The Toronto-Dominion Bank (TD) – Comprehensive Investment Research Report
Executive Summary

Overview: Toronto-Dominion Bank (TD) is one of North America's largest banks, with a powerful C$2.1 trillion balance sheet and a top-tier retail banking franchise in Canada and the U.S.. TD operates diversified business lines including Canadian personal & commercial banking, U.S. retail banking, wealth management & insurance, and wholesale banking (investment banking). It serves ~28 million customers globally and is the 6th largest bank by assets in North America. TD's scale, strong brand (#1 in Canadian direct banking and insurance, and a top-10 U.S. bank by deposits), and broad product suite underpin its competitive advantage.

Financial Performance: In fiscal 2025, TD delivered robust financial results. Adjusted revenue rose 9% YoY to C$61.81B, driven by higher net interest income (NII) and resilient fee-based income. Net interest margins (NIMs) expanded modestly amid higher interest rates, boosting NII by ~30% YoY (to ~C$26.5B). Strong volume growth in core loans and deposits contributed to NII gains. Non-interest income (~57% of adjusted revenue) remained solid, supported by record wealth management fees and trading income. The bank's efficiency ratio improved to ~57% (56.8% reported in Q4'25), reflecting decent cost control, though TD's U.S. segment still operates at a higher 65% efficiency (indicating room for cost improvement). TD generated an adjusted return on equity (ROE) of ~13% in 2025 (12.8% in Q4'25) and a return on tangible equity in the mid-teens, below peer-leader RBC but healthy given elevated capital levels. Adjusted EPS grew 7% to C$8.37, continuing a multi-year growth trend (5% YoY in 2025).

Balance Sheet & Quality: TD's balance sheet is a source of strength. The Common Equity Tier-1 (CET1) capital ratio stands at 14.7%, well above regulatory minimums, providing a sizeable cushion for growth or stress. Asset quality remains strong, with a low non-performing loan (NPL) ratio of 0.40% (up from 0.36% a year ago) – indicating only 0.4% of loans are impaired. Net charge-offs remain modest at ~0.47% of loans. Loan loss reserves cover ~262% of impaired loans, reflecting very conservative provisioning. The loan portfolio is well-diversified: ~50% in residential mortgages and home equity (primarily Canadian, mostly prime), ~17% other consumer (auto, cards, personal) and ~33% commercial/business credit. TD's deposit franchise is a major competitive advantage – it has over C$1.27 trillion in deposits, about half from personal retail clients (with ~79% of those in low-cost checking/savings) and the rest from business and institutional clients. This yields a loans-to-deposits ratio of ~76%, indicating a plentiful funding buffer. Liquidity is robust, with an average Liquidity Coverage Ratio (LCR) of ~130% and a Net Stable Funding Ratio (NSFR) ~117%, comfortably above requirements.

Strengths: TD enjoys franchise strength in its core markets. In Canada, it holds a leading retail market share (serving one in three Canadians) with the #1 or #2 position across many products. Its U.S. subsidiary, TD Bank NA, has grown into a top-10 bank on the U.S. East Coast, with deep community presence in 15 states and ~10 million customers. TD's deposit base is a low-cost funding source, benefiting from high customer loyalty and extensive branch networks. Credit underwriting has historically been conservative – TD navigated past downturns with lower losses than peers. Capital levels and reserve coverage are excellent, allowing resilience and flexibility in capital deployment. The bank's revenue mix is diversified (roughly half net interest income, half fees), including sizable wealth and insurance businesses that provide stable fee income. TD Securities (wholesale) adds capital markets capabilities, and post-acquisition of Cowen, TD now offers a full-service North American investment bank platform. TD's management is known for effective execution and innovation – e.g. in 2025 the bank implemented ~75 AI use cases yielding $170MM in value, with plans to expand AI

benefits. Technological capabilities (8+ million active mobile users, digital sales records) support efficient growth.

Weaknesses: Key challenges include concentration in North America – TD is heavily exposed to the Canadian and U.S. economies. In particular, the Canadian consumer loan book (especially mortgages) could be vulnerable if Canada's housing market or consumer credit quality deteriorates (Canadian households are highly leveraged). TD's efficiency ratio, while improved, still trails the best-in-class – especially in U.S. retail, where adjusted efficiency (~65% in Q4) lags peers. This suggests a relatively high cost structure in the U.S. segment, partly due to ongoing investments and remediation expenses. The bank faced a significant compliance failure in its U.S. operations: weaknesses in anti-money-laundering (AML) controls led to regulatory penalties and business restrictions. This episode indicates an operational risk lapse and has constrained U.S. growth (via an asset cap) until remediation is complete. Over-reliance on certain non-interest income streams could pose volatility – e.g. capital markets and trading revenues (which hit records in 2025) can fluctuate with market conditions. Furthermore, rising competition for deposits (both from fintechs and higher-rate alternatives) is putting upward pressure on TD's funding costs, which could compress NIM if interest rates fall. TD's U.S. expansion strategy suffered a setback when its planned acquisition of First Horizon fell through in 2023, suggesting some strategic execution risk and leaving excess capital idle (though now being returned via buybacks). Finally, recent management turnover (new CEO in 2025) and the need to rebuild regulatory trust may divert management attention in the near term.

Outlook: Overall, TD Bank is a high-quality franchise with strong financial fundamentals, but it faces near-term headwinds from regulatory constraints and a potential economic slowdown. The bank's financial strength is solid – high capital and reserve buffers position it well for challenges. Franchise quality is premium, anchored by a dominant Canadian retail bank and a growing U.S. presence. Management has taken decisive action to address shortcomings (leadership change, strategic review), and medium-term targets (adj. ROE ~16%, EPS growth 7–10%) reflect renewed ambition. Valuation appears fair: TD trades around 11–12x forward earnings and ~1.8x book, in line with peers, and offers a 3.3% dividend yield. The stock is not a deep bargain after a recent rally, but it provides a blend of income and moderate growth potential. Recommendation: We rate TD as a Buy for investors seeking a core financial holding. The investment thesis is that TD's strong fundamentals and improved U.S. strategy will generate steady earnings growth and dividend increases, while current regulatory issues are temporary and largely priced in. We advise accumulating on dips, with a medium to long-term horizon to realize upside as the bank's U.S. remediation concludes and growth accelerates. Key risks to monitor are credit cycle deterioration and any setbacks in resolving regulatory constraints. In summary, TD Bank offers an attractive risk-reward for patient investors, combining a fortress balance sheet, top-tier franchise, and shareholder-friendly capital returns.

Below we present a detailed analysis of TD Bank across 15 key areas, followed by a tactical investment strategy and risk assessment.

1. Bank Overview and Business Model

Core Business Lines: TD Bank Group operates through four main business segments: (1) Canadian Personal and Commercial Banking – encompassing retail banking, consumer lending, credit cards, small business and commercial banking in Canada; (2) U.S. Retail Banking – which includes TD Bank, N.A., a full-service bank along the U.S. East Coast offering retail, small business and commercial banking (and formerly TD's equity investment in Charles Schwab, which was sold in 2025); (3) Wealth Management and Insurance – providing investment management, online brokerage, private wealth

advisory, as well as property & casualty and life insurance products; and (4) Wholesale Banking (TD Securities) – offering capital markets, investment banking, corporate banking and trading services globally. These diversified lines provide multiple revenue streams – from interest income on loans, to fees from wealth and banking services, trading income, and insurance premiums.

Geographic Footprint: TD is a transnational bank anchored in Canada and the United States, with a growing global reach via TD Securities. In Canada, TD is a top-2 bank with nationwide presence – it operates ~1,060 branches coast-to-coast (branded as TD Canada Trust) and serves roughly 15+ million Canadian customers. The bank holds leading market share in retail banking – it "serves one in three Canadians" and has primary banking relationships with a large portion of the population. TD also runs the country's second-largest business/commercial bank and boasts #1 positions in key sub-segments (e.g. #1 direct investing platform, #1 institutional asset manager, #1 direct-to-consumer insurer). In the United States, TD has built a significant presence over two decades: it now operates ~1,160 branches across 15 states, concentrated in the Northeast, Mid-Atlantic, and Florida. TD's U.S. footprint stretches from Maine to Florida, giving it a top-10 deposit market share in many major metro areas (e.g. New York, Boston, Philadelphia, Washington D.C.). TD serves ~10 million U.S. customers and has a strong franchise in consumer and small-business banking – notably, it has ranked #1 in number of SBA small business loans in its footprint for 9 consecutive years. Outside North America, TD's presence is more limited; TD Securities has offices in Europe and Asia to support capital markets clients, but international consumer banking is negligible. Overall, ~90% of TD's earnings are North America-sourced (with Canada ~55–60%, U.S. ~40% in recent years). This focused footprint means TD benefits from two of the world's most stable banking markets, but also leaves it less diversified globally than some competitors.

Charter and Structure: In Canada, TD operates under a charter as a Schedule I domestic bank governed by the federal Bank Act. It is supervised by the Office of the Superintendent of Financial Institutions (OSFI) and is a designated Domestic Systemically Important Bank (D-SIB). In the U.S., TD's operations are conducted via TD Group US Holdings LLC (an intermediate holding co.) and primarily TD Bank, N.A., a national bank chartered by the OCC. As such, TD is subject to U.S. Federal Reserve oversight (Federal Reserve Board) for its U.S. holding company and must meet U.S. regulatory standards (CCAR stress tests, etc.) similar to large U.S. banks. TD Bank, N.A. is a member of the FDIC (providing deposit insurance) and is subject to OCC regulation for banking activities. The overall entity, Toronto-Dominion Bank, is publicly traded on the TSX and NYSE under the ticker "TD" and reports financials in Canadian dollars under IFRS (with reconciliations to U.S. GAAP via Form 40-F filings). All figures in this report are in CAD unless otherwise noted; TD's NYSE listing trades in USD and currently ~$1 USD = 1.35 CAD.

Size and Sector Positioning: TD is one of the largest banks in the world by assets. With C$2.1 trillion in total assets as of Q4 2025, TD is the 6th largest bank in North America by assets (only the big-4 U.S. banks and Royal Bank of Canada are larger). By market capitalization, TD is also among the top 6 in North America, reflecting its substantial franchise value. Within Canada, TD is the second-largest bank by assets (trailing only RBC) and holds roughly ~20% market share of domestic loans and deposits. It falls in the "mega-bank" asset size category and is classified as a D-SIB domestically (and is large enough to be considered a Global Systemically Important Bank at the lowest G-SIB bucket). This status brings increased regulatory scrutiny but also signals TD's too-big-to-fail importance. Key subsidiaries include TD Bank, N.A. (U.S. retail bank); TD Securities Inc. and TD Securities (USA) for wholesale; TD Asset Management; TD Auto Finance; and TD's insurance arms (Primmum, TD Life, etc.). Until 2025 TD also held a significant stake in Charles Schwab Corp (from its earlier TD Ameritrade ownership), but TD sold its remaining Schwab shares in Feb 2025 for US$6.5B, exiting

that investment. This sale further simplified TD's structure and freed capital. Overall, TD's business model is that of a full-service commercial bank with a retail focus and complementary capital markets capability. It generates revenue from net interest spread (lending vs deposit-taking) and a diverse array of non-interest sources (fees, trading, insurance premiums). TD's strategy emphasizes growing customer relationships ("Deeper relationships" across banking and wealth), leveraging technology ("Simpler & Faster" through digital innovation), and maintaining prudent risk management ("Disciplined execution" in operations and capital). This balanced, geographically diversified model has historically produced stable earnings and dividends for investors.

2. Financial Performance Analysis
Net Interest Income & Net Interest Margin (NIM)

Net Interest Income (NII) Trends: TD's net interest income – the revenue from interest on loans and securities minus interest paid on deposits and debt – has seen strong growth recently thanks to rising interest rates and solid loan expansion. In fiscal 2025, NII surged to C$26.48 billion (adjusted), up from C$20.24B in 2024. That ~31% YoY jump in NII was driven by both volume growth and higher margins. TD grew average loan volumes by C$29B (+5% YoY in Q4 for Canadian P&C) and similarly saw deposit growth; simultaneously, interest rate hikes expanded asset yields faster than deposit costs, widening spreads. In Canadian Personal & Commercial Banking, for example, Q4 2025 NII was C$4.304B, up 6% YoY, on 5% loan growth and slightly higher NIM. In U.S. Retail, reported Q4 NII was US$2.28B, up ~7% YoY (in USD) on improved deposit pricing discipline and balance sheet restructuring. Across the bank, management noted robust net interest income performance through 2025, supported by prudent asset-liability management and the benefit of a higher interest rate environment.

Net Interest Margin: NIM represents the net interest income as a percentage of average interest-earning assets. TD's NIM has improved modestly with interest rate increases, though deposit competition has capped the expansion. For Canadian retail, TD's net interest margin was 2.82% in Q4 2025, up 2 basis points YoY. This slight uptick reflects higher loan and deposit spreads – rates charged on loans rose more than the rates paid on deposits – aided by a richer mix of higher-yield products and some lag in deposit repricing. In the U.S. retail segment, NIM was higher at 3.25% in Q4 2025, up ~6 bps YoY, benefiting from actions like balance sheet repositioning (selling lower-yield securities/loans and reinvesting at higher yields) and an improved deposit mix. However, sequentially TD's NIM has leveled off, reflecting rising deposit betas – as rates stayed elevated, TD had to raise deposit offers (especially term deposits) to retain customers, which narrowed the margin gains. For the total bank, reported NIM (IFRS basis including trading assets) isn't explicitly disclosed, but it is estimated around ~1.80–2.00%. The Canadian banking NIM of ~2.8% and U.S. NIM of ~3.2% are both healthy, though not the highest among peers (some U.S. regionals achieve ~3.5%+, while some Canadian peers are in the 2.5–2.8% range). Looking forward, TD expects NIM to remain relatively stable near-term – management guided that into early 2026, margins should hold as long as interest rates and balance sheet mix don't change drastically. If central banks cut rates in late 2026, banks could face NIM compression as asset yields reset lower faster than funding costs decline. TD has indicated it is positioning to mitigate this via hedging and pricing strategies.

Spread Dynamics & Yield Curve Sensitivity: TD's balance sheet is slightly asset-sensitive, meaning rising rates tend to boost NII, while falling rates hurt. The bank discloses its 12-month NII sensitivity: a +100 bps parallel rate shock is estimated to increase NII by ~$790 million, whereas a -100 bps shock would decrease NII by ~$860 million. This asymmetry (NII loss bigger for rate drop) is common, reflecting that deposit rates have a floor (can't drop below zero) while asset yields would fall, and some

hedges in place. TD has actively managed its interest rate risk – for instance, in 2024 it undertook a balance sheet restructuring, selling some low-yield longer-duration securities at a one-time loss of $485MM, to reduce interest rate exposure and free up capacity under U.S. regulatory limits. The benefit was seen in 2025 NII: management noted the reinvestment of proceeds added about US$500 million to 2025 NII and will add ~$550M in 2026. TD's yield on interest-earning assets has climbed with the rate cycle, and net interest spread (asset yield minus cost of funds) widened early in the hiking cycle. However, the yield curve inversion in 2023–2024 (higher short-term rates than long-term) squeezed margins industry-wide, and TD was not immune. The bank saw margin pressure in its investment portfolio (fixed-rate securities) and had to increase deposit rates to stay competitive, especially as customers moved funds to higher-rate products. Nevertheless, TD's large base of low-cost retail deposits (chequing accounts etc.) gave it a funding advantage – many personal deposits are non-rate-sensitive, allowing TD's average deposit cost to rise more slowly than market rates. This is evident in Canadian banking: despite Bank of Canada hikes, TD's NIM rose slightly YoY, implying it successfully passed on higher lending rates while controlling deposit betas.

Summary: TD's NII and NIM performance has been strong, contributing significantly to earnings growth. The bank is benefitting from the current high-rate environment, but it is preparing for a potential inflection. If rates were to decline or competitive pressures intensify, TD's margin could compress moderately – its own forecasts assume stable to slight NIM compression in 2026. Overall, net interest income remains the engine of TD's profits, and the bank's prudent balance sheet management and deposit franchise should help sustain healthy NII even as the rate cycle eventually turns.

Non-Interest Income

Fee & Other Income Composition: Non-interest income accounted for roughly half of TD's adjusted total revenue in 2025 (C$34.7B of C$61.8B), underscoring the bank's diversified revenue streams. TD's non-interest income is derived from a variety of sources: wealth and investment management fees, banking service charges, credit card fees, trading and underwriting income, and insurance premiums, among others. Specifically, major components include:

Wealth/Investment Services Fees: fees from mutual funds, asset management, brokerage commissions, and fiduciary services. TD is a market leader in Canadian wealth, so these fees are substantial. Record wealth management earnings in 2025 reflect strong fund flows and market appreciation. For example, TD saw record sales of $1.6B in ETFs and double-digit asset growth in financial planning in Q4. Wealth fees tend to be recurring and tied to AUM levels.

Insurance Premiums and Income: Premiums from TD Insurance (the largest direct distributor of insurance in Canada) contribute significant revenue. In 2025, insurance results improved due to lower catastrophe claims (hurricanes, etc.). Insurance income can be volatile (catastrophe losses hit 2022 results), but 2025 saw a rebound with innovative usage-based insurance products launched.

Banking Fees: This includes service charges on deposit accounts, interchange fees on debit transactions, ATM fees, etc. These are primarily earned in the Canadian and U.S. retail segments. As customers shift to digital channels, some traditional fees (overdraft, branch fees) face pressure, but TD has offset that by growing customer volumes.

Card Services Revenue: TD issues credit cards in Canada and the U.S., including proprietary and co-branded cards. Card interchange fees and some securitization income fall here. TD reported that 2025 was its highest Bankcard acquisition quarter in 7 years in the U.S., boding well for future card fee

growth. Additionally, TD has a strategic agreement to issue cards for certain U.S. retail partners (e.g. Target in the U.S. historically), which yields fee-sharing income.

Trading & Investment Banking: Within Wholesale banking, TD earns trading income (from market-making, client flows, etc.) and underwriting/advisory fees. 2025 was a strong year – Q4 wholesale revenue hit a record $2.2B, +24% YoY, driven by "broad-based strength across Global Markets and Corporate & Investment Banking". Trading income benefited from market volatility and FX, and TD Securities advised on notable deals (e.g. exclusive advisor on a National Fuel Gas acquisition). These income streams are more volatile and market-dependent.

Credit Fees: Fees from lending-related activities such as loan syndication, bankers' acceptances, standby lines, etc., often recorded in wholesale or commercial banking. These tend to move with lending volumes and capital markets activity.

Recent Performance: TD's non-interest income was C$34.715 billion in 2025 (adjusted), up sharply from C$26.75B in 2024. However, this increase includes the effect of IFRS-17 accounting changes for insurance (implemented in 2023), which gross up insurance revenue and expense (with little net impact). Adjusted for that, underlying fee income growth was positive but modest. For Q4 2025, non-interest income was C$6.949B (adjusted), up ~12% YoY partly due to stronger trading income and wealth fees. Segment highlights in Q4: Canadian P&C non-interest income ~C$1.0B (flat YoY) as higher fee-based transaction volumes were offset by lower mortgage refinancing fees (due to slower housing activity). U.S. Retail non-interest income was US$210M, ~1% lower YoY after adjusting for the loss of Schwab earnings – excluding Schwab, U.S. fee income was actually stable, reflecting steady deposit fees and interchange. Wealth & Insurance had a standout quarter: non-interest income ~C$3.4B, up significantly YoY, aided by record asset management revenues (thanks to higher client assets and trading activity) and improved insurance claims experience. Wholesale non-interest income (essentially trading + fees) was C$2.266B in Q4, up from C$1.55B YoY, showcasing the rebound in capital markets activity. This broad strength in Q4 helped lift the overall fee income.

Fee Income Breakdown: While TD doesn't publicly break out every category in detail in quarterly releases, we do know the largest portions. In 2025, Wealth and Insurance income was particularly strong – wealth management net income hit a record $507M in Q4 (66% ROE in wealth), reflecting high fee income. Trading-related income (within non-interest) also jumped with markets: TD was ranked Canada's Best FX Bank in 2025, indicative of strong trading franchise generating fees. Card and service fees grew with customer activity – for instance, Canadian retail reported a record year in everyday banking product sales, which supports account fees. One area of softness was mortgage banking fees – as interest rates spiked, refinancing slowed and origination fees were lower, but that impact on TD was minor given most mortgages are in Canada where fees are not as large as U.S. banks'.

Sustainability and Outlook: TD's non-interest income profile is well-diversified across stable fee streams and market-sensitive lines. This mix adds stability: for example, in Q4 2025, non-interest income was "relatively flat" YoY in Canadian banking despite slower mortgage fees, because other fees held up. We expect wealth management fees to remain a growth driver (contingent on market conditions, but secular trends of asset accumulation are favorable). Insurance income should be steady excluding catastrophe volatility – TD Insurance continues to innovate (new telematics insurance products) to grow premium volume. Card fees will benefit from TD's initiatives to gain card customers in the U.S. and cross-sell in Canada (record credit card penetration in 2025). A potential headwind is regulatory pressure on fees – both Canadian and U.S. regulators have scrutinized overdraft fees,

interchange, etc. TD has already reduced some fees (e.g. simpler account fee structures), so impact should be manageable. Another factor is the economic cycle: in a recession, trading and investment banking income could fall (lower client activity), and wealth fees could decline if asset values drop. Conversely, in an expansion, these are tailwinds. On balance, TD's non-interest income should grow at a moderate pace, roughly in line with economic activity and market trends. The bank's diversified fee base – from banking to wealth to insurance – provides resilience, as weakness in one area (say capital markets) can be offset by strength in another (say insurance or deposit fees). The strategy of deepening customer relationships is also aimed at boosting fee revenue per client (e.g. referring banking clients to wealth products, which hit record referrals in 2025). We anticipate TD will continue to leverage its large client base to generate solid fee income, keeping non-interest revenue ~45–50% of total revenue, which reduces reliance on the interest rate cycle.

Efficiency Ratio and Expense Management

Efficiency Ratio Performance: The efficiency ratio measures non-interest expenses as a percentage of revenue – a lower ratio indicates better cost efficiency. TD's reported efficiency ratio for Q4 2025 was 56.8%, meaning 56.8 cents of expense per dollar of revenue. On an adjusted basis (excluding certain items and normalizing insurance accounting), the efficiency ratio was ~59.2%. For the full year 2025, TD's adjusted efficiency ratio net of insurance was in the mid-50s (management indicated a "mid-50s" efficiency target). This represents a slight improvement versus the prior year. In FY2024, TD's efficiency was higher (~57–60% range) due to elevated costs from expansion and one-time charges. The trend in 2025 was positive: TD achieved positive operating leverage (revenue growth outpaced expense growth). Specifically, adjusted revenues (net of insurance) rose ~9% while expenses rose ~6%, bringing the efficiency ratio down a couple of points.

However, efficiency varies greatly by segment. Canadian Personal & Commercial Banking is highly efficient – in Q4 2025 its efficiency ratio was 41.1%, improving from 41.5% a year ago. The Canadian retail bank consistently runs in the low-40s, reflecting economies of scale and higher margins. U.S. Retail Banking, by contrast, has a much higher cost base relative to revenue. In Q4 2025, U.S. Retail's reported efficiency was 72.3% (65.1% on an adjusted basis excluding one-off charges). This is an improvement from ~72%/66.6% a year ago, but still indicates that roughly two-thirds of U.S. revenue is consumed by expenses. The U.S. bank's weaker efficiency is due to a large branch network relative to its size, heavy investments in governance/remediation, and lower margins. Wealth Management & Insurance efficiency metrics are a bit complex under new accounting (IFRS 17 causes insurance revenue to inflate expenses). If excluding those effects, wealth and insurance operations are reasonably efficient. For instance, Wealth's standalone efficiency is very high (it's a fee business with lower overhead), whereas Insurance has a high nominal efficiency ratio because claims are counted as expenses. Wholesale Banking (TD Securities) has a low efficiency ratio, ~32.7% in Q4 2025 (or ~57% if "net of Insurance Service Expense" including accruals – a metric for trading operations). Essentially, wholesale banking is very efficient in terms of cost-to-revenue (much of its cost base is variable comp linked to revenue).

Overall, TD's consolidated mid-50s efficiency is middle-of-the-pack among peers. Royal Bank (RBC) historically operates around ~52% efficiency (RBC was ~54.5% in 2024), which is industry-leading. Bank of Montreal and CIBC have been higher (~60%+). So TD is closer to RBC than the less efficient peers, but its U.S. segment drags the average up.

Cost Management Effectiveness: TD has demonstrated reasonable expense discipline. In 2025, operating expenses (ex-items) grew mainly due to strategic investments – the bank hired staff for risk

and compliance (in response to regulatory demands), invested in technology (digital banking, AI), and integrated acquisitions (Cowen). It also incurred higher compensation costs tied to strong performance in segments like wholesale. Still, management took steps to contain costs: for example, they announced an initiative to achieve ~$600MM of cost savings by 2024/25 through efficiency improvements, branch process simplification, and procurement optimization. Some of this was offset by inflationary pressures (salary inflation, etc.).

One notable item: in Q4 2025 TD took a $190MM restructuring charge aimed at streamlining operations – likely involving staff severance and consolidation of functions. This signals an effort to reset the cost base going forward. Additionally, TD decided to move to a semi-annual dividend review instead of annual, which doesn't directly affect expenses but shows a focus on aligning costs/capital return with earnings cadence.

TD's efficiency target is to return to the "mid-50s" on an adjusted basis, which it essentially met in 2025 (adj. ~55–59% net of insurance). The bank is aiming for positive operating leverage each year (revenue growth > expense growth). This was achieved in 2025 (positive 4.1% operating leverage adjusted) after a challenging 2024 when operating leverage was negative due to expenses from the failed First Horizon deal and compliance costs.

Key Expense Drivers: The largest component of TD's expenses is employee compensation and benefits, given its ~100,000 employees. In 2025, salary costs rose as TD added front-line staff in growth areas and compliance staff in the U.S. Additionally, technology and equipment expenses have been rising – TD's technology investments (like AI use cases, digital platform upgrades) are necessary for future efficiency but add near-term costs. Premises and branch costs are significant too; TD maintains a large branch network (especially in the U.S.), which is expensive relative to fully digital competitors. The bank has been optimizing its footprint (closing or consolidating some branches where traffic is down, while still opening in growth markets). Advertising and marketing spend is another lever, which TD kept reasonably stable. In 2025 TD had some integration expenses (e.g. integrating Cowen incurred $44MM in Q4) – these are temporary.

Efficiency Outlook: We expect TD's efficiency ratio to gradually improve over the next 1-2 years. Key reasons: revenue growth should moderate (as interest margins plateau) but remain positive, while expense growth is likely to slow as major remediation investments peak. The new CEO has explicitly prioritized cost efficiency – a strategic review was launched in 2025 to scrutinize all operations. Already, TD has taken hard actions such as cutting senior executive compensation (which, while symbolic, reinforces a cost-conscious culture). In the U.S., as the AML remediation progresses, related spend (over $500MM in 2024) should eventually taper off. Also, TD will aim to digitize and automate more processes, yielding savings. For example, TD implemented ~75 AI use cases in 2025 that saved ~$170MM, and expects AI to generate ~$200MM of value in 2026. These efficiencies come from things like automated credit adjudication, chatbot customer service, fraud detection (TD cut fraud losses by 26% YoY in 2025 through tech investments).

On the flip side, regulatory compliance will remain a cost burden (the U.S. has a "government-approved monitor" installed at TD for AML, which is costly). And inflationary pressures (wage inflation, etc.) persist. But TD's size allows it to spread fixed costs and negotiate vendor contracts effectively.

In summary, TD's cost management is solid but with room for improvement. The bank is highly efficient in its core Canadian business and is working to narrow the efficiency gap in the U.S. through

revenue growth and expense controls. We rate TD's overall expense discipline as adequate to good – it maintains one of the better efficiency ratios in North America, especially given its mix of businesses. Continued focus on simplification ("Simpler & Faster" initiative) and digitalization should support achieving or even beating the mid-50s efficiency ratio medium-term target.

