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FIRESIDE CHAT

Sumit Malhotra – Scotia Capital – Analyst

All right, everybody. Ready to get back at it for the afternoon session. I want to start by welcoming our next guest to the stage and that is Mr. Bharat Masrani, President and Chief Executive Officer of the TD Bank Financial Group. Bharat joined TD in in 1987 and has been the Chief Executive of the bank since November 2014. Sir?

Bharat Masrani – TD – Group President and CEO

Hey, Sumit. Good to see you.

Sumit Malhotra – Scotia Capital – Analyst

Good to see you too. Thanks for joining me.

Bharat Masrani – TD – Group President and CEO

Nice to be here.

Sumit Malhotra – Scotia Capital – Analyst

This is not always a question I like to talk to you about, given that we all have very little control over what happens on the macro side of the equation. But I think you'll understand with everything going on in the world today, macro has a lot of ways been more important to what's happening with the stocks than micro.

So more than most banks, TD has had a very consistent message when it comes to medium- and long-term objectives, both financial and strategic. And specifically on the financial, I think we've all become very accustomed to the 7% to 10% EPS growth goal for many years now. That said, I think what we're interested in hearing is how you and the management team think about those medium-term objectives in the context of inverted yield curve, Brexit, trade wars and a lot of the macro issues that have been in the headlines today. What are the levers available to the bank and more importantly, is it important to pull those levers just to say that you hit the 7% in any given year?

Bharat Masrani – TD – Group President and CEO

It's a good question to start. By the way, I always get impressed with your facilities here, very nice.

Sumit Malhotra – Scotia Capital – Analyst

Thank you, I'll pass it up the food chain.

Bharat Masrani – TD – Group President and CEO

So, firstly, to just clarify, the 7% to 10% is a medium-term target, Sumit, so just to make sure that is well understood.

And so we pride ourselves that if the environment has changed in any fundamental way that we will find ways to adapt to that environment. And so what can we do? Let's talk about expenses, as I know where you'd like to go with this. So, the way at TD we think of expenses, I mean, there's the BAU expenses which are there to run the bank, etcetera, etcetera.

But from an investment profile perspective, in very simple terms, you should think of our expenses in three different buckets. You have the first bucket, for ease of reference, that's regulatory or protection of the bank, etcetera, etcetera. And those are given, you're always going to make those investments. So we have businesses – I'd give you the example of the TD Auto Finance business in the U.S. that's state regulated and operates in all 50 states. So if there's a change in regulation in one state that we had to make the investment to make sure we're compliant. So we continue to invest in that.

The second bucket would be strategic investments. You can see all the digitization that you see out of TD, all the properties we've launched, TD MySpend, TD for Me, the new platform in the United States on the digital front, as well as increasing our sales forces on the mortgage side, on financial planning that would be all in the bucket of strategic investments.

And then we would have, again in simple terms, the third bucket which would be what we would classify as more discretionary in nature. Now, that doesn't mean a better restaurant or travelling first class but it is more to do with some investments that are necessary but can wait 6 months or 12 months or 18 months or whatever the case might be. At some point they have to be made, and could we find ways to optimize those based on the environment we find ourselves in. So given the size and scale of the bank, we do have flexibility if this environment were to turn negative for a sustained period of time.

With respect to the environment, it is interesting, that is this going to be like this for a long time or not, time will tell. I mean, who's to know. Tomorrow there's some kind of an accommodation on trade perhaps, things stabilize quite dramatically and quite quickly. But the flipside of such an environment is, that as we already see in the U.S., the mortgage activity has picked up quite smartly because the refi activity comes on. And on the ground, we see in the rest of our customers more positive because the real economy seems to have disconnected with all these macro headlines, though at some point it may catch up. So do I see more economic activity out there that gives us more revenue opportunities? Absolutely.

