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TD Bank, National Association

Dodd-Frank Act Stress Testing Results
Supervisory Severely Adverse Scenario

March 17, 2014

Overview

TD Bank, National Association (hereafter referred to as "TDBNA" or "the Bank") is a subsidiary of the TD Bank U.S. Holding Company ("TDBUSH") which is a wholly owned subsidiary of The Toronto-Dominion Bank. The Bank is required to conduct a stress test pursuant to the requirements of 12 CFR Part 46 (the "OCC Stress Test Regulation"), as adopted by the Office of the Comptroller of the Currency ("the OCC") pursuant to stress testing requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DFAST requirements"). Stress test scenarios are defined by the OCC. The stress test provides forward-looking information to help regulators, the Bank's board of directors and market participants identify risks and the potential impacts of a severely adverse economic environment on the capital of the Bank.

The OCC Stress Test Regulation requires the Bank to disclose a summary of the results over the nine-quarter planning horizon beginning October 1, 2013 ("planning horizon"). The disclosure requirements include a description of the types of risks included in the stress test, the methodologies used by the Bank in the stress test and the results of the stress test under the Supervisory Severely Adverse Scenario (as provided by the OCC), including an explanation of the most significant causes of changes in capital ratios. The Supervisory Severely Adverse scenario represents a hypothetical economic environment. The scenario features a significant reversal of recent improvements to the U.S. housing market and the Europe area outlook as well as a sharp slowdown in developing Asia and severe weakening across all emerging market economies. The results described in this document represent estimates based on the economic and financial factors provided by the OCC and do not reflect forecasts of expected Bank performance.

This document contains forward-looking statements, including projections of the Bank's financial results and condition under a hypothetical scenario that incorporates a set of assumed economic and financial conditions prescribed by the OCC which does not reflect the Bank's expectations and is considered highly unlikely to occur. The projections are not intended to be a forecast of expected future economic or financial conditions or a forecast of the Bank's expected future financial results or condition, but rather reflect possible results under the prescribed hypothetical scenario. The Bank's financial results and conditions may be influenced by actual economic and financial conditions and various other factors, both general and specific. For more detailed information, see the Toronto-Dominion Bank's 2013 annual management's discussion and analysis, as such document may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable).

Scope of Disclosure

The information disclosed in the following statement pertains to the TDBNA entity and does not incorporate TDBUSH or TD Bank USA, National Association ("TDBUSA"), a wholly owned subsidiary of TDBUSH. The OCC granted TDBUSA a one year exemption from DFAST requirements, and as such, the operations of TDBUSA, including the Target credit card portfolio assets, are not incorporated within this disclosure.

As a holding company, TDBUSH is not subject to the OCC Stress Test Regulation. Additionally, TDBUSH is not subject to the Federal Reserve Board's capital plan rule (or related Comprehensive Capital Analysis and Review requirements) until July 21, 2015. See 12 CFR 225.8(b)(2)(i).

Description of Types of Risks Included in the Stress Test

As a part of the Bank's ongoing capital management process, the Bank evaluates and performs a comprehensive risk identification process to ensure that capital adequacy is assessed based on the material risks of the Bank, the Bank's risk profile and the Bank's business practices and environment. The most significant risks included in the stress test include credit risk, operational risk, market risk and liquidity risk.

Credit Risk

Credit Risk represents the risk of loss incurred by the Bank due to the failure of obligors to meet their contractual obligations. The magnitude of loss is determined by exposure at default and loss given default. Credit risk is mainly incurred in the Bank's lending operations and investment book where customers and counterparties have obligations of principal repayment, interest payment or other obligations to the Bank.

Operational Risk

Operational Risk represents the risk of loss resulting from inadequate or failed internal processes and systems or from external events. The Bank is exposed to a broad range of operational risks, including failed transaction processing and documentation errors, fiduciary and information breaches, technology failures, business disruption, theft and fraud, workplace injury and damage to physical assets as a result of internal or outsourced business activities.

Market Risk

Market Risk represents the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, credit spreads, volatilities, and correlations. The Bank is subject to interest rate risk as the risk of loss or volatility in earnings resulting from changes in interest rates. Foreign exchange risk is the risk of loss resulting from changes in exchange rates and the volatility of exchange rates.

Liquidity Risk

Liquidity Risk represents the risk of having insufficient cash or collateral resources to meet financial obligations when they become due or being required to raise funding at unfavorable rates or selling assets at distressed prices in order to meet such obligations. The Bank's primary liquidity needs arise from cash needed to satisfy deposit withdrawals, debt maturities, and commitments to provide credit or liquidity support.