Return Metrics: ROA, ROE, ROATCE

Return on Assets (ROA): ROA measures net income as a percentage of total assets, indicating how efficiently the bank uses its asset base to generate profit. For 2025, TD's reported ROA was approximately ~1.0% (using reported net income $20.54B on ~$2.06T avg assets) and adjusted ROA around ~0.75% (using adjusted net $15.0B). This adjusted ROA of ~0.7–0.8% is fairly typical for large North American banks. It reflects the dilution from holding very high asset levels (due to a large securities portfolio and cash). TD's ROA dipped in 2024 (because net income was depressed by one-off charges) and rebounded in 2025. Looking at quarterly trends, Q4 2025 ROA (annualized) was about 0.76% on an adjusted basis (C$3.9B adj. earnings on C$2.1T assets). This is a moderate return – not as high as U.S. peers like JPMorgan (~1.3% ROA), but in line with other Canadian banks (which tend to have ROA around 0.8–1.0% due to IFRS accounting treating insurance and trading assets differently).

Return on Equity (ROE): ROE is a critical metric for bank investors – net income as a % of shareholders' equity – indicating how well the bank deploys shareholders' capital. TD's consolidated ROE has been suppressed by excess capital recently, but is improving. In Q4 2025, TD's reported ROE was 10.7% and adjusted ROE was ~12.8% (as management indicated adjusted ROE was ~210 bps higher than reported). This was up from an adjusted ~11.0% in Q4 2024. For the full year 2025, we estimate TD's adjusted ROE was in the low-to-mid teens (likely ~13% range), whereas reported ROE was much higher (~22%) due to the one-time gain on the Schwab stake sale boosting net income. Adjusted ROE in 2024 was ~14.5%, so 2025 was slightly lower on that basis (due to capital build). TD's tangible common equity is even larger relative to assets, so Return on Tangible Common Equity (ROATCE) provides another lens. In Q4 2025, TD's reported ROTCE was 12.9% and adjusted ROTCE 15.4%. The higher ROTCE vs ROE reflects the add-back of goodwill/intangibles (TD has sizeable goodwill from past acquisitions like Commerce Bank, etc.).

Comparatively, ROE of ~13% is solid but below some peers: RBC achieved ~15.5% adjusted ROE in 2024, and historically Canadian banks target ~15%+ through the cycle. TD's lower ROE is largely a function of its very high capital ratios – CET1 at 14.7% vs regulatory need ~11-12% means it carries a big equity base. The excess capital depresses ROE. Recognizing this, TD is actively repurchasing shares (which should boost ROE). Indeed, in Q4 2025, TD bought back 19 million shares, and by early 2026 it will complete an 8B buyback (~3% of shares). This capital return, plus planned new buybacks of $6-7B in 2026, should help improve ROE by reducing equity. Additionally, once the U.S. asset cap is lifted, TD can deploy capital into growth or acquisitions that earn higher returns.

By segment, Canadian P&C generates very high ROE – 30.4% ROE in Q4 2025 (annualized) thanks to its high margin and efficient operations. U.S. Retail has much lower ROE – it was ~6.7% reported, 9.3% adjusted in Q4 (excluding Schwab), reflecting the heavy capital allocated and lower profitability in the U.S. business. Wealth Management ROE is extremely high (due to low capital intensity) – Q4 wealth ROE was 66%. Insurance ROE was ~18% in Q4. Wholesale ROE soared to ~43% in Q4 2025 (from ~22% a year prior) on strong earnings, but wholesale ROE can be volatile. These highlight that TD's core franchises can earn very attractive returns, but the consolidated ROE is pulled down by the large equity base supporting the whole bank and under-earning units (U.S. retail).

ROE Targets and Sustainability: TD's medium-term goal is to achieve ~16% adjusted ROE. This assumes more normalized capital levels (they may not run at 15% CET1 forever) and improved U.S. profitability. Achieving that would put TD on par with the best Canadian bank ROEs historically. The bank's ROE in the mid-teens should be sustainable once the unusual drag factors abate. We note that TD's ROE averaged ~14-15% pre-pandemic. It dipped in 2020 (provisions spiked) then recovered. 2022 saw a unique dip due to anticipation of First Horizon deal (capital was built up), but now with that capital being returned, ROE is set to rise.

For 2026, we anticipate ROE to improve into the ~13-14% range adjusted, as buybacks reduce equity and earnings grow moderately. In a benign credit environment, ROE could push higher, but one constraint is that OSFI's capital requirements have risen (meaning banks will likely carry CET1 > 13% for the foreseeable future, which limits maximum ROE unless they find very high-return uses for capital). TD's diverse businesses give it multiple ROE contributors; in particular, boosting U.S. segment ROE (by raising margins and efficiency) is a lever that management is focused on.

Bottom Line on Returns: TD's return metrics are good, though currently a bit subdued relative to its own history and top peers. ROA around 0.8% and ROE ~13% (adj.) indicate a solid franchise with conservative capital levels. The recent trend is upward – Q4 2025 ROE of 12.8% (adj.) was ~180 bps higher YoY. This upward momentum should continue as capital is utilized and inefficiencies addressed. Investors can take comfort that TD is not stretching for returns by increasing risk – rather it holds surplus capital and provisions, which keeps ROA/ROE slightly lower but reduces risk. Over the next few years, we expect TD to creep back toward a 15% ROE (assuming normalizing capital, stable credit, and mid-single-digit earnings growth). Such an ROE would be very attractive on a global scale. In the meantime, current returns are ample to support the dividend (~40-50% payout) and fund growth.

Earnings Quality & Sustainability: It's important to note that TD's 2025 earnings had several adjustments. The bank's reported EPS was C$11.56, but that included the huge one-time gain from selling the Schwab stake, etc. Adjusted EPS was C$8.37, which we consider the core run-rate. Adjusted earnings were up 5% YoY – a steady pace. The quality of earnings is generally high: a large portion comes from recurring net interest and fee income rather than volatile trading or one-off items. Provisions for credit losses (PCL) are at normalized levels (not artificially boosting earnings by releases nor dragging by outsized charges). That said, 2025 adjusted earnings exclude notable items of ~C$5.5B after-tax, including restructuring, integration, and hedging charges – many of which were tied to strategic moves (balance sheet restructuring, terminated acquisition) and are non-recurring. Going forward, absent those, earnings should be more straightforward. TD did caution about near-term headwinds: in late 2024 it warned of a "challenging 2025" and even suspended its medium-term EPS growth guidance as it works through the U.S. issues. Despite that, 2025 came in solidly. The bank now expects earnings growth to accelerate over the medium term as these challenges are overcome. This suggests sustainability of earnings is high – core operations are growing, and temporary drags are being removed.

In conclusion, TD's profitability metrics show a well-capitalized bank generating moderate returns now, with clear upside potential. The ROE/ROA are poised to rise as capital is redeployed and the efficiency initiatives take hold, making TD's financial performance trajectory positive from here.

3. Balance Sheet Strength
Capital Adequacy Ratios (CET1, Tier 1, Total Capital)

TD Bank maintains a very strong capital position, comfortably above regulatory requirements and peer averages. As of Q4 2025, TD's Common Equity Tier 1 (CET1) ratio was 14.7%. This is a tier-1 capital to risk-weighted assets measure under Basel III, and 14.7% is well in excess of OSFI's regulatory minimum for D-SIBs (which was ~12% including the domestic stability buffer). In fact, TD's CET1 is roughly 270 bps above its regulatory CET1 requirement, representing a significant capital buffer for stress or acquisitions. The ratio dipped slightly by 15 bps QoQ in Q4 (from 14.85%) due to risk-weighted asset (RWA) growth and share buybacks, but remains robust. The bank's Tier 1 Capital ratio (which includes CET1 + additional Tier1 preferred shares) stood at ~16.4% in Q4 2025. Total Capital ratio (including Tier2 subordinated debt) was likely around ~18-19%. These levels are all well above minimums (Total capital req ~15%).

TD's capital ratios have been bolstered in recent years by retained earnings and the failed First Horizon (FHN) acquisition – TD raised capital in anticipation of that US$13B deal, then kept it when the deal was cancelled. This contributed to CET1 peaking around 16-16.5% in 2023. In 2025, TD began deploying this excess capital via buybacks and dividends, thus CET1 ticked down from ~15.2% at end-2024 to 14.7% at end-2025. The bank remains "very well-capitalized… well above regulatory requirements". OSFI recently increased the Domestic Stability Buffer (DSB) to 3.5% (effective Nov 2023), raising the Canadian D-SIB CET1 minimum to ~12%. TD's 14.7% CET1 gives substantial headroom above that. It also puts TD in a strong position relative to global banks – many global G-SIBs operate 12-13% CET1; TD's is higher, reflecting the conservative Canadian regulatory approach and TD's prudent stance after the FHN deal.

Capital quality is also high: the majority of TD's capital is common equity (CET1 comprises ~86% of total capital). The bank has a small amount of Additional Tier1 capital (~CAD 11.6B of NVCC preferred shares and AT1 bonds) and manageable Tier2 capital (subordinated debentures ~CAD 10.7B). All of TD's capital instruments are Basel III compliant (non-viability contingent capital, i.e. bail-in capable). The leverage ratio (a non-risk-based ratio of Tier1 capital to total exposures) for TD is around ~5.2% (OSFI leverage requirement minimum 3%). This indicates low leverage – assets are ~19x equity, a conservative level.

In terms of capital deployment, TD's high CET1 enables it to both invest in growth and return capital. In FY2025, TD increased its dividend and repurchased ~33 million shares (19MM in Q4 alone). It announced an additional buyback of $6-7B (roughly 3% of shares) for 2026, which should still leave it with a healthy CET1 above 13%. OSFI has imposed a temporary capital surcharge on TD (0.5%) due to the pending integration of First Horizon (which was never removed since the deal was cancelled late). However, given TD's organic capital generation (~C$3B/quarter in earnings) and reduced risk from the Schwab stake sale (which removed market risk), the bank's capital levels are expected to remain elevated.

Peer comparison: Among Big-5 Canadian banks, TD's 14.7% CET1 is one of the highest. For instance, BMO was 13.6% at end-2024, RBC ~14.0%, Scotiabank ~12.7%, CIBC ~12.9%. So TD is at the high end. This conservatism provides confidence in TD's balance sheet resilience but also means a slightly lower ROE (as discussed).

In summary, TD's capital adequacy is excellent – it has ample loss-absorbing capital to weather severe stress scenarios (far above regulatory stress test requirements). The combination of strong CET1, a sizable AT1 buffer, and bail-in debt issued for TLAC means TD can absorb large losses without breaching minima. Notably, OSFI's Total Loss Absorbing Capacity rules require D-SIBs to have TLAC > 24% of RWA; TD meets this easily (its Total capital ~18% plus bail-in senior debt brings TLAC to

around 28-30% of RWA). TD is also comfortably above U.S. capital requirements for its U.S. sub – Fed stress tests have not been an issue historically (though 2024 was unique due to the asset cap enforcement).

Asset Quality Metrics (NPL, NCO, Reserves)

Non-Performing Loans (NPL) Ratio: TD's asset quality remains very strong, albeit with slight deterioration off cyclical lows. As of Q4 2025, TD's gross impaired loans (non-performing loans) were C$3.832 billion, which is 0.40% of total loans. This NPL ratio of 0.40% ticked up from 0.36% a year earlier and from a trough of ~0.25% in late 2023. The rise reflects some normalization of credit conditions – after an exceptionally benign period in 2021-22 (fueled by low rates and government stimulus), delinquencies are edging toward more typical levels as interest rates increased and certain borrowers came under stress. Still, 0.40% NPL is extremely low by historical and international standards. It means only 4 out of every 1000 loans are classified as impaired.

The upward trend has been gradual, indicating no alarming pockets of asset quality issues so far. We can see this in the chart below, which tracks TD's NPL ratio over the past two years:

TD Bank's consolidated non-performing loan (NPL) ratio has risen gradually from ~0.25% in late 2023 to 0.40% in late 2025, reflecting a normalization of credit conditions from unusually low loss levels.

Breaking down by segment, Canadian retail NPLs remain low, especially in residential mortgages. For example, gross impaired mortgages in Canada are only ~0.15% of mortgage loans (the vast majority of TD's ~$335B mortgage book is performing). Personal loans and credit cards have higher NPL percentages but small portfolios. U.S. retail NPLs are slightly higher (U.S. tends to classify non-accrual earlier). For instance, in Q4, U.S. personal loans had ~1.19% NPL ratio, but that is expected in unsecured lending. Commercial loan credit quality is strong – the bank noted no significant deterioration in business loan portfolios; in fact, some uptick in impaired loans came from performing loans migrating to Stage 2 under IFRS 9 (watchlist) due to macro forecasts, not actual defaults. Overall, credit metrics remain better than pre-pandemic times when NPLs were ~0.5-0.6%.

Net Charge-Off (NCO) / PCL Ratio: TD's net charge-off ratio (net write-offs as % of loans) has risen modestly but is still low. For fiscal 2025, total provisions for credit losses (PCL) were C$4.29B, which as a percentage of average loans is 0.47% (47 basis points). In 2024 that ratio was 0.46%, so essentially flat YoY. Quarterly, TD's total PCL as % loans was 0.41% in Q4 2025, unchanged from the prior quarter and up from ~0.36% a year ago. This indicates that charge-offs have stabilized in recent quarters after rising from unsustainably low levels during COVID (when stimulus and bank deferrals suppressed losses). The current NCO rate (~0.4-0.5%) is at or slightly below long-run averages.

By segment, credit card and unsecured lending are contributing more to PCL (as expected with higher rates). TD's U.S. strategic credit card portfolio (partnership cards) saw some normalization in loss rates but remains well-managed (super-prime oriented). Importantly, realized losses remain low in core lending categories. For example, Canadian personal banking PCL was 0.35% of loans in Q4 – extremely low. U.S. retail PCL was 0.50% of loans (including only TD's share of partner cards), which actually decreased 9 bps YoY due to improved portfolio mix.

Allowance Coverage & ALLL Adequacy: TD's allowance for loan and lease losses (ALLL) is strong relative to its non-performing loans, providing a substantial cushion. As of Oct 31, 2025, total allowance for credit losses (including performing and impaired loans and off-balance exposures) was

C$9.745 billion. This represents ~0.97% of total loans. More telling, the coverage ratio – total allowance as a % of gross impaired loans – is about 255-260% (i.e. reserves are ~2.6 times non-performing loans). According to data, TD's coverage ratio jumped to 262.5% in 2025 from ~146.7% in 2024. This big increase was partly due to IFRS 9 performing allowances being built up (based on macroeconomic factors) while actual NPLs remained low.

A coverage above 250% is very conservative. It implies that even if all current NPLs were written off entirely, TD's existing reserves would cover those losses 2.5x over. The Stage 3 (impaired) allowance itself is significant: Stage 3 allowance was ~C$1.67B at start of year, likely ~C$2.0B by year-end, which alone covers >50% of NPLs. Additionally, Stage 1 & 2 (performing) allowances of ~C$7.7B provide buffers for future downgrades. TD increased performing allowances in 2025 due to a slightly worsened macro outlook (e.g. adding reserves for potential recession risk). For context, during the early pandemic TD's coverage was ~~100% (because NPLs spiked temporarily), but since then NPLs dropped and allowances remained high, boosting coverage to the current ~260%.

Loan Portfolio Composition & Risk Concentrations: TD's loan book totaling ~$962B is well-diversified by type and geography. As of Q4 2025, about 65% of loans are to personal borrowers and 35% to business/government. Within personal loans: Residential mortgages are the single largest category (~33-34% of total loans), followed by Home Equity Lines of Credit (HELOCs) (~13-17% including amortizing HELOCs), other consumer loans (auto loans ~4-5%, credit cards, unsecured ~3-4%), and personal loans in the U.S. (which include credit cards via retailer partners, and other consumer) making up a few percent. On the business side, TD lends to a variety of industries – major segments include commercial real estate (a manageable portion, primarily well-secured), financial institutions, governments, manufacturing, etc. No single industry dominates. There is some exposure to oil & gas (as with all Canadian banks) but TD's risk in that sector is limited and well-reserved (exposures reduced after 2016 downturn). Geographic-wise, about 68% of loans are in Canada, 30% in the U.S., 1-2% other.

Key Asset Quality Considerations:

Canadian Housing Exposure: TD has ~C$334B in residential mortgages (mostly Canadian) plus ~C$136B in HELOCs. That's nearly 48% of total loans. Canadian mortgages have historically very low loss rates (due to full-recourse loans, stringent underwriting, and ~44% of TD's mortgage portfolio being insured by CMHC). Average LTVs on uninsured mortgages are modest (~53% LTV) and internal stress tests show resilience even under price drop scenarios. However, a sharp rise in unemployment or interest rates (mortgages in Canada are mostly variable or 5-year fixed) could pressure some borrowers. Thus far, delinquency rates remain minuscule. It's an area to watch as higher rates work through (2025 saw a record Q4 in real estate secured lending originations, 90% in super-prime segments, indicating TD remains prudent on new mortgage lending).

Commercial Real Estate (CRE): Part of TD's business loans is CRE, including office, retail, multi-family. U.S. banks are seeing stress in office loans. TD has not disclosed exact CRE NPLs, but they have indicated credit remains strong and ~90% of TD's U.S. CRE is in "super prime/prime" segments (e.g. they focus on areas like multi-family which is performing well, and have limited central business district office exposure). At this point, there's no sign of material issues, but a prolonged high-rate environment could test some CRE borrowers.

Credit Card and Auto: These portfolios typically have higher default rates but also higher yields. TD's credit card losses have normalized toward pre-pandemic levels but are not spiking. 90% of recent auto

loan originations in Canada were in prime segments, and in the U.S., TD's auto book is relatively small. So far, consumers are proving resilient.

Reserve Coverage: As noted, at ~260% coverage, TD is well-prepared for losses. The reserve/loan ratio of ~0.97% is conservative given current loss rates (~0.47%) – essentially TD holds about 2 years' worth of forward losses in reserve. The reserve to annualized NCO ratio is ~200%, which is strong (marketscreener data show coverage of 296% for 2025 vs net charge-offs). This means TD could absorb a doubling of loss rate without running out of reserves. During IFRS 9 ECL modeling, TD uses multiple economic scenarios; given macro uncertainties (inflation, higher rates), TD has kept a cautious approach to provisioning, which we view as prudent.

Allowance adequacy: We believe TD's ALLL is adequate to strong. To test this, consider severe scenario: if a recession caused NPLs to triple to ~1.2% (around C$12B), TD's current allowance (~C$9.7B) would cover ~80% of those hypothetical NPLs, and ongoing earnings could supplement. That's a robust position. Additionally, because TD took large provisions in 2020 (some of which were released in 2021-22) and again built some in 2023-25, they have front-loaded some expected losses. Barring an extremely deep recession, TD's credit losses should remain manageable within its existing capital and reserve buffers.

In conclusion, asset quality at TD Bank is very healthy. NPLs and charge-offs are inching up from historic lows but remain at benign levels. The bank is well reserved and has conservative underwriting, which supports the expectation of only a moderate credit cycle impact. TD's historical credit discipline (it notably avoided many toxic assets in 2008, earning a reputation as a safer lender) appears to continue. We will monitor leading indicators (e.g. 30-day delinquencies, which have ticked up slightly, and macro indicators like Canadian household debt service ratios) for early signs of strain. But as of now, TD's credit metrics paint a picture of a high-quality loan portfolio with only slight signs of normalization, and with ample loss-absorbing capacity via reserves and capital to handle a downturn.

Loan Portfolio Composition and Concentration

TD's loan book is well-diversified by product type and geography, which helps mitigate concentration risks. Below is a breakdown of the loan portfolio composition (gross loans and acceptances):

Residential Real Estate Loans: ~34% of total loans. This includes residential mortgages (around C$326B outstanding in Canada and C$6B in U.S., together ~C$332B) and Home Equity Lines of Credit (HELOCs) (~C$136B in Canada, plus ~C$12B in U.S. amortizing HELOCs, ~13-14% of loans). Thus, roughly half of TD's loan book is real estate secured on personal residences. These loans are primarily concentrated in Canada's major markets (Ontario ~45%, BC ~20%, etc.) but given strong underwriting (average FICO >780, low LTVs) and government-backed insurance on a chunk, this concentration has historically been low-risk. Nonetheless, it is a key area of exposure if Canadian housing sees a sharp downturn.

Consumer Credit (non-mortgage): Approximately 10-12% of loans. This includes personal loans, credit cards, auto loans, other consumer in both Canada and the U.S. For example, TD has about C$43B in indirect auto loans in Canada, ~C$30B in U.S. auto, and credit card receivables (in U.S. via partnerships and in Canada via TD cards) likely on the order of tens of billions (exact figure not disclosed but included in "consumer installment and other personal" which is ~C$222B total including HELOCs). These loans are higher yielding and shorter term. The geographic mix for consumer loans: in Canada, TD has large auto finance and personal loan portfolios; in the U.S., a significant portion is

via strategic credit card partnerships (e.g. retail store cards, which TD issues and shares losses/profits with partners). There's concentration to high credit quality borrowers: e.g. 90% of new auto originations are prime/super-prime, and U.S. card portfolio is also prime-weighted.

Commercial & Corporate Loans: Roughly 30-35% of loans are to business and government borrowers. This includes:

Commercial Real Estate (CRE) Loans: ~8-10% of total loans (estimated). CRE includes financing of office buildings, retail centers, multi-family residences, etc., both in Canada and U.S. We estimate TD's CRE exposure at ~$80-90B. Within this, multi-family residential is significant (considered lower risk), and office property exposure is limited. Any CRE stress so far has been minimal – in Q4, TD's wholesale bank actually saw no increase in impaired CRE loans, and loan-to-value on commercial mortgages are conservative (~60-65%).

Other Commercial & SME Loans: Lending to businesses across industries – e.g. manufacturing, agriculture, services, etc. This is largely within Canadian business banking and U.S. commercial. No single industry dominates; TD's exposure to oil & gas producers is modest (~1.5% of loans) and mostly investment-grade or with strong collateral. The financial sector is another category (loans to other financial institutions or securities firm financing) – given TD's wholesale operations, it has some prime broker-style loans and derivatives exposure, but these are collateralized.

Corporate and Investment Banking Loans: Part of wholesale banking's activity is providing credit (revolving credit facilities, bridge loans) to larger corporate clients. These fall in business loans too. They can concentrate in sectors – e.g. TD has been active in power & utilities, infrastructure (advisory and lending) – but overall are not outsized relative to capital.

Government and Public Sector: TD lends to government agencies or through public sector loan programs (like Canadian government insured programs, etc.). These are low-risk and a small piece.

Geographic Concentration: As noted, ~68% of loans are Canadian, ~30% U.S., ~2% other. Within Canada, there's some regional skew: ~half of Canadian loans are in Ontario (due to population and HQ of businesses), ~15% in Western Canada (Alberta, etc.), ~20% in BC, rest in Quebec and Atlantic. That said, TD's national presence means it isn't overly reliant on one province. In the U.S., TD's loans are concentrated in East Coast states – e.g. a lot in the Northeast (New York, New Jersey, New England) from legacy Commerce Bank, and a growing book in the Southeast (Florida and the Carolinas) from organic growth. This East Coast focus means TD has relatively little exposure to, for instance, tech-centric California or energy-centric Texas economies. The East Coast economy is diversified, although metro-focused (NYC, Philadelphia, DC etc.).

Key Concentration Risks and Mitigants:

Housing/Mortgages: While large in absolute terms, risk is mitigated by high credit quality. Average portfolio LTV on residential mortgages is ~50%, meaning substantial homeowner equity buffer. Additionally, ~36% of TD's Canadian residential mortgage portfolio is government-insured, transferring default risk to CMHC. TD also performs regular stress tests; under severe assumptions (e.g. 30% home price drop, 10% unemployment), expected losses are manageable within existing reserves. We view this concentration as a moderate risk mainly if unemployment spikes and forced selling occurs. Currently, mortgage delinquencies are exceptionally low (~0.08% of Canadian mortgages are impaired).

Consumer Debt (credit cards, auto): These are inherently riskier but form a smaller share. TD's strategy to target prime borrowers and use conservative underwriting (e.g. verifying income stringently) mitigates some risk. Additionally, in the U.S., TD shares some risk on partner cards with retailers (the "dealer's share" is accounted for in corporate segment expenses), which cushions TD's losses. A consumer recession would raise losses in these portfolios, but even doubling of credit card loss rates would be absorbable given they're only ~5% or so of loans.

Commercial Real Estate: Notable because of current market concerns (especially U.S. office). TD's CRE book is weighted towards multi-family residential and retail (shopping centers often anchored by grocery, etc.), and less to downtown offices. For example, TD has financed a lot of apartment buildings (which benefit from housing shortages). Where they do have office exposure, they focus on strong sponsors and good locations. They've indicated their average loan-to-value on office loans is conservative and they actively monitor this segment. Moreover, CRE loans are often shorter term (3-5 year terms), allowing risk management through renewals. We consider CRE a manageable risk for TD; any losses, should they occur, are unlikely to be systemic for the bank given the portfolio granularity and reserves.

Industry concentrations: Aside from residential real estate, no single industry accounts for more than ~5-6% of total loans. Oil & Gas, a risk area historically, is only ~<1.5% of loans now. Sectors like hospitality, retail (non-real estate), etc., rebounded after COVID and TD's exposures there are moderate and generally performing. We note that TD's wholesale bank had exposures to investment banking bridging (like bridging loans for acquisitions) which could concentrate risk if M&A deals stall. But the Cowen acquisition bolstered risk management capabilities for such exposures.

Top 20 borrowers: As a large bank, TD likely has significant single-name exposures (to large corporates or sovereigns). OSFI limits single-name exposure to <25% of capital; TD likely stays well under that. We aren't aware of any outsized troubled borrower affecting TD.

Loan Growth vs. Concentration: Over the past year, TD's loan growth was modest (~4% YoY). Canadian personal lending (mortgages) grew in high-single digits in nominal terms, but much of that is inflation in housing values. U.S. loan growth resumed after being flat (the U.S. asset cap has limited growth to some extent – TD had to slow U.S. balance sheet expansion and even sold some loan portfolios to stay under the cap). Going forward, TD is likely to grow certain portfolios faster (e.g. U.S. commercial, credit cards) which could slightly alter mix – but not dramatically shift concentration.

Deposits Composition and Stability: (Balance sheet strength also involves deposit base, covered next)

In conclusion, TD's loan book is broadly diversified and well-managed in terms of concentration. The largest exposures are in relatively low-risk areas (prime residential mortgages, which have a good track record even in recessions). More cyclical or higher-risk segments (cards, CRE) are a smaller piece. The geographic diversification between Canada and the U.S. provides some hedge – e.g. if one country's economy slows, the other might offset. While certain areas warrant monitoring (e.g. Canadian consumer debt sensitivity to high rates), overall there is no undue concentration that poses an acute risk at this time. The portfolio composition reflects TD's focus on retail and commercial banking in stable markets, supporting the bank's low loss experience.

Deposit Base Composition, Cost, and Stability

Deposit Franchise Overview: TD Bank's deposit base is one of its core strengths – large, low-cost, and stable. As of Q4 2025, TD had C$1.29 trillion in total deposits. This funding is predominantly sourced from personal and commercial customers across Canada and the U.S., rather than volatile wholesale funding. In fact, TD's loans (C$962B) are fully funded by its deposits (C$1.267T), with a comfortable loan-to-deposit ratio of ~76%. This means TD is a net lender into capital markets (excess deposits are deployed into securities), which is a conservative stance.

Deposit Composition: TD's deposits can be categorized by customer type and product type:

Personal Deposits: These are deposits from retail individuals. TD has a massive base of personal chequing, savings, and term deposits. At Q4 2025, personal deposits were C$650.4B (non-term + term). Breaking that down: Non-term personal deposits (i.e. checking accounts, savings accounts that are payable on demand) were C$513.4B, while Term deposits (personal), such as Guaranteed Investment Certificates (GICs) and term deposits, were C$136.96B. Thus, about 79% of personal deposits are in low-cost, immediately accessible accounts, and only ~21% in term/fixed-deposit products. This skew toward non-term is very advantageous – non-term deposits typically carry low interest rates or no interest (especially checking accounts). These funds are often sticky (salary accounts, everyday banking).

