TD BANK GROUP

IMPACT FOR TD BANK OF SCHWAB'S ACQUISITION OF TD AMERITRADE - CONFERENCE CALL

NOVEMBER 25, 2019

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The acquisition of TD Ameritrade by The Charles Schwab Corporation ("Schwab") is subject to majority approval by the shareholders of each of TD Ameritrade and Schwab, and majority approval of TD Ameritrade's shareholders other than TD and certain other shareholders of TD Ameritrade that have entered into voting agreements, regulatory approvals, and certain other conditions. There is no assurance that the acquisition will be completed as described in this document or at all, or that the Stockholders Agreement and IDA will become effective. There can be no assurance that the Bank will realize the anticipated benefits or results; actual results could differ materially from the expectations expressed in the forward-looking statements. 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PRESENTATION

Gillian Manning – TD – Head of Investor Relations

Thank you, operator, and welcome to the call.

We will begin today's presentation with strategic remarks from Bharat Masrani, the Bank's CEO, after which Riaz Ahmed, the Bank's CFO, will walk through the details of the transaction. We will then open the call for questions from pre-qualified analysts and investors. Please note that, as we are the 2nd call today on this topic, many of the details of the agreement have already been covered. As such we will be brief and focus on the TD impact. Please turn to slide 2.

At this time, I would like to caution our listeners that this presentation contains forward-looking statements, that there are risks that actual results could differ materially from what is discussed and that certain material factors or assumptions were applied in making these forward-looking statements. Any forward-looking statements contained in this presentation represent the views of management 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. Forward-looking statements may not be appropriate for other purposes. Please consult our news release and IR deck for additional information regarding material factors and assumptions that may impact our forward-looking statements.

I would also like to remind listeners that the Bank uses non-GAAP financial measures to arrive at "adjusted" results to assess each of its businesses and to measure overall Bank performance. The Bank believes that adjusted results provide a better understanding of how management views the Bank's performance. Additional information on items of note and adjusted results are available in our Q3 2019 Report to Shareholders and in this presentation.

Finally, I will note that we are currently in Quiet Period and will not be offering comments on our Q4 or fiscal 2019 results on this call, nor will we take questions on those results.

With that, I will ask you to turn to slide 3, and I will turn the presentation over to Bharat.

Bharat Masrani – TD – Group President and CEO

Thank you, Gillian. Good morning everyone, and thank you for joining us today.

You will have seen the announcement that Schwab has agreed to acquire TD Ameritrade in a stock-for-stock transaction, subject to certain closing conditions. This is a transformative deal that will deliver significant value for TD. Upon closing, TD will own a portion of the combined company and will enter into an extended IDA agreement with Schwab. Riaz will provide you with the details of the transaction and expected financial impact for TD. Let me begin by sharing my perspective on the deal.

As you know, TD has a long and distinguished history in the direct investing space. We were a pioneer in the Canadian market, with the launch of TD Green Line, almost 40 years ago. And we have been a leading player in the U.S. for almost 25 years, since our acquisition of Waterhouse Securities in 1996. In 2005, Ameritrade bought the U.S. operations of TD Waterhouse to form TD Ameritrade, and over time, has created one of the top online brokers in the U.S., with a best-in-class trading platform. We have owned a significant stake in TD Ameritrade, and together we have enjoyed a strong, successful and profitable relationship.

The U.S. wealth landscape has evolved significantly over the last several years – most recently, with the reduction or elimination of online trading commissions in the direct investing industry. In an environment where top-line growth is under pressure, and customer expectations are rising, the benefits of size, scale and breadth have taken on even greater importance – to support a rapid pace of innovation and to provide a full suite of services to clients. As you heard Schwab say on their call earlier, that is part of the rationale for today's deal.

This transaction combines Schwab's leading investment services capabilities with TD Ameritrade's best-in-class direct investing platform, to create an investment services business that is uniquely positioned to serve the investment, trading and wealth management needs of customers across every phase of their financial journey. We are excited to have an investment in the combined entity, which will operate under the highly regarded Schwab brand, and have:

- 24 million client accounts, across its direct investor and independent investment advisor networks
- US$5 trillion in client assets
- A more complete product and solution set, for the best customer experience
- Greater resilience in a volatile environment; and a long-term track record of consistently investing in the future – and delivering attractive growth and accretion prospects.

