

Rating Action: Moody's takes actions on Canadian banks' ratings following resolution rules implementation date

24 Sep 2018

Toronto, September 24, 2018 -- Moody's Investors Service ("Moody's") today took various rating actions related to the Implementation Date for the new Canadian bank resolution rules on September 23, 2018. Moody's affirmed the P-1 short-term debt ratings of The Toronto-Dominion Bank (TD), Bank of Montreal (BMO), Bank of Nova Scotia (BNS), Canadian Imperial Bank of Commerce (CIBC), Royal Bank of Canada (RBC) and National Bank of Canada (NBC) and their domestic affiliates, linking them to the hypothetical non-bail-inable long term debt rating for each bank, respectively.

Moody's also downgraded the Issuer Ratings of TD, BNS, RBC and NBC to align them with provisional ratings for the bail-in debt (Junior Senior Unsecured program rating) to be issued by the Canadian banks commencing September 23, 2018. Moody's assigns a bank's issuer rating at the level of the most senior unsecured debt class available to that bank for issuance that is "plain vanilla", meaning that it does not have special structural features. The Issuer Ratings and the Junior Senior Debt ratings relate to the most senior unsecured long term debt available to the Canadian banks for issuance post September 23, 2018, excepting only certain structured notes defined in the resolution rules as exempt from bail-in. Moody's also notes that it is retaining provisional senior unsecured long term debt ratings for programs under which respective Canadian banks may issue non-bail-inable structured notes in the future. Moody's also maintains the stable outlook on the Issuer Ratings of TD, BNS, RBC and NBC.

Affirmations:

..Issuer: Royal Bank of Canada

.... Commercial Paper, Affirmed P-1

.... ST Deposit Rating, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Royal Bank of Canada (London Branch)

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Royal Bank of Canada (New York)

.... ST Deposit Rating, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Royal Bank of Canada (Sydney Branch)

.... Commercial Paper, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Royal Trust Corporation of Canada

.... ST Deposit Rating, Affirmed P-1

..Issuer: Bank of Montreal

.... Commercial Paper, Affirmed P-1

.... ST Deposit Rating, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Bank of Montreal, Chicago Branch
.... Commercial Paper, Affirmed P-1
..Issuer: Bank of Nova Scotia
.... Commercial Paper, Affirmed P-1
.... ST Deposit Rating, Affirmed P-1
.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1
..Issuer: Canadian Imperial Bank of Commerce
.... ST Deposit Rating, Affirmed P-1
.... Commercial Paper, Affirmed P-1
.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1
..Issuer: Canadian Imperial Bank of Commerce, New York
.... ST Deposit Rating, Affirmed P-1
..Issuer: Canadian Imperial Holdings, Inc.
.... Commercial Paper, Affirmed P-1
..Issuer: CIBC World Markets plc
.... ST Deposit Rating, Affirmed P-1
..Issuer: Montreal Trust Company of Canada
.... ST Deposit Rating, Affirmed P-1
..Issuer: National Bank of Canada
.... ST Deposit Rating, Affirmed P-1
.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1
.... Commercial Paper, Affirmed P-1
..Issuer: National Bank of Canada (London)
.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1
..Issuer: National Bank of Canada, New York Branch
.... Commercial Paper, Affirmed P-1
..Issuer: Scotiabanc Inc.
.... Commercial Paper, Affirmed P-1
..Issuer: Toronto Dominion Bank (London)
.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1
.... ST Senior Unsecured Deposit Note/CD Program, Affirmed (P)P-1
.... Commercial Paper, Affirmed P-1
..Issuer: Toronto Dominion Global Finance

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Toronto Dominion Holdings (U.S.A.), Inc.

