Regulatory/Washington Update

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Executive Summary

- President Trump took office in January with an aggressive agenda to reshape U.S. policies on a number of fronts, but the Administration has made little progress on its agenda to date
- Nevertheless, the Administration continues to prioritize fiscal policies that are primarily focused on two objectives:
  1. **Driving job growth**
  2. **Increasing GDP**
- Potential impacts include:
  - Greater investment in infrastructure and growth of CAPEX spending, benefiting our clients and businesses;
  - Reduction of future regulatory costs and easing of the burden on the banking industry;
  - Increased financial stress on export/import dependent clients; and
  - Increased spending capacity driven by tax relief.
- There is still significant uncertainty surrounding the details of the potential policy shifts and the timing and likelihood of any concrete actions

Progress on Trump Administration Priorities

- The Trump Administration articulated numerous priorities including Health Care Reform, Tax Reform, Infrastructure Spending, Regulatory Relief, and Renegotiation of NAFTA/Trade Agreements

- Due to delays with Health Care legislation, difficulty filling key positions within the government, and mounting investigations, progress on GOP policy agenda has slowed considerably

- Financial regulatory reform continues to be driven by the Treasury Department. The first Treasury report issued in June shows recommendations for regulatory change – about 100 recommendations – 70% can get done by regulatory agencies – no need for Congress to pass new legislation

- TD Government Relations continues to believe changes requiring legislation are unlikely this year, except for community banks. Regulatory changes dependent on filling key appointments within the federal financial regulatory agencies

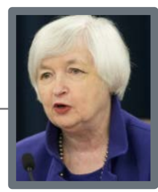
- Congressional action in 3Q-4Q17 now harder given the president has added to Congress' plate revising the Iran deal, healthcare executives orders and DACA

Regulatory Reform Update | Key Agency Leadership

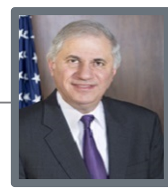
Finalizing leadership changes across multiple agencies is important goal, but is progressing slowly

- Leadership vacancies continue to exist at the federal banking agencies
  - Fed Vice Chair of Supervision confirmed and OCC Comptroller of the Currency nominated, but awaiting full Senate vote on confirmation
  - Nominees needed from Administration for FDIC Chair and at least three Fed Governors. Long term status of CFPB Director Cordray uncertain.

Federal Reserve Vice Chair of Supervision
Randal Quarles
Confirmed
Managing Director, Cynosure Group, and former Bush Treasury official



Federal Reserve Board
Janet Yellen
Obama Administration Incumbent
Chair Term Expires: 02/18
Currently Three Governor vacancies.
Mark van der Weide replaced GC Scott Alvarez (retired) on 08/15/17.



FDIC
Martin Gruenberg
Obama Administration Incumbent
Term Expires: 11/17
One current Board vacancy
Successor TBD

OCC
Joseph Otting
Nominated
Former CEO at OneWest Bank
Keith Noreika, former partner at Simpson Thacher, has served as Acting Comptroller since 05/17

Commodity Futures Trading Commission
Christopher Giancarlo
Confirmed
Existing Commissioner appointed by Obama in 2013.
Commissioner Bowen has announced plans to resign, leaving two Commissioner vacancies – only one can be GOP

Consumer Financial Protection Bureau
Richard Cordray
Obama Administration Incumbent
Term Expires: 07/18
Outcome of PHH case could impact CFPB structure and President's ability to fire Director for cause only
Successor TBD

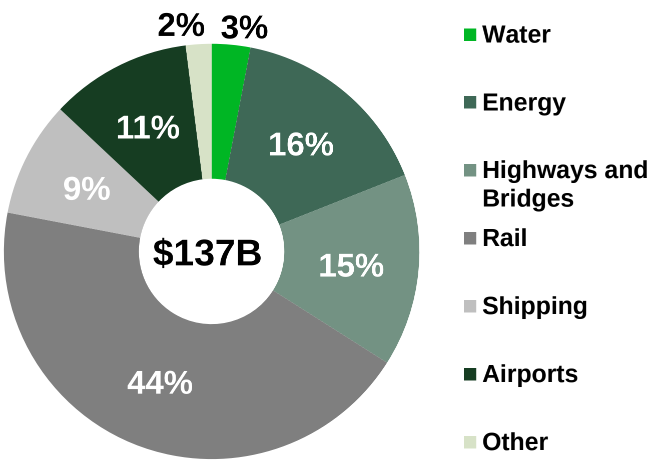
Securities & Exchange Commission
Jay Clayton
Confirmed
Former partner at Sullivan & Cromwell.
Two Commissioner vacancies – only one can be GOP

Obama Incumbent
Confirmed
Pending Confirmation

Infrastructure Proposal Impact

Proposals

- The Administration's proposed budget includes **$200B** worth of spending with the goal of stimulating **$1 trillion** in infrastructure investments over 10 years
  - Funds will be focused on incentivizing additional investments from state, local and private partners
- 50 priority infrastructure projects released[1]



- Executive Orders to advance the construction of the $3.8B Dakota Access pipeline and $8.0B Keystone XL pipeline

