



**TD Group US Holdings LLC**  
**Liquidity Coverage Ratio Disclosure**

For the three months ended September 30, 2022

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## 1.0 Overview

The following public disclosure is specific to TD Group US Holdings LLC (hereafter referred to as TDGUS and, together with its consolidated subsidiaries, referred to collectively as the Company). TDGUS is a wholly-owned subsidiary of The Toronto-Dominion Bank (TD), a Schedule I bank chartered under the Bank Act (Canada). TDGUS is TD's top-tier U.S. bank holding company and "Intermediate Holding Company" (IHC) under Regulation YY of the Board of Governors of the Federal Reserve System (Federal Reserve).

TDGUS is subject on a consolidated basis to the Liquidity Coverage Ratio Rule (LCR Rule) of the Federal Reserve, and its U.S. banking subsidiaries, TD Bank, N.A. (TDBNA) and TD Bank USA, N.A. (TDBUSA), are each subject on a consolidated basis to the LCR Rule of the Office of the Comptroller of the Currency (OCC). The LCR Rule sets forth minimum liquidity standards designed to ensure that banking organizations maintain adequate liquidity under a 30 calendar day period of stress. The Federal Reserve also requires bank holding companies subject to the LCR Rule to disclose publicly, on a quarterly basis, information about the average LCR over a calendar quarter (LCR Public Disclosure Rule). This disclosure is based on the Company's interpretation of the LCR Rule and the LCR Public Disclosure Rule, which may be subject to change as the Company receives additional clarification and interpretive guidance from the Federal Reserve and as the LCR rule evolves over time.

TDGUS' businesses include TD's U.S. retail banking business and wholesale banking business. The U.S. retail banking business line refers to the personal and commercial banking activities conducted under TDBNA and TDBUSA. The U.S. wholesale banking business line, including broker-dealer activities, refers to the institutional banking activities conducted under Toronto Dominion Holdings (U.S.A.), Inc.

## 2.0 Centralized Liquidity Risk Management

The Company maintains a prudent and disciplined approach to managing potential exposure to liquidity risk by establishing a liquidity risk profile to meet internal and regulatory expectations. 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 non-distressed prices. Financial obligations can arise from deposit withdrawals, debt maturities, commitments to provide credit or liquidity support, or the need to pledge additional collateral. The Company strives at all times to hold sufficient liquidity to fund potential decreases in cash inflows associated with a systemic disruption in debt and capital markets resulting in reduced funding access, increased funding costs or reduced asset marketability, and/or potential increases in net cash outflows associated with a firm-specific event resulting in a loss of market confidence and an associated inability to appropriately fund or manage the balance sheet.

The TDGUS Board Risk Committee regularly reviews the Company's liquidity position and approves the Company's liquidity risk management policy and framework on at least an annual basis. The Company's Liquidity Risk Appetite, as defined by its selected target survival horizons, asset funding and asset pledging disciplines, and related liquidity risk strategies, is established and approved by the TDGUS Board Risk Committee such that the Company can effectively manage exposure to liquidity risk.

TD employs a "three lines of defense" framework for managing liquidity risk. TD's Asset & Liability Committee, as the first line of defense, oversees the global liquidity risk management program. Specifically for the Company, the Treasury and Balance Sheet Management U.S. group is centrally responsible for measuring, monitoring, and managing liquidity risks.

Risk Management, as the second line of defense, is responsible for the ownership and maintenance of the board policies for liquidity risk management, along with associated limits, standards, and processes which are designed such that consistent and efficient liquidity management approaches are applied across TD. Specifically for the Company, the Market Risk U.S. group, within the Risk Management function, provides oversight, independent risk assessment, and effective challenge of the U.S. liquidity risk management program, including regular reviews of the adequacy and effectiveness of liquidity risk management processes.

The Internal Audit group, as the third line of defense, provides independent and objective assurance to the TDGUS Board Risk Committee regarding the reliability and effectiveness of key elements of the Company's liquidity risk management, internal control, and governance processes.

### **3.0 LCR Disclosure Requirements**

The LCR Public Disclosure Rule requires TDGUS to disclose publicly, on a calendar quarterly basis, quantitative information about its LCR calculation and a qualitative discussion of the factors that have a significant effect on its LCR. The LCR Public Disclosure Rule became effective for TDGUS starting with information as of the second calendar quarter of 2018.

The LCR Rule requires a covered company subject to the rule to maintain an amount of eligible unencumbered high-quality liquid assets (HQLA) that is no less than 100% of its total net cash outflows over a prospective 30 calendar day period. HQLA is categorized into Level 1, Level 2A, and Level 2B assets. Level 1 assets are considered the most liquid under the LCR Rule with a haircut of 0% applied to the asset's fair value. Level 2A and Level 2B assets are less liquid and have prescribed 15% and 50% haircuts, respectively. Level 2 assets can account for no more than 40% of total eligible HQLA, post-haircut. Level 2B assets, post-haircut, are limited to 15% of the total eligible HQLA.

