TD BANK GROUP
SCOTIABANK FINANCIALS SUMMIT
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FORWARD-LOOKING INFORMATION

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

Any forward-looking statements contained in this document and/or on the conference call represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank’s shareholders and analysts in understanding the Bank’s financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.

PARTICIPANTS

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

Mike Rizvanovic
Scotia Capital – Analyst

FIRESIDE CHAT

Mike Rizvanovic – Scotia Capital – Analyst

I want to introduce Ray Chun, Chief Executive Officer of TD Bank. Welcome Ray.

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

Thanks Mike, thanks for having me.

QUESTION AND ANSWER

Mike Rizvanovic – Scotia Capital – Analyst

Great to see you again. Maybe we could sort of start with the quarter. Obviously, it was a very well-received quarter, a big step-up in earnings, ROE now at 16%. So, things are obviously moving in the right direction. Maybe just some high-level thoughts on what you were most excited about in the quarter.

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

Thanks. Great to be here, everyone. I think you saw in Q3, but it's sort of a continuation of what we said at Investor Day, which is fast approaching 1-year anniversary – when we look at our strategy of deeper relationships, build a simpler, faster bank and then discipline in how we execute on capital, restructuring our costs and governance and control, I could say that strategy we're executing across the board. And so, when I look at sort of the commitments that we made at Investor Day and then how are we doing relative to that, on an ROE perspective, I think like you said, we're at 16%. Our target for this year was 13%. So we've sort of gotten to the medium-term outlook that we have. And so I couldn't be more proud of the team on that side.

And I would break that down into a couple of areas. I think restructuring cost has been a really big focus for TD Bank. We said we'd get to $2 billion to $2.5 billion of restructuring costs, and I do emphasize that with everybody that when we say we're restructuring our costs, we are trying to fundamentally reset the run cost of TD Bank, not slash our project spending or marketing spending or put some sort of a hiring freeze in place. Can you take the unit cost of your biggest processes and fundamentally reset that cost down to 20%, 30%, some 50% or 60%, and you're seeing that play through. Our goal was $900 million this year. We hit that restructuring cost in Q3. We actually think that there is significant upside to the $2 million, $2.5 million (sic) [$2 billion – $2.5 billion] as we go forward.

From a business momentum, and you're seeing it across the board, we are having record earnings across literally every part of our organization. On the Wholesale business, we have doubled the revenue on a quarterly basis since we did the Cowen acquisition, and still have significant upside. And the reason I say that everyone is that when I took over as CEO, the earnings contribution from the Wholesale Bank for TD was about 9%. At the end of Q3, we're at about 15%, is the earnings contribution from the Wholesale Bank. There probably isn't a G-SIB in the world that doesn't have probably around 25% of their earnings – Mike coming from the wholesale business. So I do have a lot more upside, I would see, in our Wholesale Bank relative to potentially other G-SIBs, and we're seeing that play through.

And then across the Canadian footprint, we've been #1 in RESL, credit cards and deposit year-on-year growth for the last 4 quarters. And so good momentum in the Canadian bank. And then as we announced in the United States, the AML remediation program, which absolutely still is our #1 priority as an organization, is on schedule. And we're now balancing bringing back the growth elements into the United States, and you saw our announcement around launching 100 new stores or branches – we call them stores in the U.S., we call them branches here, by the end of 2028.

So I'll pause there and say lots of momentum on the things that we committed to doing at Investor Day and couldn't be more pleased.

Mike Rizvanovic – Scotia Capital – Analyst

Okay thanks for that. And then maybe just asking about a couple of questions on credit. Obviously, that was something that investors were very pleased about – lower than expected on the quarter, and it sounded like there's a bit more confidence on sort of landing at that lower end of your guided range, at least from the commentary on the call. Any thoughts on the credit outlook? Obviously, there's a lot of uncertainty now and sort of maybe dovetail that into your current reserves of $500 million, I believe, is still the number for the tariff-related risks. How do you sort of see that in terms of where it sits today and where it needs to be?

