Q4 2024 EARNINGS CONFERENCE CALL
DECEMBER 5, 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 ("2024 MD&A") in the Bank's 2024 Annual Report under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2025" 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 "2024 Accomplishments and Focus for 2025" for the Corporate segment, and in other statements regarding the Bank's objectives and priorities for 2025 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 are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "goal", "target", "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, 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, process, systems, data, third-party, fraud, infrastructure, insider and conduct), model, insurance, liquidity, capital adequacy, legal and regulatory compliance (including financial crime), 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 (including the economic, financial, and other impacts of pandemics); geopolitical risk; inflation, interest rates and recession uncertainty; regulatory oversight and compliance risk; risks associated with the Bank's ability to satisfy the terms of the global resolution of the civil and criminal investigations into the Bank's U.S. BSA/AML program; the impact of the global resolution of the civil and criminal investigations into the Bank's U.S. BSA/AML program on the Bank's businesses, operations, financial condition, and reputation; 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; the risk of large declines in the value of Bank's Schwab equity investment and corresponding impact on TD's market value; 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; data risk; model risk; fraud activity; insider risk; conduct 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 consumer protection laws and regulations, 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 related risk); exposure related to litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes in foreign exchange rates, interest rates, credit spreads and equity prices; downgrade, suspension or withdrawal of ratings assigned by any rating agency, the value and market price of the Bank's common shares and other securities may be impacted by market conditions and other factors; 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; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; 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 2024 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 headings "Significant Events" or "Significant and Subsequent 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 2024 MD&A under the headings "Economic Summary and Outlook" and "Significant Events", under the headings "Key Priorities for 2025" 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 "2024 Accomplishments and Focus for 2025" 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 securities legislation.

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PRESENTATION

Brooke Hales – TD Bank Group – Head of Investor Relations

Thank you operator. Good morning and welcome to TD Bank Group's Fourth 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, followed by Ray Chun, the Bank's COO after which Kelvin Tran, the Bank's CFO, will present our fourth 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: Sona Mehta, Group Head, Canadian Personal Banking; Barbara Hooper, Group Head, Canadian Business Banking; Leo Salom, President and CEO, TD Bank America's Most Convenient Bank; Tim Wiggan, Group Head, Wholesale Banking and President and CEO, TD Securities; and Paul Clark, Senior Executive Vice President, Wealth Management.

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, Ray and Kelvin will be referring to adjusted results in their remarks. Additional information about non-GAAP measures and material factors and assumptions is available in our 2024 Annual Report. 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.

I'd like to welcome Sona Mehta, Group Head, Canadian Personal Banking, and Paul Clark, Senior Executive Vice President, Wealth Management – who are joining this call for the first time.

I will begin with a U.S. AML remediation update. We have continued to onboard talent and deploy new data-driven technology solutions. This quarter, we implemented further improvements in transaction monitoring and refinements in our customer risk-rating methodology. We also rolled out additional training for risk, governance, and control colleagues. We expect to have the majority of the management remediation actions implemented by the end of calendar 2025, with additional management actions planned for calendar 2026. Remediation actions will then be subject to internal challenge and validation including sustainability and testing activities which are planned for calendar '26 and '27, followed by review and acceptance by the monitorship. We will then work with our regulators to demonstrate the sustainability of our remediation actions. Our AML remediation will be a multi-year endeavor, and we will continue to provide updates on our progress.

The U.S. AML remediation is our main focus. However, as we have discussed previously, through this work and other ongoing review, we had an opportunity to examine the effectiveness and capabilities of our Enterprise AML program. We have learned from the U.S. experience and are applying those learnings globally. Though we have not identified issues to the same extent or experienced the same severe AML-related events in markets outside the U.S., we do need to improve and strengthen our enterprise-wide program. It is critical that we do so. And we will. We are tackling this work with the same determination and urgency. When we are done with this effort, we will have the AML risk and control environment that befits a G-SIB in the U.S. and in every market in which we operate.

Turning to results, we have seen momentum in our markets-related businesses, and we believe we are well-positioned to benefit from any improvement in the environment in the coming months. On the retail side, slowing inflation and easing interest rates should take some pressure off customers at the lower-end of the income scale. This quarter, revenues were up 12% year-over-year, of which 5% reflected reinsurance recoveries for catastrophic [sic] (catastrophe) claims. This strong revenue growth was driven by higher fee income in markets-related businesses and higher volumes in Canada. Expenses this quarter reflected investments in our risk and control infrastructure and several notable items totaling approximately $150 million – including costs associated with our Nordstrom program agreement extension and legal and regulatory costs. We also saw record catastrophic [sic] (catastrophe) claims in our Insurance business and increased impaired PCLs in our non-retail lending portfolios. This quarter, earnings were $3.2 billion, and EPS was $1.72, down 8% and 5% year-over-year, respectively.

