

# Highlights from Q1 2014



## Key Themes

- Adjusted net income<sup>1,2</sup> of \$2.0B, up 6% YoY, adjusted EPS<sup>3</sup> of \$1.06, also up 6% YoY
- Record adjusted<sup>1</sup> Retail earnings coupled with strong Wholesale results
- Announced dividend increase of \$0.04, up 9% from last quarter

## Financial Results

Adjusted Retail earnings<sup>1,4</sup>: \$1,832MM, up 8% YoY

- CAD Retail: \$1,340MM, up 5% YoY (P&C +11%, Wealth +19%, Insurance -44%)
- U.S. Retail: \$492MM, up 16% YoY

Wholesale earnings: \$230MM, up 44% YoY

## Volume, Expense, Credit & Capital

Good loan and deposit volume growth in Canada and the U.S.

- CAD Retail:** Loans 5% YoY – Personal 4% (including RESL 4%), Business 13%. Deposits 4% – Personal 2%, Business 8%, Wealth 5%
- US Retail:** Loans 9% YoY ex. Target – Personal 10%, Business 9%. Deposits 9% - Personal 7%, Business 10%, TD Ameritrade 11%

Core expense up 5.5%

- Partly due to growth initiatives and variable costs in the Canadian wealth and Wholesale businesses
- Canadian P&C operating leverage of +170 bps

Continued stable credit performance

- Adjusted<sup>1</sup> PCL up 18% YoY mainly due to the Target acquisition and a general allowance release in the prior year
- Canadian P&C loss rates remain historically low, ongoing improvement in the U.S. commercial portfolio

Basel III Common Equity Tier 1 ratio of 8.9% down 10 bps QoQ due primarily to the CVA capital add-on charge

## Business Outlook

**CAD Retail** Q1 2014 Report to Shareholders Page 13

- Retail loan growth to largely hold at the current levels and margins to be relatively stable for the year, new wealth asset growth expected to continue with benefits from market appreciation subject to capital markets performance, Aeroplan acquisition to positively contribute to earnings and overall margins, credit loss rates likely to remain relatively stable, insurance claims and expenses subject to the frequency and severity of weather-related events, and operating leverage for the year to be positive.

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- Earnings to be characterized by stable to improving margins due to higher long term interest rates, offset by lower levels of security gains and higher PCL, but supported by a stronger U.S. dollar. Loan growth expected to slow largely due to lower levels of mortgage refinancing, expense growth control to remain a focus while investment in growth and regulatory compliance continues.

## Segment Results

**Canadian Retail** Q1 2014 Report to Shareholders Page 12

### Continued solid volume growth

- Adjusted earnings<sup>1</sup> increased 5% YoY driven by loan and deposit volume growth, higher wealth asset under management, and favourable credit performance, partially offset by higher weather-related insurance claims
- NIM up 2 bps QoQ mainly due to the Aeroplan card acquisition
- Adjusted expenses<sup>1,5</sup> up 5% YoY attributable to volume growth, merit increases, higher wealth variable compensation, and the Aeroplan card acquisition
- Adjusted operating leverage<sup>1,5</sup> of approximately 50 bps
- Personal banking PCL down \$17MM YoY

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### Improved earnings quality, strong fundamentals

- Adjusted earnings<sup>1</sup> in U.S. dollar increased 8% YoY driven by Target and Epoch acquisitions, good organic growth, and higher contribution from TD Ameritrade
- NIM down by 6 bps QoQ due entirely to accounting-related items
- Security gains of US\$30MM versus US\$15MM in Q4/13 and US\$82 million in Q1/13
- Higher adjusted expenses<sup>1</sup> due to Target and Epoch acquisitions and investments in growth

**Wholesale** Q1 2014 Report to Shareholders Page 16

### Strong results

- Strong trading-related revenue, advisory and underwriting fees that benefited from improved volumes and strong underwriting activities
- Expenses up 5% attributable to higher variable compensation commensurate with higher revenue

**Corporate** Q1 2014 Report to Shareholders Page 17

- Adjusted net income<sup>1,6</sup> of -\$38MM, down YoY due to lower gains from treasury and other hedging activities, prior year positive tax items and reduction of allowance for incurred but not identified credit losses, partially offset by gain on sale of TD Ameritrade shares
- Corporate expenses increased as a result of higher project and initiative costs

## Items of Interest

Dividend increase of \$0.04 Q1 2014 Report to Shareholders Page 2

- Payable in April 2014
- Consistent with our aim to move the dividend payout ratio closer to the mid-point of our target range of 40–50%
- Timing of announcements may vary

Footnotes and Important Disclosures on Page 2



## Total Bank and Segment P&L \$MM<sup>1</sup>

### Total Bank Earnings

	Q1/14	Q4/13	Q1/13
<b>Retail<sup>4</sup></b>	\$ 1,832	1,749	1,701
<b>Wholesale</b>	230	122	160
<b>Corporate</b>	(38)	(56)	49
<b>Net Income (adjusted)<sup>1</sup></b>	<b>\$ 2,024</b>	<b>1,815</b>	<b>1,910</b>
<i>Net Income (reported)</i>	<i>2,042</i>	<i>1,616</i>	<i>1,784</i>

