RBC CAPITAL MARKETS CANADIAN BANK CEO CONFERENCE JANUARY 6, 2026

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Material economic assumptions underlying the forward-looking statements contained in this document and/or on the conference call are set out in the 2025 MD&A under the headings "Economic Summary and Outlook" and "Significant Events", under the headings "Key Priorities for 2026" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, each as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable).
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PARTICIPANTS

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

Darko Mihelic
RBC Capital Markets – Analyst

PRESENTATION

Darko Mihelic – RBC Capital Markets – Analyst

Before we begin, I have been asked to tell you that Raymond Chun's comments today may include forward-looking statements. Actual results could differ materially from forecasts, projections, or conclusions in these statements. Listeners can find additional details in the public filings of TD Bank Group.

Okay Raymond, thank you for joining.

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

Thanks for having me here, Darko.

Darko Mihelic – RBC Capital Markets – Analyst

Always a tough one to have with a bank that had an Investor Day so close to – and then a good fourth quarter. And your fourth quarter in particular was, interesting in the sense that when I went through the results, there was an amazing amount of guidance in your numbers. So a lot of what I'm going to ask today is maybe for some refinement on a few things.

And I do want to go back to the Investor Day and the plan. So what I wanted to touch on is – some of the things you said in the last – fourth quarter call were pretty interesting in terms of credit card penetration, referrals from wealth, the strength in mortgage originations. So I wanted to touch on knowing a little bit about – sort of how that's coming about so quickly, so strongly, the momentum that you've picked – what's changed? How is execution going? And how should we think about those things as we head into 2026.

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

Sure. Lots there. I could take 35 minutes just on that one question there, but I'll try to maybe get it down to 5 everybody. We had our Investor Day which was in September. I mean in some ways it feels like it was a lot longer but it's not that long ago. Let me start by saying as we come out of the Q4 earnings season, the momentum that we have at TD coming out of Q4 would be better than I would have anticipated at Investor Day back in September. And so part of what I said on the call is around EPS and ROE. Do we think that there is some tailwind opportunity in those metrics, assuming that the macroenvironment conditions stay relatively stable. I would say yes. And so, I do think we are further down the journey than I would have anticipated already at this point, even though Investor Day was only in September. So, the execution portion – and so what gives me that sort of confidence or the proof points that you would say that the momentum is better than we would have said? When we exited 2025 on Canadian Personal Banking, which is certainly the area of the organization that from an organic growth perspective is driving a lot of our growth – from a year-on-year growth perspective we were #1 in personal deposit growth, #1 in credit card growth and #1 in RESL growth.

In the Wealth Management business for direct investing, which is the critical business for us in Wealth Management, we had 27% account growth on a year-on-year basis, 37% growth in trades per day. I mean these are huge numbers on top of already – sort of on the year-on-year basis. So I'd say the momentum there. Then you look at TD Securities and Q4 at $2.2 billion in revenues – we continue to see the benefit of the fully integrated North American global platform that we've introduced and we're just getting started on that journey.

I'd say the cost management piece – and I'm sure we'd talk about cost management Darko, is the piece that we are early days but I'm excited about. We are doing cost management differently under my leadership and moving to this unit cost management and driving structural costs out, and I'll be happy to talk about that.

On the RESL side, I think it's been a very positive story. Honestly, for me winning on RESL absolutely does matter. If we look at our RESL portfolio, for our clients that have a mortgage with TD, they are 2x more likely to have a checking account, a savings account and a credit card. And so, this whole – remember the three big themes that we have at TD Bank that came out of the Investor Day strategic review that we laid out – #1 was Deepening our relationships across every business line with our clients, #2 was the simpler and faster bank and #3 was disciplined execution.

I would tell you that having a mortgage matters when you're trying to deepen relationships across the organization and we are doing things differently on the mortgage side to drive that growth. The mix is one – we've gone from more on the broker side historically to a mix move towards proprietary mortgages. And so we are adding 500 mortgage specialists inside of our 500 largest mortgage branches. We have 1,000 MMS, and these are our mortgage mobile sales force that are the hunters. Historically, those individuals would have been hunting externally while the branches were taking care of the organic growth, Darko. Last year, what we did is we brought the mortgage sales force back into the branches.

