

Condensed consolidated statement of income

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | |
| Canadian Natural Gas Pipelines | 1,234 | 1,129 | 3,497 | 3,374 |
| U.S. Natural Gas Pipelines | 1,449 | 1,275 | 4,295 | 3,832 |
| Mexico Natural Gas Pipelines | 179 | 153 | 487 | 456 |
| Liquids Pipelines | 691 | 563 | 2,051 | 1,652 |
| Power and Storage | 246 | 120 | 606 | 489 |
| | 3,799 | 3,240 | 10,936 | 9,803 |
| Income from Equity Investments | 322 | 265 | 763 | 681 |
| Operating and Other Expenses | | | | |
| Plant operating costs and other | 1,342 | 1,160 | 3,521 | 3,005 |
| Commodity purchases resold | 128 | — | 429 | — |
| Property taxes | 214 | 191 | 634 | 583 |
| Depreciation and amortization | 653 | 610 | 1,914 | 1,888 |
| Goodwill and asset impairment charges and other | — | — | 571 | 2,854 |
| | 2,337 | 1,961 | 7,069 | 8,330 |
| Gain on Sale of Assets | — | — | — | 17 |
| Financial Charges | | | | |
| Interest expense | 666 | 596 | 1,866 | 1,749 |
| Allowance for funds used during construction | (116) | (81) | (254) | (195) |
| Interest income and other | 242 | 76 | 224 | (113) |
| | 792 | 591 | 1,836 | 1,441 |
| Income before Income Taxes | 992 | 953 | 2,794 | 730 |
| Income Tax Expense/(Recovery) | | | | |
| Current | 106 | 152 | 473 | 419 |
| Deferred | 12 | (17) | 114 | (577) |
| | 118 | 135 | 587 | (158) |
| Net Income | 874 | 818 | 2,207 | 888 |
| Net income attributable to non-controlling interests | 8 | 8 | 28 | 83 |
| Net Income Attributable to Controlling Interests and to Common Shares | 866 | 810 | 2,179 | 805 |

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|---|------------------------------------|-------|-----------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Net Income | 874 | 818 | 2,207 | 888 |
| Other Comprehensive Income, Net of Income Taxes | | | | |
| Foreign currency translation gains and losses on net investment in foreign operations | 1,510 | 450 | 1,872 | (81) |
| Change in fair value of net investment hedges | (67) | (27) | (75) | (3) |
| Change in fair value of cash flow hedges | (20) | (15) | (8) | (15) |
| Reclassification to net income of gains and losses on cash flow hedges | 15 | 15 | 30 | 33 |
| Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans | 2 | 5 | 6 | 12 |
| Other comprehensive (loss)/income on equity investments | (2) | 25 | 343 | 155 |
| Other comprehensive income | 1,438 | 453 | 2,168 | 101 |
| Comprehensive Income | 2,312 | 1,271 | 4,375 | 989 |
| Comprehensive income attributable to non-controlling interests | 16 | 10 | 38 | 73 |
| Comprehensive Income Attributable to Controlling Interests and to Common Shares | 2,296 | 1,261 | 4,337 | 916 |

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|---|------------------------------------|---------|-----------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash Generated from Operations | | | | |
| Net income | 874 | 818 | 2,207 | 888 |
| Depreciation and amortization | 653 | 610 | 1,914 | 1,888 |
| Goodwill and asset impairment charges and other | — | — | 571 | 2,854 |
| Deferred income taxes | 12 | (17) | 114 | (577) |
| Income from equity investments | (322) | (265) | (763) | (681) |
| Distributions received from operating activities of equity investments | 267 | 238 | 709 | 740 |
| Employee post-retirement benefits funding, net of expense | (11) | 8 | (22) | 14 |
| Gain on sale of assets | — | — | — | (17) |
| Equity allowance for funds used during construction | (78) | (59) | (176) | (138) |
| Unrealized losses on financial instruments | 241 | 168 | 337 | 210 |
| Foreign exchange losses on loan receivable from affiliate | — | 42 | 28 | 45 |
| Other | 2 | (58) | (52) | (105) |
| Decrease/(increase) in operating working capital | 126 | 198 | (502) | (27) |
| Net cash provided by operations | 1,764 | 1,683 | 4,365 | 5,094 |
| Investing Activities | | | | |
| Capital expenditures | (1,837) | (1,446) | (4,608) | (4,305) |
| Contributions to equity investments | (746) | (241) | (2,380) | (706) |
| Keystone XL contractual recoveries | 95 | — | 568 | — |
| Loans to affiliate repaid/(issued), net | 101 | (620) | (11) | (840) |
| Other distributions from equity investments | 1,205 | — | 2,436 | — |
| Deferred amounts and other | 49 | (66) | (4) | (470) |
| Net cash used in investing activities | (1,133) | (2,373) | (3,999) | (6,321) |
| Financing Activities | | | | |
| Notes payable issued/(repaid), net | 458 | 1,448 | 672 | (1,012) |
| Long-term debt issued, net of issue costs | (2) | 47 | 2,508 | 7,798 |
| Long-term debt repaid | (1,287) | — | (1,313) | (980) |
| Junior subordinated notes issued, net of issue costs | — | — | 1,008 | 495 |
| Advances from parent repaid, net | (108) | — | (964) | (539) |
| Redeemable non-controlling interest repurchased | — | — | — | (633) |
| Dividends on common shares | (885) | (852) | (2,623) | (2,465) |
| Distributions to non-controlling interests | (10) | (8) | (33) | (67) |
| Distributions on Class C Interests | (7) | (11) | (30) | (11) |
| Common shares issued | 1,740 | — | 1,740 | — |
| Other | 6 | — | 23 | (5) |
| Net cash (used in)/provided by financing activities | (95) | 624 | 988 | 2,581 |
| Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | 94 | 34 | 108 | (6) |
| Increase/(Decrease) in Cash and Cash Equivalents | 630 | (32) | 1,462 | 1,348 |
| Cash and Cash Equivalents | | | | |
| Beginning of period | 1,510 | 2,893 | 678 | 1,513 |
| Cash and Cash Equivalents | | | | |
| End of period | 2,140 | 2,861 | 2,140 | 2,861 |

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

| (unaudited - millions of Canadian \$) | September 30, 2022 | December 31, 2021 |
|---|---|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 2,140 | 678 |
| Accounts receivable | 3,535 | 3,096 |
| Loans receivable from affiliates | — | 1,217 |
| Inventories | 1,080 | 724 |
| Other current assets | 2,103 | 1,717 |
| | 8,858 | 7,432 |
| Plant, Property and Equipment | 75,030 | 70,182 |
| net of accumulated depreciation of \$34,262 and \$31,930, respectively | | |
| Equity Investments | 11,664 | 8,441 |
| Long-Term Loans Receivable from Affiliate | 250 | 238 |
| Restricted Investments | 1,997 | 2,182 |
| Regulatory Assets | 2,019 | 1,767 |
| Net Investment in Leases | 2,097 | — |
| Goodwill | 13,050 | 12,582 |
| Other Long-Term Assets | 1,779 | 1,402 |
| | 116,744 | 104,226 |
| LIABILITIES | | |
| Current Liabilities | | |
| Notes payable | 6,238 | 5,166 |
| Accounts payable and other | 7,835 | 5,117 |
| Due to Parent | 2,396 | 3,360 |
| Dividends payable | 911 | 853 |
| Accrued interest | 687 | 577 |
| Current portion of long-term debt | 1,082 | 1,320 |
| | 19,149 | 16,393 |
| Regulatory Liabilities | 4,397 | 4,300 |
| Other Long-Term Liabilities | 1,236 | 1,059 |
| Deferred Income Tax Liabilities | 6,949 | 6,142 |
| Long-Term Debt | 40,918 | 37,341 |
| Junior Subordinated Notes | 10,634 | 8,939 |
| | 83,283 | 74,174 |
| EQUITY | | |
| Common shares, no par value | 27,334 | 25,594 |
| Issued and outstanding: | September 30, 2022 – 967 million shares | |
| | December 31, 2021 – 940 million shares | |
| Additional paid-in capital | 796 | 788 |
| Retained earnings | 4,477 | 4,979 |
| Accumulated other comprehensive income/(loss) | 724 | (1,434) |
| Controlling Interests | 33,331 | 29,927 |
| Non-Controlling Interests | 130 | 125 |
| | 33,461 | 30,052 |
| | 116,744 | 104,226 |

Contingencies and Guarantees (Note 15)

Variable Interest Entities (Note 16)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|--|------------------------------------|---------|-----------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Common Shares | | | | |
| Balance at beginning of period | 25,594 | 25,606 | 25,594 | 23,531 |
| Proceeds from shares issued | 1,740 | — | 1,740 | — |
| Shares issued on acquisition of TC PipeLines, LP, net of transaction costs | — | — | — | 2,075 |
| Balance at end of period | 27,334 | 25,606 | 27,334 | 25,606 |
| Additional Paid-In Capital | | | | |
| Balance at beginning of period | 793 | 783 | 788 | 44 |
| Keystone XL project-level credit facility retirement and issuance of Class C Interests | — | — | — | 737 |
| Acquisition of TC PipeLines, LP | — | — | — | (398) |
| Repurchase of redeemable non-controlling interest | — | — | — | 394 |
| Issuance of stock options | 3 | 2 | 8 | 8 |
| Balance at end of period | 796 | 785 | 796 | 785 |
| Retained Earnings | | | | |
| Balance at beginning of period | 4,523 | 4,724 | 4,979 | 6,433 |
| Net income attributable to controlling interests | 866 | 810 | 2,179 | 805 |
| Common share dividends | (912) | (851) | (2,681) | (2,555) |
| Balance at end of period | 4,477 | 4,683 | 4,477 | 4,683 |
| Accumulated Other Comprehensive Income/(Loss) | | | | |
| Balance at beginning of period | (706) | (2,426) | (1,434) | (2,439) |
| Other comprehensive income attributable to controlling interests | 1,430 | 451 | 2,158 | 111 |
| Acquisition of TC PipeLines, LP | — | — | — | 353 |
| Balance at end of period | 724 | (1,975) | 724 | (1,975) |
| Equity Attributable to Controlling Interests | 33,331 | 29,099 | 33,331 | 29,099 |
| Equity Attributable to Non-Controlling Interests | | | | |
| Balance at beginning of period | 123 | 122 | 125 | 1,682 |
| Net income attributable to non-controlling interests | 8 | 8 | 28 | 82 |
| Other comprehensive income/(loss) attributable to non-controlling interests | 8 | 2 | 10 | (10) |
| Distributions declared to non-controlling interests | (9) | (8) | (33) | (67) |
| Acquisition of TC PipeLines, LP | — | — | — | (1,563) |
| Balance at end of period | 130 | 124 | 130 | 124 |
| Total Equity | 33,461 | 29,223 | 33,461 | 29,223 |

See accompanying Notes to the Condensed consolidated financial statements.