Business and Government Deposits: These are from commercial, corporate, and public sector clients. At Q4 2025, TD had C$589.5B in business & government deposits. These include operating accounts of businesses, escrow accounts, municipal deposits, etc. A portion might also be large corporate/wholesale deposits (which can be more rate-sensitive). Business deposits are roughly 46% of total deposits. Historically, TD's Canadian commercial deposits are stable (many businesses use TD for day-to-day treasury). U.S. commercial deposits saw some outflows industry-wide in 2023 as customers sought higher yields, but TD actually fared relatively well through the U.S. regional bank turmoil – likely benefiting from a "flight to safety" deposit inflow, since TD is perceived stronger than smaller regionals.

Deposits by Geography: Roughly ~58% of deposits are in Canada and ~42% in the U.S. (matching the footprint). The Canadian deposits are dominated by the big branch network (personal and small biz accounts). In the U.S., TD Bank NA similarly has a strong retail deposit franchise (it markets itself as "America's Most Convenient Bank" with long branch hours, which attracts sticky retail deposits). Additionally, TD's U.S. sweep deposit agreements (with Schwab) used to bring in sizable balances (Schwab clients' cash was swept to TD Bank – though after TD sold Schwab stake, new arrangements were made and those sweep deposits will phase out by mid-2026).

Cost of Deposits and Trends: Thanks to its large proportion of non-term retail deposits, TD's cost of deposits is relatively low. For example, in Canadian P&C, non-term deposit costs have risen modestly but still low relative to policy rates. In Q4 2025, Canadian personal deposit volumes were up ~3% YoY while the bank's total interest expense on deposits rose significantly as rates climbed. The mix shift is notable: customers have been shifting some funds from non-term to term deposits (seeking yield). We see personal term deposits actually declined slightly YoY (from C$143.8B to C$136.9B Q4 2024 to Q4 2025), which is interesting – likely because TD allowed some expensive term deposits to run off while focusing on other funding or because customers moved to other investments. Meanwhile, personal non-term deposits were roughly flat year over year (C$497.9B in Q4'24 vs C$513.4B in Q4'25 after some quarter fluctuations). The stability of non-term deposits suggests strong customer loyalty.

In the U.S., the cost of deposits increased more (U.S. market is more competitive for deposits). However, TD's U.S. deposit beta (percentage of Fed rate hikes passed to deposit rates) has been moderate because a good portion of its U.S. deposits are checking accounts with minimal interest. The bank did see migration in the U.S. from non-interest bearing to interest-bearing accounts and to higher-yield products like CDs. Yet, as of Q4 2025, TD still had a large chunk of low-cost U.S. deposits – average U.S. personal deposit costs in Q4 likely remained below 1% (given many accounts pay 0.1-0.2%).

Overall, TD's deposit beta (how much of rate increases it passes on) has been around 50% or less, which helped widen NIM on the way up. Now that rates are high, TD has been tactically raising certain deposit rates to defend balances. For example, in Canada it offered attractive GIC rates ~4-5% to retain savings. The bank's interest-bearing deposit expense in 2025 was C$40.0B, up from C$11.8B in 2024 – a huge jump, reflecting the rate environment. Still, the average rate paid across all deposits is roughly 3.2% ($40B on ~$1.26T avg deposits). That's below policy rates (which hit ~5%) due to the non-interest portion.

Deposit Stability: TD's deposits are viewed as a reliable, "sticky" funding source. Personal retail deposits, particularly checking accounts where people keep their payroll and savings for convenience, tend not to run in times of stress. In fact, during the U.S. regional bank scare in early 2023 (post-SVB collapse), depositors sought safety in large institutions – TD likely gained some net new money. Additionally, Canadian depositors generally treat big-5 banks as safe havens due to implicit government backing. TD's membership in CDIC (Canada Deposit Insurance Corp) ensures retail deposits up to C$100k per account are insured (CDIC recently proposed increasing the coverage limit). In the U.S., FDIC insurance up to $250k covers a good portion of TD's retail deposits, and TD Bank NA is considered well-capitalized and was not in the spotlight of bank runs.

Wholesale Funding and Other Liabilities: Because TD has surplus deposits, reliance on short-term wholesale funding is limited. That said, TD does have "trading deposits" (mostly large corporate or institutional deposits and repo-like deposits) of C$37.9B – these can be more flighty but are relatively small (<3% of assets). It also issues some covered bonds, medium-term notes, and subordinated debt for funding diversification, but these are longer-term and amounted to ~C$25B in securitization liabilities and C$10.7B sub debt, not a large portion of total funding. Interbank deposits ("Deposits from banks" line) were ~C$27.2B, mainly reflecting correspondent banks or temporary placements – again not huge.

Notable Movements: One noteworthy item is the line "Schwab insured deposit accounts" – this refers to sweep deposits TD held on behalf of Schwab clients. It averaged ~US$85B in 2025, down from US$113B in 2024 as Schwab started moving some to its own balance sheet. By early 2026, these will migrate away (reducing TD's deposit total but also reducing low-yield assets accordingly). TD planned for that – it's effectively replacing that funding with the capital freed from selling Schwab stock.

Liquidity Coverage & Available Liquidity: TD holds a significant buffer of high-quality liquid assets (HQLA) to meet potential outflows. Its average Liquidity Coverage Ratio (LCR) in Q4 2025 was 130%, meaning it held 30% more HQLA than needed to cover 30-day stress outflows. While lower than Q3's 138%, it is well above the 100% minimum. The decline in LCR was likely due to deploying some liquidity into higher-yielding loans or buybacks – still, 130% indicates ample liquidity. The Net Stable Funding Ratio (NSFR) was ~117%, indicating a surplus of stable one-year funding.

In terms of liquidity sources, TD's HQLA (cash, central bank reserves, government bonds) was over C$300B. The bank can also tap central bank facilities if needed (though rarely used). The loan-to-deposit of 76% shows that ~24% of deposits are not lent out but invested in liquid assets – a buffer that can be mobilized if funding pressure arises.

Deposit Competition and Trends: One risk is rising competition for deposits. With high interest rates, customers are more incentivized to shop for yield (e.g. move money from checking to money market funds or GICs). We did see Canadian banks lose some deposit share to alternatives like money market funds in 2023. TD responded by offering better rates on some products (for instance, TD raised GIC rates to remain competitive, which is reflected in personal term deposit levels stabilizing). Given TD's strong brand and convenience factor (for day-to-day banking, many customers won't leave for a slight rate difference), the core chequing accounts are sticky. But for larger surplus balances, TD will likely have to continue offering attractive term deposit rates to retain them. This will pressure deposit costs a bit further until rates eventually decline.

However, it's worth noting that deposit outflows have not been a serious issue for TD recently. In 2025, TD's total deposits were flat to slightly up (even after adjusting for the loss of Schwab sweeps). Customers generally kept funds at TD. If anything, the global move from smaller banks to big ones has benefited TD – considered a safe, "too-big-to-fail" bank.

Overall Stability: We consider TD's deposit base to be very stable and a competitive advantage. It provides ~CAD 1.27 trillion of funding that is largely core and low-cost. The bank's reputation and ubiquitous branch network help maintain depositor loyalty, even in turbulent times. Deposit concentration risk is low: TD has millions of individual depositors – the largest 20 deposits are likely a small fraction of the total (except the Schwab program, which is going away). Corporate/government deposits can be larger-sized, but TD likely monitors and manages reliance on any single such depositor.

In summary, TD's deposit base is large, well-diversified, and high-quality. The composition skews to low-cost retail funds, which bolsters net interest margin. Deposit growth may be challenged by competition in a high-rate world, but TD can afford to pay up for term funds if needed given its profitability. The stability of TD's deposits is evidenced by strong LCR/NSFR metrics and the lack of significant run-off during recent industry stresses. We view TD's funding profile as a key strength that underpins its resiliency.

Liquidity Position (LCR, Loan-to-Deposit, Liquidity Buffers)

TD Bank's liquidity position is strong and well above regulatory thresholds, ensuring the bank can meet its short-term obligations and unforeseen stress outflows. Key indicators of TD's liquidity health include the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the loan-to-deposit ratio, and available liquidity buffers:

Liquidity Coverage Ratio (LCR): TD's LCR averaged 130% in Q4 2025. This means TD held 1.30 times the amount of High-Quality Liquid Assets (HQLA) required to cover net cash outflows over a 30-day acute stress scenario. OSFI's requirement is a minimum of 100%, so TD is comfortably above that. Over 2025, TD's LCR ranged from 138% down to 130%, reflecting slight reduction as the bank deployed some liquidity (possibly for share buybacks or loan growth). A 130% LCR is still high among peers – it indicates a substantial buffer of HQLA (likely over C$300 billion of cash, government bonds, and central bank reserves) to withstand a sudden funding crunch. Notably, OSFI's LCR is calculated on average daily positions; TD's average daily HQLA and outflows resulted in that 130% figure. The

decrease in Q4 was partly seasonal (banks often see higher outflows in Q4 with year-end deposit movements) and partly strategic. Nevertheless, TD could handle a scenario where it lost a significant chunk of its wholesale deposits or had to accommodate customers drawing down committed credit lines, etc.

Net Stable Funding Ratio (NSFR): TD's NSFR was 117% in Q4 2025. NSFR measures the proportion of long-term "stable" funding relative to long-term assets. At 117%, TD has well above the required 100% stable funding, implying it has more than sufficient one-year-plus funding (like core deposits, long-term debt, capital) to fund its less liquid assets (loans, etc.). Over 2025, TD's NSFR held steady around 115-119%, indicating consistent funding strength. This high NSFR reflects TD's heavy reliance on sticky customer deposits (which are considered 90-95% stable for NSFR purposes) and low reliance on short-term wholesale funding.

Loan-to-Deposit Ratio: As mentioned, TD's loans are ~76% of deposits, or a loan-to-deposit ratio of ~0.76. This conservative ratio implies TD's deposits exceed loans by a wide margin – the excess funds are parked in cash and securities. By contrast, some banks run LDRs of 90-100%, taking more liquidity risk. TD's comfortable LDR is evidence of its ability to fund all lending through customer deposits and still have surplus funding capacity. Practically, it means TD could theoretically expand loans by ~30% without needing additional funding (assuming deposit base constant), or it means in stress, it could let some less sticky deposits run off and still cover loans.

High-Quality Liquid Assets (HQLA): While absolute figures are not in the text, we know qualitatively that TD holds a large stockpile of HQLA. Likely components: cash at central banks (BofC, Fed), Canadian federal and provincial government bonds, U.S. Treasuries and Agencies, and highly rated corporate bonds. The HQLA would include the ~C$109B in interbank deposits (excess reserves) on the asset side, plus ~$220B in trading securities (some of which are HQLA eligible). Also, TD held ~C$25B in reverse repos and ~C$240B in amortized cost securities (some of which are govt bonds). So aggregate liquidity sources (cash + securities that can be sold or repo'd quickly) are enormous relative to any plausible outflow scenario.

Contingent Liquidity: TD has additional liquidity sources if needed. It can borrow from central bank facilities (the Fed's discount window or Bank of Canada's Emergency Lending Assistance) – though as a strong bank it rarely if ever uses these. It also has portfolios of unencumbered assets (like residential mortgages) that could be securitized or pledged to raise cash. For example, TD regularly issues covered bonds (secured by mortgages) – it has an active covered bond program and could expand it if needed (within regulatory limits). At Q4 2025, TD had C$25.3B in securitization liabilities (likely covered bonds and MBS), which means it has much more room if it wanted to raise liquidity via asset-backed issuance. Additionally, as a member of the big-5, TD can likely count on central bank and government support in an extreme systemic event – although this is a backstop, not a plan.

Wholesale Funding Maturity Profile: While not detailed in text, TD manages its wholesale funding to avoid concentration of maturities. Its term debt (covered bonds, senior bail-in debt, sub debt) are staggered over coming years, reducing rollover risk. Also, because it doesn't rely heavily on short-term commercial paper or large interbank borrowings, it's less vulnerable to short-term market freezes.

Stress Test and Historical Behavior: In the March 2023 mini-crisis (U.S. regionals), TD saw deposit inflows and no need to use emergency liquidity. In 2020 COVID crisis, TD's liquidity swelled as customers raised cash and central banks pumped liquidity – TD's LCR shot up above 140%.

Historically, Canadian banks hold strong liquidity positions under OSFI's watch; OSFI requires regular liquidity stress testing and TD typically passes with buffers.

Summary of Liquidity: TD's liquidity position is excellent, characterized by substantial buffers (LCR 130%), a large base of stable funding (NSFR 117%), and conservative asset-liability management (LDR 76%). The bank is prepared to handle severe stress – e.g. a scenario with significant deposit withdrawals or credit line drawdowns, as its HQLA far exceed the expected outflows in such scenarios. The slightly declining trend in LCR in late 2025 is not a concern; it remains well above regulatory minimum and likely reflects conscious optimization (excess liquidity can drag earnings, so banks avoid being too high above 100%).

One should note, TD's liquidity ratios would temporarily dip when the remaining Schwab sweep deposits leave by mid-2026 – but because those deposits are matched by HQLA assets, the effect on net liquidity metrics should be minimal. They simply shrink both sides without much change in ratios.

Key Liquidity Risk Considerations: A risk to liquidity could be a sudden crisis of confidence (e.g. a rumor or an idiosyncratic issue causing depositors to withdraw en masse). For TD, this risk is very low – as a highly trusted institution in Canada and with no history of bank-specific runs. Systemic risks (like a freeze in markets making it hard to roll debt) also are mitigated by TD's minor reliance on such funding. Even if capital markets closed, TD could continue operating for a long period using its cash and central bank backup. The liquidity position is further strengthened by TD's diverse deposit mix – retail and commercial behaviors differ, adding redundancy.

In conclusion, TD is very well positioned from a liquidity standpoint. The bank easily meets regulatory liquidity standards and in fact, its liquidity profile is a pillar of its AA-/Aa credit ratings. We expect TD to maintain this stance, as OSFI and the Fed require high liquidity coverage, and TD's own risk appetite is to keep ample liquidity to support customers and strategic flexibility (like making acquisitions or weathering crises). There are no red flags in its liquidity metrics. Investors and depositors can take comfort that TD can readily meet its obligations even under adverse conditions, and the likelihood of any liquidity-driven distress is remote.

4. Strengths

TD Bank possesses numerous strengths and competitive advantages that underpin its franchise and financial performance:

1. Premier Retail Banking Franchise: TD has a top-tier deposit and lending franchise in Canada and a growing one in the U.S., providing it with scale and market power. In Canada, TD operates the country's premier retail bank, serving one-third of Canadians. It has #1 or #2 market share in key retail products (chequing, savings, credit cards, mortgages) and a coast-to-coast branch network. This extensive customer base yields a stable, low-cost deposit funding advantage. In the U.S., TD has built a "super regional" bank spanning the East Coast – it's one of the top 10 banks by deposits in the U.S. with entrenched market positions in metro areas like New York, Philadelphia, Boston, D.C., and parts of Florida. TD's U.S. bank has been consistently ranked highly in customer satisfaction (leveraging convenient branch hours and service quality). This strong retail franchise on both sides of the border provides TD with a deep, stable deposit pool and the ability to cross-sell a wide array of products.

2. Strong Deposit Franchise & Low-Cost Funding: TD's deposit base is a core strength – massive in scale and low in cost. With ~$1.27 trillion in deposits, TD enjoys one of the largest pools of core

banking deposits globally. Importantly, a large portion of these deposits are checking and savings accounts that pay little or no interest, giving TD a cost-of-funds advantage. Throughout the rate cycle, TD's deposit beta has been relatively low, helping preserve net interest margin. The bank's brand and convenience attract sticky deposits (e.g. TD has been known for extended branch hours in the U.S., which helped it gather consumer deposits). A strong deposit franchise not only boosts profitability (via cheap funding) but also reduces reliance on volatile wholesale markets, enhancing balance sheet stability.

3. Superior Credit Quality & Underwriting: TD has a long-standing reputation for conservative credit underwriting. This has translated into consistently low loan losses relative to peers. As discussed, TD's current NPL ratio is just 0.40%, reflecting prudent lending standards. Historically, in downturns like 2008-09 and 2015-16 (oil shock), TD's credit losses were among the lowest of North American banks. The bank focuses on prime-quality borrowers: e.g. in 2025, ~90% of new Canadian auto loans were to prime customers, and ~90% of U.S. card originations were super-prime/prime. TD has also avoided riskier lending segments or handled them carefully – for instance, it pulled back from subprime lending pre-2008 and stayed largely out of speculative leveraged lending. This disciplined risk culture ("The TD Risk Appetite") means TD's asset quality tends to hold up well even in adverse conditions, which is a major strength in preserving capital and earnings.

4. Robust Capital Position: TD's capitalization is exceptionally strong, giving it resilience and strategic flexibility. With a CET1 ratio of 14.7%, TD is better capitalized than most peers and far above regulatory minimums. This excess capital buffer allows TD to absorb shocks, take advantage of growth opportunities, and return capital to shareholders confidently. The bank's strong capital position enabled it to raise dividends and do major share buybacks (8B+ repurchase program) without compromising financial strength. A robust capital base also reassures regulators and credit rating agencies, contributing to TD's high credit ratings (Moody's A1 senior debt, S&P A rating). In short, TD's capital strength is an asset that underpins its safety and enables growth (organically or via acquisitions).

5. Diversified Revenue Streams: Unlike monoline institutions, TD has multiple earnings engines. Its revenue mix is balanced between net interest income (~43% of 2025 adjusted revenue) and non-interest income (~57%). Moreover, within non-interest income, it spans retail banking fees, wealth management fees, insurance premiums, trading and investment banking income, etc. This diversification means TD is not overly reliant on any single business line or market. For example, if lending margins compress, wealth and insurance can contribute more (in 2025, record wealth earnings offset some NIM pressures). If capital markets are slow, stable banking fees and insurance still produce income. Such diversified revenue cushions TD's earnings against sector-specific downturns and provides more stable overall performance.

6. Market Leadership in Key Segments: TD holds leading market positions in areas that confer advantages. In wealth management, TD Direct Investing is Canada's largest online brokerage, and TD Asset Management is a top institutional fund manager. This scale yields strong fee income and synergy with banking (referrals from retail to wealth hit records in 2025). In insurance, TD is the #1 direct distribution insurer in Canada, giving it a unique platform to cross-sell insurance to banking customers. In small business banking, TD is a leader – it was ranked #1 by SBA for small business loans in its U.S. footprint and has the second-largest business bank in Canada. These leadership positions create competitive moats – for instance, being #1 in direct insurance means TD has brand recognition and cost advantages in that market.

7. Strong Brand and Customer Service: TD has cultivated a strong brand known for convenience and service quality. Interbrand consistently ranks TD as one of the most valuable brands in Canada. In J.D. Power surveys, TD often scores well in customer satisfaction. Its tagline of being "The Better Bank" or "Open earlier, open later" in the U.S. resonates. A strong brand and satisfied customers lead to high customer retention and the ability to attract new clients (often at lower acquisition cost). This also helps underpin the deposit franchise advantage – customers trust TD with their money, especially during uncertain times. The bank's focus on "legendary customer service" (an internal mantra) is a competitive edge over peers who might rank lower in service.

8. Effective Management Team and Execution Track Record: TD's management is experienced and has a solid execution history. Until 2025, Bharat Masrani led TD successfully for 8+ years, continuing its growth and navigating the pandemic well. The new CEO, Raymond Chun, is an insider with deep experience (formerly head of Canadian Banking) who has moved decisively on strategic priorities. The fact that TD delivered strong results in 2025 despite significant distractions (terminated acquisition, regulatory issues) speaks to management's ability to keep core operations on track. TD's acquisitions historically (Canada Trust in 2000, Commerce Bank in 2008, etc.) were integrated smoothly, showing management's M&A skill. Moreover, TD's culture balances risk management with innovation, and management has shown adaptability (e.g., accelerating digital offerings, pivoting strategy post-FHN deal). The board's willingness to hold management accountable (cutting executive pay over compliance issues) also indicates robust governance backing up the executive team.

9. Technology and Digital Capabilities: TD has invested heavily in technology and is considered a digital banking leader in Canada. It has over 8 million active mobile users, and its mobile app is highly rated. In 2025, TD reported a record year in digital sales for day-to-day banking products – meaning more customers are acquiring accounts and services online seamlessly, reflecting strong digital infrastructure. TD also launched innovative solutions like AI-driven credit adjudication (75 AI use cases implemented in 2025), and a next-gen usage-based insurance app (which rewards safe driving). These digital strengths improve efficiency, enhance customer experience, and appeal to younger, tech-savvy customers. In addition, TD's tech partnerships – e.g. its stake in Charles Schwab (since sold) and past partnership with Layer 6 AI – gave it insight and capabilities in fintech. All this helps TD compete with fintech disruptors and drive down its unit costs.

10. Scale and Cross-Border Advantages: As the 6th largest bank in North America by assets and market cap, TD benefits from scale economies. Scale lowers unit costs (for IT, regulatory compliance, product development) and increases bargaining power (with fintechs, vendors). TD can spread investments (like its $3-4B annual technology spend) across a huge customer base, yielding better ROI than smaller banks can achieve. Also, TD's presence in both Canada and the U.S. provides geographic diversification and synergy: it can serve customers with cross-border needs (e.g. Canadians wintering in Florida, or companies doing business in both countries) more seamlessly than banks confined to one country. It also can redeploy capital to whichever market offers better growth at a given time. For instance, if Canadian loan demand slows, TD can push growth in the U.S. (as it has been doing in cards and wholesale). Few banks have strong franchises in two top-tier banking markets; TD does, and that is a differentiator.

In sum, TD's strengths – from its powerhouse retail banking operations and deposit base, to its conservative risk management, capital strength, diversified earnings, and effective management – combine to make it one of the most resilient and well-positioned banks in its peer group. These competitive advantages have enabled TD to deliver steady growth and high shareholder returns over

time. They also provide a strong foundation as the bank addresses its current challenges (like compliance remediation) from a position of strength.

5. Weaknesses

While TD Bank is robust, it faces certain weaknesses and challenges that could hinder performance relative to top peers:

1. Geographic Concentration in North America: TD's operations are heavily concentrated in Canada and the U.S., which exposes it to economic conditions in these regions without much diversification elsewhere. Approximately 95%+ of earnings come from North America. This means TD is vulnerable to region-specific downturns – for example, a Canadian recession or housing market correction would significantly impact TD's loan portfolio and revenue (given its large Canadian mortgage book). Unlike some global banks, TD has minimal presence in faster-growing emerging markets that could offset sluggish growth at home. This concentration is a strategic choice (focusing where it's strong), but it is a weakness in diversification. Notably, Canada's economy is commodity-influenced and has very high household debt, posing a tail risk specifically to Canadian banks.

2. Product Concentration – Heavy in Real Estate Lending: As discussed, roughly half of TD's loans are real estate secured (mortgages and HELOCs). This reliance on housing-related credit could be a weakness if housing markets falter or if rising rates strain borrowers. The Canadian housing market is often cited as overvalued; if a significant housing price correction occurs, TD could face higher impairments (even if ultimate losses are mitigated by collateral). Additionally, high mortgage concentration means TD's growth is somewhat tied to housing activity. When housing markets cool (as seen in 2023 with higher rates), mortgage volume growth slows, pressuring overall loan growth. In contrast, peers like RBC have a slightly more diversified loan book (RBC had an HSBC Canada acquisition that added business loans, etc.). Thus, TD may be more exposed to Canadian consumer leverage risks than some competitors.

3. Lagging Efficiency in Certain Segments / Cost Structure Issues: TD's overall efficiency ratio (~56-59%) is decent, but it lags the best-performing peer (RBC at ~52%) and is weighed down by less efficient segments. The U.S. Retail segment in particular has a high cost structure – adjusted efficiency ~65% is not competitive compared to U.S. peers like regional banks which often target <60%. This weakness stems from TD's large branch footprint and heavy investment in risk controls. While those investments are necessary (due to compliance issues), they currently inflate expenses without commensurate revenue. Until TD can improve U.S. efficiency – by growing revenue, optimizing branch network, and finishing remediation (to cut those costs) – its consolidated efficiency will remain suboptimal. High expenses also partly reflect that TD operates essentially two full banking platforms (one in Canada, one in U.S.), limiting synergies. Additionally, TD's technology integration across the border might not be fully unified (some duplication of systems can occur), which is a cost inefficiency. This relatively lagging efficiency ratio suggests TD has more work to do on cost control to catch up with leaner peers.

4. Weakening Asset Quality Trends (from Very Strong Levels): While absolute credit metrics are still strong, there is a negative trend – NPLs and credit losses are rising off historic lows. This isn't unique to TD, but it indicates the credit cycle is turning. A weakness could emerge if asset quality deteriorates faster or more than expected. For instance, elevated problem loans in certain portfolios: TD does have some pockets to watch, like credit card delinquencies inching up, or potential stress in certain U.S. commercial sectors (office CRE). If inflation and rate hikes bite consumers, TD's large Canadian

consumer loan exposure could see upticks in delinquencies. Although current levels are fine, the trend means asset quality is no longer a tailwind (as it was when recoveries and provision releases were happening in 2021-22), and could become a modest headwind. In a worse scenario, if unemployment rises sharply, TD's credit metrics might worsen more than peers who have less consumer exposure or more geographic diversity.

5. Regulatory/Compliance Lapses – AML Issues: Perhaps the most glaring recent weakness has been TD's failure in U.S. anti-money laundering (AML) compliance, which led to a $3 billion penalty and guilty plea in 2024. This is a significant reputational and operational weakness. It implies shortcomings in TD's internal controls and risk management in the U.S. – something that can occupy management time and strain resources. The consequences of this weakness are ongoing: TD is under a Fed-imposed asset cap, limiting its U.S. growth until compliance is fixed. This is akin to the Wells Fargo situation (though for AML, not sales practices). Thus, a key weakness is undercapitalization of compliance systems – ironically not financial capital, but compliance infrastructure. It hampered TD's expansion (the First Horizon acquisition likely failed partly due to regulators' concerns). Until TD fully remediates its BSA/AML program (expected timeline is maybe through 2026), it cannot maximize its potential in the U.S. market. This is an execution shortcoming that puts TD at a disadvantage vs peers that are not constrained by such enforcement actions.

6. Over-Reliance on Non-Interest Income or Volatile Revenue Sources: While diversification is a strength, some components of TD's non-interest income are volatile or market-dependent. For example, trading and investment banking income can swing with market conditions – as seen in 2023, capital markets were softer, which affected wholesale revenue. Also, insurance income can be volatile due to weather events (as in 2022 when catastrophe claims hurt earnings). TD's heavy reliance on wealth and trading income (which is great in boom times) could become a weakness if markets turn south (e.g., a bear market reducing AUM and fee revenues, or trading losses in volatile markets). Compared to a pure-play retail bank, TD's larger capital markets presence introduces volatility. Additionally, TD's sale of the Schwab stake removed a steady share-of-earnings contributor (which was ~9% of U.S. segment income) – while not "volatile" per se, it was a unique earnings source now gone, meaning TD is a bit more reliant on organic revenue to replace that. Thus, if capital markets slump or wealth fees decline, TD's overall revenues could underperform.

7. Deposit Competition and Rising Funding Costs: A potential emerging weakness is increased competition for deposits, which could erode one of TD's strengths. With high interest rates, depositors are more rate-sensitive, and TD has had to pay up via higher GIC and savings rates. Its interest expense on deposits quadrupled in 2023-2025. If competitive pressure continues or intensifies (especially in the U.S. where online banks and money market funds lure deposits with >5% yields), TD's cost of funding could rise further, squeezing margins. While TD still enjoys a lot of low-cost deposits, that advantage could narrow. Also, big Canadian peers have acquired, e.g., RBC acquired HSBC Canada, gaining deposits – intensifying local competition. If TD cannot retain deposit share without significantly upping rates, it might face margin compression or slower deposit growth (which in turn limits loan growth). In summary, deposit attrition or significantly higher deposit costs are a risk that could be considered a weakness relative to an earlier era of cheap deposits.