So what I would tell everybody is that the turnover rate in personal banking inside of the branch is every 18 to 24 months, you see the personal bankers sort of rotating through. There's probably 30% of mortgages that no matter how well you train that group – think self-employed, think rental properties, multi-units, multiple properties – they're just more complex for someone that's only been on the job for 18 to 24 months. Get the mortgage experts, the 1,000 colleagues that are TD proprietary to do that, and that's exactly what we've done and even in a down home market in 2025, we had record closed deals in mortgages in TD Bank, and it's because of some of these changes that we made on the RESL side.

And then from a profitability perspective, what you've seen Sona and team do is put significant attention towards managing the profitability and the margins, and you're seeing margin expansion on mortgages on both acquisition and renewals. And so the product itself is becoming much much more profitable from a margin perspective, deepening the relationship is key and for us – making sure that we become the bank of choice from relationship banking is critical as part of our strategy.

Darko Mihelic – RBC Capital Markets – Analyst

And so how do you manage the spread, especially with all these renewals going on? Is it just a function of the rates are in a better place?

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

I think it's a combination of a few things, and I will speak specifically to TD Bank. I would say historically over the last number of years, part of our portfolio was the mix of the product, meaning we had a higher percentage of our mortgage portfolio in mortgages versus HELOCs. And so disproportionately higher, so we are certainly rebalancing that with our clients and so you'll find better margin on the HELOC portfolio versus the mortgage portfolio and so you're seeing that.

For us, we were over concentrated a little bit too much on broker. From a broker channel perspective and as you move back to proprietary channels, you're starting to see margin expansion on that piece of it and so yes, pricing matters. We've introduced much more sophistication using machine learning, but we've also made real time pricing engines available for the broker channel. And so as much as rate matters to our brokers, speed matters incredibly and so speeding up that entire RESL process, Darko has had huge benefits to us, and not just from a closing of deals, but from profitability.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. Great. That's great insight. Maybe switching gears a little bit – thinking about commercial loan growth. I've heard mixed views on commercial going into '26. Some people are saying look, it's still uncertain, pens are down but I'm hearing there's also some green shoots. How do you see it in Canada and in the U.S. and where do you see the better opportunity in '26 for your franchise – is it Canada or the U.S.?

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

On the commercial banking side, if you look at our Q4 numbers, you'd see that we actually had good momentum in commercial banking on both sides. In Canada, you saw deposit and loan growth somewhere in 5% - 6% in Q4. What I will tell you in Canada – we are making significant investments in distribution expansion, and that's right across the board. And so if you go back to the Investor Day presentation, what we've said is we're adding 1,200 wealth advisors in Canada. We'll be adding 880 – that's over the next three years, we're going to add 880 business bankers and that's a mix between small business bankers and commercial bankers in Canada, and we're going to add 1,000 specialists inside of our branches – the 500 mortgage specialists but also 500 investment specialists inside of the Canadian branches.

On the U.S. side we're going to add 500 wealth advisors in wealth, 200 commercial bankers in the United States, and so part of the accelerating our growth where we under invested potentially as a bank over the last number of years is on our frontline distribution sales capabilities and that's where we're actually redirecting some of our investments. So if you think commercial bank specifically, if you go back again to Barb's Investor Day presentation, we were the 5th largest commercial bank 20 years ago – we've grown that business now to be the #2 largest commercial bank in Canada, and that's in both commercial lending and also the small business lending.

But we fundamentally believe that local leadership matters and having feet on the ground in the local markets with the specialized skills in the local markets is a differentiator for TD Bank. And so adding all of these bankers in local markets across the country where we've done the analysis, we have the demand. From a risk perspective and a risk appetite, risk curve, you will see no change at TD Bank in all of our businesses across the organization when it comes to risk appetite and risk curve. But we need more bankers on the ground across all of our businesses, not just business banking and that will be true both in Canada and the United States.

Darko Mihelic – RBC Capital Markets – Analyst

But which area do you think you are more optimistic on with respect to loan demand? Would it be Canada or the U.S.?