So these things have a cycle it plays out. And I think TD has shown that we are resilient in whatever environment we find ourselves in and it's hard to pin a particular number of earnings growth. But I can tell you one thing: with the type of businesses we have, the mix we have, the scale we have, the brand, the customer centric model… I can assure you that we will perform at the best level possible in whatever environment we find ourselves in.

Sumit Malhotra – Scotia Capital – Analyst

Thank you for that. And you – and then talking about the levers, you went to expenses right away. So I have one question to start that perhaps ties in with that consistency and predictability theme that we always think about when it comes to TD. There have been periods of what I'm going to call on-again-off-again expense growth with TD in terms of the aggregate growth rate and the level of expenses. I think if we go back two years ago, you and I were sitting here, you were in the midst of very low expense growth that then the quarters lap, and it became a pace that was closer to high-single digits.

For a bank that prides itself on this consistency and predictability, why do you think there has been such variance in the level of expense growth? And now I think this quarter was a much more normal 4% to 5%. Is that a level that you think in the current revenue environment is more reflective of what we should expect in terms of expense and investment spend?

Bharat Masrani – TD – Group President and CEO

So, I would respectfully disagree with you on on-again-off-again type of expense growth.

Sumit Malhotra – Scotia Capital – Analyst

Okay.

Bharat Masrani – TD – Group President and CEO

I think this was very predictable because I said it. When we had very low expense growth, it was soon after we had gone through a restructuring in the bank. And I specifically said that this is not about permanently reducing our expense growth. This is about creating capacity to make the necessary investments.

So, any time you're going to see those investments being made, and this expense growth will go up to what you would have expected prior to having gone through the restructuring, well, guess what? We did make the investments. That's why you see what we have. I mean, today, out of like 25 million North American customers, more than 13 million of them are digital customers. Out of those 13 million, 8 million-plus are active mobile users at TD. 5 million-plus in Canada, 3 million-plus in the U.S. So, that is taking investments and absolutely necessary investments for us to achieve the performance that we have.

Now, for this particular year, we had signaled that the first half is going to be higher because that's the pace at which we wanted to make the investment and I've said we always strive for positive operating leverage, but there might be a quarter or two or even a year that we may not have that because we're not going to give up on certain investment opportunities. That's been the hallmark of TD that provides us with the franchise that we build. And we will make those necessary investments.

This year, and we did say that we expect to generate positive operating leverage, and absent some major surprises I would expect us to deliver that. So, a positive operating leverage is important, pace of investment is important and investing for the future is important. And if those in combination results in some choppiness in the quarter-over-quarter so be it.

Sumit Malhotra – Scotia Capital – Analyst

And to be clear of that, so the restructuring is obviously a few years back now. So as we got into the second half, this quarter's expense growth was a more run rate type level in your view.

Bharat Masrani – TD – Group President and CEO

Yeah. And it's hard to pin down a number because you don't run in the forecasting business and our view is that we want to adapt as quickly as we can, if we think there's been a fundamental change in the environment. We are striving for positive operating leverage and for the most part we deliver that. And that depends on the macro environment as well as what is within our control. And my message to my own team is we can't control what tweet might come out or whatever. So let's not worry about that. Let's worry about what we control and that is serving our customers, providing those legendary experiences and expanding the client base that we have and have deeper relationships with.

Sumit Malhotra – Scotia Capital – Analyst

One of those areas of investment for the bank in your tenure, and probably more noticeable in the past year, has been the wholesale franchise, particularly in the U.S. So I think what I was saying to someone is that I think Bob has gotten more air time on the call this year than in the last five years. But it is an area that you've signaled from the beginning that you're willing to have be a bigger part of the bank. So, maybe we can talk more strategically. What exactly is your ambition for TD's Wholesale franchise in the U.S. and given your strength as a commercial lender in the country, how successful have you been in marrying those commercial relationships into fee income type capital markets revenue?