As of quarter-end, the Bank's CET 1 ratio was 13.1 per cent, reflecting the sale of Schwab shares in August, partially offset by the operational risk RWA impact of last quarter's AML provision. We remain confident in the earnings power of our franchise, and have today declared a 3-cent dividend increase, bringing our dividend to $1.05 per share.

Let me now turn it over to Ray, in his new role as Chief Operating Officer.

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

Thank you, Bharat. And good morning, everyone.

I will start with how I have spent the past few months since the succession announcement – and share my early thoughts on our path forward. Then, I will review our Q4 results across each of our businesses.

Since September, I have met with colleagues, customers, clients, and investors. It has reaffirmed my confidence that TD is a fantastic franchise – with scale businesses in every market in which we operate, and products and services that resonate with our nearly 28 million customers. These solid business fundamentals have enabled the Bank to deliver strong underlying performance over the past few quarters.

We have also seen opportunities for TD to improve execution – for example, by increasing ownership and accountability in our decision-making and becoming even more digital and mobile-enabled. We can simplify processes to drive efficiency, creating more capacity to invest in risk and controls, customer experience, and future capabilities. In light of the Global Resolution and in my role as incoming CEO, we are undertaking a broad and detailed review of the Bank's strategies and investment priorities to best position TD to compete over the medium- and longer-term. We are looking at our business mix, including profitability and risk-adjusted return on capital, and where we need to invest and divest to improve. Everything is on the table. As this work takes shape, I'll provide updates. And we plan to hold a Bank-wide investor day in the second half of 2025 to update you on this strategic review.

AML remediation remains our top priority. We have assembled an AML team with experienced executives and specialists from across the industry. And I have been clear that my expectation is that accountability goes beyond the AML team. We have established clear accountability and alignment across all three lines of defense, starting on the front line and carrying through to risk management and audit teams, both for the U.S. and the enterprise more broadly. We are driving change and working to prevent this type of failure from happening again.

We will also continue to execute against the U.S. balance sheet restructuring strategy that we outlined on October 10th. Kelvin will share some details on our progress. For the U.S. Retail segment, we will focus on client sectors where we have scale, market share and competitive advantage – with the objective of enhancing ROE over time. In Canada, we are focused on building on our momentum. This year, across our businesses, we delivered against the growth strategies outlined at our 2023 Canadian retail Investor Day. And we believe we can do even more to deepen customer relationships across the Bank. As we highlighted at our Investor Day, with TD's scale in Canada, we have a powerful OneTD organic opportunity.

We also have strong growth opportunities in TD Securities. We have made significant investments in capabilities to enhance our offerings. And, in partnership with commercial banking colleagues, we are focused on leveraging our existing deployed balance sheet to generate additional fee revenue – a highly ROE accretive strategy.

Although we have significant work ahead, I am optimistic that we will rebuild confidence in the Bank as we chart our future and deliver for all stakeholders.

I will now turn to our Q4 results. Overall, we are not where we want to be on profitability, however, I am pleased with the momentum and top-line results across our businesses, demonstrating the power of our customer franchises.

We had a strong quarter in Canadian Personal and Commercial Banking, with record revenues, positive operating leverage, and robust loan and deposit growth. We built on our momentum in key businesses over the quarter. In our market-leading core deposit franchise, we delivered strong performance on checking account acquisition, capping off a record year. In fact, this year, we achieved one of the medium-term aspirations that we outlined at our 2023 Investor Day – we have grown New to Canada acquisition by 50%. As our newcomer customers settle into life in Canada and we deepen our relationships, this becomes an important growth engine for the Canadian Personal Bank and across TD. In real estate secured lending, we delivered year-over-year market share gains, with strong distribution and continued scaling of capabilities like TD Mortgage Direct, which is delivering conversion rates approximately three times the rate of our traditional lead programs. In Business Banking, we've seen deposit growth momentum. And TD Auto Finance delivered record originations this quarter and for the fiscal year.

Now turning to the U.S. Retail Bank, deposits remained stable and loans grew 3% year-over-year. And we continue to support customers across our footprint. Net income declined 13% year-over-year, driven by higher PCLs and higher expenses. I am delighted to announce that we have extended our program agreement with Nordstrom to 2039 [sic] (2032) and that upon conversion, TD will handle Nordstrom's card servicing activities in-house. This is an important strategic step for TD in our U.S. credit card business and will allow us to continue to build scale and drive profitability with simplified technical infrastructure and upgraded servicing capabilities. In addition, for the eighth year in a row, the Bank ranked #1 in Small Business Administration lending in its footprint, and ranked #2 in SBA loans nationally. And Forbes ranked our Healthcare team as the #1 lender for healthcare professionals for the second consecutive year.