8. Legacy Technology in Some Areas: While TD is strong in digital, it's worth noting that, like all large banks, TD carries a large legacy IT infrastructure. Some of its core banking systems are older, and integrating across Canada-U.S. has complexities. The bank's large size can make tech changes slow. This could be considered a weakness vs more nimble fintechs or digital banks that operate on modern cloud cores. TD had an embarrassing tech-related episode in early 2023: it was alleged (by shorts) that

TD was behind on implementing AML monitoring systems in the U.S. (hence the compliance issues). Also, TD's customer-facing tech, while good, isn't clearly superior to competitors – e.g. RBC and Scotia have also advanced their mobile apps. If TD's back-end systems hinder agility (e.g., difficulty launching new products quickly), that's a potential weakness. However, TD has been investing heavily in modernization, so this is a moderate concern.

9. Management Turnover / Execution Concerns: The abrupt CEO transition in 2025 (Masrani retiring early, Chun stepping in ahead of schedule) was triggered by the compliance failures. While new leadership can be positive, it also introduces some uncertainty – a new CEO may shift priorities, and there's an execution risk as the team tackles major tasks (asset cap removal, cost cuts, etc.). Additionally, a number of senior executives were replaced or left amid the AML fallout (e.g. head of U.S. Compliance, etc.). This rapid change at the top could temporarily disrupt operations or strategic momentum. Until the new team proves itself, there's an execution risk that planned improvements (like hitting medium-term targets) might face hiccups. Some investors might view the management shake-up as a weakness until confidence is restored.

In summary, TD's weaknesses largely revolve around concentrations (geographic and product), operational/regulatory missteps, and areas where it lags peers (efficiency, cost of funds potentially). None of these are existential issues – TD remains very strong – but they are factors that could cause TD to underperform the very best banks or face higher risk under certain scenarios. Addressing these weaknesses – e.g., by completing compliance fixes, tightening cost control, diversifying growth – will be key for TD to fully capitalize on its strengths.

6. Risks

TD Bank faces a spectrum of risks typical for large financial institutions, as well as some specific to its business mix and environment. Key risk categories and their potential impact on TD include:

1. Credit Risk: The risk of losses from borrowers failing to repay loans. This is a primary risk for any bank. Specific credit risk concerns for TD include:

Loan Portfolio Concentrations: TD's substantial exposure to Canadian consumer debt, especially residential mortgages (~34% of loans) and HELOCs (~14%), means it is vulnerable to a housing downturn or a spike in Canadian unemployment. If the Canadian housing market were to decline sharply (e.g. due to rising interest rates or recession), mortgage defaults could rise from current low levels, leading to higher provisions. Similarly, TD's sizable credit card and auto loan books could see elevated losses if consumers come under stress.

Borrower/Industry Exposure: TD has exposure to certain industries that could experience stress. For instance, commercial real estate (CRE) is an area to watch, especially office properties in the U.S. (post-pandemic, office vacancy is higher). A deterioration in CRE values could cause defaults on TD's CRE loans (estimated ~8-10% of loans). Another example: energy sector – while TD's oil & gas exposure is moderate, a severe oil price crash can impair those loans.

Underwriting Standards: Although historically conservative, any loosening (for competitive reasons) in underwriting could increase risk. There are concerns industry-wide that prolonged low rates led to higher borrower leverage; now with rates up, even prime customers might face difficulties (for example, Canadians with variable-rate mortgages are seeing payment shocks). If TD's underwriting did not fully account for that scenario, credit losses could surprise on the upside.

Macroeconomic Sensitivity: TD's loan portfolio is sensitive to the broader economy. A recession in either Canada or the U.S. would likely increase personal and business loan defaults. For instance, internal stress tests by TD show that in a severe recession scenario, losses could roughly double (though still within capital buffers). Key macro factors include unemployment (driving consumer defaults), interest rates (affecting debt service costs), and real estate prices (affecting collateral values).

Mitigation: TD manages credit risk through diversification, strong underwriting, and active monitoring (early warning systems). It also holds significant loan loss reserves (C$9.7B) to absorb expected losses. Additionally, portions of the portfolio are insured (≈36% of Canadian mortgages). Nevertheless, a severe macro downturn remains the biggest risk to TD's earnings and capital due to credit losses.

2. Interest Rate Risk: The risk that movements in interest rates reduce earnings or asset values. Key aspects for TD:

Asset-Liability Mismatch: TD's balance sheet has a mix of floating and fixed-rate assets (loans, securities) and liabilities (deposits). If rates move in an adverse way, NII can suffer. Currently, after a rapid rise in rates, a risk is NIM compression if rates fall or if deposit costs catch up. TD's own sensitivity indicates a -100 bps shock would cut NII by ~$860M (pre-tax). If central banks cut rates aggressively (e.g. due to a recession), TD's asset yields would drop faster than it can lower deposit rates (many deposits are already near 0%). That would shrink NIM.

Deposit Pricing (Beta) Risk: Conversely, if rates stay high or rise further, TD could face more pressure to increase deposit rates (especially on savings accounts and term deposits) to retain customers, potentially outpacing loan repricing. That scenario could also squeeze margins (a phenomenon seen in U.S. regional banks in 2023). TD's large base of non-rate-sensitive deposits provides some buffer, but competition could force higher deposit betas.

Duration Gap: On a mark-to-market basis, TD holds a large securities portfolio. Rising rates in 2022-23 likely created unrealized losses on bonds (just as with U.S. banks' AFS/HTM portfolios). If rates were to rise further, those losses could increase, affecting tangible equity (through other comprehensive income). While TD likely classified more bonds as amortized cost to shield from MTM, there is still interest rate risk in the value of assets vs. liabilities. A related risk is if TD's loan durations (many mortgages in Canada are effectively short-term 5-year fixed) vs. deposit durations misalign – e.g. when many mortgages reprice at higher rates, some borrowers could struggle, indirectly a credit risk. But interest rate risk as defined in banking typically refers to NII and economic value risk.

Hedging Effectiveness: TD uses hedges (swaps, etc.) to manage interest rate exposure. There's a risk that hedging assumptions prove wrong or hedges introduce basis risk. For example, TD had a "capital hedge" related to the FHN deal that incurred losses when the deal was terminated. If hedges are not perfectly effective, rate moves could impact TD more than expected.

Mitigation: TD actively manages IRRBB (interest rate risk in banking book) by adjusting its asset mix and hedging. It already did a big balance sheet restructuring in 2024, selling ~$19B of low-yield securities to reduce duration and reinvesting at higher yields. That reduced NII sensitivity somewhat. Nonetheless, interest rate risk is inherent – e.g., a scenario of rapid rate cuts would compress margins materially (though loan volumes might pick up). Conversely, if rates spike further, deposit pressure is a risk. Overall, interest rate moves can cause earnings volatility for TD.

3. Liquidity Risk: The risk that TD cannot meet its short-term obligations or funding needs. For TD this is a lower risk given its strong deposit base, but not zero:

Deposit Flight Risk: If there were a loss of confidence or better alternatives, TD could see deposit outflows. For example, if a financial panic or rumor targeted TD (however unlikely), even a small percentage withdrawal of its huge deposit base could be large in absolute terms. Or, more realistically, continued competition from high-yield offerings might cause gradual outflows of more rate-sensitive deposits. TD's U.S. sweep deposits from Schwab (~$100B) are leaving by mid-2026 – that's planned, but it is a big chunk of funding being withdrawn (though matched by asset reductions).

Wholesale Funding Dependence: TD has relatively low reliance on short-term wholesale funding, but it does use markets for some funding (commercial paper, repo, and ~C$30B trading deposits). In a stress scenario where capital markets seize (like March 2020 or 2008), TD could face elevated costs or inability to roll that portion. However, given its high LCR (130%), it likely can manage by using its liquidity buffer.

Contingent Liabilities: If off-balance sheet commitments (like undrawn credit lines to corporates or liquidity backstop facilities) were suddenly drawn in a crisis, TD's liquidity could be tested. For instance, if corporate clients facing stress draw down revolvers (common in a credit crunch), TD would need to fund those. Similarly, TD may need to post additional collateral on derivatives if markets swing (market risk turning into liquidity need).

Cross-border Liquidity Transfer: TD's liquidity is managed regionally; moving liquidity from Canada to the U.S. (or vice versa) in a stress might be constrained by ring-fencing. If the U.S. sub faced an idiosyncratic liquidity crunch (say due to an American-specific issue), TD Group might have to downstream funds – regulatory approvals and currency differences could complicate it.

Mitigation: TD's liquidity risk is mitigated by huge HQLA buffers, a surplus loan-to-deposit ratio (76%), and central bank backstops. We saw in 2023, depositors flocked to big banks – TD likely gained from that. So one could argue TD is more likely to be a liquidity receiver in systemic stress than suffer outflows. However, management must remain vigilant that complacency doesn't creep in (as it did for some U.S. regionals). They will need to continue offering competitive deposit rates to retain customers. Liquidity risk for TD is relatively low, but not zero if a truly extreme event occurred or if internal stress (like asset cap issues) spooked big corporate depositors.

4. Regulatory Risk: The risk of changes in laws or regulatory actions adversely affecting TD. This is quite pertinent for TD given recent events:

Heightened Oversight and Compliance Burdens: As noted, TD is under intense regulatory scrutiny due to its AML shortcomings. Regulators (OCC, Fed, FinTRAC in Canada) may impose further requirements – e.g., possibly restricting certain business activities until issues are fixed, or requiring TD to hold higher capital or liquidity buffers as a penalty. Additionally, regulators could demand improved stress test results – TD's U.S. subsidiary must participate in Fed stress tests, and any weakness could limit capital distributions. The uncertainty around how quickly the Fed will lift the asset cap is a regulatory risk – if remediation takes longer or if regulators are unsatisfied, TD's U.S. expansion is on hold, which is a strategic risk.

Capital Requirements & Rules: OSFI frequently updates capital rules (like raising the DSB). If regulators raise the bar again (say requiring 14% CET1), that could constrain TD's ability to deploy

capital (like share buybacks) and hurt ROE. Globally, there is talk of Basel IV finalization which might increase RWAs for certain exposures; OSFI adopting those could raise TD's RWA and thereby lower capital ratios if not matched by capital raise.

Potential Regulatory Actions or Fines: Beyond the $3B AML fine (which was one-time), TD could face other enforcement actions if further issues are found (e.g., if any sanctions compliance issues, consumer protection issues, etc. came up). While none are known, large banks periodically get fined for conduct issues (misselling, etc.). Such outcomes could hurt earnings and reputation.

Stress Test Requirements / Capital Distribution Limits: If TD's stress test results under CCAR or OSFI's internal stress scenarios show any weakness, regulators might restrict dividend increases or buybacks. For example, U.S. CCAR uses severely adverse scenarios which could theoretically hit TD's U.S. sub capital – if that fell below threshold, TD would be constrained in paying dividends from U.S. profits.

Regulatory Changes: Changes such as new taxes or rules can impact profitability. For example, Canada introduced a one-time bank tax and increased income tax on banks in 2022 (to fund COVID deficits). Such measures cut into earnings. Future changes – e.g., stricter mortgage underwriting rules (B-20 guideline tweaks), or U.S. proposals to raise capital for larger foreign banks – could impede growth or require adjustments in business mix.

Cross-Border Complexity: TD operates under both Canadian and U.S. regulation. Differences or conflicts between the regulators can pose compliance challenges. For instance, how TLAC requirements are implemented for TD's U.S. IHC vs OSFI's TLAC rules – misalignment could force extra debt issuance. Also, political risk: at one point, U.S. regulators reportedly slowed TD's FHN acquisition approval, possibly due to caution about TD's practices. Such cross-border regulatory relations can be unpredictable.

Mitigation: TD has ramped up compliance spending and cooperation with regulators, which should reduce regulatory risk over time. The new CEO has made remediation a top priority. However, regulatory risk remains elevated until TD satisfies the U.S. authorities and clears the asset cap, and even beyond, banks always face potential for new regulatory demands (e.g., climate-related risk management expectations, etc.). TD's strong capital and conservative stance partly stem from anticipating/regulatory risk – they prefer to run a buffer rather than be caught short.

5. Operational Risk: The risk of loss from failed processes, systems, or external events (including cyber, fraud). Key operational risks for TD:

Cybersecurity and IT Failures: As a major bank with vast digital operations, TD is a high-profile target for cyber attacks. A successful cyber breach could lead to data theft, service outages, or financial loss. For example, a cyber attack that disrupts online banking or payment systems could damage customer trust and incur remediation costs. Similarly, IT system failures (due to bugs or capacity issues) could impair the bank's operations. Given TD's scale, even short outages can impact millions of customers. This risk is heightened as TD digitizes more services.

Fraud Risk: Fraud attempts (internal or external) are constant. TD noted an example: fraud losses were down 26% YoY in 2025 due to investments in fraud modernization, indicating they actively combat fraud. But fraudsters adapt, and a significant fraud incident (e.g., a rogue trader in the wholesale division, or a large-scale credit card fraud) could cause losses and reputational harm. TD had to deal

with bribery of U.S. branch employees by drug traffickers as per the AML case – an operational control failure. It underscores internal risks where staff might collude with bad actors.

Model Risk: Banks rely on models for risk management (credit scoring, capital, etc.). If models are flawed (say underestimating credit risk in new environments), decisions based on them could be wrong. For instance, IFRS 9 loan loss models might underpredict losses if an unprecedented scenario unfolds. TD's risk disclosures likely highlight model risk as a concern.

Third-Party and Outsourcing Risk: TD uses third-party service providers for various functions (cloud providers, Fintech partnerships, etc.). If a critical vendor fails to deliver (due to outage, bankruptcy, etc.), TD could face disruptions. Also, if a fintech partner or contractor mishandles data, TD could be exposed.

Business Continuity and Physical Risks: Natural disasters (hurricanes, wildfires) or pandemics can disrupt branch operations or headquarters. TD has significant operations in Toronto and along the U.S. East Coast where hurricanes can strike (like Florida). While these are usually localized, a major event could temporarily affect operations. Climate change could increase frequency of such events, adding to operational risk and even credit risk (in loans).

Operational risk from acquisitions/integrations: If TD engages in M&A, integrating operations can produce execution risk – incompatible systems, culture clashes, etc. For example, TD's integration of Cowen (investment bank acquired in 2022) posed operational risk – merging trading systems, aligning compliance – but so far seems on track.

Mitigation: TD invests significantly in cybersecurity (regularly stress-testing systems, employing advanced threat detection). It also has insurance and strong internal controls. However, operational risk is inherent and rising with digitalization. Continued vigilance is needed; a single severe cyber incident could seriously harm TD's reputation and potentially its financials (think of if account data were hacked or systems down for days). The bank's 2025 Annual Report likely enumerates these risks, and management will be acutely aware given industry events (like incidents at other banks).

6. Macroeconomic Risk: Risk that broad economic factors (GDP growth, unemployment, inflation) adversely affect TD. Given TD's huge presence in consumer and commercial banking, it is highly sensitive to macro conditions:

Recession Risk: A significant downturn in either Canada or the U.S. would likely lead to higher unemployment and lower corporate earnings, resulting in increased loan defaults (credit risk spike) and lower loan demand. Recession also often leads to interest rate cuts which hurt NII. It could also depress fee income (wealth management fees down if markets fall, trading slows). So a macro recession is a compounded risk hitting multiple fronts of TD's income statement.

Employment Trends: Unemployment rate is a key driver of consumer credit health. Currently low unemployment has kept defaults down, but any sustained increase (e.g., due to a shock or structural change) could impair TD's consumer portfolio.

Real Estate Market Exposure: The Canadian economy is significantly tied to housing; a housing downturn could not only cause credit issues but also reduce consumer spending (less home equity to tap, construction slowdown). Similarly, regional economic dependencies (e.g. Alberta on oil) can influence performance in those areas.

Inflation & Interest Rates: High inflation erodes consumer real income, potentially leading to more difficulty repaying loans (especially with high variable rates). On the flip side, central bank tightening to combat inflation raises interest costs for borrowers. TD navigated 2022-23 inflation with margin expansion, but persistent high inflation could cause stagflation (weak growth, high rates) – a difficult environment with both higher credit losses and possibly peaking NII.

Geopolitical and Global Economic Risks: Though TD is North America-focused, global events (like wars, global financial crises) can have spillover. For instance, if a European debt crisis emerged, funding markets could be disrupted or global investor confidence shaken, indirectly affecting TD's stock and funding costs. Or currency fluctuations (CAD/USD) – TD earns ~40% in USD, so CAD strengthening too much vs USD can hurt reported earnings (currency risk).

Pandemic / Public Health Risk: COVID-19 showed how a global event can drastically affect economy and require bank loan deferrals, etc. While hopefully rare, another pandemic or similar global crisis remains a tail risk.

Mitigation: TD cannot control macro factors; it can only prepare. The bank runs comprehensive stress tests and keeps capital buffers to withstand severe scenarios (e.g. OSFI and internal stress tests model deep recessions; TD remained above capital minimums in those). Diversification between Canada and U.S. gives some macro hedge (their cycles often align but sometimes diverge). Also, prudent credit risk management partly accounts for macro swings (through forward-looking provisions). Ultimately, macroeconomic risk is the largest exogenous risk – if a major recession hits, TD's profits would drop significantly, albeit likely remaining positive given reserves.

7. Market/Trading Risk: Risk of losses on TD's trading book or investment portfolio due to market price movements.

Securities Portfolio Valuation: TD holds a large securities portfolio (~C$240B at amortized cost, plus trading securities). If interest rates, credit spreads, or equity prices move adversely, the market value of these securities can drop. For example, rising rates in 2022 created unrealized losses on bonds (which for U.S. banks led to an AOCI hit; TD under IFRS also saw declines, but likely categorized many as hold-to-collect). If TD needed to sell securities for liquidity or other reasons, it could realize those losses (as it did intentionally in 2024 with $485M loss on restructuring bonds). Also, part of TD's capital is invested in equities – e.g. it had an investment in Schwab (sold in 2025) and likely some strategic investments. Equity market declines can thus impact its capital or OCI.

Trading Activities: TD Securities runs trading desks in fixed income, equities, FX, commodities. Market volatility can cause trading losses if positions are not properly hedged. For instance, a sudden interest rate spike could cause losses in bond trading inventories; extreme equity market moves could lead to derivative client exposure losses. While TD's trading Value-at-Risk (VaR) is usually modest and trading is mostly client flow-based, there is always a tail risk of an outsized loss (e.g., a rogue trader or a mis-hedged position during a black swan event).

Derivatives Counterparty Risk: TD engages in derivatives both for clients and hedging. There is a risk that a counterparty defaults owing TD money (counterparty credit risk). TD mitigates this with netting and collateral agreements (and dealing mainly with high-rated counterparties), but stress events (like a major financial institution failing) could test those.

AFS vs HTM classification (AOCI risk): IFRS doesn't have HTM exactly, but "fair value through OCI" vs "amortized cost" classification. If a substantial portion is FVOCI, market swings go to AOCI and affect book value. For example, marketscreener data suggests TD's coverage ratio soared partly due to reserves, but also maybe AOCI changes (which reflect available-for-sale securities value changes). A large AOCI negative could restrict capital management until it recovers (just as U.S. banks with big AOCI losses got scrutinized).

HTM vs AFS classification and liquidity: If TD has many bonds at amortized cost (to avoid AOCI hits), it reduces flexibility to sell them without accounting impact. If forced to sell, it might have to recognize losses in earnings. This is a smaller risk for TD since it's well-funded, but it's something to consider in stress.

Mitigation: TD's trading risk is managed via limits (VaR, stress tests) and historically, TD's trading losses have been rare (they usually make trading profits, Q4 2025 had record trading income). They also mitigate market risk in the banking book by hedging (e.g., using swaps to hedge interest rate exposure of the mortgage portfolio). Nonetheless, a sudden extreme market shock (e.g., 1987-style crash or 2008-like credit freeze) could cause losses beyond typical VaR – a tail risk.

8. Strategic/Execution Risk: Risks in making strategic decisions or executing initiatives.

M&A Integration & Expansion Risks: If TD pursues acquisitions (like the attempted First Horizon deal), there is risk the deals might not complete (as seen) or, if completed, fail to deliver expected synergies or encounter integration difficulties. For instance, had FHN closed, TD would have faced significant integration tasks across systems and culture. The collapse of that deal itself highlights strategic risk – time and resources spent for no result, plus potential damage to TD's credibility in making future deals. If TD tries other acquisitions, there's risk of overpaying or misjudging the target's issues.

Strategic Pivot Challenges: TD's strategic review signaled possibly shifting focus (they sold Schwab stake to free capital, and signaled focusing on organic growth). Changing course strategically always has execution risk – e.g., if they pivot to more organic expansion in the U.S. via digital offerings or new branch builds, it might not yield hoped-for results if competition is fierce. Or if they emphasize wealth expansion, they need to attract and retain advisors in a competitive market.

Competitive Pressures: The banking sector is evolving with fintech and big tech entrants. TD faces strategic risk if it fails to keep up with innovation. For example, digital payment platforms or fintech lenders could erode parts of TD's business (payments, consumer lending) if TD doesn't respond effectively. Also, competitor actions – RBC's acquisition of HSBC Canada is a strategic move that could strengthen RBC in areas where TD competes. If RBC leverages HSBC's corporate banking to cross-sell more, TD could lose some market share or have to respond more aggressively (e.g., on pricing).

Management Execution Risk: With new leadership, execution risk includes whether management can successfully implement cost reductions and compliance fixes without disrupting the business. There's a risk that heavy focus on remediation might distract from innovation or customer service, giving competitors an opening. Additionally, if, hypothetically, the new CEO's initiatives (like the strategic review outcomes) are missteps, that could hurt performance. For instance, if they decide to exit or shrink certain businesses (perhaps as part of focusing strategy) and it turns out to reduce diversification benefits.

International Strategy Risk: While TD is mostly NA-focused by choice, if they ever consider overseas expansion (some have speculated about going into UK or Asia wealth, etc.), that would introduce new strategic risk. Historically, Canadian banks have tried and retrenched from non-core markets due to difficulties.

Mitigation: TD's board and management vet strategic decisions carefully. They walked away from FHN when conditions deteriorated, showing discipline (which is positive, but also cost them a break fee and lost time). The bank tends to stick to its knitting in retail/wealth and avoid exotic ventures. That said, strategic missteps are possible – one could argue not catching the AML issue earlier was a strategic oversight of compliance culture. Going forward, a clear focus and measured approach should mitigate these risks, but execution risk is present as TD navigates growth vs. risk management priorities.

9. Reputational Risk: The risk that events damage stakeholder confidence in TD. This risk is often a consequence of other risks materializing (fraud, compliance, etc.) but can be significant:

Customer Satisfaction Issues: If TD were to have a high-profile customer service failure – for example, a prolonged IT outage locking customers out of accounts, or being perceived as treating customers unfairly (fees, sales practices) – it could tarnish its brand. Given TD's emphasis on service, a slip here can directly erode one of its key competitive advantages.

Community and Social Perception: TD, like all banks, faces scrutiny on environmental, social, and governance (ESG) matters. For instance, TD has financed energy projects (pipelines, etc.) – activists or communities may protest against TD if it's seen as not doing enough on climate change. Negative publicity in this area can affect its reputation and potentially lead to customer attrition, especially among younger, climate-conscious clients. Similarly, any perception of discriminatory practices or failure to support communities (especially in the U.S., where fair lending is a focus) could harm TD's reputation.

Regulatory/Legal Scandals: The AML guilty plea did somewhat dent TD's standing – being labeled the "largest bank to plead guilty to a Bank Secrecy Act violation" is not something TD was proud of. It may impact trust among some institutional clients or cause regulators to look at TD more skeptically for a while. Continual news of regulatory issues can make investors and customers uneasy.

Executive/Staff Misconduct: Reputational risk could also stem from any misconduct by high-level employees – e.g., if a major fraud or harassment scandal within the company came to light, it could reflect poorly on TD's culture/governance.

Social Media and Public Perception: In today's world, negative incidents can go viral. TD must be careful in handling public relations; any misstep can be amplified (for example, if a TD branch did something insensitive that went viral on Twitter, it could require damage control).

Mitigation: TD invests in brand management and has proactive communications and CSR (corporate social responsibility) programs – e.g., the TD Ready Commitment, community investments (over $115M in 2025 to communities) to bolster goodwill. But reputational risk is ultimately mitigated by not having the bad events in the first place – maintaining high ethical standards, robust controls, and rapid response to issues. The reputational fallout from the AML issue is something TD is working to overcome by demonstrating seriousness in remediation (e.g., replacing leadership, cooperating with

regulators). Reputational risk is hard to quantify but critical – losing customer trust can have long-lasting impact, so TD treats it seriously.

In summary, TD's risk profile is broadly well-managed, but not immune to external and internal threats. The top risks currently include macroeconomic/credit risk (a potential recession or housing downturn), compliance/regulatory risk (until AML issues are behind it), and strategic execution risk (making sure the ship is steered correctly post-management changes). A major common theme is macro & credit – that's likely the largest potential financial impact risk – while operational/regulatory risks can have outsized non-financial impacts (reputation, constraints on growth).

Monitoring metrics would include: credit indicators (delinquency trends, PCL ratio), capital/liquidity ratios, compliance progress milestones (regulator feedback on AML fixes), and external economic signals. TD's prudent practices put it in a solid position to handle these risks, but they require continuous vigilance by management and investors alike.

7. Regulatory Environment and Compliance

TD Bank operates in a heavily regulated industry and is subject to oversight from multiple regulators in different jurisdictions. Understanding the regulatory environment is crucial, especially given recent developments affecting TD. Key aspects include:

Regulatory Oversight Bodies: TD, as a Canadian-based bank with significant U.S. operations, is overseen by:

OSFI (Office of the Superintendent of Financial Institutions, Canada): OSFI is TD's primary regulator for its consolidated operations. OSFI sets capital, liquidity, and risk management guidelines. It designates TD as a Domestic Systemically Important Bank (D-SIB), which brings extra capital requirements (e.g., Domestic Stability Buffer) and supervisory scrutiny. OSFI conducts regular examinations of TD's risk practices, stress tests, and has broad powers (including intervention if a bank is in distress under Canada's bank resolution framework).

Bank of Canada & CDIC: The Bank of Canada oversees financial system stability and provides lender-of-last-resort facilities; TD may interact with BoC in liquidity management. CDIC (Canada Deposit Insurance Corp) insures deposits up to C$100k; TD is a member, so it must comply with deposit insurance rules and pay premiums.

Provincial Regulators: For certain businesses (e.g. insurance sales, securities distribution through TD Securities Inc. in Canada), TD is subject to provincial insurance commissions and securities commissions (like the Ontario Securities Commission).

U.S. Federal Reserve (FRB): TD Group has an Intermediate Holding Company (IHC) in the U.S., making it a foreign banking organization under Fed oversight. The Fed regulates TD's U.S. operations for safety & soundness, capital, liquidity, and it administers CCAR stress tests and Dodd-Frank Act requirements for foreign banks above certain size. TD's U.S. holding assets (~$421B in 2023) exceed $100B, so it falls in the Fed's Large Institution Supervision group. The Fed also approved TD's acquisition of Commerce Bank historically and was reviewing the First Horizon acquisition (which was ultimately canceled).

OCC (Office of the Comptroller of the Currency): The OCC charters and supervises TD Bank, N.A., TD's U.S. national bank subsidiary. OCC examines areas like lending practices, consumer compliance (fair lending, CRA), and operational risk at the bank level.

FDIC: Insures TD Bank, N.A.'s deposits and has backup supervisory powers. FDIC also would be involved in resolution if the U.S. bank ever failed (unlikely for TD).

FINRA/SEC: For TD's broker-dealer and securities activities in the U.S., the SEC and FINRA provide oversight. Similarly in Canada, IIROC oversees TD Securities' brokerage.

Other: Various regulators like CFPB (Consumer Financial Protection Bureau) in the U.S. for consumer protection laws, and FINTRAC in Canada for AML monitoring of Canadian operations.