Notes to Condensed consolidated financial statements

(unaudited)

1. BASIS OF PRESENTATION

These Condensed consolidated financial statements of TransCanada PipeLines Limited (TCPL or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TCPL's annual audited Consolidated financial statements for the year ended December 31, 2021, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in the 2021 audited Consolidated financial statements.

These Condensed consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2021 audited Consolidated financial statements. Certain comparative figures have been adjusted to reflect the current period's presentation.

Earnings for interim periods may not be indicative of results for the fiscal year in certain of the Company's segments primarily due to:

- Natural gas pipelines segments – the timing of regulatory decisions and negotiated rate case settlements as well as seasonal fluctuations in short-term throughput volumes on U.S. pipelines
- Liquids Pipelines – fluctuations in throughput volumes on the Keystone Pipeline System and marketing activities
- Power and Storage – the impacts of seasonal weather conditions on customer demand, market supply and prices of natural gas and power as well as maintenance outages in certain of the Company's investments in electrical power generation plants and Canadian non-regulated gas storage facilities.

Use of Estimates and Judgments

In preparing these financial statements, TCPL is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, these Condensed consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies included in the annual audited Consolidated financial statements for the year ended December 31, 2021, except as described in Note 2, Accounting changes.

Net Investment in Sales-Type Leases

In August 2022, TCPL announced a strategic alliance with the Comisión Federal de Electricidad (CFE) for the development of new natural gas infrastructure in central and southeast Mexico under a single, U.S. dollar-denominated take-or-pay contract that extends through 2055. The new Transportation Service Agreement (TSA) between the Company's Mexico-based subsidiary Transportadora de Gas Natural de la Huasteca (TGNH) and the CFE was determined to contain a lease with multiple sales-type lease components, as a result of which the Company recorded a net investment in sales-type leases adjusted for the amount of related expected credit losses. Refer to Note 8, TGNH strategic alliance with the CFE, for the accounting policy as well as critical accounting estimates and judgments with respect to the sales-type leases and related expected credit losses.

Variable Interest Entities

In third quarter 2022, there was a reconsideration event with respect to performing the primary beneficiary analysis for the Company's investment in Coastal GasLink Pipeline Limited Partnership (Coastal GasLink LP) as a result of revised project agreements and TCPL's equity contribution. Refer to Note 16, Variable Interest Entities, for further information.

2. ACCOUNTING CHANGES

Reference Rate Reform

In March 2020, FASB issued optional guidance with respect to the expected cessation of the U.S. dollar London Interbank Offered Rate (LIBOR), for which certain rate settings ceased to be published at the end of 2021 with full cessation by mid-2023. The guidance provides optional practical expedients for contracts and hedging relationships that are affected by reference rate reform if certain criteria are met. The Company expects to use practical expedients available in the guidance to treat contract modifications as events that do not require contract remeasurement or reassessment of previous accounting determinations. As such, these changes are not expected to have a material impact on the Company's consolidated financial statements.

To date, the Company has completed its analysis of contracts impacted by reference rate reform as well as the necessary system changes to facilitate the adoption of the proposed standard market reference rates. For the nine months ended September 30, 2022, the Company has not identified any applicable contract modifications as a result of reference rate reform. TCPL continues to monitor any new developments with respect to this guidance.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. The Company is currently evaluating the impact of this guidance on contracts and financial instruments with variable rate components that reference CDOR and has not yet determined the effect on its consolidated financial statements.

Changes in Accounting Policies for 2022

Government Assistance

In November 2021, the FASB issued new guidance that expands annual disclosure requirements for entities that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance. Entities are required to disclose the nature of the transactions, the related accounting policies used to account for the transactions, the effect of the transactions on an entity's financial statements and any significant terms and conditions of the transaction. This new guidance is effective for annual disclosure requirements at December 31, 2022 and can be applied either prospectively or retrospectively, with early application permitted. The Company adopted the guidance effective January 1, 2022 on a prospective basis and it did not have a material impact on the Company's consolidated financial statements.

Contract Assets and Liabilities from Contracts with Customers

In October 2021, the FASB issued new guidance that amends the accounting for contract assets and liabilities from contracts with customers acquired in a business combination. At the acquisition date, an acquirer should account for the contract assets and liabilities in accordance with guidance on revenue from contracts with customers. This new guidance is effective January 1, 2023 and is applied prospectively with early adoption permitted. Early adoption requires the application of the amendments retrospectively to all business combinations with an acquisition date in the year of early adoption. The Company elected to adopt the new guidance effective January 1, 2022 and it did not have any impact on the Company's consolidated financial statements.

3. SEGMENTED INFORMATION

| three months ended September 30, 2022 (unaudited - millions of Canadian \$) | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Corporate ¹ | Total |
|---|---|-------------------------------------|---------------------------------------|----------------------|-------------------------|------------------------|--------------|
| Revenues | 1,234 | 1,449 | 179 | 691 | 246 | — | 3,799 |
| Intersegment revenues | — | 35 | — | — | — | (35) ² | — |
| | 1,234 | 1,484 | 179 | 691 | 246 | (35) | 3,799 |
| Income from equity investments | 5 | 61 | 39 | 14 | 203 | — | 322 |
| Plant operating costs and other ³ | (450) | (497) | (85) | (201) | (135) | 26 ² | (1,342) |
| Commodity purchase resold | — | — | — | (123) | (5) | — | (128) |
| Property taxes | (76) | (107) | — | (30) | (1) | — | (214) |
| Depreciation and amortization | (304) | (227) | (20) | (83) | (19) | — | (653) |
| Segmented Earnings/(Losses) | 409 | 714 | 113 | 268 | 289 | (9) | 1,784 |
| Interest expense | | | | | | | (666) |
| Allowance for funds used during construction | | | | | | | 116 |
| Interest income and other | | | | | | | (242) |
| Income before Income Taxes | | | | | | | 992 |
| Income tax expense | | | | | | | (118) |
| Net Income | | | | | | | 874 |
| Net income attributable to non-controlling interests | | | | | | | (8) |
| Net Income Attributable to Controlling Interests and to Common Shares | | | | | | | 866 |

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 The Mexico Natural Gas Pipelines segment includes a \$71 million (US\$53 million) expected credit loss provision with respect to net investment in leases recognized with the commencement of the new TGNH TSA. Refer to Note 8, TGNH strategic alliance with the CFE, for additional information.

| three months ended September 30, 2021 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Corporate¹ | Total |
|--|---|---|---|------------------------------|----------------------------------|------------------------------|--------------|
| (unaudited - millions of Canadian \$) | | | | | | | |
| Revenues | 1,129 | 1,275 | 153 | 563 | 120 | — | 3,240 |
| Intersegment revenues | — | 36 | — | — | 1 | (37) ² | — |
| | 1,129 | 1,311 | 153 | 563 | 121 | (37) | 3,240 |
| Income from equity investments | 4 | 54 | 34 | 18 | 113 | 42 ³ | 265 |
| Plant operating costs and other ⁴ | (427) | (385) | (16) | (194) | (97) | (41) ² | (1,160) |
| Property taxes | (75) | (93) | — | (22) | (1) | — | (191) |
| Depreciation and amortization | (288) | (195) | (27) | (80) | (20) | — | (610) |
| Segmented Earnings/(Losses) | 343 | 692 | 144 | 285 | 116 | (36) | 1,544 |
| Interest expense | | | | | | | (596) |
| Allowance for funds used during construction | | | | | | | 81 |
| Interest income and other ³ | | | | | | | (76) |
| Income before Income Taxes | | | | | | | 953 |
| Income tax expense | | | | | | | (135) |
| Net Income | | | | | | | 818 |
| Net income attributable to non-controlling interests | | | | | | | (8) |
| Net Income Attributable to Controlling Interests and to Common Shares | | | | | | | 810 |

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Income from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains and losses on the peso-denominated loans from affiliates which are fully offset in Interest income and other by the corresponding foreign exchange losses and gains on the affiliate receivable balance. Refer to Note 7, Related party transactions, for additional information.

4 Includes an \$89 million expense with respect to transition payments incurred as part of the Voluntary Retirement Program.

| nine months ended September 30, 2022 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Corporate¹ | Total |
|--|---|---|---|------------------------------|----------------------------------|------------------------------|--------------|
| (unaudited - millions of Canadian \$) | | | | | | | |
| Revenues | 3,497 | 4,295 | 487 | 2,051 | 606 | — | 10,936 |
| Intersegment revenues | — | 103 | — | — | 12 | (115) ² | — |
| | 3,497 | 4,398 | 487 | 2,051 | 618 | (115) | 10,936 |
| Income from equity investments | 14 | 199 | 96 | 41 | 385 | 28 ³ | 763 |
| Plant operating costs and other ⁴ | (1,246) | (1,320) | (112) | (545) | (397) | 99 ² | (3,521) |
| Commodity purchase resold | — | — | — | (414) | (15) | — | (429) |
| Property taxes | (227) | (316) | — | (88) | (3) | — | (634) |
| Depreciation and amortization | (886) | (655) | (76) | (244) | (53) | — | (1,914) |
| Goodwill impairment charge | — | (571) | — | — | — | — | (571) |
| Segmented Earnings | 1,152 | 1,735 | 395 | 801 | 535 | 12 | 4,630 |
| Interest expense | | | | | | | (1,866) |
| Allowance for funds used during construction | | | | | | | 254 |
| Interest income and other ³ | | | | | | | (224) |
| Income before Income Taxes | | | | | | | 2,794 |
| Income tax expense | | | | | | | (587) |
| Net Income | | | | | | | 2,207 |
| Net income attributable to non-controlling interests | | | | | | | (28) |
| Net Income Attributable to Controlling Interests and to Common Shares | | | | | | | 2,179 |

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Income from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains and losses on the peso-denominated loans from affiliates which are fully offset in Interest income and other by the corresponding foreign exchange losses and gains on the affiliate receivable balance until March 15, 2022, when it was fully repaid upon maturity. Refer to Note 7, Related party transactions, for additional information.

