TD Group US Holdings LLC

Dodd-Frank Act Stress Testing Results
TDGUS Severely Adverse Scenario

October 19, 2016

Overview

The following disclosure is specific to TD Group US Holdings LLC (hereafter referred to individually as "TDGUS" and, together with its subsidiaries, collectively as "the Company") which is a wholly-owned subsidiary of The Toronto-Dominion Bank. The Company is required to conduct a stress test on TDGUS under the requirements of regulations adopted by the Board of Governors of the Federal Reserve System ("FRB") pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Stress Test Regulations").[1] The stress test results conducted by the Company provide forward-looking information to help regulators, the board of directors, senior management, and market participants identify risks and the potential impacts of adverse economic environments on the capital of the Company.

The Stress Test Regulations require the disclosure of a summary of the Company-run stress test results under an internally developed severely adverse scenario ("TDGUS Severely Adverse Scenario") over the 9-quarter planning horizon beginning on July 1, 2016 and ending on September 30, 2018 ("the planning horizon"). The Stress Test Regulations also require that the Company disclose a description of the types of risks, the methodologies used, and an explanation of the most significant causes of changes in capital under this scenario.

This document contains forward-looking statements, including projections of the Company's financial results and conditions under the hypothetical TDGUS Severely Adverse Scenario. The projections are not intended to be a forecast by the Company of expected future economic and financial conditions or results, but rather reflect possible results under an intentionally developed hypothetical scenario which is highly unlikely to occur. The Company's actual financial results and conditions may be influenced by different actual economic and financial conditions and various other factors, both general and specific, which may cause such results to differ materially from the projections provided in this document. For more detailed information regarding forward-looking statements and discussions of risk factors relating to the Company, refer to The Toronto-Dominion Bank's 2015 annual management discussion and analysis, and any updates to such document as may be subsequently filed in quarterly reports to shareholders and news releases (as applicable).

Scenario Overview

The TDGUS Severely Adverse Scenario represents a hypothetical economic environment in combination with certain idiosyncratic events. The scenario features a marked slowdown in global economic growth, leading to a prolonged recession in the US. A significant deterioration in the global outlook erodes investor and consumer confidence and increases uncertainty in financial markets worldwide. Global equity prices and commodity prices decline significantly as market volatility remains elevated for an extended period of time. The swing in investor sentiment and turmoil in financial markets act to deepen the decline in economic activity and undermine prospects for a robust recovery.

The US is impacted through trade and financial linkages, with the protracted slump in energy prices weakening the oil and gas sector. Real Gross Domestic Product ("GDP") declines by 3.0% over the first 5 quarters, while the unemployment rate rises by 4.7 percentage points, reaching 9.4%. Given the absence of a robust recovery, real GDP remains 2.2% below its pre-recession level at the end of the 9-quarter planning horizon, while the unemployment rate remains 2.2 percentage points above its pre-recession level. The scenario also incorporates a number of idiosyncratic risks including a major cyber security breach, an unexpected credit loss to a large borrower within our Commercial and Industrial lending portfolio, and a terrorist attack involving damage to three different locations in New York.

The graphs in Figure 1 below show the historical experience and projected volumes of the leading macroeconomic and financial indicators[2].