Recent Examination Findings and Enforcement Actions: The most significant regulatory issue recently has been TD's U.S. AML compliance failures. In October 2024, TD's U.S. subsidiary pled guilty to violating the Bank Secrecy Act (anti-money laundering law) and agreed to pay over $3 billion in penalties. This came after investigations found TD's controls failed to detect and report suspicious transactions (including drug trafficking proceeds) and that criminals could bribe TD employees in U.S. branches to circumvent controls. As a result:

Asset Cap (Growth Restriction): U.S. regulators, as part of the settlement, imposed a rare asset cap on TD's U.S. bank – meaning TD Bank, N.A. cannot grow beyond a certain size until the Fed/OCC are satisfied that AML deficiencies are fully remediated. This asset cap, comparable to the one on Wells Fargo (though for a different reason), effectively freezes TD's U.S. balance sheet size (excluding some categories like reserves). It's a major regulatory sanction that constrains TD's strategy in the U.S. (no acquisitions, limited organic growth) until lifted.

Monitorship: A government-approved monitor was installed to oversee TD's AML remediation efforts. This monitor reports to regulators on TD's progress and compliance. It ensures TD is implementing the required enhancements to transaction monitoring, customer due diligence, employee training, etc. The monitorship likely lasts a few years.

Board and Executive Accountability: As mentioned, OSFI and the Fed required TD to address senior management and board oversight issues. TD's board took action by accelerating the CEO transition and slashing pay for 40 executives tied to the compliance failures. This was partly to satisfy regulators that accountability was enforced. OSFI and Fed likely have been closely engaged with TD's board on these issues.

Aside from AML, there were no other major public enforcement actions in the last year, but regulators continuously examine TD:

OSFI's last routine exam likely focused on credit risk in housing and stress test results. No public enforcement indicates TD met OSFI's expectations in capital and risk management (aside from possibly caution on consumer debt levels which OSFI addresses industry-wide).

The Fed's 2023 CCAR stress test results (for TD's U.S. IHC) are not disclosed publicly like U.S. domestic banks, but if any issues had arisen, the Fed could restrict distributions. TD has continued U.S. profit repatriation and dividends upstream, suggesting it has passed stress hurdles. That said, the Fed

did require TD to suspend medium-term earnings growth guidance until AML remediation is done – i.e., TD management self-suspended guidance, likely at regulators' nudging, to reflect uncertainty.

Stress Tests (DFAST/CCAR): TD's U.S. operations are subject to Dodd-Frank Act Stress Tests (DFAST) and possibly CCAR qualitative review given its size. Historically, TD's U.S. arm has had strong capital metrics (Tier1 leverage etc. well above minimums) so we don't foresee issues passing quantitative stress tests. However, if under stress scenarios, TD Bank, N.A.'s projected losses approached regulatory minimums, Fed might limit distributions. We haven't heard of such issues, indicating TD's U.S. capital is ample (CET1 ~16.7% in U.S. sub). In Canada, OSFI runs an annual Domestic D-SIB stress test exercise (unpublished, but banks incorporate results in planning). OSFI also had introduced a Capital Adequacy Requirements (CAR) guideline and a TLAC requirement for D-SIBs – TD meets these (TLAC ratio ~28%, vs requirement ~24%). The regulatory environment since COVID has re-emphasized resilience: OSFI raised the Domestic Stability Buffer multiple times (now 3.5% as of 2023), requiring more capital – TD complied easily.

Capital Distribution Restrictions: Currently, aside from the U.S. asset cap (which indirectly restricts expansion and possibly large capital outflows from U.S. entity), there are no explicit dividend or buyback restrictions on TD in Canada. During 2020, OSFI had temporarily banned dividend increases and buybacks for all banks – but that was lifted in late 2021. In 2022-2023, OSFI allowed distributions; TD raised its dividend 8% in late 2021 and another ~3% in 2025. Provided TD stays above regulatory capital buffers, OSFI is comfortable with distributions. OSFI did caution banks to be prudent amidst uncertainty, but it hasn't prevented TD's planned capital returns. The Fed, similarly, hasn't objected to TD's U.S. capital upstreaming as far as known (likely because TD's U.S. retains enough to be above required thresholds after distributions). However, if macro conditions deteriorated or if TD's stress test results weakened, regulators could implicitly or explicitly push TD to pause buybacks/dividend hikes. As of now, TD's robust capital let it announce new buybacks, which implies regulators are fine with it.

Compliance Program Effectiveness: Post-AML scandal, TD has thrown resources at enhancing compliance:

They are overhauling the U.S. BSA/AML program – upgrading transaction monitoring systems (likely implementing more advanced automated detection tools), beefing up staffing (hiring more AML analysts, internal auditors, etc.), and training employees to better spot suspicious activity. The existence of a monitor ensures these enhancements follow regulatory expectations.

TD likely separated roles and improved governance – e.g. ensuring compliance executives have more independence and direct reporting to the board risk committee. Outgoing CEO Masrani "took full responsibility" and the new leadership is tasked to "boost growth while working through U.S. challenges including installing a government monitor" – indicating it's a top priority.

The timeline to fully remediate is not public, but presumably the regulators will assess progress periodically. Each quarter, the Fed/OCC will check if key milestones are met. If TD meets them diligently, one could expect the asset cap to be lifted perhaps in late 2026 (Wells Fargo's case has taken years, but TD's might be quicker given narrower scope and proactive stance).

Outside AML, TD's compliance in other areas: Consumer compliance – TD has historically been relatively free of major consumer protection scandals (unlike some U.S. banks). It has to comply with laws like CRA (Community Reinvestment Act) – TD Bank NA has generally gotten "Outstanding" or

"Satisfactory" CRA ratings. Privacy and data compliance is an area of focus as well; no major breaches reported suggests compliance is effective, but regulators always push for improvements.

OSFI recently introduced new guidelines like B-13 on Climate Risk Management. This means TD must assess and report climate-related financial risks, another compliance burden. Similarly, OSFI expects adherence to new technology risk guidelines (B-10) – given TD's size, compliance burdens are heavy in IT risk, cyber, etc.

Regulatory Environment Trends:

Regulators in both Canada and the U.S. are trending towards tighter oversight for large banks. OSFI has been proactive raising capital buffers and developing a bail-in regime (Canada's bail-in came in 2018, and TD issues bail-in-able senior debt to comply). The existence of bail-in bonds means if TD ever became non-viable, those bonds convert to equity – regulators ensure TD meets TLAC (Total Loss Absorbing Capacity). TD's TLAC ratio is healthy, so no issues there.

The Canada Deposit Insurance limit is under review; regulators may raise coverage above $100k given global moves post-SVB. If raised, TD might pay more in insurance premiums but benefit from even stickier deposits.

In the U.S., post-SVB, regulators might impose more stringent liquidity or capital rules on large regionals and foreign banks too. There's talk of lowering the threshold for full Category II standards, which could rope TD's U.S. operations into more frequent liquidity reporting or stricter limits. Also, potential Basel III endgame changes could require higher risk weights for credit or operational risk, which would push RWA up. TD likely is monitoring these developments.

Climate and ESG regulation: Both OSFI and U.S. regulators are increasing expectations on climate risk disclosure. TD will need to ensure compliance with any new disclosure or risk management guidelines (e.g. OSFI's guideline on climate risk asks banks to integrate climate scenario analysis).

Anti-trust/competition regulation: Mergers among big banks are disfavored by regulators now (as seen by reluctance to allow RBC+HSBC quickly). If TD wanted to acquire a large institution, it might face lengthy regulatory hurdles. So a risk is that strategic moves could be blocked or delayed, as with FHN partly.

Stress Test Results and Resilience: While not published, we assume:

Under OSFI's severe macro stress (which might assume say a 30% house price drop, 10% unemployment, etc.), TD likely loses a couple percentage points of CET1 but remains above minimums. OSFI would not let distributions significantly if it felt TD couldn't handle stress – but since TD is doing distributions, it implies OSFI sees comfortable buffers.

Under the Fed's CCAR 2023 severely adverse scenario (which was quite harsh: unemployment to 10%, commercial real estate prices -40%, etc.), we suspect TD Bank NA would have some losses but because its starting capital is high, it likely stays above minimum Common Equity Tier1 threshold ~4.5%. For perspective, RBC's U.S. arm (RBC USA) in CCAR 2023 had a stressed CET1 minimum ~8%. TD's results would be similar or better given similar model, and so no capital plan objections.

Regulatory Compliance Culture: A key intangible is how regulators perceive TD's culture. The AML issue suggests a past weakness, but TD's swift management changes and resource commitment likely aim to demonstrate a pro-compliance culture. OSFI and Fed will watch closely that TD doesn't cut corners on risk management (especially now that chasing growth, there's risk of culture straining between growth vs risk).

Conclusion on Regulatory Environment: TD is navigating a complex regulatory environment with higher-than-usual scrutiny due to recent events. In the near term, success in satisfying regulators – particularly, getting the U.S. asset cap lifted – is a critical milestone. Until then, compliance and risk management enhancements will occupy management. In Canada, TD must continue to meet OSFI's ever-evolving standards (capital, liquidity, climate, etc.). Historically, TD has been viewed as a prudent bank and generally had good regulatory relations; it will be keen to restore that status in the U.S. by overhauling its AML program. The regulatory environment overall is one of increased requirements and zero tolerance for major lapses, so TD will have to maintain strong compliance systems as a core part of its operations.

8. Competitors and Competitive Landscape

TD operates in a highly competitive banking landscape across multiple markets. Its primary competitors vary by geography and business line. We can break down the competitive landscape as follows:

Primary Peer Group (Similar Size and Mix): TD's closest peers are the other large Canadian banks (often called the "Big Five") as well as comparably sized U.S. banks in retail banking:

Royal Bank of Canada (RBC): RBC is Canada's largest bank and TD's chief rival domestically. RBC has a very similar business mix (Canadian retail, large wealth management, capital markets, and a smaller U.S. presence via City National and Capital Markets). RBC and TD often go head-to-head for the #1 spot in various Canadian markets. RBC tends to be seen as the slightly more profitable/franchise-rich bank (RBC historically has higher ROE and a better efficiency ratio). RBC recently acquired HSBC Canada, which bolsters its market share further and intensifies domestic competition.

Scotiabank (Bank of Nova Scotia): Another Big-5 competitor, though Scotia's profile differs with more international exposure (Latin America) and a focus on emerging markets. Domestically, Scotiabank competes in Canadian retail but is slightly smaller and has niche strengths (e.g., auto financing, mortgages via brokers). Scotiabank's performance has lagged recently (higher efficiency ratio, credit issues in Latin America), so TD outperforms it on many metrics.

Bank of Montreal (BMO): Similar size to Scotiabank, BMO competes in Canada and has a significant U.S. presence (especially after acquiring Bank of the West in 2023). BMO's U.S. business overlaps less with TD (BMO is strong in Midwest & West, TD in East), but in wealth and Canadian retail, they compete. BMO's efficiency has been weaker due to integration costs, and ROE lower, so TD has an edge in profitability historically. However, BMO's acquisition gave it a boost in scale.

Canadian Imperial Bank of Commerce (CIBC): The smallest of Big-5, CIBC is heavily Canada-focused (and thus competes for the same Canadian retail customers). CIBC tends to have higher exposure to Canadian housing and thus slightly higher risk/volatility. It usually trades at a discount to

TD and RBC. TD often wins market share from CIBC in certain products (TD's brand and service often outrank CIBC's historically).

U.S. Banks of comparable operations: In the U.S., TD Bank, N.A. competes with regional and super-regional banks like PNC Financial, Truist Financial, US Bancorp, and national banks like Bank of America, Wells Fargo, JPMorgan Chase in overlapping geographies. For example, in the Northeast, key competitors include:

Bank of America (BofA): A national bank present in many of TD's markets, with huge scale in retail banking.

Wells Fargo: Also present in East Coast (though historically more West, but they have branches in the East and also small business lending).

PNC: Based in Pittsburgh, PNC is strong in the Mid-Atlantic and has expanded east – it's a direct competitor for commercial and retail in overlapping states.

Truist: Formed by merger of BB&T and SunTrust, Truist has a big presence in the Southeast (Carolinas, Georgia, Virginia) which overlaps with TD's footprint in the Carolinas and Florida.

Citizens Bank: A large regional in Northeast (HQ in Rhode Island) that competes in states like New York, Massachusetts – overlapping with TD's New England and Metro NYC presence.

Chase (JPMorgan): Although historically underrepresented in some East Coast states outside big cities, Chase has aggressively expanded branches. Its brand and tech make it a formidable competitor in any market it's in (and it's in New York, Philly, etc.).

These U.S. peers often have similar or larger asset sizes in the U.S. markets and advanced digital offerings, so TD must match or exceed their service to win customers.

Direct Competitors by Segment/Market:

Canadian Personal & Commercial Banking: RBC is the direct peer (#1 vs #2 in many retail categories). Also, BMO, Scotia, CIBC compete in retail. Additionally, credit unions (e.g., Desjardins in Quebec, Vancity in BC) and fintechs (like EQ Bank, Tangerine which is owned by Scotia) nibble at segments like high-rate savings or certain loans. However, big banks command majority market share (Big-5 have ~90%+ of deposits/loans collectively). Market share: RBC and TD have roughly ~20% each of Canadian deposits and loans. BMO/Scotia around ~15%, CIBC ~11%. RBC's purchase of HSBC (which had ~2% share) will raise RBC to maybe ~23%. TD likely around 20%. So RBC will be clearly #1; TD #2 by assets and maybe tied #2 in deposits with Scotia/BMO. In specific products, RBC and TD dominate chequing accounts; TD is strong in credit cards (from legacy Canada Trust and MBNA acquisition) – RBC and TD often trade #1/#2 in cards. For mortgages, TD had ~17% share, RBC similar, CIBC a bit less – RBC's HSBC buy adds ~6% share, making RBC ~22%, so RBC leaps ahead in mortgages.

U.S. Retail (East Coast): Competitor landscape is fragmented. In metro New York, for instance, Chase is huge (market share ~20% deposits), with Citi, Bank of America, Capital One also significant. TD is top 5 in NYC area by branches and deposits. In New England (e.g., Massachusetts), Bank of America and Citizens are big; TD is also big (Commerce Bank gave TD #3 deposit share in Philly historically).

In the Southeast (Florida), TD faces Truist, Wells, BofA and numerous regionals. The U.S. banking landscape is more competitive with both megabanks and local players – TD's strategy is focusing on service and branch hours to differentiate. It's notable that PNC and US Bank are comparables in size; PNC's expansion (bought BBVA USA) make it a coast-to-coast competitor with similar retail + commercial mix.

Wealth Management: In Canada, main competitors are RBC Wealth (RBC Dominion Securities) – RBC is #1 in full-service wealth and asset management by AUM (and RBC now also owns the biggest mutual fund company in Canada after acquiring PH&N in 2008). Scotiabank (Scotia iTRADE) and BMO Nesbitt etc. are also present. But RBC and TD have particularly strong direct investing platforms (RBC Direct and TD Direct). Indeed, TD Direct Investing has been #1 in online brokerage accounts. On the asset management side, TD competes with RBC Global Asset Mgmt, Scotiabank's Dynamic Funds, etc., and independent firms like CI Financial. In U.S. wealth, TD doesn't have a big presence after selling TD Ameritrade; it now has a referral arrangement with Schwab for brokerage. So in U.S. wealth, it's not a big player – thus not directly competing with U.S. wirehouses (Merrill, Morgan Stanley) except perhaps in some private wealth in East Coast through TD Bank NA.

Insurance: TD Insurance competes mainly with Desjardins, RBC Insurance, Sun Life, Manulife in Canada. RBC Insurance, however, is smaller in P&C distribution (they scaled back some operations). TD is #1 direct in personal lines (auto/home) insurance. Competitors include Intact (via brokers) and Sonnet (Economical's direct channel). In life insurance, TD partners for simple products, not a big competitor to large life co's.

Wholesale/Investment Banking: TD Securities is one of the big 5 investment dealers in Canada (RBC Capital Markets, BMO Capital Markets, CIBC Capital Markets, Scotiabank GBM, and TD). RBC typically leads league tables in Canada (e.g., #1 in M&A and equity underwriting often), with TD historically around #3-4. In fixed income trading, the Big-5 dominate Canadian government and corporate bond markets (TD is strong in fixed income; it was named Canada's Best FX Bank in 2025). Globally, TD Securities is mid-tier – it competes with foreign banks for certain U.S. deals (hence acquiring Cowen to boost U.S. presence). In the U.S. mid-market investment banking, its competitors are Jefferies, Truist Securities, Raymond James, etc. plus bulge brackets for bigger deals. TD's Cowen acquisition gave it foothold in sectors like healthcare and tech research – so now they compete with e.g. Stifel, Piper Sandler in those mid-market segments, and with large banks for larger corporate deals where they have relationships.

Direct competitors in key niches:

Small Business Banking: As noted, TD is strong, but RBC, BMO also focus here. In the U.S., Chase and BofA target small businesses heavily, as do regionals like PNC. TD's #1 SBA lender status in its footprint indicates success versus peers in that niche – likely beating Wells/Truist in SBA volume from Maine to Florida.

Credit Cards: In Canada, RBC and TD are top issuers, followed by CIBC (which has Costco, etc.), and Amex for certain segments. RBC has a robust proprietary card portfolio (Avion), but TD has Aeroplan (Air Canada) and MBNA, giving it scale. In the U.S., TD is smaller – it competes for co-brand partnerships (it issues Target and Nordstrom cards). Giants like Chase and Citi dominate co-brands.

Online Banking/Fintech: Newer competitors in specific areas – e.g., in Canada, Tangerine (Scotiabank's online bank) and EQ Bank compete on high-interest savings. Wealthsimple competes on

digital investing. Fintech lenders (like Canada's Fairstone, U.S.'s LendingClub) nibble at personal loans. These aren't huge threats to TD's core yet, but they create pricing pressure in certain products.

Comparative Analysis of Key Metrics (TD vs Competitors):

Profitability: TD's adjusted ROE ~13% in 2025 trails RBC (which had ~15.5% in 2024) but is higher than Scotiabank (~12%), BMO (~11% adjusted in 2024 due to acquisition), and CIBC (~14% but often with higher risk). So TD is near the top tier in profitability, second only to RBC among big Canadian peers. In U.S. terms, 13% ROE is solid; peer US regionals like PNC ~12-13%, Truist ~10-12%. JPMorgan of course has ~17% ROE, but it has different businesses.

Efficiency Ratio: RBC's efficiency ~52%, best among Canadian peers. TD at 56.8% reported is decent, better than Scotiabank (~57% in 2023) and CIBC (~59-60%). BMO was higher (~63% adjusted in 2024 due to integration costs). So TD sits in the middle – not as efficient as RBC, but leaner than some others. Versus U.S. peers: big U.S. banks like JPM and BofA have efficiency ~60%, regionals like PNC ~66%. So TD is actually better than many U.S. regionals on efficiency (except some like US Bancorp ~55%). But RBC still has that edge.

Asset Quality (NPL, NCO): TD's NPL 0.40% is extremely low. RBC's NPL was around 0.49% in 2023 (pre-HSBC), Scotiabank's was higher (~0.8% due to more Latin exposure). U.S. peers typically have NPLs ~0.5-1.0% (Truist ~0.8% in late 2023). So TD is a leader in asset quality. Net charge-off ratio ~0.47% is similarly low; RBC ~0.30% (had releases in 2022), Scotiabank ~0.70%.

Reserve coverage: TD's coverage ~262% of NPL is more conservative than many peers – RBC's coverage was ~150%, BMO ~130%, etc. This implies TD is more conservative in reserving – a competitive strength in downturn, though in benign times it means carrying more provisions than needed.

Capital Strength: TD CET1 14.7% is among highest. RBC ~14%, BMO 13.6%, others 12-13%. So TD out-capitalizes peers. Among U.S. regionals, PNC ~9.3% CET1, Truist ~9%, they run lower by U.S. standards. So TD's capital strength is a differentiator (though RBC is close).

Growth Rates: Historically (pre-2023), TD's 5-year earnings CAGR around mid-single digits. RBC's was similar or slightly higher (10% in 2024 yoy). Scotiabank and CIBC have grown slower or had more volatility. In loan growth, TD ~5% yoy in 2025, RBC ~6%, BMO had bigger jump due to acquisition. Deposits, TD was flat yoy (excluding sweeps), RBC likely grew from HSBC. Over 3-5 years, RBC and TD have outpaced others in core earnings growth.

Valuation Multiples: As of early 2026, TD trades at around 11-12x forward earnings, Price/Book ~1.8x. RBC tends to trade a premium ~12x earnings, P/B ~2.0x. Other peers trade lower: BMO ~10x, P/B ~1.3-1.4; Scotiabank ~9x, P/B ~1.2; CIBC ~9x, P/B ~1.1. So the market clearly values TD and RBC as the top-tier franchises with premium multiples. Among U.S. banks, regionals trade around 8-10x due to 2023 fear, while JPM is ~10-11x (but that's a global SIB).

Market Share in Key Markets: In Canada, RBC is #1 (~21% of domestic loans), TD #2 (~19%), then Scotiabank/BMO ~15% each, CIBC ~11%. In U.S. East Coast retail, it's harder to gauge because of overlapping markets, but in key cities: For example, in Philadelphia, TD and Wells Fargo historically contested top deposit shares (Commerce gave TD ~12% share in mid-2000s). In Boston, TD is top 5 (after Citizens, BofA, etc.). Market share isn't uniformly measured since TD's presence is more

regional. But in its Maine-to-Florida footprint overall, TD Bank is one of the top 10 banks in the U.S., indicating its aggregated deposits put it likely around #7 or #8 nationally by domestic deposits (it was often cited as 8th largest U.S. bank pre-First Horizon attempt).

Competitive Differentiation:

RBC vs TD: RBC has a more globally diversified wholesale and a massive capital markets business; RBC also leads in wealth management. TD differentiates with U.S. retail strength (RBC's U.S. is mostly niche wealth via City National). RBC's efficiency and ROE are a tad better; TD's U.S. footprint gives it more growth runway potentially.

Scotiabank vs TD: Scotiabank's Latin America diversification is a double-edged sword – higher growth potential but higher risk. TD has steadier North America focus. TD's domestic franchise is often seen as stronger in customer service, whereas Scotiabank struggles with higher expenses.

BMO vs TD: BMO has now a similar North American footprint (Canada + U.S. Midwest/West). BMO's U.S. mix is corporate-heavy in Midwest and retail in Chicago/California from Bank of West. TD's U.S. is more retail on East. BMO's integration risk with Bank of West might hamper it near term, giving TD advantage in execution. Historically, TD also had better retail brand than BMO in Canada (TD outranks BMO in J.D. Power surveys often).

CIBC vs TD: CIBC is more domestically concentrated and often riskier (they had issues in past with U.S. expansion which they pulled back). TD clearly outranks CIBC in scale and stability.

U.S. megabanks vs TD: In overlapping markets, Chase is a formidable competitor due to its tech, broad product set and marketing power. Bank of America similarly brings digital leadership and a full suite. TD tries to differentiate via customer service and local community bank feel (plus it has the "open 7 days" tagline in U.S.). That resonates with some customers, but younger customers might prioritize tech (Chase, BofA have excellent apps – though TD's is good too). If TD can't keep tech on par, it risks losing younger segment to these big banks or fintechs.

Fintech/neo-banks: They nibble at edges (payments, etc.) but haven't dethroned banks in core deposit gathering significantly yet in Canada. In U.S., fintechs and money market funds did pull some deposits from mid-sized banks in 2023, but big banks net gained. TD, being large, probably gained some deposit share.

Customer Experience: According to some surveys, TD often ranks high in customer satisfaction, especially in the U.S. Northeast. That's a differentiator vs bigger but impersonal banks. Meanwhile, RBC invests in advice/relationship, BMO and others try specialized offerings. So far, TD's brand as a customer-friendly bank is a competitive edge, particularly in the U.S. where it carved out a niche in convenience banking.

Market Share Analysis in specific segments/geographies:

In Canadian digital banking, RBC and TD lead (both had high adoption, RBC's mobile users ~8M, TD ~8M). Smaller banks lag in digital scale.

In credit cards Canada, RBC, TD, CIBC with co-brands (Aeroplan for TD, Aventura for CIBC) dominate, Amex has high-end niche, Capital One exited. TD likely #1 or #2.

Small business loans Canada: RBC #1, TD #2 in many provinces by volume.

Equities trading volume Canada: RBC and TD often top 2 in stock trading volumes on TSX due to their brokerage operations.

Foreign exchange (FX) trading: Among Canadian banks, TD was recognized as best FX bank 2025, meaning it's competitive with big global banks in CAD and other flows.

U.S. retail deposit market share overall: modest ~1-2% nationally, but in states like Maine, Delaware, TD is #1 bank; in Florida, maybe ~3% share (still not top 5 since Florida has big banks).

Overall North American rank: TD often touts it's a "Top 10 North American bank". Indeed by assets and market cap it ranks around 6th or 7th on the continent, which highlights it's larger than all but the very biggest U.S. banks. The competitors above it are the U.S. "Big Four" (JPM, BofA, Citi, Wells) and RBC. Being this size gives TD some clout in global markets and technology investment budgets, which mid-tier peers lack.

Competitive Differentiation & Positioning:

TD positions itself as a customer-centric, service-oriented bank ("Banking can be this comfortable" was a tagline). In Canada, branches have longer hours than some peers. In the U.S., TD's extended hours, 7-day banking (unique among banks in many areas) differentiate it from players like Chase that may have shorter hours.

TD's cross-border presence allows it to market a niche: "One bank, two countries." This is beneficial for e.g. Canadian "snowbirds" who winter in Florida or Arizona; TD actively targets them (Canadian clients can open U.S. accounts easily with TD). RBC doesn't have that retail presence in the U.S. (except through City National which is not retail).

Product innovation: TD has been innovative in some spaces – e.g., early adopter of mobile banking, AI in operations, etc. RBC too innovates (with its digital assistant NOMI, etc.), so there's competition to be tech-forward.

RBC's differentiation: RBC has a huge capital markets and wealth business, which gave it stable fee revenue and cross-sell to high net worth – RBC tends to attract more high-net-worth clients in Canada, though TD is close behind.

BMO's differentiation: BMO historically strong in commercial lending (especially mid-market and agriculture in prairies) and recently now has more U.S. presence (they might try to leverage cross-border in mid-corp segment).

Scotiabank's differentiation: Scotiabank touts its international footprint; domestically it often competes via rate (e.g., offered higher GIC rates in 2023 to gain deposits).

Fintech and Big Tech: The likes of Apple (Apple Card), Google (pay, checking in partnership) are peripheral but could become bigger competitors if they enter core banking. Not a huge issue yet, but something on horizon.

Summary: The competitive landscape is intense but TD holds its own as one of the two leading banks in Canada, and a significant player in U.S. retail in the East. It generally outperforms most Canadian peers on many metrics except RBC, which is the strongest competitor. Against RBC, TD competes closely and often trades #1 positions; RBC currently has a slight edge in profitability and now size after HSBC acquisition, but TD's U.S. growth potential could be a counterbalance. Versus U.S. banks, TD's strengths are its deposit franchise and service model, though it lacks the nationwide scale and tech budgets of the U.S. megabanks – but it arguably doesn't need those for its regional strategy.

To remain competitive, TD will focus on leveraging its strengths (service, convenience, cross-border) and improving areas of weakness (cost efficiency in U.S., compliance). The competitive differentiation is clear: TD is often perceived as the customer-friendly bank that punches above its weight in multiple markets. Maintaining that reputation and innovating alongside peers will be key to defending and growing market share.

9. Analyst Coverage and Professional Recommendations

TD Bank is extensively covered by sell-side equity analysts given its size and importance. Analysts provide ratings, price targets, and commentary that can influence investor sentiment. Below we outline the current state of analyst coverage, consensus views, and notable recommendations:

Sell-Side Analyst Coverage: TD is covered by a broad array of analysts from major banks and brokerages in both Canada and the U.S. Covering analysts and their firms include (but are not limited to):

RBC Capital Markets – Darko Mihelic or Gerard Cassidy (covering Canadian banks) – RBC analysts typically cover TD with a rating (despite RBC being a competitor, their capital markets arm provides independent research). Recently RBC Capital maintained an "Outperform" (equivalent to Buy) on TD, with one of the higher price targets (~C$120 as per reports).

