TD BANK GROUP
NBF 21ST ANNUAL FINANCIAL SERVICES CONFERENCE
MARCH 29, 2023

DISCLAIMER

THE INFORMATION CONTAINED IN THIS TRANSCRIPT IS A TEXTUAL REPRESENTATION OF THE NBF 21ST ANNUAL FINANCIAL SERVICES CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALL. IN NO WAY DOES TD ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON TD'S WEB SITE OR IN THIS TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE WEBCAST (AVAILABLE AT TD.COM/INVESTOR) ITSELF AND TD'S REGULATORY FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

FORWARD-LOOKING INFORMATION

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis ("2022 MD&A") in the Bank's 2022 Annual Report under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2023" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2022 Accomplishments and Focus for 2023" for the Corporate segment, and in other statements regarding the Bank's objectives and priorities for 2023 and beyond and strategies to achieve them, the regulatory environment in which the Bank operates, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "goal", "target", "may", and "could".

By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause, individually or in the aggregate, such differences include: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include general business and economic conditions in the regions in which the Bank operates; geopolitical risk; inflation, rising rates and recession; the economic, financial, and other impacts of pandemics, including the COVID-19 pandemic; the ability of the Bank to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion and integration of acquisitions and dispositions, business retention plans, and strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank's information technology, internet, network access or other voice or data communications systems or services; model risk; fraud activity; the failure of third parties to comply with their obligations to the Bank or its affiliates, including relating to the care and control of information, and other risks arising from the Bank's use of third-party service providers; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; regulatory oversight and compliance risk; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes to the Bank's credit ratings; changes in foreign exchange rates, interest rates, credit spreads and equity prices; increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk (including climate change); and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please refer to the "Risk Factors and Management" section of the 2022 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading "Significant Acquisitions" or "Significant and Subsequent Events, and Pending Acquisitions" in the relevant MD&A, which applicable releases may be found on www.td.com. All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. The Bank cautions readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2022 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2023" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2022 Accomplishments and Focus for 2023" for the Corporate segment, 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.

PRESENTATION

Gabriel Dechaine - NBF – Analyst

I'd like to welcome to the stage our next guest, Michael Rhodes, Group Head, Canadian Personal Banking. Michael was here last year as well when we were dealing with a different issue, a geopolitical one. This year it's a closer to home issue but nonetheless not a fun issue. And that segues into the first question, a couple of questions anyway. On deposits, everybody or a lot of people have been asking me about uninsured deposits in the Canadian banking system. And then, I got a follow-up to that one. But if you have any quantification there at all?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

Yes. So I know obviously, focus on deposits. And maybe just a categorical comment about our deposit base, and then I'll answer your question maybe from an industry perspective and then a TD Bank perspective because I don't believe that's something that we disclose from a bank perspective. But overall, actually, we feel very, very good. We have a very good core stable retail deposit base. And I imagine you're going to be asking me about what the performance trends are looking like and it's all pretty benign.

Our trends we're seeing at deposit flows, we track flow of funds, as you can imagine, on a daily, weekly, monthly basis. And the flows of funds have been pretty consistent, pre-Silicon Valley Bank, post-Silicon Valley Bank, which our forecast, no matter what kind of variance I look at. There's nothing particularly like interesting or about the data. It's just kind of more BAU is the way I would describe it. So the deposit base is performing very, very well.

In terms of the uninsured mix, again, I'd actually point to a third-party source. DBRS put out a report that said in the Canadian banking system, roughly 65% are uninsured -- was the number that they had. I'm not saying that's our number, I'll say we feel very good about our deposit book and how it's performing in this environment.

Gabriel Dechaine - NBF – Analyst

Right. So that issue becomes less of an issue when you tell me that the flows are similar to what they have been. However, I guess, has the trend of core deposits, switching into higher cost GICs -- has that accelerated at all? Or...

Michael Rhodes – TD – Group Head, Canadian Personal Banking

Okay. So good question. In terms of core non-term deposits, is what we call them versus term deposits, GICs. Maybe I can maybe step back and kind of anchor in our overall deposit book, and then I'll disaggregate to the individual trends.

Gabriel Dechaine - NBF – Analyst

Perfect.