The acquisition delivers immediate value for TD Ameritrade shareholders, including TD. Looking ahead, we believe TD will benefit from having an ownership stake in a more diversified firm with a stronger growth profile. We have agreed to support the transaction and have entered into a new Stockholders Agreement with Schwab, which will be effective upon closing. Under the terms of the new agreement, TD will have two seats on Schwab's Board, and will have customary standstill and lock-up restrictions. Separately, we are pleased to secure an extended Insured Deposit Account agreement with Schwab, which provides continuity for a profitable earnings stream. While the new IDA may reduce in size over time, it offers attractive economics for both parties and will provide greater stability for our balance sheet.

In summary, this is a terrific deal for TD. As Riaz will explain, Schwab's expected synergies and stronger growth profile have the potential to increase the value of our investment by C$4 to C$6 billion. In addition, we have an opportunity to explore further business opportunities with one of the pre-eminent investment firms in the U.S.

With that, I will turn the call over to Riaz.

Riaz Ahmed – TD – Group Head and CFO

Thank you, Bharat. Please turn to slide 4. Schwab and TD Ameritrade have entered into a definitive agreement for Schwab to acquire TD Ameritrade in a stock-for-stock transaction. On closing, TD Ameritrade shareholders, including TD, will receive 1.0837 shares of Schwab for each TD Ameritrade share they own, which implies a 17% premium over the 30-day volume weighted average price exchange ratio as of November 20, 2019. TD owns approximately 43% of TD Ameritrade today and will have an approximate 13.4% ownership stake in Schwab when the transaction is completed. We will continue to use the equity method of accounting to recognize our proportionate share of Schwab's net income, as we do with TD Ameritrade today.

The transaction is expected to close in the second half of calendar 2020, subject to customary conditions and approvals. At close, we expect to recognize a sizeable revaluation gain on our investment, based on Schwab's share price at that time. We expect the transaction to have minimal capital impact, as the revaluation gain is largely offset by an increase in the carrying value of the investment.
As Bharat noted, the new Stockholders Agreement we have entered into with Schwab will entitle us to nominate two Directors on Schwab's Board. We will hold our stake via a combination of voting and non-voting common shares, to address U.S. regulatory considerations.

Turning to the IDA agreement, as you know, TD has had an IDA agreement with TD Ameritrade for some time. The current IDA has an expiry date of July 2023, and TD Ameritrade has the right to give notice in July 2021 to renegotiate it or place it in run-off. We are pleased to have secured an amended IDA with Schwab that will take effect upon the closing of the transaction and that will extend the term to 2031. Under the amended IDA, TD will earn a flat 15 basis point servicing fee, as compared with the current 25 basis point fee, which also varies with certain interest rate conditions. We will also continue to earn a spread on the assets in which we invest the sweep deposits, as per current practice.

We will continue to be the exclusive sweep bank for TD Ameritrade's insured deposits until closing, and the IDA balances will be subject to certain adjustments thereafter during Schwab's integration. As at July 31, 2019, the IDA deposits stood at US$103 billion. Beginning in July 2021, Schwab will have the option to reduce the deposits at a rate of US$10 billion per year, down to a floor of US$50 billion for the remainder of the agreement's term. This option, if chosen by Schwab, gives us a comparable or better run-off profile than the current IDA, if it were to be run off by TD Ameritrade.

In their call earlier, Schwab discussed how they viewed the economics of the amended and extended IDA. What we're always looking for in combinations is a win-win, and we feel that about this whole transaction, including the amended and extended IDA. Please turn to slide 5.

As Schwab outlined on their call earlier this morning, they expect to realize substantial expense and revenue synergies from the transaction. This slide illustrates the pro forma impact for TD as the synergies are realized and the growth of the company accelerates. By Year 3, when Schwab expects integration to be complete and cost synergies fully realized, we expect the increase in our share of their earnings before amortization of intangibles and restructuring costs will more than offset the impact of lower revenues under the new IDA. Overall, we expect the transaction to become modestly accretive once integration is complete. Please turn to slide 6.

As Bharat said, the more significant financial impact of the transaction is its effect on the value of our investment. There is significant value creation embedded in the synergy projections and growth prospects set out in Schwab's release earlier this morning. As this slide illustrates, the market reflecting those factors in the share price performance could result in significant incremental value creation, with TD's share of those gains potentially reaching C$4 to C$6 billion.

