

Q3 2025 EARNINGS CONFERENCE CALL

AUGUST 28, 2025

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Material economic assumptions underlying the forward-looking statements contained in this document and/or on the conference call 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 and news releases (as applicable).

Any forward-looking statements contained in this document and/or on the conference call 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 third quarter 2025 results presentation. We will begin today's presentation with remarks from Raymond Chun, the Bank's CEO, followed by Leo Salom, President and CEO, TD Bank, America's Most Convenient Bank, after which Kelvin Tran, the Bank's CFO, will present our third 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; 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.

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. Ray, Leo 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 Q3 2025 Report to Shareholders. With that, let me turn the presentation over to Ray.

Raymond Chun – TD Bank Group – Group President and Chief Executive Officer

Thank you, Brooke. And good morning, everyone.

We had another strong quarter, which I'm looking forward to discussing in a minute. But first, I'd like to share my thoughts on the external environment. Global trade dynamics continue to be fluid. It was encouraging last week to hear the Prime Minister and President are intensifying their efforts to resolve ongoing trade challenges. However, there is still much work ahead with "CUSMA" – or U-S-M-C-A – renegotiations set for next year. While Canadian companies have benefitted from that trade agreement, tariffs – and especially sector-specific tariffs – create business uncertainty and economic distortions, with significant impacts to the most exposed sectors. Despite this, the Canadian and U.S. economies have shown resilience, though momentum has slowed. These remain early days. It will likely be a long road before the full impact of tariffs is well understood. This is a time for bold, decisive leadership that unlocks Canada's economic potential, and strengthens our productivity and resilience. I'm encouraged by the federal government's focus on removing internal trade barriers, catalyzing major projects in partnership with Indigenous Peoples, and diversifying export markets. This moment is an opportunity to build stronger, more resilient economies. At TD, we stand ready to meet that moment and work with governments and private sectors to strengthen communities across our footprint. And no matter how the external environment evolves, we'll be there to support our clients. It's a privilege to serve over 28 million households and businesses, and we will continue working hard every day to understand their needs and help them achieve their goals.

With that, let's turn to the next slide.

With three quarters of the year done, I am pleased with what we have achieved. We continue to act decisively to support TD's future. Our momentum continued this quarter, with TD's announcement of a strategic relationship between Fiserv and TD Merchant Solutions. This will simplify TD's portfolio and reduce costs – improving the Bank's financial performance over time. It will also elevate the experience for our Canadian business banking clients, delivering best-in-class solutions.

We have continued to identify opportunities to innovate to drive efficiency and operational excellence. Kelvin will provide more details on our efforts to structurally reduce costs across the Bank in his remarks. As you know, the Bank will host an Investor Day on September 29th. We are very excited to share TD's strategy and medium-term outlook with all of you next month. Before I turn to Q3 results, I wanted to personally thank Alan MacGibbon for his leadership and dedication to the Bank. TD and I have greatly benefited from his many contributions and keen insights.

I also want to congratulate John MacIntyre, who will become the Chair of TD's Board of Directors effective Monday. John's deep financial expertise will help him guide our Board in the coming years. He will continue to be invaluable to me and my leadership team as we work to deliver on our strategy and drive long-term value.

Please turn to slide 4.

In Q3, the Bank delivered a strong quarter, with earnings of \$3.9 billion and EPS of \$2.20. We saw robust fee and trading income in our markets-driven businesses and volume growth year-over-year in Canadian Personal & Commercial Banking. TD delivered positive operating leverage this quarter – reflecting strong revenue growth that offset elevated expenses driven by governance and control costs and investments to drive business growth. Impaired PCLs decreased quarter-over-quarter, reflecting strong credit performance. And we added to our performing reserves for policy and trade uncertainty – taking a prudent approach with almost \$600 million in reserves added year-to-date. Ajai will share more details shortly in his remarks. The Bank's Q3 CET 1 ratio was 14.8%, reflecting strong capital generation in the quarter. As of quarter-end, we were over halfway through our share buyback, with 46 million shares repurchased for a total of over \$4 billion.

Please turn to slide 5.

In Q3, we demonstrated disciplined execution across our businesses. In Canadian Personal & Commercial Banking, we delivered a strong quarter with record revenue, earnings, deposits and loan volumes. RESL volumes surpassed \$400 billion – driven by strong performance across our distribution channels. We continued to deliver robust loan growth in cards. And this quarter, cards acquisition was the highest its been in almost a decade. In the Business Bank, loans were up 6% year-over-year reflecting growth across our commercial business. We also saw record retail originations in TD Auto Finance.

We delivered continued momentum in U.S. Retail, with core loans up 2% year-over-year. U.S. Bankcard balances were up 12% year-over-year, reaching a new milestone with US\$3 billion in balances. In our U.S. Wealth business, total client assets were up 12% year-over-year, with mass affluent client assets up 26% year-over-year. This quarter, we made significant progress on our U.S. balance sheet restructuring. We completed the investment portfolio repositioning announced last October, and achieved our targeted 10% asset reduction. The Bank also continued to prioritize and execute on our AML remediation. Leo will provide more details in his remarks.

In Wealth Management & Insurance, we delivered record earnings and assets in Wealth, and strong underlying business performance in Insurance. TDAM won key institutional mandates globally and domestically and continued to take share in its growing ETF franchise. We had a strong quarter in Direct Investing with trades per day up 18% year-over-year as we continued to gain traction in partial shares and on our Active Trader platform. TD Insurance delivered strong premium growth year-over-year and continued to enhance its client acquisition strategies. In Wholesale Banking, we continued to demonstrate the power of our broader platform, delivering over \$2 billion in revenue for the third consecutive quarter. We are seeing broad-based revenue growth as market volatility normalizes and our capital markets and advisory businesses accelerate.