4 The Mexico Natural Gas Pipelines segment includes a \$71 million (US\$53 million) expected credit loss provision with respect to net investment in leases recognized with the commencement of the new TGNH TSA. Refer to Note 8, TGNH strategic alliance with the CFE, for additional information.

| nine months ended September 30, 2021 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Corporate¹ | Total |
|--|---|---|---|------------------------------|----------------------------------|------------------------------|--------------|
| (unaudited - millions of Canadian \$) | | | | | | | |
| Revenues | 3,374 | 3,832 | 456 | 1,652 | 489 | — | 9,803 |
| Intersegment revenues | — | 110 | — | — | 14 | (124) ² | — |
| | 3,374 | 3,942 | 456 | 1,652 | 503 | (124) | 9,803 |
| Income from equity investments | 8 | 176 | 100 | 54 | 298 | 45 ³ | 681 |
| Plant operating costs and other ⁴ | (1,156) | (1,019) | (41) | (509) | (319) | 39 ² | (3,005) |
| Property taxes | (225) | (276) | — | (78) | (4) | — | (583) |
| Depreciation and amortization | (941) | (570) | (81) | (238) | (58) | — | (1,888) |
| Asset impairment charge and other | — | — | — | (2,854) | — | — | (2,854) |
| Gain on sale of assets | — | — | — | — | 17 | — | 17 |
| Segmented Earnings/(Losses) | 1,060 | 2,253 | 434 | (1,973) | 437 | (40) | 2,171 |
| Interest expense | | | | | | | (1,749) |
| Allowance for funds used during construction | | | | | | | 195 |
| Interest income and other ³ | | | | | | | 113 |
| Income before Income Taxes | | | | | | | 730 |
| Income tax recovery | | | | | | | 158 |
| Net Income | | | | | | | 888 |
| Net income attributable to non-controlling interests | | | | | | | (83) |
| Net Income Attributable to Controlling Interests and to Common Shares | | | | | | | 805 |

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Income from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains and losses on the peso-denominated loans from affiliates which are fully offset in Interest income and other by the corresponding foreign exchange losses and gains on the affiliate receivable balance. Refer to Note 7, Related party transactions, for additional information.

4 Includes an \$89 million expense with respect to transition payments incurred as part of the Voluntary Retirement Program.

Total Assets by Segment

| (unaudited - millions of Canadian \$) | September 30, 2022 | December 31, 2021 |
|---------------------------------------|---------------------------|--------------------------|
| Canadian Natural Gas Pipelines | 29,321 | 25,213 |
| U.S. Natural Gas Pipelines | 50,411 | 45,502 |
| Mexico Natural Gas Pipelines | 8,963 | 7,547 |
| Liquids Pipelines | 15,659 | 14,951 |
| Power and Storage | 7,412 | 6,563 |
| Corporate | 4,978 | 4,450 |
| | 116,744 | 104,226 |

4. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three and nine months ended September 30, 2022 and 2021:

| three months ended September 30, 2022 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Total |
|--|---|---|---|------------------------------|----------------------------------|--------------|
| (unaudited - millions of Canadian \$) | | | | | | |
| Revenues from contracts with customers | | | | | | |
| Capacity arrangements and transportation | 1,220 | 1,072 | 103 | 515 | — | 2,910 |
| Power generation | — | — | — | — | 140 | 140 |
| Natural gas storage and other ¹ | 14 | 357 | 21 | — | 69 | 461 |
| | 1,234 | 1,429 | 124 | 515 | 209 | 3,511 |
| Sales-type lease income ² | — | — | 55 | — | — | 55 |
| Other revenues ³ | — | 20 | — | 176 | 37 | 233 |
| | 1,234 | 1,449 | 179 | 691 | 246 | 3,799 |

- 1 The Canadian Natural Gas Pipelines segment includes \$14 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.
- 2 Represents sales-type lease income with respect to the new TGNH TSA. Refer to Note 8, TGNH strategic alliance with the CFE, for additional information.
- 3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include \$29 million of operating lease income.

| three months ended September 30, 2021 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Total |
|--|---|---|---|------------------------------|----------------------------------|--------------|
| (unaudited - millions of Canadian \$) | | | | | | |
| Revenues from contracts with customers | | | | | | |
| Capacity arrangements and transportation | 1,109 | 967 | 146 | 520 | — | 2,742 |
| Power generation | — | — | — | — | 72 | 72 |
| Natural gas storage and other ¹ | 20 | 296 | 7 | 1 | 59 | 383 |
| | 1,129 | 1,263 | 153 | 521 | 131 | 3,197 |
| Other revenues ² | — | 12 | — | 42 | (11) | 43 |
| | 1,129 | 1,275 | 153 | 563 | 120 | 3,240 |

- 1 The Canadian Natural Gas Pipelines segment includes \$20 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.
- 2 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include \$31 million of operating lease income.

| nine months ended September 30, 2022 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Total |
|---|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------|--------------------------|---------------|
| (unaudited - millions of Canadian \$) | | | | | | |
| Revenues from contracts with customers | | | | | | |
| Capacity arrangements and transportation | 3,444 | 3,303 | 396 | 1,488 | — | 8,631 |
| Power generation | — | — | — | — | 330 | 330 |
| Natural gas storage and other ¹ | 53 | 980 | 36 | 3 | 274 | 1,346 |
| | 3,497 | 4,283 | 432 | 1,491 | 604 | 10,307 |
| Sales-type lease income ² | — | — | 55 | — | — | 55 |
| Other revenues ³ | — | 12 | — | 560 | 2 | 574 |
| | 3,497 | 4,295 | 487 | 2,051 | 606 | 10,936 |

- 1 The Canadian Natural Gas Pipelines segment includes \$53 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.
- 2 Represents sales-type lease income with respect to the new TGNH TSA. Refer to Note 8, TGNH strategic alliance with the CFE, for additional information.
- 3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include \$90 million of operating lease income.

| nine months ended September 30, 2021 | Canadian Natural Gas Pipelines | U.S. Natural Gas Pipelines | Mexico Natural Gas Pipelines | Liquids Pipelines | Power and Storage | Total |
|---|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------|--------------------------|--------------|
| (unaudited - millions of Canadian \$) | | | | | | |
| Revenues from contracts with customers | | | | | | |
| Capacity arrangements and transportation | 3,304 | 3,034 | 433 | 1,491 | — | 8,262 |
| Power generation | — | — | — | — | 230 | 230 |
| Natural gas storage and other ¹ | 70 | 753 | 23 | 3 | 217 | 1,066 |
| | 3,374 | 3,787 | 456 | 1,494 | 447 | 9,558 |
| Other revenues ² | — | 45 | — | 158 | 42 | 245 |
| | 3,374 | 3,832 | 456 | 1,652 | 489 | 9,803 |

- 1 The Canadian Natural Gas Pipelines segment includes \$70 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.
- 2 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include \$95 million of operating lease income.

Contract Balances

| (unaudited - millions of Canadian \$) | September 30, 2022 | December 31, 2021 | Affected line item on the Condensed consolidated balance sheet |
|---|---------------------------|--------------------------|---|
| Receivables from contracts with customers | 1,737 | 1,627 | Accounts receivable |
| Contract assets | 214 | 202 | Other current assets |
| Long-term contract assets | 358 | 249 | Other long-term assets |
| Contract liabilities ¹ | 64 | 90 | Accounts payable and other |
| Long-term contract liabilities | 106 | 184 | Other long-term liabilities |

- 1 During the nine months ended September 30, 2022, \$11 million (2021 – \$12 million) of revenues were recognized that were included in contract liabilities at the beginning of the period.

Contract assets and long-term contract assets primarily relate to the Company's right to revenues for services completed but not invoiced at the reporting date on long-term committed capacity natural gas pipelines contracts. The change in contract assets is primarily related to the transfer to Accounts receivable when these rights become unconditional and the customer is invoiced, as well as the recognition of additional revenues that remain to be invoiced. Contract liabilities and long-term contract liabilities primarily relate to force majeure fixed capacity payments previously received on long-term capacity arrangements in Mexico against which certain contract asset balances were netted in accordance with the terms of the new TGNH TSA.

Future Revenues from Remaining Performance Obligations

As at September 30, 2022, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2055 are approximately \$23.6 billion, of which approximately \$1.7 billion is expected to be recognized during the remainder of 2022.

5. GOODWILL

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate it might be impaired. The Company can initially make this assessment based on qualitative factors. If the Company concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying value, it will then perform a quantitative goodwill impairment test.

Great Lakes

During first quarter 2022, TCPL elected to pursue an unanticipated opportunity to extend the existing recourse rates on Great Lakes. This prompted the Company to re-evaluate the impact of maintaining recourse rates at the current level as opposed to moving forward with the previously presumed Great Lakes rate case process in 2022.

On March 18, 2022, Great Lakes reached a pre-filing settlement with its customers and filed an unopposed rate case settlement with FERC by which Great Lakes and the settling parties agreed to maintain existing recourse rates through October 31, 2025. While the settlement created short-term rate certainty, it prompted a re-evaluation of Great Lakes' long-term free cash flows. With recourse rates maintained at the current level for the next three years, the expectation of increased contracting, growth and other near-term commercial and regulatory opportunities were negatively impacted.