In Wealth Management & Insurance, we saw revenue growth driven by higher insurance premiums, asset growth, and increased trades per day – with the Wealth business delivering record revenue this quarter. Our Insurance business was impacted by the Calgary hailstorm and Montreal floods. A few highlights from the quarter: we launched TD Active Trader Live – a new weekly streaming program designed to enhance clients' trading experience with in-depth analysis and insights. Since TD Active Trader's launch in Q2, we've seen a 38% increase in new and existing Active Traders utilizing the platform. TD Asset Management grew market share in ETFs, and now offers 48 ETFs across asset classes, geographies, and currencies. And in Insurance, over 40% of eligible customers now buy their insurance online from end-to-end, extending our digital leadership as Canada's number one direct insurer.

Wholesale Banking continued to demonstrate the power of the combined TD Securities / TD Cowen franchise, with revenues of $1.8 billion and a number of "firsts" – where the team is winning mandates together that neither legacy business would have won alone. We expect to continue to optimize the platform with the goal of improving our efficiency ratio and increasing returns. Some highlights this quarter for TD Securities: TD Securities was joint lead on TD's secondary sale of Schwab shares in a US$2.5 billion block trade, one of the ten largest U.S. block trades since 2010. TD Cowen's research platform continued to shine in the 2024 Extel Research Surveys. In Canada, we finished in 3rd place, increasing the number of ranked sectors from four in 2023 to eleven in 2024 and ranked #1 in Telecom & Media. In the U.S. survey, TD Cowen's Washington Research group was ranked #1. In addition, this quarter, TD Securities was recognized in four categories at the Euromoney FX Awards.

For fiscal 2025, it will be challenging to generate earnings growth, as the Bank navigates a transition year, continues to advance its AML remediation with investments in risk and control infrastructure, and investments in its businesses. As I mentioned, we are undertaking a broad-based strategic review. We will reassess organic opportunities and priorities, productivity and efficiency initiatives, and capital allocation alternatives – with the objective of delivering competitive returns for all our shareholders. As a result of this, we are suspending our medium-term adjusted EPS growth, ROE, and operating leverage targets. We expect to provide updates on our strategic review and medium-term financial targets in the second half of 2025. I remain confident in the earnings growth potential of our Canadian Personal & Commercial Banking, Wealth Management & Insurance and Wholesale Banking segments. And while we expect that the U.S. balance sheet restructuring and AML remediation will impact the U.S. Retail segment, we remain committed to the U.S. market and confident in the strength of our franchise.

For the close, I want to recognize our TD colleagues for their tremendous efforts in supporting the customers and communities impacted by the Calgary hailstorm, Montreal floods, and hurricanes Helene and Milton. More broadly – I want to thank all our TD colleagues. Through a challenging year, you have demonstrated resolve and commitment. As we look ahead, I am energized to embark on a journey to shape the future of the Bank together.

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

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

Thank you, Ray. Good morning, everyone. Please turn to slide 9.

For 2024, earnings were $14.3 billion, down 5% and EPS was $7.81, down 1% year-over-year.

Overall, 2024 was a challenging year. Revenue grew year-over-year, driven by momentum in our markets-driven businesses and higher volumes and deposit margins in Canadian Personal and Commercial Banking. Expenses also increased year-over-year, reflecting investments in our risk and control infrastructure, higher employee-related expenses (including TD Cowen) and higher technology spend supporting business growth. Last quarter, we guided to fiscal 2024 expense growth in the high single digits. Actual expense growth came in at 10% year-over-year. While there were many moving parts, the variance was mainly due to the $150 million in notable items that Bharat mentioned earlier. In addition, occupancy costs increased this quarter by approximately $90 million reflecting timing of building exits and store renovations.

We continue to prioritize our U.S. AML remediation program while working to manage expenses diligently. We expect fiscal 2025 expense growth to be in the 5 to 7 percent range reflecting investments in our risk and control infrastructure and investments supporting business growth, including employee-related expenses, net of expected productivity and restructuring run-rate savings.

Total bank PTPP was up 2% year-over-year. Consistent with prior quarters, Slide 27 shows how we calculate adjusted total bank PTPP and operating leverage removing the impact of the U.S. strategic card portfolio, along with the impact of foreign currency translation, and the insurance fair value charge.

Please turn to slide 10.

This quarter, earnings were impacted by higher investments in our risk and control infrastructure, record catastrophe claims in our Insurance business, and increased impaired PCLs across our businesses. Revenue grew 12%, of which 5% reflected reinsurance recoveries for catastrophe claims. The remaining increase was driven by higher fee income in our markets-driven businesses, volumes in Canadian Personal and Commercial Banking, deposit margins and insurance premiums. Expenses increased 11% year-over-year, primarily driven by investments in our risk and control infrastructure, investments supporting business growth, including technology and occupancy costs, and other operating expenses. Total bank PTPP was down 2% year-over-year, after removing the impact of the U.S. strategic card portfolio, along with the impact of foreign currency translation, and the insurance fair value charge.

Please turn to slide 11.