Within this disclosure, the unweighted amounts of eligible HQLA represent quarterly average balances prior to the application of prescribed regulatory haircuts and caps. The weighted amounts of eligible HQLA represent the unweighted amount multiplied by the respective haircuts and caps. The unweighted amounts of cash outflows and cash inflows represent quarterly average balances prior to the application of prescribed regulatory cash outflows and cash inflows rates. The weighted amounts of cash outflows and cash inflows represent the unweighted amount multiplied by the respective rates.

TDGUS is subject on a consolidated basis to the LCR Rule of the Federal Reserve. TDBNA and TDBUSA are each subject on a consolidated basis to the OCC's LCR Rule. Under the LCR Rule, the amount of eligible HQLA held by TDBNA and TDBUSA in excess of each banking subsidiary's standalone minimum LCR requirement must be excluded from the reported TDGUS

eligible HQLA, effectively resulting in caps on TDBNA and TDBUSA's contributions of their respective eligible HQLA to TDGUS.

### 3.1 Quantitative Disclosure Requirements

The table below provides the simple average of the daily TDGUS LCRs for the quarter ended September 30, 2022. For calendar Q3 2022, TDGUS had an average LCR of 110.8%, with average weighted eligible HQLA of \$93.1 billion and net cash outflows of \$84.0 billion. TDGUS's average LCR increased slightly from the prior quarter mainly due to ongoing business activities.

*Figure 1: Q3 2022 TDGUS Liquidity Coverage Ratio Disclosure Template*

<i>In millions of U.S. Dollars<sup>1</sup></i>		Average Unweighted Amount	Average Weighted Amount
July 1, 2022 to September 30, 2022			
<b>HIGH-QUALITY LIQUID ASSETS</b>			
<b>1</b>	<b>Total eligible high-quality liquid assets (HQLA), of which:<sup>2</sup></b>	<b>\$ 93,087</b>	<b>\$ 93,085</b>
2	Eligible level 1 liquid assets	93,076	93,076
3	Eligible level 2A liquid assets	11	10
4	Eligible level 2B liquid assets	—	—
<b>CASH OUTFLOW AMOUNTS</b>			
<b>5</b>	<b>Deposit outflow from retail customers and counterparties, of which:</b>	<b>\$ 298,512</b>	<b>\$ 47,176</b>
6	Stable retail deposit outflow	80,747	2,422
7	Other retail funding outflow	78,582	7,907
8	Brokered deposit outflow	139,182	36,847
<b>9</b>	<b>Unsecured wholesale funding outflow, of which:</b>	<b>58,148</b>	<b>22,775</b>
10	Operational deposit outflow	18,786	4,565
11	Non-operational funding outflow	39,362	18,211
12	Unsecured debt outflow	—	—
13	Secured wholesale funding and asset exchange outflow	69,985	20,713
14	Additional outflow requirements, of which:	87,924	15,699
15	Outflow related to derivative exposures and other collateral requirements	5,105	5,105
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	82,818	10,594
17	Other contractual funding obligation outflow	59	59
18	Other contingent funding obligations outflow	1,551	47
<b>19</b>	<b>TOTAL CASH OUTFLOW</b>	<b>\$ 516,180</b>	<b>\$ 106,470</b>
<b>CASH INFLOW AMOUNTS</b>			
20	Secured lending and asset exchange cash inflow	\$ 49,158	\$ 16,384
21	Retail cash inflow	1,183	592
22	Unsecured wholesale cash inflow	5,760	5,042
23	Other cash inflows, of which:	1,822	1,822
24	Net derivative cash inflow	683	683
25	Securities cash inflow	1,138	1,138
26	Broker-dealer segregated account inflow	—	—
27	Other cash inflow	—	—
<b>28</b>	<b>TOTAL CASH INFLOW</b>	<b>\$ 57,923</b>	<b>\$ 23,839</b>
		<b>Average Amount<sup>3</sup></b>	
<b>29</b>	<b>HQLA AMOUNT</b>		<b>\$ 93,085</b>
30	<b>TOTAL NET CASH OUTFLOW AMOUNT (EXCL. MATURITY MISMATCH ADD-ON)</b>		82,631
31	<b>MATURITY MISMATCH ADD-ON</b>		1,388
<b>32</b>	<b>TOTAL NET CASH OUTFLOW AMOUNT<sup>4</sup></b>		<b>84,019</b>
<b>33</b>	<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>110.8 %</b>

## 3.2 Qualitative Disclosure Requirements

<sup>1</sup> The sums of subtotals may not match totals due to rounding.

