

# Q4 2018 Highlights – Overview

Except as noted, figures reflect year-over-year change



## Reported Financial Results

- Reported net income \$2.96B, up 9% (adj.<sup>1</sup> \$3.05B, up 17%).
- Reported EPS of \$1.58, up 11% (adj.<sup>1</sup> \$1.63 and up 20%).
- Reported Retail<sup>2</sup> earnings \$2,855MM, up 17% (adj.<sup>1</sup> up 16%);
  - CAD Retail: \$1,741MM, up 5%. Canadian P&C up 6%, Wealth up 7%, Insurance down 18%.
  - U.S. Retail (incl. AMTD): US\$855MM, up 38% (C\$ up 44%)
- Wholesale earnings \$286MM, up 24%.
- Corporate reported loss \$181MM; adjusted<sup>1</sup>: \$118MM.

## Revenue, Expenses, Credit, and Capital

- Revenue up 9%:** Net interest income up 8%, non-interest income up 11%.
- Expenses up 11%:** Reflecting business and volume growth, higher spend related to strategic initiatives, an increase in employee-related expenses, and the impact of foreign currency translation.
- PCL up 16%:** PCL – impaired up 2%, and PCL – performing up \$80MM reflecting the impact of methodology changes related to the adoption of IFRS 9, where Stage 2 loans are now measured based on a lifetime ECL.
- CET1 ratio of 12%:** +35 bps QoQ reflecting strong organic capital generation (+39 bps) and an actuarial gain on employee pension plans (+6 bps) partially offset by organic RWA increase and other (-10 bps).

## Items of Interest

- Significant & Subsequent Events (2018 MD&A Page 18)**
  - Air Canada:** Finalization of a long-term loyalty program agreement was announced on November 26, 2018.
  - Greystone:** Acquisition completed on November 1, 2018.
  - NCIB:** Intention to amend NCIB for up to an additional 20MM common shares, subject to OSFI and TSX approval.
- ROTCE Disclosure:** This business metric has been added to the executive compensation scorecard, as announced in the 2018 Proxy Circular. (MD&A, Table 7, Page 17, and ENR, Table 7, Page 6)
- Quarterly FX impact:** This information, previously only in the Annual and Q1-Q3 MD&A's, has been added to the Q4 ENR to make the Q4 value more apparent. (ENR, Table 8, Page 7)
- Financial Statements & Notes**
  - IFRS 9:** New disclosure has been added on the macroeconomic variables used in ECL modelling, as well as ECL sensitivity. (FS&N, Note 8, Page 165)
  - IFRS 15:** Estimate of the adoption impact of IFRS 15 is an overall reduction to Shareholder's Equity of approximately \$41 million. (FS&N, Note 4, Page 142)

## Financial Results (\$MM)

		Q4/18	QoQ	YoY
<b>EPS</b>	<i>Reported</i>	\$ 1.58	-4.2%	11.3%
	<i>Adjusted<sup>1</sup></i>	\$ 1.63	-1.8%	19.9%
<b>Revenue</b>		10,122	2.4%	9.2%
<b>Non-interest Expenses</b>	<i>Reported</i>	5,352	4.6%	10.9%
	<i>Adjusted<sup>1</sup></i>	5,299	4.6%	11.8%
<b>Net Income</b>	<i>Reported</i>	2,960	-4.7%	9.1%
	<i>Adjusted<sup>1</sup></i>	3,048	-2.5%	17.1%
<b>CET 1 Ratio</b>		12.0%	+35 bps	+130 bps
<b>Net Interest Margin (NIM)</b>		1.93%	-2 bps	-3 bps
<b>PCL Ratio</b>		0.41%	+6 bps	+2 bps
	<i>PCL – Total</i>	670	+109	+92
	<i>PCL – Impaired</i>	559	+29	+12
	<i>PCL – Performing</i>	111	+80	+80

## Loans (\$B)

	Q4/18	QoQ	YoY
<b>Canadian Retail</b>	414.5	2.1%	6.4%
<i>Personal</i>	339.4	2.2%	5.6%
<i>Commercial</i>	75.1	1.9%	10.3%
<b>U.S. Retail (USD)</b>	152.0	1.3%	2.6%
<i>Personal</i>	69.1	1.8%	3.4%
<i>Commercial</i>	82.9	1.0%	2.0%
<b>Wholesale</b>	23.8	0.8%	17.2%
<b>Total Bank</b>	<b>646.4</b>	<b>1.8%</b>	<b>5.5%</b>

## Deposits (\$B)

	Q4/18	QoQ	YoY
<b>Canadian Retail (excl. Wealth)</b>	304.4	0.6%	3.6%
<i>Personal</i>	191.6	0.5%	2.8%
<i>Commercial</i>	112.8	0.8%	5.0%
<b>U.S. Retail (USD)</b>	263.8	0.4%	5.4%
<i>Personal</i>	88.4	0.0%	3.8%
<i>Commercial</i>	68.6	4.9%	4.1%
<i>AMTD</i>	106.8	-1.9%	7.7%
<b>Total Bank (incl. Cdn. Retail Wealth)</b>	<b>851.4</b>	<b>1.5%</b>	<b>2.2%</b>