Michael Rhodes – TD – Group Head, Canadian Personal Banking

Okay, perfect. So if you look at our first quarter data in our deposit book, we're up about 8% on a year-over-year basis, which was good. I was very happy with that. And then we disaggregate that number. We have non-term or core deposits and then you have term deposits. And actually, OSFI's data is publicly available, where if you go and kind of look at this, you can see that for TD, our most recently reported core deposit mix was at 77%. The industry is in the low 60s, call it 61%. So we have an advantage in terms of the core deposit base of our book, which we quite like, and it's kind of anchored in our overall value proposition and business model. And so we like that.

Now you also asked about trends. And so if I look on a year-over-year basis, our core deposit book is down about 2.5%, whereas the industry, the next closest competitor is about 6%. And term is clearly growing. You can't have your core go down 2.5% unless term is growing to get it to an 8% number. And so we do see some mix shifts, although the mix shifts that we're seeing heretofore have been less than the industry is seeing, and that's why you're seeing a relatively better margin expansion relative to the industry. And that's the trend that we're seeing.

And since Silicon Valley Bank, I don't want to provide any guidance or anything like that right now, but -- a lot of movements in rates and pay attention to the -- my advice to you would be, pay attention to what the pricing is of GICs because we've seen customer behavior gets anchored around rates. And so when rates go down, you're more likely to keep your balances in chequing accounts, sell lower yield and savings accounts. When they're up, there's the human behavior, actually shifts to GICs.

And so just take a look at the kind of market rates and what's going on there, and that will probably give you some indication whether the trends are increasing or decreasing.

Gabriel Dechaine - NBF – Analyst

Okay. And as far as deposit betas go, there's still upward pressure, however you look at it?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

I'm probably telling a boring story here, which is probably good. Our deposit betas are relatively well performing. And if anything, we've probably marginally outperformed where we thought we were going to be. And so if I think about margin impacts, I'm more interested myself in mix shifts than I am in betas right now.

Gabriel Dechaine - NBF – Analyst

So moving away from the topical stuff, I want to go back to some of the comments you had made or messaging you had provided when you took the role that the bank needed to be a bit more aggressive to win back market share that it was losing. And we've seen some improvement in commercial and catchup in mortgage. And that's what you want to see. But in the current market environment where we got a looming recession, whenever that's going to happen, if it's going to happen plus the recent events, it doesn't make it seem as, I guess, interesting to be aggressively chasing market share at this point. That's my word, but how would you respond to that?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

So great question and there is a lot to that question. And let me disaggregate the question a bit because we talk about market share. I think we have really good opportunities to expand market share in some critical key products. The word aggressive is an interesting one. I don't know if I used that word myself last year or not. But I wouldn't use the word...

Gabriel Dechaine - NBF – Analyst

That's how I remembered it.

Michael Rhodes – TD – Group Head, Canadian Personal Banking

I wouldn't use the word aggressive. I think we have tremendous opportunity and market expansion is coming from taking advantage of the opportunity. And let me disaggregate this to try to bring it to life, if I can. If I look at our -- just our number of customers we have in, say, the retail banks, 13 million, we have the largest customer base in the marketplace. If I look at our growth of our customer base and our growth of customers is coming from new credit card accounts, new mortgages, new chequing accounts, but it's primarily new chequing accounts. And if I look at our chequing account acquisition, first quarter was the best performance we've seen in years for our first quarter. In fact, we were up like 16% on a year-over-year basis and close to that versus pre-pandemic. So the customer flows are strong, our aggregate number of customers are strong.

Our flows of customers are strong on both a net and a gross basis. And I look at our interactions for our customers, and we have all sorts of data. We look at web traffic, mobile downloads, branch traffic, et cetera. We have more interactions per customer. So okay, more customers, faster growth rate, more interactions. We don't have the biggest mortgage book, and we don't have the biggest credit card book. We have all the raw materials necessary in order to kind of grow into our customer base. And what we're actually seeing now is, we have a lot of playbooks on how to make this work effectively. And I'm actually feeling pretty good about this. So I see market share expansion, but not by being aggressive, but just by executing really well.

And I'll give a couple of examples. One example is, I think everyone knows, branch traffic is down for transactional type activities and so much less likely to come into a branch. So much less activity inside the branch.

And so one of the playbooks you have is actually, we mine our existing customer base. We look for digital indicators. We look for model indicators or for propensity to take various products. So take our mortgage business. We have these high opportunity leads, which we think are actually very likely to be interested in our mortgage business and so we have our advisers make outbound phone calls and engage with customers.

We might engage with them in a digital environment. We're seeing our ability to close these high-value leads, is up by a factor of 3x on a year-over-year basis. And so for me, the opportunity for market expansion is just taking this great asset we have -- we have such a wonderful retail distribution network. We have more digital traffic than anyone else. We have the strongest brand according to brand finance. We have great partnerships. We have all the raw materials. If we execute well, we're going to gain share.