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

I think loan demand right now, Canada. I mean the numbers that I'm seeing would predict that, but we are growing in the United States and especially in our mid-market businesses in the United States and our partnership between Leo's U.S commercial banking business and Tim Wiggan's TD Securities business. We're seeing terrific opportunities to build volume in those areas. We haven't had that type of partnership in those two businesses ever before and we're seeing that now between the commercial bank in the U.S. and TD Securities with the fully integrated Cowen integration now complete.

Darko Mihelic – RBC Capital Markets – Analyst

And where are you on this journey of adding all of these frontline staff? It's just very early days, right?

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

Very early days, but I would say on the business banking side we added 200 business bankers last year and that's between commercial banking and small business banking.

On the Wealth Management side we added 50. We actually intentionally slowed the machine a little bit on wealth, and we are going to accelerate that in Canada on a go-forward basis. And on the U.S. side, I would say early days from a Wealth Management perspective. And about half of our growth in each of these areas will be internal colleagues that are moving up inside the organization. So think about personal bankers or the investment specialists becoming financial planners. Think about financial planners becoming investment advisors – those types of things. So you see natural movement there. Small business bankers becoming business bankers on that side of it, and that'd be true in the U.S. The other half is external recruiting that we are seeing coming in from other organizations.

Darko Mihelic – RBC Capital Markets – Analyst

And that might be tough in this environment. Markets are up, it's expensive.

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

You know what – it's competitive for sure, especially in the Wealth Management space, but I do think our value proposition that we're presenting to the street and the opportunities are resonating and we are seeing actually good take-up.

Darko Mihelic – RBC Capital Markets – Analyst

So lots of frontline expansion brings you to costs right? And so one of the interesting things that we heard about at your Investor Day was a far more focused view on costs. You talk about structural costs. Maybe you can talk a little bit about where you are in that journey. And since Investor Day, if you unearthed more opportunities and what can you say to us about the costs?

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

Absolutely and I do think cost management is very, very important as you saw what we said at Investor Day. I was clear that we are looking at cost management under six buckets, and it's structural costs and so those buckets – distribution transformation, AI automation, data technology – you're going to get moderation of our expense spend overall. You've got the global resourcing strategies that we have. And what am I missing? I'm missing one. But if I look across those buckets, the biggest thing that I would say to everybody, and I'll give you a couple of examples, is moving to a unit cost management. Procurement would be the last one. And so when you move to a unit cost management, it is fundamentally different how you're trying to take the real structural costs out of a company permanently.

So historically when you would have heard organizations talk about some sort of expense management, cost management, you'd see project spend being cut, you'd see marketing spend being cut, you might see FTE hiring freezes. All of that as I've said is like a fad diet – it all comes back in time.

What you've got to do is say how do you take the run rate cost of a business completely out? And let me give you a perfect example. On the mortgage side of the business, here's what we're doing. And you can replicate this into the top 20 processes across TD Bank. There's 3 buckets of costs when you look at mortgages – there's adjudication, there's funding and then there's sort of end-of-life discharge. Those are the big buckets of cost. And so if you look at TD Bank's unit cost on adjudication of a mortgage 2 years ago, that was $514 per unit. Funding was $124 per unit. Discharge was $24 per unit. And through the use of AI, automation, modernization, redoing our processes, policies and what have you, you fast forward to 2025, Darko, that adjudication cost went from $514 down to $390. That's down 21% now. And it is a fundamental restructuring cost that's permanent. If you look at our funding, it's gone from $124 down to $97. And for discharges, we've gone from $24 down to $19. That's 24% and 23%, respectively. That's not the end of the journey.

The exciting part actually starts in 2026 when we start to layer in Agentic AI on top of that. And so in the next 2 quarters, you're going to see Agentic AI layered into each one of those buckets. And I give you an example – on the discharge component, as you layer Agentic AI and you actually make the entire process where you don't involve people, we're going from the $19 that we're at today, and we can take out another 50%. We'll be down to $9 per unit on the discharge. So you go from $24 two years ago down to $9 on that.

If you look at adjudication that we're at $390, the big part of adjudication is sort of that pre-adjudication. And then any of you that have purchased a home, you see like – think about your down payment confirmation, income confirmation, purchase agreement validation. That's a lot of prework that needs to get done. Historically, that has taken 1.5 days to 2 days. That is now down to minutes under our new process. And so you just layer this stuff in, Darko, and these are permanent reductions, and we do a lot of these.