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

And I think – and we did give the guidance for the balance of this year – is lower end of our 40 to 50 basis points on our PCLs. We're certainly not seeing anything outside of what we would have expected. And so the resiliency in both Canada and the United States, Mike, is playing – continues to be there. And I would say, and I think Ajai captured it well, I mean I think we monitor quite extensively. We run a lot of stress scenarios around this uncertainty. And so we have taken, as all of you know, $500 million of reserves specific for the tariff-related uncertainty, and we've modeled all the different variations of what could happen. And so we'll continue to be prudent on that piece. But we're also starting from a very healthy reserve. We've always been prudent on how we reserve from a PCL perspective. So I think going into 2027, but also as sort of this uncertainty plays through, we are very well positioned from a reserving perspective.

Mike Rizvanovic – Scotia Capital – Analyst

And any pockets of risk that you flag? Obviously, unsecured retail in Canada has been something that's been gravitating to slight deterioration, nothing meaningful, but anything on TD that you can comment?

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

We watch different cohorts in the organization very closely. And to your point, on the unsecured side, the cohort that I watch very, very closely is clients with credit scores under 650. It's still a very small percentage of our book, but that gives you a bit of an indication. We're definitely seeing some deterioration in that cohort of the less than 650, but within the range that we would have expected, everyone. So again, even in that more sensitive cohort, you're not seeing, I would say, unusual behavior. And this is where I'm saying the resiliency of the Canadian consumer continues to play through at this point.

So from a weakness, I wouldn't point anything out to the group here other than to say, I think the range of 40 to 50 basis points is still the range as we think forward. And I would suspect, in some cases, you've hit the high cycle on some of the credit pieces, as Ajai said, and you may be – there will be some volatility, I suspect, as we move through. But I think with confidence, the 40 to 50 basis point range that we put out there is still the right range.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. And maybe on your segments, starting with U.S. Retail. Before we get into sort of the nuts and bolts, maybe just a quick update on the remediation – and I think some investors are sort of looking at the potential pivot to opening stores now being a bit of a – I'm not going to call it an inflection point, but you seem to be in a much better place on that whole remediation process versus where you might have been a year ago.

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

Listen, I've said it for the whole 2 years that I've been CEO, it is the #1 priority for our organization until we get to end of job, it will remain our #1 priority. But couldn't be more pleased with the work that's been done in the United States, the investments that we've made, the talent that we've brought in, not just at the most senior levels, but two, three layers down. And so, a lot of the management actions that we've had to do, we will have delivered by the end of this calendar year.

And so then it gets really down to validation and testing, which then provides, I think, some capacity for the management team. And so, we've been very careful and thoughtful to make sure that we don't lose the focus on the AML remediation. But as we've gotten through and hit certain milestones, we now have the ability to balance the growth element in the United States. And we've cleared the asset cap room, as all of you know. We have about $53 billion worth of asset cap room in the United States. And if you throw in the non-HQLA, you're probably in the $100 billion range. And so what we've done is we've gone out and looked at the footprint that we're in and said, where are the biggest growth opportunities in the footprint. So we've identified the 100 branches that we want to open in the United States. But we'll continue to balance making sure that the remediation work stays a priority, but we now have capacity and cycles within the management team to look for and drive some growth. And I think it's finding that right balance that's important, Mike.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. And what about just more broadly in the U.S., like what about the Wealth business? Are you looking to sort of scale that up? And what are your sort of long-term ambitions there? Maybe just remind investors.

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

Yes. I would just say from a – maybe I'll just say more broadly, one of the areas that we have underinvested at TD over the last decade is on frontline distribution. And we called that out at Investor Day. And so I know it's a U.S. question, but maybe I'll just stretch it a bit more broad. If you look at Canada, we're going to be adding 835 business bankers, and that's half small business bankers, half commercial bankers. We're adding 1,200 wealth advisors. We're adding 1,000 specialized salesforce into branch banking, 500 for mortgage specialization, 500 for investment specialization. And in the United States, we're adding 500 wealth advisors. Just to put that in perspective, we probably have about 220, 230, so we're moving that north of 700 by 2029, and we're going to add another 200 commercial bankers. And so that's probably the area and if I look at all of that, I would say to everybody, that's like doing an acquisition. That's how much salesforce productivity lift I do think the teams are going to see. And in the Canadian bank, we have already added those 500 mortgage specialists into the field and 500 investment specialists. Their productivity to date is 3x the generalists that are in our branches. And so definitely moving to a specialization model is proving out.

