Q2 2026 EARNINGS CONFERENCE CALL
MAY 28, 2026

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Material economic assumptions underlying the forward-looking statements contained in this document and/or on the conference call are set out in the 2025 MD&A under the headings “Economic Summary and Outlook” and “Significant Events”, under the headings “Key Priorities for 2026” and “Operating Environment and Outlook” for the Canadian Personal and Commercial Banking, U.S. Banking, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading “2025 Accomplishments and Focus for 2026” for the Corporate segment, 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.

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PRESENTATION

Brooke Hales – TD Bank Group – Head of Investor Relations

Thank you, operator. Good morning and welcome to TD Bank Group's second quarter 2026 results presentation. We will begin today's presentation with remarks from Raymond Chun, the Bank's CEO, followed by Leo Salom, Group Head, U.S. Banking, after which Kelvin Tran, the Bank's CFO, will present our second quarter operating results. Ajai Bambawale, Chief Risk Officer, will then offer comments on credit quality, after which we will invite questions from analysts on the phone. Also present today to answer your questions are: Sona Mehta, Group Head, Canadian Personal Banking; Barbara Hooper, Group Head, Canadian Business Banking; Paul Clark, Group Head, Wealth Management & Insurance; and Tim Wiggan, Group Head, Wholesale Banking.

Please turn to the next slide.

Our comments during this call may contain forward-looking statements, which involve assumptions and have inherent risks and uncertainties. Actual results could differ materially. I would also remind listeners that the Bank uses non-GAAP financial measures to arrive at adjusted results. The Bank believes that adjusted results provide readers with a better understanding of how management views the Bank's performance. Ray, Leo and Kelvin will be referring to adjusted results in their remarks. Additional information about non-GAAP measures and material factors and assumptions is available in our Q2 2026 MD&A.

Please turn to the next slide. I will now hand the presentation over to Ray.

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

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

In Q2, the Bank delivered a strong quarter reflecting continued momentum across our businesses and structural cost reduction. EPS was up 21% year-over-year and ROE was 14.4% – up over 200 basis points year-over-year. TD is executing against the strategies and targets that we shared at Investor Day – in fact, in many cases, we're ahead of schedule.

The Bank is on track to outperform its 6-8% EPS growth and 13% ROE targets for fiscal 2026, provided that current macroeconomic conditions continue. Strong revenue performance this quarter was driven by momentum in our markets-driven businesses, margin expansion, and volume growth in Canadian Personal & Commercial Banking.

Impaired PCLs declined quarter-over-quarter reflecting strong credit performance. An update to our macroeconomic outlook resulted in a performing reserve build this quarter. We continue to expect total PCLs of 40 to 50 basis points in fiscal 2026. TD delivered positive operating leverage for the fourth consecutive quarter. Excluding variable compensation, FX and the U.S. Strategic Cards Portfolio, expenses were up 3% year-over-year. We are well on our way to achieve our 3 to 4% expense growth target for fiscal 2026. The Bank is driving structural cost reductions – enabling the team to deliver the smallest expense growth since 2022 – while at the same time accelerating investments across AI, innovation and frontline talent. Today we announced a 4-cent dividend increase, bringing our dividend to $1.12 per share – reflecting confidence in TD's future growth and earnings power.

The Bank's CET 1 ratio was 14.3%, with strong organic capital accretion offset by consistent share repurchases. It's been 8 months since TD's Investor Day. We see strong momentum across our businesses and unparalleled opportunities to take market share on both sides of the border. TD remains committed to completing our $7 billion share buyback program.

Please turn to slide 3.

Canadian Personal & Commercial Banking delivered record Q2 revenue, PTPP, and earnings. In Real Estate Secured Lending, volumes grew 5% year-over-year. This disciplined growth is anchored in our strategy of speed and specialization. The Bank has the largest portfolio of active credit cards and added the most cards in the market, based on the annual Nilson report. We again achieved record penetration rates for consumer and small business credit cards – coupled with strong credit quality. In the Business Bank, loans were up 7% year-over-year driven by distribution expansion and broad-based momentum. Our

clients continued to demonstrate resilience through macroeconomic uncertainty. In TD Auto Finance, we were proud to be recognized again this year by JD Power with the highest rank in dealer satisfaction.

In U.S. Banking, AML remediation remains our top priority. You will hear more about our continued progress from Leo. The business is also building towards sustainable growth – with increases in core loans expected to be more than offseting balance sheet run-off beginning next quarter. We saw that momentum accelerated in Q2, with core business loans up 1.2% sequentially. This quarter, middle market lending balances were up 13% year-over-year, and U.S. proprietary credit card balances were up 18% year-over-year, driven by strong acquisition. And in our U.S. Wealth business, record mass affluent sales drove double-digit asset growth year-over-year. As we shared at Investor Day, U.S. Banking has significant opportunities to accelerate commercial loan growth, scale our cards franchise, and deepen U.S. Wealth relationships – delivering substantial upside to the Bank's earnings over the medium-term.

