Q2 2024 EARNINGS CONFERENCE CALL
MAY 23, 2024

DISCLAIMER

FORWARD-LOOKING INFORMATION

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), 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 ("2023 MD&A") in the Bank's 2023 Annual Report under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2024" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2023 Accomplishments and Focus for 2024" for the Corporate segment, and in other statements regarding the Bank's objectives and priorities for 2024 and beyond and strategies to achieve them, the regulatory environment in which the Bank operates, and the Bank's anticipated financial performance. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "goal", "intend", "may", "outlook", "plan", "possible", "potential", "predict", "project", "should", "target", "will", and "would" and similar expressions or variations thereof, or the negative thereof, but these terms are not the exclusive means of identifying such statements.

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, individually or in the aggregate, such differences include: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include general business and economic conditions in the regions in which the Bank operates; geopolitical risk; inflation, rising rates and recession; regulatory oversight and compliance risk; the ability of the Bank to execute on long-term strategies, shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions and integration of acquisitions, the ability of the Bank to achieve its financial or strategic objectives with respect to its investments, business retention plans, and other strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank's technologies, systems and networks, those of the Bank's customers (including their own devices), and third parties providing services to the Bank; model risk; fraud activity; insider risk; the failure of third parties to comply with their obligations to the Bank or its affiliates, including relating to the care and control of information, and other risks arising from the Bank's use of third parties; the impact of new and changes to, or application of, current laws, rules and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; environmental and social risk (including climate change); exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes to the Bank's credit ratings; changes in foreign exchange rates, interest rates, credit spreads and equity prices; the interconnectivity of Financial Institutions including existing and potential international debt crises; increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; the economic, financial, and other impacts of pandemics; 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 refer to the "Risk Factors and Management" section of the 2023 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading "Significant Events" in the relevant MD&A, which applicable releases may be found on www.td.com. All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. 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 2023 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2024" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2023 Accomplishments and Focus for 2024" for the Corporate segment, each as may be 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 law.

CORPORATE PARTICIPANTS

Bharat Masrani
TD Bank Group – Group President and CEO

Kelvin Tran
TD Bank Group – Group Head and Chief Financial Officer

Ajai Bambawale
TD Bank Group – Group Head and Chief Risk Officer

Raymond Chun
TD Bank Group – Group Head, Canadian Personal Banking

Barbara Hooper
TD Bank Group – Group Head, Canadian Business Banking

Leo Salom
TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank

Riaz Ahmed
TD Bank Group – Group Head, Wholesale Banking

Tim Wiggan
TD Bank Group – Group Head, Wealth Management and Insurance

Brooke Hales
TD Bank Group – Head of Investor Relations

CONFERENCE CALL PARTICIPANTS

Doug Young
Desjardins Capital Markets – Analyst

Meny Grauman
Scotia Capital – Analyst

Matthew Lee
Canaccord Genuity – Analyst

Ebrahim Poonawala
Bank of America Securities – Analyst

Gabriel Dechaine
National Bank Financial – Analyst

Paul Holden
CIBC World Markets – Analyst

Sohrab Movahedi
BMO Capital Markets – Analyst

Lemar Persaud
Cormark Securities – Analyst

Nigel D'Souza
Veritas Investment Research – Analyst

PRESENTATION

Brooke Hales – TD Bank Group – Head of Investor Relations

Thank you operator. Good morning and welcome to TD Bank Group's Second 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 the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat peoples, and is now home to many diverse First Nations, Métis, and Inuit peoples. We also acknowledge that Toronto is covered by Treaty 13 signed with the Mississaugas of the 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 second 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.

We will be ending promptly at 9:00am. Accordingly, please limit yourself to one or two questions and then requeue.

Please turn to slide 2.

As noted on Slide 2, our comments during this call may contain forward-looking statements, which involve assumptions and have inherent risks and uncertainties. Actual results could differ materially. I would also remind listeners that the Bank uses non-GAAP financial measures to arrive at adjusted results. The Bank believes that adjusted results provide readers with a better understanding of how management views the Bank's performance. Bharat and Kelvin will both be referring to adjusted results in their remarks. Additional information about non-GAAP measures and material factors and assumptions is available in our Q2 2024 Report to Shareholders.

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

Bharat Masrani – TD Bank Group – Group President and CEO

Thank you, Brooke. And thank you, everyone, for joining us today.

Q2 was a strong quarter for TD, with earnings of $3.8 billion and EPS of $2.04, reflecting the strength of our diversified business model.

Before I get into the details, I want to spend a minute on our U.S. AML program. As you read in the news release we issued on May 3rd, there were serious instances where the Bank did not effectively monitor, detect, report, and respond to suspicious activity. Criminals are regularly targeting financial institutions, and in these cases, TD did not effectively thwart their activity. This is unacceptable.

TD has been cooperating closely with the authorities to help them prosecute these criminals. We have freely shared all information we have with the Department of Justice and other U.S. regulators, even when it demonstrated our weaknesses. As we advanced our own internal investigation, we took action against responsible employees, including termination, where appropriate. Throughout, we strived to do what is right.

We have also launched a comprehensive effort to overhaul our U.S. AML program. This is a major undertaking. This is a priority for me and our senior leaders, and we have mobilized the required resources to deliver. We have already invested $500 million in AML remediation efforts which will also uplift our AML program globally. We have made tangible progress but there is more work ahead. We are committed to getting the job done as we build an AML program commensurate with the growing risks from bad actors around the world.

We know investors and other stakeholders are eager for more information on the aggregate cost and timelines and want a fuller view of the monetary and non-monetary penalties. We have been cooperating with our US regulators and the DOJ in good faith for many months and are working hard to bring these investigations to a resolution as soon as possible so that our investors can have more clarity.

Let's now turn to our second quarter results. We have a proven business model with diversification and scale, underpinned by a strong risk culture, that is designed to deliver consistent and predictable earnings growth. We remain focused on executing on our strategy, growing our franchises, and delivering returns to our shareholders.

