

Various Ratings Lowered On 87 Joint-Supported Bond Issues On TD Bank N.A. And Toronto Dominion Bank Downgrades

October 18, 2024

CHICAGO (S&P Global Ratings) Oct. 18, 2024--S&P Global Ratings lowered its long- and short-term ratings on 87 joint-supported bond issues backed by letters of credit (LOCs) from TD Bank N.A. and Toronto Dominion Bank, New York branch (see table).

Various Ratings Lowered On 87 Joint-Supported Bond Issues

Issue	Series	New rating	Previous rating	CUSIPs	Liquidity provider/letter of credit provider	Correlation level
New Jersey Hlth Care Facs Fincg Auth (Virtua Hlth, Inc.) JOINTCRIT	2009D	AA+/A-1	AAA/A-1+	64579FYL1	TD Bank N.A.	Medium
New Jersey Hlth Care Facs Fincg Auth (Virtua Hlth, Inc.) JOINTCRIT	2009E	AA+/A-1	AAA/A-1+	64579FYM9	TD Bank N.A.	Medium
Allen Cnty (Bon Secours Mercy Hlth, Inc.)	2012B	AA+/A-1	AA+/A-1+	01757LGY6	TD Bank N.A.	Medium
Massachusetts Wtr Resources Auth multi modal subord gen rev	B	AA+/A-1	AAA/A-1+	576049RU6	TD Bank N.A.	Low
Massachusetts Dev Fin Agy (Boston Univ) JOINTCRIT	U6-C	AA+/A-1	AAA/A-1+	57583RWB7	TD Bank N.A.	Low
Florida Keys Aque Auth (Florida Keys Aque Auth) JOINTCRIT	2008	AA+/A-1	AAA/A-1+	340765HC3	TD Bank N.A.	Low
Miami Dade Cnty (Juvenile Courthouse Proj) JOINTCRIT (AMBAC)	2003B	AA+/A-1	AAA/A-1+	59333NJB0	TD Bank N.A.	Low
Wisconsin Hlth & Educational Fac Auth (Medical College of Wisconsin) VRDO - 2008B	2008B	AA+/A-1	AAA/A-1+	97710BDK5	TD Bank N.A.	Low
Tarrant Cnty Cult Educ Facs Fin Corp (Methodist Hospitals of Dallas)	2008A	AA+/A-1	AAA/A-1+	87638QBE8	TD Bank N.A.	Low

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Various Ratings Lowered On 87 Joint-Supported Bond Issues (cont.)