### Canadian Retail

	Q1/14	Q4/13	Q1/13
Revenue	\$ 4,629	4,597	4,370
PCL	230	224	244
Insurance Claims and Related Expenses	683	711	596
Expenses (adjusted) <sup>1,5</sup>	1,935	1,986	1,835
<b>Net Income (adjusted)<sup>1</sup></b>	<b>\$ 1,340</b>	<b>1,271</b>	<b>1,276</b>
<i>Net Income (reported)</i>	<i>1,204</i>	<i>1,237</i>	<i>1,252</i>

### U.S. Retail (in US\$MM)

	Q1/14	Q4/13	Q1/13
<b>Revenue</b>	\$ 1,935	1,896	1,564
<b>PCL</b>	223	177	177
<b>Expenses (adjusted)<sup>1,7</sup></b>	1,225	1,269	935
<b>Net Income (adjusted)<sup>1</sup></b>	<b>\$ 463</b>	<b>459</b>	<b>428</b>
<b>Net Income (adjusted)<sup>1</sup> (C\$)</b>	<b>\$ 492</b>	<b>478</b>	<b>425</b>
<i>Net Income (reported)</i>	<i>463</i>	<i>430</i>	<i>357</i>
<i>Net Income (reported) (C\$)</i>	<i>492</i>	<i>448</i>	<i>355</i>

### Wholesale

	Q1/14	Q4/13	Q1/13
<b>Revenue</b>	\$ 718	603	600
<b>PCL</b>	-	5	(5)
<b>Expenses</b>	411	423	393
<b>Net Income</b>	<b>\$ 230</b>	<b>122</b>	<b>160</b>

### Corporate

	Q1/14	Q4/13	Q1/13
Net Corporate Expenses	\$ (165)	(142)	(136)
Other	100	59	159
Non-Controlling Interests	27	27	26
<b>Net Income (adjusted)<sup>1,6</sup></b>	<b>\$ (38)</b>	<b>(56)</b>	<b>49</b>
<i>Net Income (reported)</i>	<i>116</i>	<i>(191)</i>	<i>17</i>

## Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis in the Bank's 2013 Annual Report ("2013 MD&A") under the headings "Economic Summary and Outlook", for each business segment "Business Outlook and Focus for 2014" and in other statements regarding the Bank's objectives and priorities for 2014 and beyond and strategies to achieve them, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "may", and "could". By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause such differences include: credit, market (including equity, commodity, foreign exchange, and interest rate), liquidity, operational (including technology), reputational, insurance, strategic, regulatory, legal, environmental, capital adequacy, and other risks. Examples of such risk factors include the general business and economic conditions in the regions in which the Bank operates; disruptions in or attacks (including cyber attacks) on the Bank's information technology, internet, network access or other voice or data communications systems or services; the evolution of various types of fraud to which the Bank is exposed; the failure of third parties to comply with their obligations to the Bank or its affiliates relating to the care and control of information; the impact of recent legislative and regulatory developments; the overall difficult litigation environment, including in the U.S.; changes to the Bank's credit ratings; changes in currency and interest rates; increased funding costs for credit due to market illiquidity and competition for funding; and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please see the "Risk Factors and Management" section of the 2013 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any transactions discussed under the heading "Significant Events" in the relevant MD&A, which applicable releases may be found on [www.td.com](http://www.td.com). All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to the Bank and the Bank cautions readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2013 MD&A under the headings "Economic Summary and Outlook", and for each business segment, "Business Outlook and Focus for 2014", each as updated in subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof 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 as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.

## Footnotes and Important Disclosures

[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 to arrive at "adjusted" results (i.e. reported results excluding "items of note", net of income taxes) 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, therefore, may not be comparable to similar terms used by other issuers. See "How the Bank Reports" in the Bank's First Quarter 2014 Earnings News Release and MD&A ([td.com/investor](http://td.com/investor)) for further explanation, reported basis results, a list of the items of note, and a reconciliation of non-GAAP measures. [2] Reported net income for Q1 2014 was \$2,042 million, up 14% YoY. [3] Reported EPS for Q1 2014 was \$1.07, up 15% YoY. [4] Reported retail earnings for Q1 2014 were \$1,696 million, up 6% YoY. [5] Reported CAD Retail operating leverage was -757 bps. Reported CAD Retail expenses were (\$ millions) 2,119, 2,032 and 1,867 for Q1 2014, Q4 2013, and Q1 2013 respectively. [6] Reported Corporate net income for Q1 2014 was \$116 million. [7] Reported U.S. Retail expenses were (US\$ millions) 1,225, 1,297, and 1,033 for Q1 2014, Q4 2013, and Q1 2013 respectively.