Management performed a quantitative impairment test that evaluated a range of assumptions through a discounted cash flow analysis using a risk-adjusted discount rate. It was determined that the estimated fair value of the Great Lakes reporting unit no longer exceeded its carrying value, including goodwill, and that an impairment charge was necessary. As a result, the Company recorded a pre-tax goodwill impairment charge of \$571 million (\$531 million after tax) within the U.S. Natural Gas Pipelines segment that is included in Goodwill and asset impairment charges and other in the Company's Condensed consolidated statement of income. The remaining goodwill balance related to Great Lakes is US\$122 million at September 30, 2022 (December 31, 2021 – US\$573 million). There is a risk that continued reductions in future cash flow forecasts and adverse changes in other key assumptions could result in a future impairment of the goodwill balance relating to Great Lakes.

The Company has elected to allocate goodwill impairment charges first to goodwill that is non-deductible for income tax purposes, with any remaining charge allocated to tax-deductible goodwill. The majority of the Great Lakes goodwill impairment charge was allocated to non-deductible goodwill and the income tax recovery of \$40 million was attributable to the portion of the goodwill that was deductible for income tax purposes.

6. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 21 per cent and negative 22 per cent for the nine months ended September 30, 2022 and 2021, respectively. The increase in the effective income tax rate was primarily due to the impacts of the Keystone XL asset impairment charge and other recorded in 2021, as well as the settlement of Mexico income tax assessments discussed below and the non-tax deductible portion of the Great Lakes goodwill impairment charge recorded in the nine months ended September 30, 2022.

Mexico Tax Audit

In 2019, the Mexican tax authority, the Tax Administration Services (SAT), completed an audit of the 2013 tax return of one of the Company's subsidiaries in Mexico. The audit resulted in a tax assessment that denied the deduction for all interest expense and an assessment of additional tax, penalties and financial charges totaling less than US\$1 million. The Company disagreed with this assessment and commenced litigation to challenge it. In January 2022, TCPL received the tax court's ruling on the 2013 tax return, which upheld the SAT assessment. From September 2021 to February 2022, the SAT issued assessments for tax years 2014 through 2017 which denied the deduction of all interest expense as well as assessed incremental withholding tax on the interest. These assessments totaled approximately US\$490 million in income and withholding taxes, interest, penalties and other financial charges.

On April 27, 2022, TCPL settled with the SAT on all of the above matters for the tax years 2013 through 2021. In the nine months ended September 30, 2022, the Company recorded \$195 million (US\$152 million) of income tax expense (inclusive of withholding taxes, interest, penalties and other financial charges).

7. RELATED PARTY TRANSACTIONS

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to Parent

TC Energy Corporation

TCPL has an unsecured \$4.5 billion demand revolving credit facility with TC Energy Corporation (TC Energy) with an outstanding balance of \$2,396 million as at September 30, 2022 (December 31, 2021 – \$3,360 million) that is reflected in Due to parent on the Company's Condensed consolidated balance sheet. TC Energy and TCPL agreed to advance funds on a non-interest bearing basis.

Loans Receivable from Affiliates

Sur de Texas

TCPL holds a 60 per cent equity interest in a joint venture with IEnova to own the Sur de Texas pipeline, for which TCPL is the operator. In 2017, TCPL entered into a MXN\$21.3 billion unsecured revolving credit facility with the joint venture, which bore interest at a floating rate and was fully repaid upon maturity on March 15, 2022 in the amount of approximately \$1.2 billion.

The Company's Condensed consolidated statement of income reflected the related interest income and foreign exchange impact on this loan which were fully offset upon consolidation with corresponding amounts included in TCPL's proportionate share of Sur de Texas' equity earnings as follows:

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | | Affected line item in the Condensed consolidated statement of income |
|---------------------------------------|------------------------------------|------|-----------------------------------|------|--|
| | 2022 | 2021 | 2022 | 2021 | |
| Interest income ¹ | — | 22 | 19 | 64 | Interest income and other |
| Interest expense ² | — | (22) | (19) | (64) | Income from equity investments |
| Foreign exchange losses ¹ | — | (42) | (28) | (45) | Interest income and other |
| Foreign exchange gains ¹ | — | 42 | 28 | 45 | Income from equity investments |

1 Included in the Corporate segment.

2 Included in the Mexico Natural Gas Pipelines segment.

On March 15, 2022, as part of refinancing activities with the Sur de Texas joint venture the peso-denominated loan discussed above was replaced with a new U.S. dollar-denominated loan of an equivalent \$1.2 billion (US\$938 million) with a floating interest rate. On July 29, 2022, the Sur de Texas joint venture entered into an unsecured term loan agreement with third parties, the proceeds of which were used to fully repay the U.S. dollar-denominated inter-affiliate loan with TCPL.

These inter-affiliate loans represented TCPL's proportionate share of debt financing to the joint venture. The related repayments and issuance are included in Investing activities in the Company's Condensed consolidated statement of cash flows.

Coastal GasLink LP

TCPL holds a 35 per cent equity interest in Coastal GasLink LP and has been contracted to develop and operate the Coastal GasLink pipeline.

Subordinated Demand Revolving Credit Facility

The Company has a subordinated demand revolving credit facility with Coastal GasLink LP to provide additional short-term liquidity and funding flexibility to the project. The facility bears interest at a floating market-based rate and had a capacity of \$100 million with an outstanding balance of nil as at September 30, 2022 (December 31, 2021 – \$1 million) reflected in Loans receivable from affiliates under Current assets on the Company's Condensed consolidated balance sheet.

Subordinated Loan Agreement

In 2021, TCPL entered into a subordinated loan agreement with Coastal GasLink LP to provide interim temporary financing to fund incremental project costs as a bridge to a required increase in project-level financing. Under this agreement, financing was provided through a combination of interest-bearing loans subject to floating market-based interest rates and non-interest-bearing loans. Following amendments to this loan agreement on July 28, 2022, draws on this loan by Coastal GasLink LP will be provided through an interest-bearing loan, subject to a floating market-based interest rate, which will be repaid by the Coastal GasLink LP partners, including TCPL, subsequent to the in-service date of the Coastal GasLink pipeline when final project costs are determined. The total capacity committed under this subordinated loan agreement was \$2.1 billion with an available capacity of \$1.8 billion and an outstanding balance of \$250 million as at September 30, 2022 (December 31, 2021 – \$238 million) that is reflected in Long-term loans receivable from affiliate on the Company's Condensed consolidated balance sheet.

8. TGNH STRATEGIC ALLIANCE WITH THE CFE

Strategic Alliance with the CFE

On August 4, 2022, TCPL announced a strategic alliance with Mexico's state-owned electric utility, the CFE, for the development of new natural gas infrastructure in central and southeast Mexico. This alliance consolidates previous TSAs executed between TCPL's Mexico-based subsidiary TGNH and the CFE in connection with the Company's natural gas pipeline assets in central Mexico (including the Tamazunchale, Villa de Reyes and Tula pipelines) under a single, U.S. dollar-denominated take-or-pay contract that extends through 2055. This agreement also resolves and terminates previous international arbitrations with the CFE related to the Villa de Reyes and Tula pipelines.

In connection with the strategic alliance, TCPL reached a final investment decision (FID) to proceed and build the Southeast Gateway pipeline, an offshore natural gas pipeline with an expected in-service date by mid-2025.

Additionally, TCPL and the CFE agreed to jointly develop and complete the central segment of the Tula pipeline, subject to an FID. Under the new TSA, the Company will be responsible for operation and maintenance of the TGNH pipelines in service.

Subject to regulatory approvals from Mexico's economic competition commission and the Regulatory Energy Commission, the strategic alliance provides the CFE with the ability to hold an equity interest in TGNH, which is conditional upon the CFE contributing capital, acquiring land and supporting permitting on the TGNH projects. Upon in-service of the Southeast Gateway pipeline, the CFE's equity interest in TGNH would equal 15 per cent, which would increase to approximately 35 per cent upon expiry of the contract in 2055. Regulatory approvals related to the CFE's equity participation are expected to take up to 24 months.

Lease Arrangement

Accounting Policy and Critical Accounting Estimates and Judgments

The Company determines if a contract contains a lease at inception of a contract by using judgment in assessing the following aspects: 1) the contract specifies an identified asset which is physically distinct or, if not physically distinct, represents substantially all of the capacity of the asset; 2) the contract provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset and 3) the customer has the right to direct how and for what purpose the identified asset is used throughout the period of the contract.

If the contract is determined to contain a lease, further judgment is required to identify separate lease components of the arrangement by assessing whether the lessee can benefit from the right of use either on its own or together with other resources that are readily available to the lessee, as well as if the right of use is neither highly dependent on nor highly interrelated with the other rights to use the underlying assets in the contract.

The Company considers non-lease components as distinct elements of a contract that are not related to the use of the leased asset. A good or service that is promised to a customer is distinct if: 1) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and 2) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The TSA executed between TCPL and the CFE, as discussed above, contains a lease with multiple lease and non-lease components. The lease components represent the capacity available to the CFE provided by the pipelines in service which, at September 30, 2022, included the Tamazunchale pipeline, the north section of the Villa de Reyes pipeline and the east section of the Tula pipeline. The non-lease components represent the Company's services with respect to operation and maintenance of the TGNH pipelines in service.

The contract consideration consisting of fixed toll payments is allocated to lease and non-lease components based on the standalone selling price for each distinct good or service within the contract using a combination of expected cost plus a margin and residual approach. In order to establish the expected cost plus a margin approach, the Company applied judgment to determine reasonable estimates of the expected future cost of satisfying the non-lease performance obligations.

The TGNH pipelines are regulated and tolls are designed to recover the cost of providing service. On this basis, the Company applied judgment to determine that, at the inception of the lease arrangement, the fair value of the underlying assets approximates the carrying value and the residual value approximates the remaining carrying value at the end of the lease term. There is no guaranteed residual value for the underlying assets; however, TCPL expects to continue to operate the TGNH pipelines following the lease term expiration as long as there is supply and demand for natural gas in Mexico. At the inception of the lease arrangement, the Company determined that the present value of the sum of the future lease payments over the lease term exceeds substantially all of the fair value of the underlying TGNH pipelines in service and as such are classified as sales-type leases.

Net Investment in Sales-Type Leases

At September 30, 2022, the Company recognized an aggregate net investment in sales-type leases amounting to \$2,393 million with no gains or losses recorded upon derecognition of the respective Plant, property and equipment.

