TD Group US Holdings LLC
TD Bank, National Association

Dodd-Frank Act Stress Testing Results
Supervisory Severely Adverse Scenario

July 3, 2024

Overview

The following disclosure is specific to TD Group US Holdings LLC (hereafter referred to as "TDGUS") and its primary bank subsidiary, TD Bank, N.A. ("TDBNA") (collectively, the "Company" or "TD"). TDGUS is a wholly-owned subsidiary of The Toronto-Dominion Bank, a Schedule I bank chartered under the Bank Act (Canada). The Company is required to conduct a stress test under regulations adopted by the Board of Governors of the Federal Reserve System ("FRB") and the Office of the Comptroller of the Currency ("OCC") pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (collectively, the "Stress Test Regulations")[1]. Stress test scenarios are provided by these regulatory agencies and the stress test results determined by the Company provide 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 Company's capital.

The Stress Test Regulations require the disclosure of a summary of the Company-Run Stress Test results under the Supervisory Severely Adverse Scenario (the "scenario") over the 9-quarter planning horizon beginning on January 1, 2024 and ending on March 31, 2026 (the "planning horizon"). This scenario does not represent a forecast by the Federal Reserve. The Stress Test Regulations also require that the Company disclose a description of the types of risks included in the stress test, projection methodologies used, and an explanation of the most significant causes of changes in capital under the scenario.

The scenario represents a hypothetical economic environment based on the macroeconomic scenarios released by the FRB and OCC[2]. The scenario is characterized by a severe global recession accompanied by a period of prolonged declines in both commercial and residential real estate markets, and in corporate debt markets. The

[1] The FRB's stress test rules applicable to TDGUS are found in 12 CFR Part 252, Subpart F (by way of 252.153(e)(5)). The OCC's stress test rules applicable to TDBNA are found in 12 CFR Part 46.

[2] Please refer to https://www.federalreserve.gov/newsevents/pressreleases/bcreg20240215a.htm and https://www.occ.treas.gov/publications-and-resources/forms/dodd-frank-act-stress-test/index-dodd-frank-act-stress-test.html for more detailed information about this scenario.

U.S. unemployment rate rises 6.3 percentage points from the starting point of the scenario in the fourth quarter of 2023 to its peak of 10 percent in the third quarter of 2025. The sharp decline in economic activity is also accompanied by an increase in market volatility, widening corporate bond spreads, and a collapse in asset prices, including a 36 percent decline in house prices and a 40 percent decline in commercial real estate prices. The international portion of the scenario features recessions in three of the four countries or country blocs[3], with heightened stress in advanced economies, followed by declines in inflation and an appreciation in the value of the U.S. dollar against all countries and country bloc's currencies, except for the Japanese yen.

This document contains projections of the Company's financial results and conditions under a hypothetical 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 a prescribed hypothetical scenario. 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, see The Toronto-Dominion Bank's 2023 annual management's discussion and analysis, and any updates to such document as may be subsequently filed in quarterly reports to shareholders and news releases (as applicable).

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

As part of the ongoing capital management process, the Company performs a risk identification process to facilitate assessment of capital adequacy based on the Company's significant risks and risk profile, business practices, and environment. The risk identification process is designed to identify, capture, and estimate the impact of the following significant risks: strategic, credit, operational, market, liquidity, legal, regulatory compliance and conduct, reputational, model, and capital adequacy. The potential consequences of failing to mitigate these risks include financial loss, regulatory censure and sanctions, incorrect business and strategic decisions, and reputational harm.

Strategic Risk

Strategic risk is the risk of sub-optimal outcomes (including financial loss or reputational damage) arising from the Company's choice of strategies, the improper implementation of chosen strategies, the inability to implement chosen strategies, an inadequate response to disruption of the Bank's strategies, or exposure to tail risk (i.e., low probability events that can result in extremely large quantifiable losses). Strategies include current operations and merger and acquisition activities.