As I said, it was a strong quarter for TD, with all of our businesses outperforming expectations. Revenue grew by 10% year-over-year driven by momentum across our platform, and particularly in our markets-driven businesses. Fundamentals were strong across the Bank, resulting in loans and assets under management growing by 7% and 6%, respectively. With rates expected to be higher for longer, TD derives the benefits in net interest income, and – as Ajai will discuss – we are well positioned for a slower economy. PCLs were higher quarter-over-quarter, in-line with our prior guidance, as performing build – reflecting some credit migration and volume growth – was partially offset by lower impaired provisions. We delivered significant positive operating leverage – while continuing to execute on our restructuring program and prioritizing investments in our risk and control infrastructure.

The Bank's CET 1 ratio was 13.4 per cent, reflecting organic capital generation, offset by an increase in RWA due to volume growth and risk migration as expected, and the impact of shares bought back during the quarter. TD has sufficient capital to address uncertain market conditions and various scenarios that may play out.

This quarter, the Bank announced a multi-year strategic relationship with Google Cloud – in addition to TD's existing relationship with Microsoft Azure. These partnerships – and the Bank's technology strategy more broadly – help support TD's delivery of personalized and connected experiences for our customers, and accelerate innovation.

And, at last week's TD Tech Day, the Bank shared details of two of its generative AI pilots, developed through TD Invent – our enterprise approach to innovation. The first pilot, powered by Layer 6 (our in-house AI team), tests a generative AI virtual assistant designed to deliver more streamlined customer experiences in the Bank's contact centers. In the second pilot, TD is testing GitHub Copilot, a generative AI programming assistant developed by Microsoft that analyzes and suggests code, accelerating the pace of software development and empowering TD engineers to focus on more complex work.

Let me now turn to each of our businesses and review some highlights from Q2.

Our Canadian Personal and Commercial Banking segment is firing on all cylinders, delivering strong loan and deposit volume growth year-over-year, and substantial positive operating leverage. In real estate secured lending, TD continued to drive growth in a highly competitive market. The Bank recorded its twelfth consecutive month of market share gains, driven in part by TD Mortgage Direct. Launched a year ago, this new distribution channel is resonating with our customers and modernizing the process for receiving personalized advice. In credit cards, we grew loans 11% year-over-year. And – as part of TD's ongoing sponsorship of the Blue Jays – eligible credit cardholders can now enjoy exclusive perks at home games, as the Bank adds value for our customers. TD's leading deposit franchise continued to build momentum, winning in the critical New to Canada market with another strong quarter for account openings. And, as part of an expanded agreement announced this quarter, HDFC Bank – India's leading private sector bank – will refer students planning to study in Canada to TD's International Student GIC Program, simplifying the banking experience for Indian students in Canada.

In Business Banking, we grew loans by 7% year-over-year. Together with the Business Development Bank of Canada, TD launched the Business Accelerator Loan Program to help enhance access to capital for small-and medium-sized enterprises. I am also proud that TD Auto Finance ranked highest in Dealer Satisfaction for Non-Prime and Prime Credit among Non-Captive Auto Finance Lenders, according to the J.D. Power 2024 Canada Dealer Financing Satisfaction Study.

Turning to the U.S., the U.S. Retail Bank continued to deliver strong operating momentum, with sequential earnings growth of 7% and peer-leading loan growth in a challenging environment. We launched TD

Complete Checking – a new product designed to help simplify and modernize the checking experience – and TD Early Pay – a new feature that lets customers receive direct deposits up to two business days early. Our proprietary bankcard book continued to deliver, with balances up 16% year-over-year, new account growth of 25% year-over-year and record digital account openings this quarter. And we continued to have strong momentum in our commercial banking business – middle-market loan balances grew 20% and lending fees were up 58% year-over-year. TD Bank, America's Most Convenient Bank, hit a digital milestone in Q2. We already serve over 10 million customers in the U.S., and we now have over 5 million active mobile customers – delivering new features and capabilities that enhance the customer experience. The Bank continues to receive recognition for its unique and inclusive culture. In April, TD was once again named one of America's Best Employers for Diversity by Forbes – ranking highest among financial institutions.

The Wealth Management and Insurance segment saw strong performance across its diversified businesses, with revenues up 11% year-over-year reflecting higher insurance premiums, asset growth, and increased trades per day in the Direct Investing business. In TDAM, we grew market share in ETFs, recently adding seven fixed income ETFs to our product suite. TDAM also built momentum in the defined contribution space, as our Target Date Funds were recently rated the top recommendation to clients across Canada by a trusted benefit solutions provider. In our Advice business, our Family Office – which provides bespoke investment management and customized tax and legacy planning for our Ultra High Net Worth clients – just surpassed $1 billion in managed assets.

Wholesale Banking delivered record revenues for the second consecutive quarter, reflecting broad based growth across the business including in U.S. underwriting, sales and trading. With the TD Cowen acquisition, we are delivering a full suite of capabilities to our clients and building a top-10 integrated North American investment bank with global reach. The integration of TD Cowen is tracking ahead of schedule. On April 1st, we achieved an important milestone with the implementation of a unified Investment Banking, Capital Markets and Research platform, integrating coverage models. TD Cowen's renowned, global research franchise continues to receive recognition. In March, the team was awarded "Best Specialist ESG Research" in the 2024 ESG Investing Awards, highlighting their thought leadership and commitment to action-oriented and investable research.

The Bank has momentum and strong market share, and we are executing on our growth strategies. At our Investor Day almost a year ago, we highlighted medium-term targets for our Canadian retail businesses. One year in, we are on track to deliver on those aspirations. In Canadian Personal Banking, we described our ambition to "outgrow Canada's population" – and the most recent data shows TD's net customer growth outpacing Canadian population growth by 30 basis points. Similarly, in Insurance, we described our ambition to be Canada's "fastest growing personal lines insurer" – and, over the past year, TD has gained market share in personal lines in every province. TD is delivering on the bold ambitions we outlined a year ago.

The Bank remains committed to the communities we serve. Through the TD Ready Challenge, the Bank awarded ten $1 million grants to organizations in Canada and the U.S. that are focused on finding innovative solutions that address systemic barriers to affordable housing and help increase access to stable housing for those who need it most. And we brought together community groups, academics, and business leaders to help find innovative solutions through TD's inaugural Housing Summit at Howard University, a Historically Black College and University in Washington, D.C., in April.