Bharat Masrani – TD – Group President and CEO

So yes, I have said that and I continue to believe that we can make more progress on Wholesale than what we may have traditionally done. And the reason is simple. In our Canadian businesses it's scale, we can compete with anyone out there and have a fair share of the business that takes place. And outside of Canada, we are not as big as we would like to be. So why the U.S.?

Well, a few points. Firstly, I think three years ago, Bob talked about building out our U.S. dollar capabilities. So, it started with the international fixed income business. This a business where the SSA type of clientele, the World Bank and the EBRDs of the world, we have been players in that space for many, many years but not in U.S. dollars. And we wanted to make sure we build that capability because we already have a franchise, we have the relationships, we have the brand, the reputation. And so that's what we've been building, and you can see how well we've done there. We would be in the top 5 or 6 in that space in a very short period of time. That has allowed us to also build out with it more of a corporate business in the U.S. because you have a U.S. dollar capability.

In addition to that, just sticking to TD Securities for a minute. You look at the investment banking side of the business in the U.S., traditionally we would be focused on media and telecom. We've always had that franchise. We decided two or three years ago to expand and what we did, take oil and gas out of Houston, there were opportunities, there were certain European players that had other issues to deal with in their home countries and those portfolios were available for sale, teams were available for sale, and we did do a deal there that made that franchise a much stronger and a deeper one. That's another example of making the investments there.

And then finally how we've done with TD Bank, America's Most Convenient Bank, that continues to be a build out. We've got a fantastic franchise from Maine to Florida. That's how TD Securities was originally built in Canada with TD Bank, what we did for that clientele. And that's going very well. I think the various initiatives that have been launched. And so, I think overall we feel we're doing the right thing. And that can really be a franchise player for us in the U.S. but it is the wholesale business, and it is going to be more volatile, the macro environment is going to impact it very quickly as it normally does. And the overall numbers for Bob, one of the difficulties for Bob is that just to stand still he's got to grow at the pace of the rest of the bank. It's not as if the rest of the bank is stalling. So, he has to continue to make those investments and grow just to stay where he is.

Sumit Malhotra – Scotia Capital – Analyst

And let's be candid in the wholesale business, particularly for this bank. I think the bad quarters are going to stand out more in the good quarters. This one that just passed, I think you were – if I remember correctly, the strongest from a wholesale perspective. I don't think you got a question on this call. So, that kind of speaks to how this is viewed for TD. That said, and I think you'll agree, some of the trading volatility we saw in late 2018 and particularly to start this year was not in line with what the market expects from TD. I always lean on the fact that when we first met, you were the Chief Risk Officer of the bank. Are you comfortable with the risk profile of the wholesale franchise at TD with this build out or has something changed with respect particularly to trading and the volatility that it's going to bring to revenue results?

Bharat Masrani – TD – Group President and CEO

Well I think some context might help there. Let's go to the first quarter, which was a rough quarter for TD Securities. Entirely explainable based on our strategy and the risk appetite we have for that business. Fixed income businesses were highly volatile. There were, to be on the conservative side, decisions made on funding and how we would want to have excess funding given all the volatility that was going on. We are more Canadian-centric versus perhaps others, and Canada had really slowed.

So when you look at all the details as; what is the environment, based on our strategy, and what performance we delivered against that, so entirely explainable. In fact from where I sit, I would have been quite distressed if we had made a lot of money in the first quarter with that type of an environment because that means we did something that we normally would not do and that would not be a good thing that we started to go outside of what our strategies might be or what our risk appetite might be. We did not do that.

So we've been consistent. Bob– we've had a very sort of transparent message for our colleagues and within TD Securities that: Listen, we want to grow the business. We want to grow it as long as it is within strategies, within our risk appetite and I'm not just talking about a small metric here or there.

Risk appetite is principles based, that you have to understand and then manage the risk and if you don't, then we won't do it. You're not going to bet the bank on one strategy or one product. And you're not going to do anything that's going to harm our brand. That simple. And over the cycle, you're going to deliver more than 15% returns.

