

Toronto Dominion (TD CN)

FUNDAMENTAL VIEW ¹

As of 26 Aug 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-. S&P and Moody's assigned a Negative outlook in May 2024, which was associated with the regulatory investigations into TD's U.S. AML program, while Moody's maintains a Stable outlook.
- TD's overall credit profile remains 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 & CATALYSTS

As of 26 Aug 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.
- Uncertainties in the ultimate outcome of the regulatory investigations into TD's AML program in the U.S. as well as the ongoing remediation represent a near-to-medium term headwind on TD's earnings profile. However, we still view TD as a solid credit and expects the impacts to be manageable, given its solid market position, established presence in the U.S. through past acquisitions, strong financial flexibility, adequate capital and robust liquidity positions.
- TD has now taken over US\$3 bn in provisions related to BSA/AML investigations, in preparation for a possible global settlement. The impact to capital will be mitigated by sale of a portion of its investment in SCHW.
- 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)²

As of 18 Oct 2024

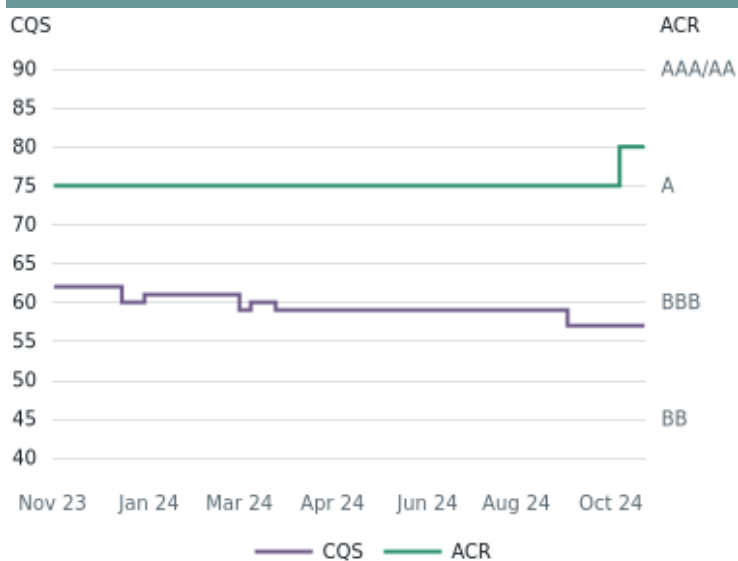
CURRENT CQS

57

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 26 Aug 2024

\$ MN	FY20	FY21	FY22	FY23	LTM Q24
Revenue	30,311	31,801	35,848	33,866	35,757
Net Income	8,846	11,371	13,544	7,883	8,250
ROAE	1.30%	0.99%	0.99%	0.99%	0.99%
NIM	1.72%	1.56%	1.69%	1.75%	1.70%
Net Charge-offs / Loans	0.34%	0.18%	0.15%	0.24%	0.30%
Total Assets	1,289,484	1,394,270	1,406,122	1,407,709	1,430,928
Unsecured LT Funding	55,061	67,073	88,875	90,998	90,492
CET1 Ratio	13.1%	15.2%	16.2%	14.4%	13.4%

BUSINESS DESCRIPTION

As of 26 Aug 2024

- Toronto Dominion is the second largest depository institution in Canada with C\$1,967 bn in assets as of F2Q24 and a market cap of US\$95 bn as of June 17, 2024. The company has C\$1,204 bn in total deposits.
- As of 2024, TD ranked 9th in terms of U.S. deposits with approximately US\$303.9 bn in deposits and 1,173 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

- 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.
 - 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.
 - 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.
 - 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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