Canadian Personal & Commercial Banking delivered a strong quarter with record revenue and robust loan and deposit growth. Average loan volumes rose 5% year-over-year, with 4% growth in personal volumes – driven by real estate secured lending up 4% and cards up 9% – and 6% growth in business volumes. Average deposits rose 5% year-over-year, reflecting 6% growth in personal deposits and 4% growth in business deposits. Quarter-over-quarter, deposit growth outpaced loan growth. TD's large base of stable retail and commercial deposits remain the primary source of long-term funding for the Bank. Net interest margin was 2.80%, down 1 basis point quarter-over-quarter – as expected – primarily due to changes in balance sheet mix reflecting the transition of BAs to CORRA-based loans. We do not expect any further NIM impact from this transition. As we look forward to Q1, while many factors can impact margins, including the impact of any future Bank of Canada rate cuts, competitive market dynamics, tractor on and off rates, we expect NIM to remain relatively stable. Expenses increased reflecting higher technology and marketing spend supporting business growth. The business delivered positive operating leverage again this quarter.

Please turn to slide 12.

This quarter, the U.S. Retail Bank continued to focus on AML remediation and made progress against our balance sheet restructuring strategy. We have reduced assets from US$434 billion as of September 30th to approximately US$431 billion as of October 31st, using proceeds from investment maturities plus cash to pay down certain short-term borrowings. Since quarter end, we have paid down an additional US$14 billion of bank borrowings using mainly cash, contributing to a further reduction in U.S. assets.

As a reminder, TD's two U.S. banking subsidiaries must comply with the asset limitation beginning March 31, 2025. The total assets test is performed quarterly and is an average of the combined asset balances at the end of the current quarter and the preceding quarter. In Q4, we also sold approximately US$2.8 billion of bonds as part of our investment portfolio repositioning, resulting in an upfront loss of US$226 million pre-tax and an expected benefit of US$89 million in net interest income in fiscal 2025. Since quarter end, we have sold an additional US$3.3 billion of bonds, resulting in an upfront loss of approximately US$236 million pre-tax and an estimated benefit of US$80 million to US$90 million in net interest income in fiscal 2025. We are focused on maintaining flexibility to continue to serve our current and future customers in the markets in which we operate – while ensuring we comply with the asset limitation.

Please turn to slide 13.

This quarter, the U.S. Retail Bank delivered average loan volumes up 3% year-over-year and flat average deposit volumes, excluding sweep deposits. Net interest margin was 2.77%, down 25 basis points quarter-over-quarter. Substantially all of this decrease was driven by maintaining elevated liquidity levels as a prudent risk management measure. Excluding this impact, NIM would have been relatively stable. As we look forward to Q1, while many factors can impact margins, we expect NIM to expand modestly driven by balance sheet restructuring actions, partially offset by deposit spread compression driven by Fed rate actions and competitive market dynamics. Expenses increased 4% year-over-year, largely reflecting costs associated with the extension of our credit card program agreement with Nordstrom, higher legal and regulatory expenses, and higher operating expenses, partially offset by ongoing productivity initiatives.

As a reminder, we intend to reflect U.S. governance and control costs in the U.S. Retail segment effective in Q1 2025. For fiscal 2024, these expenses were largely in-line with our forecast of approximately US$350 million pre-tax.

Please turn to slide 14.

Wealth Management & Insurance delivered record revenue and strong underlying business performance this quarter. Excluding the impact of reinsurance recoveries for catastrophe claims, the year-over-year increase in revenue reflected higher insurance premiums, fee-based revenue, transaction revenue and deposit margins. In Wealth, we saw Net Asset growth across all business lines. Insurance service expenses increased 76%, of which 66% is attributable to higher catastrophe claims in the quarter. The remaining increase reflects less favourable prior years' claims development and increased claims severity. We saw record catastrophe claims of $388 million this quarter due to severe weather-related events in Calgary and Montreal in August. As you may have seen, to help support analysts' and investors' analysis of our Insurance business performance, we disclosed this number on November 5th. Going forward, we intend to continue this practice, and provide disclosure of catastrophe claims, net of reinsurance, shortly after the end of the fiscal quarter. Expenses were up 16% year-over-year. More than half of this increase reflected higher variable compensation with the remainder driven by higher technology and marketing spend, in part related to our recent launch of TD partial shares. Assets under management increased year-over-year reflecting market appreciation. Assets under administration increased year-over-year, reflecting market appreciation and net asset growth.

Please turn to slide 15.

Wholesale Banking continued to perform. Year-over-year revenue growth reflects higher lending revenue, underwriting fees and trading-related revenue. We saw higher PCLs this quarter reflecting a small number of impairments across various industries. Expenses increased 1% year-over-year and the business delivered positive operating leverage this quarter.

Please turn to slide 16.

The net loss for Corporate for the quarter was $361 million. Net corporate expenses increased $323 million compared to the prior year, primarily reflecting higher investments in risk and control infrastructure.

Please turn to slide 17.