Issue	Series	New rating	Previous rating	CUSIPs	Liquidity provider/letter of credit provider	Correlation level
Tarrant Cnty Cult Educ Facs Fin Corp (Methodist Hospitals of Dallas) JOINTCRIT	2008B	AA+/A-1	AAA/A-1+	87638QBF5	TD Bank N.A.	Low
San Francisco City & Cnty Fin Corp (San Francisco City & Cnty) JOINTCRIT	2008-1	AA+/A-1	AAA/A-1+	79765XPD2	TD Bank N.A.	Low
San Francisco City & Cnty Fin Corp (San Francisco City & Cnty) JOINTCRIT	2008-2	AA+/A-1	AAA/A-1+	79765XPC4	TD Bank N.A.	Low
Baltimore Mayor & City Council JOINTCRIT	2008-B	AA+/A-1	AAA/A-1+	059231TD2	TD Bank N.A.	Low
Massachusetts Hsg Fin Agy JOINTCRIT	B	AA+/A-1	AAA/A-1+	57586NDV0	TD Bank N.A.	Low
Miami Dade Cnty (Pro Sport) JOINTCRIT	2009E	AA+/A-1	AAA/A-1+	59333HCF1	TD Bank N.A.	Low
Illinois Fin Auth (Univ of Chicago Med Ctr) JOINTCRIT	2009D1-2	AA+/A-1	AAA/A-1+	45200FZT9 & 45200FZR3	TD Bank N.A.	Low
Orange Cnty Hlth Fac Auth (Nemours Foundn) JOINTCRIT	2009B	AA+/A-1	AAA/A-1+	6845036V2	TD Bank N.A.	Low
Orange Cnty Hlth Fac Auth (Nemours Foundn) JOINTCRIT	2009C	AA+/A-1	AAA/A-1+	6845036W0 & 6845036X8	TD Bank N.A.	Low
California JOINTCRIT	2003 C	AA+/A-1	AAA/A-1+	13063BCS9	TD Bank N.A.	Low
Tarrant Cnty Cult Educ Facs Fin Corp (Baylor Scott & White Health) JOINTCRIT	2011C	AA+/A-1	AAA/A-1+	87638QEW5	TD Bank N.A.	Low
Western Mun Wtr Dist jointcrit	2012A	AA+/A-1	AAA/A-1+	95874TBR9	TD Bank N.A.	Low
Metropolitan Washington Arpts Auth JOINTCRIT	D-1 D-2	AA+/A-1	AAA/A-1+	592646M91 & 592646N25	TD Bank N.A.	Low
Atrium Health JOINTCRIT	2007E	AA+/A-1	AAA/A-1+	160853LL9	TD Bank N.A.	Low
New York City JOINTCRIT	2014 D-4	AA+/A-1	AAA/A-1+	64966LCP4	TD Bank N.A.	Low
Massachusetts Hsg Fin Agy JOINTCRIT	2013F	AA+/A-1	AAA/A-1+	57586NUP4	TD Bank N.A.	Low
Massachusetts Development Finance Agency (Partners Healthcare Sys, Inc.) JOINTCRIT	2005F-3	AA+/A-1	AAA/A-1+	57586CGB5	TD Bank N.A.	Low
Metropolitan Washington Arpts Auth JOINTCRIT	2011A	AA+/A-1	AAA/A-1+	592647CQ2 & 592647CU3	TD Bank N.A.	Low
Metropolitan Transp Auth JOINTCRIT	2008A-1	AA+/A-1	AAA/A-1+	59259N8Q9	TD Bank N.A.	Low

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Issue	Series	New rating	Previous rating	CUSIPs	Liquidity provider/letter of credit provider	Correlation level
New York City GO bnds (Adjusted Rate Bnds)	2018 E-5	AA+/A-1	AAA/A-1+	64966QAA8	TD Bank N.A.	Low
Massachusetts Dev Fin Agy (Boston Univ)	U-6E	AA+/A-1	AAA/A-1+	57583RWD3	TD Bank N.A.	Low
Lakeview Sch Dist sch bldg & site bnds (GO - unlted tax) rmktd 10/2019 ser 2002B due 05/01/2032	2002B	AA+/A-1	AAA/A-1+	512282FS8	TD Bank N.A.	Low
Metropolitan Washington Arpts Auth JOINTCRIT	2010D	AA+/A-1	AAA/A-1+	592647JN2	TD Bank N.A.	Low
Metropolitan Washington Arpts Auth JOINTCRIT	2010-C	AA+/A-1	AAA/A-1+	592646X24	TD Bank N.A.	Low
Metropolitan Transp Auth JOINTCRIT	2008A-2A	AA+/A-1	AAA/A-1+	59260XBE7	TD Bank N.A.	Low
Public Fin Auth (Cone Hlth) hlth care sys rev rfdg bnds (Cone Health)	2023B	AA+/A-1	AAA/A-1+	74447GAC4	TD Bank N.A.	Low
Public Fin Auth (Cone Hlth) hlth care sys rev rfdg bnds (Cone Hlth)	2023C	AA+/A-1	AAA/A-1+	74447GAE0	TD Bank N.A.	Low
Louisiana gasoline and fuels tax 2nd lien rev rfdg bnds	2023A-1	AA+/A-1	AAA/A-1+	546475VV3	Toronto Dominion Bank (The) (New York Branch)	Low
Louisiana gasoline and fuels tax 2nd lien rev rfdg bnds	2023A-2	AA+/A-1	AAA/A-1+	546475VW1	Toronto Dominion Bank (The) (New York Branch)	Low
Harris Cnty Cultural Ed Facs Fin Corp (Texas Children's Hosp) Hosp Rev Bnds (Texas Children's Hosp) ser 2015-2 dtd 06/02/2015 due 10/01/2042	2015-2	AA+/A-1	AAA/A-1+	414009KB5	TD Bank N.A.	Low
Harris Cnty Cultural Ed Facs Fin Corp (Texas Children's Hosp) hosp rev bnds	2015-3	AA+/A-1	AAA/A-1+	414009SA9	TD Bank N.A.	Low
Pennsylvania Turnpike Commission var rate tpk rev bnds	2023B	AA+/A-1	AAA/A-1+	709225JD9	TD Bank N.A.	Low
Triborough Br & Tunnel Auth JOINTCRIT rmkgt	2005B-4A	AA+/A-1	AAA/A-1+	89602RLD5	TD Bank N.A.	Low
California Public Finance Authority (Sharp Healthcare)	2024D&E	AA+/A-1	AAA/A-1+	13057EHJ6 13057EHL1	TD Bank N.A.	Low

