TD BANK GROUP
BARCLAYS GLOBAL FINANCIAL SERVICES CONFERENCE
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FORWARD-LOOKING INFORMATION

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Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2017 MD&A under the headings "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, "Business Outlook and Focus for 2018", and for the Corporate segment, "Focus for 2018", each as may be updated in subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document 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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PARTICIPANTS

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TD Bank Group – President and CEO, TD Bank America's Most Convenient Bank

John Aiken
Barclays Capital – Analyst

FIRESIDE CHAT

John Aiken – Barclays Capital – Analyst

Okay. Ladies and gentlemen, we're going to carry on with, I believe, the final session in this room. Very pleased to have Greg Braca, Group Head of U.S. Retail for TD. Greg, thank you very much for joining. So, I believe this is the first time you are presenting at our conference.

Greg Braca – TD – Group Head, U.S. Retail

I am, John. Thanks for having us. We certainly had a full day and it was a good day. We had a number of meetings this morning, and thanks for having us here today.

John Aiken – Barclays Capital – Analyst

Our pleasure. Greg, we're just going to go straight into it. In terms of the U.S., TD really has focused on service in terms of a differentiator. Can you talk about how this has benefited in terms of volume growth, both loan and deposits, particularly in an environment where, at least from my perspective, loan growth hasn't probably been as robust as we may have hoped? And then, is this a cost disadvantage, particularly as we almost have an arms race in terms of spending on technology?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, John thanks for the question. First, the way I'd start off by saying part one of that question is I think the service model has served us very, very well. And if you look at the history over the last decade plus, we've been able to take share in many of our businesses. And that's the relative measure, how I look at success; are we able to take share versus the industry peer growth in loans and deposits and in other services, and it's been a terrific run. As some of you might know, TD in the U.S. is all of 13-14 years old, and in a very fast and furious way, we've become the seventh largest bank in the U.S. And it really is and has been centered on a service and convenience model. I do think that's resonated, first of all, with the markets, not only here where we sit in New York, but everywhere from Maine down to Florida, and we're going to continue to leverage that.

It does have a cost that comes to it, but we think of it more as an opportunity to drive top line growth, and it resonates whether it's a consumer that deals with us on a seven-day banking branch store, we call them stores, or in the most current digital application, we think experience, service and convenience are what matters, and it does help us drive the top line growth number as well.

As I think about any disadvantages, you used the terms arms race on technology spend, and certainly, that's a conversation that's front and center for us. And as we've come into our own natural size and share, particularly around some consumer businesses, we're spending a lot of time and energy, making sure that we have a fulsome offering for all of our customers, however, whenever they want to interact with us. And that means investing not just in the latest whiz-bang application on the front-end, but going back and redoing a lot of the plumbing of the organization to set us up for digital capabilities, data and onboarding, and how we think about modern architecture around data and technology.

And longer term, I think these investments that you see bear out over the last several quarters for us on the expense side, I think, will prove very strong arguments as we think out over the next several years and position us for further growth to be able to continue to take share, because I think there are certain levels of investments as far as marrying physical infrastructure in branches and stores and traditional locations with digital, and I think that has to come together in one experience. So, for us, it's not either/or, we need to do both.

John Aiken – Barclays Capital – Analyst

Okay. And then more recently, we've seen de novo branch expansion as we talked about beforehand, I've seen it in Manhattan in particular. But basically, across the footprint, outside of a little bit of rationalization in terms of the stores. But within the last couple quarters, I think there's been a little bit more openness to at least discussing acquisitions in U.S. Retail Banking. Can you talk about what TD is actually looking for in terms of a partner? Is it more cultural? Is it more financial? Is it geographic? What are you spending your time looking at in terms of inorganic growth?