Mike Rizvanovic – Scotia Capital – Analyst

And this – all of these hires, this cost addition is all incorporated into the – you're still looking to that $2 billion to $2.5 billion with maybe a potential upside in terms of that structural reduction over the course of the next couple of years?

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

That's the exciting part. I think everybody is what we're saying is that if you can take the structural cost of running the bank down, you can invest in a flywheel capability. So, we are already making the investments. And the great thing is if you've seen our expense numbers, our efficiency ratios over the last year is that we are not starving the future to meet our numbers today. And I think that's really, really important, that we continue to invest in not only the frontline distribution, but in AI capabilities, in the data infrastructure that you're going to need, platform modernization. But all that investment is not increasing our project pool.

So I would say to everybody, we've taken our expenses down to where we said that 3% to 4%. We've had positive operating leverage, which we've committed to delivering, and we've been able to invest. We have the highest project spend in the history of TD Bank this year. We have the highest marketing spend in the history of TD Bank because we're relaunching our entire brand. And we've been able to manage all of that while controlling our costs and reducing our cost and our efficiency from 59.5% down to 55%, which was our medium-term objective when we came out of the Investor Day. So this whole discipline on cost restructuring, we're not at end of job. There's still significant more opportunities that will continue to press, but we'll use some of that to invest back and some of it will certainly go and drop to the bottom line.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. Appreciate that. Maybe switching over to Canadian P&C Banking on the retail side to begin with. And I think Sona gave a good amount of color on not sacrificing margins for volume – that's something that's very topical these days. But how do you sort of see that sort of race to primacy or the competitiveness of getting that primacy client? It doesn't seem to be an easy thing to do and obviously, you have to do in a very targeted way. How does – what's TD's strategy on that primacy?

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

That's probably one of the most important questions, I think, for any retail bank – is do you have primacy with the clients because that leads to a lot of other goodness. I'll leave you with a few things. Number one, our primacy percentage is 700 basis points higher than the peer average in Canada. So that's number one. Number two, if you look at the deposit mix for TD Bank, and this is a fundamental advantage that we have, that our non-term deposit mix is about 70% of our deposits. The industry average is about 53%. That gives us, certainly from a funding perspective and from a deposit perspective, much, much an advantage relative to our competitors, which then plays out in the NIM over time. And so I keep those 2 data points in mind.

And in Canada, what you've seen from a RESL perspective is that we've done both. We've been able to be #1 in year-on-year mortgage growth for 4 consecutive quarters and have NIM expansion in our Canadian Personal Bank and in our RESL, and that's because of a few reasons. The on-off on the renewals on mortgages is a tailwind. Our tractors are a tailwind. And I suspect that we will continue, as we said on the Q3 call, you can expect that into Q4, and it will be tailwinds as we head into fiscal 2027. But we are very conscious of making sure that we are putting on profitable, whether it's in profitable business, and I emphasize that, whether it's in RESL or whether it's in deposits. And Sona and the team are showing that you can actually gain acquisition while still managing the margin to be accretive. And I think it's really important that you balance that.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. And maybe talk about the new to relatively New to Canada client that you're targeting. I think you've been clear in the past about how a big part of TD's strategy is having more branch concentration in the GTA because a lot of new Canadians do gravitate to the GTA. And I know you've given some stats over – in the past about market share on new Canadians. Maybe just an update there. I think it's something that a lot of people are wondering about in terms of how is TD going to continue to win in that part of the market?

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

And I'm going to come back to that in just one second. Just on the mortgage piece that – a fundamental shift that Sona has done under her leadership is the mix that you're seeing in our mortgage portfolio. And so the mix between broker to proprietary to direct. And so what you're seeing in TD Bank is we used to have a higher broker mix, which is lower margin. And this year, we have record proprietary – that's the MMS mortgage salesforce plus our branch mortgage sales and due to those 500 mortgage specialists that we put in.

So you're seeing for the first time, our proprietary mortgages, even though the RESL market is down in Canada, on a year-on-year basis our proprietary mortgage is actually on a record. And so terrific momentum. It's a mix issue. And also the mix between mortgages and HELOCs, we're also rightsizing that mix and you get – and certainly, we're getting a better balance between HELOC and mortgage. That gives you another pickup in the margin. And so keep that in mind as you think of the RESL portfolio.