The Common Equity Tier 1 ratio ended the quarter at 13.1%, up 27 basis points sequentially. Internal capital generation was partially offset by the increase in RWA (excluding the FX impact), inclusive of risk transference transactions done in the ordinary course of managing portfolio exposures. The August sale of 40.5 million Schwab shares increased CET1 by 54 basis points. We had a negative 35 basis point impact to CET1 from the operational risk RWA impact of the Bank's provisions for investigations into the U.S. BSA/AML program last quarter. As a reminder, consistent with the Basel III Reforms, operational risk RWA impacts take effect on a one-quarter lag. We have begun our U.S. balance sheet restructuring. This resulted in an upfront loss of $234 million pre-tax, or negative 4 basis points to CET1.

With that Ajai, over to you.

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

Okay. Thank you, Kelvin, and good afternoon [sic] (good morning), everyone.

Please turn to slide 18.

Gross impaired loan formations were 28 basis points, an increase of 6 basis points quarter-over-quarter, driven by the Canadian and U.S. Commercial and Wholesale Banking lending portfolios, related to a small number of borrowers across a number of industries.

Please turn to slide 19.

Gross impaired loans increased $779 million or 8 basis points quarter-over-quarter, to 52 basis points. The increase was largely recorded in Canadian and U.S. Commercial, and Wholesale Banking.

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 provision for credit losses was stable quarter-over-quarter. For 2024, the Bank's full year PCL rate was 46 basis points, up 12 basis points from the prior year, reflecting normalization of credit performance and consistent with our PCL guidance provided at the start of the year.

Please turn to slide 21.

The Bank's impaired PCL was $1.15 billion, an increase of $233 million quarter-over-quarter, largely related to Credit migration in the non-retail lending portfolios. A performing PCL release of $44 million was recorded across the Canadian Personal & Commercial Banking and U.S. Retail segments this quarter, reflecting an improvement in the economic outlook, including the impact of lower interest rates, and migration from performing to impaired.

Please turn to slide 22.

The allowance for credit losses increased by $303 million quarter-over-quarter, to $9.1 billion, or 95 basis points, primarily due to higher impaired allowance in the Business & Government lending portfolios, and a $54 million impact from foreign exchange.

Now let me briefly summarize the year. The Bank exhibited strong credit performance throughout 2024, as credit normalization has occurred as anticipated. Looking forward, while results may vary by quarter, and are subject to changes to economic conditions, we expect fiscal 2025 PCLs to be in a range of 45 to 55 basis points, as some further pressure on credit is expected to play out as we move through this credit cycle.

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

QUESTION AND ANSWER

Operator

[Operator Instructions]. The first question is from Gabriel Dechaine from National Bank Financial.

Gabriel Dechaine – National Bank Financial – Analyst

Good morning. Just a quick one. Like there's a lot of moving pieces in this balance sheet optimization. I'm going back to the presentation, I think around Q3. And it was said you were going to dispose of $50 billion of securities and that would generate the mid-range, US$400 million benefit to NII. If I look at what you've disclosed so far, I've got about $6 billion, including what happened after December 4th. And we're at around half of that NII benefit. What am I missing here? So you've sold a lot less than $50 billion, but you're already at half of the expected benefit.

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

It's Kelvin. I can take that. It's not every bonds have the same maturity and are impacted by a level of rates and spread the same way. And so depending on which ones you sell, the ones that we sold happened to have more losses up front.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. So it's just a matter of the nature of what you've sold not some weird thing that I overlooked. And then professional fees, I guess just to get a – you did highlight – or Bharat and Kelvin you both highlighted expense items like the real estate stuff and then there's the Nordstrom costs and then professional fees. That one jumped out at me a bit. You popped up over $1 billion this quarter. And I'm wondering how much of that increase is related to the already disclosed remediation costs and how much of that is kind of, call it ad hoc? And is this something that we could be bearing for a while? Because I think a lot of people – myself actually – are wondering about unintended or unexpected indirect costs related to this remediation program and AML issue because I appreciate you can't isolate everything, but there's bound to be stuff that comes out of nowhere.

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

It's Kelvin. So if you're looking at the outlook, the expense guidance we provided in 2025, which is an increase of 5% to 7%, that would be inclusive of professional fees and remediation costs.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. So this increase that I saw, they went over $1 billion. Does that include the remediation costs and then other costs that may have not been anticipated?

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

Yes. So I think the $1 billion that you see there, that table includes adjusted and like – really they are reported expenses, so you have to take out some items. But professional fees is a way for us to ramp up when we accelerate remediation. And that would be, yes, whether they were build or some of the BAU work because of the fact that we needed help in the short term.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. Now a quick one, just on the securities repositioning again. The losses that you're recording on disposition that's being adjusted out of earnings, but then the benefit, the $400 million or so to NII, that's going to be kept in your adjusted figure or – remain in your adjusted figure? Is that what we're doing here?

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

Correct. Yes.

Meny Grauman – Scotia Capital – Analyst

A few questions on the strategic review. First off, just wanted to understand when you actually began this strategic review? That would be helpful to know.