Please turn to slide 6.

This quarter, we launched TD AI Prism, a significant step forward in our effort to harness the power of AI. TD AI Prism is designed to deliver greater client personalization through accelerated AI-driven insights, and support client services and growth. And in TD Securities, we launched a Virtual AI Assistant which queries our Equity Research Library and synthesizes about 8,500 proprietary research reports – covering nearly 1,300 companies – in seconds. This tool enhances the productivity and effectiveness of our front office institutional sales, trading, and research professionals – enabling them to answer client inquiries with speed. We continue to invest in enabling capabilities such as trusted data and AI. We recognize that leadership in digital and mobile is absolutely critical. We are looking forward to sharing more about our strategies and investments in these areas at our Investor Day next month.

Please turn to slide 7.

Before I turn it over to Leo, I want to thank our colleagues across the Bank. Every day, you are working to deliver for our clients, drive shareholder value, and build TD's future. Thank you for all that you do.

With that, Leo, over to you.

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

Thank you, Ray, and good morning, everyone. Please turn to slide 8.

We've continued to make progress on our top priority, the U.S. AML remediation program – and we've now completed a series of important milestones: We have a strong AML leadership team in seat, we've implemented tactical risk reduction measures, we've improved our investigative capabilities, we've launched a new transaction monitoring process and platform, we've deployed all planned scenarios to date on that new environment, and are prepared to continuously add and make changes to meet emerging risks and trends.

This quarter, we deployed our first machine learning models in our transaction monitoring environment. This tool will continue to improve the effectiveness and efficiency of our program, allowing our AML team to focus their investigative expertise and intelligence.

In addition, we've built out our governance over New Business Initiatives, including the establishment of a new Financial Crimes Risk Management subcommittee dedicated to the assessment and oversight of financial crime risk of new business products and services.

We have also launched new focused training for the first and second lines of defense related to suspicious customer activity associated with certain commercial products and services. Coupled with the targeted role-based training and the enhanced bank-wide training which I spoke about in the past, we are continuously uplifting and developing the knowledge and capabilities of our colleagues across the Bank to be effective AML risk managers.

At this point, we are where we thought we would be in our work and continue to expect that we will complete the majority of our management remediation actions by the end of calendar 2025. However, as we have said before, significant work, including important milestones, will continue into calendar 2026 and 2027. I want to also clarify that when we say "management remediation actions", we are referring to a broad set of actions that we believe need to be completed to strengthen our AML program. And as we have disclosed in our MD&A, these actions include activities such as design, documentation, data preparation, systems, implementation of controls, testing and more.

Finally, as we have noted previously and is customary for remediations of this nature, our U.S. AML remediation work is subject to ongoing review by the Monitor and acceptance by our Regulators, the DOJ and FinCEN.

Now, I'd like to give you an update on our balance sheet restructuring activities. Please turn to slide 9.

As you know, this effort has two critical objectives: first, to strictly comply with and maintain a buffer to the asset limitation and second, to ensure that we can continue to serve our clients and communities as their needs evolve. We made meaningful progress against our objectives this quarter. At the end of the fiscal quarter, total assets were US\$386 billion, reflecting the deployment of proceeds from the loan sales to pay down bank borrowings.

I remain confident that we will largely complete the loan sales we identified last October by the end of the fiscal year. And as we continue to focus on simplifying our business, we will be reducing identified additional loans over the course of fiscal 2026 and beyond. And – with the execution of our loan reductions and pay-down of short-term borrowings – we expect to modestly exceed the 10% asset reduction we guided to last October. With this asset reduction, the U.S. Retail segment could grow core loans at a rate consistent with our historical performance through the medium-term without breaching the asset limitation. And this is without taking into account any incremental capacity that could be created through the sale of up to US\$40 billion in non-HQLA securities.

This quarter, we completed the investment portfolio repositioning program as well, announced back in October. In total, we sold approximately US\$25 billion notional, for an upfront loss of US\$1.3 billion pre-tax. These actions are expected to generate an NII benefit in fiscal 2025 of approximately US\$500 million pre-tax.

Collectively, these actions have enabled the U.S. Retail segment to improve return on equity excluding Schwab by 140 basis points since Q4'24. We expect to continue to improve return on equity through the remainder of fiscal 2025 and into fiscal 2026.

With that, I will turn it over to Kelvin.

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

Thank you Leo. Please turn to slide 10.

TD delivered a strong quarter. Total bank PTPP was up 13% year-over-year, after removing the impact of the U.S. strategic card portfolio, FX, and Insurance Service Expenses. Revenue grew 10% year-over-year driven by higher fee income and trading-related revenue in our markets-driven businesses and volume growth in Canadian Personal and Commercial Banking. Expenses increased 13% year-over-year, with approximately one-quarter of the growth driven by variable compensation, foreign exchange, and the impact of the U.S. strategic card portfolio. Impaired PCLs declined quarter-over-quarter, reflecting strong credit performance. Performing provisions reflect additional overlays for policy and trade uncertainty.

Please turn to slide 11.