With that, I will now open the call up for Q&A.

QUESTION AND ANSWER

Operator

The first question is from John Aiken from Barclays.

John Aiken – Barclays – Analyst

Good morning Riaz. Given the fact that you're not expecting a material impact on capital. I'm assuming this means that this is ROE dilutive, but does it become accretive in year 3 under your illustration?

Riaz Ahmed – TD – Group Head and CFO

From an ROE perspective John, because of the substantial revaluation gain, you can expect that our shareholders' equity base, therefore, book value for shareholders' equity, also rises and therefore, we expect this to be ROE dilutive.

Steve Theriault – Eight Capital – Analyst

To start Riaz, just to clarify, you mentioned minimum capital impact to close. Does that imply that the net CET 1 is neutral on the deal stand-alone? Or, are you baking in any pro-forma accretion over the next few quarters to get to neutral? Just trying to get a good sense of that.

Riaz Ahmed – TD – Group Head and CFO

No, Steve, the transaction would be CET1 neutral at closing, what will happen here is that the investment will move from the "significant" basket under Basel III to the "insignificant" basket under Basel III because of the percentage of voting shares that we would own. And it just turns out that the way that those two baskets will interact with implied goodwill and other releases that the transaction remains a CET1 neutral at close.

Steve Theriault – Eight Capital – Analyst

Okay. And then I'm wondering a bit on what kind of exercise it was to conclude - we are getting questions around your ability to use the equity method of accounting, being below 20%? Was it as simple as having Board seats assures that? And is there any risk to that view at all? I presume that discussion has already been had, but I would love some color on that.

Riaz Ahmed – TD – Group Head and CFO

Well, as you would know, Steve, that the utilization of the equity method of accounting has a number of different indicia, which can go to ownership, it can go to Board representation, committee representation significant contracts, et cetera. And when we looked at the terms as a whole, we concluded that the equity method of accounting would be appropriate in this circumstance.

Meny Grauman – Cormark Securities – Analyst

Hi good morning. In the deck, you talked about further business opportunities that are possible with Schwab. I'm just wondering, if you could describe some opportunities that you're contemplating? And is there any of that built into the accretion that you're showing on slide 5?

Bharat Masrani – TD – Group President and CEO

Meny, this is Bharat. We will undertake negotiations and discussions with Schwab from today on, as to what they would look like. We have a significant relationship going forward in the IDA arrangement; as to what else we do with them will be subject to discussions.

Currently, we have certain arrangements with TD Ameritrade. Overall, outside of the IDA, they have not proved to be as material as we would have liked them to be. But our expectation is to undertake those discussions with Schwab to see where are there opportunities that work for both sides.

Meny Grauman – Cormark Securities – Analyst

Thanks for that. And then just as a follow-up, why do you think that AMTD wasn't able to be the consolidator in the space when you put everything together?

Bharat Masrani – TD – Group President and CEO

This is Bharat again, Meny. As I said in my remarks, the landscape in the United States has changed quite dramatically. When we look at this transaction, you see what the combination delivers with respect to scale, size, and as importantly, breadth of offerings that are available to clients. And frankly, Schwab is a customer-centric model that is consistent with how TD's approach to customer experience and the like. So, when you look at many of the options in the United States, we felt this was the best for TD.

And frankly, this is a transaction between TD Ameritrade and Schwab, and it has to make sense for all shareholders of TD Ameritrade and that's how this has played out. We're very happy, I think the combination creates the preeminent firm in this space. And any other options would have not resulted in such a combination.

Robert Sedran – CIBC Capital Markets – Analyst

Just a couple of follow-ups on the IDA, Riaz, they mentioned on the Schwab call that I think it was after year 5, they have the opportunity to use some floating rate securities instead. Curious if that means any change in economics to TD in the deal?

And then second, is there anything in the revised IDA that is contingent on TD Bank remaining a shareholder in Schwab? Or does it go on to the term regardless? Thank you.