I want to end by thanking our TD bankers across the globe. Our TD colleagues are the Bank's greatest asset. I am confident that – together – we will continue to rise to challenges and deliver for all our stakeholders.

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

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

Thank you, Bharat. Good morning, everyone. Please turn to slide 10.

This quarter, revenue increased 10% year-over-year, driven by momentum in our markets-driven businesses and higher volumes and margins in Canadian Personal and Commercial Banking. Expenses also increased year-over-year, reflecting higher employee-related expenses including variable compensation commensurate with higher revenues and investments in our risk and control infrastructure (held in the Corporate segment). The Bank delivered significant positive operating leverage – while continuing to prioritize investments in our risk and control infrastructure. PCLs were higher quarter-over-quarter as performing build – reflecting some credit migration and volume growth – was partially offset by lower impaired provisions. As a result, earnings were $3.8 billion, up 2% year-over-year. EPS was $2.04, up 7% year-over-year, reflecting our share buyback and earnings growth.

Please turn to slide 11.

There is no change to our expense guidance for fiscal 2024. We expect run-rate expenses – inclusive of the savings generated by the 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 $165 million pre-tax. Next quarter, we expect to incur additional restructuring charges of approximately $50 million, and to conclude our restructuring program. The total restructuring charges are higher than we initially anticipated as the Bank identified additional opportunities to drive productivity this quarter. As a result, the expected run-rate savings are also higher. The restructuring program is expected to generate savings of approximately $400 million pre-tax in fiscal 2024, and annual run-rate savings of approximately $725 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 platforms. This will create capacity to reinvest. The Bank has already delivered an FTE reduction of approximately 3%, excluding reinvestment into hires related to our risk and control infrastructure. We continue to be disciplined on expense management. The Bank is on track to deliver targeted fiscal '24 and annualized savings.

Please turn to slide 12.

Canadian Personal & Commercial Banking delivered a strong quarter reflecting loan and deposit volume growth and substantial positive operating leverage. Average loan volumes rose 7% year-over-year, with 7% growth in personal volumes – driven by real estate secured lending up 7% and cards up 11% – and 7% growth in business volumes. Average deposits rose 4% year-over-year, reflecting 6% growth in personal deposits offset by a 1% decline in business deposits. Deposit growth reflects market share gains in term deposits, driven by strong gains in New-to-Bank Term deposits – while TD maintained Canada's #1 core deposit franchise. Net interest margin was 2.84%, flat quarter-over-quarter, as higher margins on loans and deposits were offset by changes in balance sheet mix. As we look forward to Q3, while many factors can impact margins, we expect lower NIM from downward pressure due to competitive market dynamics and further migration of BAs to CORRA-based loans. We expect this to be partially offset by the benefit of tractor on and off rates. While the migration of BAs to CORRA-based loans is marginally dilutive to Canadian P&C NIM, it is neutral for the segment from a P&L perspective. We are also not expecting a significant impact to Total Bank NIM from this transition. 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 continued to deliver operating momentum, with sequential earnings and loan growth in a challenging environment. Average loan volumes increased 7% year-over-year. We saw strong auto originations with loan volumes up 12% year-over-year and double-digit growth in TD's proprietary bankcard book and consumer mortgage portfolio. And in commercial loans, we continued to deliver growth in mid-market lending with volumes up 20% – a business that is also driving fee income. Average deposit volumes, excluding sweep deposits, were relatively flat year-over-year and quarter-over-quarter, as the U.S. Retail Bank demonstrated deposit resilience in a competitive environment. On a spot basis, deposits were up 1% quarter-over-quarter.

Net interest margin was 2.99%, down 4 basis points quarter-over-quarter driven by balance sheet mix and higher funding costs. While many factors can impact margins including competitive deposit market dynamics in the U.S., the level of rates, and balance sheet mix, we expect modest NIM expansion in the second half of the year. Expenses were relatively flat year-over-year and declined 6% quarter-over-quarter, due to seasonality of expenses and impact of productivity initiatives. We continue to make additional investments in risk and control areas which are mainly recorded in the Corporate segment.

Please turn to slide 14.

Wealth Management & Insurance delivered strong business momentum this quarter. Revenue grew 11% year-over-year, reflecting higher insurance premiums, fee-based revenue commensurate with market growth and transaction revenue. While expenses were up 7% year-over-year – reflecting higher variable compensation commensurate with higher revenues – the segment reduced FTE by 8% year-over-year. As the Insurance business continues its digital transformation – and more customers complete sales online from end-to-end – we have achieved greater efficiencies in our contact centers. This creates capacity that can be reinvested in advisors and financial planners to drive growth in our Wealth business. Assets under management increased 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 for the second consecutive quarter. Revenue of $1.9 billion reflected broad based growth across the investment bank – especially in Global Markets – as we enhanced its earnings power and realize the synergies from TD Cowen. Expenses increased 19% year-over-year primarily reflecting higher variable compensation commensurate with higher revenues, and the inclusion of TD Cowen which closed March 1st last year.

Please turn to slide 16.

The Corporate net loss for the quarter was $284 million. Net corporate expenses increased $220 million compared to the prior year, mainly reflecting investments in our risk and control infrastructure. This was partially offset by an increase of $113 million compared to the prior year in Other, primarily reflecting treasury related items.

Please turn to slide 17.

The Common Equity Tier 1 ratio ended the quarter at 13.4%, down 51 basis points sequentially. Internal capital generation was offset by an increase in RWA (excluding the impact of FX) reflecting volume growth and risk migration as expected. We continued our NCIB this quarter and have now completed almost two thirds of our 90 million share buyback program. Together, the AML investigations provision and civil matter provision decreased CET 1 by 15 basis points this quarter. As a reminder, the operational risk capital RWA impacts of these items are on a one-quarter lag and will be reflected in Q3.

With that Ajai, over to you.

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

Thank you, Kelvin, and good morning everyone.

Please turn to slide 18.

Gross impaired loan formations were stable at 21 basis points for the Bank. For the segments, formations were stable in Canadian P&C, lower in U.S. Retail, and there were no new formations in the Wholesale segment.