.... Commercial Paper, Affirmed P-1

..Issuer: Toronto-Dominion Bank (The)

.... ST Deposit Rating, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

.... Commercial Paper, Affirmed P-1

.... Other Short Term Senior Unsecured Regular Bond/Debenture, Affirmed P-1

Downgrades:

..Issuer: Bank of Nova Scotia

.... Issuer Rating, Downgraded to A2 from Aa2, Stable

..Issuer: National Bank of Canada

.... Issuer Rating, Downgraded to A3 from Aa3, Stable

..Issuer: Toronto-Dominion Bank (The)

.... Issuer Rating, Downgraded to Aa3 from Aa1, Stable

..Issuer: Royal Bank of Canada

.... Issuer Rating, Downgraded to A2 from Aa2, Stable

RATINGS RATIONALE

Issuer Ratings

The downgrade of the Issuer Ratings of TD, BNS, RBC and NBC aligns them with the most senior unsecured debt class available to that bank for issuance that is "plain vanilla". In the bank's case this is represented by the Junior Senior Unsecured program ratings.

Short-term Ratings

Moody's has also affirmed the short-term ratings of TD, BMO, BNS, CIBC, RBC and NBC and their affiliates. These ratings are linked to the hypothetical non-bail-inable long term debt rating for each bank, respectively.

What could change the rating up/down

Bank of Montreal

Upward rating pressure would emerge if the bank significantly reduced its reliance upon capital markets earnings or reduced its exposure to non-mortgage Canadian consumer debt as percentage of total Canadian consumer loans. Downward rating pressure could emerge if the bank significantly increased its reliance upon capital markets operations as measured by revenue contribution in excess of 25%, increased market risk exposures as measured by VaR, significantly increased income contribution from the US operations or increased exposure to non-mortgage Canadian consumer debt.

Bank of Nova Scotia

Upward rating pressure would emerge if the bank reduced its exposure to less well secured Canadian consumer debt. Downward rating pressure could emerge if the bank significantly increased exposure to credit card and auto finance portfolios, substantially increased its reliance on earnings from international operations or experienced unexpected profitability erosion or control problems in international operations.

Canadian Imperial Bank of Commerce

Upward rating pressure would emerge if the bank reduced its relatively high exposure to Canadian consumer debt or significantly reduced its reliance upon capital markets earnings. Downward rating pressure could emerge if the bank significantly increased its reliance upon capital markets earnings, increased exposure to less well-secured Canadian consumer debt or experienced risk management and governance failures that result in increased earnings volatility.

National Bank of Canada

Upward rating pressure would emerge if the bank reduced its relatively high exposure to less well-secured Canadian consumer debt or significantly reduced its reliance upon capital markets earnings. Downward rating pressure could emerge if the bank significantly increased its reliance upon capital markets earnings, increased exposure to less well-secured Canadian consumer debt or experienced risk management and governance failures that result in increased earnings volatility.

Royal Bank of Canada

Upward rating pressure would emerge if the bank reduced its relatively high exposure to less well-secured Canadian consumer debt or significantly reduced its reliance upon capital markets earnings. Downward rating pressure could emerge if the bank experienced a significant deterioration in the domestic operating environment, a significant increase in loan or trading losses, a significant change in business mix or increased capital allocation towards the Capital Markets business or material regulatory, compliance or risk management failures.

Toronto-Dominion Bank (The)

Upward rating pressure would emerge if the bank reduced its exposure to less well secured Canadian consumer debt. Downward rating pressure could emerge if the bank significantly increased reliance upon capital markets earnings, significantly increased income contribution from US operations, increased exposure to unsecured Canadian consumer debt or experienced risk management and governance failures that result in increased earnings volatility.

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The person who approved Royal Bank of Canada, Royal Bank of Canada (London Branch), Royal Bank of

Canada (New York), Royal Bank of Canada (Sydney Branch), and Royal Trust Corporation of Canada credit ratings is Ana Arsov, MD - Financial Institutions, Financial Institutions Group, (212) 553 0376, (212) 553 1653. The person who approved Bank of Montreal, Bank of Montreal, Chicago Branch, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Canadian Imperial Bank of Commerce, New York, Canadian Imperial Holdings, Inc., CIBC World Markets plc, Montreal Trust Company of Canada, National Bank of Canada, National Bank of Canada (London), National Bank of Canada, New York Branch, Scotiabanc Inc., Toronto Dominion Bank (London), Toronto-Dominion Bank (The), Toronto Dominion Global Finance, and Toronto Dominion Holdings (U.S.A.), Inc. credit ratings is M. Celina Vansetti-Hutchins, MD - Banking, Financial Institutions Group, (212) 553 0376, (212) 553 1653.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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