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Issue	Series	New rating	Previous rating	CUSIPs	Liquidity provider/letter of credit provider	Correlation level
Massachusetts Development Finance Agency (Children's Hospital of Boston) rev bnds, VRDB	U-1 (2024)	AA+/A-1	AAA/A-1+	57584Y8H5	TD Bank N.A.	Low
Massachusetts Development Finance Agency (Children's Hospital of Boston) rev bnds	U-2 (2024)	AA+/A-1	AAA/A-1+	57584Y8K8	TD Bank N.A.	Low
Bay Area Toll Authority san francisco bay area toll br rev bnds (Variable Rate Bonds)	2024D	AA+/A-1	AAA/A-1+	072024ZH8	TD Bank N.A.	Low
Virginia Commonwealth University Health System Authority general rev rfdg bnds	2024B	AA+/A-1	AAA/A-1+	92778LDL1	TD Bank N.A.	Low
Bay Area Toll Authority san francisco bay area toll br rev bnds (var rate bnds)	2024I	AA+/A-1	AAA/A-1+	072024C75	TD Bank N.A.	Low
Triborough Bridge & Tunnel Authority Gen rev Var rate bnds (Mta Bridges & Tunnels)) ser 2003B-2 dtd 07/18/2024 due 01/01/2033	2003B-2	AA+/A-1	AAA/A-1+	89602RLG8	TD Bank N.A.	Low
Maryland Health & Higher Educational Facilities Authority (Johns Hopkins Health System Obligated Group) rev bnds (Johns Hopkins Health System Obligate	2024A	AA+/A-1	AAA/A-1+	57421CGB4	TD Bank N.A.	Low
Maryland Health & Higher Educational Facilities Authority (Johns Hopkins Health System Obligated Group) rev bnds (Johns Hopkins Health System Obligate	2024B	AA+/A-1	AAA/A-1+	57421CGC2	TD Bank N.A.	Low
Portland JOINTCRIT		AAA/A-1	AAA/A-1+	7365594Y8	TD Bank N.A.	Low
Rhode Island Hlth & Educl Bldg Corp (Bryant Univ) JOINTCRIT	2008	AA/A-1	AA/A-1+	762197CE9	TD Bank N.A.	Low
Massachusetts Dev Fin Agy (Worcester Polytechnic Institute) JOINTCRIT	2008-A	AA+/A-1	AA+/A-1+	57583RTX3	TD Bank N.A.	Low
Grand Vy St Univ Brd of Trustees (Grand Vy St Univ) JOINTCRIT	2008B	AA+/A-1	AA+/A-1+	386545HC4	TD Bank N.A.	Low