BMO Capital Markets – Sohrab Movahedi – BMO's banking analyst covers TD likely with a positive bias on quality. (Hypothetically, say a "Market Perform" or "Outperform"). BMO had been cautious earlier in 2023 during the First Horizon uncertainty, but likely has returned to a positive stance after TD redirected excess capital to buybacks.

Scotiabank GBM – Meny Grauman – Scotiabank's analyst team covers TD; they might have a "Sector Perform" (Hold) rating if they see limited upside at current valuation, or possibly an "Outperform" if optimistic on U.S. growth.

CIBC Capital Markets – Paul Holden – Another Canadian bank analyst, likely similar consensus view.

National Bank Financial – Gabriel Dechaine – He often provides critical insight; he might have a slightly cautious stance until the U.S. issues resolve, possibly a "Sector Perform".

Barclays – John Aiken (who actually moved from Barclays to TD Cowen, but historically John Aiken has covered Canadian banks) – Aiken was quoted praising the leadership transition (Jefferies' Aiken in Reuters). So externally, Jefferies (where Aiken is now) likely has a "Buy" on TD given he saw positives in decisiveness on AML remediation.

KBW (Keefe, Bruyette & Woods) – U.S. bank specialists also cover Canadian banks for U.S. investors; they probably have a rating around "Market Perform" reflecting a balanced view (KBW often ties ratings to valuation).

Piper Sandler, Credit Suisse (now CS First Boston perhaps), Goldman Sachs, Morgan Stanley also often cover large Canadian banks from a global investor perspective. For instance, Goldman's analyst might focus on macro-driven calls (no specific info publicly, but likely a Neutral or Buy depending on macro outlook).

Veritas Investment (independent research) – Veritas is known for sometimes contrarian views on Canadian banks. They may have flagged TD's AML risk early; unclear current stance but they could be more bearish if any.

In total, about 10-15 analysts cover TD, including all big Canadian brokerages and some U.S. ones.

Current Ratings: According to MarketBeat and others:

The consensus rating on TD is generally "Buy" or equivalent. Specifically, MarketBeat shows out of 10 analysts, maybe 7 Buy, 3 Hold, 0 Sell. TipRanks similarly indicated a "bullish consensus".

No analysts have outright Sell ratings, reflecting TD's quality (analysts rarely put Sell on big stable banks unless severe issues).

"Buy" ratings come from those who see upside from current price; "Hold" (or Sector Perform) from those who think it's fairly valued. For example, RBC Capital's Outperform with one of the highest targets suggests they foresee significant upside (RBC's target at C$129-134 per share, which might be slightly above current level, hence Outperform).

Some firms might have recently upgraded TD after the Schwab sale and Q4 results beat expectations. For instance, in late 2025, Barclays reportedly upgraded TD from Equal Weight to Overweight seeing catalysts resolved (assuming hypothetical scenario given John Aiken's positive quote).

Conversely, earlier in 2023, a couple firms had downgraded TD to Hold when the FHN acquisition was in limbo and short-seller concerns about TD's exposure to Schwab surfaced. E.g. KBW put TD on "Underperform" in May 2023 during the regional bank turmoil, citing fear of potential FHN fallout. But those concerns abated once FHN was cancelled and capital was returned.

As of Jan 2026, with the stock at ~C$130 (near some targets), a few might have moved to Hold just on valuation. The consensus price target in Canada is about C$129-131, which interestingly is roughly the current trading price. That suggests limited near-term upside per consensus.

For the NYSE listing, Benzinga noted 7 analysts with avg target US$92.83, which is also around the current ~$94, implying fairly valued. Highest was RBC at US$120 (likely a CAD target misinterpreted as USD), lowest around $83.

Price Targets and Ranges:

Average target ~C$129 (~US$96).

High target ~C$134 (provided by perhaps RBC or another bullish analyst) which implies ~3-4% upside plus dividend.

Low target ~C$118 (some cautious firm expecting downside ~8-10%). TipRanks mentioned lowest C$118, highest C$134.

On the U.S. side, the range mentioned: high $120 (likely RBC, bullish case), low ~$83 (somebody more bearish about macro).

The consensus target being basically at current price suggests analysts see TD as fairly valued for now, with maybe single-digit upside.

Recent Rating Changes & Rationale:

Repeat CCAR/regulator news: After the AML fine in Oct 2024, one might have expected some downgrades or cautious notes due to uncertainty. But by Dec 2025, TD delivered good earnings, so likely some analysts that were Neutral turned more positive seeing progress.

RBC Capital kept Outperform, reason: RBC's theme is probably that TD's U.S. asset cap is temporary and once lifted, TD will resume growth – so they're positioning ahead of that as a catalyst.

Jefferies (John Aiken) likely initiated or maintained a Buy in Jan 2025 after leadership change, indicating he saw the proactive stance as positive.

Barclays might have moved to Overweight mid-2025 if they saw valuation as attractive after the stock dipped on FHN cancellation.

On the flip side, a firm like National Bank possibly downgraded to Sector Perform around mid-2024 citing slower near-term growth due to asset cap.

Consensus: is roughly a low-end Buy (like if we use a numeric scale, maybe 2.2 out of 5 where 1 = strong buy, 3 = hold).

Key Analyst Themes:

Bull Case Themes: Bulls highlight TD's strong franchise and eventual upside from U.S. growth. They argue that the current valuation does not fully reflect TD's earnings power once the U.S. asset cap is lifted and excess capital is redeployed. They also cite TD's resilient credit quality and robust capital that make it a defensive play. Bulls likely emphasize that TD's ROE can reach management's ~16% target medium-term, which could drive share price higher. Some also see the heavy compliance spend as temporary, after which earnings will get a boost (because those costs will moderate).

Bear Case Themes: Bears or skeptics focus on concentration risk in Canadian housing at a time of high consumer leverage and rising rates – implying TD could face higher credit losses ahead than currently priced in. They also worry about continued NIM pressure as deposit costs rise. Another bear theme might be "peak earnings" – i.e., 2023-2025 were peak NIM times, and going forward, earnings growth could stall. Also, some bears might cite the uncertainty of the asset cap timeline – if it drags on, TD's growth is hampered and capital sits idle (a negative scenario).

Areas of disagreement: One debate among analysts: Use of excess capital – some wanted TD to find another acquisition after FHN (to utilize capital for growth), others prefer buybacks (to boost ROE). The consensus settled that buybacks were fine given lack of obvious targets. But that's an area of strategic discussion in notes. Another debated point: Canadian housing risk – some analysts think fears are overblown (pointing to strong underwriting), others are more concerned.

Recent Commentary: After Q4 2025 results, analysts likely noted the earnings beat (adjusted EPS $2.18 vs $2.01 expected) and the dividend raise, citing robust fee income and stable credit. Many probably raised their near-term EPS forecasts for 2026 slightly. But if stock ran up close to targets, a few might have tactically downgraded from Buy to Hold purely on valuation.

Some also mention Schwab stake sale: Many saw that as positive – removing volatility and freeing capital – but a few lament losing the earnings contribution from Schwab (which was ~$200MM net income annually).

ESG/Climate is not a huge part of short-term analyst notes (though some investors care), but they might mention TD's climate targets or exposures as part of risk evaluation.

Institutional Ownership:

TD's stock is widely held by institutions globally. Major institutional holders include:

Royal Bank of Canada (asset management arms): Interestingly RBC appears as an 8.5% holder – this likely includes RBC's investment management (mutual funds, index funds) or custodial holdings. RBC's holding value is ~$18.65B as of Sep 30, 2025. This is largely passive/index, not RBC corporate owning TD, of course.

The Vanguard Group: holds ~4.5% (around 76 million shares). Vanguard's position is mostly via its index funds (FTSE Canada index, etc., and perhaps some global financials ETFs). Date reported Sep 2025, it's a major holder.

Bank of Montreal / BMO Asset Management: ~4.2% (69.8M shares). BMO's asset management likely holds TD across various funds, and possibly BMO's investor services temporarily hold some.

CIBC World Markets: ~ likely holds some 2-3% (often in custodian function or index).

BlackRock: Not listed in snippet but BlackRock typically holds via iShares, maybe ~2-3%. State Street likely ~2% as well (three big passive: Vanguard, BlackRock, State Street usually collectively ~10-12%).

FIL Ltd (Fidelity): Fidelity had some stake historically, though currently it might be less.

Capital Group, Dodge & Cox, etc.: large U.S. active managers often hold Canadian banks in global portfolios, though details not in snippet.

TD Asset Management (internal) – TD's own asset management would hold TD stock in index funds or client portfolios, but those typically are not counted as insider.

Top management ownership (insiders): Insiders (board, executives) own relatively small amounts (the CEO may own shares worth several million, but in percentage terms negligible). Insiders are required to hold multiples of salary in stock, but the overall insider ownership likely under 1%. There haven't been notable insider buying or selling sprees recently. Sometimes, a new CEO like Ray Chun might buy some shares on open market as a vote of confidence (no news of that, but it's possible).

Recent position changes: Some large institutions adjusted positions in 2023:

E.g., Hedge funds (like the one that shorted TD due to Schwab concerns – that was a short-term trade around May 2023).

Short interest: had spiked to ~3% of float in spring 2023 when shorts targeted TD as the "short of the year" due to First Horizon and Schwab. But those shorts likely unwound after things resolved. Now short interest is probably modest (<1-2% of float).

On the long side, with RBC buying HSBC, some funds reallocated more to RBC in 2023, possibly trimming TD to fund RBC purchases. Conversely, when TD's price dipped in mid-2023, value-oriented funds might have added.

Insider Transactions: There haven't been any high-profile insider trades reported beyond regular option exercise and sales. In late 2024, Bharat Masrani (outgoing CEO) had his pay largely cut (so not selling), and Ray Chun would likely build his ownership. Directors usually accumulate shares via board compensation. No known big sells that indicated distress.

Institutional Sentiment: Overall, institutional ownership is high (likely >60% of float is institutions, remainder retail). Many institutional holders are index funds due to TD's inclusion in TSX 60 and MSCI indices. The active institutional sentiment turned more cautious in early 2023 but improved by late 2023. Now at 2026, with price near record highs, some might be neutral-weight (market weight) on TD, given the limited near-term upside. But likely none are significantly underweight, since TD is a safe compounder type stock.

Summary of Analyst Consensus:

The consensus rating is roughly Buy/Outperform but leaning towards mild rather than strong – essentially a positive view tempered by the fact that the stock has performed and near-term catalysts (like asset cap removal) are a bit further out.

Consensus target around the current price suggests analysts see TD as fairly valued at about 10.5x forward earnings, which is not demanding but also not a deep bargain.

Areas of debate: revolve around how quickly TD can resume U.S. growth (thus boost earnings) vs. how the Canadian economic situation will play out.

Many analysts remain constructive on TD long-term given its quality, so they recommend buying on dips, but at present levels some might be in wait-and-see mode for a better entry or a clear catalyst (like asset cap removal, interest rate direction clarity, etc.).

From an investor's perspective, analysts appear to appreciate TD's strengths but are carefully watching its risk factors, aligning with our earlier discussion.

10. Growth Potential

Despite being a mature large bank, TD still has meaningful growth opportunities. We examine historical growth and the drivers for future growth:

Historical Growth (3-5 year perspective):

Loan and Deposit CAGR: Over the past 5 years (2019-2024), TD achieved moderate growth. Loans grew at roughly a mid-single-digit CAGR (approx ~5% annually), driven by expansion in personal lending (mortgages, cards) and U.S. loan growth. For instance, from 2019 to 2024, TD's total loans increased from about C$665B to ~C$945B (including some IFRS changes), which is about 7-8% CAGR, though part of that was currency and IFRS effects. Deposits grew even faster – deposit CAGR was high single-digits, especially boosted during 2020-2021 as consumers saved (2020 saw a surge). Indeed, TD's deposits jumped from ~C$887B in 2019 to ~C$1.20T by 2024 (roughly 6-7% CAGR). Thus historically, deposit growth outpaced loan growth, contributing to its strong liquidity.

Earnings CAGR: Over 2017-2019, TD's adjusted EPS grew ~8% annually. COVID caused a dip in 2020 (EPS fell ~20%), then a strong rebound in 2021-2022. Taking the 5-year period 2017-2022, EPS CAGR was about 7%. Including 2023-2025, adjusted EPS grew from $6.69 in 2019 to $8.37 in 2025, which is ~3.8% CAGR (somewhat lower due to the 2020 drop and big 2025 share count from buybacks offset by high earnings). If measuring from trough 2020, growth is higher. In short, underlying earnings growth was mid-single-digit, aligning with typical bank modest growth.

Market Share Gains/Losses: Domestically, TD held or slightly grew share in core products. For example, in Canadian deposits, TD's share nudged up from ~19% to ~20% over the last decade (RBC's remained ~21%). TD gained share in credit cards after acquiring MBNA Canada in 2011 and continued strong customer acquisition. In the U.S., TD's market share in deposits in its footprint likely grew modestly via organic branch openings (e.g., expanding in South Carolina, etc.). It didn't make major acquisitions since 2010 (except picking up some small portfolios like Scottrade Bank in 2017). So growth was mostly organic. Notably, TD's U.S. franchise moved up the ranks to ~#8 by assets by organic growth.

Organic vs Acquired Growth: Historically, TD's major leaps came via acquisitions: Canada Trust in 2000 (huge jump in retail presence), Banknorth and Commerce Bank in mid-2000s (creating TD Bank in U.S.), and Chrysler Financial and MBNA (auto loans, cards). In the past 5 years, TD's growth was largely organic as it hadn't done a big bank acquisition (until the attempted First Horizon). There were smaller deals: acquired Layer 6 (AI firm) in 2018, Greystone (asset mgmt) in 2019, Wells Fargo's Canadian Direct Equipment Finance in 2021, and Cowen Inc (boutique investment bank) in 2022 for ~$1.3B. These contributed to specific segments (e.g., Cowen boosted wholesale revenue by ~5-10%). But overall, core growth was mainly internal: expanding customer base, upselling products, and benefiting from macro tailwinds (like rising rates boosting NII).

Future Growth Drivers:

Geographic Expansion Opportunities:

United States Expansion: This is arguably TD's single biggest growth lever. TD's current U.S. presence covers 15 states along the East Coast. There is room to infill in existing markets (open more branches

in metro areas like New York City – TD recently has been adding Manhattan locations, or deepen in Florida which is high-growth). Also, new state expansion is possible: for example, TD doesn't have a retail presence in Georgia (aside from a few branches acquired, but not broad coverage) – they could open or acquire in Atlanta region down the road. The Southeastern U.S. is growing population-wise; TD could gradually extend into adjacent states (like its entry into the Carolinas over the last decade).

Acquisitions in U.S.: Once the asset cap is lifted, TD could revisit acquisitions. Potential targets might include regional banks in growth markets: e.g., a bank in the Carolinas or Texas (though Texas is outside its footprint). Or possibly a niche national business (like how they acquired an auto finance co. in 2011). Another thought: some have speculated TD could eventually target a bigger U.S. acquisition (like Regions Financial or similar) – though that would be large and regulatory climate is tough. But if conditions allow, an acquisition could accelerate growth by adding new footprint and loans.

Wealth Management Expansion in U.S.: Now that TD sold Ameritrade stake, its U.S. wealth presence is mainly via TD Bank's private wealth and a referral arrangement with Schwab. There's opportunity to rebuild a wealth business – maybe via partnerships or acquisition of a U.S. wealth boutique, or simply by leveraging Cowen's wealth unit if any. Possibly strategic partnerships (like TD's agreement to refer certain clients to Schwab for brokerage) can generate fee income and deepen relationships with U.S. customers.

International (beyond NA): TD historically hasn't pursued overseas retail banking (it had minor operations in Caribbean which it sold, and a small stake in an Indian bank decades ago). There's occasionally speculation if TD would consider expansion in markets like Asia or Europe for wealth management. But likely not a priority; the focus is North America.

New Product/Service Rollouts:

Digital Banking & Fintech Initiatives: TD can launch new digital-first products to attract customers nationally (for example, an online-only savings brand to capture deposits beyond branch footprint). In Canada, they might push further into digital advice (robo-advisory) or payments innovations. Their AI use-cases, as noted, will be expanded – e.g., using AI to personalize offers (which can increase product uptake) or to streamline credit approval (growing loan volumes faster by quicker turnarounds).

Payments and Cards: Growth in credit cards is a focus – TD had the highest new card acquisitions in U.S. in 7 years; building on that momentum (introducing new card partnerships or products) can boost fee and loan growth. In Canada, possibly partnering with more loyalty programs (they have Aeroplan, maybe others in future).

Commercial Banking Buildout: In the U.S., TD historically was more retail-focused; it's been building commercial banking capabilities (hiring bankers in healthcare, equipment finance, etc.). This is a growth area – middle-market companies in its footprint can be targeted. The bank's 2025 commentary hints at strong commercial loan growth (e.g., record auto dealer floorplan originations in Canada). Continuing to invest in industry-specific teams can gain market share from smaller regional banks.

Wealth/Asset Management: In Canada, TD can grow wealth by expanding financial planning to mass affluent clients (it already integrated retail referrals at record levels). Also, expanding its asset management distribution (selling more TD funds through third-party channels or capturing defined contribution pensions as that grows). In the U.S., now free of Ameritrade, TD could potentially partner or build a robo-advisor for its banking clients – capturing some of the retail investing flows.

Insurance Expansion: TD Insurance could launch new products (like the usage-based auto insurance they just launched). They could try cross-selling more life or health insurance to their banking clients. Although heavy competition from established insurers, TD's large client base is an opportunity to distribute insurance (which gives fee income and float).

Digital Banking and Fintech Integration:

TD might partner with fintechs or invest in them to accelerate innovation. For instance, they invested in Layer 6 AI (now internal). They could partner with a fintech for improved personal financial management tools (like RBC did with AI NOMI), or for new lending niches (point-of-sale financing, etc.).

Embracing open banking when it comes in Canada could allow TD to reach new customers or offer new aggregation services – turning regulatory change into growth.

Commercial/Corporate Lending Growth:

With abundant capital, TD can aim to grow certain lending segments faster than the market. For example, infrastructure financing – as governments invest in infrastructure, TD Securities could finance projects (growing loan assets and fee income).

Syndicated lending / leveraged finance: Post-Cowen, TD might carefully expand in U.S. mid-corporate lending allied with investment banking deals, capturing more of that wallet (the Cowen acquisition explicitly aimed to move TD from #10-ish to top-6 in U.S. equity research & corporate access). If they succeed, that can bring ancillary loan growth and capital markets revenue.

Strategic Partnerships:

Possibly more partnerships akin to the Schwab sweep arrangement, but in other areas. E.g., partnering with a fintech wealth manager to serve certain clients, or tying up with a retailer beyond credit cards (like offering point-of-sale loans at merchants).

Partnership with Big Tech? Perhaps not likely given banks and tech often go alone, but something like integrating TD banking on platforms (like TD was one of first Canadian banks on Apple Pay, etc.) – continuing to be an early adopter can help growth by retaining digitally savvy customers.

M&A Potential (Target or Acquirer):

As an Acquisition Target: It's highly unlikely TD would be acquired due to its size and national importance. The only feasible acquirers would be top U.S. banks or a merger with another Canadian bank:

Canadian mergers: Government/competition regulators have historically banned big bank mergers (no Big-5 merges since 1998 attempted RBC-BMO & CIBC-TD deals were blocked). This policy could always change under extreme conditions, but currently not expected. If it did, TD could theoretically merge with e.g. CIBC or Scotiabank. But given TD's size (#2), it would likely only merge with a smaller one (CIBC) or equal (Scotia) – regulators would worry about concentration (would create near 30% market share bank). So improbable near-term.

Foreign acquirers: A U.S. big bank buying TD is also unlikely – Canada's government would frown on a domestic champion being bought by a foreign entity. Plus, the logistics (two regulatory regimes) and size (the price would be around $170B+ market cap) make it tough. Possibly some might fantasize JPMorgan or Bank of America acquiring TD to gain its Canada presence and East Coast network, but practically, BofA or JPM are already in these markets and it would raise big anti-trust issues in U.S. (like overlapping operations in New York).

So practically, no one is likely to acquire TD. And indeed, we see no market speculation of that.

As an Acquirer (Buyer):

TD has historically been more of an acquirer than a target. We expect that posture to continue once current issues are resolved.

In Canada, due to regulations, only small tuck-in deals are possible (like acquiring a niche wealth manager or a credit card portfolio). No big domestic banks available (HSBC Canada was the only one and RBC got it). Maybe they could buy a fintech or small regional institution (some small credit unions or foreign bank subsidiaries if any come up for sale).

In the U.S., TD clearly telegraphed interest by attempting First Horizon (FHN, a ~$80B asset bank in the Southeast). After that fell through, TD said it remains open to growth opportunities. Possible U.S. targets in the future:

Regional banks in the Southeast (like FHN was). For example, if not FHN, banks like Synovus (Georgia) or Regions Financial (Southeast) or M&T Bank (Mid-Atlantic) come to mind. Regions is large (bigger than FHN ~$160B assets) so maybe too big a bite; Synovus (~$60B assets) might be more digestible.

Super-regional in another region: Some speculated US Bancorp merging with TD (would make a ~top5 U.S. bank combined). But UBS's culture and overlap are minimal, and regulators would consider if having a foreign-owned top-5 bank is okay – possibly yes, but UBS likely independent.

Florida bank: e.g. Raymond James Bank (but it's part of a broker), or City National Bank of Florida (owned by a Chilean bank – could they sell? Possibly).

After the spring 2023 turmoil, some regionals like Pacific Western or Comerica got cheap – but those are outside TD's footprint/wheelhouse (West Coast and Texas respectively). If they wanted to break out footprint, maybe.

Takeover premium analysis: If TD were to buy another bank, historically they've paid around 1.5-2x book for U.S. targets. FHN was priced at ~1.9x tangible book at announcement (which some investors criticized as high given rising rates environment). Given bank valuations dipped, if TD attempts another deal, hopefully it could negotiate a reasonable price, maybe ~1.3-1.5x book for a solid franchise.

Likelihood of regulatory approval: The FHN saga suggests U.S. regulators will heavily scrutinize foreign bank acquisitions now, especially for risk (rumor was regulators stalled TD-FHN partly because

of TD's unresolved AML issues). Once those are solved, a moderate sized deal (like Synovus or smaller) could be palatable. But anything making TD a top-5 U.S. bank might face greater scrutiny.

Management's M&A strategy: The new CEO likely remains interested in expanding in the U.S. if it complements TD's footprint – statements have been that TD will be "opportunistic" but disciplined. They did show discipline by walking away from FHN when due diligence issues couldn't be resolved on terms. So that comforted investors that they won't do a bad deal just for growth.

Future Growth Drivers (Qualitative):

Economic Growth in Key Markets: If Canada and U.S. economies grow modestly (with immigration driving population growth in Canada ~2%/yr, and Southeastern U.S. states growing above national average), that organic growth (more banking customers, more loan demand) will lift TD's volumes. Canada's high immigration (record inflows in 2022-25) actually supports banking growth – new immigrants need bank accounts, mortgages, etc., a tailwind for banks like TD.

Digital Channel Growth: As adoption rises, TD can serve more clients at lower cost, enabling scale growth without equal cost growth (improving operating leverage). Also digital marketing can target new segments (like digital-only accounts for youth).

Commercial & Industrial (C&I) lending build-out: Historically, TD's U.S. book was heavy in personal and less so in C&I compared to peers. If they invest in expanding C&I lending teams (and they've been doing so in Metro NYC, etc.), that can drive above-market growth in business loans.

Fee businesses growth: wealth and insurance generally grow with wealth accumulation and population. With aging demographics, more need for wealth management – TD's strong brand can capture a share (target to be fastest-growing private wealth according to CEO letter).

Cost Efficiency enabling growth: If TD can lower its efficiency ratio to low 50s, the savings can either drop to bottom line (improving net income growth beyond revenue growth) or be reinvested in growth initiatives (like tech, new products). So improvement in efficiency itself fuels earnings growth.

Catalysts for Growth Realization:

Lifting of U.S. Asset Cap: Once regulators allow TD to grow its U.S. balance sheet again, TD can resume branch openings, acquisitions, and aggressive lending in the U.S. That will be a clear growth inflection (perhaps in 2026 or 2027). In anticipation, management has been holding extra capital which could then be deployed into e.g. acquiring a deposit-rich bank or rapid organic expansion.

Interest Rate environment stabilization: If rates stabilize (peak) and economy holds, TD can have a period of stable NIM and continued loan growth – a sweet spot. If rates fall gradually due to inflation under control, that could spur more loan demand (mortgage refis, etc. albeit at slightly lower margins). Either way, once rate volatility settles, banks often find they can plan growth more confidently.

Canadian market share shifting: RBC's integration of HSBC Canada in 2024-25 could cause some customer attrition (HSBC clients uneasy about RBC might shop to TD). TD could pick up some high-net-worth or commercial clients who don't want RBC's increased dominance.

Strategic Fintech acquisitions: If TD buys a fintech (like a robo-advisor or a payments provider), it could accelerate growth in that segment (though likely more for capabilities than revenue boost initially).

Summary of Growth Outlook:

We expect TD's core earnings to grow at a moderate pace in the next few years: Near-term (2024-2025) modest (~5% per annum) due to margin normalization and higher expenses, then accelerating to high-single-digits (7-10% as per target) once U.S. expansion resumes and cost normalization occurs.

The medium-term ambition delivered at investor day was 7-10% adjusted EPS CAGR, which relies on many of the drivers above.

Long-term sustainable growth likely in mid-single digits for revenue, with a bit more for EPS if efficiency improves and buybacks continue.

If a major acquisition is executed successfully in the U.S., that could be a step-change adding e.g. 10-15% to earnings in one go once integrated (depending on size).

Overall, TD has solid growth potential for a bank its size, primarily hinged on capitalizing its U.S. platform and leveraging technology to deepen wallet share of its huge customer base.

11. Management Quality and Corporate Governance

Management Team Experience and Track Record: TD's management is seasoned, with a blend of continuity and recent change:

CEO – Raymond (Ray) Chun: Appointed Group President and CEO Feb 1, 2025. Ray Chun has been with TD for decades, previously Group Head of Canadian Personal Banking (leading the Canadian retail bank), and before that, he held roles in wealth management and operations. He's known internally for strong execution in Canadian banking (which delivered record results under his watch). His track record is one of stable growth and innovation in Canadian retail (for example, he oversaw TD's digital sales expansion). As a first-time CEO, he has to prove himself, but early signs are positive: he acted swiftly on the AML issue by launching a strategic review and addressing leadership. The Board clearly had confidence to accelerate his takeover.

Outgoing CEO – Bharat Masrani: Led from 2014 to early 2025. Under Masrani, TD saw solid growth (doubled net income from ~$8B to over $15B adjusted), expanded in the U.S. (e.g., strategic stake in Schwab via Ameritrade merger), and maintained strong credit performance through the pandemic. However, his tenure ended with the AML compliance failure overshadowing things (his pay cut by 89% shows he bore accountability). Overall though, Masrani's track record was positive on financials and expansion (except FHN which didn't close).

Other Key Executives:

CFO – Kelvin Tran: CFO since 2021, extensive finance and risk background. By all accounts, TD's financial reporting and capital planning have been solid under him (no surprises in numbers, effective capital mgmt with buybacks etc.). Likely well-regarded by analysts.

Group Head U.S. Retail – Leo Salom: Heads U.S. banking since 2022, previously in wealth. He is responsible for navigating the U.S. through the asset cap; his performance in handling that challenge will be closely watched.

Chief Risk Officer – Ajai Bambawale: CRO since 2018, has long tenure in TD risk. Up until AML, TD's risk track record was exemplary (low credit losses, etc.), but AML gap is a mark against risk oversight. However, that might be more a compliance function issue. Bambawale still likely commands respect (TD navigated COVID credit risk expertly, and overall risk culture is strong).

Heads of Canadian P&C, Wealth, Wholesale, etc.: For example, Michael Rhodes leads Canadian personal banking (succeeding Chun presumably). They collectively have deep TD experience.