Greg Braca – TD – Group Head, U.S. Retail

So, great question, and thank you for that. Maybe just a little caveat on the history, though. If we went back in the day to 2005, and then the Commerce bank transaction in 2008, and then subsequent smaller transactions throughout the southeast in 2009, 2010, it's been seven or eight years since we've done a bank deal. And time flies because once we had assembled the initial footprint of what we would now view as TD Bank in the U.S., it really has been about a de novo growth story. So, I just juxtaposed that a little bit. It's not as if we've been on a binge of buying a lot of small banks and still rolling them up, it's been a number of years. And, in fact, the acquisitions that we've made over the last several years, they would be acquisitions around asset acquiring capabilities such as the old Chrysler Financial, like we're very much in the auto business in all 50 states on the indirect side of finance. We acquired an asset manager right here in New York City, Epoch. And it's been all sorts of acquisitions that we have looked at and continue to look forward to that either add capabilities or allow us to put on assets to soak up some of the liquidity that's naturally on our balance sheet. If I say how we would look at this going forward from a bank perspective, we should assume, you should assume that we look at everything that might be available on the market as we should, but obviously, it's kind of got to check a lot of boxes for us. We have size, we have scale. Our first thought day in, day out is not how we're going to drive growth through acquisition or new markets, it's how are we going to drive more de novo growth in the existing markets we're in, or how are we adding capabilities around Corporate banking and institutional banking and things like that, that we spent a lot of time and energy in putting a lot of assets on over the last six, seven years.

How are we thinking about building out a Wealth offering in a private bank that we would have been far from scale in any way, shape, or form for a bank of our size. How are we thinking about adding to our cards business, our credit cards business, both in terms of partnership and for our own customer base? So day in, day out, we'd first think about that. But if we were to think about a transaction, it's got to clear a lot of hurdles in our minds. And first, we know PEs, especially for some of the smaller banks, are very elevated today. So, what's the real value, what's the strategic value of engaging in such a thing? And you know and many of you know, it takes a lot of energy to successfully bring one of these deals together. And do we add talent, do we add different asset classes, or is it just a fill-in in a local market and how do we view that? Is it accretive to our earnings, and how do we view those sorts of things.

And then, I put it last on the list but it probably should be first, is what do we think about the risk exposure and the tail risk of once you bought it, you own it. And how do we think about all the regulatory implications and stress implications. So, I mean, there's a lot of things that have to align up before we would do a transaction.

John Aiken – Barclays Capital – Analyst

And you touched on regulatory and I'd love to discuss this because there's been some debate, less so these days, but given the TD scale in the U.S., is there a level where you're precluded, from a regulatory standpoint, from making an acquisition, or have we actually seen things gone and you're much more open to theoretically purchase almost anything that you want?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, there are no regulatory issues with us acquiring. We're certainly not of the asset size or scale or market share coverage of three or four of the money center banks. So, that's not the primary driving issue. I'd make the argument that with the franchise we've built, the ability to continue to take share day in, day out, grow the balance sheet. You just saw our Q3 numbers come out. And just for the bank portion alone, now we can get into discussions about what drove those numbers, but we were up 19% year over year in our latest earnings release, and we've just been on a terrific run.

So, for me, the focus is, we want to keep an eye to these things and we want to be opportunistic. We have the liquidity. We have the balance sheet. We certainly have the rating. We've got the parent's support, all of those things line up.

But, first and foremost, I would think about what is the de novo expectation to grow each of our line of businesses that I currently believe we're subscale or not at our natural capacity. And even to get the businesses that I just spoke about that we've built over the last five to seven years in Corporate banking and Wealth and cards and auto, and then if I think about our core Retail franchise, which has traditionally been the engine of growth here at the organization, we think we have a lot of room to run. I think our model resonates. We're adding virtual and digital capabilities real time to complement our physical store franchise, and we just think we have a terrific run rate to grow in a lot of our markets, from Maine all the way down to Florida. So, there's not one line of business. If I were to think about over the next three to four years, I would say right now, wow, you should see a leveling off of growth there because we're at a natural size for our capital or size of the bank, so a lot of upside on the de novo front.

John Aiken – Barclays Capital – Analyst

Fantastic. Well, before I open it up to the audience, I was hoping that we can start off with our first polling question.

What's the most under-valued segment of TD's operations? Please, keep in mind who is up front here.

It's (1) domestic retail operations, (2) U.S. Retail Bank exposure, (3) Wealth Management, including its interest in TD Ameritrade, (4) relatively low capital markets exposure, or (5) significant liquidity in both of its Retail banking operations.

