA) flat QoQ:** Lower Market Risk RWA (+11 bps CET1) and lower Credit Risk RWA from asset size (+12 bps) and asset quality (+3 bps), offset by increased Credit Risk RWA associated with the Schwab transaction and related changes to banking book equity risk weights. See slide 37 of QRP for details.

## Items of Interest – Schwab Transaction

- Recorded net gain on sale of the Bank's investment in TD Ameritrade of **\$2.25B after-tax**, consisting of:
  - Non-taxable **revaluation gain of \$1.95B** (SFI, page 18)
  - \$0.3B gain on release of related deferred tax liability (not shown separately; included in Deferred Tax Assets, SFI page 13, line 25)
- Also released cumulative foreign currency translation gain and related hedge from AOCI into P&L, which netted to a loss of **~\$550 million** on a pre-tax basis and neutral after-tax (SFI page 15, lines 19-21 + footnote 1 & FS&N Statement of Comprehensive Income)
  - Loss on hedge partly offsets revaluation gain, resulting in **pre-tax gain of \$1.42B** booked in Corporate non-interest income (various, including SFI page 4, line 16 and SFI page 6, line 20)
- Deferred tax liability release and loss on hedge contributed to an **\$829MM tax recovery** (SFI page 4, line 23) and (4.4%) tax rate.

## Financial Results (C\$MM)

		Q4/2020	QoQ	YoY
<b>EPS</b>	Reported	\$ 2.80	131%	82%
	Adjusted <sup>1</sup>	\$ 1.60	28%	1%
<b>Net Income</b>	Reported	5,143	129%	80%
	Adjusted <sup>1</sup>	2,970	28%	1%
<b>Revenue</b>	Reported	11,844	11%	15%
	Adjusted <sup>1</sup>	10,423	-2%	1%
<b>PCL Ratio</b>		0.49%	-68 bps	-2 bps
PCL – Total		917	-1,271	+26
PCL – Impaired		359	-472	-380
PCL – Performing		558	-799	+406
<b>Expenses</b>	Reported	5,709	8%	3%
	Adjusted <sup>1</sup>	5,646	8%	3%
<b>CET 1 Ratio<sup>3</sup></b>		13.1%	+62 bps	+100 bps
<b>Net Interest Margin (NIM)</b>		1.65%	-8 bps	-29 bps

## Loans (Average balances)

	Q4/2020	QoQ	YoY
<b>Canadian Retail (C\$)</b>	446.6	1%	3%
Personal	362.0	2%	3%
Commercial	84.6	-1%	4%
<b>U.S. Retail (US\$)</b>	173.7	-1%	7%
Personal	76.2	1%	3%
Commercial	97.5	-3%	10%
<b>Wholesale (Gross Lending) (C\$)</b>	61.0	-12%	16%
<b>Total (C\$)</b>	737.2	-2%	5%

## Deposits (Average balances)

	Q4/2020	QoQ	YoY
<b>Canadian Retail (C\$)</b>	412.6	4%	20%
Personal	234.4	3%	15%
Commercial	143.3	6%	23%
Wealth	34.9	5%	42%
<b>U.S. Retail (US\$)</b>	352.5	3%	30%
Personal	108.0	3%	17%
Commercial	100.9	5%	37%
Sweep Deposits	143.6	1%	35%
<b>Total (C\$)</b>	<b>878.7</b>	<b>2%</b>	<b>25%</b>



Proven Business Model



Purpose-Driven



Forward Focused

**We're in this together** – Anchored by our proven business model and propelled by our forward-focused strategy, we are supporting our customers, communities and colleagues through these challenging times.

Except as noted, figures reflect year-over-year change. ENR: Q4 2020 Earnings News Release, MD&A: Q4 2020 Management's Discussion and Analysis, SFI: Q4 2020 Supplemental Financial Information, SRD: Q4 2020 Supplementary Regulatory Disclosure, FS&N: Q4 2020 Consolidated Financial Statements and Notes, QRP: Q4 2020 Quarterly Results Presentation.

1. 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") to assess each of its businesses and measure overall Bank performance. Adjusted net income, adjusted earnings per share (EPS) and related terms used in this presentation are not defined terms under GAAP and may not be comparable to similar terms used by other issuers. See "How the Bank Reports" in the Bank's Q4 2020 Earnings News Release and Q4 2020 MD&A ([www.td.com/investor](http://www.td.com/investor)) for further explanation, reported basis results, a list of the items of note, and a reconciliation of non-GAAP measures.

2. "Retail" comprises Canadian Retail and U.S. Retail segments. See the Bank's Q4 2020 Earnings News Release and Q4 2020 MD&A.

3. Includes capital adjustments provided by OSFI in response to COVID-19 pandemic in the second quarter of 2020, please refer to "Capital Position" section of the MD&A for additional detail.