So, it's been consistent from last four or five years. That's been the message and that's how it's been performing. For the most part, apart from certain markets where we're don't, but at least it is a consistent approach.

Sumit Malhotra – Scotia Capital – Analyst

Fair enough. Obviously, we want to touch on the bigger part of the U.S. business. Maybe a quick stop in between with capital. So, for most of the last two years now, the bank has been operating with the highest capital ratio in the group. You ended this quarter close to 12%.

The numbers, when it comes to capital, have continued to rise. I think you and I have sat here, I've had the pleasure of sitting with you for six years now. I think if we would've said 12% a few years ago, it probably would've been something we would have shaken our heads at. But you've been here – I'm not going to ask you about M&A because I feel like that comes up all the time.

I would say that the two direct questions I have for you is, does the introduction formally of the Domestic Stability Buffer (DSB) by OSFI and the increases to it change the way you think about where excess capital begins? And the second part of that is, it's been – some of your counterparts have said, well, that can be – that buffer can be lowered as well. You and I were both here during the financial crisis, the market doesn't usually respond well to capital ratios going lower during a downturn. So, does this increase in the buffer effectively signal a higher bar for where you have to manage capital going forward?

Bharat Masrani – TD – Group President and CEO

I think OSFI has actually been quite clear that they would like to find a way with these buffers to actually perform the way they are intended. So, that's supposed to be both ways. Time will tell. I think markets, as to how markets behave, will influence that going forward.

But from my perspective, changes made on the DSIB buffer number, really doesn't change our thinking. We have a very sort of straightforward capital deployment strategy. We want to always make sure we have enough capital to support our business and grow our businesses and that's our priority one. We'll use our capital whenever there's an opportunity to fill out any gaps in our capabilities. I think the acquisition of Greystone kind of fits into that profile. We could have built that business, but it could have taken us a few years rather than buying it, so, we decided to buy it and it's been a terrific acquisition.

We also want to have enough capital should there be an opportunistic play in the market and we've seen that in the credit card space at least for TD. And after that, we will look at M&A opportunities. We are good at it. It's part of our legacy and part of our history. We couldn't have the business in Canada that we have today if we hadn't acquired Canada Trust or we wouldn't have the U.S. platform if we had not acquired some of the banks we did down there. So, we are good at it. We manage it well and make sure from our culture, from our financial discipline and from a strategy perspective it's in alignment.

So, that's how we think about capital. And then if we have excess capital after that we are not shy to buy back our shares as well. So, I know you didn't bring up M&A but I know, I've been meeting with a lot of investors, and these people keep on asking that. Now if you believe that this environment we are in will continue to be very negative with extraordinary low rates and all that, I would expect there to be more opportunities out there than what we might have seen in the past few years. And if that is the case then if the right opportunity would present itself, would we look at it very seriously, the answer would be yes. Because we are good at it, we've used it previously and we do have the financial and the management capabilities to do good deals.

Sumit Malhotra – Scotia Capital – Analyst

Yeah, yeah. You're right. I didn't bring up on the name, but I guess I kind of brought it into the conversation. It's – the Commerce Bancorp deal was the hallmark deal for the TD U.S. personal and commercial franchise. And if I remember correctly, it was announced in October 2007.

Bharat Masrani – TD – Group President and CEO

Great timing. Wasn't it?

Sumit Malhotra – Scotia Capital – Analyst

Well, as the market was starting to show signs of weakness which you can argue is similar today. You haven't done a bank acquisition, I think I was looking at my notes here, that it was 2010.

Bharat Masrani – TD – Group President and CEO

We did Scottrade Bank.

Sumit Malhotra – Scotia Capital – Analyst

Well, yeah, I was thinking that's – we're going to get to Ameritrade too. But a real pure bank acquisition, it's been a long time and that's because a lot of the work was already done. And you've been able to benefit from that via your strong deposit franchise and the rate hike cycle.