This should be interesting. As I've said, you are not allowed to vote because we already know what you'd vote for.

Wow, fairly solid across the board except for a little bit of a nod to the low capital markets exposure. That's interesting. I did not expect that. In terms of the U.S. though, what's been fascinating to watch over the last little while is the earnings growth in TD Ameritrade and the contribution that's put in towards the U.S. Retail Bank operations. What exactly is going on in TD Ameritrade and how is that partnership actually beneficial to your operations?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, first, let me just comment that relatively low capital markets exposure, and we might agree, we've got a lot of room to run in our U.S. dollar business here as we think about TD Securities in the United States. And the difference this time around is that we now have a credible sizable Commercial and Corporate bank to partner with our Wholesale operations in the U.S., and we think there's natural leverage points there for the dealer in the U.S. So we, too, are very excited about that going forward.

Back to the Ameritrade question, I would say this has been not only a great investment, it's been a very strong relationship for us and Ameritrade. As many know, we are the largest single shareholder in TD Ameritrade. TD Ameritrade is the largest discount broker in the U.S. And in addition to just the normal economics of being a shareholder that we enjoy and the growth that they've seen, it's been widely known that we also enjoy the relationship of having their excess deposits swept into the bank. And that has become of a meaningful size and we earn a fee on that.

Additionally, as we think about our Wealth offering in the U.S., it would have been quite odd if we were to go try to figure out our own discount brokerage offering when effectively, our sister company, in which we have an enormous stake in, is the largest discount broker with all of the bells and whistles, and online trading tools you could possibly imagine. And we've got a very constant referral flow between the Bank and Ameritrade for those sorts of offering. So, it's been a great relationship. We love the run they've been on, and they recently consummated the acquisition and integration of Scottrade, and that's been good for them, and it's been quite successful across. So, it's been a great relationship.

John Aiken – Barclays Capital – Analyst

Fantastic. Well, open it up to the audience, if there are any questions?

Unidentified Audience Member

How are you able to gain market share given the competitive environment in the US?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, I can go back in history, but I know we've got limited time here. I would say that the Retail business alone, the core Retail Bank is very much been rooted in a customer first, customer friendly experience that matters, and, yes, also rooted in a physical distribution infrastructure of branches, or we would call them stores, that has been a very, very strong winning proposition, it's resonated. And while I get asked all the time that some of the large money centers are investing billions of dollars in technology capabilities around mobile and data, and that's true, and we're investing a lot of money there as well, you'd also see though over the last half a decade, a lot of the larger banks have quite frankly copied our model. They've decided to keep their branches open past 3 o'clock, what a novel idea. They sometimes even open on weekends, they're providing a different experience. So we think we've changed the Retail game in banking for the better and for the industry. And for us, it's just been core to who we are. We're going to continue to leverage that. Yes, we're bringing a lot of digital capabilities to the fore. We think they have to be married up with the physical, and I think that's the winning proposition. But it's been terrific for us and we expect to continue to grow that Retail business.

John Aiken – Barclays Capital – Analyst

Greg, in terms of look on our margins, I mean, we have seen some fluctuations in the operations generally. Obviously, with a rising interest rate environment, the margins have been improving. What is the outlook even if we don't see any more hikes out of the Fed?

Greg Braca – TD – Group Head, U.S. Retail

For us or the industry?

John Aiken – Barclays Capital – Analyst

For you.

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So the way I would generally talk about this is a lot for us goes into the margin conversation. And it's not just the short end of the curve, it's what's the yield curve doing? What's the long end? What's the spread? What's the mix of business you're growing between loans and deposits? And all of those factors go into the sauce of how we think about net interest margin. What aspects of the loan portfolio you're growing, is it the investment grade with lower margins or of the consumer bank that would be prime based and things like that. So a lot goes into that. But generally, the way I'd answer the question is last quarter, we realized a very strong NIM expansion, up 10 basis points from Q2 to Q3, 19 basis points up year-over-year. And given our balance sheet and our liquidity, I would – the way I couched this generally, and it's always with the caveat of all things being equal on the long-term end of the curve and all other things going on, rising rates will generally be good for our NIM score. And that's how I would answer.