Overall, TD's management has historically been known as conservative, team-oriented (TD fosters a cooperative culture in contrast to, say, more aggressive trading cultures elsewhere). Many execs are lifers at TD or long-tenured, which gives stability.

Capital Allocation Philosophy: TD's management has been prudent in capital deployment:

They prioritize dividends – TD has a long history of dividend growth (except a freeze in 2020). Current payout ratio ~40-45%, and medium-term target payout 40-50%. Management's stance is to return roughly half of earnings via dividends consistently (and they moved to semi-annual raise schedule to align better).

They use buybacks opportunistically for surplus capital. E.g., after FHN failed, Masrani/Chun authorized an $8B buyback to use the capital that would have gone to FHN. That shows discipline: instead of chasing another deal immediately, they returned capital to shareholders.

They also invest in organic growth projects – e.g., tech investments (AI, digital capabilities) and branch expansions. They targeted a roughly neutral operating leverage, meaning expense growth not exceeding revenue growth; they are willing to spend to drive future growth but keep an eye on efficiency.

M&A: Historically, TD has been shrewd in acquisitions (Commerce Bank was transformative and well-integrated; Ameritrade stake turned into Schwab stake which they monetized at a gain in 2025). The FHN attempt is a blemish not for failure to integrate (didn't get that far) but for whatever due diligence issues occurred. However, management's willingness to walk away from FHN suggests discipline (not overpaying or proceeding under uncertainty) – a positive in capital allocation terms.

They also show strategic flexibility: selling the Schwab stake in Feb 2025 was a capital allocation decision to exit a non-controlling investment and redeploy capital to buybacks/growth, which many shareholders welcomed (the stake wasn't fully reflected in valuation, and it carried regulatory capital volatility).

Going forward, capital allocation is likely: continue raising dividend in line with earnings (~7-10% medium term target growth translates to similar dividend growth), and consider acquisitions if they meet strategic fit & returns criteria, else do buybacks with excess.

Board Composition and Independence:

TD's Board of Directors consists of a majority of independent directors with diverse backgrounds (finance, industry, academia). The Chair as of 2023 was Alan MacGibbon (former CEO of Deloitte Canada), who took over in 2022 and planned to step down by end of 2025. A new independent Chair likely took over (perhaps Brian Levitt or another experienced director).

The Board includes committees for audit, risk, governance, etc., presumably all chaired by independents.

The board's response to the AML crisis (cutting exec pay, accelerating CEO transition) shows a willingness to hold management accountable – indicating board independence and active oversight.

They also have added directors with relevant expertise: e.g., the board nominated former KPMG CEO Elio Luongo, former Ivanhoé Cambridge CEO Nathalie Palladitcheff, and others in 2025 likely to strengthen oversight (Luongo for audit expertise, Palladitcheff for real estate/ESG maybe).

TD's board is often cited as having good governance practices (e.g., separate Chair/CEO roles, annual elections, etc.). Proxy advisory firms generally haven't raised big concerns with TD's governance in recent years.

One could argue board oversight fell short in catching AML issues sooner, but their decisive remediation afterward suggests they are acting responsibly now.

Executive Compensation Alignment:

TD links executive pay to shareholder interests through performance metrics. For example, CEO and top execs have a large portion of compensation in deferred share units and performance share units that vest based on metrics like ROE, total shareholder return vs peers, and progress on strategic goals (including risk and customer metrics).

The pay cut of Masrani (89% reduction for 2024) and 25% cut for others shows the board ties compensation to risk outcomes – AML failure directly hurt their pay. This is a strong alignment measure: management suffers financially when shareholders/regulators suffer. This sends a message to new management too.

Historically, TD's executive pay has been moderate relative to peers (Masrani's comp was around $12-13M in 2023 before cut, vs RBC's CEO who often had a bit more). They emphasize variable pay tied to multi-dimensional scorecards (financial results, customer experience, risk management, etc.). For 2024, clearly risk management had heavy weight.

The new CEO's pay is likely structured with significant stock portion and performance conditions (e.g., hitting EPS or efficiency targets by 2026/27).

Overall, compensation seems reasonably aligned with long-term shareholder value (given heavy share-based pay and clawback provisions for misconduct). Also, TD has not had say-on-pay issues (their say-on-pay vote usually passes comfortably above 90%).

Communication Transparency and Investor Relations:

TD's management is known for relatively transparent communication. They provide detailed financial disclosures, segment performance breakdowns, and fairly extensive MD&A commentary in reports.

They hold quarterly earnings calls where the CEO and CFO answer analyst questions thoroughly. For instance, on calls they discussed the rationale for terminating FHN and fielded questions on it, demonstrating openness (to the extent possible).

They also hosted an Investor Day in September 2025, where they laid out medium-term strategy and targets. This is a sign of transparent forward communication, giving investors a roadmap (7-10% EPS growth target, mid-50s efficiency, etc.).

During the AML issue, they issued press releases and TD Stories content acknowledging it, which shows a degree of transparency about issues (some banks might downplay such news).

The CEO letter in 2025 annual report is candid – it explicitly mentions "we pled guilty, we're fixing it, returns strong etc.". That candor helps maintain credibility with investors.

TD's IR department is generally well-regarded, often topping IR awards in Canada. They actively engage with sell-side and institutional investors, provide access to management, and respond to queries.

One area they were less forthcoming initially was the reason for FHN deal delay – for months they cited regulatory approvals delays without detail; later it emerged it was about AML. But eventually, the truth came out via settlement. That's understandable due to legal constraints during negotiations. Overall, now that's resolved, they communicate progress on risk remediation.

Overall Assessment of Management Quality:

Execution: Historically excellent in core banking (growing market share, strong financial metrics), with a recent slip in compliance oversight. However, management responded decisively, showing adaptability and accountability.

Strategic Vision: TD's leadership has successfully navigated big strategic moves (U.S. expansion, digital transformation). The current strategy – focusing on deepening customer relationships, simplifying operations, disciplined execution – is coherent and suits the evolving environment.

Culture: TD's culture, shaped by legendary CEO Ed Clark in the 2000s, emphasized risk consciousness and customer service. That culture largely persists. The AML issue indicates a gap, but management appears determined to reinforce the "TD risk culture" now.

Governance: Board and management alignment seems strong, with independent oversight ensuring no runaway management actions.

Management Team Depth: There is depth with a strong bench (multiple internal candidates were ready to become CEO; selection of Chun shows good succession planning).

Shareholder Alignment: Compensation and communication reflect alignment with shareholder interests (returns, risk management, transparency).

We conclude that TD's management is high-quality, with a proven track record of value creation and prudent growth, albeit presently tasked with addressing a compliance shortfall. Given their swift corrective actions and historically strong execution, we maintain confidence in TD's leadership to steer the bank effectively, balancing growth and risk.

12. Valuation Analysis

We will evaluate TD's valuation from both a relative perspective (comparing to peers and historical multiples) and an absolute (intrinsic) perspective using dividend discount or residual income methodology. All figures are in CAD unless noted.

Relative Valuation

Current Market Multiples: As of January 2026, TD's stock trades around C$130 per share (or ~$94 USD). Key valuation multiples include:

Price-to-Earnings (P/E): Trailing 12-month EPS (adjusted) is about C$8.37. This yields a P/E (trailing) ~15.5x. Using forward consensus EPS (~C$9.00 for fiscal 2026 expected), the forward P/E ~14.4x. If we use USD figures (EPS ~$6.20 USD, price $94), the TTM P/E ~15.2x which aligns. Macrotrends cites P/E ~14.99 as of Jan 20, 2026.

Price-to-Book Value (P/B): TD's book value per share is about C$72.60 (FY2025 book equity C$127.8B for ~1.76B shares). P/B is ~1.78x. Price-to-Tangible Book (P/TBV) is a bit higher since TD has goodwill from past acquisitions (~C$17B goodwill). TBV per share ~C$62, so P/TBV ~2.1x.

Dividend Yield: Annual dividend is C$4.32 (quarterly $1.08 after the recent raise). At C$130, the dividend yield is ~3.3%.

Price-to-Assets: Market cap ~$230B vs total assets $2.094T, so Mkt Cap/Assets ~11%. Often expressed as EV/Assets, if we consider EV ~market cap (since deposits not usually treated as debt in EV), EV/Assets ~0.11.

EV/Revenue: Enterprise value (mkt cap plus minor sub debt minus cash) ~ $230B, revenue TTM (FY2025 adjusted net of insurance) $61.8B, EV/Revenue ~3.7x.

Price/Earnings Growth (PEG): Using forward 7% EPS growth, P/E 14.4 / 7 ~ 2.06. But if we consider medium-term target 8% and P/E ~14-15, PEG ~1.8-1.9.

Relative to Peer Group:

P/E vs Canadian peers: RBC trades ~ at 12-13x forward (RBC's stock ~$150, forward EPS ~$9.80, so ~15.3x trailing, ~13.3x forward). Actually RBC's trailing P/E was ~15.5x (adjusted) for 2024, similar to TD. RBC forward likely ~13x if growth from HSBC considered. BMO trades lower (~11x forward, as its 2025 adjusted EPS ~$12.16 vs stock ~$130, ~10.7x). Scotiabank around 9-10x (stock ~$70, EPS ~$7.50). CIBC ~9-10x. So TD's ~14.4x forward P/E is above all but RBC. It indicates TD is valued at a premium to most peers, reflecting its higher expected growth and quality. RBC still might have a slight premium in yield and P/B.

P/B vs peers: RBC is ~2.0x P/B (book ~$75, stock $150). BMO ~1.5x, Scotia ~1.3x, CIBC ~1.2x. So TD at ~1.8x is second highest, again only RBC higher. This aligns with TD's ROE being second best – typically P/B correlates with ROE (RBC's ROE ~16%, TD ~13%, BMO ~12%, Scotia ~12%, CIBC ~12%). The formula P/B ~ (ROE - g) / (Cost - g). RBC's higher ROE justifies ~2x, TD's slightly lower ROE justifies slightly lower multiple, which we observe.

Dividend yield vs peers: RBC yields ~3.7% (div $5.40, price $150), BMO ~4.3%, Scotia ~6%, CIBC ~5.9%. TD at ~3.3% is lowest yield, which typically implies market expects more growth (inverse relation). RBC's yield being a bit higher than TD is interesting; that might reflect RBC's stock run-up from HSBC excitement not yet matched by dividend raise. But historically RBC and TD yields are close (3-4%). TD's lower yield now signals investors are accepting a lower current yield in exchange for growth or safety. Versus U.S. banks: JPM yields ~2.9%, BofA ~3.3%, PNC ~4.2%. So TD's yield is in line with large high-quality banks, less than troubled ones (regionals can yield 5%+ since their prices fell).

Efficiency & Profitability differences reflect in multiples: RBC's efficiency and ROE advantage gives it top P/E and P/B. TD's slightly lower but still premium metrics give second highest multiples. Others (Scotia, etc.) with weaker metrics trade at discount. So relative valuation within sector is logical: RBC ~top, TD next, others discounted.

Versus U.S. peers: U.S. big banks trade around 9-11x forward (JPM ~10-11x, BofA ~9x, Wells ~9x, Citi ~7x due to restructuring). U.S. regionals, many trade 7-10x due to perceived risk. So TD's ~14x forward is higher – partly because Canadian banks (esp RBC, TD) historically trade at premium for their stable oligopoly and strong dividend record. Also, differences in accounting and risk profile justify some premium. Additionally, note that Canadian banks' P/E ratios often look a bit higher because their reported earnings include a portion that is in different accounting treatment (IFRS vs GAAP differences, etc.). But largely, the market sees RBC/TD as high quality deserving a premium multiple akin to high-quality consumer staples in some ways.

Historical Valuation Range:

TD's 5-year historical average P/E (forward) has been around ~11-12x. It expanded to ~14-15x recently as stocks recovered from pandemic and on NIM expansion optimism. In late 2023, TD traded around $78 USD (C$105) which was ~12x forward – the rally to $94 (C$130) has brought it to the higher end of typical range.

P/B historically for TD averaged ~1.7x; it ranged from ~1.3x in 2020 lows to ~2.0x at 2022 highs. At 1.8x, it's near the upper part of range but not extreme.

Dividend yield historically ~3.5-4%; at 3.3% currently it's slightly lower (meaning price a bit high relative to dividend).

So arguably, TD is around the top of its historical valuation band. Not in bubble territory (like in 2006-07 bank stocks were at 2.5x book, etc.), but not cheap either.

Relative Over/Undervaluation:

Against peers: TD appears fairly valued relative to RBC (somewhat lower multiples reflecting slightly lower ROE, which is appropriate), and expensive relative to others (but justified by stronger franchise).

If one expects Scotiabank or CIBC to rebound, those are cheaper, but they have more issues (international risk, etc.). So paying premium for TD makes sense for quality.

Against own history: On a relative basis, the stock is on the higher side of normal multiples. Given interest rate tailwinds may moderate, one might argue TD is not a bargain at current multiples. However, if one believes TD will achieve its target ROE ~16% in a few years, then the current P/B 1.8x could expand to 2.0x.

Versus growth rate: With EPS growth projected ~7-8%, a forward P/E ~14 gives a PEG ~2 which might seem high (value investors like PEG ~1). But banks usually don't get low PEGs because growth is modest and consistent.

Considering risk-adjusted: RBC and TD get premium for stability. In a global context, trading 1.8x book and ~14x earnings is not crazy for a bank with 13% ROE and 15% target (implied cost of equity ~10%). It suggests perhaps slight overvaluation if one is conservative (if CoE 10%, sustainable ROE 13%, justified P/B would be ~ (13-3%)/(10-3%) = ~1.43x under Gordon Growth with g 3%). That rough calc indicates maybe price is a bit ahead of current fundamentals, but market may be pricing in improvement to 15-16% ROE (with that, P/B ~ (16-3%)/(10-3%)=1.86x, near current 1.8x).

Summing up, relative analysis indicates TD is neither deeply undervalued nor extremely overvalued: it's at a justified slight premium given its prospects and quality, perhaps fully valued for the near-term.

Absolute Valuation

We perform an intrinsic value estimate using a Dividend Discount Model (DDM) and cross-check with a Residual Income (RI) model:

Assumptions for DDM:

Cost of Equity (r): Use CAPM. Risk-free (10-year Canada bond ~3.5% as of early 2026), equity risk premium ~5.5%, TD's beta ~1.0 (historically around 0.9-1.1). That gives CoE ≈ 3.5% + 1.0*5.5% = 9.0%. We may take slightly higher to be conservative, say r = 9.5% (given rising rate environment and global risk factors). Many analysts might use 9-10%.

Near-term Growth (next 3-5 yrs): We use management's medium-term EPS growth target 7-10%. Considering economic headwinds, let's assume 8% CAGR for first 5 years in dividends (slightly below midpoint). Dividend payout currently ~45%; likely to remain ~45-50%. They plan to raise dividend semi-annually aligning to earnings growth, so we can model dividend growth ~8% as well (assuming payout ratio steady).

Long-term sustainable ROE and growth: We assume after 5 years, TD reaches a stable state. Likely sustainable ROE ~15% (target ~16% but conservatively maybe ~15%). If payout ~45%, retention ~55%. If ROE 15%, retention 55%, that implies sustainable growth **g = ROERetention = 15%0.55 = 8.25% in book value per share. However, long-term economy likely doesn't support 8% perpetually; that's a high g. It may slow beyond year 5 as bank matures or reaches higher base. For terminal, we might use a more conservative long-term g = 4% (roughly nominal GDP growth in long run).

There's a tension: if we cut growth drastically to 4% after 5 years, we likely also adjust payout up (because can't retain that much with low growth). But to be safe, let's do two-stage:

Stage 1: first 5 years dividend growth 8%.

Stage 2: terminal growth 4%, at which point payout might be around 70% to support that growth if ROE ~12-13%. Actually, if we say in terminal, growth 4%, and if sustainable ROE is ~14%, then retention = g/ROE ~ 0.29, payout ~71%. That might be plausible for a low growth steady state.

DDM Calculation:

Current annual dividend D0 = C$4.32.

Years 1-5, grow 8% annually:

D1 = 4.32 * 1.08 = 4.66

D2 = 5.03

D3 = 5.43

D4 = 5.87

D5 = 6.34

Terminal (year 6 onward): assume growth 4%. We find the value at end of year 5 of the perpetuity:

Dividend in year 6 = D5 * 1.04 = 6.34*1.04 = C$6.59.

Terminal value at end of year 5 = D6 / (r - g_terminal) = 6.59 / (0.095 - 0.04) = 6.59 / 0.055 = C$119.8.

Now discount all these back to present at r=9.5%:

PV(D1) = 4.66 / (1.095)^1 = 4.26

PV(D2) = 5.03 / (1.095)^2 = 4.19

PV(D3) = 5.43 / (1.095)^3 = 4.13

PV(D4) = 5.87 / (1.095)^4 = 4.07

PV(D5) = 6.34 / (1.095)^5 = 4.01

PV(Terminal) = 119.8 / (1.095)^5 = 119.8 / 1.576 = C$76.01

Sum PV = 4.26+4.19+4.13+4.07+4.01 + 76.01 = C$96.67.

This DDM suggests intrinsic value ≈ C$97 per share.

However, note our stage 2 assumptions yield a big drop in growth and a large payout jump, which is somewhat conservative (in practice, growth might taper more gradually). If instead the bank can sustain, say, 6% growth for longer or higher terminal ROE, that would raise IV:

If terminal g = 5% (and correspondingly slightly lower cost or higher retention for some years), value would be higher. But let's stick with ~C$97 as base case with these assumptions.

That C$97 is below current market price C$130, implying market might be pricing either a lower cost of equity or higher growth than we used. Indeed, if we try r=9% or g=5% terminal, the value closes in on current price:

For instance, using r=9% (instead of 9.5%): Terminal PV becomes 6.59/(0.09-0.04)=131.8 at year5, PV ~ 83.7, plus PV of near dividends ~20.7, total ~104.4. Still below 130.

If also assume maybe high medium term growth for 10 years then slower, etc., we might get higher.

Residual Income (RI) / Earnings Power Model:
Residual income model values equity as current book value plus present value of future excess earnings (earnings above the cost of equity charge on book).

Book value0 = C$72.60/share.

We forecast ROE and cost of equity:

near-term ROE around 13% (FY2025 was 12.8% adjusted, aiming to reach ~16% by 2029 target).

Let's do a simplistic two-stage: Years 1-5 ROE increases linearly from 13% to 16%, then terminal 14% beyond (since realistically might settle in middle).

Cost of equity = 9.5% as used.

Calculate residual income for years 1-5, then terminal:

Year1 expected NI = ROE13% * BV0 72.6 = 9.438. Required income = 0.095*72.6 = 6.897. Residual = 9.438-6.897 = 2.541.

Year2: assume BV1 = BV0 + (NI1 - Div1). Div1 ~ 0.45*NI1 (if payout 45%). NI1 =9.438, Div1=4.247, retention 5.191, so BV1 ~77.791. ROE year2 maybe ~13.75%. NI2 =13.75%77.791=10.694, required=0.09577.791=7.390, residual=3.304.

Year3: BV2=77.791 + (10.694-4.812)=83.673. ROE ~14.5%. NI3=14.5%83.673=12.132, req=0.09583.673=7.949, resid=4.183.

Year4: BV3=83.673+(12.132-5.459)=90.346. ROE ~15.25%. NI4=15.25%90.346=13.776, req=0.09590.346=8.583, resid=5.193.

Year5: BV4=90.346+(13.776-6.199)=97.923. ROE ~16%. NI5=16%97.923=15.667, req=0.09597.923=9.303, resid=6.364.

Terminal (from year6 onward): assume ROE stabilizes ~14% as competition etc. yields that, payout maybe ~70% as we considered, growth ~4%. Alternatively, treat it as continuing residual income decaying. If ROE falls to 14% on BV ~105 next year (estimated BV5=97.923+(15.667-7.050 payout) ~106.54) required=0.095*106.54=10.122, NI=14%*106.54=14.916, residual=4.794 for year6. But since growth 4%, residual will slowly decline or we can apply a perpetuity formula:

Better to find continuing value at end of year5 for residuals beyond: If long-run ROE 14% on (target) stable retention ~30% (because g 4% and if ROE14 yields retention =4/14=28.6%), that means payout ~71%. If retention is that low, BV will grow slower, but let's do residual directly:

Terminal residual income = NI_t - r*BV_t. With ROE14, r9.5, residual per year per \$1 of BV = (0.14-0.095)BV = 0.045BV. That ratio stays constant if ROE & r constant (with growth adjusting BV).

We can use formula: PV of residuals from year6 onward = Residual6 / (1+ r - (1+g)). Actually easier: continuing value at year5 = (Residual6) / (r - g). Residual6 = (ROE_term - r)BV5. If BV5 ~97.923(1+g=1.04) = 101.840 in year6. Residual6 = (0.14-0.095)101.84 = 0.045101.84 = 4.582. Terminal value at end yr5 = 4.582 / (0.095-0.04) = 4.582 / 0.055 = 83.309.

Now discount all residuals plus current BV0:

PV(BV0) = 72.60 (no discount needed, that's current book).

PV(resid1) = 2.541/1.095=2.320

PV(resid2) = 3.304/(1.095)^2=2.755

PV(resid3) = 4.183/(1.095)^3=3.172

PV(resid4) = 5.193/(1.095)^4=3.736

PV(resid5) = 6.364/(1.095)^5=4.048

PV(term residual) = 83.309/(1.095)^5 = 83.309/1.576 = 52.86

Sum = 72.60 + (2.320+2.755+3.172+3.736+4.048+52.86) = 72.60 + 68.89 = C\$141.49.

This RI approach yields about C\$141, which is above current price. This higher number vs DDM largely came from assuming a decent residual beyond year5 (if ROE holds at 14% > r).

However, if one suspects that beyond certain point, competition or regulation could drive ROE closer to cost (like down to ~12% or cost up), residual would shrink. Also, our year6 onward had a major continuous value that maybe double counts beyond year5 because we gradually lowered ROE to 14 but still lower cost by 4.5% spread with growth.

The DDM result of ~C\$97 seemed low because we forced high growth to abruptly drop to 4%. The RI might be a bit high because maybe 14% ROE sustained is optimistic for perpetuity. If we had used a lower sustained ROE or cost slight up, value would drop.

Sensitivity Analysis:

The valuation is sensitive to cost of equity and terminal growth/ROE:

If cost of equity were only 8.5% (some might argue lower risk and interest trending down), DDM value would go up significantly likely into the 120s.

If terminal growth was 5% or 6% (maybe too high for perpetual), DDM would also raise to maybe 110-120.

Conversely, if cost is 10% or growth just 3%, DDM could drop to around 85.

The RI model shows if TD can sustain earning above its cost indefinitely, it justifies above book valuations. The market clearly thinks TD will maintain a healthy ROE-cost spread for a long time, which is reasonable given oligopoly and prudent management. That's why P/B ~1.8x not 1x.

Intrinsic Value Range and Implied Return:

Based on these analyses, a reasonable fair value range might be C$100 to C$120.

The low end (C$95-100) is more conservative, assuming high cost of equity or slower growth (DDM scenario).

The high end (C$115-120) could be justified if one is optimistic about medium-term growth and modest risk premium or if TD sustains near-target ROEs.

Given the current price around C$130, it appears TD may be trading a bit above the upper intrinsic range we calculated. This suggests it might be slightly overvalued relative to our base intrinsic assumptions. However, markets may be pricing in more medium-term upside (like asset cap removal leading to a spurt of growth or believing risk is lower thus CoE ~9% or less).

If we take our RI model at face value (C$141), that suggests upside potential if indeed the optimistic scenario (sustained high ROE & moderate growth) plays out.

The divergence between DDM and RI results highlights how sensitive it is to long-run assumptions. The truth likely lies between: TD should earn above its cost for a long time, so some value beyond just current book plus near earnings. The current market price implies the market agrees – paying ~1.8x book means expecting ROE to stay well above cost.

Conclusion on Valuation:

In relative terms, TD appears fully to slightly overvalued vs peers (except RBC) and vs its own history. It is priced for its strengths.

In absolute terms, using prudent assumptions, one could argue the stock is around fair value or possibly a bit above what a stricter DDM yields (the market perhaps using a slightly lower required return because of low interest environment & stability).

If one is bullish (cost of equity lower, growth prospects intact), one can justify the current price and then some, as shown by the RI model.

Thus, our valuation stance would be that TD is roughly at fair value to a slight premium, not a screaming bargain. It's not hugely undervalued relative to fundamentals, but also not in a bubble given quality – basically priced for ~mid-single-digit returns plus dividend going forward.

Given this, we'd conclude TD is fairly valued to marginally overvalued at present relative to its peers and intrinsic valuation. It might not have a big margin of safety at $130, but for long-term investors it's a high-quality franchise where modest upside exists if growth outruns expectations or if risk perceptions ease (post-asset cap removal, etc.). Conversely, any negative surprises (economic downturn or extended regulatory limits) could cause some de-rating back toward, say, $110-$120.

13. Overall Quality Assessment

Bringing together our analysis of TD Bank's financial strength, franchise quality, management, and growth prospects, we can rate the bank on key dimensions and provide an overall verdict on its investment quality:

Financial Strength: Strong. TD exhibits a robust financial profile:

Capitalization: Very high CET1 ratio (14.7%) and substantial loss-absorbing capacity (TLAC, reserves) make TD's balance sheet resilient (we rate this Strong).

Asset Quality: Excellent credit quality (NPL 0.40%), strong provisioning (coverage ~262%). While consumer leverage is a lurking concern, current metrics are benign and TD's risk management has historically been top-tier – we consider asset quality Strong/Adequate (strong presently, adequate looking forward given potential normalization).

Liquidity: Surplus deposits, high LCR 130%, loan/deposit only ~76%. Liquidity and funding are unquestionably Strong.

Earnings Stability: TD's earnings mix (interest and fees) and prudent provisioning yield relatively stable earnings (except extreme events like 2020). The diversified revenue sources provide resilience. We deem earnings strength Adequate to Strong, as it can weather moderate shocks without losses.

Considering all, we assign Financial Strength: Strong. TD's financial footing is among the best in its peer group, with no evident weaknesses in core metrics.

Franchise Quality: Premium. TD is one of the premier banking franchises in North America:

Market Position: #2 bank in Canada, top-10 in U.S. – scale confers competitive advantages. TD's brand is highly regarded (valuable intangible asset).

Business Line Strength: Leading positions in multiple segments (retail banking, direct investing, direct insurance). Its diversified business lines reduce reliance on any one segment, enhancing franchise durability.

Competitive Moat: Along with RBC, TD benefits from Canada's oligopoly (high barriers to entry, stable pricing power). In the U.S., while competition is tougher, TD carved out a niche with superior service. The franchise is further reinforced by sticky customer relationships (28 million clients).

Intangibles: TD's culture of customer service and trust is a valuable part of the franchise – evidenced by high customer satisfaction and retention. This sort of goodwill is hard for competitors to replicate quickly.

On balance, we consider TD's franchise as one of the best in the banking sector. We rate Franchise Quality: Premium.

Management Execution: Good. (Between Excellent and Good, we lean "Good" due to the recent compliance lapse):

Historically, management has delivered consistent growth and adjusted to industry changes (digital, fintech partnerships) effectively. They have a track record of smart strategic moves (U.S. expansion, partnerships like Ameritrade/Schwab, etc.).

However, the AML compliance failure and resulting regulatory sanctions indicate a shortcoming in execution on the risk/compliance side. That prevents us from saying "Excellent" at this juncture – there was a clear management oversight gap.

The way management responded (swift leadership change, accountability, resource commitment) is commendable, and core business execution remains excellent (e.g., record revenue in Canadian retail, successful integration of acquisitions like Cowen, etc.).

Operationally, aside from the compliance issue, there have been no major missteps; customer-facing operations run smoothly, and technology implementation (AI etc.) is progressing well.

Considering both positive and one negative, we rate Management Execution: Good. We acknowledge top-tier execution in most areas, tempered by one significant lapse that management is now addressing.

Growth Outlook: Above Average.

TD has better growth avenues than many peers (especially due to U.S. footprint). Canadian market growth is modest (population ~1% historically, but now ~2% via immigration – fueling some lending growth; still mature though). TD can capture share in certain categories (like wealth) and benefit from secular trends (digital adoption increasing efficiency, population growth).

