Q3 2026 EARNINGS CONFERENCE CALL
AUGUST 27, 2026

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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 2025 MD&A under the headings “Economic Summary and Outlook” and “Significant Events”, under the headings “Key Priorities for 2026” and “Operating Environment and Outlook” for the Canadian Personal and Commercial Banking, U.S. Banking, Wealth Management and Insurance, and Wholesale Banking segments, each as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable).

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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 2026 results presentation. We will begin today's presentation with remarks from Raymond Chun, the Bank's CEO, followed by Leo Salom, Group Head, U.S. Banking, 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 analysts 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; Paul Clark, Group Head, Wealth Management & Insurance; and Tim Wiggan, Group Head, Wholesale Banking.

Please turn to the next slide.

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 2026 MD&A.

I will now hand the presentation over to Ray.

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

Thank you, Brooke. And good morning, everyone. Thanks for joining us.

TD had a very strong quarter, with record earnings in our Canadian businesses and Wholesale Banking, and growing momentum in U.S. Banking. Before I turn to our results, I want to acknowledge the developments over the past few days have added significant uncertainty to the Canada-U.S. trade relationship. Our economies are interconnected and we are hopeful the two countries will ultimately find common ground. We will continue to be there for our clients in Canada, the U.S. and globally, to support their growth as we navigate this uncertain environment.

In Canada, trade tensions have not dampened investment opportunities as governments seek to drive new activity. In a report published earlier this week, TD Economics estimates more than $1 trillion in spending, and possibly considerably more, could be rolled out across Canada over the coming decade in a historic investment supercycle. We are very well positioned to benefit from this activity. As we unlock investment opportunities, we have the means to deploy capital to support our clients and the broader economy.

Please turn to the next slide.

In Q3, the Bank delivered a strong quarter with record earnings of $4.7 billion and record EPS of $2.77. Revenue grew 8% year-over-year driven by momentum in our markets-driven businesses, margin expansion, and volume growth in Canadian Personal & Commercial Banking. Impaired PCLs declined quarter-over-quarter reflecting strong credit performance. We now expect total PCLs near the lower end of our prior 40 to 50 basis point range in fiscal 2026. Ajai will share more details in a few minutes.

TD delivered positive operating leverage for the fifth consecutive quarter. The Bank is driving structural cost reductions while at the same time accelerating investments across AI, innovation and frontline talent. Excluding variable compensation, FX and the U.S. Strategic Cards Portfolio, expenses were up 1% year-over-year. We expect to achieve our 3 to 4% expense growth target for fiscal 2026. ROE was 16% – up 280 basis points year-over-year. The Bank is on track to significantly outperform its 6-8% EPS growth and 13% ROE target for fiscal 2026, provided that current macroeconomic conditions continue.

In Q3, the Bank's CET 1 ratio was 14.3%, with strong organic capital accretion offset by consistent share buybacks. TD has significant capital flexibility. The lower DSB requirement and range create even more capital flexibility than we had before. We see growing deployment opportunities driven by the supercycle I mentioned earlier. TD is different than peers. We don't just start from a position of strength in capital – we also produce capital at a very strong rate. As a result, it will take time for the Bank to reduce its CET1 ratio.

We continue to expect to reach 13% CET1 by the second half of fiscal 2027. We remain committed to returning excess capital to our shareholders. To illustrate the potential magnitude of capital return, assuming continued strong organic capital accretion and RWA growth in-line with fiscal 2026 year-to-date, TD could return over $13 billion in capital in fiscal 2027 to reach a 13% CET1 ratio by the end of that year.

We are in an enviable position. TD has the flexibility to return substantial capital to shareholders, while meeting our ROE objectives and retaining significant capacity to invest in organic growth and support clients and businesses in our communities.

Please turn to slide 3.

Canadian Personal & Commercial Banking delivered deposit and loan growth, supporting record earnings. In the Personal Bank, we saw acquisition momentum in day-to-day banking products, including a record Q3 in digital sales, which were up 17% year-over-year. Small Business Banking acquisition was up 13% year-over-year, driven by our frontline distribution expansion and refreshed product line-up. In Real Estate Secured Lending, we grew loans 4% year-over-year through speed and specialization, we delivered record proprietary originations this quarter, while maintaining disciplined pricing.

We delivered strong performance in our Business Bank, with loans and non-term deposits each up 8% year-over-year, and commercial client acquisition up 10% year-to-date, reflecting the benefits of our distribution expansion.

This quarter marked an important inflection point for our U.S. Banking segment, with total loans positive sequentially. The team continued to execute against the organic growth strategies we laid out at Investor Day. U.S. Bankcard balances, mid-market lending and home equity lending were up 20%, 15% and 6% year-over-year, respectively. In our U.S. Wealth business, we delivered record mass affluent investment assets driven by net asset growth and market appreciation.