Wealth Management & Insurance delivered record earnings and assets. We continue to drive innovation in TD Direct Investing, Canada's #1 digital investing platform. TD is the only Canadian bank to offer partial share ownership. With as little as one dollar, clients can now invest in some of the biggest companies in the world, bringing down barriers and creating new opportunities for Canadians. This quarter, we launched the fully redesigned TD Easy Trade. The app offers market-leading capabilities, 100 free trades, helping to widen the gap to peers in direct investing. With this launch, the Bank is positioned to continue to serve the next generation of investors. We continued to take share in ETFs, with assets more than doubling since the end of fiscal 2024. We are well on our way to achieving our medium-term target of $54 billion in ETF assets. And in Insurance, we continued to build on our position as Canada's leading digital, direct insurer, with over 80% of our clients digitally engaged – strong progress towards our Investor Day target of 90%-plus.

Wholesale Banking delivered record earnings this quarter, supported by strong client activity across Global Markets and Corporate & Investment Banking. Broad based momentum across our platform enabled the business to earn through the almost $200 million in revenue from the Schwab transaction in Q2 last year. The team continued to execute against the strategies we laid out at Investor Day, and placed in the top 10 in the U.S. equity and equity-linked league tables calendar year-to-date. Clients are entrusting TD Securities with their largest and most complex transactions as they navigate the evolving macroeconomic environment.

Please turn to slide 4.

We continued to make progress against our strategy to deepen relationships, make TD simpler and faster, and execute with discipline. This quarter, the Canadian Personal Bank delivered almost $9 billion in closed referrals to Wealth, double digit growth year-over-year – and well on our way to achieving our medium-term target. Within Wealth itself, TD has an unparalleled pipeline from Direct Investing into Advice. This quarter alone, Direct Investing referred $1.5 billion to Advice, up 42% year-over-year – positioning TD to capture assets through the significant intergenerational wealth transfer currently underway.

In Canada, we continue to invest in our Small Business Banking franchise and attract clients, with net client acquisition up 15% year-over-year in the first half of 2026. Effective next week, we are moving our Small Business Banking franchise to Canadian Personal Banking. Almost 90% of small business clients also do their personal banking with TD. This realignment will enable TD to deliver simpler and faster for our small business banking clients – the backbone of the Canadian economy. Across the Bank, we have a clear strategy that is driving higher ROE. This quarter, U.S. Banking and Wholesale Banking ROEs were up 130 basis points and 360 basis points year-over-year, respectively. As I said last quarter, TD may achieve its medium-term ROE target faster than we expected at Investor Day.

Please turn to slide 5.

At our Investor Day, we shared targets to take out $2 to $2.5 billion in structural costs – and generate $1 billion in annualized value from AI – over the medium-term. We have strong momentum and are tracking ahead of pace on both targets. Across the Bank, structural cost reductions are fueling accelerated investments in innovation and AI. TD is and will continue to be a leader in AI. I believe AI will transform our operations – make our colleagues more efficient, our processes faster, and our products and services better. We're already seeing it across our businesses.

In RESL, we reduced mortgage pre-adjudication cycle time from approximately 15 hours to three minutes using Agentic AI.

In Insurance, TD continues to innovate. We set a new industry standard for AI adoption in Canada, becoming the first home and auto insurer to launch a client-facing, generative AI virtual assistant.

Across the Bank, we have over 40,000 colleagues using Copilot, and over 7,000 engineers using AI for software development with the most active achieving a 29% increase in throughput. TD is increasingly emphasizing AI opportunities that transform end-to-end experiences, drive lower unit costs, and are scalable across the enterprise. We see significant opportunities across credit, contact centres, fraud, and front-line productivity, among other focus areas. We are tracking well ahead of pace on our target to deliver $200 million in value from AI this year. At the halfway mark, we have already delivered almost $145 million in value across Predictive, Generative and Agentic AI use cases.

Please turn to slide 6.

For the fourth consecutive year, TD was named the most valuable brand in Canada by Brand Finance.

TD was also recently ranked number one on LinkedIn's list of the Top 25 Best Canadian Companies to Work for. These incredible accomplishments reflect the dedication and commitment of our colleagues across the Bank. Thank you for continuing to deliver for our clients and shareholders every day.

Now, before I hand it over to Leo, I'd like to take a moment to honour the memory of Richard M. Thomson. He was one of TD's true architects, dedicating more than four decades to our organization – rising to become Chairman and CEO. It was under his leadership TD launched the first bank-owned self-directed brokerage in Canada, laying the groundwork for today's TD Direct Investing. TD Securities' roots can also be traced back to his time leading the Bank. Dick cared deeply about TD, its clients, its colleagues, and the community. His impact will be felt for generations to come.

With that, I will hand it over to you, Leo.

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

Thank you, Ray.