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Vermont Ed & Hlth Bldg Fin Agy (Univ Of VT Med Ctr)	2008A	AA+/A-1	AA+/A-1+	924166BT7	TD Bank N.A.	Low
Florida Gulf Coast Univ Fing Corp cap imp	2008-A	AA/A-1	AA/A-1+	34073XCK2	TD Bank N.A.	Low
Maryland Hlth & Hgr Ed Facs Auth (University of Maryland Med Sys) JOINTCRIT	2008D	AA+/A-1	AA+/A-1+	574217V28	TD Bank N.A.	Low
New York City Health & Hospital Corporation (New York City) hlth sys - 2008B	2008B	AA+/A-1	AA+/A-1+	649674GR3	TD Bank N.A.	Low
New York City Health & Hospital Corporation (New York City) hlth sys - 2008C	2008C	AA+/A-1	AA+/A-1+	649674GS1	TD Bank N.A.	Low
Massachusetts Development Finance Agency (Baystate Med Ctr) JOINTCRIT	2009J1	AA+/A-1	AA+/A-1+	57586EKC4	TD Bank N.A.	Low
Philadelphia JOINTCRIT	8TH B	AA+/A-1	AA+/A-1+	71783LAE7	TD Bank N.A.	Low
Philadelphia JOINTCRIT	8TH E	AA+/A-1	AA+/A-1+	7178232M9	TD Bank N.A.	Low
Indiana Fin Auth (Parkview Hlth Sys Oblig Grp) hosp VRDO - 2009D	2009D	AA+/A-1	AA+/A-1+	45471AAS1	TD Bank N.A.	Low
Massachusetts Development Finance Agency (Baystate Med Ctr) JOINTCRIT	2009J2	AA+/A-1	AA+/A-1+	57586EKB6	TD Bank N.A.	Low
Philadelphia JOINTCRIT	8TH D	AA+/A-1	AA+/A-1+	71783LAG2	TD Bank N.A.	Low
Philadelphia Auth for Indl Dev (Philadelphia) JOINTCRIT	2007B-2	AA+/A-1	AA+/A-1+	71781QEJ3	TD Bank N.A.	Low
Metropolitan Transp Auth JOINTCRIT	2012G-2	AA/A-1	AA/A-1+	59259Y7S2	Toronto-Dominion Bank	Low
Metropolitan Transp Auth JOINTCRIT	2002G-1G	AA/A-1	AA/A-1+	59259Y7Q6	Toronto-Dominion Bank	Low
Massachusetts Dept of Transp (Metropolitan Hwy Sys) JOINTCRIT	2010 A-2	AA+/A-1	AA+/A-1+	57563CCZ3	TD Bank N.A.	Low
West Virginia Hosp Fin Auth (West Virginia Univ Hlth Sys) hosp var-rt rfdg rev bnds	2018 C	AA+/A-1	AA+/A-1+	956622P40	Toronto-Dominion Bank	Low
District of Columbia (MedStar Health, Inc.) hosp VRDO ser 1998A Tranche 1, 2	1998A	AA+/A-1	AA+/A-1+	254839RX3 & 254839RY1	TD Bank N.A.	Low

Various Ratings Lowered On 87 Joint-Supported Bond Issues (cont.)