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# Q4 2018 Highlights – Segments

Except as noted, figures reflect year-over-year change



Canadian Retail (\$MM)	Q4/18	QoQ	YoY
Revenue	5,852	0.9%	8.4%
Net Interest Margin (NIM)	2.94	+1 bp	+8 bps
Insurance Claims	684	9.1%	11.2%
PCL <sup>3</sup>	263	+17	+19
PCL Ratio	0.25%	+1 bp	0 bps
Non-interest Expenses	2,530	5.4%	11.4%
Net Income	1,741	-6.0%	4.6%

U.S. Retail (in US\$MM)	Q4/18	QoQ	YoY
Revenue	2,193	1.7%	7.9%
Net Interest Margin (NIM)	3.33%	0 bps	+15 bps
PCL <sup>3</sup>	187	+17	+24
PCL Ratio	0.50%	+4 bps	+6 bps
Non-interest Expenses	<i>Reported</i> 1,256	7.2%	2.8%
	<i>Adjusted</i> <sup>1</sup> 1,256	7.2%	4.6%
Net Income, U.S. Retail Bank	680	-3.3%	26.4%
Equity Income, TD Ameritrade	<i>Reported</i> 175	0.6%	110.8%
	<i>Adjusted</i> <sup>1</sup> 194	3.2%	96.0%
Total Net Income	<i>Reported</i> 855	-2.5%	37.7%
	<i>Adjusted</i> <sup>1</sup> 874	-1.9%	34.5%

Wholesale (\$MM)	Q4/18	QoQ	YoY
Revenue	917	15.3%	32.1%
<i>Trading-related income</i>	484	76.0%	55.6%
PCL <sup>3</sup>	8	+22	+8
Expenses	537	3.7%	27.9%
Net Income	286	28.3%	23.8%

Corporate (\$MM)	Q4/18	QoQ	YoY
Net Corporate Expenses	(221)	3.3%	21.4%
Other	85	-2.3%	97.7%
Non-Controlling Interests	18	0.0%	-48.6%
Net Income (Loss)	<i>Reported</i> (181)	60.2%	nm
	<i>Adjusted</i> <sup>1</sup> (118)	8.3%	13.5%

## Canadian Retail – Q4 2018 ENR, Table 9, page 9

- Net income up on revenue growth, partially offset by higher non-interest expenses, insurance claims and PCL.
- PCL up QoQ and YoY.
- NIM up QoQ, reflecting rising interest rates partially offset by changes in balance sheet mix.
- Expenses up reflecting increased marketing and promotion costs, increased employee-related expenses, and increased spend related to strategic initiatives.
- Operating leverage net of claims: Q4 -330bps, 2018 +170bps).

## U.S. Retail – Q4 2018 ENR, Table 10, page 10

- U.S. Retail Bank net income up due to higher deposit margins, higher loan and deposit volumes, fee income growth, and a lower corporate tax rate, partially offset by higher operating expenses and PCL.
- Reported contribution from TD Ameritrade up primarily due to the benefit of the Scottrade transaction, higher interest rates, a lower corporate tax rate, and increased trading volumes.
- NIM was flat compared with the prior quarter.
- Reported expenses up, reflecting higher investments in business initiatives, business volume growth, and increased employee-related costs, partially offset by productivity savings.
- Efficiency ratio of 57.3%.
- Operating leverage of +510 bps.

## Wholesale – Q4 2018 ENR, Table 11, page 12

- Net income up reflecting higher revenue, partially offset by higher non-interest expenses, higher taxes and higher PCL.
- Revenue up reflecting higher trading-related revenue, and fee and advisory revenue.
- Expenses up reflecting higher variable compensation commensurate with increased revenue, higher initiative spend, and continued investments in client facing employees supporting the global expansion of Wholesale Banking's U.S. dollar strategy.

## Corporate – Q4 2018 ENR, Table 12, page 13

- Reported net loss increased primarily attributable to the dilution gain on the Scottrade transaction in the same quarter last year, increased net corporate expenses and decreased non-controlling interests, partially offset by increased contribution from Other items.
- Net corporate expenses increased due to the positive impact of tax adjustments in the same quarter last year.

### 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 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 Fourth Quarter 2018 Earnings News Release and 2018 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 Fourth Quarter 2018 Earnings News Release and 2018 MD&A.

[3] Effective November 1, 2017, the Bank adopted IFRS 9, which replaces the guidance in IAS 39. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances. The Bank has made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amount and the new carrying amount on November 1, 2017 through an adjustment to opening retained earnings. As such, fiscal 2018 results reflect the adoption of IFRS 9, while prior periods reflect results under IAS 39.