As we enter the latter half of fiscal 2026, we continue to make good progress on our AML remediation program.

This quarter, with respect to the lookback activities required under the OCC and FinCEN consent orders, the third-party vendor has now completed its first population of lookback reviews. While there is more work to do in the coming months, I am encouraged by the progress being made on this very important deliverable.

Turning to our AML platforms and systems – as you've heard me speak about in prior quarters, our AML program is now running on a new transaction monitoring system that has embedded machine learning and AI enhancements, we've streamlined and improved our investigative practices, and last quarter, we deployed our new KYC strategic platform. This foundational work has resulted in measurable residual risk reduction as our processes continue to mature. Notably, this quarter, we embedded an improved customer risk rating model into our KYC platform which provides us with more accurate, timely and consistent risk assessments across our entire client population.

We also continue to focus on improving our operational systems to enable front-line staff to complete critical AML tasks with greater efficiency. Specifically, this quarter, we updated our onboarding systems for Money Service Businesses, providing our colleagues with the ability to sustainably identify, detect and manage these types of businesses going forward.

Finally, we made an important enhancement to our Financial Crime Risk management training program with the introduction of enhanced controls which provide detailed insights into training effectiveness, completion metrics, and workforce readiness – all of which are important elements of a sustainable training program.

From a financial perspective, the composition of our AML remediation spend has begun to shift towards validation and sustainability costs as management implementation expenses have started to moderate on a quarter-over-quarter and year-over-year basis. We expect that trend to continue with overall AML

remediation costs moderating in the second half of the year, largely in line with the previous guidance of US$500 million in fiscal 2026. With that, I'll turn it over to Kelvin.

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

Thank you, Leo. Please turn to slide 8.

TD delivered a strong quarter with momentum across our businesses. Through the TD Cowen acquisition and as you heard on Investor Day, we are taking deliberate, strategic action to diversify the Bank's business mix. We saw the benefits of that strategy play out this quarter, with strength in our markets-driven businesses, margin expansion, and volume growth in Canadian Personal & Commercial Banking delivering robust topline growth. At 43 basis points, total PCLs were within our guided range and flat quarter-over-quarter.

Expenses increased 5% year-over-year, with approximately 2% driven by variable compensation, foreign exchange, and the impact of the U.S strategic cards portfolio. We delivered our fourth consecutive quarter of positive operating leverage. We made significant progress on our structural cost reductions enabling accelerated investments in business growth. Total bank PTPP was up 12% year-over-year, after removing the impact of the U.S. strategic cards portfolio, FX, and Insurance Service Expenses. We've shared the details on slide 23.

Please turn to slide 9.

Canadian Personal & Commercial Banking delivered record Q2 revenue, PTPP, and earnings. Average deposits rose 3% year-over-year, reflecting 1% growth in personal deposits and 5% growth in business deposits. We had a strong RRSP season including record closed referrals from the Canadian Personal Bank to our Wealth business. Average loan volumes rose 6% year-over-year, with 5% growth in personal volumes and 7% growth in business volumes. Strong business loan growth reflected continued investment in our frontline bankers and execution against our local, advice-focused model. NIM was relatively stable, up 2 basis points sequentially. As we look forward to Q3, based on the current rate and competitive market dynamics, we again expect net interest margin to be relatively stable, similar to this quarter's results. Expenses rose 2% year-over-year and benefited from some timing impacts.

Please turn to slide 10.

In U.S. Banking, earnings were up 12% year-over-year and ROTCE expanded by over 200 basis points to 14.8%. Excluding sweeps and targeted runoff in our government banking business, deposits were up 1% year-over-year. Deposit costs declined quarter-over-quarter reflecting our strategic pull-back on certain higher cost deposits, and the strength of our non-term personal deposit and operating business deposit franchises. Core loans grew 3% year-over-year, driven by accelerated momentum across our portfolios. New Bankcard account acquisition was up 32% year-over-year and TD Auto Finance delivered record Q2 originations. We also saw a 17% year-over-year increase in middle market lending commitments, and our Home Equity lending pipeline remains robust.

Net interest margin was 3.41%, up 3 basis points quarter-over-quarter, driven by higher loan and deposit margins. As we look forward to Q3, we expect net interest margin to modestly increase. Expenses increased 10% year-over-year reflecting higher governance and control investments and spend supporting business growth initiatives, including the conversion of Nordstrom credit card clients onto TD's servicing platform.

There is no change to our guidance for fiscal 2026 overall expense growth in the mid-single digit range, and approximately US$2.9 billion in net income, for the U.S. Banking segment. As we shared on our Q1 call, in February we converted Nordstrom card clients onto TD's servicing platform. The conversion was completed smoothly – and marked an important strategic milestone that provides scale as we build out our credit card franchise, and opens opportunities to pursue new strategic card partnerships and drive down unit costs over time. Slide 22 provides an illustrative example of the accounting for our strategic cards portfolio. As a result of the Nordstrom change, and consistent with similar transactions, the receivable adjustment of US$144 million was treated as an item of note in Q2.