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

Meny, it's Raymond. Let me take that. So we've started the strategic review as of last month and certainly are starting to dig into it. I think the process is going to take somewhere between 4 to 5 months to get through. And as I outlined in my comments, it will be quite comprehensive. And we will look at all of the moving parts. And that really is – I mean we're going to build off the fact that we do have a terrific franchise as I've looked at it, but I really do believe there are opportunities to get even stronger, more competitive. And so I look forward to sharing more with you in the second half of 2025.

Meny Grauman – Scotia Capital – Analyst

Understood. I guess the reason I'm asking is that I was a little surprised that it wouldn't have started earlier. I mean, the bank has known about these issues for a while. So I'm just trying to understand, maybe don't fully appreciate sort of the time line here. Were you waiting for something specific in order to kick this strategic review off? How do we understand sort of the time line here?

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

If I look at it more in the sense of as the incoming CEO, Meny, that it's my opportunity to dive deep and make sure that we're putting TD in the best position possible as we think about how we're going to compete in the medium and long term.

Meny Grauman – Scotia Capital – Analyst

And then, when you talk about everything is on the table, does that include divestitures? And does that include potential divestitures in the U.S.?

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

As I said, we're going to do a thorough comprehensive review, and everything is on the table.

Ebrahim Poonawala – Bank of America Securities – Analyst

I guess maybe just following up on the strategic review. So I think the messaging is, Raymond, around everything is on the table. You're going through all of this. At the same time, as we think about that you've been at the bank for 30-plus years, as a shareholder, is the takeaway that we could have even stronger ROE medium-term targets when we come out of all of this? Or is the message that there are things that you've identified as not quite performing as well, which may impede your ability to achieve those prior targets? I'm just trying to figure out and align your messing around foundation is strong, get even stronger? Does it mean that even though you suspended these targets, our expectation should be things will be even stronger and better when you've completed this process? Is that the right takeaway?

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

Thanks for the question, Ebrahim. I'd say, again, let me start by saying I do have confidence in our businesses across TD. And you've seen the momentum that we've had in whether it's the Canadian Personal and Commercial Bank, Wealth Management, TD Securities. And certainly, we built a fantastic franchise in the U.S. But I think it's important that we go through this process. It's going to be a thorough process, and it's the prudent thing to do. But before I comment on anything further, I look forward to sharing that with you at the Investor Day in 2025. But we're building off a position of strength. But again – as in telling you what you should expect, I think, it's a bit premature. And let's go through the process, and then we'll share that with you at the Investor Day.

Ebrahim Poonawala – Bank of America Securities – Analyst

That's fair. And I guess, maybe, Kelvin, just following up, two things, if you don't mind clarifying, I just want to make sure the 5% to 7% expense growth is relative to the $29,148 million full year adjusted expense number, is that right?

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

Yes.

Ebrahim Poonawala – Bank of America Securities – Analyst

Got it. And just similarly on NII, to the extent given all the moving pieces, if you can give us a sense of what you expect NII growth to look like based on whatever your rate assumptions are for '25?

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

We don't provide NII outlook for that long. I mean, all I would offer is the NIM guidance that we provided for both Canada and the U.S. businesses.

Paul Holden – CIBC World Markets – Analyst

Sorry, I might have missed a little bit of that last question, but I think it's an important one just in terms of the growth expectation for Canada. Obviously, you held a big Investor Day, not that long ago, focusing on the growth opportunities in Canada. I want to make sure there's no message that any of that has changed, maybe the targets end up changing a bit, but that all those growth opportunities you highlighted back in '23, are still on the table?

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

Paul, thanks for the question. Maybe I'll have our – Sona – our Canadian business lead just comment on the progress that we've made on the Investor Day, but we're certainly tracking to those commitments. Sona, do you want to lead some?

Sona Mehta – TD Bank Group – Group Head Canadian Personal Banking

Yes. Thanks very much, Ray, and thanks for the question. No, absolutely, we are tracking to each of the priorities we outlined at Investor Day, we've seen good growth on both sides of the balance sheet. On personal deposits, you've seen 6% growth year-over-year. We grew our share in term materially. We've seen good growth on the loan side with 4% year-over-year. And as you've heard, one of the three commitments that we outlined for ourselves at Investor Day, we have achieved on an accelerated basis, that was outgrowing the newcomer – the Canada population growth – by 50%. So all in all, that's led – the strong quarter has led – to capping off a record year this year for day-to-day chequing acquisition. So really a position of strength and momentum. Maybe I can just briefly comment on the two other items that we focused on at Investor Day. On the credit card side, as you heard from us earlier this year, we've now crossed 8 million active credit card accounts. We have a robust and resonant partner roster. We're seeing now that translate to some strong results with our strong quarter-over-quarter loan growth on the credit card book. On the real estate secured lending, we continue to have strong multichannel presence right throughout our proprietary channels as well as strong broker relationships. And I'm pleased to share we've moved on to the next phase of execution on our specialization advice strategy, so we now have placed specialized bankers in our branches for real estate secured lending and actually as well for investing. And they work as an ecosystem between the branches and our mobile mortgage sales force. We just started that this November, and we're already seeing really strong results. That ecosystem delivers franchise relationships, very, very good retention profile and profitability profile. So we're really pleased with the first foray there. And then I would say we continue to invest in technology and data. Our TD mortgage direct solution has been incredibly resonant with consumers and we're seeing leads converting at 3x the rate. And so across the board, you will see us stay committed to the strategic pillars that we outlined at Investor Day. I just maybe close by saying we feel we have very strong momentum. We continue to have a sizable growth opportunity, maybe even bigger by our record acquisition in the last 2 years, and we know how to execute. And so we're very excited to deliver on the growth ahead.