Now you can take what we just did in the discharge side of the Agentic AI, and there's dozens of applications of that exact process of the Agentic AI that you can apply to other things in the organization. And an example that I've been giving people is to say, when I ran the insurance business, if you had a glass claim that came in – and we have tens of thousands of glass claims. Today, that's all done manually by people. Tomorrow, that same Agentic AI process that we apply to discharges, you could apply to processing and paying out glass claims through an Agentic AI process. So lots of opportunities. And so the $1 billion target that we set for AI, we've done – we did 75 use cases in 2025, netted us $170 million of value. We have $200 million booked of initiatives that's going to drive $200 million of value for AI related initiatives in 2026 and $1 billion overall in the medium term. And I actually think one of the things that I'm seeing is that there's more opportunity than even what I had thought initially back on Investor Day.

Darko Mihelic – RBC Capital Markets – Analyst

So that's great detail. I was busy writing down a bunch of numbers. But in addition to the structural work that you're just talking about, you took restructuring charges in '25. And the way we measure it, restructuring charges as a percentage of your base, expense base, whatever, it was relatively high, right? So some of the feedback I've been getting is, wow, this is a bit of a left turn for TD, so focused on cost. Darko, is it too aggressive for TD? Is there friction? Are there – what do you say to those fears? Because I literally look back and I say, TD has the most aggressive cost targets. It just is what it is. But how do you allay those fears that it's...

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

On the restructuring piece – so we've said $825 million of restructuring charges will be finished at the end of Q1 will be the last sort of ION treatment. Going forward, no more restructuring charges on that. That's going to net us – that's going to generate $750 million pretax annualized benefits from the $825 million restructuring charge. That's that.

What I would tell you is this – if you go across TD Bank, there is a real excitement. And what I would tell people is usually when you talk about cost management or expense management, that doesn't naturally fit into excitement. And so – but what we're positioning inside the organization is to say we are not reducing your project budgets. We are not reducing or a hiring freeze of FTE. I'm not cutting marketing spend.

What we're going to do is restructure the waste that's in the organization and go to this unit cost. It allows us to invest and innovate. It allows us to add the distribution FTE that I just talked about. There is excitement across the organization that we're actually investing in the things that we need to invest in Darko, while we bring this discipline. And the last part of our strategy was disciplined execution on cost management, capital management. and governance and control. And that has really resonated across the organization because it isn't just we're going to take it all and starve the businesses. Usually, when you get into this expense management push, the worry is, are you starving the businesses and then ultimately, from an innovation, competitiveness, growth, what happens there. You saw in our commitment at the Investor Day from an MTO perspective, we are driving earnings growth throughout the MTO and have high confidence in our commitments and targets that we've set for the MTO.

Darko Mihelic – RBC Capital Markets – Analyst

And maybe just a final sort of touch on that is I thought that at Investor Day, I think in total was $2 billion to $2.5 billion of cost takeout, inclusive of the restructuring, but that a large part of that would fall to the bottom line. Is that still the case today?

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

That's still the case because what I've said to everybody and externally, but also internally, we don't need more project spend. We have sufficient budget for what we need to get done on that piece of it. And so where we are going to take some of it is to invest in the areas that we think can accelerate our growth on a go-forward basis. But think about something like distribution transformation everyone. That to me is TD Bank probably, in my opinion, certainly in Canada, probably just the same in the United States. We have more opportunity in distribution transformation than any of the other Canadian banks.

Part of that is just a model that over time, TD Bank, and it's been a great model, and we're going to continue to be a leader from a branch perspective, but our longer hours or comfort, convenience has driven more transactions into our branches to the tune of about 30 million more over-the-counter transactions happen today at TD Bank branches in Canada and the U.S. than our next closest competitor.

And the vast, vast, vast majority of those transactions, everyone, can be done on the mobile device today without one more dollar of technology spend. That's bill payments, depositing a check, moving money, so on and so forth, setting up your direct deposit. And so we have a huge opportunity to migrate those transactions and move forward.