The following table lists the components of the aggregate Net investment in leases reflected on the Company's Condensed consolidated balance sheet:

| (unaudited - millions of Canadian \$) | September 30, 2022 |
|--|--------------------|
| Net Investment in Leases | |
| Minimum lease payments | 9,684 |
| Unearned lease income | (7,230) |
| Lease receivable | 2,454 |
| Expected credit loss provision | (73) |
| Present value of unguaranteed residual value | 12 |
| | 2,393 |
| Current portion included in Other current assets | (296) |
| | 2,097 |

Future lease payments to be received under the existing sales-type leases are as follows:

| (unaudited - millions of Canadian \$) | September 30, 2022 |
|---------------------------------------|--------------------|
| Less than one year | 296 |
| One to two years | 296 |
| Two to three years | 296 |
| Three to four years | 296 |
| Four to five years | 296 |
| More than five years | 8,204 |
| | 9,684 |

For the three and nine months ended September 30, 2022, the Company recorded \$55 million of sales-type lease income included in the Mexico Natural Gas Pipelines segment. Refer to Note 4, Revenues, for further information.

The net investment in leases arising from sales-type leases is a financial asset subject to impairment using a lifetime expected loss approach at initial recognition and throughout the life of the financial asset. Expected credit losses (ECL) are calculated using a model and methodology based on assumptions and judgment considering historical data, current counterparty information as well as reasonable and supportable forecasts of future economic conditions. The Company's methodology includes consideration of the probability of default (the probability that the lessee will default during the lease term), the loss given default (the economic loss as a proportion of the net investment in leases balance in the event of a default) and the exposure at default (the net investment in leases balance at the time of a hypothetical default) with one-year forward-looking information that includes assumptions for future macroeconomic conditions under three probability-weighted future scenarios. The macroeconomic factors considered most relevant to the lessee's ability to settle the net investment in leases include Mexico's GDP, Mexico's government debt to GDP and Mexico's inflation.

The ECL amount is updated at each reporting date to reflect changes in assumptions and forecasts for future economic conditions. With respect to net investment in leases, for the three and nine months ended September 30, 2022, the Company recorded a \$71 million (US\$53 million) ECL provision before tax in Plant operating costs and other in the Condensed consolidated statement of income.

9. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the nine months ended September 30, 2022 included the following:

| (unaudited - millions of Canadian \$, unless otherwise noted) | | | | | |
|---|------------|------------------------|---------------|--------|---------------|
| Company | Issue date | Type | Maturity date | Amount | Interest rate |
| TRANSCANADA PIPELINES LIMITED | | | | | |
| | May 2022 | Medium Term Notes | May 2032 | 800 | 5.33% |
| | May 2022 | Medium Term Notes | May 2026 | 400 | 4.35% |
| | May 2022 | Medium Term Notes | May 2052 | 300 | 5.92% |
| ANR PIPELINE COMPANY | | | | | |
| | May 2022 | Senior Unsecured Notes | May 2032 | US 300 | 3.43% |
| | May 2022 | Senior Unsecured Notes | May 2034 | US 200 | 3.58% |
| | May 2022 | Senior Unsecured Notes | May 2037 | US 200 | 3.73% |
| | May 2022 | Senior Unsecured Notes | May 2029 | US 100 | 3.26% |

Long-Term Debt Retired

On August 1, 2022, TCPL retired US\$1 billion of senior unsecured notes bearing interest at a fixed rate of 2.50 per cent.

Capitalized Interest

In the three and nine months ended September 30, 2022, TCPL capitalized interest related to capital projects of \$5 million and \$11 million, respectively (2021 – \$2 million and \$20 million, respectively).

10. JUNIOR SUBORDINATED NOTES ISSUED

Junior subordinated notes issued by the Company in the nine months ended September 30, 2022 included the following:

| (unaudited - millions of Canadian \$, unless otherwise noted) | | | | | |
|---|------------|--|---------------|--------|---------------|
| Company | Issue date | Type | Maturity date | Amount | Interest rate |
| TransCanada PipeLines Limited | March 2022 | Junior Subordinated Notes ¹ | March 2082 | US 800 | 5.85% |

1 The junior subordinated notes were issued to TransCanada Trust, a financing trust subsidiary wholly owned by TCPL. While the obligations of TransCanada Trust are fully and unconditionally guaranteed by TCPL on a subordinated basis, TransCanada Trust is not consolidated in these financial statements since TCPL does not have a variable interest in TransCanada Trust and the only substantive assets of TransCanada Trust are junior subordinated notes of TCPL.

In March 2022, TransCanada Trust (the Trust) issued US\$800 million of Trust Notes – Series 2022-A to investors with a fixed interest rate of 5.60 per cent per annum for the first 10 years and resetting on the 10th anniversary and every five years thereafter. All of the proceeds of the issuance by the Trust were loaned to TCPL for US\$800 million of junior subordinated notes of TCPL at an initial fixed rate of 5.85 per cent per annum, including a 0.25 per cent administration charge. The rate on the junior subordinated notes of TCPL will reset every five years commencing March 2032 until March 2052 to the then Five-Year Treasury Rate, as defined in the document governing the subordinated notes, plus 4.236 per cent per annum; from March 2052 until March 2082, the interest rate will reset every five years to the then Five-Year Treasury Rate plus 4.986 per cent per annum. The junior subordinated notes are callable at TCPL's option at any time from December 7, 2031 to March 7, 2032 and on each interest payment and reset date thereafter at 100 per cent of the principal amount plus accrued and unpaid interest to the date of redemption.

The junior subordinated notes are subordinated in right of payment to existing and future senior indebtedness and other obligations of TCPL.

11. COMMON SHARES

On August 10, 2022, TCPL issued 27,406,000 common shares to TC Energy for total proceeds of approximately \$1.7 billion. The Company will use the proceeds, directly or indirectly, together with other financing sources and cash on hand, to fund costs associated with the construction of the Southeast Gateway pipeline.

12. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Components of other comprehensive income, including the portion attributable to non-controlling interests and related tax effects, are as follows:

| three months ended September 30, 2022 (unaudited - millions of Canadian \$) | Before tax amount | Income tax (expense)/ recovery | Net of tax amount |
|---|--------------------------|---------------------------------------|--------------------------|
| Foreign currency translation gains and losses on net investment in foreign operations | 1,430 | 80 | 1,510 |
| Change in fair value of net investment hedges | (89) | 22 | (67) |
| Change in fair value of cash flow hedges | (23) | 3 | (20) |
| Reclassification to net income of gains and losses on cash flow hedges | 13 | 2 | 15 |
| Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans | 3 | (1) | 2 |
| Other comprehensive loss on equity investments | (4) | 2 | (2) |
| Other Comprehensive Income | 1,330 | 108 | 1,438 |

| three months ended September 30, 2021 (unaudited - millions of Canadian \$) | Before tax amount | Income tax (expense)/ recovery | Net of tax amount |
|---|--------------------------|---------------------------------------|--------------------------|
| Foreign currency translation gains and losses on net investment in foreign operations | 441 | 9 | 450 |
| Change in fair value of net investment hedges | (36) | 9 | (27) |
| Change in fair value of cash flow hedges | (19) | 4 | (15) |
| Reclassification to net income of gains and losses on cash flow hedges | 18 | (3) | 15 |
| Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans | 7 | (2) | 5 |
| Other comprehensive income on equity investments | 34 | (9) | 25 |
| Other Comprehensive Income | 445 | 8 | 453 |

| nine months ended September 30, 2022 (unaudited - millions of Canadian \$) | Before tax amount | Income tax (expense)/ recovery | Net of tax amount |
|---|--------------------------|---------------------------------------|--------------------------|
| Foreign currency translation gains and losses on net investment in foreign operations | 1,770 | 102 | 1,872 |
| Change in fair value of net investment hedges | (100) | 25 | (75) |
| Change in fair value of cash flow hedges | (6) | (2) | (8) |
| Reclassification to net income of gains and losses on cash flow hedges | 37 | (7) | 30 |
| Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans | 8 | (2) | 6 |
| Other comprehensive income on equity investments | 455 | (112) | 343 |
| Other Comprehensive Income | 2,164 | 4 | 2,168 |

| nine months ended September 30, 2021 | | Income tax | |
|---|-------------------|-------------------|-------------------|
| (unaudited - millions of Canadian \$) | Before tax | (expense)/ | Net of tax |
| | amount | recovery | amount |
| Foreign currency translation gains and losses on net investment in foreign operations | (78) | (3) | (81) |
| Change in fair value of net investment hedges | (4) | 1 | (3) |
| Change in fair value of cash flow hedges | (19) | 4 | (15) |
| Reclassification to net income of gains and losses on cash flow hedges | 41 | (8) | 33 |
| Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans | 16 | (4) | 12 |
| Other comprehensive income on equity investments | 207 | (52) | 155 |
| Other Comprehensive Income | 163 | (62) | 101 |

The changes in AOCI by component are as follows:

| three months ended September 30, 2022 | | | | | |
|---|--------------------|--------------------|----------------------|--------------------|---------------------------|
| (unaudited - millions of Canadian \$) | Currency | Cash flow | Pension and | Equity | Total ¹ |
| | translation | hedges | other post- | investments | |
| | adjustments | adjustments | retirement | | |
| | | | benefit plans | | |
| | | | adjustments | | |
| AOCI balance at July 1, 2022 | (657) | (85) | (109) | 145 | (706) |
| Other comprehensive income/(loss) before reclassifications ² | 1,435 | (20) | — | (2) | 1,413 |
| Amounts reclassified from AOCI | — | 15 | 2 | — | 17 |
| Net current period other comprehensive income/(loss) | 1,435 | (5) | 2 | (2) | 1,430 |
| AOCI balance at September 30, 2022 | 778 | (90) | (107) | 143 | 724 |

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

2 Other comprehensive income/(loss) before reclassifications on currency translation adjustments is net of a non-controlling interest gain of \$8 million.

| nine months ended September 30, 2022 | | | | | |
|---|--------------------|--------------------|----------------------|--------------------|---------------------------|
| (unaudited - millions of Canadian \$) | Currency | Cash flow | Pension and | Equity | Total ¹ |
| | translation | hedges | other post- | investments | |
| | adjustments | adjustments | retirement | | |
| | | | benefit plans | | |
| | | | adjustments | | |
| AOCI balance at January 1, 2022 | (1,009) | (112) | (113) | (200) | (1,434) |
| Other comprehensive income/(loss) before reclassifications ² | 1,787 | (8) | — | 345 | 2,124 |
| Amounts reclassified from AOCI ³ | — | 30 | 6 | (2) | 34 |
| Net current period other comprehensive income | 1,787 | 22 | 6 | 343 | 2,158 |
| AOCI balance at September 30, 2022 | 778 | (90) | (107) | 143 | 724 |

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

2 Other comprehensive income/(loss) before reclassifications on currency translation adjustments is net of a non-controlling interest gain of \$10 million.