Gabriel Dechaine - NBF – Analyst

Well, one product line, in particular, I look at is credit cards. And there are obviously some industry headwinds, like the revolving balances and stuff like that. We'll talk about that in a moment. But if I just look at TD versus the peer group, your balances are 7% below where they were pre-COVID, and your peers are slightly in positive territory. I mean there's maybe mix travel rewards -- you're maybe more exposed to that. Or maybe there are some other factors. Could we talk about why your recovery has maybe lagged the peer group?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

Great question. And I might take a little while to answer this one, because there's a lot to it. The punchline -- I guess, the punchline, I actually feel really good about our cards business and how we're positioned and what that means on a go-forward basis. You are correct. Our loan volume is down relative to pre-pandemic and the market is up nominally, but we're down. That being the case, if I look at our spend, and spend is a tricky one, because actually -- spend is a tricky one because not everyone reports spend data in the same way. But our loans are down, but our spend levels are up 20% plus versus pre-pandemic. And so what's that about? And it does get into these mix impacts. And so if you look at our book and particularly looking through going through COVID, there were two elements of our book that were probably differentiated from the average. It was different from the averages as we had a higher propensity for balance transfer activity, and balance transfer activity is used to kind of actually pay down existing debt. Well, I look at my chequing accounts and I see cash volumes are up. And so the consumer demand for balance transfer activity is lower, and you're seeing that.

And the second is, we do skew higher on kind of the high-end rewards and travel programs, which actually have a lower revolve rate. And so there's a decoupling between my spend patterns and my loan patterns and you see that reflected. And one of the levers that can and will -- there are a few levers that can and will shift that over time, one of which is the revolve rate. And our revolve rate has only recovered 25% since pre-pandemic.

And so this just feels like a lot of upside in terms of volume balances and interest income as that revolve rate kind of ebbs back in. That's one area. The second area is, is when we think about growth of share, new account acquisition. Like, our new account acquisition for our credit card business has been very, very strong, as of late. In the first quarter, our new units were up 25% on a year-over-year basis. And so as the revolve rate restores as our new accounts come in, as balance transfer activities increase on an ongoing basis, you're going to see kind of more normalizing of the trends. But like at the end of the day, I think share is one interesting metric. Actually what I really care about is how are we doing in serving our customers? Are we giving customers the credit they need today to buy things and pay for it on future income? And that could be paid next month, in which case the revolve rate is very low, it could be paid in a year in which case the revolve rate is higher. And I think we're doing a great job with that. In fact, our number of active customers is at the highest it's ever been. And so -- we have that dynamic going on.

And so we're serving our customers well. But beyond that, if I look at the -- we don't share this data, I'm not going to give you any precise data. But our card income in the first quarter of this year relative to pre-pandemic first quarter, it's up, and our return on capital is up. And so I'm serving my customers well and giving them the credit they need, we're actually earning a fair return for our shareholders in the process. I've got a roadmap that takes me to growth. I'm actually feeling pretty good about the card business.

Gabriel Dechaine - NBF – Analyst

So the balance transfer business, it's the MBNA pretty much. Is that -- that's more of a mass market type of partner -- so that would tell me that they've still got a lot of excess liquidity or...

Michael Rhodes – TD – Group Head, Canadian Personal Banking

That's correct. When we look at our chequing account customers and look at customer behavior, we do see, on average, our customers have more liquidity, and you can create different deciles and quartiles to try to figure that out and really kind of across the spectrum, we're seeing higher balances and strong cash flow, both.

Gabriel Dechaine - NBF – Analyst

So I don't know what specific day marks the start of mortgage season, but we're probably in there. What's the -- what are your expectations? What are you seeing? Is there any green shoots to use that tired analogy?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

I feel like there are some green shoots. I do -- I'm pleased with our pipelines. Like I can't compare this to anyone else and so maybe our pipelines are like everyone else's, but I look at our own pipeline and I feel good about where we are and how we're performing. And also, if I look at the past year, and I know you started out by saying you talked about market share and market share growth. And I called out specifically RESL and I said, I want to reverse the trend. And in the past year, we grew share in two quarters. We actually lost share in two quarters. In the quarters we lost share, it was kind of tight coupling, but still half and half, growing share and losing share.