In the contact center, we get 2 million calls a month in phone channel calls every single month. And the vast majority of those calls are simple banking transactions that can be done through a mobile digital device today. And so if you look at all of that, that's just pure cost takeout that we can do and actually goes right down to the bottom line. And I believe it's a win for customers. I keep pushing to my team, certainly in the middle of winter, I don't know how it is actually a good thing for clients to have to go into a TD branch in minus 20 degrees and 3 inches of snow to deposit a check. We have that capability. So you will see a significant push in TD Bank to improve the experience for our clients, but also to educate our clients on how to use the digital mobile tools and the capabilities and channels that we have, Darko, and that will be a big benefit for clients, but it will also be a good benefit from a shareholder perspective.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. So one of the things that sort of has been helping the Canadian banks and certainly TD with a large deposit base has been tractoring, improvement in mortgage spreads, and all that's positive. And I think a lot of that – the expectation is that a lot of that will continue into 2026. I think one thing that's different, though, is maybe the Fed – the U.S. Federal cut rate.

So maybe you can talk about – because you have a big U.S. business and you repositioned the balance sheet there. So maybe you can talk a little bit about how we should think about the environment in the U.S. with rates going down, how that might affect or not affect your net interest income and net interest margin.

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

So on the NIM perspective, I would tell you – I mean, we have in TD economics, we've called for 2 rate reductions in the United States, probably in the first half of the year, let's see. But lots can change as the administration makes changes, as we go forward. But that's what we have in our plan.

In Canada, we have rates staying stable for 2026. And so I do think a little bit of a different environment. If you look at the U.S. from a NIM perspective, we do think our guidance on the NIM, at least certainly in the first quarter, but as we look forward, still moderate expansion of NIM in the U.S. And that's – part of that is the bond investment portfolio that we executed. The benefits of that will continue to play through.

And again, we'll continue to manage the interest rate environment and the tractors on that side of it. I'd say Canada, a little bit different guidance. It's first half, second half. I'd say the first half guidance around NIM has been more to that it's going to be stable. And then in the second half, you'll start to see some potential NIM expansion in Canada for TD Bank, talking TD specific.

Darko Mihelic – RBC Capital Markets – Analyst

And the expansion is driven by..

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

Well, you've got a combination of expansion that you're seeing in our RESL margins. Our on-off tractors are still positive in both the U.S. and Canada. And so you're going to still see some tailwinds there. But there are still some headwinds that we're managing on the rates perspective. And again, I'll preface all of this by the USMCA is still the big uncertainty. And depending on where that lands, some of these, obviously, macro issues can change quite rapidly and quite significantly. But at least from the perspective that we would have is that that environment is better today than it was last year and the Canadian government and Prime Minister Carney, I think, is doing all the right stuff right now to manage that, and we'll hopefully see where that lands.

Darko Mihelic – RBC Capital Markets – Analyst

And so that's NII. What about the fee side of the business? How should we think about fees?

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

We've been very clear. If I go back to the Investor Day, I think one of our biggest opportunities that TD Bank has is to increase our fee revenue. We are still too much from an interest rate perspective in NII. And so you're seeing that the businesses, first and foremost, that we are investing in to accelerate is between TD Securities, Wealth Management and TD Insurance. And so those 3 businesses, as you heard at Investor Day, have significant upside growth opportunities and it is to drive the fee income side. And you're seeing that.

So whether it's TD Securities' record revenues on a quarter. Every quarter they're producing record revenues. We're still early in that journey. From a Wealth Management perspective, record earnings in 2025. And I think you're going to see that continue as we make investments in these 1,200 wealth advisors. We're also launching new capability in direct investing, the next generation, what I call TD Easy Trade, to go at new to investing clients that are sort of – go toe-to-toe with Wealthsimple. You're going to see that play through.

And then I think in the insurance business, we just fundamentally have, I believe, the winning model with a direct model that is a digital model. And when I ran the insurance business 6 years ago, everyone, and this is part of the structural cost reduction, that business was the #1 direct investing (sic) [insurance] business back then and it still is today. But we were a phone channel business exclusively. And so, all sales would have been done through the phone channel. And so as we grew the TD Insurance business 6 years ago, what did you have to do? You have to add more people in the contact center, more underwriters, more people in the back-office operations.