Please turn to slide 11.

Wealth Management & Insurance again delivered record earnings and assets. In Wealth, we had new account growth of 15% year-over-year, driven by 16% account growth in TD Direct Investing. Trades per day were up 11% year-over-year as clients continued to engage across our platforms. Insurance delivered record earnings reflecting disciplined claims management and accelerated structural cost reduction.

Sequentially, expenses for the segment excluding variable compensation were relatively flat. We are driving structural cost savings while investing for the future including accelerated distribution expansion.

Please turn to slide 12.

Wholesale Banking delivered record earnings – driven by strong execution across Global Markets and Corporate & Investment Banking including strength in our Equities, Capital Markets and Lending businesses. Our performance reflects the depth and diversification of the platform combined with high levels of client activity and constructive market conditions.

Expenses increased 6% year over year, as we continued to invest in talent and technology. Return on equity for the quarter was 14.5% – an improvement of 360 basis points year-over-year – driven by strong revenue growth, moderating expense growth, and disciplined capital management.

Please turn to slide 13.

Corporate net loss for the quarter was $166 million, relatively flat to the same quarter last year.

Please turn to slide 14.

The Common Equity Tier 1 ratio ended the quarter at 14.3%, down 26 basis points sequentially. We delivered strong organic capital accretion again this quarter. The Bank repurchased approximately 19 million common shares under its share buyback program in Q2, which reduced CET1 by 41 basis points.

TD's capital position is a competitive advantage. As Ray shared, the Bank remains committed to completing its $7 billion share buyback. Upon completion of this program – and together with our previous share buyback – we will have returned $15 billion in capital to our shareholders.

With that, I will turn it over to Ajai.

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

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

Please turn to slide 15.

Gross impaired loan formations were 22 basis points, a decrease of 5 basis points, or $457 million quarter-over-quarter. The decrease was largely recorded in the Wholesale and U.S. Commercial lending portfolios, partially offset by an increase in Canadian Commercial.

Please turn to slide 16.

Gross impaired loans decreased 4 basis points quarter-over-quarter to 54 basis points, reflecting lower impairments in Wholesale and U.S. Banking segments, partially offset by an increase in Canadian Personal & Commercial.

Please turn to slide 17.

Recall that our presentation reports PCL ratios both gross and net of the partners' share of the U.S. strategic card PCLs. We remind you that U.S. Card PCLs recorded in the Corporate segment are fully absorbed by our partners and do not impact the Bank's net income. The Bank's provision for credit losses was 43 basis points, stable quarter-over-quarter, as lower provisions in the Wholesale and Corporate segments were partially offset by an increase in Canadian Personal & Commercial, and U.S. Banking.

Please turn to slide 18.

Impaired PCLs were $973 million, decreasing $191 million quarter-over-quarter, reflecting lower provisions in the Wholesale, U.S. Banking, and Corporate segments, partially offset by an increase in Canadian Commercial. The Bank recorded a performing PCL of $28 million, largely related to an update to the

macroeconomic outlook, partially offset by migration of performing reserves to impaired in the Wholesale segment.

Please turn to slide 19.

The Allowance for Credit Losses decreased $147 million quarter-over-quarter due to lower impaired allowance in Wholesale Banking driven by resolutions, partially offset by a performing build largely related to an update to the macroeconomic outlook.

Now, i'd like to spend a few minutes discussing two key risk topics.

First is private credit and private equity. We've added a slide in our appendix detailing a breakdown of our gross loans to the financial sector. TD's exposure to private credit and equity is small, at approximately 1% of total Bank gross loans, and is primarily concentrated in subscription or capital call facilities. Our exposure is low risk, primarily investment grade, and does not pose a material concern for the Bank, as it continues to perform well, with no watch list or impaired loans.

Second, is the geopolitical environment, and the ongoing conflict in the middle east. We have not realized material impacts on credit performance to date. We have, however, added some performing reserves this quarter to reflect deterioration in our economic outlook, and the uncertainty related to the duration and impact of the war. We will continue to carefully monitor potential impacts of the heightened risk environment on our credit portfolios and take suitable actions if warranted.

With that, let me summarize the quarter. The Bank exhibited strong credit performance, as evidenced by lower gross impaired loans and gross impaired loan formations, and stable PCLs. Additionally, we continue to be prudently reserved at 97 basis points of allowance coverage.

While results may vary by quarter, and are subject to changes to economic conditions, we continue to expect fiscal 2026 PCLs to fall within a range of 40 to 50 basis points.

With that, operator, we are now ready to begin the Q&A session.

QUESTION AND ANSWER

Operator

[Operator Instructions] The first question comes from Ebrahim Poonawala with BofA Securities.