If I look at spot balances of RESL on a year-over-year basis in the first quarter, we were third out of five, do I call it success? No, I don't call it success. Is that a reversal of the trend? I think that's an absolute reversal of the trend. A lot of things we've been doing in terms of our own ecosystem and driving our balances and driving our customer engagement have been positive. And so I actually feel good about our pipeline. I feel good about how we're positioned in the second quarter and beyond in the RESL business. This is not the booming business from a few years ago, but I think green shoots is probably the right analogy.

Gabriel Dechaine - NBF – Analyst

So there was an article a few -- or a month ago or so about certain product -- mortgage product characteristics and your bank was mentioned along with another as having -- once the trigger rates reset, the amortization extends. I mean, mathematically, I see how that works. But when the borrower renews, they have to get back on side, right?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

It's a timing issue. Yes.

Gabriel Dechaine - NBF – Analyst

So what's the, the expected increase in monthly payment? And in the early days of this phenomenon where you've already had some of these borrowers renewing from really low rates to higher current rates, what -- are they making lump sum payments? Are they just eating the higher payment going forward? What's that been like?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

So there are two populations. One is the renewals, those are customers who hit this trigger point. The trigger point is a combination of when your amortization turns negative and loan-to-value ratios hit a certain point. The vast majority of the volumes were actually in the former category in renewals. We're seeing very few customers actually hit a trigger point. Customers are actually self-curing before they get to that point.

And on renewals, what we're seeing is that customers predominantly are just paying for the higher refinance rates out of their income. We're actually seeing very little change in trends on kind of re-amortization, kind of spreading out payments. The numbers are very small. I mean, very, very small in terms of customers who are doing that. And I'm probably not terribly surprised. We underwrote most of these loans, assuming some type of stress and a 2% buffer. And so customers have the inherent cash flow enabled to do this. But not only that -- but when we re-underwrite these loans, kind of salaries and incomes have gone up actually for some customers, government transfers, particularly around kind of daycare has gone up. And so we're actually seeing customers being able to manage the higher rates quite well so far.

Gabriel Dechaine - NBF – Analyst

And you mentioned the term 'curing themselves'. What does that entail?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

So when customers -- with the way our mortgage product or variable mortgage rate is structured is when rates go up, your payment does not go up. And so in an environment where maybe initially rates might have gone down from your original underwritten point, you're actually over amortizing, if you will. And as rates go up, you start under amortizing relative to what you might normally expect in say a 25-year term.

And so when a customer hits for us the trigger rate, which is the point where their amortization in essence becomes zero, at that point, we do have some reach out efforts, we do talk to customers about what's going on. There's nothing they need to do, but customers in many cases, are electing to just increase their payments.

Gabriel Dechaine - NBF – Analyst

Okay. And how about spreads? I have asked every head of your type of business, the same question. And they're saying it's two thirds of the way to what our normal run rate is, something like that. Is a renewal or origination, still a drag on your margin today?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

And so I'll probably be less precise than what I've heard from others in terms of spreads and just give a categorical answer. If I look at last year and those spreads, and I'd say, particularly in the fourth and even a bit into the first quarter of this year, there were pockets of the marketplace where spreads were really getting tight into place that were by my lens were trying to be pretty disciplined or rational with pricing. It wasn't making a lot of sense. Since then, we've actually seen spreads kind of return to something that feels like more normal, probably not quite to what we might have seen in prior times. But I think the spreads are returning a bit. And so we like the profile of the business we're underwriting today. And we like both the quantum and the quality of the business we're underwriting today. And so I think spreads have returned a bit to where they were before, probably not fully at that level, but we're certainly on the right path.

At this particular moment in time, though it is sometimes hard to read because interest rates are bouncing around a whole heck a lot, and we won't change our consumer pricing at the same rapidity of the volatility of interest rates. All that being said, the spreads feel -- they feel they're heading in the right direction.

Gabriel Dechaine - NBF – Analyst

From a demand standpoint, I guess the absolute level of interest rates matters, if they come down, it will probably trigger demand. But is it also a function of rates having the hold in -- exhibiting some stability for an extended period before people start to say, okay, that's a new reality, I'll jump in and not wait it out type of thing? Is there pent-up demand?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

I don't know, it's actually interesting, I was talking to our head of our mortgage business recently. And I look at all of the CREA data, and you get all the analysis. But to be fair, I like to look at the data myself. I just kind of pulled down everything and I was talking to the gentleman who runs their business and say, 'well, like on balance, is it a buyer's market or a seller's market?' and he said, 'I think it's a standoff market.'. Sellers have their expectation of pricing, buyers have their expectation of what they want to pay. And the two just aren't often meeting. I'm not sure which gives first, to be honest – that being the case, you do see that mortgage rates have backed up a little bit as of late, and so maybe that actually creates more remedying of the minds in terms of where the deals come together. But overall, I think I feel good about where we're positioned in this marketplace. I think on a comparative basis, we should perform well.