Riaz Ahmed – TD – Group Head and CFO

Thank you, Robert. In terms of the floating rate aspect of it. What is important is when we're looking at the economics of the transaction and our ability to term out those deposits is how we assess the permanence of those deposits, not necessarily whether they are non-interest bearing or fixed interest bearing or floating, which is pretty conventional of how we think about our checking accounts and our savings accounts, for example, where there can be fixed, floating or demand balances. Really, the floating rate nature of the balances that get accumulated is not as significant a consideration. We would look at it in the ordinary course of our asset liability management practice.

I think in terms of the agreement, in these kinds of agreements, there are always various terms and conditions that can relate to opportunities to negotiate the IDAs, and those kinds of contracts. And so we have similar customary terms in this IDA.

Robert Sedran – CIBC Capital Markets – Analyst

And your ownership is one of those items?

Riaz Ahmed – TD – Group Head and CFO

Yes. [1]

Sumit Malhotra – Scotia Capital – Analyst

Thanks, good morning. First off Riaz, you mentioned it a couple of times, a substantial gain. Just so I can get my numbers right on the book value perspective, what's the ballpark based on where Schwab shares closed Friday that you're expecting your book value gain to come in at?

Riaz Ahmed – TD – Group Head and CFO

Well, if you look at our July 31, 2019 balance sheet, you'll see that we carry the investment at just around and under US$30 a share. And the valuation of those shares as of close on Friday would be near US$50 a share. If you use that as an example to project out to closing that's US$20 a share on 230 million shares, that would be an approximately ~US$4.6 billion revaluation gain, if the transaction would have closed on Friday night. [2]

Is that what you were looking for?

Sumit Malhotra – Scotia Capital – Analyst

Yes, that's kind of what I'm thinking, too, but I was still of the view that there would be some benefit to you from a capital perspective, and I mean, you could probably talk about some of this as we go forward. But does keeping the voting shares at a sub 10% level for the Bank, have a positive impact into how the substantial investment deduction? That's all the terminology I know. But does that have a benefit to you from a capital perspective?

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[1] *Subsequently corrected later in the call. The ownership percentage is not relevant to the IDA.*
[2] *Additional clarification: Approximately US$4.6 billion, of which ~US$4 billion would be realized and ~US$600 million unrealized (equivalent to TD's 13.4% ownership stake).*

Riaz Ahmed – TD – Group Head and CFO

Not really Sumit, because what happens is that above certain thresholds, the investment really deducts from capital on a dollar-for-dollar basis. What ends up happening is you record an increase in your capital by virtue of the revaluation gain but then you have dollar-for-dollar deduction for the fact that you have a higher carrying value of your investment. And that's essentially what's driving the capital neutrality.

Sumit Malhotra – Scotia Capital – Analyst

And lastly for me will be for Bharat. It wasn't that long ago that the Bank was working with its partner, Ameritrade, to consolidate Scottrade and I think for both entities, the favorable impact on earnings was quite clear. And today, one way or another, and look, I know that having a smaller stake in a bigger entity has certainly worked for you in this space quite well in the past.

How much consideration did you give with your partners at Ameritrade to continuing to go your own path when you had such a substantial investment in that entity, and there were smaller players. Why should TD shareholders not look at the benefit of being the buyer instead of the seller as something that would have been the right path forward for TD?

Bharat Masrani – TD – Group President and CEO

Sumit, as you would expect, we would at TD, look at all options available to us. But as I noted in my opening remarks, the landscape in the United States has evolved quite rapidly and continues to evolve. Where scale matters, particularly given some of the moves on commissions and the like.

When we went through the various options and various analyses, this was the best one that, from our perspective, that made sense. And frankly, TD Ameritrade has to go through the same. It is a separate public company. It has its own Board of Directors, and they looked tight as well. I think the attractiveness here is scale, obviously, but as well, the breadth of offerings that are critically important going forward in this industry. On overall basis, we came to the conclusion that this was the best outcome and, frankly, an outcome that we are extremely pleased with because it gives TD a position in preeminent firm, where we have a long-term arrangement with them in the form of the IDA. And financially, from synergies and the like, it is very attractive. So overall, we could not be more pleased as to the outcome here.

Sumit Malhotra – Scotia Capital – Analyst

Well, it has certainly worked well for you. I appreciate your thoughts.