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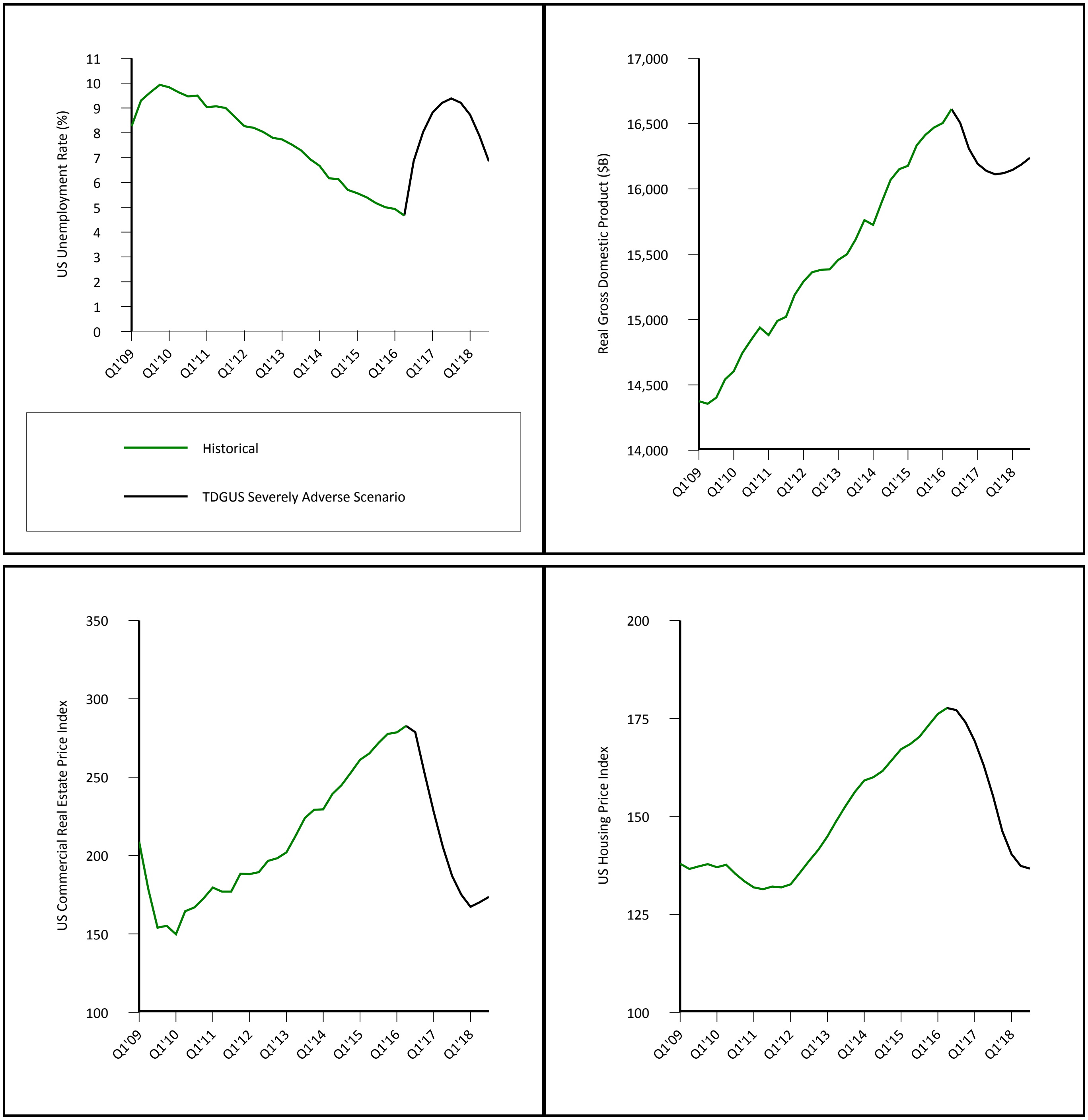
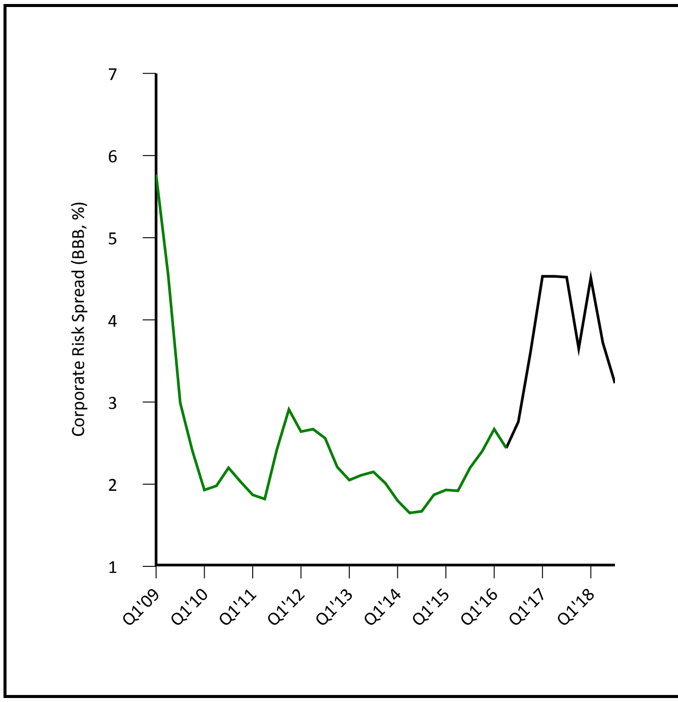
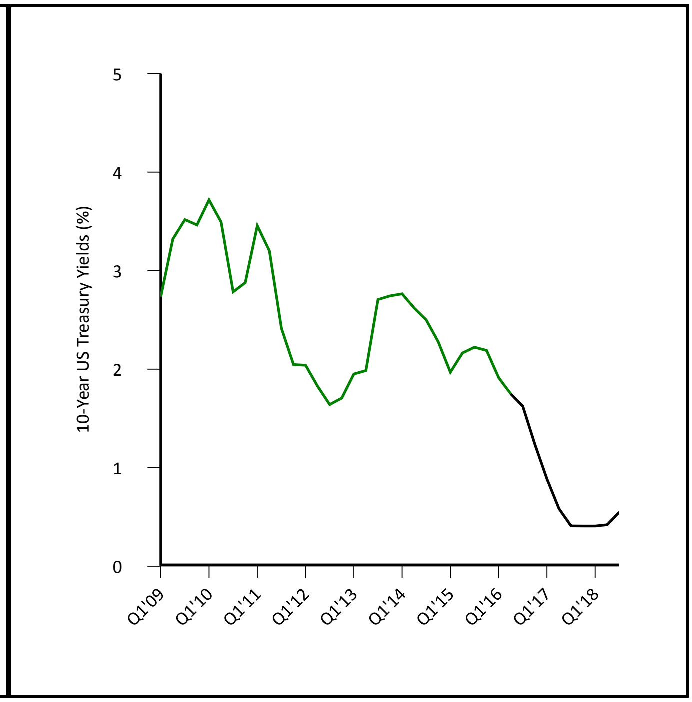
[1] The FRB's stress test rules applicable to TDGUS are found in 12 CFR Part 252, Subpart F.
[2] Data presented in Figure 1 is period ending data.