3 Losses related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be \$54 million (\$41 million, net of tax) at September 30, 2022. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time, however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

Details about reclassifications out of AOCI into the Condensed consolidated statement of income are as follows:

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | | Affected line item in the Condensed consolidated statement of income ¹ |
|--|------------------------------------|------|-----------------------------------|------|---|
| | 2022 | 2021 | 2022 | 2021 | |
| Cash flow hedges | | | | | |
| Commodities | (10) | (8) | (24) | (13) | Revenues (Power and Storage) |
| Interest rate | (3) | (10) | (13) | (28) | Interest expense |
| | (13) | (18) | (37) | (41) | Total before tax |
| | (2) | 3 | 7 | 8 | Income tax expense/(recovery) |
| | (15) | (15) | (30) | (33) | Net of tax |
| Pension and other post-retirement benefit plans | | | | | |
| Amortization of actuarial losses | (3) | (7) | (8) | (16) | Plant operating costs and other ² |
| | 1 | 2 | 2 | 4 | Income tax expense/(recovery) |
| | (2) | (5) | (6) | (12) | Net of tax |
| Equity investments | | | | | |
| Equity income | 1 | (9) | 3 | (27) | Income from equity investments |
| | (1) | 2 | (1) | 7 | Income tax expense/(recovery) |
| | — | (7) | 2 | (20) | Net of tax |

1 All amounts in parentheses indicate expenses to the Condensed consolidated statement of income.

2 These AOCI components are included in the computation of net benefit cost. Refer to Note 13, Employee post-retirement benefits, for additional information.

13. EMPLOYEE POST-RETIREMENT BENEFITS

The net benefit cost recognized for the Company's pension benefit plans and other post-retirement benefit plans is as follows:

| (unaudited - millions of Canadian \$) | three months ended September 30 | | | | nine months ended September 30 | | | |
|---|---------------------------------|-----------|---|----------|--------------------------------|-----------|---|----------|
| | Pension benefit plans | | Other post-retirement benefit plans | | Pension benefit plans | | Other post-retirement benefit plans | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Service cost ¹ | 36 | 44 | 2 | 2 | 108 | 129 | 4 | 5 |
| Other components of net benefit cost¹ | | | | | | | | |
| Interest cost | 32 | 30 | 4 | 3 | 94 | 90 | 10 | 9 |
| Expected return on plan assets | (59) | (59) | (3) | (4) | (178) | (176) | (10) | (10) |
| Amortization of actuarial losses | 3 | 7 | — | — | 8 | 18 | 1 | 1 |
| Amortization of regulatory asset | 3 | 6 | — | 1 | 9 | 20 | 1 | 2 |
| | (21) | (16) | 1 | — | (67) | (48) | 2 | 2 |
| Net Benefit Cost | 15 | 28 | 3 | 2 | 41 | 81 | 6 | 7 |

1 Service cost and other components of net benefit cost are included in Plant operating costs and other in the Condensed consolidated statement of income.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Overview

TCPL has exposure to market risk and counterparty credit risk and has strategies, policies and limits in place to manage the impact of these risks on its earnings, cash flows and, ultimately, shareholder value.

Counterparty Credit Risk

TCPL's exposure to counterparty credit risk includes its cash and cash equivalents, accounts receivable and certain contractual recoveries, available-for-sale assets, the fair value of derivative assets, loans receivable and net investment in leases.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of TCPL's customers. While the majority of the Company's credit exposure is to large creditworthy entities, TCPL maintains close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to TCPL's 2021 audited Consolidated financial statements for more information about the factors that mitigate the Company's counterparty credit risk exposure.

The Company reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. TCPL uses historical credit loss and recovery data, adjusted for management's judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other. At September 30, 2022, there were no significant credit risk concentrations and no significant amounts past due or impaired. For the three and nine months ended September 30, 2022, the Company recorded a \$71 million (US\$53 million) ECL provision before tax on the net investment in leases with respect to the new TGNH TSA. Refer to Note 8, TGNH strategic alliance with the CFE, for additional information.

The Company has significant credit and performance exposure to financial institutions that hold cash deposits and provide committed credit lines and letters of credit that help manage the Company's exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets.

Net Investment in Foreign Operations

The Company hedges a portion of its net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency interest rate swaps, foreign exchange forwards and foreign exchange options as appropriate.

The fair values and notional amounts for the derivatives designated as a net investment hedge were as follows:

| (unaudited - millions of Canadian \$, unless otherwise noted) | September 30, 2022 | | December 31, 2021 | |
|---|---------------------------|-----------------|---------------------------|-----------------|
| | Fair value ^{1,2} | Notional amount | Fair value ^{1,2} | Notional amount |
| U.S. dollar foreign exchange options (maturing 2022 to 2024) | (73) | US 3,600 | (4) | US 3,800 |
| U.S. dollar cross-currency interest rate swaps (maturing 2023 to 2025) | (11) | US 300 | 23 | US 400 |
| U.S. dollar foreign exchange forward contracts (maturing 2022) ³ | (2) | — | — | — |
| | (86) | US 3,900 | 19 | US 4,200 |

1 Fair value equals carrying value.

2 No amounts have been excluded from the assessment of hedge effectiveness.

3 Notional amount presented on a net basis.

The notional amounts and fair values of U.S. dollar-denominated debt designated as a net investment hedge were as follows:

| (unaudited - millions of Canadian \$, unless otherwise noted) | September 30, 2022 | December 31, 2021 |
|---|--------------------|--------------------|
| Notional amount | 34,500 (US 25,100) | 30,700 (US 24,200) |
| Fair value | 32,000 (US 23,200) | 35,500 (US 28,100) |

Non-Derivative Financial Instruments

Fair value of non-derivative financial instruments

Available-for-sale assets are recorded at fair value which is calculated using quoted market prices where available. Certain non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Loans receivable from affiliates, Other current assets, Long-term loans receivable from affiliate, Restricted investments, Net investment in leases, Other long-term assets, Notes payable, Accounts payable and other, Due to parent, Dividends payable, Accrued interest and Other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. Each of these instruments are classified in Level II of the fair value hierarchy, except for the Company's LMCI equity securities which are classified in Level I.

Credit risk has been taken into consideration when calculating the fair value of non-derivative financial instruments.

Balance sheet presentation of non-derivative financial instruments

The following table details the fair value of non-derivative financial instruments, excluding those where carrying amounts approximate fair value and would be classified in Level II of the fair value hierarchy:

| (unaudited - millions of Canadian \$) | September 30, 2022 | | December 31, 2021 | |
|--|--------------------|-----------------|-------------------|-----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term debt, including current portion ^{1,2} | (42,000) | (39,076) | (38,661) | (45,615) |
| Junior subordinated notes | (10,634) | (9,365) | (8,939) | (9,236) |
| | (52,634) | (48,441) | (47,600) | (54,851) |

- 1 Long-term debt is recorded at amortized cost, except for US\$1.0 billion (December 31, 2021 – nil) that is attributed to hedged risk and recorded at fair value.
- 2 Net income for the three and nine months ended September 30, 2022 included unrealized gains of \$73 million and \$71 million, respectively (2021 – nil) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships on US\$1.0 billion of long-term debt at September 30, 2022 (December 31, 2021 – nil). There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available-for-sale assets summary

The following tables summarize additional information about the Company's restricted investments that were classified as available-for-sale assets:

| (unaudited - millions of Canadian \$) | September 30, 2022 | | December 31, 2021 | |
|---|-----------------------------|---|-----------------------------|---|
| | LMCI restricted investments | Other restricted investments ¹ | LMCI restricted investments | Other restricted investments ¹ |
| Fair values of fixed income securities ^{2,3} | | | | |
| Maturing within 1 year | 1 | 53 | — | 26 |
| Maturing within 1-5 years | 9 | 108 | 8 | 107 |
| Maturing within 5-10 years | 1,100 | — | 1,150 | — |
| Maturing after 10 years | 74 | — | 84 | — |
| Fair value of equity securities ^{2,4} | 690 | — | 817 | — |
| | 1,874 | 161 | 2,059 | 133 |

- 1 Other restricted investments have been set aside to fund insurance claim losses to be paid by the Company's wholly-owned captive insurance subsidiary.
- 2 Available-for-sale assets are recorded at fair value and included in Other current assets and Restricted investments on the Company's Condensed consolidated balance sheet.
- 3 Classified in Level II of the fair value hierarchy.
- 4 Classified in Level I of the fair value hierarchy.

| (unaudited - millions of Canadian \$) | September 30, 2022 | | September 30, 2021 | |
|--|--|---|--|---|
| | LMCI restricted investments ¹ | Other restricted investments ² | LMCI restricted investments ¹ | Other restricted investments ² |
| Net unrealized losses in the period | | | | |
| three months ended | — | (2) | (13) | — |
| nine months ended | (300) | (8) | (4) | (1) |
| Net realized (losses)/gains in the period ³ | | | | |
| three months ended | (10) | — | 9 | — |
| nine months ended | (26) | — | 6 | — |

1 Gains and losses arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory assets and liabilities, respectively.

2 Losses on other restricted investments are included in Interest income and other in the Condensed consolidated statement of income.

3 Realized gains and losses on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair value of derivative instruments

The fair value of foreign exchange and interest rate derivatives has been calculated using the income approach which uses period-end market rates and applies a discounted cash flow valuation model. The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the Black-Scholes pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments.

Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

In some cases, even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

The recognition of gains and losses on derivatives for Canadian natural gas regulated pipeline exposures is determined through the regulatory process. Gains and losses arising from changes in the fair value of derivatives accounted for as part of rate-regulated accounting, including those that qualify for hedge accounting treatment, are expected to be recovered or refunded through the tolls charged by the Company. As a result, these gains and losses are deferred as regulatory assets and regulatory liabilities and are collected from or refunded to the rate payers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet classification of the fair value of derivative instruments was as follows:

| at September 30, 2022 (unaudited - millions of Canadian \$) | Cash flow hedges | Fair value hedges | Net investment hedges | Held for trading | Total fair value of derivative instruments ¹ |
|--|---------------------|----------------------|-----------------------------|---------------------|---|
| Other current assets | | | | | |
| Commodities ² | — | — | — | 663 | 663 |
| Foreign exchange | — | — | 3 | 36 | 39 |
| | — | — | 3 | 699 | 702 |
| Other long-term assets | | | | | |
| Commodities ² | 1 | — | — | 47 | 48 |
| Foreign exchange | — | — | 6 | 15 | 21 |
| | 1 | — | 6 | 62 | 69 |
| Total Derivative Assets | 1 | — | 9 | 761 | 771 |
| Accounts payable and other | | | | | |
| Commodities ² | (42) | — | — | (682) | (724) |
| Foreign exchange | — | — | (63) | (285) | (348) |
| Interest rate | — | (8) | — | — | (8) |
| | (42) | (8) | (63) | (967) | (1,080) |
| Other long-term liabilities | | | | | |
| Commodities ² | (4) | — | — | (57) | (61) |
| Foreign exchange | — | — | (32) | (83) | (115) |
| Interest rate | — | (63) | — | — | (63) |
| | (4) | (63) | (32) | (140) | (239) |
| Total Derivative Liabilities | (46) | (71) | (95) | (1,107) | (1,319) |
| Total Derivatives | (45) | (71) | (86) | (346) | (548) |

1 Fair value equals carrying value.

2 Includes purchases and sales of power, natural gas, liquids and emission credits.

| at December 31, 2021 (unaudited - millions of Canadian \$) | Cash flow hedges | Net investment hedges | Held for trading | Total fair value of derivative instruments ¹ |
|---|---------------------|-----------------------------|---------------------|---|
| Other current assets | | | | |
| Commodities ² | — | — | 122 | 122 |
| Foreign exchange | — | 10 | 37 | 47 |
| | — | 10 | 159 | 169 |
| Other long-term assets | | | | |
| Commodities ² | — | — | 8 | 8 |
| Foreign exchange | — | 32 | 6 | 38 |
| Interest rate | 2 | — | — | 2 |
| | 2 | 32 | 14 | 48 |
| Total Derivative Assets | 2 | 42 | 173 | 217 |
| Accounts payable and other | | | | |
| Commodities ² | (23) | — | (138) | (161) |
| Foreign exchange | — | (4) | (46) | (50) |
| Interest rate | (10) | — | — | (10) |
| | (33) | (4) | (184) | (221) |
| Other long-term liabilities | | | | |
| Commodities ² | (4) | — | (6) | (10) |
| Foreign exchange | — | (19) | (10) | (29) |
| Interest rate | (8) | — | — | (8) |
| | (12) | (19) | (16) | (47) |
| Total Derivative Liabilities | (45) | (23) | (200) | (268) |
| Total Derivatives | (43) | 19 | (27) | (51) |

1 Fair value equals carrying value.

2 Includes purchases and sales of power, natural gas and liquids.

The majority of derivative instruments held-for-trading have been entered into for risk management purposes and all are subject to the Company's risk management strategies, policies and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Derivatives in fair value hedging relationships

The following table details amounts recorded on the Condensed consolidated balance sheet in relation to cumulative adjustments for fair value hedges included in the carrying amount of the hedged liabilities:

| (unaudited - millions of Canadian \$) | Carrying amount | | Fair value hedging adjustments ¹ | |
|---------------------------------------|--------------------|-------------------|---|-------------------|
| | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 |
| Long-term debt | (1,304) | — | 71 | — |

1 At September 30, 2022 and December 31, 2021, adjustments for discontinued hedging relationships included in these balances were nil.

Notional and maturity summary

The maturity and notional amount or quantity outstanding related to the Company's derivative instruments excluding hedges of the net investment in foreign operations was as follows:

| at September 30, 2022 | | | | | | |
|------------------------------------|-----------|-------------|-----------|------------------|------------------|---------------|
| (unaudited) | Power | Natural Gas | Liquids | Emission credits | Foreign exchange | Interest rate |
| Net sales/(purchases) ¹ | 629 | (21) | 10 | 100 | — | — |
| Millions of U.S. dollars | — | — | — | — | 7,571 | 1,000 |
| Millions of Mexican pesos | — | — | — | — | 9,747 | — |
| Maturity dates | 2022-2026 | 2022-2027 | 2022-2024 | 2022 | 2022-2026 | 2030 |

1 Volumes for power, natural gas, liquids and emission credit derivatives are in GWh, Bcf, MMBbls and thousand metric tonnes CO₂, respectively.

| at December 31, 2021 | | | | | | |
|------------------------------------|-----------|-------------|---------|------------------|---------------|---|
| (unaudited) | Power | Natural Gas | Liquids | Foreign exchange | Interest rate | |
| Net sales/(purchases) ¹ | 490 | (52) | 4 | — | — | — |
| Millions of U.S. dollars | — | — | — | 6,636 | 650 | — |
| Millions of Mexican pesos | — | — | — | 5,500 | — | — |
| Maturity dates | 2022-2026 | 2022-2027 | 2022 | 2022-2026 | 2024-2026 | — |

1 Volumes for power, natural gas and liquids derivatives are in GWh, Bcf and MMBbls, respectively.

Unrealized and Realized Gains and Losses on Derivative Instruments

The following summary does not include hedges of the net investment in foreign operations:

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Derivative Instruments Held-for-Trading¹ | | | | |
| Amount of unrealized gains/(losses) in the period | | | | |
| Commodities | 42 | (43) | (16) | (27) |
| Foreign exchange | (283) | (125) | (321) | (183) |
| Amount of realized gains/(losses) in the period | | | | |
| Commodities | 165 | 58 | 561 | 167 |
| Foreign exchange | (1) | 37 | 27 | 195 |
| Derivative Instruments in Hedging Relationships | | | | |
| Amount of realized (losses)/gains in the period | | | | |
| Commodities | (21) | (9) | (39) | (32) |
| Interest rate | 2 | (6) | — | (18) |

1 Realized and unrealized gains and losses on held-for-trading derivative instruments used to purchase and sell commodities are included on a net basis in Revenues. Realized and unrealized gains and losses on foreign exchange held-for-trading derivative instruments are included on a net basis in Interest income and other.

Derivatives in cash flow hedging relationships

The components of OCI (Note 12) related to the change in fair value of derivatives in cash flow hedging relationships before tax and including the portion attributable to non-controlling interests were as follows:

| (unaudited - millions of Canadian \$, pre-tax) | three months ended September 30 | | nine months ended September 30 | |
|---|------------------------------------|------|-----------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Change in fair value of derivative instruments recognized in OCI ¹ | | | | |
| Commodities | (23) | (16) | (42) | (31) |
| Interest rate | — | (3) | 36 | 12 |
| | (23) | (19) | (6) | (19) |

1 No amounts have been excluded from the assessment of hedge effectiveness. Amounts in parentheses indicate losses recorded to OCI.

Effect of fair value and cash flow hedging relationships

The following table details amounts presented in the Condensed consolidated statement of income in which the effects of fair value or cash flow hedging relationships were recorded:

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|---|------------------------------------|------|-----------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Fair Value Hedges | | | | |
| Interest rate contracts ¹ | | | | |
| Hedged items | (10) | — | (12) | — |
| Derivatives designated as hedging instruments | 1 | — | 2 | — |
| Cash Flow Hedges | | | | |
| Reclassification of losses on derivative instruments from AOCI to Net income ^{2,3} | | | | |
| Commodities ⁴ | (10) | (8) | (24) | (13) |
| Interest rate ¹ | (3) | (10) | (13) | (28) |

1 Presented within Interest expense in the Condensed consolidated statement of income.

2 Refer to Note 12, Other comprehensive income and accumulated other comprehensive income/(loss), for the components of OCI related to derivatives in cash flow hedging relationships.

3 There are no amounts recognized in earnings that were excluded from effectiveness testing.

4 Presented within Revenues (Power and Storage) in the Condensed consolidated statement of income.

Offsetting of derivative instruments

The Company enters into derivative contracts with the right to offset in the normal course of business as well as in the event of default. TCPL has no master netting agreements, however, similar contracts are entered into containing rights to offset. The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis on the Condensed consolidated balance sheet. The following table shows the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

| at September 30, 2022 (unaudited - millions of Canadian \$) | Gross derivative instruments | Amounts available for offset ¹ | Net amounts |
|--|---------------------------------|--|--------------|
| Derivative instrument assets | | | |
| Commodities | 711 | (610) | 101 |
| Foreign exchange | 60 | (60) | — |
| | 771 | (670) | 101 |
| Derivative instrument liabilities | | | |
| Commodities | (785) | 610 | (175) |
| Foreign exchange | (463) | 60 | (403) |
| Interest rate | (71) | — | (71) |
| | (1,319) | 670 | (649) |

¹ Amounts available for offset do not include cash collateral pledged or received.

| at December 31, 2021 (unaudited - millions of Canadian \$) | Gross derivative instruments | Amounts available for offset ¹ | Net amounts |
|---|---------------------------------|--|--------------|
| Derivative instrument assets | | | |
| Commodities | 130 | (91) | 39 |
| Foreign exchange | 85 | (54) | 31 |
| Interest rate | 2 | (1) | 1 |
| | 217 | (146) | 71 |
| Derivative instrument liabilities | | | |
| Commodities | (171) | 91 | (80) |
| Foreign exchange | (79) | 54 | (25) |
| Interest rate | (18) | 1 | (17) |
| | (268) | 146 | (122) |

¹ Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above, the Company provided cash collateral of \$150 million and letters of credit of \$19 million at September 30, 2022 (December 31, 2021 – \$144 million and \$130 million, respectively) to its counterparties. At September 30, 2022, the Company held \$2 million of cash collateral and a \$13 million balance in letters of credit (December 31, 2021 – nil and \$6 million, respectively) from counterparties on asset exposures.