When you think about sort of acquisition, New to Canada, which is your question, Mike, I think about acquisition in 3 buckets, specifically in Canada – New to Canada, switchers and students. And you have to actually try to win in all 3. And so what you see in Q3 for TD Bank is we had the highest switcher acquisition numbers that we've ever had on record, and we've had the highest student acquisition numbers that we've had. And so we've revamped those two programs. While immigration has come down, it's still a significant factor. And we absolutely win from a New to Canada perspective. And – but those numbers are down a little bit.

I do think in the next few years, those numbers, you'll start to see that sort of tick back upwards as we sort of revisit our policies as a country. But that's what gives me confidence, is that you have to win on all 3 of those categories. You got to win on New to Canada, you've got to win on the switchers and you have to win on students, and we're seeing terrific momentum on that. And then that translates into credit card sales, mutual fund sales. And if you look at our credit card acquisition, again, #1 in year-on-year growth in credit card acquisition for the last 4 quarters. So we're continuing to see that momentum play through throughout the entire organization. But it all starts with, can you win the acquisition battle? Can you get primacy of the Canadian consumer? And that's where we actually have a very big competitive advantage.

Mike Rizvanovic – Scotia Capital – Analyst

I wanted to go back to deposits in Canada and your core deposit franchise. You did allude to a couple of interesting numbers and stats. How does TD continue to maintain that advantage? Because you're clearly in an advantageous spot right now, but things can always change. Like what do you sort of – what's the secret sauce of keeping TD at the top on that core deposit base?

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

Well, listen, I do think the – I mean, we bank 1 in every 3 Canadian. And the last number I saw is something in the neighborhood of about 35% to 40% of all New to Canada do select TD as their first account. And so what we've been focused on as part of our strategy is, number one is deepen the relationships of the clients that we have. And it's not just in the retail, it's whether it's our TD Securities clients or our commercial banking clients, significant opportunities to deepen those relationships. And the biggest way to deepen those relationships is actually make it simpler and easier and faster to do business with TD.

And so I can tell you, and I've told some of you before that if you think of the New to Canada customer, we open about 500,000 New to Canada accounts, and we consider New to Canada over a 2-year period. And I would tell all of us in this room that if we move to any country, you do 1 of 2 things. You'd open up a bank account and you go get a credit card. And we made it incredibly hard for our clients to get a credit card because we didn't do zero score credit bureaus well. And so that process took so long, it frustrated our colleagues, it frustrated our clients. That only 30% of our New to Canada clients were getting a credit card with TD and then 70% went elsewhere and yet 100% wanted them.

And I could tell you, it's not a risk issue because I've had the risk team review the portfolio of New-to-Canada credit cards relative to the non-New-to-Canada portfolio – it is a marginal difference in delinquencies. So it has nothing to do with the risk perspective. It was all about the process was so complicated. The team has changed that process and now as you open your chequing account, it will soft ping the bureau. And as long as you do not have anything derogatory on your credit bureau, I don't – and I keep saying, "I don't know how someone ruins their credit bureau in 2 days of being in Canada." I hope not – that we will then pre-approve you for a credit card on the spot as you open your chequing account. That leads to something like 250,000 to 300,000 new credit cards.

But more importantly, I've always said that when clients open their bank account with us, you know I think in most clients' minds, Mike, they're doing us a favour. They're depositing money, they're giving us their funds. And the first time a client really tries to figure out, does my bank trust me? Is my bank helping me – is when they apply for a credit card. And for New to Canada, we weren't creating sort of that wow moment on a regular basis. And now it's the complete opposite. That will then earn us the right to have the savings discussion. That will earn us the right to have the mortgage discussion. So it's really important that you get those two pieces right. Can you get them in the door and then the products and services that they need, can you deliver it to them in a simple, easy, frictionless way. And that's exactly what we're working on right now.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. Maybe switching over to Wholesale Banking. Obviously, the business has done a lot better last few quarters. The market has been very constructive in terms of the backdrop there. Your ROE has been significantly improved. And I have to – it's almost like a boilerplate question I'm asking because clients are asking, investors are asking, in terms of the sustainability of Wholesale, how do you sort of see that? I'm guessing the revenue diversification is going to help sort of stabilize it. Maybe there's less of a downside scenario if markets do turn. How do you sort of see that dynamic in terms of your Wholesale business?