I think the market was caught off guard to some degree by the magnitude of margin compression we saw in the most recent quarter. NIM is never the easiest thing to figure out. So, I'll ask it more conceptually. You've got a very strong deposit franchise and still an overweight deposit franchise in the U.S. Is the pressure on net interest margin and net interest income, something that is just beginning for the bank if rates stay at this level?

Bharat Masrani – TD – Group President and CEO

Well, lower rates are not helpful. I mean – but the way we manage the bank, firstly, the way we do our tractoring strategy and all that it takes time for those headwinds to play into the whole sort of cycle, so it takes a few years depending on the durations that you've run. So, we look at that very seriously. But as I said earlier, with such low rates, I would expect business activity to pick up and that would give us more opportunity on the flip side of it.

Again, not to go as you've talked about Commerce, the acquisition and all that. I mean it is interesting when you get through a cycle as to how expectations of potential sellers change in real time. And so we'll see how quickly this – how efficient the market is this time around. I think the part that we should keep in mind is, as quickly as things appeared to have turned, it could turn the other way as well. And we have to just be mindful of operating the bank in the best possible way we can, through this turmoil or through this volatility. So I am not prepared to say that NIMs are going to be under pressure for the foreseeable future because it's okay when you have NIMs compress a bit. A lot of the business we do is still NII positive and we like that too.

Sumit Malhotra – Scotia Capital – Analyst

It's an interesting point you're making is that as the rates move lower, we think about the impact on net interest margin first and foremost. Now I hear you correctly, the potential positives, and leaving the expectations of sellers out of it, from a business perspective the potential positives are it could spur loan growth and it's theoretically positive to credit. And I'll leave you in with this one. Your loan growth compared to some of your peers who are speaking today who have U.S. franchises, some of those folks have seen their businesses growing loans at 14% to 15%. Your bank has been much less robust than that. And if I hear you correctly, you think there's an opportunity for that part of the business to perhaps increase as an offset to NIM.

Bharat Masrani – TD – Group President and CEO

Yes, unlike Canada, I think it's hard to compare the Canadian banks in the U.S. And we are in the Eastern Seaboard from Maine to Florida. I don't see any of our Canadian peers competing in that market. So, we like to compare our numbers to our peers in the market because that's how the U.S. operates. And when you do that, we're very happy with our loan growth. I think we grow our loans by 6% and quite happy as to how we're taking share and what's happening on from that perspective. So I'm not worried about our, what I call, operating performance in loan and deposit growth. Even on deposit growth, ex-TD Ameritrade sweeps, the deposits are up 5%. Our core checking is up 4%. I like all that. That's what we live for. That's what will generate the income for many, many years to come.

And so from a franchise perspective, very happy as to how that is playing out. So I mean, would I like more loan growth? Yes. If it's high quality loan growth, I would like it, not growth for the sake of growth because we are a bank at the end, and we don't want to be growing at the expense of risk.

Sumit Malhotra – Scotia Capital – Analyst

And finally on U.S. P&C, to go back to maybe the beginning of the conversation and potential offsets to a more challenging revenue environment. I feel as if your expense growth, and I want to choose my adjective carefully here, I feel like the expense growth has been – has seen more volatility in Canada than it has in the U.S. I think we have to go back many, many years to find a quarter with negative operating leverage in the U.S. At least conceptually in my mind, the competitive threat from nontraditional financial players has been greater in the U.S. than we've seen in Canada. So, I think the question is, is there capacity in the U.S. to slow the level of expense or investment spend or is that already at a level where there probably isn't much more you can do?

Bharat Masrani – TD – Group President and CEO

Both. It depends on what type of investments we are talking about. I think there are opportunities on the third bucket that I explained, but I'd be loathe to stop at the first two buckets because they're important to us and same in Canada.