Please turn to slide 19.

Gross impaired loans were stable at 41 basis points quarter-over-quarter, as increases in the Canadian P&C and U.S. Retail segments were partially offset by a decrease for the Wholesale segment.

Please turn to slide 20.

Recall that our presentation reports PCL ratios both gross and net of the partners' 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 gross provision for credit losses increased 3 basis points quarter-over-quarter to 47 basis points. The increase is largely recorded in the Wholesale and Canadian Commercial lending portfolios, and is primarily related to credit migration across various industries, and volume growth.

Please turn to slide 21.

The Bank's Impaired PCL was $870 million, a decrease of $64 million quarter-over-quarter, driven by lower provisions in the U.S. Commercial lending portfolio, and seasonal trends in the U.S. Card and Auto portfolios, partially offset by credit migration in the Canadian Commercial lending portfolios across various industries. Performing PCL increased $134 million quarter-over-quarter to $201 million. Current quarter performing provisions were largely reflected in the Canadian Personal and Commercial, U.S. Retail, and Wholesale segments.

Please turn to slide 22.

The Allowance for Credit Losses increased by $282 million quarter-over-quarter to $8.6 billion, due to a $129 million impact from foreign exchange, current credit conditions, including some credit migration across segments and volume growth. The Bank's allowance coverage remains elevated to account for ongoing uncertainty relating to the economic trajectory and credit performance.

In summary, the Bank exhibited good credit performance this quarter, as results remain within expectations, and reflective of the current economic and credit environment. 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

Operator

[Operator Instructions]. Our first question is from Doug Young from Desjardins Capital Markets.

Doug Young – Desjardins Capital Markets – Analyst

Just starting with the CET 1 ratio, down 50 basis points quarter-over-quarter. I think it was a 20 basis point hit from asset quality. I assume that's just the migration. So I guess the question is, where are you seeing the credit migration? Can you give a little bit more detail on that? And then, Kelvin, I think you talked about the Op Risk impact on the CET 1 ratio from the legal items coming through next quarter. Can you kind of just quantify that?

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

It's Ajai. So let me start with the credit migration. And you would have noticed that credit migration or asset quality accounts was a $7.1 billion increase in RWA. U.S. retail is a big component of that. We're seeing credit migration in commercial across various segments or industries, but CRE is a factor there. We're also seeing higher PDs and LGDs in U.S. auto.

On the Canadian side, in Canadian consumer, we are seeing migration on the auto book largely PD – very little right now on LGD, and then we're seeing a bit on commercial as well. In Wholesale, the migration we are seeing is in PD and LGD again, and it's not one industry, it's across a number of industries.

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

It's Kelvin here, to your question. So the capital impact of these items for Q2 was about 15 basis points, 1-5, and the lag in operational risk impact in Q3 is expected to be around 12 basis points.

Doug Young – Desjardins Capital Markets – Analyst

Okay. And if I just do a follow-up, Ajai, just in terms of the performing loan PCL and the credit migration that you're seeing run through the capital side. Can you talk a bit about the conservatism or your approach? And maybe on the performing loan side, how much of that performing loan build this quarter? Or what's in your allowance on the performing loan side relates to expert credit judgment?

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

Yes. So the expert judgment component is quite small. I'd say it's under 5%. So a lot of the allowance is really based on the macro factors, but we do do a lot of bottom-up work. And you'll recollect right from the time of the pandemic, we do look at portfolios, we do look at higher rates for longer, we factor that into our analysis as well. And good examples of that are commercial real estate. We do bottom-up work. We'd actually go borrower by borrower and see what the potential reserves are, are they captured in the macro scenario or not? RESL would be another good example in Canada where we'd be constantly looking at the higher risk segments – we'd look at higher rates for longer, what's the impact and build it into our allowance. And we've been doing this for a while. So yes, you're right, there are some judgmental overlays but that's not the big driver of our allowances. And then the last comment I'd make is that I feel pretty good about where we are in terms of our allowance at 91 bps. A downside case is a recessionary case. We've got a fair bit of weighting on it. And as I said, we have been factoring in higher rates for longer into our allowance.

Meny Grauman – Scotia Capital – Analyst

Just wanted to revisit U.S. growth plan, something you talked about a year ago – Q2 '23. If I look at the guidance on store openings, you talked about 150 stores by 2027. You did 17 new stores in '23, but it's down 10 year-to-date. So just wondering that 150 store by 2027, that guidance. Is that still guidance that you would stand behind? Or does it need to be adjusted?

Leo Salom – TD Bank Group – President & CEO, America's Most Convenient Bank

Thank you very much for the question, Meny. Just to take a quick step back. Obviously, the store network has been a critical part of our growth strategy over the past – essentially the 2 decades that we've been in the U.S. And it certainly is an important part of our acquisition engine. We are – as we look to the future, we're doing a couple of things. One, our first priority is making sure that we address fully and completely the AML and governance and control issues that we're facing in the U.S. and that is drawing a significant amount of our investment dollars as we address that with the seriousness and the importance that that requires.

Secondly, we're looking at store expansion, and we are deliberately pacing that expansion. You'll see us focus more around our digital and mobile strategies in order to be able to position our franchise collectively for a more balanced omnichannel growth strategy going forward. It doesn't mean that medium, long term, the stores won't be important. But I do think that in the immediate short term, the focus is going to be in those 2 fundamental areas.

I will say that there is a significant amount of retooling in the stores itself. And I just want to spend a moment on that because within the numbers, we have already over the past few quarters retooled about 66 stores to our next-generation store design. What that does is it changes the configuration inside the store so we can deliver a broader, a deeper relationship with our clients, with greater advice capabilities. And that is really resonating with clients, and we're quite pleased with that. We're also changing a lot of the interior capabilities in the stores. We're about a little bit over 50% complete in the revamping of our ATM network that provides much more point-of-sale marketing capabilities that we're leveraging. And finally, we're adding more digital merchandising across the network in order to be able to provide our advertising capabilities dynamically throughout the network. These are all areas that we're trying to do to just make what is today, arguably, one of the best retail acquisition networks in the country, even more productive, even more effective and more future proof in terms of our overall capabilities.