Credit-risk-related contingent features of derivative instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit-risk-related contingent event occurs, such as a downgrade in the Company's credit rating to non-investment grade. The Company may also need to provide collateral if the fair value of its derivative financial instruments exceeds pre-defined exposure limits.

Based on contracts in place and market prices at September 30, 2022, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$21 million (December 31, 2021 – \$5 million), for which the Company has provided no collateral in the normal course of business. If the credit-risk-related contingent features in these agreements were triggered on September 30, 2022, the Company would have been required to provide collateral equal to the fair value of the related derivative instruments discussed above. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds.

The Company has sufficient liquidity in the form of cash and undrawn committed revolving credit facilities to meet these contingent obligations should they arise.

Fair Value Hierarchy

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

| Levels | How fair value has been determined |
|-----------|--|
| Level I | Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis. |
| Level II | This category includes interest rate and foreign exchange derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach. Inputs include published exchange rates, interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers. |
| Level III | This category includes long-dated commodity transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value. |

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions, were categorized as follows:

| at September 30, 2022 | | | | |
|---------------------------------------|---|---|--|-------|
| (unaudited - millions of Canadian \$) | Quoted prices in active markets (Level I) | Significant other observable inputs (Level II) ¹ | Significant unobservable inputs (Level III) ¹ | Total |
| Derivative instrument assets | | | | |
| Commodities | 557 | 154 | — | 711 |
| Foreign exchange | — | 60 | — | 60 |
| Derivative instrument liabilities | | | | |
| Commodities | (572) | (197) | (16) | (785) |
| Foreign exchange | — | (463) | — | (463) |
| Interest rate | — | (71) | — | (71) |
| | (15) | (517) | (16) | (548) |

¹ There were no transfers from Level II to Level III for the nine months ended September 30, 2022.

| at December 31, 2021 | | | | |
|---------------------------------------|---|---|---|-------|
| (unaudited - millions of Canadian \$) | Quoted prices in active markets (Level I) | Significant other observable inputs (Level II) ¹ | Significant unobservable inputs (Level III) ¹ | Total |
| Derivative instrument assets | | | | |
| Commodities | 39 | 91 | — | 130 |
| Foreign exchange | — | 85 | — | 85 |
| Interest rate | — | 2 | — | 2 |
| Derivative instrument liabilities | | | | |
| Commodities | (49) | (116) | (6) | (171) |
| Foreign exchange | — | (79) | — | (79) |
| Interest rate | — | (18) | — | (18) |
| | (10) | (35) | (6) | (51) |

1 There were no transfers from Level II to Level III for the year ended December 31, 2021.

The following table presents the net change in fair value of derivative assets and liabilities classified as Level III of the fair value hierarchy:

| (unaudited - millions of Canadian \$) | three months ended September 30 | | nine months ended September 30 | |
|---|------------------------------------|------------|-----------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Balance at beginning of period | (15) | (5) | (6) | (4) |
| Net losses included in Net income | (3) | (1) | (11) | (2) |
| Net losses included in OCI | (1) | — | (2) | — |
| Transfers to Level II | 2 | — | 2 | — |
| Settlements | 1 | — | 1 | — |
| Balance at End of Period¹ | (16) | (6) | (16) | (6) |

1 For the three and nine months ended September 30, 2022, there were unrealized losses of \$3 million and \$11 million, respectively, recognized in Revenues attributed to derivatives in the Level III category that were held at September 30, 2022 (2021 – unrealized losses of \$1 million and \$2 million, respectively).

15. CONTINGENCIES AND GUARANTEES

Contingencies

TCPL and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such normal course proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations.

Guarantees

TCPL and its partner on the Sur de Texas pipeline, IEnova, have jointly guaranteed the financial performance of the entity which owns the pipeline. Such agreements include a guarantee and a letter of credit which are primarily related to the delivery of natural gas.

TCPL and its joint venture partner on Bruce Power, BPC Generation Infrastructure Trust, have each severally guaranteed certain contingent financial obligations of Bruce Power related to a lease agreement and contractor and supplier services.

The Company and its partners in certain other jointly-owned entities have either (i) jointly and severally, (ii) jointly or (iii) severally guaranteed the financial performance of these entities. Such agreements include guarantees and letters of credit which are primarily related to construction services and the payment of liabilities. For certain of these entities, any payments made by TCPL under these guarantees in excess of its ownership interest are to be reimbursed by its partners.

The carrying value of these guarantees has been included in Other long-term liabilities on the Condensed consolidated balance sheet. Information regarding the Company's guarantees is as follows:

| (unaudited - millions of Canadian \$) | Term | September 30, 2022 | | December 31, 2021 | |
|---------------------------------------|---------|---------------------------------|----------------|---------------------------------|----------------|
| | | Potential exposure ¹ | Carrying value | Potential exposure ¹ | Carrying value |
| Sur de Texas | to 2043 | 101 | — | 93 | — |
| Bruce Power | to 2023 | 88 | — | 88 | — |
| Other jointly-owned entities | to 2043 | 81 | 3 | 80 | 4 |
| | | 270 | 3 | 261 | 4 |

1 TCPL's share of the potential estimated current or contingent exposure.

16. VARIABLE INTEREST ENTITIES

The assessment of whether an entity is a VIE and, if so, whether the Company is the primary beneficiary is completed at the inception of the entity or at a reconsideration event. The Company examines specific criteria and uses its judgment when determining if it is the primary beneficiary of a VIE.

Consolidated VIEs

The Company's consolidated VIEs consist of legal entities where the Company is the primary beneficiary. As the primary beneficiary, the Company has the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact economic performance including purchasing or selling significant assets; maintenance and operations of assets; incurring additional indebtedness; or determining the strategic operating direction of the entity. In addition, the Company has the obligation to absorb losses or the right to receive benefits from the consolidated VIE that could potentially be significant to the VIE.

A significant portion of the Company's assets are held through VIEs in which the Company holds a 100 per cent voting interest, the VIE meets the definition of a business and the VIE's assets can be used for general corporate purposes. The consolidated VIEs whose assets cannot be used for purposes other than the settlement of the VIE's obligations, or are not considered a business, are as follows:

| (unaudited - millions of Canadian \$) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 68 | 72 |
| Accounts receivable | 74 | 70 |
| Inventories | 29 | 28 |
| Other current assets | 9 | 13 |
| | 180 | 183 |
| Plant, Property and Equipment | 4,036 | 3,672 |
| Equity Investments | 950 | 890 |
| Goodwill | 457 | 421 |
| | 5,623 | 5,166 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and other | 258 | 232 |
| Accrued interest | 23 | 17 |
| Current portion of long-term debt | 32 | 29 |
| | 313 | 278 |
| Regulatory Liabilities | 77 | 66 |
| Other Long-Term Liabilities | — | 1 |
| Deferred Income Tax Liabilities | 14 | 13 |
| Long-Term Debt | 2,170 | 2,025 |
| | 2,574 | 2,383 |

Non-Consolidated VIEs

The Company's non-consolidated VIEs consist of legal entities where the Company is not the primary beneficiary as it does not have the power to direct the activities that most significantly impact the economic performance of these VIEs or where this power is shared with third parties. The Company contributes capital to these VIEs and receives ownership interests that provide it with residual claims on assets after liabilities are paid.

In third quarter 2022, there was a reconsideration event for the Company's investment in Coastal GasLink LP as a result of revised project agreements and a further \$1,880 million equity contribution from TCPL. The Company exercised judgment in performing the primary beneficiary analysis and determined that power continues to be shared with its partners; therefore, TCPL is not the primary beneficiary. In addition, the Company evaluated its investment in Coastal GasLink LP and concluded there was no indication of impairment as at September 30, 2022. Adverse changes to the Company's expectations around future developments may indicate a reduction in estimated future cash flows and could result in an impairment to this investment.

The carrying value of these VIEs and the maximum exposure to loss as a result of the Company's involvement with these VIEs are as follows:

| (unaudited - millions of Canadian \$) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Balance Sheet Exposure | | |
| Loan receivable from affiliate ¹ | — | 1 |
| Equity investments | | |
| Bruce Power | 4,969 | 4,493 |
| Coastal GasLink ² | 2,738 | 386 |
| Other pipeline equity investments | 1,303 | 1,219 |
| Long-term loans receivable from affiliate ¹ | 250 | 238 |
| Off-Balance Sheet Exposure³ | | |
| Bruce Power ⁴ | 2,177 | 974 |
| Coastal GasLink ⁵ | 475 | 3,037 |
| Other pipeline equity investments | 97 | 171 |
| Maximum Exposure to Loss | 12,009 | 10,519 |

1 Refer to Note 7, Related party transactions, for additional information.

2 Includes a \$1,880 million equity contribution from TCPL, payable in monthly installments from August 2022 to February 2023. At September 30, 2022, a liability for the \$1,343 million remaining portion of the equity contribution has been accrued and is reflected in Accounts payable and other on the Company's Condensed consolidated balance sheet.

3 Includes maximum potential exposure to guarantees and future funding commitments.

4 On March 7, 2022, the IESO verified Bruce Power's Unit 3 MCR program final cost and schedule duration estimate submitted in December 2021. As at September 30, 2022, the maximum exposure includes TCPL's portion of capital to be invested under the Unit 3 MCR program as well as the expected increase in the capital to be invested under the Asset Management program through 2027.

5 Represents the total capacity of \$2,068 million (December 31, 2021 – \$3,275 million) committed under a subordinated loan agreement with Coastal GasLink LP less a \$250 million (December 31, 2021 – \$238 million) balance outstanding under this loan agreement as at September 30, 2022 and less the \$1,343 million (December 31, 2021 – nil) accrual for the remaining portion of the equity contribution noted above. Refer to Note 7, Related party transactions, for additional information.