Gabriel Dechaine – National Bank Financial – Analyst

Congrats on the deal first of all. Second, I've got two here. One is on that excess spread and Riaz, you alluded to it, I know it's a state secret, but I'm hoping you can give us a sense of size of how important is the additional revenue stream is to you because all we can see the 25 bps going to 15 bps, but there's still another piece of the puzzle that we don't see.

Riaz Ahmed – TD – Group Head and CFO

Gabe, I think if you generally look at our balance sheet and our disclosures around the nature of the investment securities we carry in terms of their rating and the term to maturity to which we carry them. I think you can kind of get a fairly reasonable view of what that spread on the securities would be, and maybe I'll leave it at that.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. I'll have to follow-up on that one. Then my next one, similar to Sumit's question earlier, but maybe I'll ask bit differently. You're going from owning 43% of something with 5 or 6 Board seats to owning 13% with 2 Board seats. Just wondering how we should view that investment going forward. Is it a core asset still? I mean, the scenario that I think a lot of people think about is, if a big U.S. regional bank acquisition opportunity pops up, this could actually be a source of funding or liquidity for you. Is that a fair assessment?

Bharat Masrani – TD – Group President and CEO

Gabe, this is Bharat. We just announced the transaction this morning, and you're going well past the thinking here. Listen, if you look at our history in this space, we've done very well. We've done things that sometimes are unusual in nature but have turned out to be terrific for the Bank. And I expect this to do likewise.

We are looking forward to a great relationship with Schwab and participating in the combination of these two great companies that is going to provide unparalleled offerings and service to the investing public in the United States. And that in itself is something that we are really looking forward to. And the level of synergies here are substantial, and it was pointed out earlier on the call, as to what happens in such combinations. We are looking forward to being large beneficiaries of those synergies as they come through.

We are very excited about the transaction. I think this is the right thing for TD to do, and we look forward to an ongoing relationship with Schwab and participating in this terrific combination.

Gabriel Dechaine – National Bank Financial – Analyst

Well thanks for that, I know it was early to ask about it, but I kind of had to. Thanks.

Doug Young – Desjardins Capital Markets – Analyst

Hi, good morning. Just have two questions. First, if I do some rough math in terms of what the impact would be from taking your 43% stake down to a 13% stake and look at Charles Schwab and Ameritrade together, factor in some synergies, it looks like the net income impact you're giving up is not the dissimilar to what you're getting.

And then I look just on slide 5 and on the reported earnings component, there's a negative $160 million. Is it fair to say, Riaz, that the $160 million negative impact is primarily the impact from the IDA? Or is that not a fair characterization?

Riaz Ahmed – TD – Group Head and CFO

Thank you, Doug. Before I jump into your question, may I just take the opportunity, I hope Robert Sedran is still listening, the ownership percentage is not relevant to the IDA. So, I wish to just correct the record on that, thank you.

Doug, to your question, if you look at the adjusted earnings on slide 5 in year 1, the reduction of $25 million in earnings in year 1 is primarily the impact of the immediate repricing of IDA on closing and then as you go into year 2 and year 3, you see that we have a very substantial accretion in earnings as Schwab starts to realize its synergies and its growth prospects start picking up. That growth, more than offsets the impact of the reducing IDA.

The differential between the adjusted earnings and the reported earnings is essentially two components. Our share of Schwab's integration costs would be one part of that, which, as you know, in the first two years was outlined by Schwab in their earlier call this morning. And then the second thing that's in there is the amortization of intangibles that will result from the revaluation of our investment.

Doug Young – Desjardins Capital Markets – Analyst

Okay. So, I'm looking at the wrong number. The minus $25 million is what we should be thinking of, okay.

Riaz Ahmed – TD – Group Head and CFO

That is, Doug, a number that is 12 months from closing, it's a year 1 impact, yes.

Doug Young – Desjardins Capital Markets – Analyst

Yes, that's fair. And then just second, the lock-up and standstill, I didn't see any mention of it, but have you outlined what the standstill and lock up agreement is for TD on that 13% stake?

Riaz Ahmed – TD – Group Head and CFO

Well, under the stockholders agreement, we will be locked up from disposing the investment or any shares for 8 months from closing. That's fairly customary, which allows the market to settle in after the closing date. It's an 8 month lock up, and the standstills are pretty customary in terms of ownership restrictions as well as certain prohibited actions, solicitation of proxies, et cetera.