Matthew Lee – Canaccord Genuity – Analyst

Maybe we can start by talking about the Cowen acquisition now about a year in. It feels to me that several of your U.S. bank peers are talking about the sponsor business as an area that could be a tailwind in the second half of the year. Can you maybe talk about how combining Cowen's expertise and TD's balance sheet can help you benefit from an acceleration in that segment?

Riaz Ahmed – TD Bank Group – Group Head, Wholesale Banking

Thank you, Matthew, it's Riaz. Look, I think to your point, just as a reminder, we have traditional areas of strength in the sponsor business in Canada and the U.S., more on the large cap side in legacy TD Securities. And then Cowen brought together a tremendous mid-market investment banking and sponsor finance capability. So while they have the relationships and the placement capabilities, what legacy Cowen did not have was the balance sheet to be able to drive that business. So bringing that together and particularly for the TD Cowen side in the U.S., marrying that up with Leo's business is a tremendous opportunity for us. And and we're looking to continue to just build out both sides of the sponsor business on the larger cap side as well as the middle market side. And I think we're well underway and already are seeing some good momentum. We, over the course of the integration, have actually transferred 3 Cowen bankers to add to Leo's capabilities. So being able to do that to bring the benefits of both sides, the distribution as well as product capabilities is showing some very early but good momentum for both Leo's and my side of the business.

Matthew Lee – Canaccord Genuity – Analyst

And then I think you've said in the past, the sale of Ameritrade opens a door for you to develop your own proprietary wealth management business in the U.S. Can you just probably give some parameters around what you think that business could look like in 5 years? And does that development of that business perhaps incentivize you to sell the Schwab stake at all?

Leo Salom – TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank

Well, I won't comment about the sort of motivations around the sale of the stake in TD Ameritrade. But I do think this does present us an opportunity to build out our wealth franchise. I just think of the work that was done in Canada over the past decade, we were very deliberate in building both the mass affluent distribution network that is linked to the retail franchise as well as a high net worth execution capability. We're following a similar playbook, albeit the market might be different in terms of its competitive landscape. I think some of the dynamics are the same. We bank 10 million retail consumers in the U.S., a little bit over 3 million of those would be deemed mass affluent. Building out our mass affluent execution sales force is a significant priority, and we're well underway in terms of doing that.

I would want to try to replicate much of the same financial planning dynamic that we built in the Canadian segment and tie that really neatly into our retail franchise. Likewise, if you look at our performance in the high net worth space, we've had a very good year in terms of the growth of our high net worth business. Today, it's a much more significant contributor to our overall franchise. And we would hope over the next 5-7 years, wealth becomes a key contributor both to fee income but also to our overall improvement of our overall return on equity. So it is one of our strategic aspirations, strategic priorities going forward, and we'll continue to build it out.

Ebrahim Poonawala – Bank of America Securities – Analyst

So I guess maybe just wanted to follow-up tied to the AML issue – I think – the response Leo gave around store opening. What I heard was – it seems you're not opening stores, you may not be able to open stores and the risk that we hear from in conversations with investors – and I share this concern – is the stagnation of the U.S. franchise. So maybe Leo, help us sort of better understand why we should not worry about the TD franchise stagnating depending on what the penalties levied are. When we think about like JPMorgan, tons of regional banks opening these branches all around Southeast and talent attrition, et cetera. Just help us kind of think through why some of that is not a big risk as we think about the next 2 to 3 years as you deal with the AML issues.

Leo Salom – TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank

Thank you very much for the question, Ebrahim. I'd ask you to start by just looking at the quarter. I mean if you look at the quarter performance, we posted a 7% sequential growth in terms of NIAT. We did that on both strong operating momentum, peer-leading loan growth in both the commercial and retail loan businesses. We also delivered a 6% sequential reduction in expenses as the productivity programs that we announced in the third quarter of last year begin to take root. We managed to maintain a stable deposit platform. We saw spot growth, but on a quarter-on-quarter basis – on an average basis, we were relatively flat, and we improved return on equity overall contribution. And we did that while making significant investments in our governance and control environment, specifically around our AML agenda. So I'd start by saying, I think you're seeing the power of the franchise and the organic capacity of our ability to bring solutions, whether they be consumer lending solutions, wealth solutions, other mid-market transactional banking capabilities to the existing client base that we have, and that is certainly bearing fruit. The reason why I'm being – I want to be really direct on the point with regards to stores. I'm not making the claim that we cannot grow the stores. But I also want to be very clear that we are in the midst of discussions with regulators, and I don't want to prejudice any of those conversations at this point. I know that there's a lot of questions about what we can and cannot do. And the one thing that I will commit to this group is as soon as we're in a position to provide greater clarity on those, we will certainly do that. But in the interim, I would say we've got a strong franchise. We're making investments in that franchise. We'll continue to grow cards while [technical difficulty] our mid-market business. We'll continue to invest in digital and our mobile capabilities, and we'll look for opportunistic opportunities to continue to grow the franchise. And I think you're seeing the result of that activity. And I think it's clearly bearing fruit.

Ebrahim Poonawala – Bank of America Securities – Analyst

Got it. And I guess just as a separate follow-up, maybe, Bharat, your opening remarks, you mentioned TD did not effectively thwart threats and activities from bad actors. I'm just trying to think through like myself for TD, it is really strong in risk management. That doesn't seem to be the case here. One, what went wrong? And then when I think about the article that came out last night in the Globe about the RCM, can you at least give us assurance that this is a very specific U.S. AML issue? Or could it be that in a few weeks from now, we start getting headlines around other risk gaps at TD? Just give us a sense of, one, what went wrong? And beyond U.S. AML, how have you revisited the risk framework to make sure this doesn't like – this is, I guess, handicapped?

Bharat Masrani – TD Bank Group – Group President and CEO

Ebrahim, this is Bharat. Look, we've said so much about the AML program in the U.S. We know the role we play, the importance financial institutions play in the fight against money laundering. And we are committed to doing our part. And the reports you hear, what you read does not reflect who we are, our values or what the bank stands for. And we made that very clear. I mean we get targeted all the time. And unfortunately, in these instances, our program fell short. And we know what those shortcomings are, we are on it, and we are fixing them. And as you saw in our press release that came out a couple of weeks ago, we've already invested $500 million in the program remediation, in enhancements, we've hired AML executives. These are some of the best in the world. We've onboarded hundreds of AML experts as well and professionals and deployed new enterprise-wide training, onboarding programs to improve the program performance and consistency.