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 probability of default, exposure at default, and loss given default. Credit risk is incurred in the Company's lending operations and investment portfolio and derivative contracts where customers and counterparties have 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, people and systems or from external events and also includes losses related to legal risk events and regulatory fines.

Market Risk (Trading and Non-Trading)

Trading Market Risk is the risk of loss in financial instruments held in trading portfolios due to adverse movements in market factors. These market factors include interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads and their respective volatilities. The Company is exposed to market risk in its trading and

[3] The four country blocs are defined as the euro area (the 20 European Union member states that have adopted the euro as their common currency); the United Kingdom; developing Asia (the nominal GDP-weighted aggregate of China, India, South Korea, Hong Kong Special Administrative Region, and Taiwan); and Japan.

investment portfolios, as well as through its non-trading activities. 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 on the balance sheet or volatility in earnings from non-trading activities such as asset-liability management or investments, due to adverse movements in market factors, predominantly from interest rate, credit spread, foreign exchange rates, and equity prices. In the Company's non-trading activities, it is exposed to market risk through the everyday banking transactions that the Company's customers execute with TD. The key drivers of non-trading market risk changes include changes in interest and foreign exchange rates, and credit spreads.

Liquidity Risk

Liquidity risk is the risk of having insufficient cash or collateral to meet financial obligations and an inability to, in a timely manner, raise funding or monetize assets at a non-distressed price. Financial obligations can arise from deposit withdrawals, debt maturities, commitments to provide credit or liquidity support or the need to pledge additional collateral.

Legal, Regulatory Compliance, and Conduct Risk (LRCC)

LRCC is the risk associated with the Company's failure to comply with applicable laws, rules, regulations, prescribed practices, contractual obligations, TD's Code of Conduct and Ethics, or standards of fair business conduct or market conduct, which can lead to fines, sanctions, liabilities, or reputational harm that could be material to the Company.

Reputational Risk

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

Model Risk

Model risk is the potential for adverse consequences arising from decisions based on incorrect or misused models and other estimation approaches and their outputs. It can lead to financial loss, reputational risk, or incorrect business decisions and strategic decisions.

Capital Adequacy Risk

Capital adequacy risk is the risk of an insufficient level or inappropriate composition of capital being available in relation to the amount of capital required to carry out the Company's strategy and/or satisfy regulatory and internal capital adequacy requirements under normal and stress conditions.

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 reserves, changes to the Company's balance sheet, and capital for each scenario. The estimation approaches are subject to a validation process managed by Model Validation ("MV"). The Company's stress test results incorporate the impact of certain adjustments that are intended to confirm that results accurately reflect senior management's expectations under the various macroeconomic scenarios, including those required to mitigate any identified limitations or weaknesses in a specific approach. These adjustments are documented, reviewed, and approved by an independent function. The Company has established a governance structure comprised of several committees with focused areas of oversight. This structure promotes the effective challenge and approval by senior management of estimation approaches, key assumptions and the results. Stress test results and associated capital adequacy assessments are reviewed and approved by the Capital Management Committee ("CMC") and the board of directors (or its designated committee).

Pre-Provision Net Revenue ("PPNR")

The Company has methodologies for estimating PPNR including balance sheet, 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 projected net loan balances and investment securities and the interest expense paid on deposits and borrowings. Net interest income also incorporates the impact of derivatives. Non-interest income and expense are projected using qualitative models that include the projection of key drivers linked to changes in scenario-driven product volumes. Management may apply expert judgment where applicable.

Operational Risk Losses

The Company uses a hybrid approach to estimate operational risk-related losses over the planning horizon. The Company leverages regression analysis based on both internal and external operational loss event history along with historical averages and scenario analysis 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) Losses

The Company's methodology for estimating trading market risk losses mainly involves a full mark-to-market revaluation of projected trading positions using projected market rates and parameters for each scenario. The loss projections are based either on statistical models or qualitative approaches. The approaches are designed to quantify the impact of market and position changes by performing a full revaluation of the entire portfolio. The Company uses the same approaches for estimating non-trading market risk losses as those used for trading, with additional projections and assessments performed for other-than-temporary impairments.