Summary Description of the Methodologies Used in the Stress Test

Based on the macroeconomic indicators published under the Supervisory Severely Adverse scenario, the Bank uses proprietary and third-party forecasting models to estimate certain elements, identified by the OCC, of its income statement, balance sheet and off-balance sheet exposures over the planning horizon. The proprietary forecasting models incorporate multiple factors, including the macroeconomic variables provided by the OCC, the Bank's historical results and correlations and borrower-level variables to generate estimates of the impacts to the capital position of the Bank. These forecasting models are subject to a validation process managed by an independent function within the Bank. The Bank utilizes the output from these models to estimate its capital strength over the planning horizon.

Summary of Results

The following presents the results of the stress test submitted to the OCC for the Supervisory Severely Adverse scenario. The economic assumptions utilized to derive the results presented were provided by the OCC and represent a hypothetical economic environment which does not reflect the Bank's expectations and is considered highly unlikely to occur.

Table 1 below presents the pro forma Pre-Provision Net Revenue ("PPNR") results for the Bank over the forecast horizon. While PPNR remained positive throughout the forecast horizon, provisions for loan losses exceeded the forecasted revenue resulting in a pre-tax loss.

Table 1: Projected losses, revenue, and net income before taxes through Q4 2015 (Severely adverse scenario)

	Billions of dollars	Percent of average assets[1]
Pre-provision net revenue[2]	3.4	1.5%
Other revenue	-	0.0%
Less		
Provisions[3]	4.0	1.9%
Realized losses/gains on securities (AFS/HTM)	(0.1)	0.0%
Equals		
Net income before taxes	(0.8)	(0.4)%

1 Average assets is the nine-quarter average of total assets.

2 Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.

3 Provisions represent increases in Allowance for Loan and Lease Losses (ALLL) reflected through the income statement.

Projected loan losses by loan category over the forecast horizon are presented in Table 2 below.

Table 2: Projected loan losses, by type of loan, Q4 2013-Q42015 (Severely adverse scenario)		
	Billions of dollars	Portfolio loss rates (%)[1]
Loan Losses[2]	3.4	3.6%
First-lien mortgages, domestic	0.4	2.1%
Junior Liens and HELOCS, domestic	0.4	4.6%
Commercial and Industrial[3]	0.4	2.3%
Commercial real estate, domestic	0.8	4.3%
Credit cards	0.3	20.6%
Other consumer[4]	0.9	5.4%
Other loans[5]	0.1	1.3%

1 Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

2 Loan losses represent net charge offs which is recorded as a decrease in ALLL.

3 Commercial and industrial loans include small business loans and business and corporate cards.

4 Other consumer loans include student loans and automobile loans.

5 Other loans include loans secured by farmland.

As illustrated in Table 3 below, under the Supervisory Severely Adverse scenario, the Bank's pro forma Tier 1 common ratio is projected to increase from 10.9% as of September 30, 2013 to 11.1% as of December 31, 2015. The capital ratio projections include the net impact of capital actions over the forecast horizon as required by the DFAST requirements.

Table 3: Projected stressed capital ratios through Q4 2015 (Severely adverse scenario)			
	Actual Q3 2013	Stressed capital ratios[1]	
		Ending	Minimum
Tier 1 common ratio (%)	10.9	11.1	9.9
Common equity tier 1 capital ratio (%)[2]	n/a	11.8	11.2
Tier 1 risk-based capital ratio (%)	11.3	11.8	10.3
Total risk-based capital ratio (%)	12.4	13.3	11.8
Tier 1 leverage ratio (%)	6.9	6.9	6.3

1 The capital ratios are calculated using capital action assumptions provided within the DFAST requirements. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period from Q4 2013 to Q4 2015.