And of course, new technologies. We're moving to a brand-new platform towards the end of the year. So we are doing what you'd expect TD to do. And unfortunately, because of our ongoing discussions, we are not able to give you more colour on this, but I'm hoping, at some point, we will be. And I'm looking forward to those days. With respect to the article you're talking about, it is unfortunate that the report contains inaccuracies, and misrepresents our normal course of business as usual interactions with Canadian regulators. We are a large global player. We have lots of discussions with many regulators that are normal course business as usual. And like I said, it is unfortunate that the report contains inaccuracies.

We strive to be a well-run bank. Our risk management reputation, it goes back many decades. And it's unfortunate that in this one instance, we fell short. And as I said earlier, we are in the process of fixing it and we will fix it. And then we are making all the right investments and hiring the right professionals to get us there. So with that, I hope I have covered off everything you were asking.

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

Maybe I can add a few points. It's Ajai. So just from my perspective, the main issue we're dealing with is the U.S. AML program. There are lessons learned from the U.S. AML program and the investments being made, all those are going to benefit the global program. But as Bharat said, there is a comprehensive effort underway, we're taking it very seriously. The other comment I wanted to make just relating to the article, like from my standpoint, it is normal course for a bank to be investing in risk programs. You can ask any other CRO anywhere in the world. Do they invest in risk programs, whether it's cyber, whether it's third party, whether it's fraud and other programs, the list goes on and on – compliance – that is normal course for any bank to be investing in their risk programs and also the dialogue, which is referenced the article, the dialogue with regulators actually happens every day. So I'll pause there.

Ebrahim Poonawala – Bank of America Securities – Analyst

No, I think that's helpful. I mean I guess it sounds like it still remains primarily a U.S. AML issue. And I guess the other question, Ajai, as a follow-up. Why did you not catch that? Going back to what Bharat said, decades of reputational risk management, I would have thought TD is leading the charge on best-in-class AML. Why did that not happen? Is this isolated? Or is that a systemic issue at the bank?

Ajai Bambawale – TD Bank Group – Group Head and Chief Risk Officer

Good question. And what I would say is we always endeavor to be best-in-class in every risk area. But yes, from time to time, we find we've fallen behind in a particular area. And we're out there owning the issue that we fell behind in our program and our program did not pick up things it should have picked up. But really, if I go right to the root cause of what happened, there were some procedural weaknesses in the U.S. that caused bad actors to exploit us. And we were also disappointed that some of our colleagues didn't follow our code of ethics. Those would be the two things I'd call out, and that's specific to the U.S. This is not a problem here at the enterprise level. But I want to emphasize anything we learn in the U.S. from this event and even otherwise, we bring it back to the enterprise and we make the appropriate enhancements. And that's what we're doing in this case as well. So again, to summarize, our endeavor is to be the best at everything. But yes, we do fall behind, in certain areas, occasionally, and this happens to be one of them, and we're not denying it. We're owning it.

Bharat Masrani – TD Bank Group – Group President and CEO

That's key, Ebrahim. It would be easy to say, well, it's a one-off thing. We'll just move on. No, this is the TD style. This is the TD transparency. We want to make sure, we tell you what went wrong and what we are doing about it and to make sure it never happens again. And that, I think, in itself tells you the culture of the bank and the risk culture that is inherent at TD.

Ebrahim Poonawala – Bank of America Securities – Analyst

This is good colour.

Gabriel Dechaine – National Bank Financial – Analyst

I'll ask my questions all at once here. Number one, in your other income, the hedge gain line item turned pretty positive there sequentially and relative to the trend, if you can just explain that. Then for Bharat and – or Kelvin, the cost guidance is not changing for this year. You were very clear on that, thanks. I'm just wondering what you're thinking about the costs and specifically related to this AML program beyond 2024. You're taking more restructuring charges to find more cost savings. I'm wondering if that's an indication that you maybe needed to find more cost savings to subsidize that AML program?

And lastly, on the buybacks, the pace has come down. And unless I'm mistaken, I don't know if you bought back any stock in April, maybe there was a technical restriction there. I'm wondering what your outlook is for buybacks or if that's changed at all relative to what you were telling us a few months ago.

Bharat Masrani – TD Bank Group – Group President and CEO

What was the first one?

Gabriel Dechaine – National Bank Financial – Analyst

The hedge gains, it was a $200 million positive. Usually, it was negative.

Kelvin Tran – TD Bank Group – Group Head and Chief Financial Officer

It's Kelvin, and I'll address that. It's a similar item that we talked about in the past. When you look at the specific items, it's not reflecting the whole portfolio of trading-related income. We ask that you look at our disclosure in our supplementary disclosure on trading related income, if that's what you want to do. Looking at a specific line does not provide better insights.

Gabriel Dechaine – National Bank Financial – Analyst

Maybe we'll take that one offline. The other ones are more important.

Bharat Masrani – TD Bank Group – Group President and CEO

Yes. On the cost of remediation and all that, Gabe, our intention is to fix all our issues as soon as we can. And we're working hard, as I said earlier, we've already invested $500 million in program remediation, hired a lot of professionals, building new technologies. And we're trying to get this done as quickly as we can. But can it go into '25? Yes, perhaps it might, but it's hard to say because these investments and the build, sometimes takes longer, sometimes it's shorter. So we'll see how that works out.

With respect to your question that are we looking for efficiencies just to I think you used the word subsidize, absolutely not. We are a bank that always looks at efficiencies – if there's a better way to deliver for our nearly 28 million customers worldwide, we will obviously make sure that we achieve that. So of course, it's important that we run a bank and I think the business of banking continues at TD where we continue to deliver for our customers and part of delivering for all our stakeholders is to run a very efficient bank, and you're seeing that in our numbers.

Gabriel Dechaine – National Bank Financial – Analyst

Then on the buybacks?