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

Yes. I couldn't be more pleased with the performance of our Wholesale business. First and foremost, as all of you know, 3 years ago, when we did the Cowen acquisition, lots of questions on, could you make this acquisition work. It's not easy to take a boutique investment firm and put it together with a big G-SIB and could the cultures come together, could you retain the talent from the Cowen perspective? And it could not have gone any better. And I tell you from a talent retention perspective, but just the fit from a culture. And a lot of that is because the reason we bought Cowen is that the capabilities and the talent that Cowen had, Mike, is exactly what we needed. There wasn't a sort of pick who's going to stay, who's going to go. We actually needed it all. So from the research capabilities, to the prime brokerage capabilities, to verticals like healthcare, biotech, things that we just didn't play in that are the growth parts of the Wholesale business. So we've been able to bring in that entire business into the TD infrastructure. Where we found synergies is in our sort of operations back office. So that's number one.

I would tell you, that the mix of where we're doing business has changed. I mean the U.S. is obviously the largest market. And so like historically, we would have had more earnings coming out of the Canadian Wholesale bank. But now we've got about 50% of our earnings in the Investment Bank coming from the U.S., 30% from Canada and 20% from the rest of the world, Europe, Asia and what have you. And I see that mix continuing to sort of play into the U.S. piece of it. But I said it in my opening remarks, if you go back 3 years ago when we did the Cowen acquisition, we've now shown every quarter, we've doubled the revenue for this business on a quarterly basis. We did have a record Q3. The markets are constructive, so I do think at some point, some of that comes back a little bit. But we've diversified now our earnings, and it's been really important. One of the things that we said at Investor Day is that we needed to make sure that at TD, there would be a focus on driving fee income. And that's exactly what you've seen with TD Securities, our Wealth Management business, our TD Insurance business, our credit card business. Those are the businesses that we wanted to supercharge coming out of the Investor Day, and you're seeing that exactly play out with the discipline on our cost restructuring. And if you go back to our Investor Day, I think the ROE that the TD Securities was producing back then, I'm going to get this number, was around 9% in that range. Q3 ROE was 16.7%.

And so Tim and team have done a terrific job in not just driving revenue, but they've made tough choices on expenses. They've made tough choices on restructuring their business. They've gone down to each individual client level in both our Wholesale business and in the commercial bank. When we say we're going to get serious around ROE, we know the ROE at every client level and then what's the projection over the next 2 years. And we're trying to build deeper relationships, more fulsome relationships with every one of those clients. And so where we deploy our balance sheet, we want to make sure it's a true partnership and a relationship.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. So it sounds like the U.S. opportunity is still there in terms of growing organically, potentially tuck-in deals, I'm guessing as well. What about your longer-term ambitions? Like do you ideally want to have more of the bank's earnings coming from Wholesale? It's a question that I get often just given how good the business has really been in the last couple of years, and it seems to be in a much more steady state sort of diversified business than it was in years past. Would you ideally want to move the needle on that?

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

Absolutely. I do think where we want to be is probably somewhere in that 20% to 25% of the Bank's earnings coming from the Wholesale business. It's at 15% today. And that's not changing our risk appetite. That's not changing our risk curve. It's actually playing right within those, as I say, in the golf terminology, "right down the middle of the fairway folks" is what we want to play. But we have the client base.

What we haven't had historically is the capabilities that we've needed like prime services, transaction banking. We're making a significant investment at TD Bank on transaction banking, and you'll see that to play through. Prime services in the United States – we've had it in Canada, but not in the U.S., and you're seeing that play through. So I think it's fair to say you should expect to see the Wholesale bank contribute what any G-SIB bank would have in that 20% to 25%. And in these constructive markets, I would tell you, most G-SIBs are probably 30% to 35% of their earnings are coming from their Wholesale bank. My goal is somewhere in the 20% – 25%. And so I think from an upside perspective, still significant opportunity for us.

Mike Rizvanovic – Scotia Capital – Analyst

Okay thanks for that. Capital deployment, definitely very topical in terms of TD because you do have the highest CET1 ratio, the most excess capital. And I know the ambition is to get to that roughly 13% CET1 by the end of next year. I think most investors think that it's probably tough to get there because you're sitting at 14.3%. There's so much abundant capital. But what are your sort of high-level thoughts on how you sort of move the needle because it's just...