<sup>2</sup> Excludes eligible HQLA held by TDBNA and TDBUSA in excess of each banking subsidiary's standalone minimum LCR requirement.

<sup>3</sup> The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows.

### **The main drivers of the LCR**

The Company continues to maintain a stable average LCR above the regulatory minimum of 100%. Changes in the Company's deposits from retail customers and counterparties are a main driver of the LCR. Changes in unsecured and secured wholesale funding, as well as asset exchange outflows, also contribute to the Company's LCR, offset by inflows primarily from secured lending and asset exchanges.

### **The composition of eligible HQLA**

Under the LCR Rule, the Company's liquid assets generally qualify as eligible HQLA if they are unencumbered, can quickly be converted into cash during a period of stress, and are under the control of the management function that is charged with managing liquidity risk. The LCR prescribes asset haircuts to be applied to the fair market value of the Company's assets.

During the quarter, the average weighted eligible HQLA for TDGUS was \$93.1 billion. This includes \$93.1 billion of Level 1 assets comprised of balances on deposit at the Federal Reserve Bank of Philadelphia (less required reserves), U.S. Treasury securities, and other investment securities guaranteed by U.S. agencies and certain non-U.S. sovereign groups as defined by the LCR Rule.

### **Concentration of funding sources**

The Company's primary source of funding is unsecured deposits. Deposits are originated from retail and small business customers, as well as commercial clients. They also include non-affiliated sweep deposits received by TDBNA and TDBUSA from a broker-dealer subsidiary of The Charles Schwab Corporation (Schwab sweep deposits), a substantial portion of which are considered to be a stable, low-cost, and consistent source of funding. Additionally, to fund the U.S. wholesale banking business, the Company uses secured financing activities, such as repurchase agreements and securities lending, as well as unsecured funding, via commercial paper issuances.

### **Drivers of cash outflows**

Deposit outflow rates are prescribed by the LCR Rule, based on the characteristics of the accounts and depositors. Retail deposits that are transactional, have an established relationship, and are fully covered by deposit insurance are considered a stable source of funding by the Company. Under the LCR Rule, the prescribed outflows rate applied to these deposits is 3%. During calendar Q3 2022, the weighted stable retail deposit outflow was \$2.4 billion. The average weighted other retail cash outflows, excluding brokered deposits, was an average weighted \$7.9 billion.

Management considers a substantial portion of the brokered deposit balances, driven primarily by the Schwab sweep deposits, which are classified as non-affiliated sweep brokered deposits for purposes of the LCR Rule, to be a stable, low-cost source of funding for the Company. Under the LCR Rule, brokered deposit outflow rates range from 10% to 40% depending on whether the depositor is fully covered by deposit insurance and there is an affiliate relationship with the banking subsidiaries. During calendar Q3 2022, the average weighted cash outflow for brokered deposits was \$36.8 billion.

Unsecured wholesale deposits include commercial paper raised by the U.S. wholesale banking business, as well as commercial deposits from the U.S. retail banking business. The prescribed outflow rates on unsecured wholesale operational deposits, which include escrow deposits, range from 5% to 25% based primarily on deposit insurance coverage and characteristics of operational deposits under the LCR Rule. During calendar Q3 2022, average weighted cash outflow for unsecured wholesale operational deposits was \$4.6 billion. Additionally, commercial paper maturing within 30 days of the reporting date is reflected as an outflow for purposes of the LCR Rule. The Company's non-operational funding cash outflows for the purposes of the LCR calculation are primarily comprised of deposit accounts that do not satisfy the characteristics of operational deposits. During calendar Q3 2022, the average weighted cash outflow for non-operational funding was \$18.2 billion.

Outflow rates for secured wholesale funding and asset exchange transactions are prescribed by the LCR Rule based on the collateral securing the transaction, generally consistent with HQLA classifications. The average weighted cash outflow for secured wholesale funding and asset exchange transactions was \$20.7 billion, driven primarily by repurchase and security lending agreements to facilitate financing, trading and collateral needs for clients in the U.S. wholesale banking business. During calendar Q3 2022, the corresponding average weighted cash inflow for secured lending and asset exchange was \$16.4 billion.

Under the LCR Rule, liquidity and credit facilities granted by the Company are assigned prescribed draw percentages depending on the characteristics of the counterparty and product type. During calendar Q3 2022, the average weighted cash outflow for unfunded commitments, including credit and liquidity facilities, as well as mortgage commitments, was \$10.6 billion.