As we look ahead, branch expansion remains an important component of our growth strategy in the U.S. Consistent with the branch repositioning plans shared at Investor Day, and subject to regulatory approval, we are focused on opening 100 new stores – new branches by the end of calendar 2028, with work ongoing to identify additional opportunities through 2030, as we continue to invest in organic growth opportunities.

Wealth Management & Insurance delivered record revenue, earnings and assets. We have strong momentum in Wealth, with market share gains across Advice, Direct Investing and ETFs. New accounts grew 26% year-over-year, highlighted by straight through digital onboarding over 90% in TD Easy Trade. Trades per day were up 20% year-over-year. And in ETFs, we are on track to achieve our medium-term target of $54 billion in assets.

Our Insurance business continues its leadership role in AI and is accelerating deployment across the Bank. TD Insurance leads the Canadian industry in the scaled deployment of AI-powered vehicle damage estimation for auto claims, simplifying and accelerating repairs for our clients.

Wholesale Banking delivered record revenue and earnings this quarter, reflecting the strength of our client franchise and product depth and favorable market conditions. TD Securities continued to strengthen its position as a trusted advisor on critical and complex global transactions. Our performance this quarter reflects the confidence clients have in our people, capabilities, and execution across markets, financing, and advisory solutions. This continued to drive market share gains. Calendar year-to-date, TD Securities placed in the Top 10 in the U.S. equity and equity-linked league tables. We also saw continued momentum in building a world-class, integrated global transaction bank for our commercial and corporate clients, with deposits up 18% YoY. Our growing Wholesale Bank is an important driver of fee income acceleration and revenue diversification for TD.

Please turn to slide 4.

We made significant progress in deepening client relationships on both sides of the border. The Canadian Personal Bank again achieved record penetration rates for both consumer and small business credit cards this quarter, and Wealth closed a record $24 billion in referrals year-to-date. In the U.S., we expanded our TD Premier program, which deepens relationships by bringing together our mass affluent clients' banking and wealth needs. TD Premier is designed to drive organic growth – delivering acquisition on both sides of the balance sheet and accelerating the powerful referral engine from our retail branches.

We continued to innovate to make TD simpler and faster. We have scaled Gen AI Knowledge Management Solutions across Canada, with over 20,000 client-facing colleagues now supported by these capabilities. We are also leveraging AI to enhance the colleague and client experience in TD Auto Finance Canada. We have automated approximately one third of the manual processes in funding and launching digital income verification to deliver credit decisions faster.

Finally, we continued to execute with discipline. Total Bank ROE reached 16% this quarter – in line with the medium-term target we shared at Investor Day. This reflects strong momentum and disciplined expense and capital management across our businesses, as TD continues to deliver on the commitments we've shared with you. This quarter's record results were also supported by favorable market conditions in our Wealth and Wholesale Banking businesses.

We are executing against the strategies that we shared at Investor Day – in fact, in many cases, we're ahead of schedule – with strong growth momentum across our businesses. We've already delivered on the $900 million in structural cost reductions that we targeted for F'26. We are on track for our $2 to $2.5 billion medium-term structural cost reduction target that we shared at Investor Day – and in fact see potential upside as we fundamentally reset the cost base of the Bank. TD is a Top 10 bank in the U.S. With a stronger foundation and best-in-class talent, we are increasingly positioned to outcompete in our footprint.

In Wholesale Banking, we have almost doubled our quarterly revenue since the TD Cowen acquisition closed, and capital markets still represents a smaller percentage of TD's revenue as compared to other GSIB peers. We're just getting started in terms of what TD Securities can accomplish. And in Canada – across our Personal and Business Banks, and in Wealth – we are making the most significant investments in frontline distribution that TD has made in over decade.

These levers are unique to TD and position us to continue our growth momentum. I see significant upside for the Bank in the coming years.

Please turn to slide 5.

TD is accelerating its leadership in AI. The Bank is increasingly emphasizing AI opportunities that transform end-to-end experiences, drive lower unit costs, and are scalable across the enterprise.

In the first wave, we are focused on significant opportunities in retail end-to-end credit, the software development lifecycle, and our contact centres. We are scaling AI in our credit journeys to streamline application submission, automate document review processes and accelerate speed to decision. In technology, we're using AI to help our engineering teams build and deploy software faster, improving productivity and accelerating innovation and the delivery of new capabilities across the Bank. And in our contact centres, we will leverage AI to simplify routine client interactions and provide colleagues with tools and insights that deliver simpler, more seamless client experiences.