John Aiken – Barclays Capital – Analyst

And then in context, what is the outlook in terms of loan volume growth?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So loan volume growth is a little bit of a tale of two tapes. And if you go back eight quarters or nine quarters ago, you would have seen TD in the U.S. growing high single digits, even into low-double digits loan growth just consistently for a number of years. And this is a business – one of the big drivers – two businesses that I was particularly close to running at the time. One is the Corporate and specialty bank that we built and we put a lot of assets on because we were just coming into some sort of modicum of scale around a national Corporate and Institutional lending business. And it's Corporate banking and asset-based lending and leasing and institutional real estate, and we were far smaller than any of our peers around that, and we were obviously putting on assets, and that drove a lot of the volume.

And then, the auto business also at the time was hovering somewhere around double-digit growth. And on the Corporate Banking business, I'd say one of the drivers for why overall loan growth has slowed somewhat is, first, we've come into somewhat of our size, although I think we've got a lot of upside still due there. But the second part of it is we've seen the industry, and this is across all of the large banks, you see tremendous pay downs on bank facilities with a rising rate environment, sophisticated CFOs and treasurers are tapping the bond market that is wide open and available to a lot of companies. You're seeing the redeploy of commercial paper back in for short-term borrowing needs that had been out of vogue for a while. You're seeing a lot of companies using a lot of the pent-up cash that has been stored on their balance sheet or cash that's been repatriated from outside the company. So, I think there's a lot of things that have come together.

And then, finally, if you go back just a few years ago, M&A was very, very hot in the U.S., and you've seen a slowdown there until a lot of uncertainties, whether it's interest rates, taxes, trade to be sorted out, and that was a driver of growth, too. But notwithstanding all of that, I'd say on the Commercial side of the business, we believe we're very well positioned from Small Business right through these Institutional businesses that continue to take share into growing to more of our natural size.

On the consumer side of the bank, you also had a confluence of events coming together, some driving by interest rates and values on the mortgage side alone. It was a 70/30 market in favor of refinance to purchase, and now, it's completely inverted on the other end. I think some stats I saw recently, last week, it's almost 80/20 purchase versus refi with a lot smaller volume given it's a purchase market. So people are paying down home equities and things like that.

For us, we've had strong growth on our credit card business, again, a relatively smaller business than many of the larger banks, and we've been growing strongly in the cards business double-digit now. And auto, we've scaled back intentionally to 5% growth thereabouts, is what we've been running in that business. And I think that's appropriate given the time and the cycle we're in.

But the bottom line message is that we still expect to see, and it's how we measure, I said, at the beginning, how we measure ourselves. It's not just what the industry gets. How do we measure ourselves relative to peers. And if regional banks are growing their loan book, last quarter, best estimate, 0% to 1%, far more muted growth than we would have seen a few years ago, we're growing at 4%, I still expect us, regardless of the market, to be an outlier in terms of growth on the lending side.

John Aiken – Barclays Capital – Analyst

Fantastic. Can we actually get the second polling question up, please?

How do you think the Canadian bank valuations will perform against their U.S. peers over the next 12 months?

(1) significantly outperform, (2), modestly outperform, (3), in line, (4) modestly underperform and (5) significantly underperform.

And that was Canadian bank as a group, not just TD.

That's a nice ball curve.

Greg Braca – TD – Group Head, U.S. Retail

In line.

John Aiken – Barclays Capital – Analyst

In line, that's interesting. Greg...

Greg Braca – TD – Group Head, U.S. Retail

I'm not going to comment on this one.

John Aiken – Barclays Capital – Analyst

No, no, no. It's been actually – in terms of taking your step out as a part of the executive group, what is TD's outlook in terms of growth for your line of business relative to the other operations that TD has?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, it's very clear as being the CEO and President of the U.S. Bank, we've talked about this for a number of years now, that the expectation is that we continue to grow, and this would be part of the group narrative overall for TD Bank Group. The fascinating part, and I think tremendous kudos to my Canadian counterparts, is given all of the size and market share that they hold with Teri Currie and Leo Salom on the Wealth side up in Canada, that they're able to continue to drive the kind of growth that they are has been fantastic, and we're very excited about our Canadian Retail business as well. But just from a U.S. lens, we plan and it is strongly our intent that we will continue to be one of the major growth drivers for TD.