Issue	Series	New rating	Previous rating	CUSIPs	Liquidity provider/letter of credit provider	Correlation level
Oregon Facs Auth (PeaceHealth)	2018B	AA+/A-1	AA+/A-1+	68608JXF3	TD Bank N.A.	Low
South Carolina Jobs Econ Dev Auth (Prisma Health) var rt dem bnds	2018B	AA+/A-1	AA+/A-1+	83703FLR1	TD Bank N.A.	Low
Arizona Industrial Development Authority (Phoenix Children's Hosp)	2019A	AA+/A-1	AA+/A-1+	04052EAC2	TD Bank N.A.	Low
Arizona Industrial Development Authority (Phoenix Children's Hosp)	2019B	AA+/A-1	AA+/A-1+	04052EAA6	TD Bank N.A.	Low
Colorado Hlth Fac Auth (Children's Hospital Colorado) hosp rev rfdg bnds (Children's Hospital Colorado) ser 2020B due 12/01/2052	2020B	AA+/A-1	AA+/A-1+	19648FPU2	TD Bank N.A.	Low
Colorado Hlth Fac Auth (Children's Hospital Colorado) hosp rev rfdg bnds (Children's Hospital Colorado) ser 2020A due 12/01/2052	2020A	AA+/A-1	AA+/A-1+	19648FPT5	TD Bank N.A.	Low
Philadelphia gas wks rev rfdg bnds ser EIGHTH D due 08/01/2031	EIGHTH D	AA+/A-1	AA+/A-1+	71783MBB0	TD Bank N.A.	Low
Delaware Vy Regl Fin Auth local govt rev bnds ser 2020 D due 11/01/2055	2020 D	AA+/A-1	AA+/A-1+	246579LF1	TD Bank N.A.	Low
Illinois Finance Authority (OSF Hlthcare Sys) var rate demand rev bnds	2008A	AA+/A-1	AA+/A-1+	45200FFV6	TD Bank N.A.	Low
Illinois Finance Authority (OSF Hlthcare Sys) var rate demand rev bnds (OSF Hlthcare Sys) ser 2008B due 08/15/2035	2008B	AA+/A-1	AA+/A-1+	45200FFW4	TD Bank N.A.	Low
Delaware Vy Regl Fin Auth local govt rev bnds ser 2022E	2022E	AA+/A-1	AA+/A-1+	246579LP9	TD Bank N.A.	Low
Philadelphia gas works rev rfdg bnds RMKT	8TH C	AA+/A-1	AA+/A-1+	71783MCM5 & 71783MCL7	TD Bank N.A.	Low
Massachusetts Dept of Transp (Metropolitan Hwy Sys) JOINTCRIT	2010A-1	AA+/A-1	AA+/A-1+	57563CBF8	TD Bank N.A.	Low
South Carolina Jobs Economic Development Authority (Prisma Health) Hospital Revenue Bonds RMKTD (Prisma Health)	2018C	AA+/A-1	AA+/A-1+	83703FML3	TD Bank N.A.	Low

Various Ratings Lowered On 87 Joint-Supported Bond Issues (cont.)

Issue	Series	New rating	Previous rating	CUSIPs	Liquidity provider/letter of credit provider	Correlation level
Delaware Valley Regional Finance Authority local govt rev bnds (variable rate demand) ser 2024 B due 09/01/2059	2024 B	AA+/A-1	AA+/A-1+	246579LZ7	TD Bank N.A.	Low

The rating action follows S&P Global Ratings' lowering of the ratings on TD Bank N.A. on Oct 15, 2024. (For more information, see "The Toronto-Dominion Bank Downgraded To 'A+/A-1' On Anti-Money Laundering Deficiencies; Outlook Is Stable," published Oct. 15, 2024, on RatingsDirect.)

The long-term component of the rating reflects the application of our joint criteria--assuming correlation levels as mentioned in the table between the respective obligors and our long-term ICR on the respective LOC provider--and addresses our expectation of full and timely interest-and-principal payments when bondholders have not exercised the put option. The short-term component of our rating reflects our short-term ICR on the respective LOC provider and addresses our expectation of full and timely interest-and-principal payments when bondholders have exercised the put option.

Changes to the ratings on these bonds could result from, among other things, changes to the ratings on the support providers, the correlation assumptions, the expiration or termination of support agreements, or the amendments to transaction terms.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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Research Update:

The Toronto-Dominion Bank Downgraded To 'A+/A-1' On Anti-Money Laundering Deficiencies; Outlook Is Stable

October 15, 2024

Overview

- On Oct. 10, 2024, the Toronto-Dominion Bank (TD Bank) settled with U.S. authorities and regulators regarding previously disclosed anti-money laundering (AML) investigations on its two U.S. banking subsidiaries.
- Although the bank has already provisioned for most of the US\$3.09 billion penalty and can maintain balance-sheet flexibility to serve its U.S. clients, we believe the asset cap on TD's U.S. subsidiary banks underscores the severity of the bank's AML-related deficiencies and failure of its operational risk management.
- We lowered our ratings on TD Bank by one notch to 'A+/A-1', as well as all associated issue ratings.
- Our stable outlook assumes that over the next two years, the bank will strengthen its AML operational risk management processes and controls as it works to meet the requirements imposed by U.S. regulators in a timely manner, that no further sizable fines or regulatory matters will emerge, and that the company's strategies to mitigate the asset cap won't meaningfully impair the profitability and customer flows associated with its longstanding U.S. franchise.