Doug Young – Desjardins Capital Markets – Analyst

So, it's after 8 months, I'm not saying you're going to, but after 8 months you would be free and clear to sell your entire stake if you so choose? Just so I'm clear on that.

Riaz Ahmed – TD – Group Head and CFO

Correct.

Nigel D'Souza – Veritas Investment Research – Analyst

I wanted to follow-up on that same slide, slide 5 and the impact to TD's earnings. What I want to understand is how to think of it relative to what TD Ameritrade contributed to U.S. Retail over the last 12 months. So that's approximately, let's say, around $850 billion. So, if I'm reading the slide correctly, would that mean that you don't expect to surpass that threshold from the synergies from growth, organic or inorganic through the investment in Schwab until after 2023, is that the correct time line? Or how should I think about it?

Riaz Ahmed – TD – Group Head and CFO

Sorry, Nigel, can you just clarify when you refer to $850 billion, what are you referring to? That number doesn't sound familiar to me.

Nigel D'Souza – Veritas Investment Research – Analyst

Well, for the last 4 quarters, if you look at equity and net income of an investment in TD Ameritrade in U.S. dollars.

Riaz Ahmed – TD – Group Head and CFO

I see, you are referring to the equity pickup of US$850 million.

Nigel D'Souza – Veritas Investment Research – Analyst

Yes. So that's the equity pickup for U.S. Retail, right, over the last 12 months? So, going forward, when do you expect this new Schwab investment structure to surpass that level of earnings contribution to U.S. Retail? Would it be post 2023, is that the right way to think about it?

Riaz Ahmed – TD – Group Head and CFO

Well, if you look at slide 5, we give you a baseline for calculation. On the top left, we say that if you start with the TD Ameritrade's consensus earnings based on their 2021 consensus and apply it on a Canadian dollar basis, that number, our share of those earnings would be C$940 million. So that is a number that is after the commission cut. And then as the synergies start coming in, the adjusted earnings start accreting as soon as year 2.

Nigel D'Souza – Veritas Investment Research – Analyst

Okay. And just another clarification. Just a last follow-up on this clarification of your assumptions for the IDA agreement. Are you assuming that the deposit run-rate is relatively stable through your projection period here? Or, is there any reflection of the potential that it might step down to the floor of $50 billion?

Riaz Ahmed – TD – Group Head and CFO

Well, what we've done in the illustrations on slide 5 is that we've basically assumed, and as Schwab articulated in their call this morning that the reduction of the IDA to US$50 billion will occur as scheduled. Post that, as you know, the balances will remain stable through to 2031.

Darko Mihelic – RBC Capital Markets – Analyst

I just wanted to follow-up on that last point, some of the clarification you just gave on the balances, one of the things that was talked about this morning on the Charles Schwab call was that new money would be accretive to Schwab or, I guess, somehow that would go to Schwab Bank. So first of all, is that true, right from the get-go?

And secondarily on this along the similar thought process here. The spread on the assets, are you assuming that it is the same going forward? Or do you change it?

And then the last question is that you mentioned a couple of times in this call that you were happy with the agreement. And part of it being the fact that this was good for your balance sheet and that you extended the IDA agreement all the way up to 2031. And what is hard for us to understand from the outside looking in is why that is good relative to your existing agreement. So, in other words, is it possible that you could have negotiated a better agreement with TD Ameritrade without having to do this deal?

Riaz Ahmed – TD – Group Head and CFO

Thanks, Darko. The way that the balances will work from closing is that we will continue to remain the exclusive insured sweep for the legacy accounts up until Schwab has established its sweep mechanics, we call that sort of the integration of the sweep mechanics. At which point then the balance stop growing from there and then starting in July 2021, the runoff begins. So, it is hard to predict exactly where those balances could be, but they're US$103 billion today, and they may be plus or minus whatever that integration of the sweep mechanics period would result in terms of the operation of client balances, the natural market movement and legacy customers making the transaction. So new money, if it's coming from the legacy accounts and if it's prior to the conversion of the sweep mechanics would continue to be swept to TD.

The spread on the assets, I mean, we're continuing to assume similar spreads as we've earned in the past. And there are differing liquidity costs, for example, as the agreement goes from being an affiliate broker sweep agreement to a non-affiliate broker sweep agreement. And then as mentioned earlier, the fact that later on, it could become a floating balance. We would need to think about and adjust how we think of the asset liability. But for the purposes of where we are today, we're continuing to use the same assumptions.