As you know, we are undertaking a restructuring program to reduce structural costs and create capacity to invest to build the Bank of the future. We expect to incur total restructuring charges of \$600 million to \$700 million pre-tax over several quarters. In Q3, we incurred restructuring charges of \$333 million pre-tax. The restructuring program is expected to generate savings of approximately \$100 million pre-tax in fiscal 2025, and annual run-rate savings of \$550 million to \$650 million pre-tax. Cost savings will be driven by workforce and real estate optimization, asset write-offs, and business wind downs and exits as part of the strategic review.

We continue to expect fiscal 2025 expense growth – assuming fiscal 2024 levels of variable compensation, FX and the U.S. strategic cards portfolio – to be at the upper end of the 5 to 7% range, reflecting investments in governance and control and investments supporting business growth, net of expected productivity and restructuring savings. We have delivered strong results year-to-date, and we are evaluating opportunities to further accelerate investments in our business to drive future growth. We look forward to sharing more at our upcoming Investor Day.

Please turn to slide 12.

Canadian Personal & Commercial Banking delivered a strong quarter with record revenue, earnings, deposit and loan volumes. Average deposits rose 4% year-over-year, reflecting 4% growth in personal deposits and 6% growth in business deposits. Average loan volumes rose 4% year-over-year, with 3% growth in personal volumes and 6% growth in business volumes. This quarter, housing market activity improved compared to the prior quarter, and our RESL strategy delivered both sequential volume growth and margin expansion in a competitive market. Net interest margin was 2.83%, up 1 basis point quarter-over-quarter, primarily driven by higher loan and deposit margins. As we look forward to Q4, we again expect NIM to be relatively stable. Expenses increased reflecting higher technology spend and other operating expenses.

Please turn to slide 13.

U.S. Retail sustained business momentum and made significant progress on balance sheet restructuring. Deposits excluding sweeps were stable year-over-year, and were up 2% excluding targeted run-off in our government banking business. Core loans grew 2% year-over-year, reflecting continued strength in Bankcard, home equity, middle market and small business. Net interest margin was 3.19%, up 15 basis points quarter-over-quarter, reflecting the impact of U.S. balance sheet restructuring activities, normalization of elevated liquidity levels, and higher deposit margins. As we look forward to Q4, we expect NIM to moderately expand. Expenses increased US\$199 million – or 13% – year-over-year reflecting higher governance and control investments – including costs of US\$157 million for U.S. BSA/AML remediation this quarter – and higher employee-related expenses.

While investments will fluctuate from quarter to quarter, we continue to expect U.S. BSA/AML remediation and related governance and control investments of approximately US\$500 million pre-tax in fiscal 2025.

We expect similar investments in fiscal 2026. Overall, U.S. Retail expense growth is expected to be in the mid-single digit range in fiscal 2026. We remain focused on productivity initiatives to help fund investments in our core franchise.

Please turn to slide 14.

Wealth Management & Insurance delivered strong underlying business performance. In Wealth Management, market appreciation coupled with strong account origination drove record assets this quarter. Direct Investing had a particularly strong quarter. We saw a significant increase in trading volumes – led by our active trader clients with volumes up 23% year-over-year – and increased deposits. We have continued to invest in our Insurance business. This quarter, while lower CAT activity provided a benefit – the performance underscores the strength of our business and ability to deliver profitable growth. Expenses increased this quarter, reflecting higher variable compensation commensurate with higher revenues and increased technology investments.

Please turn to slide 15.

Wholesale Banking delivered a strong quarter driven by broad-based revenue growth across Global Markets and Corporate and Investment Banking – and our pipeline of future deals remains robust. We continue to demonstrate the industrial logic of the TD Cowen acquisition. Expenses increased reflecting higher technology, front office costs, variable compensation, and spend supporting regulatory and business projects.

Please turn to slide 16.

Corporate net loss for the quarter was \$164 million, a smaller loss than the same quarter last year, reflecting higher revenue from treasury and balance sheet activities partially offset by higher net corporate expenses, which were primarily driven by higher governance and control costs.

Please turn to slide 17.

The Common Equity Tier 1 ratio ended the quarter at 14.8%, down 5 basis points sequentially. We delivered strong internal capital generation this quarter. The Bank repurchased 16 million common shares under its share buyback program in Q3, which reduced CET 1 by 25 basis points. Our average LCR for the quarter was 138%. The Bank is now operating at normalized liquidity levels.

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 26 basis points, an increase of 5 basis points, or \$402 million quarter-over-quarter. The increase was largely recorded in the Wholesale Banking and U.S. Commercial lending portfolios, related to a small number of borrowers across a number of industries.

Please turn to slide 19.

Gross impaired loans increased \$468 million quarter-over-quarter to \$5.33 billion or 56 basis points. The increase was largely reflected in the Wholesale Banking, and U.S. Commercial lending portfolios.

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 decreased \$370 million, or 17 basis points quarter-over-quarter to 41 basis points. The decrease was recorded broadly across the Canadian and U.S. consumer, and business and government lending portfolios, and reflective of: strong underlying credit performance, and a smaller current quarter performing build.

Please turn to slide 21.

Impaired PCLs were \$904 million, a decrease of \$42 million quarter-over-quarter, driven by: The Canadian Personal & Commercial segment. Performing PCL was \$67 million, a decrease of \$328 million quarter-over-quarter. The decrease reflects a smaller current quarter build for policy and trade uncertainty.

Please turn to slide 22.

The Allowance for Credit Losses was \$9.7 billion, an increase of \$116 million quarter-over-quarter, reflecting: additional performing reserves relating to policy and trade uncertainty, and higher impaired allowance, associated with a few impairments in the Wholesale lending portfolio.