Importantly, each of these key transformation initiatives is intended to drive financial performance while enhancing the client and colleague experience. Three quarters into the year, we have essentially hit our fiscal 2026 target of $200 million in value from AI. We expect to extract further value through the remainder of the year across Predictive, Generative and Agentic AI use cases.

Please turn to slide 6.

TD was ranked #1 on TIME's Canada's Best Companies of 2026 list. TD is back to winning. To our colleagues across the Bank – your efforts have driven this recognition, and the Bank's strong results this quarter. Thank you for continuing to deliver for our clients and shareholders every day.

And with that,let me hand it over to Leo.

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

Thank you, Ray, and good morning, everyone. Please turn to slide 7.

As we move through the second half of fiscal 2026, we continue to make meaningful progress on our U.S. AML remediation program and, importantly, continue to strengthen the overall effectiveness of our financial crimes risk management capabilities.

For example: We are now benefitting from a more mature assessment of the U.S. Bank's inherent financial crimes risk profile, as well as more frequent transaction monitoring coverage assessments. Together, these enhancements provide greater visibility into emerging and evolving risks, help ensure our monitoring remains aligned to those risks, and allows us to more dynamically respond to those risks. We also are continuing to advance anti-trafficking and fraud detection capabilities through our investigative partnerships, further enhancing our ability to detect and respond to evolving financial crime threats. Finally, we strengthened our Financial Crimes Risk training program through the rollout of specialized training courses for colleagues in higher-risk business lines, helping reinforce the consistent application of our policies, standards and controls across the organization.

We also continued to make meaningful progress against the lookback activities required under the consent orders, as reviews advanced across multiple populations this quarter. Overall, we remain confident in our remediation trajectory and we see opportunities to accelerate elements of the remaining deliverables under our program.

From a financial perspective, we expect our overall U.S. AML remediation expenses for the year to be approximately US$550 million and we continue to expect overall fiscal 2026 expense growth for U.S. Banking to be in line with our mid-single digit expense guidance.

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

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

Thank you, Leo. Please turn to slide 8.

TD delivered record performance this quarter. We saw strong momentum across businesses, with 8% topline growth. Strong execution, coupled with heightened client activity and favorable market conditions, led to robust growth in Wholesale Banking and Wealth. Across our P&C businesses, we continued to drive profitable growth and deepen relationships. Impaired PCLs declined quarter-over-quarter reflecting strong credit performance.

Expenses increased 4% year-over-year, with approximately 3% driven by variable compensation, foreign exchange, and the impact of the U.S strategic cards portfolio. This disciplined expense management reflects significant structural cost reductions coupled with continued investments in business growth. Our efficiency ratio (net of ISE) this quarter was 55.2% - in line with the medium-term target that we shared at Investor Day. Total bank PTPP was up 17% year-over-year, after removing the impact of the U.S. strategic cards portfolio, FX, and Insurance Service Expenses. We've shared the details on slide 23.

Please turn to slide 9.

Canadian Personal & Commercial Banking delivered record revenue, PTPP, and earnings. We achieved record deposits this quarter, reflecting 1% growth in personal deposits and 5% growth in business deposits. Strong deposit acquisition was driven by distribution expansion and TD's simpler and faster client experience.

We also achieved record loans this quarter, reflecting 4% growth in personal volumes and 8% growth in business volumes. We continued to focus on profitable growth in RESL with loans up 4% YoY. Strong business loan growth reflected continued investment in our frontline bankers and execution against our local, advice-focused model. Our clients continued to demonstrate resilience through macroeconomic uncertainty.

NIM was up 3 basis points sequentially. As we look forward to Q4, based on the current rate and competitive market dynamics, we expect net interest margin to modestly increase, similar to this quarter's results. Expenses rose 3% year-over-year reflecting higher employee related expenses. Across the Canadian Personal and Business Banks, we delivered strong ROEs aligned with our medium-term targets as outlined at Investor Day.

Please turn to slide 10.

In U.S. Banking, earnings were up 11% year-over-year and ROTCE expanded by over 210 basis points to 15.6%. Excluding sweeps and our government banking business, deposits were flat year-over-year. We are making progress against our Investor Day target of mid-single-digit growth for these deposits over the medium-term. We remain confident in our strategy as we pull-back on higher cost deposits and lean into the strength of our non-term personal deposit and operating business deposit franchises.

We continued to execute against the strategies laid out at Investor Day. Bankcard balances rose 20% year-over-year, reflecting strong client spend. And, in partnership with TD Securities, U.S. Banking continued to deepen relationships with middle market clients, with commitments up 9% year-over-year.