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

The Company estimates credit risk-related losses based upon retail and wholesale credit loss models that leverage a number of factors such as borrower credit quality, historical loss experience, the macroeconomic environment (including the interest rate environment and unemployment rate), collateral type and related loan volumes determined for the scenario in order to generate quarterly Expected Loss ("EL") estimates. These EL estimates in turn result in the calculation of the Allowance for Credit Loss ("ACL") reserve fund and required PCL values. Estimation of ACL considers lifetime allowances calculated per the Current Expected Credit Loss ("CECL") approach under Accounting Standards Update (ASU) 2016-13.

Capital

PPNR, PCL, capital actions, changes in risk weighted assets ("RWA"), and changes in deferred tax assets ("DTA") are the most significant components of the capital projections under the hypothetical stress scenario. The Company's capital position is projected based on Basel III standardized rules for RWA and advanced approaches for available capital except for treatment of the ACL allowable in Tier 2 capital, which is calculated based on standardized rules. The capital actions used to assess capital adequacy for TDGUS (hereafter referred to as "Dodd-Frank Act Stress Testing" or "DFAST actions") are determined in accordance with the Stress Test Regulations as follows:

- *i. An assumption of no payments of any dividends on any instruments that qualify as common equity tier 1 capital;*
- *ii. An assumption of payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividends, interest, or principal due on such statement;*
- *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.*

In accordance with this guidance, TDGUS has no capital actions throughout the planning horizon.

TDGUS: Summary of Company-Run Stress Test Results

This section presents the results of the stress test submitted for TDGUS to the FRB for the scenario. Figure 1 below presents the pro forma PPNR and PCL results. While PPNR is positive over the planning horizon, the cumulative PCL of $13.4B results in a pre-tax loss.

Figure 1: TDGUS Projected Revenue, Losses, and Net Income Before Taxes Through Q1'26

	$ Billions	Percent of Average Assets [1]
Pre-provision net revenue[2]	2.5	0.4%
Other revenue[3]	—	—%
less	—	—%
Provision for credit losses[4]	13.4	2.4%
Realized losses/gains on securities (Available-for-Sale ("AFS") and Held-to-Maturity ("HTM")) and other sources of Income	—	—%
Trading and counterparty losses	—	—%
Other losses/gains	—	—%
equals	—	—%
Net income before taxes	(11.0)	(2.0)%
Other effects on capital	**Q4'23**	**Q1'26**
AOCI included in capital[5]	—	—

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

[2] PPNR is the sum of net interest income and non-interest income less expenses (including operational risk losses).

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

[4] Provision for credit losses is the sum of changes in allowance and net charge-offs.

[5] AOCI is opted out of regulatory capital due to the implementation of the final Tailoring rules.

Credit risk-related net-charge-offs projected for each loan category over the planning horizon are presented in Figure 2 below.

Figure 2: TDGUS Projected 9-Quarter Net Charge-Offs by Type of Loan

	$ Billions	Portfolio Loss Rates [1]
Loan losses[2]	10.6	5.2%
First-lien mortgages, domestic	0.3	0.7%
Junior liens and HELOCS, domestic	0.2	2.2%
Commercial and Industrial[3]	2.8	3.5%
Commercial real estate, domestic	1.5	5.3%
Credit cards	3.6	23.8%
Other consumer[4]	2.0	7.0%
Other loans	0.2	25.4%

[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 ACL.

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

[4] Other consumer loans include automobile loans.

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

The risk and leverage-based capital ratios for TDGUS remain (i) well above applicable minimum regulatory ratios and (ii) above the Company's approved internal policy goals over the planning horizon. As illustrated in Figure 3 below, the common equity tier 1 capital ("CET1") ratio for TDGUS is projected to decrease from 17.1% as at Q4'23 to 12.4% as at Q1'26. The tier 1 leverage ratio ("T1L") is projected to decrease from 9.1% as at Q4'23 to 6.4% as at Q1'26 under the scenario.