In Canada, I know we did say that we are going to make the investment in Teri's business. We are moving our physical distribution more towards the advice side of the spectrum and that takes investment and for the right reasons, we do that. We said we're going to invest in our credit card portfolios, I think with our now renewed deal with Air Canada, we said we may be making investments in that product. And so all that is why you see the expense growth that you do. And it's very much on strategy and on message.

Sumit Malhotra – Scotia Capital – Analyst

As far as – again we'll stay out of the medium term or short-term range, but earnings growth in the U.S. has obviously been extremely robust the last few years, you've had many tailwinds from tax reform to rate hikes to strong economy. As you sit here today, is the U.S. – does the U.S. business have the capacity to grow earnings in 2020 in the current rate environment that is in place?

Bharat Masrani – TD – Group President and CEO

I think trying to make a call on a quarter or a year when you see this kind of volatility, I don't think it would be appropriate to say that we can grow it at a particular level or not at a particular level. But it is important for us that we continue to generate positive operating leverage. We may not have it in a particular period but that's the way our model works. And we are a growth company in the U.S., we continue to invest in that franchise, we think we have tremendous opportunity in the area in which we operate.

And if we look at Greg's numbers from number of clients served, loan growth and deposit growth, the level of engagement we have as we have launched these digital properties. I mean, those are the metrics that really matter. The macro environment will have some influence on what that exact number will be at the bottom line. But that's why we're such a diversified bank and that we are a scale bank.

Now getting back to your point on M&A, I mean, when you and I used to talk, you came down to the U.S. when I was running that business and we didn't have a choice but to acquire because we were subscale. We don't have that problem anymore.

Sumit Malhotra – Scotia Capital – Analyst

Yes.

Bharat Masrani – TD – Group President and CEO

We are a scale player. We are a top 6 bank in all of the United States. This is counting all the domestic banks, not just foreign banks. We would be one of the largest foreign banks in the P&C business in the United States. We're very proud of our positioning there. And yes, there are macro headwinds that come and go but as to what the franchise is and what we've been able to deliver and create the growth in metrics that matter to us over the long term, we're very happy with how that is progressing.

Sumit Malhotra – Scotia Capital – Analyst

Another one of the hats you've worn in your many years with the bank was in TD Waterhouse which obviously I think, is probably underappreciated. What a win that's been for shareholders in many different forms. And I would say from my seat, the biggest win, capital deployment wise in your tenure was the Scottrade acquisition. As you mentioned, you bought the bank and then obviously the bigger piece of the puzzle was Ameritrade buying the brokerage. And I think there's no subsector of financial services that gets the synergies and accretion that the discount brokerage or however you want to call it, the online brokerage space does.

So let's get to that one. Obviously there was a surprise management change that was announced in July. So let me put it to you this way. The last two chief executives of TD Ameritrade have been longtime TD executives.

You're on the board of Ameritrade. How important is it to the bank to have somebody with roots with TD, an experience with the TD culture, to be the point person of TD Ameritrade, a company you still own 40% of...

Bharat Masrani – TD – Group President and CEO

... 43% of.

We always want the best person to be running that company and I think that the two TD executives, you named, did a terrific job. So proud of where that franchise has gone under the tenure of the two CEOs you talked about. But whomever is appointed as CEO, I think it's a great franchise, it's got a fantastic brand. It is the biggest online broker in the United States, that has tremendous ratings and performance to go by. And we're very proud. TD's extremely proud to be part of this journey as you rightly pointed out, we entered this space in the U.S. in 1996 and it's been terrific. It's been terrific and continues to be terrific.

So, I have every confidence that the board in the U.S. and at TD Ameritrade that the very best candidate will be chosen to continue to progress the growth story of TD Ameritrade.

Sumit Malhotra – Scotia Capital – Analyst

For many years, both in your tenure and before that, the bank has communicated to us that we don't need to own 100% of Ameritrade to have a very good share of the economics and a very good influence, if you will about the strategic direction of the company. Do you think questions over leadership or some of the speculation about the sweep deposit agreement, and whether market rates and terms are fair, would be less of an issue if you own 100% or to you is that noise more than anything else?