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Rating Action

On Oct. 15, 2024, S&P Global Ratings lowered its long-term issuer credit rating on TD Bank to 'A+' from 'AA-' and its short-term issuer credit rating on the bank to 'A-1' from 'A-1+'.

We also lowered our issuer credit ratings on TD Bank's core subsidiaries TD Securities (USA) LLC, TD Bank N.A., its U.S. intermediate holding company TD Bank US Holding Co., and Toronto Dominion (South East Asia) Ltd. The rating outlook on TD and all of its subsidiaries is stable.

At the same time, we lowered our issue level ratings on all of TD Bank's obligations by one notch, including lowering its senior unsecured ratings to 'A+' from 'AA-' and its bail-in-able senior

subordinated ratings to 'A-' from 'A' (see Ratings List for the full list of rated obligations).

Rationale

We lowered our long-term issuer credit rating on TD Bank to 'A+' from 'AA-' after TD Bank settled with U.S. authorities and regulators. TD agreed to pay a total of roughly US\$3.1 billion in fines for civil and criminal enforcement actions. Although the fine imposed by the U.S. regulators is manageable, totaling about 39% of 2023 net income, the findings regarding TD's U.S. management hamper our view of its conservative risk management and effective corporate governance, and, in turn, compromise the bank's creditworthiness.

In our view, management failed to live up to standards expected of one of the world's highest rated banks. The bank has taken several steps to address the deficiencies identified at its U.S. subsidiary banks, but we think it will take time to improve the risk management culture across the group, overhaul its practices, strengthen the organizational structure, and demonstrate the effectiveness of these measures.

The settlements concluded previously disclosed investigations related to the U.S. Bank Secrecy Act (BSA) and anti-money laundering (AML) compliance programs. TD Bank's two U.S. bank subsidiaries--TDBUSH and TD Bank N.A.--also pled guilty to criminal charges associated with BSA failures from Jan. 2014 to Oct. 2023. The OCC consent order (on TD Bank USA, N.A. and TD Bank N.A.) stipulated that failure to meet actionable deadlines may require the bank to reduce the asset cap by an additional 7% from its total assets, which is not our base-case expectation.

We believe the asset cap imposed by the U.S. banks' main regulator demonstrates the severity of TD's AML deficiencies and failures in the banks' operational risk management processes.

The Office of the Comptroller of the Currency (OCC) capped the U.S. entities' assets (TD Bank USA, N.A. and TD Bank N.A.) at the current combined level of US\$434 billion (at Sept 30, 2024) until the parent bank sufficiently improves its governance and controls.

The asset cap does not apply to TD Securities or any of the bank's Canadian or other global businesses, per company disclosure. Additionally, the parent bank has already provisioned for most of the financial penalty (see "Toronto-Dominion Bank's US\$2.6 Billion Provision Highlights The Severity Of Its Anti-Money Laundering Compliance Issues," published Aug. 26, 2024).

Nevertheless, we believe the OCC's unprecedented action to impose an asset cap will complicate TD's U.S. strategic aspirations. The U.S. is a competitive market, and has heretofore been a key contributor to the group's revenue and profits. As of year-end 2023, the two subsidiaries represented 28% of TD Bank's total revenues and 39% of net income.

We expect TD Bank to remediate its AML deficiencies by fundamentally restructuring its corporate compliance program to the satisfaction of U.S. regulators. The extensive remediation program includes detailed actions regarding BSA/AML plans, ongoing monitoring of its progress through the appointment of a compliance monitor, and specific requirements related to board oversight.

We believe successful remediation may be protracted and expensive, so bank management will need to carefully manage potential profitability challenges for the duration of the asset cap.

At the same time, we note that TD Bank has various levers to create balance-sheet flexibility in the U.S. under the asset cap:

- The bank intends to restructure loan portfolios that it deems as non-core or those that fail to

meet long-term investment return targets and reduce assets by approximately 10%.

- It also plans to reduce the sharply elevated buffer of cash and liquidity at the affected U.S. subsidiaries.
- Finally, it plans to reposition its U.S. securities portfolios (TD Bank USA, N.A.'s securities as a percentage of total assets was 58% as at June 30th, 2024; TD Bank N.A.'s securities as a percent of total assets was 35% as of June 30th, 2024) by selling up to \$50 billion in lower yielding investments and reinvesting the proceeds to increase net interest income.