Gabriel Dechaine - NBF – Analyst

Now the auto business is -- it's been a while since I've asked about it for TD, but how big is the indirect auto business? And then from a growth standpoint, over the last few years, it's been more of a supply constraint issue. It seems like supply has improved quite a bit. The four dealerships I drive by every now and then, they've got quite a few bronchos and you could never find one of those before. So the supply is maybe not as big of an issue. But could growth still be constrained simply because the market environment, people are less confident and interest rates have gone up, so we're still going to be in a pretty much flat line scenario for auto lending?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

So for full disclosure, the auto lending business rolls up to the commercial bank which is Paul Douglas and actually, Paul, for two more days and then Barb Hooper after that. And so they're clearly a lot closer to the dynamics of the auto business than I am at this moment in time. All that being said, all this stuff just kind of anchored back into consumer behavior. And we've been through an interesting time.

I've been in banking for 30-plus years. I thought I'd seen it all. I had not seen a pandemic. I hope to never see one again. And there's some unusual consumer behaviors where there's kind of fear of missing out, which is kind of driving all this kind of purchasing behavior and then kind of restoration to a new normal. And I do think that consumers are actually kind of finding their new normal. And although all these events going on in the world, when I look at my book and I look at the consumer behavior, it all looks pretty – less interesting than you would otherwise think. It's all performing well.

I asked our Chief Economist, Beata, just the other day because we -- TD Economics has a recession call for the back half of this year. And she said to me, look, the economy has been remarkably resilient. And it's kind of been defying gravity, defying odds and you look at the employment numbers, you look at the spend numbers, the consumer is still actively engaged. And so it's good to be a retail banker right now. I'll just say that, I feel good about it.

Gabriel Dechaine - NBF – Analyst

What about linkages to the wealth business? How are you managing that? From both a deposit standpoint and…

Michael Rhodes – TD – Group Head, Canadian Personal Banking

A great question, Ray Chun, who runs the deposit business, and I, as you can imagine, are connected at the hip because I'm an important referral source for his business. And you hear about OneTD, which is the notion that a lot of our retail customers actually have needs that can be best be served by our wealth business. And I think we do a fabulous job doing that.

A holistic number is when we do what we call a OneTD referral, which is through one of our partners, about one of three of those referrals turns into new business. And so I become a very important feeder for Ray. In this environment, though, and clearly, when there's market volatility, and there has been some market volatility over the past three months or so, you do see some customers are seeking safety of a GIC or depository product. And so we've certainly seen that trend. That being the case, I will tell you, I feel good about the mutual fund flows and the ability that we have in the retail bank to support his business for the types of investing volume that we're generating for the long term. So I think it's a really constructive and healthy relationship, and it's working well right now.

Gabriel Dechaine - NBF – Analyst

Just to wrap up here on margins, it's -- we talked about deposit mix trends. We've talked about loan mix trends. Your messaging has been -- and you -- coming from a background where TD's Canadian Bank has been outperforming peers as far as margin performance goes, but you have guided to moderation. What -- can you put a finer point on that?

Michael Rhodes – TD – Group Head, Canadian Personal Banking

Yes. as you can imagine, there are lots of factors that go into margin. And on the lending side, particularly on the RESL business, when you have a variable rate book when rates are going up, you get some compression in the margin when rates are stable, that expands and so you have that dynamic. On a credit card book, when rates are going up, you have – it would be kind of funded through a ladder and some of the old funding rolls off, new funding goes on and that's more expensive – so you have all those factors.

And then certainly on the depository side, we have a combination of the term, non-term mix or the core non-term mix, which you hear about. The flip side you have are tractors and our investment ladder kind of rolls off and some old assets get replaced by other assets. And so you have all these factors kind of coming into play, which is why you recall in the first quarter earnings that Kelvin used the word bouncing around. And so that's kind of the narrative bouncing around in terms of the NIM and so not changing our narrative with respect to what's going on there. But there are a lot of factors underneath here.

Gabriel Dechaine - NBF – Analyst

We've hit the triple zeros. My stomach is grumbling. That means it's lunch time. Thanks, Michael, again.