Bharat Masrani – TD – Group President and CEO

I think, Sumit, it can be a lot of fun to sort of react to gossip and hearsay. From a strategic perspective it is TD Ameritrade. And like you said, strategically we are able to get all the advantages that come in a position like that. It's a great company, very proud to be part of it. If you look at, just recently, TD Bank in the U.S. and TD Ameritrade launched where you can see your accounts on the same footprint, and we are in a large footprint, and you can see your TD Ameritrade account and TD Bank account on one screen. TD Ameritrade has launched the TD Bank credit card to its clients, strategically we're able to do that. And it's been terrific. It's been a win-win.

When we talk about Scottrade, what a great acquisition for both companies and you say with TD Bank, the bank was a great acquisition but with TD Ameritrade like I said 43% of their entity is TD. So, that was terrific lift from that as well. So, very happy with how this has played out and strategically I find our position very tenable.

Sumit Malhotra – Scotia Capital – Analyst

Okay let's move on to a couple of things, as always, the clock moves quickly. One, I don't know – I guess it technically is an acquisition but maybe we don't think of it that way, Layer 6, that you brought aboard on the artificial intelligence side. One of the areas that I thought about AI a lot in terms of how it could help the bank or banks in general was around credit quality – that's at least what I think but I'd be interested to hear you talk about what has Layer 6 brought into the bank?

And I had the chance to meet Rizwan earlier this summer and see some of the interesting aspects he and his team are working on. I think a year ago you told us 40% of the technology spend is changing the bank. So, maybe you could give us an idea on some of the mandates that you've tasked him and his team to come up with and I think that would a good place to wrap it up.

Bharat Masrani – TD – Group President and CEO

Yes, Layer 6 has been a terrific acquisition. We are so happy with it. A lot of the focus in that capability is being at the front prediction sort of capabilities. So, targeting a specific segment of customers, they're looking for renewals or if we think that GICs might be coming due, so which customer should we be talking to more or less, etcetera. So, it's worked out remarkably well from that perspective.

I'd say the front you're talking about is new, but we think huge going forward. In fact, Layer 6 is now very much involved in how we are thinking about artificial intelligence in our credit modeling and frankly even managing our fraud approaches in the bank and the early results are very encouraging. So you should see more of it going forward. I think it's been a – artificial intelligence and machine learning, it's one thing to invest just in technologies but if all these things don't come together, then it's not going to be as powerful as it ought to be.

So we've been very aggressive in our investment spend. I've cited some of the numbers as to how big we are as a digital institution and how many active mobile customers we have. And that would not happen unless we have made the right investments. So the way we think about technology investments and digitization is, what level of engagement are creating with our customers. And as we see those engagement numbers go up, we're also able to track that those relationships turn out to be deeper and they have more products and more services with TD.

So it can also flow through as we are tracking it. Stuff that Rizwan does is not just like the whiz-bang stuff. There is a business logic to it and what level of engagement we are creating on both sides of the border, I might add. So very happy. And I should add that it is not just about digitization as to what investments we are making under our omni-channel strategies. If you look at what's happening with TD Locations in Canada or TD Bank, America's Most Convenient Bank stores in the U.S. You see the changes occurring there as well.

When Terry talks about future-ready, it's not just saying, okay, let's switch on the advice side of it, it's rewiring what we have in our physical distribution. So that overall approach I'm very happy as to how quickly the bank has transformed itself and hence you are seeing some of the numbers you are seeing out of TD.

Sumit Malhotra – Scotia Capital – Analyst

Got it. Well listen, I appreciate you taking the time and sharing that with us and look forward to speaking with you again.

Bharat Masrani – TD – Group President and CEO

Thanks very much. Thanks for having me.