Paul Holden – CIBC World Markets – Analyst

Okay. Good to hear. And then last question for me. I just want to drill down on the expense guidance a bit of 5% to 7%. When I go back to the slide deck you provided not that long ago, I think you expected roughly $800 million of expense savings versus roughly US$550 million of risk and control expenses. So call it roughly a wash, maybe a little bit net favorable. So when I think about that 5% to 7% growth next year, I wonder like where are those additional costs being allocated – unless you're revising your risk and control expenses. Like I'm assuming they're going maybe into the strategic review, maybe it's being invested to your future revenue growth. It would be helpful to get a sense of kind of where those additional expenses are being allocated.

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

It's Kelvin. I'll take that. So absolutely, we continue to invest in the business, and that is a big part of the increase. We are on track on achieving the savings that we set out through the restructuring. And then there's going to be, like you said, more risk and control costs as well. I mean there are look-back programs that we have to undertake, the monitorship, and so forth. So all of that are included in that range as part of our forecast. But as you know, there are many, many moving parts, but that is our expected view today.

Darko Mihelic – RBC Capital Markets – Analyst

Hi, thank you. A couple of questions. First a mechanical one on the AML issue. And apologies I've never dealt with this before. So I just want to understand the mechanics behind the dividend or in other words, cash coming out of the U.S. up to the Canadian holdco. It's my understanding that you have to provide evidence that you've sort of done what you want to do. But what I don't understand is why they would ever give you permission. If you have a three and four year monitorship, on the go, presumably, they wouldn't be satisfied until you complete that. So why would they – next year or whenever on an early basis – give you the go ahead to dividend up cash. So maybe if you can just understand – just to understand the mechanic of – maybe it's something more rudimentary and I'm just missing it.

Bharat Masrani – TD Bank Group – Group President and CEO

Darko, this is Bharat. The main entity we have in the U.S. is the company that owns all the banks and what we call our intermediate holding company. Any dividend declared from that requires a certification from the Board – that we have allocated enough funds to our remediation, et cetera. And if we are able to certify that, then you can declare the dividend.

Darko Mihelic – RBC Capital Markets – Analyst

So there's nothing preventing the OCC from saying no?

Bharat Masrani – TD Bank Group – Group President and CEO

Well, it's hard to predict what the future would bring but that's not in the consent order. You can see in the consent order from the Fed, which is our main holding company that owns all the assets in the United States.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. And my second question relates to the Schwab deposits. They're now down to US$83 billion. And again, I just want to understand the mechanics of this program. That fell US$17 billion from last year, actually from a peak of US$153 billion. And in my mind, the way this might work is if interest rates keep going down and equity markets keep performing well, these deposits could grow. And so what goes down can go up. So what if that does occur? How does that work in your plan? How do you remediate if these deposits grow US$17 billion, US$20 billion a year for your asset cap?

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

Darko, thanks for the question. And I think you've summarized that well. We have seen a decline from a peak of about US$155 billion to the current spot of about US$83 billion in size. And when the markets run, you tend to see more of those sweep deposits get invested in the marketplace. And when there is a pause or any sort of profit taking in the marketplace, those sweep deposits do increase somewhat. And we would see – and in fact, we're seeing a slight stabilization in overall balances. As you know, when we renegotiated the agreement with Schwab, we actually provided Schwab with the flexibility to bring down the overall levels of deposits down to a floor of US$60 billion, and they've been executing against that. Most recently, we've seen a pause in that reduction, particularly on a spot basis in this quarter. We could expect to see some increase in the short term if there is some sort of market dislocation. The reality is we plan for that. One of the – going back to our October 10th discussion – one of the reasons why we're executing against the balance sheet restructuring with so much purpose is to create the capacity to be able to comply with the asset cap. And so we'll continue to do that because deposit growth does factor into asset cap – the overall asset cap calculation as well.

Bharat Masrani – TD Bank Group – Group President and CEO

Darko, this is Bharat. Just to add, Schwab can take up – the sweep deposits can go up, but there's a cap as to how high it can go. It's US$30 billion above the minimum required to be held at TD.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay, thank you. I just wanted to clarify, as you do this strategic review, I assume you've put any capital allocation, for example, buybacks on hold? Is that the right way to think about it, Ray?