Now, in summary, the Bank exhibited continued strong credit performance this quarter, evidenced by a sequential reduction in impaired PCLs. While underlying credit performance remains resilient, we've conducted a further review of our lending portfolios considering ongoing policy and trade related risks, and have added incremental reserves this quarter. In aggregate, our policy and trade related reserves are now approximately \$600 million, and we are prudently reserved for the dynamic economic environment.

While there are many potential scenarios that could play out in terms of the economic trajectory and credit performance, I expect fiscal 2025 PCL results to fall within the range of 45 to 55 basis points I offered at the start of the year. Looking forward, TD is well positioned to manage through this period of uncertainty, considering: our prudent provisioning, broad diversification across products and geographies, our strong capital position, and our through-the-cycle underwriting standards, that have served us well through challenging conditions in the past.

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

QUESTION AND ANSWER

Operator

[Operator Instructions] The first question is from John Aiken from Jefferies.

John Aiken – Jefferies – Analyst

Good morning. Leo, thanks for the update in terms of the AML remediation and the balance sheet restructuring. A question for you, though. In your prepared commentary, you talked about – the lending portfolio could grow over the next couple of years without breaching the restriction. Not putting too fine a point on this, but are we expecting to see an inflection point at some point in 2026 and actually start to see the loan balances grow in the U.S. portfolio?

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

John, thanks for the question. Just to break it down, we did provide this disclosure. We've already reduced the overall balance sheet by about US\$17 billion. We've got an additional US\$18 billion on a spot basis that we've identified for runoff and/or selective repricing. So that will be largely the work that we'll be doing over the next few quarters into 2026. I would expect that you'll still see – from a headline standpoint – that we'll see some contraction in the book through most of 2026 with an inflection point towards the end of the year. The areas where we are experiencing really good, strong growth – and Kelvin highlighted some of these. In our bank card business, I'm really pleased we've been consistently delivering double-digit growth in terms of overall credit card proprietary growth. Likewise, we saw home equity balances grow by 9%. So solid performance there.

And even in the Commercial segment, which is – given the uncertainty in the marketplace – has been experiencing a bit of a wait-and-see sort of dynamic, we're seeing decent growth there. Small business was up 5%, our mid-market and specialty businesses were up 6%. So I think we're seeing the core underlying growth taking place. But to your point, we'll still have a runoff scenario for the better part of 2026 as we try to get to the fighting weight size for the U.S. business.

Gabriel Dechaine – National Bank Financial – Analyst

Good morning. First question, just to follow up on that one. The loans we're talking about in the U.S., the exits, runoffs – US\$17 billion to date. US\$18 billion – thanks for that number identified for similar treatment.

Is that contemplated? And is that the full program as you see it now? Because there's what you do this year. And then it sounds like more beyond 2026. Is this capturing all that outlook?

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

Thanks for the question, Gabe. I'd say that is the entirety of the program. That reflects not only what we announced back in October but it also includes the product of the strategic reviews that we've conducted over the past 2 quarters.

Gabriel Dechaine – National Bank Financial – Analyst

Ok, great. And just from a modeling standpoint, and I know these aren't all homogeneous portfolios, but when you choose to exit them – ROE is the ultimate deciding factor but risk is another. So in totality, are these going to cause your margins to go up or down and then your risk to go up or down? Like just the nature of these portfolios. I know the correspondent mortgages would probably be low margin, low loan loss – but maybe the rest of program has different characteristics?

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

No, Gabe, that's exactly right. I'd say the two primary criteria – one obviously is we looked at portfolios that were not accretive to return on equity. And so making sure that the portfolio is profitable and is hurdling was criteria number one. Number two was – is it core to the franchise? Are we lending to clients where we are able to serve them completely as opposed to just a stand-alone lending relationship, and all the portfolios that we've chosen as part of this exercise fall in that category.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. Next question is on expenses – expense management. Just so I'm crystal clear, I mean I should know this by now, but the US\$500 million of AML remediation cost, the direct stuff, that's in the U.S. P&C segment, correct?

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

Correct.

Gabriel Dechaine – National Bank Financial – Analyst

My hopefully more intelligent question is, are there additional indirect costs that are seemingly tied to this issue as well? Because in Wholesale banking, I see good revenue growth, but then expenses were up more – spend supporting regulatory and business projects. And then in the Corporate segment, sounded like governance and control costs were noted. I'm just wondering if there's additional inflationary pressures that are starting to affect other segments.

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

Gabe, it's Kelvin. Why don't I take that first. Yes, so overall, the majority of the year-over-year expense growth is governance and control related. You already know that part of that is in Leo's business, and we've also taken this opportunity to uplift our governance and control cost across the bank where we see feasible, and so maybe I'll pass it on to Ajai just to give you a few examples of those. And then to Tim on the investment that he's making in his business.

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

Yes. So I'd say with respect to second-line risk functions that are under my purview the main area we're investing in is AML – so not just U.S. AML, but we're very much investing in enterprise AML as well. And as I've said on earlier calls, there are other risk programs that we're investing in. A good example of that is fraud. Another good example is cyber. Compliance is the third example I would share with you. So we are investing in other risk programs as well.