We made the decision 3 - 3.5 years ago to modernize the entire tech stack of the insurance business at TD Insurance. It is the most modern tech stack that is available in Canada for home and auto insurance. And last year, 50% of all policies underwritten in TD Insurance for home and auto insurance were done digitally with straight-through processing, no human intervention. That goes from shopping to binding to all your servicing, issuance of your digital pink slips. So as you go forward, we've taken a massive variable expense business, and we've made it into a fixed expense business at a marginal cost of pennies at the next policy level. That's not true for traditional brokers. You've got to pay large commissions for every single deal. That gives us a significant cost advantage as we move forward in the insurance business. And that's why you saw the ROE that I know surprised a lot of you as to how much ROE the insurance business at TD generates on a go-forward basis. That will get even better everybody.

When I think about AI, TD Insurance is further down the AI journey than any other part inside of TD Bank. And so whether that's in pricing sophistication to fraud, to claims management, all of those areas will become significantly more efficient leveraging AI as we move forward, and they are the furthest down that journey.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. At this point, I think I'm going to quickly rush over to the questions. So first question, once your loan reduction efforts in the U.S. are complete, where – which loan categories do you think will have the highest growth potential in '26 and '27?

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

Yes. So I think, again, we have finished the – for the most part, we've finished the balance sheet restructuring. And so we've got the US$52 billion of asset cap room. And so we are definitely back into trying to drive the growth as per the question. I will say everybody – I want to make sure that everybody understands the AML remediation in the United States, Leo and team have done a terrific job in making sure we get to the milestones and the commitments, but we are not at end of job. And that is still #1 priority in the United States and for TD Bank is to make sure in 2026 that we complete what we need to do and actually deliver on the commitments that are still required around AML remediation. So I just want to make sure that even though the conversation today is more around growth, that is still the #1 priority and has to be, and we won't be distracted from that.

On the growth side, I do think from a middle market commercial banking perspective and small business banking, we see significant opportunities, not just to grow, but to grow it more profitably. And so what you're seeing in the United States is a significant move towards ROE management. And so we have gone through and looked at every single client on our books, whether it's in TD Securities or whether it's in the commercial bank, both Canada and the United States to make sure what do we need to do with each one of those clients to deepen the relationships to get to the ROE hurdles that we want to get to.

And so it's a combination of growing, but deepening the relationships that we have to actually be more from an ROE. And we need – those are the 2 businesses that I would say – we said it at the Investor Day. From an ROE perspective, both of those targets are at 13%. And it's great to see for Leo and the U.S. Bank, this shift to an ROE focus last year, they improved ROE 180 basis points year-on-year. And you saw in the TD Securities business, another business that's heavily shifted towards an ROE focus. Q4, we ended the quarter at 12.6% ROE, and both of those have a medium-term target of 13%. And so again, 2 businesses that to me are ahead of the pace that we had thought we'd be at during Investor Day.

Darko Mihelic – RBC Capital Markets – Analyst

Okay. Interesting question. So digital banking and stablecoins looking to disrupt traditional branch banking. How do you defend against this? And how big a threat do you view these trends?

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

So if you look at stablecoin, and I think there's maybe 2 separate questions. There's the digital banking question, which I'll get to. And then there's a sort of digital assets, stablecoin. I think you've got to break that whole digital assets piece into 3 buckets everyone. You've got tokenized deposits, you have stablecoin and you have crypto. And so I would say the piece that I think has the highest opportunity and the one that certainly from a TD Bank perspective we'd be most focused on immediately is on tokenized deposits. I think there's huge benefits. It's regulated. The benefits from a P&L perspective, from a client perspective, it's an on us transaction. So I think tokenized deposits is certainly real and it has terrific opportunities.

The stablecoin piece, lots of, obviously, attention, and that's the one that certainly in the U.S. – the Genius Act. What you're seeing that played through in 2025 is sort of regulation around stablecoin, which is actually a good thing. You're seeing Canada quickly coming up behind that. And so the question that I think everybody needs to think their way through on stablecoin is you need interoperability. You don't need – you can't have 200 different stablecoins out there, otherwise it's of very little value. And so what's the platform or what's the way in which the ecosystem will allow interoperability of stablecoin and at different currencies, whether it's a U.S. dollar stablecoin, Canadian dollar stablecoin.