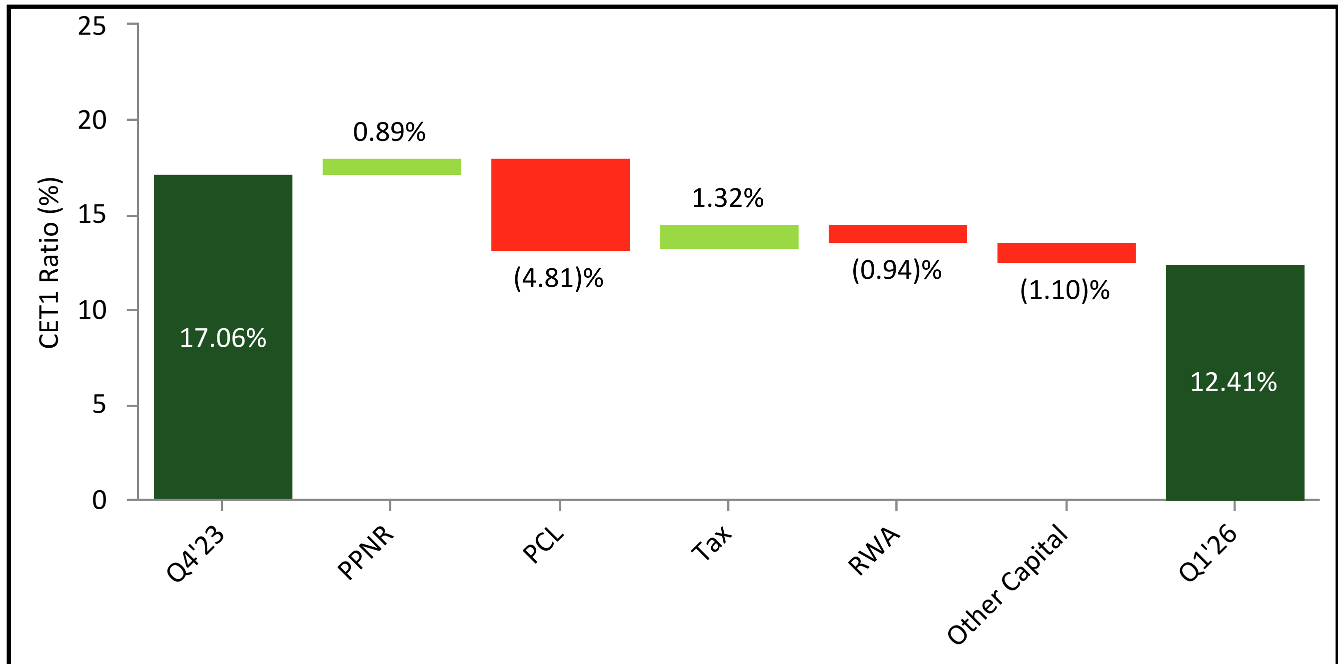
Figure 3: TDGUS Projected Stressed Total Capital Ratios and Metrics through Q1'26 [4]

Capital Ratios	Actual Q4'23	Stressed Capital Ratios Ending	Stressed Capital Ratios Minimum
CET1 capital ratio (%)	17.1	12.4	12.4
Tier 1 risk-based capital ratio (%)	17.1	12.4	12.4
Total risk-based capital ratio (%)	18.3	13.6	13.6
Tier 1 leverage ratio (%)	9.1	6.4	6.4
Tier 1 supplementary leverage ratio (%)	8.2	5.8	5.8

RWA / Leverage Assets	Actual Q4'23	Ending	Balance at Capital Ratio Minimum
Basel III RWA ($ Billions)	270.3	288.2	288.2
Total leverage assets ($ Billions)	507.0	557.2	557.2
Total supplementary leverage assets ($ Billions)	563.3	615.4	615.4

Figure 4 below illustrates the key drivers of change to the CET1 capital ratio over the planning horizon. The CET1 ratio reduced by about 465 bps primarily due to negative net income before taxes (as shown in Figure 1) driven by higher PCL and reduced Net Interest Income ("NII"). The losses give rise to an income tax benefit, which is offset by the RWA impacts of a forecasted increase in commercial loans, securities, and market risk RWA, and a decrease in deferred tax assets.