### Segments

Canadian Retail (C\$MM)		Q4/2020	QoQ	YoY
Revenue		6,029	0%	-2%
Net Interest Margin (NIM)		2.71%	+3 bps	-25 bps
Insurance Claims		630	-22%	-11%
PCL		251	-700	-149
PCL Ratio		0.22%	-64 bps	-15 bps
Expenses	Reported	2,684	6%	2%
	Adjusted <sup>1</sup>	2,659	6%	2%
Net Income	Reported	<b>1,802</b>	<b>43%</b>	<b>3%</b>
	Adjusted <sup>1</sup>	<b>1,826</b>	<b>42%</b>	<b>3%</b>

U.S. Retail (US\$MM)		Q4/2020	QoQ	YoY
Revenue		2,054	-1%	-8%
Net Interest Margin (NIM)		2.27%	-23 bps	-91 bps
PCL		433	-222	+210
PCL Ratio (Net <sup>2</sup> )		1.01%	-50 bps	+46 bps
Expenses		1,254	4%	-1%
Income Taxes		(36)	-1	-101
Net Income, U.S. Retail Bank		403	55%	-41%
Equity Income, TD Ameritrade <sup>4</sup>		255	11%	16%
Total Net Income		<b>658</b>	<b>34%</b>	<b>-27%</b>

Wholesale Banking (C\$MM)		Q4/2020	QoQ	YoY
Revenue		1,254	-10%	48%
Trading-related income		761	-19%	85%
PCL		(6)	-129	-47
Expenses		581	-13%	-3%
Net Income		<b>486</b>	<b>10%</b>	<b>+326</b>

Corporate (C\$MM)		Q4/2020	QoQ	YoY
Net Corporate Expenses		(302)	97%	50%
Other		89	16%	287%
Net Income (Loss)	Reported	<b>1,984</b>	<b>nm</b>	<b>nm</b>
	Adjusted <sup>1</sup>	<b>(213)</b>	<b>180%</b>	<b>20%</b>

### Commentary (YoY)

#### ENR Table 9 (p. 11) and SFI (p. 8 and A1)

- Canadian Retail:** Net income (rep.) up reflecting lower PCL and insurance claims, partially offset by lower revenue and higher expenses.
  - Revenue down from lower deposit margins and lower fees in the banking business, offset partially by volume growth and higher wealth and insurance revenue
  - NIM up QoQ reflecting improving loan margins.
  - PCL down QoQ with lower impaired PCL (-\$173MM) in the consumer portfolios reflecting ongoing bank and government assistance programs, and lower performing PCL (-\$527MM) on a smaller increase to the performing allowance for credit losses
  - Expenses up 2% YoY reflecting higher spend supporting business growth, partially offset by lower project and discretionary spend.
  - Operating leverage<sup>3</sup> net of claims of -2.3% (-2.5% adjusted).
- Canadian P&C:** Revenue of \$3,653MM (down 6%), expenses \$1,658MM (down 1%), and net income \$1,278MM (down 3%).
  - NIM of 2.62%, up 3 bps QoQ and down 22 bps YoY
  - Operating leverage of -4.7%

#### ENR Table 10 (p. 13) and SFI (p. 10)

- U.S. Retail:** U.S. Retail Bank net income down primarily reflecting higher PCL and lower revenue.
  - Revenue down reflecting lower deposit margins and fees, partially offset by volume growth.
  - NIM down QoQ reflecting lower deposit margins and balance sheet mix.
  - PCL down QoQ, with lower impaired PCL (-\$100MM) in the consumer portfolios reflecting ongoing bank and government assistance programs, and lower performing PCL (-\$122MM) on a smaller increase to the performing allowance for credit losses.
  - Expenses down reflecting prior year restructuring charges and productivity savings this year, partially offset by higher costs to support customers and employees during COVID-19.
  - Efficiency ratio of 61.1%. Operating leverage<sup>3</sup> of -7.3%.
- TD Ameritrade:** Reported contribution up reflecting higher trading volumes and lower operating expenses, partially offset by reduced trading commissions and lower asset-based revenue.

#### ENR Table 11 (p. 14) and SFI (p. 11)

- Net income up reflecting higher revenue, lower non-interest expenses, and lower PCL.
- Revenue up reflecting higher trading-related revenue, higher loan fees and debt underwriting fees, as well as derivative valuation charges of \$96 million in the prior year.
- Expenses decreased reflecting lower variable compensation.

#### ENR Table 12 (p. 15) and SFI (p. 12)

- Reported net income increase primarily attributable to a net gain on sale of the Bank's investment in TD Ameritrade of \$1,421 million (\$2,250 million after-tax), as well as higher revenue from treasury and balance sheet management activities, partially offset by higher net corporate expenses.

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- 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.
- Operating leverage is calculated as the difference between revenue growth (for Canadian Retail, net of insurance claims) and expense growth (for Canadian Retail, adjusted expenses).
- The Bank's share of TD Ameritrade's earnings is reported with a one-month lag. The same convention is being followed for Schwab, and the Bank will begin recording its share of Schwab's earnings on this basis in the first quarter of fiscal 2021.