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

Well, and I think I said it on the Q3 call that TD is different than any of the other banks in a positive way. And first and foremost, we do start from an incredible position of strength that we're at CET1 of 14.3% and producing an ROE of 16%. I don't know that a lot of people would have thought that would have been possible. So I've said very clearly that our #1 priority for deploying capital at TD Bank is organic, and that is the focus and will continue to be our focus. Then comes the buybacks, and we have the ability to do significant buybacks.

And then ultimately, which is not a priority for us, but if ultimately, there is a sort of a tuck-in opportunity on any of the fee-based businesses is really where we would potentially take a look, but that is not a priority for us. And so I would say we're in the privileged position that we can actually do it all – that we can invest significantly to drive our organic growth, that we have the capital to do sizable buybacks, and then ultimately, we have enough dry powder that if a tuck-in opportunity was to present itself that we could deploy there. So terrific – part of that is the advantage that we have is, as you know, that we generate organic capital at an incredible pace. And so in these uncertain times that we're in right now, I certainly like the position that we have. But our goal is to get to by the end of 2027, CET1 somewhere around 13%.

Mike Rizvanovic – Scotia Capital – Analyst

And would you ever consider a special dividend to do that?

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

We've always talked about it, but we like the flexibility that NCIBs allow. And so I do think that, that probably would not be something that we would pursue a special dividend. The NCIB route is the route that I think gives us the flexibility. And also, I think there are some advantages also for – from a tax perspective for shareholders and all of that. So there's other multiple reasons why I think NCIB is the better path.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. Maybe just one final quick question just on AI. You've given us a lot of color on the call and throughout – since the Investor Day in terms of what you're trying to do. Is there – do you see an opportunity that maybe things go better on AI and there's even more upside. And I'm sure you'll tell us when the time is right. But is AI morphing into something a lot bigger?

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

Yes, 100% it is, Mike. And I think when we did Investor Day and we put that target of $1 billion out there, what I underestimated, and my entire team is – and some of this, again, we're like inning 1 and 2 of the AI journey is that the benefits of agentic – what I'm seeing with agentic AI capabilities is something that I haven't seen with automation. I haven't seen it with digital, is that you can finally truly go end-to-end and reimagine entire processes. And so we've picked 5 big enterprise, what we call big rocks. Contact center is one, end-to-end retail credit, fraud, AML/KYC and advisor productivity, those cut across. And so in those specific areas, as we drill into, we do think there is sizable upside to the $1 billion.

And when I talk about the structural unit cost reduction of running TD Bank, at the core of that is leveraging AI. And I'll give you – I told you the examples that we did around our pre-adjudication mortgages that we've taken a 15-hour process that on the pre-adjudication for mortgages – for every mortgage would have taken 15 human hours. It's now down to on average 3 minutes. and it's 100% end-to-end agentic. That same agent, we are deploying by the end of this quarter for funding and for discharge. And so think about mortgage funding, think about mortgage discharge. Mortgage funding on average cost us about $187. It's going down to $47, $46. Discharges are going from $22, $23 down to about $11. Now that agentic capability, everybody that we do for mortgages is transferable now to small business banking, auto finance, can move down to the United States, is fungible into the commercial bank.

So once you build this agentic capability, you can actually move it, and that's where I think I underestimated and we underestimated the benefits. I'll tell you another benefit. We just launched our first agent around collections. And so leveraging agents and AI and better data and around collections, everybody, the key is can you get in contact with the person, the connect rate. When we are using people, the connect rate was about 6%, 7%. Our connect rate using our agents now with the AI behind it and getting to them at the right times is between 20% to 25%. And so it's not just a cost reduction. There's significant productivity benefits.

And so we're early days on this journey, but I am seeing things today that I have not seen with when we were on the automation journey, the mobile journey, the digital journey. This is transformative. And so I'll keep everybody updated. But it is a win for clients. It's a win for our colleagues, and it's a win for shareholders.

Mike Rizvanovic – Scotia Capital – Analyst

Okay. And I think we'll have to just – given the time, I have to end it here. But thank you very much, Ray, for your insights, super, super insightful.

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

Thank you very much, everybody. All right.

Mike Rizvanovic – Scotia Capital – Analyst

Thanks for joining us. Pleasure. Thank you very much.