Raymond Chun – TD Bank Group – Group Head and Chief Operating Officer

I think until we go through the strategic review, at this moment, we'll look at all of the options as to how we deploy our capital. But at this moment, that would be the right way to look at it. But again, let's see how – as we work our way through the review, I'll keep everybody updated along the way.

Sohrab Movahedi – BMO Capital Markets – Analyst

And so you have – I mean you yourself are the Chief Operating Officer now, I think a number of the business heads around the table are embarking on new opportunities and challenges, so when you are doing this strategic review, what are they doing as far as the base business? What is Tim Wiggan doing as far as TD Securities is concerned? Is he in a holding pattern? Or if they want to deploy capital, they are allowed to do that in advance of the strategic review being done?

Tim Wiggan – TD Bank Group – Group Head Wholesale Banking

Sohrab, it's Tim Wiggan calling, and thanks for the question. We are absolutely not in a holding pattern. If you look at the quarter we've reported and the year as a whole, you're truly seeing the power of the combined wholesale franchise. I think it's important to note that, as you're aware, this transaction and our combination is within two years. So closing March 1st. So in my view, we're well ahead of schedule in terms of leveraging the existing client base, our existing capital with the combined platform. To put things in perspective and make this tangible – just last month, our continuing membership agreement with FINRA was approved. And I mentioned that because in some cases, we're literally bringing people together on the same trading floor, and that's happening over the next couple of weeks. But if we take a step back and maybe to provide you a bit of colour and context in terms of how far we've come, the fiscal year as a whole was $7.3 billion in revenue, up 25%. The adjusted number, as you know, was $1.4 billion in NIAT. If you add back the off-channel communication charge, which was obviously industry-wide, we came in at $1.5 billion. So roughly $380 million per quarter, which very much aligns with the $375 million to $425 million per quarter that you would have heard us talk about previously. So again, we have strong revenue, we have the right clients, we're adding capabilities to the equation, and that obviously takes the ROE up, which is a continued focus within Wholesale as well as across the Bank. So very pleased with where we are and absolutely growing, executing and frankly, winning.

Sohrab Movahedi – BMO Capital Markets – Analyst

So Tim, you're not worried that – as that two year passes on – retaining people will be a problem for your business.

Tim Wiggan – TD Bank Group – Group Head Wholesale Banking

People are always our primary concern. In any business I've been involved in, and they've always been capital markets, I've continually said that you can have the best capabilities and the best platforms and the best technology, but we need people. And I believe we will have and continue to have a team of people that will allow us to execute. And frankly, when we're through this, TD and TD Securities will be a destination of choice for professionals in the markets that we operate in.

Darko Mihelic – RBC Capital Markets – Analyst

Hey thank you. All right. My last question is for Leo. Leo, can you give me a sense of how we should expect your non-interest income to behave over the course of the next year? It's been under pressure. If you can just give me any sort of view on that, that would be helpful. Thank you.

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

Darko, I think in a previous quarter, we talked a little bit about the fact that we had really weathered most of the overdraft pricing changes, and now that's fully baked into the run rate. That had been a significant drag for us. Cumulatively, between both retail and small business overdraft fee reduction, that was nearly US$0.5 billion reduction in terms of overall annual revenues, and that has now fully cycled through. I'd say with regards to looking forward, while we don't provide guidance per se, I do think that as we continue to grow our cards business and grow our core checking account platform, which is the crown jewel of the franchise or retail deposit franchise, I would expect account fees, in particular, to grow in proportion to the growth that we're experiencing in the business. So I feel good about that. Obviously, there are some things that we watch on a regular basis – regulatory changes. There are presently a number of fee cap proposals in the marketplace right now under litigation. And we do have an administration change. So there's a lot of intangibles and a lot of questions that are still out there with regards to how that might impact the future. But in terms of our core, what we can control, which is driving good solid retail deposit growth and continuing to grow our bank card business, which by the way, grew at 13% on a year-on-year basis in the quarter, I feel like we're doing the fundamentals and that we should see noninterest income growth return back to a more stabilized growth profile.

Operator

There are no further questions registered at this time. I will now turn the call back to Mr. Masrani.

Bharat Masrani – TD Bank Group – Group President and CEO

Thank you very much, operator. And great questions. Great to see that the fundamentals of our businesses, particularly the momentum we have in each of our segments is terrific. We do have headwinds as we discussed, but good to see that there is good momentum in each of our operating businesses.

Before we close, I'd like to recognize Riaz Ahmed, who will retire at the end of January. For almost three decades, Riaz helped shape TD's strategy and deliver business performance. His impact on our business will be felt for years to come. I want to extend my personal thanks to Riaz for his close partnership and invaluable counsel over many years. I wish him the very best in his next exciting chapter.

Like I said earlier, while 2024 was a difficult year, TD remains a strong Bank with tremendous advantages. In the weeks and months ahead, as Ray takes the reins, I know he – with the support of a strong bench of leaders – will successfully chart the path forward for TD.

Thank you and best wishes for the holidays.