Tim Wiggan – TD Bank Group – President and CEO, TD Securities; Group Head Wholesale Banking

And Gabe, from a Wholesale perspective, you mentioned the revenue. We are aggressively scaling our Wholesale business. So as you've seen, in this quarter, we did \$2 billion of revenue. And the way I would describe that – we essentially matched Q2 in revenue – which included the \$184 million from Schwab that we disclosed. So that involves investment across global markets, capital markets as well as investment banking.

But to follow on Ajai's point, we also need to make foundational investment in our risk and control platform to allow us to scale within risk appetite and properly manage our risk. But I think we are well on track with our stated goals and the results are showing that our strategy is playing out.

Gabriel Dechaine – National Bank Financial – Analyst

I'm sure we'll dive into that in greater detail in September in a month or so. Last one, buyback, the pace – I know there's the number of shares and then the dollar amount – the stock price has gone up since you announced the buyback program. So if I look at the number of shares, it was 30 some odd million in the last quarter, 15 or so this quarter, unless I'm mistaken. Are you still committed to the full US\$8 billion (sic) [C\$8 billion]?

Raymond Chun – TD Bank Group – Group President and Chief Executive Officer

Thanks for the question, Gabe. It's Ray. And yes, the simple answer is yes. We are still looking to deploy about \$8 billion from the Schwab sale proceeds for our current NCIB. And as you said, I mean we've made good progress this quarter. We bought back 16 million shares. We're at about 46 million shares that we bought back since we announced the program. About \$4 billion through quarter end. And we'll just note that the pace of the buyback will depend on some of the market conditions. And as you saw and noted, we accelerated some of that repurchase in Q2 when we saw the share price dip. But we are committed to completing the \$8 billion buyback that we announced.

Matthew Lee – Canaccord Genuity – Analyst

Thanks for taking my question. Maybe just on the capital markets side, activity finally seems to be picking up on the C&IB front. How did the addition of, and integration of Cowen improve your approach to winning investment banking mandates, particularly in the U.S.? And then should we expect capital markets to be a bigger growth driver for you this cycle than maybe how TD has looked in the past?

Tim Wiggan – TD Bank Group – President and CEO, TD Securities; Group Head Wholesale Banking

Thanks very much for the question. I would just say you should absolutely expect continued growth in capital markets. If I give you a longer-term view of revenue, I'll just take you back to fiscal 2022. So that was the last full fiscal year prior to the TD Cowen acquisition, where we were doing on a quarterly basis about \$1.2 billion of revenue. In Q4, we guided to an expectation that we could take that to \$1.8 billion per quarter in this fiscal year. And quarter-to-date, as you've seen, we're actually coming in at \$2 billion. And I would say, much like you've seen from other banks, over the course of the last few months, the first half of the year was about monetizing volatility, which I think we did very well. But as we look at Q3, we've had a meaningful pickup in CIB. And within that, you would have obviously advisory – equity capital markets for us specifically – is a much bigger contributor and a lot of that is just as a result of the mix and being more exposed to U.S. equity capital markets activity. We also saw leveraged finance pickup. So overall, as I said earlier, we are seeing the benefits of the broader platform and continuing to scale and invest to become a top 10 North American dealer.

Matthew Lee – Canaccord Genuity – Analyst

All right. And as a follow-up, any industries in particular, are you starting to see some excitement in terms of equity and advisory?

Tim Wiggan – TD Bank Group – President and CEO, TD Securities; Group Head Wholesale Banking

It's actually fairly broad-based. So I would call out our biotech franchise has been a big contributor, our energy infrastructure, communication, media, telecom. So I would really suggest to you that the shape of this quarter is very well diversified. And even though we had outsized global markets activity in the first half, when you normalize for Schwab, the sequential revenue on the market side was actually fairly flat. But the meaningful delta, again, was in advisory and capital markets and fairly well diversified, which obviously is encouraging for us.

Ebrahim Poonawala – BofA Securities – Analyst

Good morning. I guess, just a few questions around expenses. And maybe, Leo, with you on the U.S. side. Just making sure I'm hearing you correctly, there's another US\$18 billion of loans that are going to run off next year. Expense growth is going to be mid-single digits in the U.S. segment. All of that obviously speaks to some version of negative operating leverage in that business for next year as well. And sorry if I missed it, but remind us, I feel like the control costs, AML costs, were in the run rate this year. So when you think about just the drivers of expense growth relative to kind of the balance sheet runoff that's taking place, how should we think about that in terms of just the U.S. segment profitability looking out next year?

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

Yes. Ebrahim, good to hear from you. Maybe if I could just frame first expenses, and then I'll come back to sort of overall profitability. From an expense standpoint, as Kelvin guided, we are confident with our spend pattern against the AML program. So we will come in at the \$0.5 billion number for the 2025 year. And we believe that that number will look similar in 2026. So I think we've got some degree of consistency there. I think from an expense standpoint, I would expect the fourth quarter, just in terms of where we'll land, to be somewhat similar in terms of the absolute level of expense that we saw in the third quarter, and that reflects the slightly higher AML spend pattern just in terms of the calendarization from the first half of the year to the second half of the year, and that number, obviously, in any one given quarter could bump around. I think the piece that we did share with you is that we are guiding to a mid-single-digit expense growth for 2026. And what that reflects is that while we still will have elevated remediation expenses, somewhat in line with what we've seen in 2025, you'll start seeing the benefit of the productivity efforts that we've announced in previous calls, and just the deliberateness around the choices that we're making. Productivity is important because we want to continue to not only remediate but also invest in the franchise in those areas that we think have significant growth.