- Potential opportunities:
  - Credit expansion will be driven by potential public-private partnership projects
  - Increased infrastructure spending drives demand for equipment (leasing) and commercial loans
  - TDBG is a top player in public-private partnerships in Canada and is actively looking for opportunities in the US
- Policy stance expected to encourage public-private partnerships
- Administration has noted a focus on reducing regulations and required approvals which may reduce project approval timelines and cut cost burdens

Near term economic impacts may be limited due to long lags in identifying and funding projects

Sources: (1) "Priority List Emergency & National Security Projects", President Elect Trump. Released National Governor's Association by the Trump transition team.
"A New Foundation for American Greatness", Office of Management and Budget, 23 May 2017
Harrison, David. "Speed Limits on Trump's Infrastructure Drive: Federal Laws, Rare Species and Nimbys." The Wall Street Journal. 12 Feb. 2017
Ross, Wilbur, and Peter Navarro. "Trump Versus Clinton On Infrastructure - peternavarro.com." 17 Oct. 2016

Financial Services Regulatory Reform

Legislative Agenda

- As Trump and Congressional Republicans manage growing political challenges, financial regulatory reform continues to fall on their list of legislative priorities
  - Congressional Republicans may focus where consensus is attainable (e.g., community bank relief) and on time-sensitive matters (e.g., Flood Reauthorization)
- **House of Representatives**: Financial Services Committee Chairman Hensarling's Financial CHOICE Act 2.0 is starting point for legislative relief
  - "Off ramp" from enhanced prudential standards – 10% leverage ratio required
  - Bi-annual resolution plan and CCAR submissions; relief from CCAR qualitative test
  - Limits on CFPB power, including making the Director removable at will, eliminating supervisory authority and limiting enforcement powers
  - Repeal of Volcker Rule
  - Passed by Committee on strictly partisan vote with Durbin repeal included; expected to pass full House as soon as early June, but Durbin repeal has been removed
- **Senate**: Banking Committee Chairman Crapo is expected to proceed with a narrower bill
  - Details not yet known, but likely to have little in common with House's CHOICE 2.0
  - Need for cooperation from Democrats will limit scope (Sens. Warren and Brown on Committee, filibuster potential)
- "21st Century Glass-Steagall" is a recurring theme, but widely different interpretations of its meaning from Sen. Warren and the Administration

Financial Services Regulatory Reform

Regulatory Agenda

- Sec. Mnuchin (Treasury) and Cohn (National Economic Council) have regulatory reform agenda, but new "in place" leadership at banking agencies is needed for implementation
  - Keith Noreika named Acting Comptroller, but key positions are still vacant or held by Obama holdovers (e.g., Fed Chair, FDIC Chair, CFPB Director) – see Slide 4
  - The President has limited authority over independent regulatory agencies, including the federal financial regulators

- Trump's "Core Principles" Executive Order is expected to lay the groundwork for future regulatory relief
  - Directs the Treasury Secretary to recommend regulatory changes based on "Core Principles" (e.g., fostering economic growth, making regulation efficient and effective)
  - Input was solicited from banks, trade associations, academia, and financial regulators
  - Treasury is expected to release a series of reports with recommendations beginning in early June
  - Implementation of recommendations will take time, particularly where amendments to existing regulations are needed

Tax Reform

- The Administration and House Republicans continue to emphasize tax reform as a 2017 priority
  - Trump released a 1-page outline for tax reform on April 26 that was largely consistent with his campaign proposals
  - Actual likelihood of meaningful tax reform being passed this year is decreasing with time

- President Trump has proposed a 15% corporate income tax rate
  - House Republicans have proposed 20%; OECD average is ~25%

- Significant Corporate rate reduction will require offsets
  - Biggest potential offset is the border adjustment tax system, but it was not included in Trump's 4/26 outline
  - Other offsets could include elimination of tax benefits for:
    - Municipal loans/bonds
    - Bank-owned life insurance
    - All credits other than those for research and development

Appendix:
Potential Impact on Key Industries

International Trade

Automotive
Retaliatory trade policies could impede US manufacturers from selling vehicles to faster growing markets. US manufacturers have significant investments in Mexico and imposition of additional tariffs on imports would drive prices higher and reduce new car sales.

Oil
US refiners and producers could face reduced demand and lower earnings if tougher stances on trade are taken with Canada and Mexico, and if tariffs are introduced to counter those imposed by the US.

General Industry
Mixed impact; industry specific dependent upon supply chain and retaliation from trade partners.

Infrastructure

Equipment Leasing
Promotion of US construction and manufacturing expected to increase capital expenditures on equipment and expand equipment financing.

Oil
Support for pipeline projects increases access to shale oil, bolstering supply and spurring new industry investment. Administration supportive of increased domestic energy production.

Regulatory Reform

Healthcare
Repeal of the Affordable Care Act (ACA) could hurt acute care hospital operators if the number of uninsured rise and if coverage and reimbursement is reduced.

In May 2017, the House of Representatives passed a bill to initiate the repeal and replacement of the ACA.

Corporate Tax Reform

General Industry
Reduction of corporate tax rates would be positive and generate higher cash flows. Additionally, accommodative repatriation rates could spur investment and bolster industry capital.

Commercial Real Estate
Limitations of interest deduction and depreciation rules could have negative implications for commercial real estate borrowers.