And I think we're happy with the agreement because, Darko, you have to look at, as Schwab mentioned earlier, that they have a different starting point from which they look at the IDA compared to Ameritrade. You'll recall back in 2004 and 2005, when we had this initial transaction where Ameritrade bought TD Waterhouse. The arrangement was that TD Ameritrade, then would the broker and TD Bank would be the bank in that relationship. And we had a deposit agreement, which is essentially exclusive but also uncapped, which meant that there are periods when the flows in the IDA would ramp up or ramp down, depending on what was going on in the market. Whereas Schwab indicated earlier on their call today, they are a bank, and so some of those kinds of valves and approaches that we had in place with TD Ameritrade do not necessarily apply here with Schwab. So as I said earlier, in these kinds of transactions, you look for opportunities that are win-win for both parties, and we are happy with the extension and as to your question about whether we could have negotiated a better deal under the current agreement, it's a hypothetical question, and I don't know that I could speculate on that.

Scott Chan – Canaccord – Analyst

Maybe Riaz, maybe going back to Nigel's question, looking out to 2023. Going back to slide 5, you kind of show adjusted earnings accretion, but the vast size of this transaction and I realize it will take a lot longer to integrate, if you look out into year 4 and 5, would you kind of expect kind of stable increases to what you suggested or potentially more incremental benefit in year 4 and 5?

Riaz Ahmed – TD – Group Head and CFO

Scott, thank you for that question. It is difficult to predict going out to year 4 or 5 in the sense of what the market conditions are and what not, who knows. But I can tell you that we are happier with this investment, having more strength and resilience. We are happy with having an investment in a company that is more diversified, has more scale, and has a wider breadth of products to offer to its clients. And as you heard on their call this morning, they are quite excited about their growth rate, and they're hoping that their growth rate will accelerate with this transaction. And we, as one of their largest shareholders are clearly cheering them on on that one.

Sohrab Movahedi – BMO Capital Markets – Analyst

Just a couple of mechanical questions maybe for Riaz. Today, when you report the U.S. segment for TD, the IDA economics, while within the segment, doesn't impact the segments, for example, net interest margin, as I understand it. Will that continue to be the case?

Riaz Ahmed – TD – Group Head and CFO

Yes, I expect that to continue to be the case, Sohrab.

Sohrab Movahedi – BMO Capital Markets – Analyst

And then from an equity accounting threshold perspective, I know you highlighted ownership, Board, contract significance and a few other things. Is there a point at which one of those tips it from being 'equity accounted' to, I guess, 'investment accounted', I'm trying to figure out here, if you lost a Board seat or if you get down to the US$50 billion IDA level? I'm just trying to kind of get a feel for what's the risk level, so to speak, that this falls out of the equity accounting treatment?

Riaz Ahmed – TD – Group Head and CFO

Sohrab, I think that as you know, the equity accounting rules have a lot of judgment embedded in them. I mean, obviously, there is a presumption test at the 20% ownership level. However, in a company of this size, which will have a market cap of nearly $100 billion, at the 13.4% ownership level, we would be one of the largest shareholders, and as I said earlier, we have the Board and committee representation, et cetera. There's not one stand-alone indicator that can inform the whole equity accounting methodology matter.

I think what we'd have to look at, all of the time is just reassessing the entire package and saying do we meet the tests? And do we feel we can use the equity method of accounting? So obviously, if things change, we would need to be revaluating all the time and I can't give you a bottom line as to where that applies and where that doesn't apply because it is a matter of significant judgement.

Sohrab Movahedi – BMO Capital Markets – Analyst

I appreciate that. And then just maybe one other clarification question. With respect to the IDA and the US$50 billion floor, just so that I understand, is it possible that you go to the below US$50 billion sooner than running off at US$10 billion a year. In other words, is it possible some of the Ameritrade IDA sweep deposits kind of get rebranded as Schwab? Or there's some mechanics there the downdraft is quicker than $10 billion a year?