John Aiken – Barclays Capital – Analyst

And then when you look at the size of TD U.S. on an absolute basis in the U.S., but also relative to the TD's overall operations, how many synergies are there cross-border between yours and Teri's operation? I mean, I know on the margins, there's obviously some small businesses, some consumers that do business on both sides of the border. But is this something that actually does help the operations or is it just more just a matter of geography?

Greg Braca – TD – Group Head, U.S. Retail

Well, first, I'll paint the picture. While we have so much in common that is leverageable, and we do day in, day out, and we don't even talk about what we leverage behind the scenes from technology and data centers and all sorts of infrastructure that supports and cuts across both sides of the border, but we should set the stage that while we have so much alike and there's so much cross-border trade and traffic of customers and businesses, we should be honest on the banking front, it's a very different environment.

You have a consolidated banking environment in Canada, and down here in the U.S., we've got 6,000 banks, and it's just a completely different environment. Up in Canada, TD is the dominant player, if not, they're one in two in just about all markets we do business with. And we are the money center bank in Canada.

Down here, while seventh largest in the U.S. in terms of total size, there's a big gap between us and the largest money centers, and we still like to think of ourselves, even with all we've done, as having that disruptor role here in the U.S.

But when we think about products and services and disrupting established revenue streams in the U.S., and how to go to market and business, it's fascinating conversations Teri Currie and I would have, or Leo and I would have, or others about what's the lessons learned up north, what do we see as the environment down here, what are the things from down here can be brought up there to further disrupt and try to find ways to take very valuable points of market share up north of the border. So, that's an active dialogue, and certainly, all of us as part of the senior executive team up north, we spend quite a bit of time on that.

John Aiken – Barclays Capital – Analyst

Fantastic. I'll pause to see if there's any questions out there. We've got one at the back.

Unidentified Audience Member

I noticed in your Retail branches, and again, it's a small sample, but you seem to be building standalone large branches. I go to the one in Pelham, Mount Vernon, some of the ones in Westchester. And that seems to be different with Capital One going to its cafes and even, I guess, Chase with some of their branches, they're smaller. And, by the way, there's plenty of traffic in your branches, and I like that. I go to branches. And I go to Bank of America and the branch is getting smaller because they build all these cubicles and it's – anyway, can you comment on that, your Retail branches in the U.S. going forward?

Greg Braca – TD – Group Head, U.S. Retail

Sure. So, if I think about the physical distribution strategy notwithstanding all of the digital conversations that banks serve, much of the volume as far as new accounts and volumes like that, 70% or 80% of the volume is still walking in physical stores like the ones you talk about.

And while digital has made enormous strides, the physical branch – in our case, we call them stores – are still very, very important. And some of the ones that you mentioned in Pelham, in Mount Vernon, and I know those locations specifically as we're building them out, it's very clear to me, over the next three to five years, while branches and stores are going to have a very important place and a very important part of our strategy, you can envision an environment where they become smaller in footprint. They become different. They become far more digitally enabled from the time you walk in. And this, in my mind, for TD will define modern versions of convenience. And you don't lose that digital connection just because you're walking into one of our physical sites.

And while those stores have been built a number of years ago, we've also got terrific examples around in various areas right here in New York City, where we've worked and tried very successful versions that are smaller in footprint, much more digital, self-help enabled, complement with live staff that are there. So, I think over a number of years, you could see in given locations where leases come up, where opportunities come up with the physical size of stores, especially if we see transactions continue to migrate away from them on an everyday basis. But I do think the physical footprint, as you call out, will continue to be very important.

And those stores that you mentioned, obviously, all of the banks will have many of the legacy size and look and feel before all of the digital capabilities really that have been put forward over just the last three to four years have come to life. If you look at a lot of our new stores that we've put in place in many urban cities over the last year or two, they would look a little bit different and far smaller footprint than the ones you would call out.