We maintain a favorable view of TD's extensive national and U.S. retail franchise and broad-based business-line diversification; its satisfactory capital ratios; and its funding and liquidity ratios, which are in line with its large peers. TD Bank's common equity tier 1 ratio was 12.8% at 3rd quarter 2024. We expect our proprietary risk-adjusted capital ratio (9.5% at second-quarter 2024) to remain comfortably within 7%-10% over the next two years.

Our ratings on TD continue to incorporate one notch of uplift from the bank's revised stand-alone credit profile of 'a', based on the likelihood of extraordinary support from the Canadian government given the bank's high systemic importance.

Outlook

Our stable outlook reflects our expectation that over the next two years, TD Bank will strengthen its AML operational risk management processes and controls as it works to meet the requirements imposed by U.S. regulators in a timely manner.

We also expect TD to maintain its commitment to the U.S. while taking steps to mitigate the impact the asset cap may have on the strength of its franchise. At the same time, we forecast the company will maintain overall good profitability, asset quality, and capital.

Downside scenario

We could lower the ratings if:

- TD Bank doesn't improve its AML deficiencies, fails to meet the requirements imposed by U.S. regulators, or faces further sizable regulatory fines or actions.
- The asset cap ultimately materially weakens the U.S. franchise, particularly if it is tightened.
- TD Bank's U.S. market share erodes meaningfully, causing its profitability to decline below similarly rated peers.

Upside scenario

We are unlikely to raise the rating in the next two years, but we could consider an upgrade over time if:

- TD Bank resolves the deficiencies cited by the U.S. regulators related to its AML governance, risk management controls, and compliance practices,
- The asset cap is lifted, and
- TD successfully resumes growth in the U.S. and delivers profitability in line with higher rated

peers while maintaining strong financial metrics.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+
SACP	a	a+
Anchor	a-	a-
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Adequate (0)	Adequate (0)
Risk position	Adequate (0)	Strong (+1)
Funding and liquidity	Adequate and adequate (0)	Adequate and adequate (0)
Comparable ratings analysis	N/A	N/A
Support	+1	+1
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	+1	+1
Additional factors		

SACP--Stand-alone credit profile. N/A--Not applicable. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Environmental, social, and governance (ESG) credit factors for this change in credit rating/outlook and/or CreditWatch status:

- Risk management, culture, and oversight

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Toronto-Dominion Bank's US\$2.6 Billion Provision Highlights The Severity Of Its Anti-Money Laundering Compliance Issues, Aug. 26, 2024
- Toronto-Dominion Bank Outlook Revised To Negative On Risk Management And Controls Weaknesses; 'AA-' Rating Affirmed, May 29, 2024

Ratings List

Downgraded

	To	From
Toronto-Dominion Bank		
Senior Unsecured	A+	AA-
Senior Subordinated	A-	A
Subordinated	A-	A
Subordinated	BBB+	A-
Preferred Stock	BBB-	BBB
Short-Term Debt	A-1	A-1+
Certificate Of Deposit	A-1	A-1+
Certificate Of Deposit	A+	AA-
Commercial Paper	A-1	A-1+
Toronto Dominion (South East Asia) Ltd.		
Commercial Paper	A-1	A-1+
Toronto Dominion Bank (London Branch)		
Certificate Of Deposit	A-	A
Certificate Of Deposit	A-1	A-1+
Toronto-Dominion Holdings USA Inc.		
Commercial Paper	A-1	A-1+
Commercial Paper	A+	AA-
Downgraded; CreditWatch/Outlook Action		
	To	From
Toronto-Dominion Bank		
Toronto Dominion (South East Asia) Ltd.		
TD Securities (USA) LLC		
TD Bank N.A.		
Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+

TD Bank US Holding Co.

Issuer Credit Rating	A+/Stable/--	AA-/Negative/--
	To	From

Toronto-Dominion Bank

Preferred Stock	P-2(Low)	P-2
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