Ebrahim Poonawala – BofA Securities – Analyst

Good morning. I guess, maybe, Ajai, starting with you on credit quality – year-over-year on the PCL guidance. Just give us a sense, when we think about – you probably have among all the banks the best sense of what's happening with the consumer, the sort of dynamic with high unemployment, rates going higher. As we look through the next 6 months and beyond, do you think generally credit and at least the early indicators that you see suggest that credit sense for the Canadian consumer book are moving in the right direction? Or do you expect further worsening? And with the endpoint being unclear in terms of when we actually see some of the peaking on delinquency, GILs, etc?

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

Yes. Again, there's quite a few things there, Ebrahim, but let me answer your question comprehensively. Let me start with what I expect. First, I should remind you I've reaffirmed the Bank's guidance. What I do expect is some pressure on PCLs because of 3 reasons: trade and tariff actions, potential impacts of the Middle East war and the macro environment, particularly in Canada. If you think about trade and tariffs, TD Bank is already well provisioned. We have close to $500 million there, and most of that reserve is unused.

With respect to the Middle East war, I'd call it a watch item. Having said that, what we did this quarter is we put more weight on our downside case, and we have already built some incremental reserves. So we are going to continue to reassess our reserves each quarter, but I feel quite comfortable that at 97 bps, we're well positioned on reserves. As I mentioned, we still have that $500 million, and we have a lot of financial flexibility.

If I turn to the second part of your question, which is on Canadian consumers, I'd start by saying household debt in Canada is high, but if you look at how the Canadian consumer has done, they've been very resilient. The reason they've been very resilient is a few things. One, rates are down. If you look at where rates peaked, rates are down 275 bps. The second reason I'd offer up is the starting point on wealth is much better than it was pre-pandemic. The third is wage growth and the fourth is ongoing government support.

Having said that, are we seeing some migration in Canadian consumers? The answer is yes. We're seeing it largely in the less than 650 segment, but it is entirely expected – it's linked to the macro environment. So again, I think you should expect some migration on the Canadian book. We're seeing a little bit of it in RESL, we're seeing a bit of it in auto, we're seeing a bit of it in cards. But overall, I think credit is still in good shape. Yes, there are some uncertainties – we'll continue to watch them. We'll reassess them through our process. But at 97 bps, including $500 million for trade and tariffs, I think the Bank is very well provisioned. So hopefully, I gave you enough context, Ebrahim.

Ebrahim Poonawala – BofA Securities – Analyst

No, that's good context and very comprehensive. And I guess one for you, Ray. AI is going to transform the bank, like you've talked a lot in terms of the details and how TD is deploying AI. As we look forward, I mean, I think you obviously laid out some ROE targets at the Investor Day – you're running ahead of those. As we look forward, like do you think – is it unreasonable to assume that TD, despite its business mix having more U.S. exposure could actually become a much profitable bank than what we are historically used to? And even in terms of as we think about the timeline to achieve some of your Investor Day targets, are you feeling better about them today than you did on the day of?

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

Thanks, Ebrahim, for the question. So let me tackle that in a few different buckets. Let me start with the Investor Day. And I think it was about 8 months ago, certainly feels a little bit longer than that. But as I've said for the last number of quarters, we continue to have momentum and we are ahead of the vast majority of the metrics and the medium-term outlook that we had set at Investor Day. All the businesses are ahead of their targets and so we feel very good not only in achieving them, but achieving them sooner.

If I look at our ROE target and ROE being up 200 basis points year-on-year at 14.4%, if I look at just us going from our current CET1 ratio of 14.3% down to 13%, that picks up another 90 basis points of ROE. And then if you look at our expense management or our structural cost reduction from $2 billion to $2.5 billion, that adds another 110 basis points. And so when you look at that, that's about 200 basis points of ROE pickup, and that's all within our control. And I think that's what really gives us a lot of confidence that we can get to certainly, our ROE targets ahead of what we had anticipated at Investor Day, assuming macroeconomic conditions remain.

On the structural cost reduction, which has been a critical focus for us – leveraging AI, automation, process redesign, we set a goal of $2 billion to $2.5 billion. What I can tell you, Ebrahim, is we are well ahead of pace. Our goal for this year was to have $900 million of structural cost reduction, and we have already achieved that. And so on that side, we think there's upside. And on the $1 billion AI objective that we set out, $500 million in expense reduction, $500 million in productivity or revenue, we definitely see, as we've gotten more and more into the agentic AI and generate predictive AI, we definitely see more upside to the $1 billion goal that we had set.

So coming back to your question, do we think that we can do more than what we had put on the Investor Day? We believe we're ahead of pace. We have momentum right across all of our lines of businesses. And I think that's setting us up well for accelerated growth on a go-forward basis.

Gabriel Dechaine – National Bank Financial – Analyst

First, on the – well, a couple of angles here in the U.S. The expenses, they were up quite a bit. I know you gave some explanation, but let's just revisit that – indulge me. And what stands out is the AML cost, US$173

million, that's ahead of the US$500 million annual kind of figure. Was there mention of some sort of a third-party agreement that's no longer going to be costing you money or something like that?