Record net interest margin of 3.47% was up 6 basis points quarter-over-quarter, driven by higher loan margins (including higher revenue from the strategic cards platform conversion) and higher deposit margins. Over the past two years, the U.S. Banking segment's cumulative NIM expansion has been best in class among money center and regional banking peers. As we look forward to Q4, we expect NIM to modestly increase.

Expenses increased 6% year-over-year reflecting conversion costs associated with the strategic cards portfolio, higher employee-related expenses and spend supporting business growth initiatives, partially offset by lower governance and control investments. We continue to expect approximately US$2.9 billion in net income for fiscal 2026 for the U.S. Banking segment.

Please turn to slide 11.

Wealth Management & Insurance delivered record revenue, earnings and assets this quarter, and continued to execute with discipline with an efficiency ratio (net of ISE) of 53%. In Wealth, TD has an unparalleled pipeline from Direct Investing into Advice. In Q3, Direct Investing referred $1.4 billion to Advice, up 34% year-over-year – deepening relationships by serving more of our clients' needs. Insurance achieved strong earnings this quarter and is delivering significant structural cost reductions, with over $100 million in savings relating to claims and severity management year-to-date.

Please turn to slide 12.

Wholesale Banking delivered record revenue and earnings this quarter. Our performance reflects the depth and diversification of the platform – including strength across equities, commodities, equity underwriting and advisory – combined with higher levels of client activity and favorable market conditions. The business delivered return on equity of 16.7%, reflecting this strong momentum coupled with disciplined expense and capital management.

Please turn to slide 13.

Corporate net loss for the quarter was $82 million, a smaller loss than the same quarter last year, reflecting higher revenue from treasury and balance sheet management activities.

Please turn to slide 14.

The Common Equity Tier 1 ratio ended the quarter at 14.3%, down 3 basis points sequentially. We delivered strong organic capital accretion again this quarter.

The Bank repurchased approximately 14.5 million common shares under its share buyback program in Q3, which reduced CET1 by 37 basis points. Model updates across our Canadian RESL, Canadian Business Banking and Wholesale Banking portfolios increased CET1 by 10 basis points this quarter. As Ray shared, TD has significant capital flexibility. The Bank is positioned to return substantial capital to shareholders, while meeting our ROE objectives and investing in organic growth and supporting clients and businesses in our communities.

And with that, I will turn it over to Ajai.

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

Thank you, Kelvin, and good morning everyone. The Bank continued to exhibit strong credit performance this quarter.

Please turn to slide 15.

Gross impaired loan formations were 20 basis points, a decrease of 2 basis points, or $149 million quarter-over-quarter.The decrease was largely recorded in the U.S. and Canadian Commercial lending portfolios.

Please turn to slide 16.

Gross impaired loans decreased $138 million, or 3 basis points quarter-over-quarter to 51 basis points, driven by the U.S. and Canadian Commercial, and Wholesale lending portfolios, partially offset by the impact of foreign exchange.

Please turn to slide 17

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 37 basis points, with the decrease of 6 basis points quarter-over-quarter broadly reflected across the Wholesale, U.S. Banking, and Canadian Personal & Commercial Banking segments.

Please turn to slide 18.

Impaired PCLs were $865 million, a decrease of $108 million quarter-over-quarter. The decrease was primarily recorded across the business & government lending portfolios. The Bank recorded a performing provision of $52 million this quarter, which was largely reflected in the Wholesale and Canadian Commercial lending portfolios.

Please turn to slide 19.

The allowance for credit losses increased $105 million quarter-over-quarter due to a $128 million impact of foreign exchange, a performing build reflective of volume growth, and some credit migration, partially offset by resolutions driving lower impaired allowance across the business & government lending portfolios.

Now, to summarize the quarter: The Bank exhibited strong credit performance, as evidenced by lower gross impaired loans, gross impaired loan formations, and PCLs. Looking forward, while results may vary by quarter, and are subject to changes to economic conditions, I now expect total PCLs in 2026 to come in near the lower end of our previously guided range of 40 to 50 basis points.

The Bank also remains well positioned to navigate the policy and trade environment through our prudent provisioning, including approximately $500 million in reserves set aside for policy and trade risks, our strong capital position, and 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] Matthew Lee with Canaccord Genuity. Please go ahead.

Matthew Lee – Canaccord Genuity – Analyst

You've talked about opening 100 new U.S. stores within 2028. How should we think about the interaction between that growth plan and the ongoing AML remediation? Like does the regulatory process constrain that path of branch expansion at all or are they completely separate tracks?