Bharat Masrani – TD Bank Group – Group President and CEO

Yes. So our intentions are the same as what we had said last time. We have a program, and our intention is to complete the program subject to market conditions, and that's how we look at this program.

Gabriel Dechaine – National Bank Financial – Analyst

I guess your messaging was you want to do the full, whatever 90 million or whatever it is?

Bharat Masrani – TD Bank Group – Group President and CEO

It is 90 million.

Gabriel Dechaine – National Bank Financial – Analyst

Yes. These operational risk RWAs. There's this other civil settlement that are just taking little nibbles away at your capital ratio. I'm wondering if that changes the momentum a bit?

Bharat Masrani – TD Bank Group – Group President and CEO

Like I said, market conditions, we have an auto program as well. This is -- that puts in the algorithm against that. And when appropriate, when we think there are market opportunities where buyback is the interest of the bank and our shareholders, we will partake in that as well. So that's how we think about it. And subject to market conditions, our intention is to complete the program.

Paul Holden – CIBC World Markets – Analyst

I'll just keep it to one for the interest of time. So going to go back to the AML issue because I think you made some very important statements there. While the AML shortfalls may be in U.S. specific, you are making enterprise-wide investments in risk and control. And the reason I bring that up is I think there's some concern that if there's – I don't know if you want to call it, regulatory spread to Canada, but the cost of remediating might increase, but that does not sound like that's a risk given the way you've talked about, again, enterprisewide investment. So maybe you can just provide some clarity there.

Bharat Masrani – TD Bank Group – Group President and CEO

Well, our guidance, I think Kelvin has said, at the end of Q4 that our core expense growth is expected to be 2%, but given all the additional investments we are making in risk and control, that number will likely be mid-single digits. So that has not changed.

Paul Holden – CIBC World Markets – Analyst

Okay. So that doesn't change even if you have to make some additional investments in Canada. Okay. And then I will ask since that was a quick one – I will ask one more. Maybe you can provide some NIM guidance at the all bank level. Given you expect Canada to be down a little bit, but U.S. positive. Does that mean sort of neutral at the all bank level?

Kelvin Tran – TD Bank Group – Chief Financial Officer

It's Kelvin here. We don't generally provide non-trading NIM guidance at the total bank level, but what you suggested is not unreasonable.

Sohrab Movahedi – BMO Capital Markets – Analyst

I just wanted to clarify, Kelvin, the restructuring program became a little bit larger. It's intended to generate more savings, but none of that is falling to the bottom line. Is that correct?

Kelvin Tran – TD Bank Group – Chief Financial Officer

Additional savings is more run rate in 2025. And so we haven't provided guidance for '25 expenses.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay. So – and then, Leo, just to come back to U.S. Retail a little bit. I mean, obviously, you highlighted the important role of lower expenses quarter-over-quarter, for example, year-over-year. Do you think the U.S. is going to be more about expense management as you look ahead over the next, I don't know, call it, 2 to 4 quarters? Or – and maybe a cynical question, is this really reflective of your expenses if some of it is actually booked in the corporate segment?

Leo Salom – TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank

On the first point, I think clearly, this quarter, we benefited from the expense exercise. And I just thought I'd provide a little bit of texture around that. Back in the third and fourth quarter of last year, we did announce a productivity program that focused on a number of drivers – organizational health, corporate real estate rationalization, looking at our store network, tactically leaning in on certain vendor relationships and then looking at our technical architecture and finding opportunities to rationalize all those activities are well underway. And so I wouldn't discount the activities – that does give us the capacity to make important investments in the franchise – both, as I've mentioned, from a governance and control and foundational perspective as well as those things required to be able to sustain the organic growth that we have underway. So I'd say the expense discipline that we're driving into the business is critically important.

On your broader question, I think what you'll see over the subsequent quarters is we do expect that some of our tractor on rates will give us a bit of a tailwind from a margin perspective. We see expansion over the second half to be modest and should give us a bit of a tailwind. That, coupled with the operating momentum we already have should generate some year-on-year revenue growth with sustained expense discipline with a relatively stable outlook from a credit perspective. We do believe that you'll see improved profitability in the second half of the year and clear momentum as we go into 2025. So maybe a long-winded way of saying I feel quite comfortable with our ability to drive organic growth, not just in terms of balance sheet growth, but bottom line growth as well. I'd say with regards to investments in the overall program, there's no question that we very deliberately decided that some of the transformational investments around the AML program were going to be housed at the corporate center. But just to be clear, it's not lost on me that ultimately, the run rate operating expenses are going to be held at the segment level. And so all of our forecasts take into account that expected spend. And I do expect us to be able to deliver positive operating leverage through the cycle.

Lemar Persaud – Cormark Securities – Analyst

Okay. I know you can't provide further details on the magnitude of the charges. But given that you did take this initial provision, can you give us some broader strokes on what stage of discussions are with the other regulators and DOJ? Like does it feel like we can get closure on this issue in 2024? Could it be pushed well into 2025 and beyond? Any colour you can provide would be helpful.

Bharat Masrani – TD Bank Group – Group President and CEO

Lemar, unfortunately, we can't. As I've said it many times, we are in active discussions with our regulators and the Department of Justice. And we are hoping that we can bring closure to this as soon as we can, but it's hard for us to give you any specific timing in that respect.

Lemar Persaud – Cormark Securities – Analyst

Okay. I just had to try that one. Can you talk to us about the strength in Wealth Management, so that $418 million in earnings. It's been relatively stable in the $330 to $360 range since the start of 2023. Should we think about this as a one-off strong result? Or is there something that's fundamentally shifted in that business or the earnings style of the Wealth Management business has now moved up somewhat?