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

Well, Gabe, thanks very much for the question. Let me start by saying that I think the quarter was a solid quarter for the U.S. I came in at US$702 million and that was up 12% on a year-on-year basis. And if you break down the factors – we had positive core loan growth, we had moderate NIM expansion. And as Ajai described, I think PCL performance in the U.S. was quite strong.

So expenses were somewhat elevated at 9.9% on a year-on-year basis. But I would note that it was flat on a quarter-on-quarter basis, and it's the third quarter that we had relatively the same expense. Despite the fact, to your point, we did have higher governance and control expenses in the quarter. And I think composition matters here. We're seeing more – as I'd indicated in previous quarters, we would expect to start seeing more validation, look back and monitor expenses this year and less remediation implementation expenses, and that's exactly what we saw in the quarter. So that was somewhat elevated. The other important milestone in the quarter was that we completed the conversion of Nordstrom. So we had higher conversion and operating expense that we assumed as part of that transaction.

So if you isolate those 2 categories, our base operating expenses were below 3%. So I feel like we're making some really good progress in terms of moderating the rate of growth. Let me just reaffirm that we still believe that we will achieve our mid-single-digit expense growth guidance for the year. In fact, we've got good line of sight to being able to achieve that. And more importantly, I think we're tracking really well to meet and/or exceed our NIAT objective that we laid out in Investor Day. So net-net, I'm feeling good at where we are Obviously, any opportunity that I've got to accelerate the remediation process. It is my #1 priority. We're trying to work through it as quickly as possible because we know how important that is to the overall franchise.

Gabriel Dechaine – National Bank Financial – Analyst

Yes, I get that. I wasn't critiquing the number. Just trying to get a sense of the – I guess, additional elements this quarter that might not be around in coming quarters, as that cost mine kind of does drift down sequentially. But I guess more on the strategic side, as you move – and I appreciate that AML remediation is your #1 priority. But as you move through the process and maybe increase bandwidth for growth initiatives, it sounds like there's some improvement in the core commercial banking loan book. You're open, it sounds, to exploring new strategic card partnerships. I want to get a sense for how you're thinking about the growth aspect of the business at this point and what we can look forward to?

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

Gabe, thank you very much for the question. I think the quarter did highlight the fact that we are seeing acceleration in a number of different areas. I know Kelvin described a little bit of the loan growth. But I just wanted to call out maybe a couple of stats. One, we've been talking about the fact that total loan growth was going to turn the corner. Well, on a spot basis, total loan growth this quarter versus last quarter was in fact positive. So that's the first quarter that we've seen that since we embarked on the balance sheet restructuring exercise. So that was a step in the right direction, and we would expect to build on that momentum in the subsequent quarters.

If I look at core loan growth, core loan growth was 3% for the quarter, and it was really well distributed across both our consumer lending portfolios as well as commercial loans. I'll talk about consumer loans just for a moment. We saw a number of our businesses, particularly the Bankcard business, that was – where we saw overall balances up 18% and 32% growth in account sales. We're seeing real positive momentum there. We've been investing in that business over the past 3 years, and we're beginning to see the fruits of some of those investments. I'd say turning to commercial. I was particularly pleased about the quarter-on-quarter performance in commercial.

Overall, growth was 1.2% for the quarter. So if you annualize that, that would suggest a mid-single-digit growth rate for our commercial businesses. But probably more important than just the absolute number was the composition. We've been seeing really strong performance in sort of the middle market segment for some time. What we saw this quarter was stronger performance in both small business and our commercial regional businesses. So it was a slightly broader base win this quarter, and I think that's quite encouraging. I do think that given the work that we're doing, to your point, the fact that we're increasing the number of bankers on the street supporting our commercial banking business, I do expect us to see some degree of acceleration in that business. There's obviously some macroeconomic factors that you can't control, and there's still risk of trade and supply chain disruptions. But generally speaking, I'm really confident about what I'm seeing in terms of some of the pipelines and some of the leading indicators.

Gabriel Dechaine – National Bank Financial – Analyst

Okay. And Ray, I heard you say it felt like a long time since an Investor Day. I thought time was supposed to fly when you're having fun. All right. That's all folks. Have a good day.

Paul Holden – CIBC Capital Markets – Analyst

I want to ask a question on the expense guide. So I think, Kelvin, you're pretty clear in terms of – core expense growth was pretty good this quarter. I think 2% if we adjust for some FX and variable comp, so better than the mid-single-digit guidance, but then you kind of stuck with the mid-single-digit guidance for the full year. So maybe you can talk about some of the things that were timing related and why that will come back next quarter. And I would have thought, given what Ray has said on being ahead of plan on AI that maybe there was some upside to expenses and efficiencies this year. So maybe you can help us think through all of that.