Figure 1: Key Macroeconomic and Financial Indicators under the TDGUS Severely Adverse Scenario







Description of Types of Risks Included in the Company-Run Stress Test

As a part of the ongoing capital management process, the Company performs a risk identification process to ensure that capital adequacy is assessed based on the material risks of the Company as well as the Company's risk profile, business practices, and environment. The risk identification process is designed to comprehensively capture and estimate the most significant risks which include credit, operational, market, liquidity, reputational, legal and regulatory compliance, and strategic risks.

Credit Risk

Credit risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its agreed payment obligations. The magnitude of loss is determined by exposure at default, probability of default, and loss given default. Credit risk is incurred in the Company's lending operations and investment book and derivative contracts where customers and counterparties have obligations of principal repayment, interest payment, collateral settlement, or other obligations to the Company.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems or from human activities or from external events. As a financial institution, the Company is inherently exposed to a broad range of operational risks with root causes categorized by process, people, technology, or external factors. The impact can result in significant financial loss, reputational harm, or regulatory censure and penalties.

Market Risk (Trading and Non-Trading)

Trading market risk is the risk of loss in financial instruments on the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, credit spreads, volatilities, and correlations from trading activities. The Company's trading market risk arises from securities and other financial instruments largely held in support of trading activities including facilitating transactions and providing liquidity to our wholesale clients. The key risk drivers include changes in the level, volatility or correlations of interest rates, credit spreads, foreign exchange rates, and equity prices.