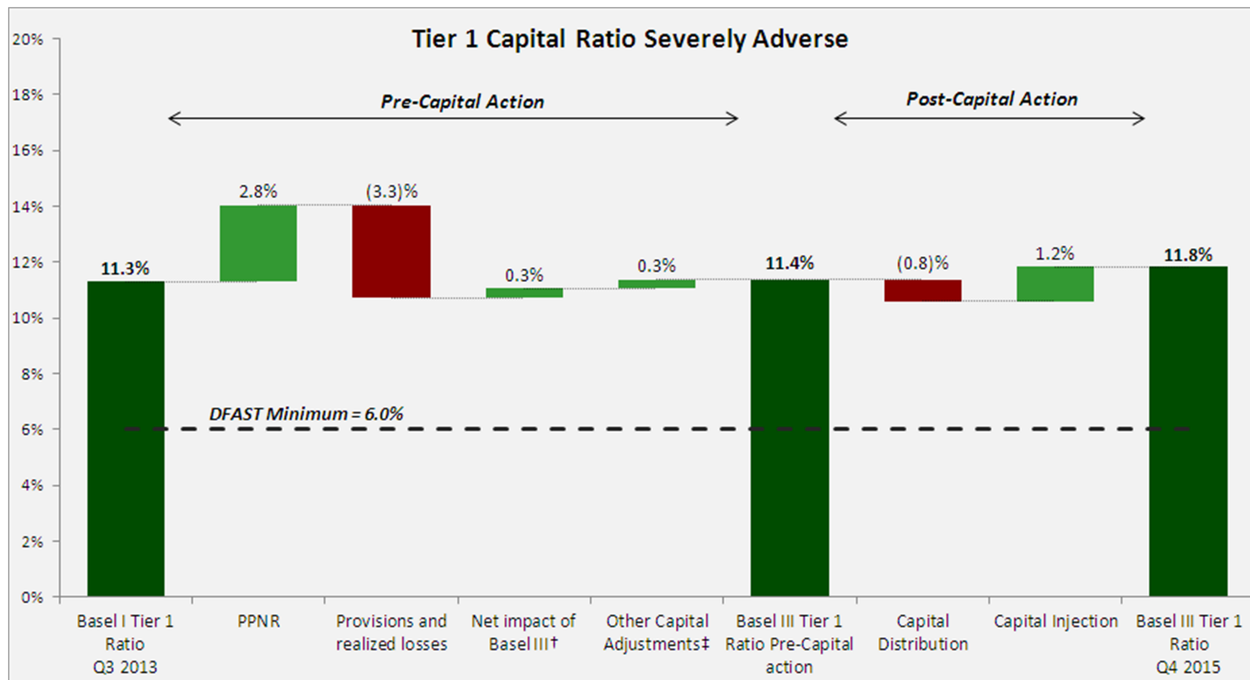
2 For purposes of this stress test cycle, the Bank is considered an advanced approaches bank as defined in 12 CFR 3. Appendix C 1.(b)(1) and includes a forecast of the common equity tier 1 capital ratio within the DFAST forecast results.

The capital actions included in the scenario reflect planned capital actions as mandated by the OCC's instructions. Capital ratios reflect $1.5 billion of planned capital contributions from TDBUSH and dividends of $0.95 billion to TDBUSH.

The increase in capital ratios are the result of the Bank's capital actions. Further, the Bank's investment portfolio is comprised of high quality securities which results in lower losses during the stress period offset by lower net interest income. Additionally, the Bank relies entirely on deposit funding, as opposed to wholesale or debt funding, resulting in both a stable funding base and a reduced impact to costs of funds under stress conditions.

Explanation of the Most Significant Causes of the Changes in Regulatory Capital Ratios

The chart below illustrates the drivers of changes to the Tier 1 capital ratio over the forecast horizon, including the impact of the transition to Basel III capital and Risk weighted assets ("RWA") calculations and net capital contributions.



† Net impact of Basel III comprised of: Basel III Cumulative Allowable DTA (+1.0%), Transition from Basel I to Basel III RWA calculations (-0.7%).

‡ Other capital adjustments comprised of: Cumulative DTA adjustment (-1.2%), Cumulative taxes (+0.7%), Changes in RWA balance (+0.6%), and other immaterial adjustments.

- RWA decreased across the forecast horizon due to a change in the mix of the balance sheet from higher RWA loans to lower RWA investments. The capital ratio improvement resulting from this shift in balance sheet composition is offset by the negative impact caused by the transition from the Basel I to Basel III standardized RWA calculation approach.

- Tier 1 capital increased 50 bps primarily due to capital contributions from TDBUSH, net of dividends to TDBUSH, over the forecast horizon as well as adjustments related to deferred tax assets as a result of the transition to Basel III capital rules. Tier 1 capital is also impacted by changes in unrealized gain/loss on the investment portfolio and related hedges as well as the net income generated over the horizon.

- The leverage ratio decreased to a minimum ratio of 6.3% before increasing to a level similar to the September 30, 2013 starting point. This result was driven by increases in capital, due to net capital contributions from TDBUSH as well as changes to the calculation of available capital under the Basel III approach, offset by increases in total assets over the forecast horizon.

- The transition to Basel III capital rules had a net positive impact to the Tier 1 capital ratio. This was due to the positive impact of deferred tax asset treatment differences between Basel I and Basel III exceeding the negative impact caused by the increase in RWA resulting from the Basel III RWA calculation transition.