Figure 4: TDGUS CET1 Capital Ratio Q4'23 to Q1'26



[4] The minimum capital ratio presented is for the period from Q1'24 to Q1'26.

TDBNA: Summary of Company-Run Stress Test Results

This section presents the results of the stress test for TDBNA. Figure 5 below presents the pro forma PPNR and PCL results for TDBNA. While PPNR is positive over the planning horizon, the cumulative PCL of $10.7B results in a pre-tax loss.

Figure 5: TDBNA Projected Revenue, Losses, and Net Income Before Taxes Through Q1'26

	$ Billions	Percent of Average Assets [1]
Pre-provision net revenue[2]	0.7	0.2%
Other revenue[3]	—	—%
less	—	—%
Provision for credit losses[4]	10.7	2.7%
Realized losses/gains on securities (Available-for-Sale ("AFS") and Held-to-Maturity ("HTM")) and other sources of Income	—	—%
Trading and counterparty losses	—	—%
Other losses/gains	—	—%
equals	—	—%
Net income before taxes	(10.0)	(2.6)%
Other effects on capital	**Q4'23**	**Q1'26**
AOCI included in capital[5]	—	—

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

[2] PPNR is the sum of net interest income and non-interest income less expenses (including operational risk losses).

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

[4] Provision for credit losses is the sum of net of changes in allowance and net charge-offs.

[5] AOCI is opted out of regulatory capital due to the implementation of the final Tailoring rules.

Credit risk-related net charge-offs projected for each loan category over the planning horizon are presented in Figure 6 below.

Figure 6: TDBNA Projected 9-Quarter Net Charge-Offs by Type of Loan

Net Charge-Offs	$ Billions	Portfolio Loss Rates [1]
Loan losses[2]	7.9	4.2%
First-lien mortgages, domestic	0.3	0.7%
Junior liens and HELOCS, domestic	0.2	2.2%
Commercial and Industrial[3]	2.8	3.7%
Commercial real estate, domestic	1.5	5.3%
Credit cards	0.9	17.9%
Other consumer[4]	2.0	7.0%
Other loans	0.2	25.4%

[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 ACL.

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

[4] Other consumer loans include automobile loans.

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

TDBNA's capital ratios exceed regulatory minimum ratio requirements throughout the planning horizon. As illustrated in Figure 7 below, the CET1 ratio for TDBNA is projected to decrease from 17.8% as at Q4'23 to 12.8% as at Q1'26 under the scenario. The tier 1 leverage ratio is projected to decrease from 11.0% as at Q4'23 to 7.8% as at Q1'26. Similar to what was observed for TDGUS, lower NII and elevated PCL represent the key drivers of change to the TDBNA CET1 Ratio over the planning horizon.

Figure 7: TDBNA Projected Stressed Capital Ratios and Metrics Through Q1'26 [5,6]

Capital Ratios	Actual Q4'23	Stressed Capital Ratios: Ending	Stressed Capital Ratios: Minimum
CET1 capital ratio (%)	17.8	12.8	12.8
Tier 1 risk-based capital ratio (%)	17.8	12.8	12.8
Total risk-based capital ratio (%)	19.0	14.0	14.0
Tier 1 leverage ratio (%)	11.0	7.8	7.8
Tier 1 supplementary leverage ratio (%)	9.8	6.9	6.9

RWA / Leverage Assets	Actual Q4'23	Ending	Balance at Capital Ratio Minimum
Basel III RWA ($Billions)	220.0	232.4	232.4
Total leverage assets ($Billions)	355.1	378.9	378.9
Total supplementary leverage assets ($Billions)	400.9	426.8	426.8

[5] The minimum capital ratio presented is for the period from Q4'23 to Q1'26.
[6] Pro forma capital ratios include capital actions consistent with the assumptions of the underlying severe stress scenario and internal capital policy.