Tim Wiggan – TD Bank Group – Group Head, Wealth Management and Insurance

Lemar, thanks very much for the question. So I would say if there's a theme today, you're seeing the strength of a diversified business model across the bank. And that absolutely applies in wealth and wealth and insurance for that matter. I would answer your question by basically bifurcating our business drivers in the factors we control and those that we don't. So from a macro perspective, obviously, markets are critical when you have AUM and AUA over $1 trillion. Interest rates are a major driver to NII and sometimes dictate flow within the bank. In terms of what we do control, the client is at the center of everything we do. And so we're constantly looking at our client needs and making sure that our strategies line up against what they are trying to accomplish. And that we're delivering it on the product side in a form that they appreciate. And secondly, we control expenses. And if you look at our expense number and our operating leverage, our FTEs overall down 8%. I would suggest to you that we are putting ourselves in a position to benefit across wealth and insurance. And that's really what you saw in the $418 million, up 25%. So a long-winded way of saying, if you have over $1 trillion, obviously, with the appreciation in the equity markets, if you are maintaining expense discipline, that's going to continue to drive results. And you'll also see continued results from growth in market share across advice, insurance and that asset growth itself..

Bharat Masrani – TD Bank Group – Group President and CEO

And then Tim, there might be a good opportunity to talk about the integrated model we run for the rest of the bank because that was the main topic at our Investor Day about a year ago, and how between you and Ray and Barb in the Canadian business and how that plays out. So maybe take a minute on that, Ray and Barb.

Raymond Chun – TD Bank Group – Group Head, Canadian Personal Banking

Lemar, it's Ray. And as you recall back from Investor Day, one of our big themes on where we thought we had the greatest opportunity for growth is on our OneTD initiatives and that's what you're seeing actually play out. In 2024, what we're seeing in the relationship between Canadian Personal Banking and Wealth Management is we're on pace to have our best year on record from referrals from branch banking to wealth is up 12% year-on-year. But if I translate that into volumes, the actual closed volumes from Canadian personal banking to Wealth is up 23% year-on-year for financial planning. It's up over 10% to all of our advice businesses and up 6% to Direct Investing. So significant business that we said that's in our house. When you bank 1 out of every 3 Canadians across the country, significant organic growth opportunities just by the partnering that we have between our 2 businesses.

Barbara Hooper – TD Bank Group – Group Head, Canadian Business Banking

Sure. So as people know, our strategy in the Canadian Business Bank is really centered around our better business bankers. For a long time, part of that strategy has been to bring the whole bank to our customers to make it easier for them to have all of their financial needs satisfied. One recent investment initiative that we talked about at Investor Day was co-locating senior private bankers in our commercial banking centers. That initiative has been working extremely well. We now have those bankers in about 3/4 of our centers, and we're seeing an acceleration in the amount of wealth business that's being generated through commercial banking clients.

Bharat Masrani – TD Bank Group – Group President and CEO

Hopefully, that gives you a sense for the power of TD and how we actually provide an integrated way of dealing with the whole bank here and not just every segment..

Nigel D'Souza – Veritas Investment Research – Analyst

I wanted to follow up on your U.S. commercial real estate portfolio. When I look at impaired provisions relative to impaired loans, I calculate a loss rate somewhere between 10% to 15%. And your peers have a loss rate that's a bit higher, closer to 30%. And I'm wondering if there are factors that are mitigating losses in that portfolio or if it's a function of a higher level of performing allowances built in your U.S. CRE book? And if so, could you provide some colour on the performing reserves you've built for U.S. CRE?

Ajai Bambawale – TD – Group Head and Chief Risk Officer

Yes. I can start, and I don't know if Leo any comments. The U.S. CRE portfolio and particularly the office portfolio has been a focus for us now for an extended period. We are seeing migration. We are seeing performing migration. We're seeing defaults on that portfolio as well. And we've been building reserves for an extended period. We actually built the reserves during the pandemic. And when we saw that things would take some time to play out, we held on to most of those reserves. So today, we sit on reserves in commercial real estate, in general, over 2.5x prepandemic levels. And a lot of that is in office. Now I can't comment on the peers' book, but I can comment on our book because what we do, and I mentioned this in a previous question – every single quarter, our team goes borrower by borrower, does a bottom-up analysis, stresses the book for higher rates, stresses the book for lease renewals, stresses the book for valuations, and we keep bolstering reserves. And so we feel pretty good between performing and even what's in Stage 3 for commercial real estate on where we are. And this is going to continue – this story is not over Nigel. It's going to play out. We feel good about where we're reserved. That doesn't mean there won't be any more reserves. It's quite dynamic. But all I'm telling you is we follow a very thorough process at the bank and how we come up with our reserves. So I'll stop there. And Leo, you may want to add some comments.

Leo Salom – TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank

Nigel, the only thing that I would add is it is that discipline. If you look back at the beginning of COVID back in the first quarter of 2020, our real estate – our office CRE books sat at about $5.1 billion. It sits today at $4.2 billion. So we have been strategically culling exposures for well over 3 years now, and we feel very comfortable with the portfolio we have, both from a quality standpoint – as well as in terms of the expiration structure of that portfolio – should give us the ability to be able to support our clients through the cycle.

Nigel D'Souza – Veritas Investment Research – Analyst

Okay. That's helpful. And if I could clarify on the civil matter this quarter. Is that – am I right to assume that's related to U.S. nonsufficient fund fees? Or is it another matter?

Kelvin Tran – TD Bank Group – Chief Financial Officer

So we don't – for confidentiality reasons, we don't discuss the specifics of this matter.

Nigel D'Souza – Veritas Investment Research – Analyst

Okay. So the reason why I brought that up is we have the civil matter, I guess, charged this quarter. Previously, you had the Stanford litigation issue. And that was in the U.S. franchise. So there are some non-AML issues that have popped up infrequently over the past. And I think it would be beneficial if you – given that you have time to review, if you could point out which areas do you think drove kind of the shortfalls that you've seen? Is it technology investment, risk reporting review at the committee level or just training of your your frontline staff? Any highlights there or insights there would be, I think, really helpful to do so.

Kelvin Tran – TD Bank Group – Chief Financial Officer

I can confirm that that matter is in the U.S., and then when we can provide more details, we will do so.

Operator

Thank you. There are no further questions at this time. I will turn the call back over to you, Mr. Masrani.

Bharat Masrani – TD Bank Group – Group President and CEO

Thanks very much, operator. And another strong quarter from TD. It's great to see our people around the world focus on the business of banking, and I want to take this opportunity to thank them because they continue to deliver for all our stakeholders, including our shareholders. And I look forward to seeing many of you over the next 90 days or at our quarter-end earnings call. Thank you.