To your point, with regards to overall profitability, we still believe that between the work that we've done on the bond repositioning, the tractor on rate versus off-rate profile, the work that we've done to reduce excess liquidity, notwithstanding that we're going to have some headwinds related to the runoff of the US\$18 billion, that we'll still have a strong revenue dynamic in 2026. And that, coupled with the disciplined profile and expenses would lead us to a year of NIAT growth. And we'll provide a little bit more texture and guidance during the Investor Day call in late September. But long-winded way of saying, I'm still constructive with regards to the outlook for 2026.

Ebrahim Poonawala – BofA Securities – Analyst

That's helpful, Leo. And I think if I heard correctly, you said you expect to have all the work done by the end of the year as far as the AML remediation stuff is concerned? And if that is, in fact, the case, my understanding of kind of how the U.S. regulators work is you've got sort of your ducks lined up. They may observe this for 1 year or 2 years, 3 years, whatever it is. But if you are done by the end of the year and if there's no breakage over the next year or 2, I'm just wondering the time line that you had initially put out going to '28. How do you think about, or how should we think about the removal of that asset cap during that process once things are done and the subsequent 12 to 24 months? If you could share your perspective on how shareholders should think about that.

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

Yes. So what I would say Ebrahim, let's just be a little bit more precise. What we've said is that we think that the majority of our management actions, which is the first stage of the remediation effort – in other words, that that we can control – so the design of our programs, the documentation of the policies, the implementation of critical process changes, the data, the systems, those things that are foundational to a good program – we believe the majority will be completed by the end of 2025. But I've been very clear that some longer-tail items do stretch into 2026 and 2027. So the program doesn't entirely complete in 2025.

I'd say the other point that I would clarify is once we complete a management action, there's a number of stages that we will still be subjected to. Internally, within the bank, we have an internal challenge process that both the first and second line will conduct. Then we subject all of our programs to internal audit's validation process. The monitor will provide their governance oversight. And then finally, the regulator will look for a period of sustainability to make sure that the program is, in fact, living up to expectations. So I think what we can control, I feel quite comfortable with the progress we're making on the actual remediation plan. But I just want to be a little careful about the timing as to an asset cap – or any – we really don't control those items. What we want to do is make sure that we build a very strong program as quickly and as comprehensively as possible.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay, thank you. I wonder if I could just ask Tim a little bit more on Wholesale Bank. I think you mentioned, Tim, that there are some investments that are taking place to accommodate a top 10 type, I suppose, aspiration in North America. I see a big increase in, for example, full-time equivalent or employee count. Some of it, I suppose, is seasonal. But can I get a sense of, as you think about whether you're trying to go, how much more investing and spending needs to take place? And when do we expect to see the fruits of that, so to speak, on a sustained basis?

Tim Wiggan – TD Bank Group – President and CEO, TD Securities; Group Head Wholesale Banking

Thanks very much for the question. I would say with regard to FTEs, that is absolutely seasonal. So as you look out over the next year-over-year or out over the medium term, we don't expect a material increase in our complement of FTEs. And I would say, just generally, we'll be able to share more colour in terms of the shape of the investment profile at the Investor Day. But you're really seeing all elements of expense hitting in the current year.

And so to give you tangible examples, our convertible platform didn't exist a year ago and is a meaningful contributor to the league table rankings that you're seeing in equity and equity linked. That requires investment. We've been quite open that we are expanding our U.S. Prime business. You're seeing growth in Prime overall – 20% plus – but more to come as we roll out incremental strategies. So that's hitting. The employees that we've added, which again, I would say, on a net-net basis, are neutral – are subject matter expertise and leaders in their field, but as you know, there's a J-curve there. And then finally, all of this has to happen within our risk appetite. And so there's a material investment in our risk and control platform, and we're a year into a 2 or 3-year program on that front. So essentially, over the medium term, as revenue growth continues and those expenses normalize, I'm confident that we'll hit our targets that we'll speak more about next month.

Sohrab Movahedi – BMO Capital Markets – Analyst

Okay, Tim, and I appreciate that. And I'm sure you're going to give us more details, I guess, next month, but I guess, worth a try. As you go, as you make this progress towards your, let's call it, 3-year plan, is there an anticipation that your risk-weighted assets here should then continue to grow at some sort of a rate? And what sort of an ROE target do they have on your back?

Tim Wiggan – TD Bank Group – President and CEO, TD Securities; Group Head Wholesale Banking

Yes. So maybe I would take you back to pre Cowen acquisition because obviously prior to this substantial investment, we were generating 13% ROE and efficiency ratios in the low 60s. So this is how we've run the

business. But as you will know, generally, it takes 3 to 5 years to build a world-class platform, and that's what we're doing.

With regard to risk-weighted assets, a big part of our objective is around the denominator and how we're managing capital. So the first part of that process is to make sure you have the right tools to deepen your client relationships and drive RAROCs with your clients. The second part is delivering, which I think we're doing. But to be clear, we have an exercise that basically looks at the loan book. And looks for opportunity to upscale and go deeper and reallocate where necessary now that we have a platform in place to monetize more effectively against that loan book or RWA.

Doug Young – Desjardins Securities – Analyst

Good morning. I guess, for Ajai, two things on credit. Higher gross impaired loan formations in U.S. Commercial I think you talked about. But then in the U.S., there's a release of performing loan allowances. And so I'm just trying to connect the two and maybe walk through where the release came from?

And then I think you said about \$600 million of expert credit judgment. I think it's in your performing loan allowances related to risks around trade policies. Can you put a little more meat around that? Like was that zero last year? How has that evolved? And then I have a follow-up next.