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

Paul, maybe I'll just kick off and then Kelvin can jump in. Paul, I just want to clarify, the mid-single-digit guidance is specific to the U.S. The guidance that we have for – at the enterprise level, and we have confidence in that, is 3% to 4%. And so we don't see – there's nothing that we see as a one time that's creating our expense this quarter. And so we see the structural cost reductions that we've been making across all of our business lines continuing. And as we accelerate our value from AI and automation, think you're going to see, as I've been saying previously, that we try to continue to take the structural cost run rate of the organization down consistently on a unit cost basis. And so you're seeing that play through, and you'll continue to see that play through, Paul. So I just wanted to clarify the mid-single digit is U.S., not enterprise.

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

Yes, that's right. It's Kelvin here. Our guidance for 2026, expense growth, ex-FX and variable compensation and strategic cards portfolio, is 3% to 4%. So this quarter, we're at 3%. Q1 was higher than that, and so just on an average basis, we'll get to that range for the full year. And we're confident that we'll get there.

Paul Holden – CIBC Capital Markets – Analyst

Okay. My mistake I understand, thank you for that. And then maybe just a quick one for Sona. Increasingly hearing about some increased competition maybe on the loan side and also on the deposit side, sort of pressuring margins a bit. What are you seeing in your business specifically and your confidence around the ability to sort of maintain margins in Canadian retail banking?

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

Okay. Thanks for that question, Paul. So if we look at the quarter, we were up in CAD P&C 2 bps sequentially, in line with our NIM guidance. And really, that's broken down in a couple of factors. We saw some positive trends on deposit margins, including tractor repricing as well as driving higher loan margins. And so let me talk a little bit at what you're getting to. So in the market, we definitely did see in the second quarter, particularly competitive pricing set in. But Paul, as you've heard me say, we are firmly committed

to profitable growth. And for us, that means disciplined pricing. And so as we anchor in this principle, we've nonetheless had 5% year-over-year RESL growth. And that's because we are, with our disciplined pricing, we are able to drive positive on-off margin, including in this competitive quarter.

And so as we look ahead, we expect to see relatively stable NIM in Q3 similar to this quarter. And I'm even optimistic for some potential NIM upside in Q4. And if I just step back, Paul, I think – and picking up off what Ray said earlier, I think we're out to capture organic growth upside. We see tremendous momentum across the businesses. Obviously, we're pleased with in RESL how we're leaning in, competing on speed and specialization rather than price. But across the board, we see momentum. We've had #1 year-over-year growth in RESL, in cards, and in deposits. So we're particularly pleased with the quarter and proud of our team's work.

Matthew Lee – Canaccord Genuity – Analyst

Most of my questions have been answered, but maybe one on cards. You did highlight strong acquisition and record penetration. U.S. Bankcard balances are up and obviously the Nordstrom conversion onto TD's platform. Just how are you thinking about cards in general as a growth engine, especially balancing kind of position, credit normalization and maybe potential new strategic partnership?

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

Yes. Matt, thanks for the question. I'll start on the U.S. side, and maybe I'll pass it to Sona to add something from a Canadian perspective. I think from a U.S. business, we're somewhat underweight in terms of total cards in our overall book. So it is a segment – it's a product that we're very focused on. And it's one of the reasons why 3 years ago, we embarked on a really comprehensive build. We added significant talent. We retooled our cards operations. We retooled the product lineup. We changed some of our credit underwriting.

In fact, we implemented a number of AI models that allow us to be able to leverage deposit activity to be able to fine-tune some of our targeting. All those things are culminating in the performance that you're seeing today on the Bankcard side of the house. So I absolutely want to grow our Bankcard – one of the Investor Day targets that we established was to get to a 30% penetration of our deposit book. And quite frankly, Matt, I'd like to exceed that. In fact, we're tracking quite well. We picked up 200 basis points on a year-on-year basis. So clearly, we want to try to maximize the growth of our core Bankcard business. But I also – I'm thrilled about the successful conversion of the Nordstrom transaction. Being partnered with one of the premier retailers in the U.S. marketplace is a privilege. And to the extent that we can deepen our relationship with Target and potentially bolt-on other really high-quality card partnerships – that will be a priority for us in the future as well.

I'd like to have cards receivables be a larger portion of the overall hold. And to your point, we're cognizant about the risk profile. But I can tell you, based on what we're seeing at this point, we're quite comfortable with the credit risk that that portfolio represents. And I think in many ways, being able to build a bigger cards business as part of our overall U.S. balance sheet will actually improve NIMs and will improve our overall diversification in terms of our asset earnings. So net-net, it's a long-winded way of saying it's a big priority for us in the U.S. Sona…

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

Maybe just briefly, Matt, really strong story north of the border as well in our cards business. We've had strong cards acquisition, up double digits year-over-year, and it's really driving to continued momentum towards our Investor Day targets on depth of relationship, both for personal consumer cards as well as small business banking clients. What I'm particularly pleased with is it's exactly growing in the spots that we would want it to grow. So we've had a really thoughtful execution playbook against how do we really increase the depth of relationship within our existing clients. And so most of our growth year-over-year is actually coming from strong preapproval conversion amongst our existing clients. So those are the clients we know the most about and very additive, right, from a quality book perspective.