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

Good morning Matt, let me take that one. So we are announcing today that we're planning on opening up 100 stores across our footprint from Maine to Florida, and we intend to complete that by the end of calendar 2028. So just by way of context, that's very consistent with what we announced on Investor Day. As you know, we did consolidate about 91 stores over the past 2 years, and this reflects really the reinvestment back to reposition our footprint. You know we have a top 3 deposit share position on the East Coast, and this is really meant to reinforce that and focus on deepening our presence in critical MSAs up and down the East Coast.

Obviously, we're – at the same time, I'll say that we're focused very much on our AML program. It still remains our #1 priority. We have made significant progress on that program. I'd say today, the degree of maturity and effectiveness of that program is much stronger. And as a result, in discussions with our regulators, etc. I feel quite comfortable to be able to announce today that we'll be opening up those 100 stores. You'll see we'll try to get some of that accelerated into 2027 – I think the bulk of the openings would be in 2028. But this is an exciting move forward, and it reflects the fact that we've made significant investments, and we're now in a position to be able to invest back into our respective communities.

Matthew Lee – Canaccord Genuity – Analyst

Okay. But you wouldn't necessarily make any inferences from the asset cap that you're under in the U.S. and the branch openings?

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

No. No, Matt. Let me be clear. The consent order is still in place and we are working hard to satisfy every aspect of that consent order, and there is no greater priority for me than resolving that – comprehensively and urgently.

Gabriel Dechaine – National Bank Financial – Analyst

First question is on the capital plan. Ray, targeting 13% by the end of next year – what's going to change in the plan? The CET1 ratio is down 50 basis points over the past year, and we're talking about a more than 100 basis point haircut in the next 16 months.

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

Thanks for the question, Gabe. As I said at Investor Day and today, the way I think you should all think about the way we will be managing capital is that we are managing it differently, but our primary use of the capital will be for organic growth. And you're seeing some of that where we've deployed our organic growth in our Wholesale Banking business, and we'll continue to find some of those opportunities – as you see some of the investment opportunities I do think that potentially will arise in the sort of supercycle of investment potential in Canada over the next decade.

From there, again, primarily organic growth. And then we sort of say, are there opportunities then where we want to deploy capital – and from an acquisition perspective, and it's not our priority right now, and I know I get lots of questions about it. But if there were selective opportunities in fee income areas that we've been clear from Investor Day, whether it's in Wealth Management, TD Securities, Insurance or our credit card businesses, we would look at those opportunities. But our primary goal right now is organic growth – and then ultimately, if we don't have a need for or have excess capital, Gabe, we've said that we would consistently return capital back to our shareholders, and I see that playing through in 2027, and you see the amount of capital that we would have available to return back to our shareholders. So all that to say, I think we're in an incredibly privileged position as an organization that we have the flexibility to do it all.

I mean we can do – invest in organic growth, we can look selectively if opportunity presents, which is not a priority for us right now from an acquisition, but also, most importantly, return excess capital back to our shareholders.

Maybe I'll take a second and ask Tim to talk about sort of what he's doing in his business and you've seen the growth of the Wholesale Business, but certainly from an opportunity as to how do we deploy our capital organically better. I do think the Wholesale Business, Gabe, is an area of opportunity for us.

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

Thanks Ray. I would maybe just point to the overall growth in RWA in the quarter was 10%, but I always like to compare that to revenue growth – so the revenue growth was 2.5x the RWA growth in the quarter. So we continue to grow with our clients, whether it be in FIG or CMT, energy across our diversified industry group. The key is doing more with those loans, and I think that's been the major theme that showed up in the quarter as it relates to deepening. And that certainly showed up on the revenue line and on the net income within the quarter. And – so I think that gives you one example of how we're utilizing our capital to continue to grow with our clients.

Gabriel Dechaine – National Bank Financial – Analyst

Great, thanks for the clarity. And then second question, margin / balance sheet growth kind of question for mostly the U.S., and I don't want to gloss over the Canadian business here because it looks well positioned there given the deposit growth dynamics, which are pretty impressive. But in the U.S., we're starting to see – and maybe you can give some more granularity on the loan growth there that you're seeing in the core book. But if I look at – if I consider the U.S. as to be a growth driver over the next year from a lending standpoint, I shouldn't be too concerned about margin compression, considering you still have a lot of excess deposits, so you can be more selective in your funding strategy.

And the reinvestment rate tailwind should still be around for a couple of years because the 7-year swap rates are still well above where they were 7 years ago and even less than 7 years ago. So they're giving the positive NIM commentary for Q4 – I would assume that extends beyond that as well?

