

Toronto Dominion (TD CN)

FUNDAMENTAL VIEW ¹

As of 18 Dec 2024

- Toronto Dominion is rated Aa3/A+/AA- by Moody's/S&P/Fitch, but bail-in senior debt for TD is rated A2/A-/AA-. TD was downgraded by S&P and Moody's amidst the BSA/AML impacts on the U.S. banking business in 2024, but we don't expect further downgrades.
- TD's credit profile is supported by its scale, profitability, and history of strong credit quality, particularly in its core domestic banking footprint. TD also sees significant revenue contributions from the growing capital markets business and wealth management. U.S. retail banking has scale and is an important part of the overall franchise, but profitability will remain challenged.
- We expect TD to continue to manage capital conservatively.

RISKS & CATALYSTS

As of 18 Dec 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.
- The remediation efforts related to the U.S. business represent a medium term headwind for TD's overall earnings profile, but one we view as manageable given the strength of the Canadian and Wholesale banking parts of the franchise. We expect TD to maintain strong capital and liquidity positions throughout the remediation period.
- With the CEO transition, TD is conducting a strategic review of its business priorities and capital allocation, and therefore suspended its medium-term profitability targets. Management expects to provide an update to the medium-term targets in 2H25.
- We view real estate-related risk in Canada as manageable for TD given low LTV of exposures in vulnerable markets and conservative underwriting, as well as significantly lower interest rates in Canada compared to the start of 2024.

CREDIT QUALITY SCORE (CQS)²

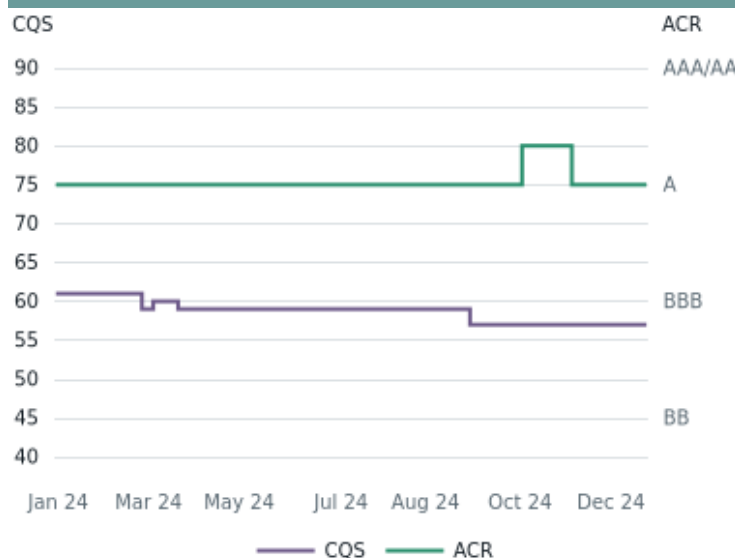
As of 19 Dec 2024

CURRENT CQS

57 NEGATIVE STABLE POSITIVE

CQS OUTLOOK ³

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



KEY METRICS

As of 18 Dec 2024

\$ MN	FY20	FY21	FY22	FY23	LTM 4Q24
Revenue	30,311	31,801	35,848	33,866	37,163
Net Income	8,846	11,371	13,544	7,883	6,509
ROAE	1.30%	0.79%	0.79%	0.79%	0.79%
NIM	1.72%	1.56%	1.69%	1.75%	1.73%
Net Charge-offs / Loans	0.34%	0.18%	0.15%	0.24%	0.34%
Total Assets	1,289,484	1,394,270	1,406,122	1,407,709	1,479,549
Unsecured LT Funding	55,061	67,073	88,875	90,998	87,128
CET1 Ratio	13.1%	15.2%	16.2%	14.4%	13.1%

BUSINESS DESCRIPTION

As of 18 Dec 2024

- Toronto Dominion is the second largest depository institution in Canada with C\$2,062 bn in assets as of F4Q24 and a market cap of US\$93.3 bn as of December 16, 2024. The company has C\$1,269 bn in total deposits.
- As of 2024, TD ranked 9th in terms of U.S. deposits with approximately US\$290.1 bn in deposits and 1,137 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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