And then on the flip side, with our new to banking clients. We've seen continued momentum in deepening that relationship at point of sale in our branches. So really healthy mix and really healthy growth, supporting our #1 position in the industry this year.

Doug Young – Desjardins Securities – Analyst

I guess for Tim and for Ray here. On Wholesale, I mean, I know this is a particularly strong quarter and results are pretty good. But ROE caught my eye in Wholesale of 14.5%. I think you've targeted 13% from the Investor Day. Maybe Tim, you can talk a bit about sustainability. Is there room for further ROE expansion and then what drives this? And Ray, as you look over at that, does that give you more comfort? You've got a lot of excess capital, and I know it's pointed towards organic growth and buybacks and what not, but does that give you more comfort deploying capital into capital markets.

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

So why don't I start and then Tim, you can jump in after. I would say, first and foremost, very pleased with the continued momentum in TD Securities. And as we said also at Investor Day, what we're trying to do in the organization is balance or rightsize our NII and fee income. And whether it's our Wealth business, our Insurance business, which both had record quarters or our Wholesale business, getting the fee income mix up across TD Bank was a priority for us coming out of Investor Day, and you're seeing exactly that, not just from Tim's business, but from Paul Clark's businesses. And so I'm pleased there.

And before I hand it over to Tim, from a capital perspective, what I would just say is it is an area of the organization that we do believe has outsized opportunity for accelerated growth and Tim and team are demonstrating the power of the platform and the acquisition of TD Cowen and TD Securities combined. And so I would say it's playing along exactly what we thought on a go-forward basis. And then just from a capital perspective, the only thing I would say is I do think we are positioned differently than any other organization amongst our peers – that we start with an incredibly strong capital position at 14.3% CET1. But when you overlay our strong organic capital generation that we do here within the organization, it really gives me an advantage that we can deploy capital in different ways at the same time. We can do – continue to do buybacks while we look at not only organic growth opportunities and how do we want to accelerate some of our organic growth opportunities like in TD Securities.

So it gives me flexibility Doug, to be able to do multiple things that maybe some of our peers can't. So on that note, I'll hand it back over to Tim.

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

Doug, I would just add 2 or 3 things. So it is important to note, despite all the headlines, that we are in a constructive market. So from a capital markets perspective – equity capital markets, debt capital markets, credit, generally are in a positive place. You've heard me speak before about volatility. I would characterize it as a healthy level, both from the standpoint of being able to monetize volatility on the trading side, while keeping the capital markets open.

And then I would just say, generally, there's an openness to M&A. So as we sit today, it's a constructive environment and quite a healthy backlog. The second point, as Ray mentioned, we've invested heavily in our platform, and we continue to invest. So we're doing more. We're deepening our relationships with our existing clients. And if we look at the first half, that's reflected where we had top line up 18% year-over-year despite the $180 million earned last year from the Schwab transaction – so very healthy from that perspective. On capital specifically, I would continue to emphasize, we're not capital constrained by any means, but we do need to do more with that resource. So I always like to look at revenue growth relative to RWA growth. And again, in this quarter, that number was about 3x.

The other point I wanted to emphasize is mix. So good balance between corporate and investment banking and global markets. And I think that's reflected as well in the results – but also geography. So directionally, if we look at 2022, which was the last year prior to the Cowen acquisition, we would be doing about a quarter of our revenue in the U.S., and today, that number is two fold. And of course, it's a market that's

about 20x the size of Canada – so we see a tremendous amount of runway. So all of that coming together drove the ROE, 14.5% and the efficiency ratio of 63%. But maybe the last point I wanted to leave you with, there's obviously always cyclicality in our business, but it's about creating durability and repeatability on our platform, and positioning ourselves to be able to serve clients and deliver for shareholders through the cycle. And I think that's what you're seeing.

Operator

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

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

Thank you, Operator, and thank you everyone for joining us today. We appreciate your questions and comments. In Q2, we continued our business momentum – with strong credit performance, positive operating leverage, and robust earnings growth. ROE was 14.4%, up 200 basis points year-over-year. I'm proud of the progress through the first half of the year, and I am confident TD will continue to deliver for its stakeholders. Now before we close the call, I'd like to go a little bit off script for a moment to congratulate Brooke and her team on winning across 5 categories at the IR Impact Awards last month. What an incredible accomplishment Brooke, reflecting strong engagement with all of you – our investors and analysts. Thank you for your support, and congratulations again to Brooke and the team. I look forward to connecting with all of you again next quarter. Thanks everyone.