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

Gabe, that's a very good summary. So let me just unpack that a bit. I'd say first, the quarter was a really strong quarter, and it begins to show the earnings power of the U.S. franchise. NIAT up 11% on a year-on-year basis and 10% on a quarter-on-quarter basis. And we did achieve sequential total loan – loan growth in the quarter, and we're beginning to see in our core loan growth acceleration. You saw the year-on-year growth of 3%, you saw the quarter-on-quarter growth suggesting some acceleration already – and in the areas that we've said we're going to focus. And Ray highlighted some of those – our bank card business, our HELOC franchise , our core mid-market businesses, all of those saw very, very strong results in the quarter, and we're seeing some degree of acceleration. We're also seeing from a market perspective, greater loan demand, which is encouraging in terms of what we might expect in 2027 as well, particularly in our larger corporate and commercial banking client set.

So I think that from a volume perspective, I feel quite comfortable. And that's before we get to the things that we're doing to deliberately strengthen our distribution and our coverage models. For next year, I talked about the 100 stores, but beyond the 100 branches, we're also leaning in to increase the number of bankers, both in our retail businesses, but as well as in our commercial banking businesses across a number of our critical verticals.

You talked about NIM, and I think we are different than other banks in that we have a loan-to-deposit ratio of 76%. So we've been really deliberate about managing our overall NIM, selectively repricing higher-priced yielding clients and focusing on our core deposit growth. And that's allowed us to be able to do 2 things, fund the core loan growth, but also be able to continue to drive marginal increases in terms of overall NIM.

As we look forward, Kelvin referenced it in his comments, I do think we will see NIM expansion in 2027, albeit slightly more modest than what we've seen in the last 2 quarters as we do begin to try to continue to take share in our respective markets – but long-winded way of saying, I think we've got great growth prospects going into 2027, and likewise, I think we can grow while still being able to maintain and modestly expand our NIM profile.

Doug Young – Desjardins Securities – Analyst

So I was distracted right through some of your remarks, but I think you said $13 – you could return $13 billion of capital to shareholders to get the CET1 ratio down to 13%? And I just want to confirm that when you say return capital to shareholders, that is purely buybacks, that's not so much through dividends? And then to confirm, how do you guys measure or think about buybacks relative to the impact on the book value per share given the valuation?

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

Sorry, Doug, we're just having some problems trying to hear – you're cutting in and out.

Doug Young – Desjardins Securities – Analyst

But I just wanted to confirm the $13 billion Ray, that you talked about in terms of returning capital to shareholders, is that all – is that buybacks? That's not including dividends? And the question also just how do you measure that size of buybacks and the potential implications on just book value per share growth?. Just trying to understand the mechanics there as well.

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

Just on the $13 billion, it is on specifically buybacks, and that's what we could do from a buyback first, I just want to clarify that, Doug. And so that's – I just wanted to give you the math on the excess capital that we would have available. The way we look at it right now is, again, just from a capital management perspective, I said in the earlier question that Gabe asked, and so I won't repeat the answer. But our primary purpose for that capital would be to first look at organic growth opportunities. Tim talked about a few of those.

We still think there's significant organic growth opportunities to deploy that capital. And then if there was anything afterwards from an excess perspective, our commitment is to return that – and we still do think there's significant upside opportunity. And as you've seen in our results, and we continue to show accelerated momentum, Doug, I just think back to – it's almost been a year since our Investor Day where we laid out some of our targets and objectives, and I can tell you today that the team has more confidence today in not only delivering against those medium-term outlooks, but in many of those targets, we do see upside and tailwind. So come next quarter, not only will we lay out for you the Q4 numbers, but if there are any adjustments to our medium-term outlook, that's when we'll communicate some of that. So I hope that helps you.

Doug Young – Desjardins Securities – Analyst

That does. And then, Ajai, just on looking at PCL it's obviously tracking better than you had expected in the guidance for the year. Just specifically on the impaired side, I would say, but you can correct me if I'm wrong. Just as you reflect on the year and how things have tracked through the year, what has gone better than maybe you had anticipated when you set the guidance?

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

Yes. Let me walk you through what's going on in the book. And as I said, the results of the bank are strong. They're actually better than our stated rates, and I'll elaborate on why that's the case. If you look at delinquency levels across the bank, I'd call them stable. They're slightly higher on RESL, and you'll actually see them in the numbers. If you look at formations and GILs, they're down. If you look at impaired PCLs, they're down pretty much across all of our non-retail portfolios. They are slightly up for some of the consumer asset classes.

But if I answer the heart of your question, how come you're seeing all this good performance? I think it's a combination of factors. You've got economic resilience. Economies have adapted better than we originally thought. You've got businesses and consumers that have also been resilient, and they have also adapted to the new environment. And on top of that, if you lay on TD's discipline and our underwriting standards, that combination gives you very good results, and that's what you're seeing this quarter.