And so you're seeing lots of discussion in the industry around various different operating models as to how you might launch stablecoin. And it's different potentially in a country like Canada, where you have a concentration of banks versus in the United States where you have over 4,000 banks. And so a lot more to be played out, but that's where there's noise or a lot of attention.

And then on crypto, that to me is much, much more of an investment and certainly on the direct investing side – and that's more of a – sort of a different conversation, a retail conversation that I think about it. So that's the way I would think about that.

On the digital transformation on banking, what I would say to everybody is, listen, I think if you're going to win in the future, you have to be able to win on not even just digital, you have to win on mobile. And that's just the way we live our lives today. And I always say to people, it doesn't matter – there's only one thing that I drive back to my house in the morning, if I forget, and that's my mobile phone. And so we have to make sure that TD Bank creates mobile experiences that are simple, fast and engaging. And it matters because if you think of all the new to Canada that's coming to Canada, where are they all coming from? They're all coming from countries that are much, much more advanced – Asia, Europe, India, Africa. These countries, they lead with mobile in many, many cases. And so I do think getting that mobile leadership matters Darko as you go forward.

Darko Mihelic – RBC Capital Markets – Analyst

So we're at the last few minutes. Over to you for some key takeaways for investors.

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

I appreciate that. First of all, I think last year when I was here for my first time at this same point, I had sort of said, if I'm back next year, judge us on whether or not we delivered on the 4 big critical initiatives that matter to TD.

And the first one was ensuring that from an AML, that we do what we say we're going to do and deliver from an AML perspective and rebuild our trust relationship with regulators. And I think Leo and team have done that.

The second part I'd say is we need to restructure the United States from a balance sheet perspective so we have the asset cap room. We had the investment bond portfolio that we needed to execute and then pivot the organization to be much, much more ROE focused, and I'd give them a checkmark on that.

The third part that we said is that we're in the midst of doing a strategic review. We'll roll that out at an Investor Day and be more transparent with all of you on guidance targets and what we plan to do as an organization as we go forward. And I think that's really, really resonated – not just externally, internally with our colleagues – the move to deepening relationships, building a simpler and faster bank, leveraging AI automation and driving discipline around cost management, capital management and governance and control has mattered, and we've simplified that.

And I'd say finally, and probably the most important part that I thought for 2025 was making sure that we retain our best talent, that we create an environment that attracts top talent and we start to rebuild the trust between our critical stakeholders – that includes yourselves, our investors, our regulators, our clients and of our colleagues. And I would tell you today, not only is there excitement across TD Bank, the pride is back within TD Bank and this idea of winning at TD has really, really resonated. So I would say, I feel great about delivering on the things that Darko, that we said that we would deliver in 2025. And that's part of what we want to be known as a management team is that what we say we will do.

And so as I think about 2026 and when I'm back here next year, I'm hopeful that there's probably 3 things. And the first thing I would say is hold us accountable to the targets that we set at Investor Day for 2026. On EPS, on ROE, on cost management, expense management, positive operating leverage – that we deliver what we say we're going to deliver. I think you should hold us accountable.

Number two is clear proof and evidence that we are building deeper relationships, a simpler and faster bank and more discipline on how we run our organization.

And I would say three is that we are fundamentally operating our capital differently as we go forward. And so we start with always organic capital – and we are more disciplined now around the organic capital. We are exiting noncore businesses, and you've seen us do that across 2025. But even in the businesses that we are operating in, holding them to ROE standards and making sure that they have a road map on the organic side, investing in businesses organically that are accretive from an ROE perspective and add value to the shareholder.

And then two, on the capital piece, what I've said very clearly and very publicly is if we do not have a need, if there is excess capital after the organic investments that we will return consistently capital back to the shareholders on an ongoing basis. And so I think those are the 3 things that I would say will guide us in 2026 when I'm back here next year.

Darko Mihelic – RBC Capital Markets – Analyst

Excellent. Thank you very much. Thank you.