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

Yes. So there are multiple parts to your question, so let me try to answer each one of them. You mentioned higher GILs – and yes we saw higher GILs. Some of it came from Wholesale and some from the U.S. In Wholesale, there were really four borrowers. One was in telecom and cable, two in professional and other and one in transportation. There were a few impairments on the U.S. Commercial book. Three of them were CRE, and I would call those pretty much expected. And there was one in C&I in the industrial construction and trade contractor space. I don't necessarily view this as a trend, but you're right in pointing out the numbers, the GIL numbers did go up.

If I look at U.S. impaired PCLs. U.S. impaired PCLs went up because of these impairments and the related reserves. And then you're correct in pointing out that on a performing basis, performing PCLs in the U.S. came down and there was, I would call it, a small release. And the main driver of that small release was the change in the macro environment in the United States. And my final comment on that would be that I have seen this variation quarter-over-quarter. And it's not every quarter that the impaireds in the segments would move in the same line. So it's not an unexpected event from my perspective.

And let me turn to the \$600 million. So we've actually built \$600 million over 3 quarters. We started building in Q1, then we had a big build in Q2. What we did this quarter was we actually went and refreshed all the work we did last quarter and went deep into understanding the borrowers that were most sensitive to tariffs. And when we did this work – so that's non-retail – when we did this work, we looked at the potential impact on their financials, whether it was revenue or cost of goods sold. That gave us an idea of what potential migration should occur. Could it be one notch could it be two notches? And we used that potential migration to determine what the allowance would be – and this quarter, because that number was slightly higher, we took a little more against business and government lending.

What we've also done is we've been looking at the consumer portfolios over these 3 quarters. We're looking at the potential impact of inflation and higher rates on consumers. So this quarter, we actually added a little bit for the consumer books as well. So if I take that total \$600 million, approximately \$410 million is for business and government and \$190 million is for the consumer sector. So again, I'll just end by saying I'm very comfortable with where we are at. We've done a lot of work to determine what the overlay should be. I think you know this uncertainty still exists. It's going to continue for a while, but I feel we're well positioned. We're sitting at 103 bps reserves, and I'll leave it at that.

Doug Young – Desjardins Securities – Analyst

And so just to follow up on that, the \$600 million, the \$410 million and the \$190 million. How much of that is Canada – I would assume most of this is Canada.

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

Yes, we haven't disclosed that, but I can tell you a fair bit is Canadian P&C, and the balance is U.S. based – some for U.S. Retail, and there's some for Wholesale.

Doug Young – Desjardins Securities – Analyst

And then just in a real life example, what is that \$600 million. So if we had a breakdown in USMCA – that is what this is there for? It doesn't cover, obviously, everything that would happen, but it provides you a cushion in anticipation of that? Is that how to think of that \$600 million?

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

We've made certain tariff assumptions for Canada and the United States. This is really taking those tariff assumptions and running it through our portfolio to determine what incremental migration or results would be required. Now I want to be very clear that we've made certain assumptions. To the extent the tariffs turn out to be higher than the assumptions we've made, that means we have to build more reserves. To the extent that tariffs turn out to be lower than what we've assumed, that means we would be releasing. And to the extent that tariffs are as assumed, then as that book migrates, we built the reserves. We're going to draw down on those reserves.

Doug Young – Desjardins Securities – Analyst

And then just second, Leo, you talked about ROE improvement in the U.S. I guess there's two parts of the equation, obviously the numerator and the denominator. How much of this is driven numerator versus denominator? And then can you give kind of context to where you started and where you think you can get to with that U.S. ROE?

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

Well, Doug, thanks for the question. We will be providing more clarity with regards to return on equity target at the Investor Day. So I won't front run that discussion at this point. But it's been a combination of both. We are clearly contracting portions of the portfolio that we believe are not accretive to our return on equity profile. But the reality is a lot of the benefit – because that RWA reduction is still funneling through the balance sheet. So where you're seeing the improvement right now has been the improvement in overall operating results. We've had 3 sequential quarters of NIAT growth, from fourth quarter of last year to present. And that has allowed us to be able to post cumulatively 140 basis points worth of improvement when you exclude Schwab.

So I think we're executing as expected at this point. I hope that you also appreciate the fact that you're beginning to get a sense based on the performance that we posted this quarter, at US\$695 million in earnings, what the outlook could look like for 2026 as well. So I think right now, it's been an earnings story with – aided by the fact that we are selectively making some changes on the balance sheet side, you'll see more of that balance sheet impact next year as we complete the overall U.S. balance sheet restructuring.

Shalabh Garg – Veritas Investment Research – Analyst

Good morning and thank you for taking my question. I'm referring to Slide 42. Now there was a sharp year-over-year improvement in the Canadian Commercial credit performance, whereas U.S. was a bit elevated. Now when I look at the size of the loan portfolios, they look pretty similar in terms of size and mix. Now does this highlight a difference in underwriting standards? Or is it more of a function of balance sheet positioning in the U.S. and the relative size in the two countries?

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

Yes, it's Ajai. So let me explain the difference between what happened with Canadian P&C and U.S. Retail. And I wouldn't call it a difference in underwriting standards. The underwriting standards are pretty consistent across the board. And underwriting standards are not something that we change. So the underwriting standards are consistent.