Unidentified Audience Member

Hi. You touched on growth in U.S. cards. Can you maybe talk about how you're able to compete with the larger players that are aggressively marketing that have these very costly loyalty programs and rewards programs, and what type of segmentation you're in?

Greg Braca – TD – Group Head, U.S. Retail

Sure. So, I can think of a few that comes to mind. I'm sure comes to mind with you as well, but we won't call any of them out. The way we would think about that is we were starting from almost a standing start in our cards business not that many years ago. And I would put our current cards business in a couple of buckets. We've got two very large strategic partnerships, one with Target and one with Nordstrom. And effectively, it's a partnership for their own white label programs that they offer for their in-store customers. And these have been very, very good relationships, and we effectively provide the bank and the balance sheet behind that.

We have another business called our Retail Card Services for point-of-sale transactions. So, for smaller furniture companies and shops that need point-of-purchase finance, we're active in that business as well, and that's under our cards business. And then finally, and probably should be the most important, one of the most important aspects of our cards businesses is our own bank card, our own branded TD Card.

For those that know our story, we have so many millions and millions of loyal customers, a lot of times I refer to as fans, in our case, and we didn't have a credible card platform. And from an almost standing start, we've got 1 million of our customers that have our own TD branded card now in their wallet.

So, look, I think rewards and points are awfully important, and obviously, we need to have a competitive set around all of that. And we think we have, but I'm not so sure if the strategy is to have the absolute last dollar of cash back or utmost amount of points is the game. We naturally see ourselves playing today because, first and foremost, we want to leverage our own existing customer base that truly wants to have a TD Bank Card in their wallet as their primary bank.

So, I know it's very competitive out there and we shouldn't round that corner in the cards business, but the same time, I also don't want to pay for market share that ultimately has a negative return. And let's see how some of these schemes play out.

Unidentified Audience Member

Hi. I wonder what you think of the potential threat of the Robinhood's of the world sort of making their money basically on the deposits and getting effectively zero brokerage costs versus all this money that's coming off from Ameritrade? Do you see them as like peripheral players or something that you're going to have to make some form of change to your business model to compete against?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, I think it's a great question, and I'd encourage you for the direct view of Ameritrade's position on this and their investor presentation. And while we're the single largest shareholder, we obviously don't run the company day in, day out. But what I would tell you is that we see TD Ameritrade to be not only a very credible player as the largest discount brokerage operation in the country, they are very well equipped to deal with the competitive dynamics and challenges, and not just by the latest offering that have been announced over the last couple of months if we go back over the last year, year-and-a-half, including prices coming down per trade and all of those sorts of things. Ameritrade has navigated that strategic path unbelievably well.

We also see that the importance of size, technology, and a full suite of capabilities that Ameritrade brings to bear really does, in many cases, make the difference because they really do bring so much capability and support behind the scenes for those folks that are trading themselves.

So, I still say, yes, it's something that they watch, we watch, obviously, passively, from the sidelines. But I think Ameritrade is very, very well positioned given their size and scale and the business to fend off whatever the strategic commentary may be of the day.

John Aiken – Barclays Capital – Analyst

Can we actually go with the third polling question, please?

How likely do you believe that TD will be pursuing a material transaction in the near-term? And what are the implications for its valuation?

(1) likely and positive, (2) likely and negative, (3) unlikely but positive and (4) unlikely and negative?

Depending on what the response is, we'll forward this to Bharat so you get the green light.

Well, the betting odds are that you're likely to do something…

Greg Braca – TD – Group Head, U.S. Retail

Negative... for its valuation, yeah.

John Aiken – Barclays Capital – Analyst

So, I guess, the takeaway here is just don't overpay.

Greg Braca – TD – Group Head, U.S. Retail

Yeah, and that's something I think we think about a little bit.

John Aiken – Barclays Capital – Analyst

We've talked about M&A a lot. I'll leave it there unless you have any more specifics, but, Greg, wanted to talk about the digital offering, and technology spend is obviously topical. Do you think that technology can be a competitive advantage for TD? And then, I guess, on the flip side, how difficult is it for you to keep up with the larger players and what they're spending and what they're trying to do?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. So, great question, and spend is a relative thing, right? If some of the smaller community banks were to take a look at where we're spending on technology, they'd say we're one of the fortunate ones and what possible problems could we have.