Riaz Ahmed – TD – Group Head and CFO

No, there aren’t those kind of conditions, but I mean, if market conditions turn out to be that a lot more client assets going into investments, et cetera. It's possible that it could go below US$50B in the ordinary course, as our current IDA would. The fluctuation elements would be similar.

Darko Mihelic – RBC Capital Markets – Analyst

I just wanted to revisit a couple of things that you mentioned, and that was with respect to the movement from a significant to an insignificant ownership level because I wanted to walk through, if I could Riaz with you, some of the capital impacts, apart from revaluing the stake and the impact on common equity. I wanted to talk about the imputed goodwill and the RWA impact as well, if you could?

Riaz Ahmed – TD – Group Head and CFO

Well, you mentioned significant to insignificant ownership. I don't see those as insignificant ownerships, but you mean the baskets and the discussion of the baskets being significant or insignificant.

Darko Mihelic – RBC Capital Markets – Analyst

My apologies.

Riaz Ahmed – TD – Group Head and CFO

No, no, don't apologize. I just think that I didn't think 13.4% is insignificant ownership anyway, sitting here. Look, I think when you are in the significant basket, exactly as you said, you do a calculation of your imputed goodwill, you deduct that and then there's a basket test that the portion of the investment that is within that basket threshold gets risk-weighted and anything in excess of that is a dollar-for-dollar deduction.

And the insignificant basket is not that different from it, except that it doesn't have an imputed goodwill component to it. You just simply look at all the various investments that you have that qualify in the insignificant basket. And once they hit a certain threshold, which you risk weight, and anything in excess is a dollar to dollar deduction. The mechanics of the two are in principle, similar, but of course, there are very different methodologies applied to the two of them. And if you want to go through the line-by-line detailed calculation, I'm sure Gillian will help you through that.

Darko Mihelic – RBC Capital Markets – Analyst

Yes, that's fine, well actually you answered that great. Last question for me. You were designated as a Global Systemic Important Bank (G-SIB), did that matter at all here in the relationship with Charles Schwab and/or with the regulators?

Riaz Ahmed – TD – Group Head and CFO

No, not at all. I think that that particular designation, as you know, goes to the question of certain capital thresholds and the way that you manage your balance sheet and liquidity, and therefore, is not relevant to completely do this, how we manage the relationship with TD Ameritrade today and with Schwab after closing.

Sohrab Movahedi – BMO Capital Markets – Analyst

Bharat, I just wanted to see if you could comment on how long does it take for a transaction like this to come together?

Bharat Masrani – TD – Group President and CEO

Again, each transaction is different. I mean there are complications here, as you can imagine, you're looking at three public companies. The level of complexity is not small. But listen, when there's a lot of industrial logic to any transaction, then everybody converges to the same spot pretty quickly. Really happy with how this has evolved. Our investment in TD Ameritrade has created huge value to TD and our shareholders, and I expect the same here. So, hard to comment on exactly how a comparable transaction might go. But here, the industrial logic is so compelling that everybody's minds go there very quickly.

Sohrab Movahedi – BMO Capital Markets – Analyst

So, no time dimension that you would attribute to it?

Bharat Masrani – TD – Group President and CEO

Oh, listen, I mean, it's hard to speculate here...

Sohrab Movahedi – BMO Capital Markets – Analyst

No, no, I mean for this transaction to come together. Was it 6 months in the making? Was it 12 months in the making? Was it 6 weeks in the making?

Bharat Masrani – TD – Group President and CEO

Well, let's put it this way. At TD, in any of our businesses, we have an ongoing process to say what makes sense for the Bank. For example, has the environment changed in any particular manner that requires us to adapt faster or slower or whatever the case might be.

So in this case, yes, I mean, it's not a question of years and years in the making, but it is also not in days or weeks, it's months it takes to work these things out. I think, for me to put a precise time when we started to think about it and all that would be… listen, I'm getting old and memories fade quickly.

Operator

There are no further questions at this time. I'd like to turn the meeting back over to Mr. Masrani.

Bharat Masrani – TD – Group President and CEO

Thank you, operator. To wrap up, as I just said, our investment in TD Ameritrade has been a terrific investment for TD over the years. And today's deal adds even more value to that investment. We could not be more pleased with the transaction, and we look forward to building on our new relationship with Schwab.

Thank you all for joining us today. We look forward to speaking to you again on our Q4 call on December 5th. Thanks very much.