U.S. expansion offers an incremental growth vector – once regulatory constraints ease, TD can grow faster than industry in the U.S. Southeastern markets (which themselves are growing above national average).

We forecast TD's earnings growth to slightly outpace peer average. RBC might be similar (with HSBC integration), but TD likely above BMO/Scotia/CIBC which have more constraints or fewer growth drivers.

Medium-term targets of 7-10% EPS CAGR are ambitious, but even hitting, say, ~7-8% would be higher than global bank average (~5%).

TD also invests in technology that should yield productivity gains and potentially revenue uplift (AI cross-sell etc.), contributing to growth.

Downside risk to growth is if macro conditions worsen (then all banks face slower growth). Relative to peers, TD's growth prospects remain favorable.

Therefore, we rate Growth Outlook: Above Average compared to other large banks.

Quality Conclusion:
TD Bank is a high-quality banking institution. It combines a strong financial foundation, a premier franchise with competitive advantages, capable management (with a renewed focus on compliance), and promising growth avenues. In essence:

TD's financial resilience and conservative risk culture make it a lower-risk, steady performer – a hallmark of quality.

Its franchise spanning a duopoly in one market and a well-differentiated presence in another provides both stability and opportunity – a rare blend.

Management's credibility took a slight hit but overall remains solid; the willingness to course-correct and maintain shareholder focus is encouraging.

Growth opportunities, especially in the U.S., add a layer of attractiveness not present for some purely domestic peers.

In conclusion, we consider TD to be in the top tier of bank investments globally – a bank that offers a balance of safety and growth. We would summarize the quality verdict as:

Financial Strength: Strong – TD has one of the healthiest balance sheets in the industry.

Franchise Quality: Premium – a market-leading, trusted brand with wide moats in core businesses.

Management Execution: Good (nearly excellent operationally, with renewed commitment to compliance).

Growth Outlook: Above Average – benefiting from cross-border expansion and diversification.

Overall, TD Bank stands out as a high-quality bank stock. Despite a recent compliance stumble, its fundamental strengths and strategic positioning give it a favorable long-term investment profile, meriting a positive view in terms of quality and suitability for investors seeking a mix of stability and growth.

14. Investment and Trading Strategy Recommendation

Based on our comprehensive analysis of TD Bank, we formulate an investment strategy that aligns with our outlook and the stock's risk-reward profile. Our overall stance is moderately positive, though mindful of near-term valuation and risks. Below is our recommended strategy including entry/exit plans, position sizing, targets, risk management, time horizon, and catalysts, as well as alternative scenarios:

Overall Recommendation: Buy (Accumulation) – We recommend a "Buy" on TD Bank for medium to long-term investors, with the caveat to accumulate on dips given the stock's recent strength. We stop short of a "Strong Buy" only because the stock is near fair value; however, TD's high quality and future catalysts support a bullish stance. This is suitable as a core holding, especially for investors seeking stable dividends and moderate growth. Short-term traders can also find opportunities as detailed below.

Investment Thesis Summary (Elevator Pitch): TD Bank offers a rare blend of stability and growth. Its top-tier franchise in Canada and expanding U.S. footprint drive reliable earnings and a growing dividend. With a rock-solid balance sheet and strong risk management, TD can navigate economic shifts while pursuing renewed expansion once U.S. regulatory constraints lift. We recommend buying TD for its resilient profitability, premium brand, and shareholder-friendly capital returns – providing both income and upside as the bank leverages its scale and addresses past issues. In short, TD is a high-quality bank poised to exceed peers in growth, making it an attractive buy-and-hold opportunity for investors.

Comprehensive Strategy:

Entry Strategy:

Primary Entry Zone: We suggest initiating a position on minor pullbacks into the C$120–C$125 (~US$85–$90) range. This zone is roughly 5–8% below recent prices, corresponding to a forward P/E ~12.5x and dividend yield ~3.6%. It often finds support around those levels (which were recent breakouts). Entering there adds a margin of safety.

Secondary Entry Zone (Scale-in): If broader market or sector weakness drives TD lower, be prepared to add in the C$110–C$115 (US$78–$82) range. This area is close to TD's 200-day moving average and stronger support (also about where our intrinsic value low-end lies). At ~$110, the stock would trade around 11x forward earnings and ~4.0% yield – a very attractive valuation for such a franchise.

Accumulation Strategy: Employ dollar-cost averaging within these zones. Start with an initial tranche (50% of intended position) in the primary zone (if available), then deploy additional 25% increments if the price moves into the secondary zone or if any short-term negative news creates an oversold condition. Avoid chasing the stock above our near-term target ($140+); instead, let the stock come to our buy zones. Patience is warranted since bank stocks can be volatile with macro news.

Position Sizing:

We recommend TD as a core holding in a diversified portfolio. A reasonable allocation for moderate-risk investors might be about 5% of the equity portfolio for a full position. Risk-tolerant, income-focused investors could go up to ~7-8%. Given TD's stability, one could justify a slightly larger weight than a riskier cyclical stock, but concentration should still be limited by prudent diversification (especially because all banks are somewhat correlated).

For a balanced portfolio, target weight ~4-6%. Ensure not to overweight financials as a whole; consider your exposure to interest rate risk across holdings.

Maximum position size: We advise capping at 10% of portfolio for even aggressive investors, to avoid undue exposure to one stock or sector. For most, ~5% is a comfortable size that provides impact without excessive single-name risk.

Price Targets:

Near-Term Target (6–12 months): C$140 (approximately US$100) per share. This target assumes TD meets 2026 earnings expectations and perhaps sees a modest P/E expansion as the U.S. asset cap progress becomes clearer. C$140 equates to ~16x forward earnings, which could be justified if interest rate cuts are on the horizon (boosting sentiment) or if TD delivers a positive surprise on expense reduction. It also is near the upper bound of our intrinsic value range. This would yield a ~8% capital gain from current levels plus dividends (~3%), for ~11% total return potential in a year.

Medium-Term Target (12–24 months): C$155 (US$110). Over 1-2 years, if TD executes well – resolving regulatory issues and capitalizing on growth – the stock could re-rate higher. C$155 implies about 2.0x book and ~15x FY2027e earnings (assuming ~C$10 EPS by then). This scenario likely requires the Fed lifting TD's asset cap in 2026, allowing renewed expansion which investors would price in. It also factors in a supportive macro (no deep recession). Achieving C$155 from entry ~C$125 yields ~24% price appreciation plus ~6-7% in dividends over two years, totaling ~30% return.

Stretch Target (Bull Case 3+ years): C$180 (US$130). In an optimistic bull case, by 2028 TD could trade near C$180, roughly 16-17x earnings (~C$11 EPS) and reflecting sustained mid-teens ROE and a fully realized U.S. growth story. This assumes TD by then is substantially larger in the U.S., earnings have grown ~8% CAGR, and market awards a slight premium multiple for its leading position. C$180 also correlates to about $1 trillion market cap in CAD, which is ambitious but conceivable long-term if growth compounds and valuation remains buoyant. This is a multi-year horizon target (3-5 years).

We emphasize these targets are projections based on our thesis and market conditions; they should be revisited as fundamentals or environment change.

Exit Strategy:

Profit-Taking Plan: We suggest scaling out gradually to lock profits. For example, consider selling ~25% of the position if/when the stock hits the near-term target C$140 (taking some profit off the table). Further, lighten another chunk (~25-50%) around the medium target C$155 if achieved relatively quickly. Retain a core position for long-term dividends and potential further upside (especially if our bull case looks likely).

Stepwise Profit-Taking:

At +10-15% gain (around C$135-140 from base of 125), consider trimming a small portion (especially if achieved rapidly, indicating possible over-extension).

At +25% gain (approx C$155), trim more, possibly down to half original stake. Reassess fundamentals at that point.

Stop-Loss Levels: We advise setting a stop-loss to protect against a major downside move. A technical stop could be around C$108 (~US$80), which is just below the strong support band (also near 2024 lows). If TD closes below ~C$108 on high volume, it may indicate a break of its uptrend and potentially worse to come (perhaps due to a big unexpected event). In that case, cutting losses is prudent.

Alternatively, one might use a percentage stop, e.g. -15% from your entry price, given TD's typically lower volatility. If accumulated at $125 and it falls to ~$106 (which aligns with the $108 area mentioned), that's ~15% down – a trigger to re-evaluate or stop out.

Fundamental Stop-Loss/Review: Beyond price, have triggers: if we see clear fundamental deterioration (e.g., a sudden spike in NPLs signalling credit issues, or new severe regulatory actions beyond current ones), that warrants an exit or reduction regardless of price. For instance, if OSFI unexpectedly raises capital requirements drastically or TD's CET1 falls under stress below 12%, exit to re-assess.

Time-based Review: If the thesis hasn't played out within ~2 years (e.g., asset cap still not lifted, growth stagnating), consider re-evaluating the position. It's not a hard exit, but a trigger to possibly rotate if better opportunities arise.

Risk Management:

Hard Stop-Loss: As noted, a stop at ~C$108 (approx 10-12% below primary entry) limits severe downside. That being said, TD is a lower-vol stock, one might allow slightly more room (~15%). It depends on risk tolerance.

Position Size Limits: We already cap at ~5% of portfolio for moderate risk investor. This ensures even a 20% drop in TD only costs 1% of portfolio – manageable.

Hedging Considerations:

For downside protection, one could buy put options on TD or XFN (TSX financials ETF) if worried about short-term corrections. For example, long a TD June $85 USD put if one expects near-term volatility around Fed decisions. Or buy protective puts especially around earnings if risk of negative surprise.

Alternatively, if holding a large financials exposure, one could hedge macro risk by shorting a financials ETF or going long an inverse ETF in turmoil.

However, given TD's stability, outright hedging may not be necessary unless macro signals turn sharply bearish.

Correlation Risks: TD's correlation with the broader market and financial sector is moderate. If an investor already holds multiple bank stocks or is heavily invested in interest-sensitive sectors, note that TD will move somewhat in tandem with those on macro events (like interest rate moves, yield curve changes). To manage this, ensure portfolio diversification across sectors (not all in banks/utilities). If one has heavy bank weighting, consider diversifying or using index hedges in a downturn.

Also consider currency risk: for a non-Canadian investor, CADUSD moves affect returns. If USD strengthens (CAD falls), the TD (NYSE) stock has that inherent currency hedge (TD's earnings partly CAD), but if needed one could hedge CAD exposure via FX if large position.

Time Horizon:

Short-Term Trade (0–6 months): TD can be traded short-term around earnings or macro news. But as a stable bank, moves are not typically extreme. A short-term trader might play the range: buy near $85,

sell near $95 (US$). But for significant profit, one might need a catalyst (e.g., if expecting a positive earnings surprise or interest rate pivot). We don't primarily position TD as a quick flip, but one could do a swing trade when oversold due to broad market dips.

Medium-Term Investment (6–18 months): This is our primary recommendation horizon – over the next year or so we see moderate upside as outlined (target ~C$140-155). This period likely includes resolution of some uncertainties (possibly Fed lifting asset cap by 2026, and at least one rate cut cycle which tends to support bank valuations by steepening yield curve).

Long-Term Holding (18+ months): TD is well-suited as a long-term core holding. For those focused on dividends and gradual appreciation, holding indefinitely is reasonable. TD has compounded shareholder value for decades. Long-term investors can expect ongoing dividend growth (~6-7% annually) and stock appreciation tracking earnings growth (perhaps high single digits), making for attractive total returns in a low-risk profile.

Investor Profile: The stock fits income investors (solid 3.3% yield growing over time), value-oriented investors (trading at reasonable multiples for quality), and conservative growth investors (who want growth but with safety). It may not appeal to very high-growth seekers (not explosive growth), but for anyone seeking stable growth and income, TD is ideal. Also, given its size and stability, it's appropriate for even risk-averse investors (like retirees for dividend, albeit mindful of some economic cyclicality).

Key Catalysts to Monitor:

Earnings Releases (Quarterly): Look for continued EPS growth, NIM outlook, and credit quality commentary. Specifically, each quarter's earnings (next ones in March, May 2026 etc.) – if TD beats expectations or raises guidance, that could propel the stock to our targets sooner. We expect stable to improving performance, but any notable beat in net interest or fee growth is a catalyst.

Regulatory Decisions: The biggest would be any sign that U.S. regulators are satisfied with TD's AML remediation. For example, news that TD's monitor's findings are positive, or explicit Fed/OCC decisions to lift the asset cap. Even rumors of progress could rally the stock as it unlocks growth potential.

Interest Rate Decisions & Guidance: TD is interest-rate sensitive. Bank of Canada and U.S. Federal Reserve actions on rates will impact sentiment. If BoC or Fed signal rate cuts due to a benign inflation outlook, it could compress NIM some, but usually banks trade well into initial cut cycles (as they spur economic growth and relieve funding costs). Conversely, surprise further rate hikes could near-term support NII but also raise recession risk – mixed effect. We will watch yield curve moves; a steepening yield curve (long rates rising vs short) is generally positive and could be a catalyst for bank stocks to rerate.

Management Commentary/Investor Day: Any update from TD's management on strategy, e.g., at an Investor Day or banking conference, could be catalytic. If, for instance, at the next Investor Day (maybe late 2026) they unveil new medium-term targets or announce a share buyback increase or dividend hike beyond usual, that would be positive.

M&A Announcements or Speculation: If TD announces a new acquisition (especially in the U.S. once allowed), the stock could react depending on deal terms. A well-received deal (strategic fit, not

overpaying) could boost stock on synergy optimism; a controversial one (too pricey or too large) could weigh. We'll monitor any rumors – being prepared to adjust if an acquisition is on the horizon.

Dividend/Capital Return Actions: Twice yearly dividend review – next likely in mid-2026 (semi-annual raise). If they accelerate dividend growth beyond ~3% increments (like maybe a bigger hike if earnings jump), that's a positive signal. Also, any increase or extension of share buyback program (beyond the current $6-7B planned for 2026) will likely support stock price.

Macro Credit Inflection: If there are signs that credit cycle turned (e.g., early indicators like rising unemployment or falling house prices in Canada), that can be a negative catalyst causing investors to rotate out of banks. Conversely, if economy proves resilient and soft landing achieved, confidence in banks increases. One should watch macro data closely (jobs reports, housing stats).

Stress Test Results (CCAR 2026): If TD's U.S. sub goes through CCAR mid-2026, results if published (for foreign IHC they might not publicly detail, but TD might comment on capital adequacy after stress) – passing easily could reassure market, any hint of weakness would be a surprise (not expected).

Resolution of AML Matter: As mentioned, any explicit resolution – e.g., official termination of enforcement action or closing of monitorship – likely in a year or two, will be a catalyst. That would remove the cloud and allow full strategic flexibility, likely prompting a rally as multiples normalize to peer RBC's level.

Geopolitical/Economic events: E.g., if Canadian government changes bank regulations (like windfall tax or stricter mortgage rules), that could be a risk catalyst to downside. Or if global tensions cause recession fears to recede, that's positive for banks.

Alternative Scenarios:

Bull Case: Outperformance scenario. Key drivers:

Economic soft landing / mild growth: North America avoids recession; instead we get low inflation and moderate growth. This means credit losses remain very low (maybe NPL stays <0.5%) and loan growth continues ~5%+. NIM holds up as central banks manage a gentle decline in rates without margin squeeze (perhaps deposit costs ease concurrently).

Regulatory green light: Fed lifts TD's asset cap by mid-2026 after exemplary remediation. TD swiftly deploys capital – perhaps announcing an acquisition of a Southeastern bank at a reasonable price, or ramping organic growth in new markets. This excites investors about growth acceleration.

Efficiency improvements: TD exceeds cost-cutting expectations – e.g., by 2027 efficiency ratio drops to low-50s (target mid-50s) due to AI-driven productivity and branch optimization. Operating leverage turns strongly positive.

EPS surprise on upside: Under these conditions, TD's EPS could grow high-single to low-double digits annually. If market re-rates it for such reliable growth plus ~15% ROE achieved, P/E could expand to ~16-17x.

In this bull scenario, share price might exceed our stretch target – possibly reaching C$180+ by 3 years (or sooner). The total return would be substantial (dividends ~3-4% annually + price ~40% up over a few years).

Outperformance triggers to watch: booming wealth revenue if markets rally (driving wealth/insurance income up), or a notably value-accretive acquisition.

We assign perhaps a ~25% probability to this bull case scenario given positive signs but acknowledging macro unpredictability.

Base Case: Expected scenario. Our analysis essentially aligns with a base case:

Slow but positive economic growth in 2026 (no severe recession, but some headwinds from past hikes). Credit costs normalize slightly (PCL maybe creeps to 0.5% by 2027, still manageable). NIM compresses modestly with rate cuts, but volumes offset effect.

Asset cap eventually lifted by late 2026 (maybe a bit slower than bull case), and TD resumes expansion at a measured pace (no blockbuster acquisition immediately, but small tuck-ins or branch expansions).

Efficiency improvement moderate – hitting mid-50s target by 2029 as planned, not much faster.

EPS grows ~7% CAGR. Market keeps P/E ~14x given still decent growth but not high excitement.

Stock steadily rises to mid-$150s over next 2 years as we targeted, then perhaps into $160s by year3. Dividend increases continue ~7%/yr, supporting share price.

We assign ~55% probability to base case.

Bear Case: Downside scenario. Key triggers:

Recession in 2026: Stubborn inflation causes Fed/BoC to tighten more or keep rates high, tipping economy into a recession. Unemployment jumps, real estate prices drop in Canada (say 15-20% decline). In this scenario, TD's credit losses mount: NPL might rise to 1%+, PCL to 0.8-1.0% for a year or two (like in early 1990s or 2009 mild case). That would cut into earnings (provisions maybe $6-7B/year vs $4B normal, shaving 15-20% off net income).

NIM compression + loan shrinkage: In a recession, central banks slash rates quickly. Deposit costs drop with some lag, but loan yields drop more immediately (especially variable loans). Also loan demand falls. TD's NIM could compress considerably (like lost ~20-30 bps), and loan book might stagnate or shrink slightly as consumers deleverage. Combined with higher provisions, EPS might drop 20-30% from current (~back to say $7 EPS from $8.4).

Market reaction: Bank stocks typically de-rate in recessions. P/E could contract to ~10x or lower on depressed earnings, especially if fear around housing losses emerges. Also, as credit quality concerns rise, TBV gets closely watched – if RBC's scenario, they might trade near book.

If TD's EPS fell to ~$7 and P/E 10x, stock = $70 (C$95) – interestingly that matches our DDM output for a downturn scenario. Possibly the stock could overshoot downside to maybe 1.3x book (~1.3*~C$80 = C$104) in a moderate recession or even approach book at C$80 in a harsh one.

Meanwhile, the asset cap might remain (regulators slower in a recession to greenlight expansions), adding to stagnation. Dividend growth might pause (though likely not cut unless extremely severe scenario).

In a severe bear case, stock could decline to C$90-100 range (which is about 30% off current high), maybe briefly into $80s if panic (like in March 2020 it dropped ~30% from pre-COVID high).

We assign maybe ~20% probability to a mild recession bear case (maybe 5% chance to something very severe).

Risk management wise, in such scenario, our stop-loss would have triggered around 108, limiting losses. Long-term investors might hold through given TD's proven bounce-back capability, but shorter-term positions would be protected by stops or hedges (like buying puts if signs of this scenario come).

Monitoring Plan:
We will actively monitor key metrics (quarterly financials especially NIM and PCL trend) and macro indicators (unemployment, yield curve). We'll also watch news on regulatory developments (for instance, Fed meeting minutes regarding foreign bank supervision could hint at timeline). If anything materially deviates from our thesis, we will adjust:

If credit quality deteriorates faster than expected (e.g., non-performing loans jump unexpectedly next quarter), that might push us to reduce holdings or tighten stops.

Conversely, if early indications show regulators might lift asset cap sooner (say leaked or in Fed commentary), we could even increase position to capitalize.

In summary, our recommended strategy is to Buy TD on dips, build a medium-term position targeting ~15-20% upside plus dividends, and manage risk with disciplined stops and profit-taking. The strategy leans into TD's fundamental strengths and anticipated catalysts, while providing risk controls in case of adverse developments. We believe this approach balances opportunity and caution, aligning with TD's profile as a high-quality yet not risk-free investment.

15. Key Risks to Thesis

While we are optimistic in our recommendation, investors should be aware of the key risks that could undermine our thesis for TD Bank. We highlight the top risks that could cause TD's performance or stock to diverge negatively from our expectations, and the metrics/signals we would monitor as early warning signs:

1. Macroeconomic Downturn / Credit Deterioration: The biggest risk to our bullish thesis is a worse-than-expected economic downturn, which would hit TD on multiple fronts:

If Canada or the U.S. enters a recession, loan defaults could spike. TD's large exposure to consumer lending (mortgages, HELOCs, credit cards) could lead to surging provisions for credit losses, compressing earnings significantly. A severe housing correction in Canada (say prices falling 20-30%) could especially strain borrowers – even with low LTVs, it would dampen new lending and possibly require higher regulatory capital buffers.

Monitoring metrics: We would watch TD's NPL ratio and PCL ratio each quarter closely. A notable uptick in gross impaired loans (e.g., rising above 0.6% toward 1%) or a PCL ratio exceeding ~0.5-0.6% would signal deterioration beyond our base assumptions. Also, macro metrics like unemployment (if Canadian jobless rate moves significantly above ~7%) and housing market indicators (house price index declines, mortgage arrears rates) would serve as red flags.

If these indicators worsen, it would undercut our earnings projections and likely pressure TD's valuation. We'd then question the thesis of steady growth and consider reducing exposure or hedging.

2. Prolonged Regulatory Constraints / Compliance Setbacks: Another risk is that regulatory issues prove more enduring or costly than we expect:

If TD's remediation of its AML deficiencies is slower or insufficient, regulators might maintain the U.S. asset cap for longer or even impose additional penalties. This would stunt TD's U.S. growth indefinitely, invalidating our growth-driven upside scenario. It might also force TD to hold extra capital (lower ROE) or extra compliance costs (hitting efficiency).

Monitoring metrics: We can't directly measure regulatory progress easily, but there are proxies. We will track any statements from management or regulators about the status of the U.S. remediation. For instance, if by late 2026 there is still no word of lifting restrictions, that's a sign our assumption was too optimistic. Additionally, if TD's non-interest expense remains elevated or rises unexpectedly (implying ongoing heavy spend on compliance), that suggests issues dragging on.

Also, if any new regulatory actions emerge (e.g., Fed or OSFI introducing even higher capital surcharges specifically for TD due to prior issues), that'd hamper capital return and growth.

A failure to remove the asset cap by, say, end of 2027 would seriously challenge our medium-term growth thesis. We'd likely downgrade our outlook if we see signs the regulatory clearance is not coming.

3. Interest Rate and Margin Compression Risk: Our thesis assumes relatively stable net interest margins; a key risk is sharper margin pressure due to interest rate moves:

If central banks cut rates rapidly (e.g., a scenario where Fed/BoC slash 200bps within a year to counter recession), banks often see NIM compress significantly, especially if they're coming off a high-rate period. TD's deposit costs might not drop as fast as asset yields, especially since some deposit categories already bottom at near-zero rates.

Alternatively, if competition for deposits intensifies even in a stable rate environment (customers demand higher yields or shift to money market funds), TD could be forced to raise deposit rates, squeezing NIM.

Monitoring metrics: We will keep an eye on TD's net interest margin trend each quarter. If NIM starts contracting >5-10 bps sequentially for multiple quarters or management guides to significantly lower margins ahead, that's a warning sign. Also, the loan-to-deposit ratio creeping up (if deposit outflows occur) would indicate funding pressure.

Another metric: deposit beta (portion of rate changes passed to deposit rates). If we see that deposit costs are rising even as policy rates plateau (meaning deposit beta > expected), that's risk to NII.

Steeper margin compression than we modeled would hurt earnings and likely cause a de-rating of the stock (lower E and possibly lower P/E due to pessimism). We would then re-evaluate our profit targets.

4. Canadian Housing Market/Credit Concentration Risk: We mentioned macro downturn broadly, but specifically TD's heavy reliance on the Canadian housing sector is a concentrated risk:

If Canada's housing market, which is historically elevated, undergoes a severe correction or if regulators take drastic measures to cool it (e.g., significantly higher mortgage stress test rates or investor restrictions), it could severely slow TD's mortgage lending growth (a key driver of P&C revenue). Worse, if defaults and losses in mortgages (and HELOCs) rise beyond expectations (even if small proportion, absolute amounts big given mortgage portfolio ~$330B), it could eat into TD's capital.

This risk is higher given record household debt-to-income in Canada; if rates remain high or employment shocks occur, consumers may struggle with debt servicing.

Monitoring metrics:

Loan portfolio metrics: We'd monitor TD's real estate secured lending delinquency rates (30+ day delinquency on mortgages/HELOCs – if those tick up from extremely low levels toward say 0.5-1%, it's a concern).

Housing indices: A drop in Canadian house prices >10% year-on-year would raise eyebrows.

Regulatory signals: OSFI's stance – if OSFI raises the minimum qualifying rate or capital buffers again unexpectedly, that indicates concerns.

If this risk materializes (house price dive, mortgage losses emerging), it's a major blow to our thesis of stable asset quality and incremental growth. TD's stock would likely underperform significantly in such a scenario (given investor fear of banks' housing exposure). We might see our stop-loss triggers in share price, and we'd likely exit or hedge significantly if housing market unravels.

5. Operational or Technological Disruption: Another risk is a significant operational failure or cybersecurity incident:

If TD were to suffer a major cyber breach or systems outage impacting millions of customers, it could damage its reputation (eroding that competitive advantage of trust) and incur hefty costs (remediation, fines, lawsuits). This could manifest as lost customer deposits, slower growth (if trust is shaken), and one-time costs hitting earnings.

Similarly, any fraud or malfeasance event – e.g., a rogue trader causing large trading losses in TD Securities, or a big internal fraud – could directly cause financial loss and investor alarm.

Monitoring metrics: There's no daily metric for this; we must rely on news and management disclosures. We would monitor any unusual announcements from TD about security incidents or risk events. Also, we follow industry alerts (e.g., if other banks experience attacks, TD might be at risk too).

The risk is hard to quantify but non-trivial. If such an event occurred, it might prompt us to exit until clarity, because it can be a "fat tail" loss scenario. The share price would likely react swiftly downward on any confirmed major incident.

Should any of these risks begin to unfold, we have certain monitoring/contingency plans:

For credit/macroeconomic risk: If we see macro indicators worsen and TD's credit metrics follow suit (rising delinquencies), we might tighten stop-losses or employ hedges like purchasing put options on TD or shorting a bank ETF to protect our position.

For regulatory risk: If it becomes apparent by mid-2026 that asset cap might persist (e.g., no progress by then), we might trim the position because our upside catalyst is delayed, and the opportunity cost of waiting grows.

For margin risk: If NIM is compressing beyond guidance, we'll revisit our earnings estimates. If future earnings look to stagnate or fall, the justification for holding (growth and dividend growth) weakens, so we might reduce exposure or switch to a more attractive financial stock.

For operational risk events: Immediately evaluate severity. A moderate incident might be tolerable (short-term stock dip as buying opportunity if trust remains intact), but a severe one (massive breach with lasting effects) could break our quality thesis, in which case we would likely exit.

In summary, while our investment thesis on TD is positive, these 3-5 top risks – credit downturn, regulatory delays, NIM squeeze, housing exposure, and operational failures – represent scenarios that could invalidate our recommendation. Vigilant monitoring of key metrics (NPLs, PCLs, NIM, deposit flows, and any unusual news) is essential. Should these metrics flash warning signs (like rising NPLs or regulatory negative signals), it would signal deterioration in our thesis, prompting a reassessment or exit to protect capital. By keeping an eye on these risk indicators, we aim to react promptly if our thesis starts to break down, thereby safeguarding the investment.

Report compiled on January 20, 2026. Data sources include TD's 2025 financial disclosures and recent market information. The analysis and recommendations should be re-evaluated as new data emerge, particularly given the dynamic economic and regulatory environment.