Non-trading market risk is the risk of loss in financial instruments, or the balance sheet or in earnings, or the risk of volatility in earnings from non-trading activities such as banking operations, asset-liability management or investments, predominantly from interest rate, and foreign exchange risks. The Company's non-trading market risk is largely related to banking products offered to clients and securities and other financial instruments held for investment and asset-liability management purposes. The key drivers of non-trading market risk changes include changes in interest and foreign exchange rates, credit spreads, and market volatility.

Liquidity Risk
Liquidity risk represents the risk of having insufficient cash or collateral to meet financial obligations without, in a timely manner, raising funding at unfavorable rates or selling assets at distressed prices. The Company's primary liquidity needs arise from deposit withdrawals, debt maturities, utilization of commitments to provide credit or liquidity support, or the need to pledge additional collateral.

Reputational Risk
Reputational risk is the potential that stakeholder impressions, whether true or not, regarding the Company's business practices, actions or inactions, will or may cause a decline in the Company's value, brand, liquidity or customer base, or require costly measures to address.

Legal and Regulatory Compliance Risk
Legal and regulatory compliance risk is the risk associated with the failure to meet the Company's legal obligations from legislative, regulatory or contractual perspectives. This includes risks associated with the failure to identify, communicate and comply with current and changing laws, regulations, rules, regulatory guidance, self-regulatory organization standards and codes of conduct, including anti-money laundering regulations. It also includes the risks associated with the failure to meet material contractual obligations or similarly binding legal commitments, by either the Company or other parties contracting with the Company. Potential consequences of failing to mitigate legal and regulatory compliance risk include financial loss, regulatory sanctions and loss of reputation, which could be material to the Company.

Strategic Risk
Strategic risk is the potential for financial loss or reputational damage arising from the choice of sub-optimal or ineffective strategies, the improper implementation of chosen strategies, choosing not to pursue certain strategies, or a lack of responsiveness to changes in the business environment. Strategies include merger and acquisition activities.

Summary Description of the Methodologies Used in the Company-Run Stress Tests
The Company's stress testing process uses quantitative and qualitative approaches to estimate revenue, expenses, credit losses, non-credit losses, and subsequent changes to the Company's balance sheet, including reserves and capital, for each scenario. The quantitative and qualitative approaches are subject to approval through a validation process managed by an independent function. The Company's stress test results incorporate the impact of adjustments based on expert judgment that are intended to ensure that results accurately reflect senior management's expectations under the various macroeconomic scenarios, including those required to mitigate any identified limitation or weakness in a specific approach. These adjustments are documented and reviewed by an independent function. The Company has established a governance structure comprised of several committees with focused areas of oversight to ensure that the Company employs a robust capital planning and adequacy process. This structure promotes the effective challenge and approval by senior management of quantitative and qualitative approaches and assumptions and the review by the Enterprise Risk Management Committee and the board of directors (or its designated committee) of stress test results and associated capital adequacy assessments.

Pre-Provision Net Revenue ("PPNR")

The Company's methodologies for estimating PPNR are based on components including interest income, interest expense, non-interest income, non-interest expense, and operational risk losses (as described below). Interest income and expense are largely estimated based on scenario-driven customer rates and product volumes. Net interest income is calculated as the difference between gross interest income on loans and investment portfolio securities and the interest expense paid on deposits and borrowings. Non-interest income and expense are projected using quantitative models where macroeconomic relationships have been identified. Alternatively, qualitative approaches are used, including the projection of key drivers linked to changes in macroeconomic variables.

Operational Risk Losses

The Company uses a hybrid approach to estimate operational risk related losses over the 9-quarter planning horizon. The Company leverages regression analysis based on both internal operational loss event history and external operational loss event history along with historical averages and scenario overlays for non-legal losses; the Company leverages a litigation claims and settlements-based approach for legal losses. Operational risk loss estimates incorporate expert judgment where applicable.