If we look at the spend we're making here in the U.S. at least relative to our U.S. peers, obviously, there's a big gap. So the way I would think about that because as one of the larger banks, as I've already kind of put that position forward, I think there are certain table stakes required from a technology spend to make sure you're relevant. And just like if we were all in the market for a new smartphone, the iPhone and Samsung and maybe a couple of others might be on the decision list, but certainly, the flip phone wouldn't because it wouldn't have the core functionality. And that's the way I think about banks and their investments in these areas, that we and the other large banks are going to position ourselves very clearly to be part of that decision set because we have the core functionality around technology and mobile, and access and integrated with physical, and phone support and advice, and alerts and things like that.

I'm not so sure how others on the smaller end of the spectrum are going to be part of that when you look at just a few years down the road, and even today, you're seeing the bifurcation by the largest banks growing and taking share now from the smaller ones. And that hasn't happened in a couple of decades.

But I think it's an important discussion. For us, the way I would think about our stack and the things that we prioritize, I mean, there's a whole host of things that we're adding real time, new Commercial lending platforms and new retail lending origination systems for mortgage and home equity, and better interaction with our customers and a mobile platform that we rolled out earlier this year. All of these things go hand-in-hand with our everyday business.

So, I think they're very much accretive, but we also, if we're honest, need to be scrappy around these investment decisions. And we need to be very decided with a view about what our operating model is, what our target operating models are, what they look like a couple of years down the road, and I still feel very bullish on our ability to have a view around what those Retail businesses look like and what that value proposition, just to the question I got asked earlier about why we've been able to continue to grow for the last decade.

I think between bringing together digital capabilities, community focus, being as local as we can be, physical presence, and then finding a way to wrap that in an experience, and experience is where the art becomes, right – and wrapping that in an experience that's very different from our peers, I think that's the secret sauce for us.

And the other thing I shouldn't pass on is that our model inherently is a little bit different than a lot of the large legacy banks that have been orchestrated in silos and very distinct silos. And if you look at our model of how this actual business gets delivered every day in the markets is a local leader that's responsible ultimately, but that local geography and including Consumer and Small Business, and Commercial banking and Wealth. And from a customer's perspective, if you run a small business right down the street here and you want to deal with a bank on whether it's your business issue tomorrow or your kids' loan or credit card the next day or some other request on the Wealth side, you have a lens you're dealing with TD or whatever bank you're dealing with. And it shouldn't be about all I'm dealing with that area of the bank. And we think there's tremendous value to leveraging how that all comes together for us. So, that's part of some of the ways that we would talk about differentiation.

John Aiken – Barclays Capital – Analyst

Fantastic. We are running short on time. So, I think we've got time for one last question in the audience.

Unidentified Audience Member

Back a few years ago, I think you decided to sell Fannie Mae conforming residential mortgages in the secondary market. Prior to that, you hadn't. And it was similar to Canada where, I guess, you don't have a secondary market. How's that working out and what percentage of the conforming mortgages that you're originating are being sold versus kept on your books?

Greg Braca – TD – Group Head, U.S. Retail

Yeah. Well, we certainly don't want to make this an event where we're notifying everyone in this disclosure here. But the way I would answer that is, yes, we do sell a lot of our conforming mortgages in the secondary market. And for the most part, what we're retaining on balance sheet would be the jumbo mortgages.

Unidentified Audience Member

You don't have a breakdown in terms of jumbo versus...

Greg Braca – TD – Group Head, U.S. Retail

We haven't disclosed it in the past. And so that's the only reason I wouldn't give it today.

John Aiken – Barclays Capital – Analyst

All right. Well, great. We're short on time. Thank you very much.

Greg Braca – TD – Group Head, U.S. Retail

Thank you for having us. Thank you.

John Aiken – Barclays Capital – Analyst

Appreciate it.

Greg Braca – TD – Group Head, U.S. Retail

Thank you. Good luck. Enjoy the rest of the afternoon. Thanks much for the questions.