

## Toronto Dominion (TD CN)

FUNDAMENTAL VIEW <sup>1</sup>

As of 25 Mar 2024

- Toronto Dominion is rated Aa2/AA-/AA- by Moody's/S&P/Fitch, but bail-in senior debt for TD is rated A1/A/AA-.
- TD's overall credit profile is stable, supported by diversification by revenue & geography, history of strong risk management & conservative underwriting.
- TD still has substantial excess capital above all-in requirements, having built up capital levels in advance of the First Horizon deal that ended up being terminated in 2023.

## RISKS &amp; CATALYSTS

As of 25 Mar 2024

- Toronto Dominion has a strong, largely retail-driven deposit base in both Canada and the U.S., which should mitigate the potential for a liquidity event.
- Toronto Dominion has been active in M&A in the U.S., as well as portfolio acquisitions in Canada. In 2023, it completed the acquisition of Cowen, Inc., building out its U.S.-based capital markets business which it has also grown organically in recent years.
- The termination of the FHN deal leaves TD with substantial flexibility afforded by the excess capital position (CET1 13.9%) and without a bank deal to integrate in uncertain operating conditions.
- We view real estate-related risk in Canada as manageable for TD given low LTV of exposures in vulnerable markets and conservative underwriting.

CREDIT QUALITY SCORE (CQS)<sup>2</sup>

As of 17 May 2024

## CURRENT CQS

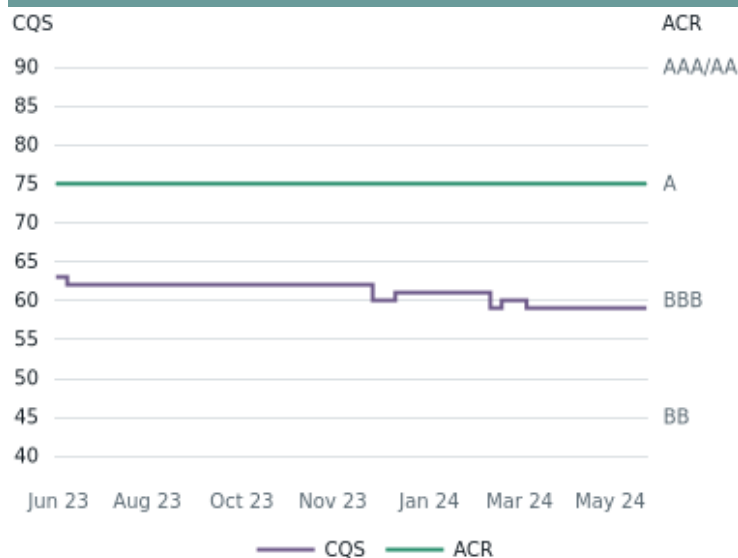
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CQS OUTLOOK <sup>3</sup>

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)<sup>4</sup> VS CQS

## KEY METRICS

As of 25 Mar 2024

| \$ MN                   | FY20      | FY21      | FY22      | FY23      | LTM 1Q24  |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue                 | 30,311    | 31,801    | 35,848    | 33,866    | 34,821    |
| Net Income              | 8,846     | 11,371    | 13,544    | 7,883     | 8,801     |
| ROAE                    | 1.30%     | 1.05%     | 1.05%     | 1.05%     | 1.05%     |
| NIM                     | 1.72%     | 1.56%     | 1.69%     | 1.75%     | 1.73%     |
| Net Charge-offs / Loans | 0.34%     | 0.18%     | 0.15%     | 0.24%     | 0.27%     |
| Total Assets            | 1,289,484 | 1,394,270 | 1,406,122 | 1,407,709 | 1,428,288 |
| Unsecured LT Funding    | 55,061    | 67,073    | 88,875    | 90,998    | 81,846    |
| CET1 Ratio              | 13.1%     | 15.2%     | 16.2%     | 14.4%     | 13.9%     |

## BUSINESS DESCRIPTION

As of 25 Mar 2024

- Toronto Dominion is the second largest depository institution in Canada with C\$1,911 bn in assets as of F1Q24 and a market cap of US\$107 bn as of March 21, 2024. The company has C\$1,181 bn in total deposits.
- As of 2023, TD ranked 9th in terms of U.S. deposits with approximately US\$303.9 bn in deposits and 1,182 branches (SNL). The U.S. footprint is focused on the Atlantic coast including Delaware, New Jersey, New York, Massachusetts, New Hampshire, Connecticut, Maine, Vermont, and Pennsylvania.

## GLOSSARY

<sup>1</sup> The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

<sup>2</sup> The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

<sup>3</sup> The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

<sup>4</sup> The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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