Mike Rizvanovic – Scotia Capital – Analyst

Maybe just sticking with Ajai. Just wanted to maybe follow up on the credit question. And I'm certainly not trying to pin you on timing, but it seems like potentially, we're at the point where we're close to reaching that sort of peak credit losses in this current cycle. I'm just wondering, like you've had some really good progress the last couple of quarters. Is there anything anomalous in terms of what TD might be doing? Is this something in terms of being more proactive in managing risk? Can you just talk about maybe some of the sort of qualitative stuff that you've done the last little while?

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

I'd really bring it back to discipline. If you remain disciplined through the cycle, it shows up in your results, and we've been very disciplined. And we've also been prudent, and I tried to bring that point out in my prepared remarks, and you just think about tariffs. Right out of the gate, we went and said, where could this tariff story go? How do we build reserves? I know there's a lot of uncertainty, but we tried to get it right the first time. And that's what we've done with tariffs. Again, it's evolving, but we think we were prudent upfront. So it's a combination of factors, I'd say, that's leading to our results being strong.

And then just on peak, I mean, it's very difficult to call a peak. In many ways, I think we're past the peak. If you go back to 2025, you'll find Q2'25 was a peak for total PCL at 58 bps. If you look at Q1'25, impaireds were 50 basis points. So in some ways, we are past the peak. And I think the numbers have come down. The question really is where do we go from here, and when will there be a new peak. We're working on our forecast for next year, and we'll be coming back to you next quarter.

But the factors my team will consider. One is the strength of the portfolio, which we're calling out, but we'll also take into consideration the uncertainties, whether it's trade, whether it's the Middle East conflict or other factors. And again, on tariffs, we are already in a pretty good spot. So more to come next quarter, but I do feel we're very well positioned. Our reserves are 96 bps. As I said and emphasize that includes $500 million for tariffs. Hope that's helpful to you.

Mike Rizvanovic – Scotia Capital – Analyst

That's very helpful. Thanks for that Ajai. And then just a quick one for Sona. Just in terms of the mortgage growth in the quarter or I guess it was more flattish this quarter sequentially. Can you maybe just talk about the spread dynamic? Is this just the market getting a bit more competitive and you're looking to protect spreads? Or is there something else sort of driving that flat result?

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

Yes, happy to take you a little deeper. So overall, I would say we've had a productive quarter in the RESL business. As you've heard me say before, we're really anchored on this notion that our strategy is built around speed and specialization, and we see that working. On the speed side, just briefly, we fully scaled our first RESL agentic AI capability, and it's absolutely delivering faster decisions.

What we've been able to do is reinvest and build out our distribution network, adding more in branch home borrowing specialists and building out our mobile mortgage specialist team over the past year. What's really excellent to see is together, they've achieved record proprietary originations this quarter. What I really love is that we haven't had to compromise on profitability. And so to the heart of your question, in fact, it's been quite the opposite. What we've been able to do is maintain disciplined pricing in spite of what's been a competitive market. And so you see this fueling both our NIM expansion and to the broader segment strategy, what you see is leading sequential NIM expansion, NII and PTPP growth. So I think we're sticking to our knitting. We're saying we are doing what we said we would – speed, specialization to drive profitable growth. I couldn't be prouder of the team's hard work.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. And then just on the spread – industry level, are you seeing spreads compressed when you mention a bit more competition? Has it led to that dynamic to some degree?

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

What we've been able to do because we have maintained discipline in pricing, we've been able to expand margins. So in spite of what's been the competitive summer market, so I would say we've been able to balance both – deliver margin expansion as well as RESL volume growth.

David Konrad – KBW – Analyst

I wanted to follow up on the strong quarter in the U.S. Banking group. The one area that really beat my expectations was the fee income up pretty strongly quarter-on-quarter, and it's been a pretty volatile number – it's even negative first half of 2025. So maybe what drove the strong results this quarter and maybe the outlook for the fee income in the U.S. business?

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

And Dave, are you talking about the U.S. Banking segment? Or are you talking about U.S. fees in the Wholesale Bank?

David Konrad – KBW – Analyst

The U.S. Banking segment, the US$584 million, yes.

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

So maybe a couple of things. From a fee-based line perspective, the numbers you're seeing are probably actually a little understated in that with the Nordstrom agreement that we signed, we actually saw a geography shift in some of the revenue recognition from the partnership from the fee line into NII, which trimmed the headline number you're seeing. To your point, we are seeing in our core fee line businesses, both in terms of retail, in terms of service fees and our core operating fees in retail, as well as in our transactional banking areas for the commercial side, we are seeing mid-single-digit growth rates in terms of overall fee income on a year-on-year basis.