What you see on Canadian P&C is you see the numbers are down \$159 million. Impaireds are down \$52 million and performing is down \$107 million. U.S. Retail is also down. So directionally, PCLs are the same. But performing is down \$149 million (sic) [\$146 million] in the U.S. The divergence has come from impaireds. And impaired PCL is slightly up. It's up \$21 million. And the reason impaired PCL is up is we did see some impairments. As I mentioned, there were 3 in CRE – 1 in office, 1 in retail, 1 in multi family, and then there was 1 in C&I. So again, I'd say the results are generally consistent. I won't call the underwriting standards different.

But in any given quarter, you can see some variation across products, across segments. And, in fact CRE – I think I've said on previous calls – this whole CRE situation in the U.S. is still playing out, and we're very well reserved for that situation. So I'll leave it at that.

Paul Holden – CIBC World Markets – Analyst

Hi, thank you. Good morning. I'll try to keep it quick in the interest of time. So a question for Sona. Kind of a two part question, but trying to get to the major point, which is sort of maybe the NII outlook on Canadian P&C banking. So if I look at loan growth in the quarter, I see residential mortgages down a bit, but strong growth in what I think are higher-margin products – HELOC, cards. So maybe you can talk through that a bit in terms of the outlook and why residential mortgages are down in the quarter, but growth on the other side?

And then the second part of the question is really on deposit mix. I know in past quarters, you've talked about the benefit of GICs rolling off and demand deposits growing. Is that ongoing? And do you expect it to be ongoing? And then again, that really leads to – like sort of what's the NIM and NII outlook for the segment?

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

Sure. Thanks, Paul. So first, maybe on the loans side of the business. We're quite pleased with the quarter. We've seen strong sequential momentum in the RESL business, and I'm speaking here, Paul, to the aggregate of both mortgage and HELOC. So on an average basis, it's up 1% quarter-over-quarter and better than that on a spot basis. So we are seeing good growth both in that line as well as in the credit card business. So we've seen strong 7% year-over-year growth in the credit card business.

As I look at NIM and NII, obviously, there's a number of factors there, broadly, influencing both NIM and NII – things from tractors, which obviously confer a lot of stability, to our large core deposit business as well as product mix and balance sheet mix. So in the quarter, in particular, I think we have benefited from favorable deposit margins, including a mix impact. On the RESL side of the business, coupled with the sequential growth, we saw good margin expansion. So we saw both quarter-over-quarter and year-over-year, better margins, both on originations as well as the portfolio. So kind of a four-peat for RESL.

And then the credit card business obviously is healthy from an NII NIM perspective. So that's maybe the first part of the question. Hopefully, I've answered that for you.

On the deposit side of the business, also I would say a strong quarter. So we've led both year-over-year and quarter-over-quarter in personal deposits growth. And what we are seeing is good growth shift positively to demand deposits. So that is also positive momentum. So I think a number of factors coming together. We continue to guide to relatively stable NIM heading into Q4. But we're pleased overall with a strong exit in Q3 with good momentum.

Paul Holden – CIBC World Markets – Analyst

Okay. And I guess really where I'm going with that is – I get the guidance is for stable. But if I put everything together, and it certainly benefited the quarter and would suggest to me it will probably benefit Q4, but you're guiding to stable. So are you just being conservative in that guidance? Or do you expect a change in trend? Again, just trying to square everything up here.

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

No, I think the guidance is sound, Paul. I think there's a number of factors. And so it's obviously a growth business. There's a lot of mix impacts and then the one piece that we hadn't spoken about – like balance sheet mix also comes into play. So I think our guidance is the right one.

Darko Mihelic – RBC Capital Markets – Analyst

Thank you. Good morning. I'll be really quick as well. Ajai you gave great detail on the \$600 million reserve. So maybe just to boil this down, I'd like to understand sort of what would it take to release them? Would it be the USMCA is left alone, for example – would that be better than anticipated and cause a release of substantially those reserves? If tariffs equal what Europe got, would that be better than what you've anticipated and release those reserves? Would those be two sort of outcomes that would result in substantially most of those reserves being released?

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

Yes. I think where you're going is the right way to think about it. As I said, we made some assumptions of what migration would occur and there were underlying tariff assumptions. Naturally, if things settle, and uncertainty reduces and there's more clarity around tariffs – and let's say the tariffs are lower, we would reassess that result. And if we have to release part of that reserve, we will. At the same time, if there are changes in the USMCA that are negative, and they are higher than what we've assumed, then you should expect us to increase our reserves.

And then the third point I made, and this is a really important point because we built the reserve – if the migration occurs, as we think it is, then we've already built the reserves. We're going to use those reserves. So if you look ahead – and we are still working on the guidance for next year – that will follow. But the way I look at it is, looking forward, I actually expect impaired PCLs to gradually rise from these levels. It's going to be gradual as the impact of tariffs plays out. And then performing PCL depends on the drivers. But to the extent that tariffs turned out more favorable, then – I know they are the drivers – but yes, it's going to have a positive impact on performing. And you'll see lower performing next year. I hope that helps you, Darko.

Operator

Thank you. There are no further questions registered at this time. I will turn the call back to Mr. Raymond Chun.

Raymond Chun – TD Bank Group – Group President and Chief Executive Officer

Thank you, Operator, and thank you everyone for joining us today. We appreciate as always the questions and your comments. And let me just wrap by saying that TD has delivered for its stakeholders in Q3 –10% revenue growth, positive operating leverage, and strong credit performance. On that note, we wish you all a good long weekend, and look forward to speaking with all of you again real soon at our Investor Day on September 29th. Thank you.