Market Risk (Trading and Non-Trading Market Risk) Losses

The Company's methodology for estimating market trading risk losses mainly involves a full mark-to-market revaluation of projected trading positions over the planning horizon. The projection of positions is undertaken by product for each trading business based on a combination of statistical regression-based models and other quantitative methods. In limited instances, qualitative approaches informed by recent trends and historical data are applied.

The Company's methodology for estimating non-trading market risk losses associated with Other than Temporary Impairment involves a review of all non-trading investment positions. Loss projections are based either on statistical models or qualitative approaches in line with industry standards.

The methodologies above also include the projection of additional key market rates and parameters for each scenario. The projections of additional key rates including those associated with credit spreads and interest rates are based on a combination of econometric models and other quantitative methods, historical data, and expert judgment.

Credit Losses and Provision for Credit Losses ("PCL")

The Company's estimates of credit risk related losses are based upon retail and wholesale credit loss quantitative models that leverage a number of factors such as borrower credit quality, historical loss experience, the macroeconomic environment including the interest rate environment, and related loan volumes determined for the scenario.

The allowance for loan and lease losses ("ALLL") is established for each type of loan to cushion the Company against higher than expected losses over the planning horizon. The provision estimation process for each quarter of the planning horizon is based on the estimates of ALLL related to the projected change in the credit quality in the portfolios based on the scenario; PCL is then calculated based on the quarter-over-quarter change in ALLL plus the projected net charge-offs for each quarter of the scenario.

Capital

The impact of the estimated PPNR, PCL, capital actions, changes in risk weighted assets ("RWA"), accumulated other comprehensive income ("AOCI"), and changes in disallowed deferred tax assets ("DTA") are the most significant components of the capital projections under the hypothetical stress scenario. The capital ratios shown within this disclosure are based upon the Basel III Standardized Approach regime. The assumed capital actions used to assess capital adequacy (hereafter referred to as "Dodd Frank Act ("DFA") capital actions"), are determined in accordance with the Stress Test Regulations as follows:

(1) For the first quarter of the planning horizon, the Company takes into account its actual capital actions as of the end of that quarter; and
(2) For each of the second through ninth quarters of the planning horizon, the Company includes in its projections of capital:

i. *Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the Company paid in the previous year (that is, the first quarter of the planning horizon and the preceding three calendar quarters);*
ii. Payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter;
iii. An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
iv. An assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation.

Over the planning horizon, the Company will be making changes to its legal entity structure to comply with its obligations under the FRB's Regulation YY, which establishes certain Enhanced Prudential Standards for Foreign Banking Organizations (hereafter referred to as "Intermediate Holding Company ("IHC") Requirements"). The projections shown in this disclosure include the impacts of the transfer of certain non-banking subsidiaries into the Company in accordance with the IHC Requirements. These transfers include Toronto-Dominion Holdings (U.S.A), Inc. ("TDHUSA") in July 2016 and TD Luxembourg International Holdings S.A.R.L. ("TDLIH") in July 2017. Both of these transfers by The Toronto-Dominion Bank to TDGUS are projected to impact the Company's capital ratios over the planning horizon.

Summary of Company-Run Stress Test Results

The following section presents the results of the TDGUS Severely Adverse Scenario stress test submitted to the FRB. Cumulative Provisions for Credit Losses exceed total projected PPNR over the planning horizon, resulting in a pre-tax loss as noted in Figure 2.

Figure 2: TDGUS Projected Revenue, Losses, and Net Income Before Taxes through Q3'18 under the TDGUS Severely Adverse Scenario

	$ Billions	Percent of average assets [1]
Pre-provision net revenue[2]	4.8	1.3%
Other revenue[3]	0.0	—%
less		
Provision for Credit Loss	6.9	1.9%
Realized losses/gains on securities (Available-for-Sale ("AFS") and Held-to-Maturity ("HTM"))	0.0	—%
Trading and counterparty losses	0.0	—%
Other losses/gains	0.0	—%
equals		
Net income before taxes	(2.1)	(0.6)%
Other Effects on Capital:	*Q2'16*	*Q3'18*
AOCI Included in Capital ($ Billions)[4]	0.0	0.4

[1] Average assets is the 9-quarter average of total assets.