I'd probably – if there's one area that I would highlight is really standing out for us, is the partnership between the U.S. Bank and the Wholesale Bank. So if you look at our mid-market business, which has had a really strong run, total balances are up 15%, commitments this quarter were up 9%. Our transactional fee revenues in that subsegment were up 28%. And I'd say a portion of that, a very important portion is the synergy that we're creating between ourselves and being able to afford our corporate clients the ability to avail themselves of broader debt equity capital markets capability and then M&A advisory capabilities in the Wholesale Bank. And I think we've just started to see the power of that model. I'm incredibly encouraged about what that's going to mean in 2027 and beyond.

Paul Holden – CIBC World Markets – Analyst

Another question for Leo. So I don't think the opening of 100 new U.S. stores is necessarily new as you highlighted. But maybe you can give us some comfort around how that's going to impact, I guess, really PTPP or earnings growth over the next 2 years, right? Like it's roughly expanding the branch footprint by 10%. So it's significant. We all know you open a branch day one, it results in expenses with no revenue. So just trying to think through that and how that could impact, again, really the PTPP growth over the next couple of years?

Leo Salom – TD Bank Group – Group Head, U.S. Banking and President and CEO, TD Bank U.S.

Let me just give you a sense of some of the areas that we're going to be investing in because I think it speaks to the optimism we have to continue to consolidate ourselves in the U.S. There's two or three pockets of significant investments we've planned. The first is the stores. Clearly, we see that as an important part of expanding our footprint and ensuring that we are located in the demographically attractive areas within our existing MSAs. It's critically important as markets evolve that we remain relevant, and I think this is an important part of that equation.

Number two, we've been – we're very clear on Investor Day that we want to increase our distribution coverage. That means more retail bankers, it's more financial advisors, selectively more mortgage officers. And in the commercial banking space, more vertically specific bankers supporting our specialized go-to-market strategies. In total, if I add that entire complement, we're probably going to add another 450 bankers to our existing ranks – that's a significant increase in terms of our overall footprint.

And then finally, you've heard us talk about at Investor Day, around our product strategy, the focus on core banking, on cards, and our commercial banking business. I say that because we're being purposeful in the investments we're making. But likewise, as you heard us talk about at Investor Day, we are intending to self-fund a significant portion of that with our productivity agenda and the moderation in our G&C expenses over the course of 2027. So in many ways, if I just – we'll give you more detailed guidance in the fourth quarter, but I fully intend to be able to deliver an expense profile – an expense growth profile in 2027, despite the increased investment in growth initiatives, that is lower than what we have posted in 2026. So we are being very thoughtful about how to invest, how to accelerate our growth rate, but doing it in a responsible way and managing it within our existing expense envelope.

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

And Paul, maybe I can jump in for one second – just at the enterprise level, but also would carry through to the business line, you're seeing the discipline that we've put on structural cost reduction across our organization. And we had a goal of $900 million in structural cost reduction this year. We're well ahead of that pace. The $2 to $2.5 billion that we had planned for over the MTO, we're significantly on track to get there sooner and certainly see upside on the $2 to $2.5 billion. So as you think – as we said back in Investor Day, one of the things that we're trying to do is as we take the structural cost and the unit cost methodology of running this organization, we can actually take out enough cost that will allow us to fuel in a flywheel effect, the right investments, and still deliver from a PTPP, still deliver from an ROE perspective, so it can fund the future while delivering the discipline that we want on positive operating leverage and all of the financial metrics.

And so you're seeing that actually come to fruition. It's actually happening faster than what we had anticipated when we did Investor Day a year ago. But that structural cost reduction and the discipline we have around that is absolutely critical. It's an area of focus for every single leader at TD Bank, and you're seeing that play through both in expense discipline and hopefully, you see it in our efficiency and operating leverage, and we'll continue that as we move forward in making some of these investments.

Paul Holden – CIBC World Markets – Analyst

Very, very, very helpful. And again, actually, very impressive you can grow your store count by 10% without higher expense growth.

Operator

There are no more questions in the queue at this time. I would now like to return the call to Mr. Raymond Chun for closing remarks.

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

Thank you, operator, and thank you, everyone, for joining us today. We appreciate your questions and comments. In Q3, we delivered record earnings powered by robust revenue growth, strong credit performance and structural cost reduction. ROE was 16%, up 280 basis points year-over-year. I'm proud of our performance this quarter, and I'm confident TD will continue to deliver for its stakeholders. I look forward to connecting with you all again at the year-end. Thank you.