#### **Derivative exposures and potential collateral calls**

The Company enters into derivatives transactions primarily to hedge interest rate risk and foreign exchange currency risk. The Company's LCR reflects additional collateral calls in the event of potential valuation changes or downgrades in the Company's subsidiaries' credit ratings. During calendar Q3 2022, the Company's derivative exposures resulted in an average weighted cash outflow of \$5.1 billion for derivative exposures and other collateral requirements, which represents increased collateral requirements to counterparties in the event of a liquidity stress. The corresponding weighted net derivatives cash inflow for the quarter was \$0.7 billion.

#### **Other cash inflows**

For the calendar quarter, average weighted retail cash inflow was \$0.6 billion, primarily related to contractual loan payments from retail customers and counterparties. Average weighted unsecured wholesale cash inflow was \$5.0 billion, primarily related to contractual payments from wholesale customers and counterparties. Weighted securities cash inflow as a result of contractual payments from the Company's securities that are not eligible HQLA, was \$1.1 billion for the calendar quarter.

Additionally, the Company maintains borrowing capacity at the Federal Home Loan Bank of Pittsburgh (FHLB) and the Federal Reserve Bank of Philadelphia discount window. The Company does not view this borrowing capacity as a primary source of liquidity. Pursuant to collateral agreements with the FHLB, advances and other borrowings, including letters of credit, are secured by a blanket lien on certain loan assets of the Company. As of September 30, 2022, there were no outstanding advances drawn on these facilities.



**Currency mismatch in the LCR**

The Company conducts business predominantly in U.S. dollars. Exposure from currency mismatches are closely monitored and managed through hedging activities including derivatives contracts.

## 4.0 Forward Looking Information

The LCR Rule sets forth minimum liquidity standards designed to ensure that banking organizations maintain adequate liquidity under a 30 calendar day period of stress. Accordingly, the LCR Rule prescribes assumptions with respect to the liquidity of certain asset classes and cash flows associated with contractual and contingent obligations. This document may contain forward-looking information based on these assumptions. These assumptions are not intended to be a forecast by the Company of expected future liquidity or cash flows, but rather reflect possible outcomes based on the requirements of the LCR Rule. Any forward-looking information contained in this document represents the views of management only as of the date hereof and is presented only for the purpose of complying with the LCR Public Disclosure Rule.

All such statements are made pursuant to the “safe harbour” provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements made in this document, the Management’s Discussion and Analysis (“2021 MD&A”) in TD’s 2021 Annual Report under the headings “Economic Summary and Outlook” and “The Bank’s Response to COVID-19”, under the headings “Key Priorities for 2022” and “Operating Environment and Outlook” for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, and under the heading “Focus for 2022” for the Corporate segment, and in other statements regarding TD’s objectives and priorities for 2022 and beyond and strategies to achieve them, the regulatory environment in which TD operates, TD’s anticipated financial performance, and the potential economic, financial and other impacts of the Coronavirus Disease 2019 (COVID-19). Forward-looking statements are typically identified by words such as “will”, “would”, “should”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “goal”, “target”, “may”, and “could”. By their very nature, these forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Company’s control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause, individually or in the aggregate, such differences include: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include the economic, financial, and other impacts of pandemics including the COVID-19 pandemic; general business and economic conditions in the regions in which the Company operates; geopolitical risk; the ability of the Company to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans; technology and cyber security risk (including cyber-attacks or data security breaches) on the Company’s information technology, internet, network access or other voice or data communications systems or services; model risk; fraud activity; the failure of third parties to comply with their obligations to the Company or its affiliates, including relating to the care and control of information; and other risks arising from the Company’s use of third-party service providers; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; and the bank recapitalization “bail-in” regime; regulatory oversight

and compliance risk; increased competition from incumbents and, new entrants (including Fintechs and big technology competitors); shift in consumer attitudes and disruptive technology; exposure related to significant litigation and regulatory matters; ability of the Company to attract, develop, and retain key talent; changes to the Company's credit ratings; changes in currency and interest rates (including the possibility of negative interest rates); increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk (including climate change); and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. The Company cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Company's results. For more detailed information, please refer to the "Risk Factors and Management" section of the 2021 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading "Pending Acquisition" or "Significant and Subsequent Events and Pending Acquisitions" in the relevant MD&A, which applicable releases may be found on [www.td.com](http://www.td.com). All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Company and the Company cautions readers not to place undue reliance on the Company's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in TD's 2021 MD&A under the headings "Economic Summary and Outlook", and "The Bank's Response to COVID-19", under the headings "Key Priorities for 2022" and "Operating Environment and Outlook" for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, and under the heading "Focus for 2022" for the Corporate segment, each as may be updated in TD's subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Company's shareholders and analysts in understanding the Company's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.

416-307-8647  
**Brooke Hales**  
Brooke.Hales@td.com