[2] PPNR means the sum of net interest income and non-interest income less expenses (including operational risk losses) before adjusting for loss provisions.

[3] Other revenue includes one-time income (and expense) items not included in PPNR.

[4] Certain AOCI items are subject to transition into projected regulatory capital. Those transitions are 60 percent included in projected regulatory capital for 2016, 80 percent included in projected regulatory capital for 2017, and 100 percent included in projected regulatory capital for 2018.

Loan losses projected for each loan type category over the planning horizon are presented in Figure 3 below.

Figure 3: TDGUS Projected 9-Quarter Loan Losses by Type of Loan through Q3'18 under the TDGUS Severely Adverse Scenario

	$ Billions	Portfolio loss rates [1]
Loan Losses[2]	5.1	3.5%
First-lien mortgages, domestic	0.2	1.0%
Junior Liens and HELOCS, domestic	0.3	3.8%
Commercial and Industrial[3]	0.9	2.1%
Commercial real estate, domestic	0.8	3.4%
Credit cards	1.8	18.2%
Other consumer[4]	0.9	4.8%
Other loans	0.1	0.6%

[1] Portfolio loss rates are calculated based on the 9-quarter average of total loans and exclude loans Held-for-Sale and loans Held-for-Investment under the Fair-Value option.

[2] Loan losses represent net charge offs which reduce the ALLL.

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

[4] Other consumer loans include automobile loans.

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

The Company's capital is expected to remain relatively resilient under the TDGUS Severely Adverse Scenario as all capital ratios determined based on the prescribed DFA capital actions remain above regulatory minimum requirements. As illustrated in Figure 4 below, the common equity tier 1 capital ("CET1") ratio for TDGUS is projected to decrease from 14.2% as of June 30, 2016 to a minimum of 12.6% prior to increasing to 14.5% as of September 30, 2018 under this scenario.

Figure 4: TDGUS Projected Stressed Total Capital Ratios and Metrics through Q3'18[3] under the TDGUS Severely Adverse Scenario

		Stressed capital ratios	
Capital Ratios	**Actual Q2'16**	**Ending**	**Minimum**
CET1 capital ratio (%)	14.2	14.5	12.6
Tier 1 risk-based capital ratio (%)	14.3	14.5	12.6
Total risk-based capital ratio (%)	15.5	15.9	14.0
Tier 1 leverage ratio (%)	8.9	7.0	6.6

RWA / Leverage Assets	Actual Q2'16	Ending	Balance at capital ratio minimum
Basel III RWA ($ Billions)	162.1	179.8	182.6
Total leverage assets ($ Billions)	259.7	375.8	366.9

Figure 5 below illustrates the drivers of changes to the CET1 ratio over the planning horizon. The net DFA capital actions result in no impact to the CET1 ratio as no dividends, capital issuances, or capital redemptions are included. Net income before taxes results in a loss position over the 9-quarter projection as PCL outpaces PPNR leading to a $2.1B loss (as illustrated in Figure 2 above). These losses result in a tax benefit which is partially offset by increased deductions for DTAs. Excluding the transfer of TDHUSA and TDLIH, RWA decreases $1.1B due to a reduced balance sheet in the severely adverse economy. "Other" drivers which lead to an increase in the CET1 ratio include positive changes in AOCI due to reinvestment gains over the planning horizon, partially offset by the phase-in of Basel III rules. Finally, the transfer of TDHUSA and TDLIH in accordance with IHC Requirements results in an increase to capital ratios for TDGUS as the net available capital contributed by these non-bank subsidiaries exceeds the net capital consumed.

[3] The minimum capital ratio presented is for the period from Q3'16 to Q3'18; the minimum for each capital ratio may occur in a different quarter over the planning horizon.

Figure 5: TDGUS CET1 Capital Ratio Q2'16 to Q3'18 under the TDGUS Severely Adverse Scenario