TD Bank Europe Limited

Report and Audited Financial Statements

31 October 2014

Registered No: 2734652

Registered No: 2734652

Directors

E Merica (British)
D Cerovic (Canadian)
M Huppke (Canadian)
P Masterson (Canadian)
S Nash (British)
B Smith (American)
J Stewart (British)

Company Secretary

A Jeffrey (British)

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

60 Threadneedle Street
London
EC2R 8AP

Directors' report

The directors submit their report and audited financial statements for the year ended 31 October 2014.

Results and dividends

TD Bank Europe Limited's ("the Bank") results for the year are shown in the statutory profit and loss account on page 8. The profit on ordinary activities after taxation for the year was £4,634,375 (2013: £7,284,068).

No redeemable preference dividends were declared or paid during the year (2013: £Nil). No dividend on ordinary shares was declared and none is proposed (2013: £Nil).

Information on the principal activity, risks, uncertainties and future developments of the business are provided in the strategic report on page 4.

Going concern

The Bank's management has made a forward-looking assessment (of at least 12 months) of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Events since the balance sheet date

The directors are not aware of any events subsequent to the year end that would materially affect the financial statements.

Directors and their interests

The directors of the Bank who served during the year and subsequently are as follows:

E Merica (British)	-	Chairman and Non-Executive Director
D Cerovic (Canadian)	-	Director
M Huppke (Canadian)	-	Director
P Masterson (Canadian)	-	Director (appointed 12 March 2014)
S Nash (British)	-	Director
B Smith (American)	-	Director
J Stewart (British)	-	Director
B Wallace (British)	-	Director (resigned 18 September 2014)

According to the register of directors, no director has any interests in the share capital of the Bank. The interests of the directors in the shares of The Toronto-Dominion Bank, the ultimate parent company, are as follows:

	At 1 November 2013	*Additions/Disposals during the year*	***At 31 October 2014***
	restated		
B Smith	3,542	(2)	**3,540**
M Huppke	8	1	**9**
J Stewart	830	129	**959**
P Masterson	3,168	5,524	**8,692**
D Cerovic	672	206	**878**
S Nash	-	68	**68**
	8,220	5,926	**14,146**

The 2014 opening balances have been restated to provide appropriate comparatives following the 1 for 1 stock dividend (equivalent to a 2-for-1 Stock Split) dated January 31st 2014.

Directors' report

Pillar 3

Under the Capital Requirements Regulation Pillar 3 disclosure requirements are not applied to the extent that the ultimate parent undertaking produces equivalent consolidated Pillar 3 disclosures. For further information on the Pillar 3 disclosures, please see TD Bank Group's ("TDBG") 2014 Annual Report (AR) and Supplemental Financial Information (SFI) which can be found online at the TDBG website (http://www.td.com/annual-report/ar2014/index.jsp).

Remuneration disclosures can be found online at the TD Securities website:

http://www.tdsecurities.com/tds/content/AU_RegulatoryDisclosure

Country By Country Reporting (CBCR)

The Capital Requirements Directive IV (CRD IV) Country by Country Reporting (CBCR) framework is now in force for regulated financial institutions. The following table complies with this regulation for the 2014 financial year.

Name of entity	*TD Bank Europe Limited*
Geographical location	*United Kingdom*
Turnover	*£5,897,976 (2013:£6,306,706)*
Number of Employees	*8 (2013:8)*
Profit before tax	*£5,930,199 (2013:£9,516,473)*
Public subsidies received	-

The company paid corporation tax of £88,268 in 2014 (*2013: £nil*) and payments to other group companies in respect of surrendered losses (£3,150,997).

Disclosure of information to the auditors

So far as each person who is a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors to prepare their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

In accordance with Section 485 of the Companies Act 2006 a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Bank.

On behalf of the board

D Cerovic

Director
9 February 2015

Strategic report

Strategy

As an international operation of a major Canadian financial institution, the primary strategic position in the region is to support TDBG's North American franchise. TDBG maintains client relationships with a significant number of large multinational organisations, many of which require access to capital markets in Europe and elsewhere. The Bank helps to provide that facility in the UK and European markets.

Business model

The Bank maintains its own employee base in terms of both business and infrastructure personnel and also leverages the operational infrastructure that exists in both TD Bank London Branch (London Branch) and Toronto. The Bank's net interest income is generated in Europe (by staff operating from the London office); operating expenses are a combination of a) direct costs and b) allocations of overhead costs from TDBG's London and Toronto operations.

Since its inception, the primary business of the Bank has been corporate banking. Loans and commitments are principally made to investment grade corporate customers in the UK and Europe. More specifically, loan assets (including interbank deposits) are comprised of corporate and financial institutions, and central bank counterparties. The Bank also receives investment banking fees from other group entities for the maintenance of client relationships, identifying market opportunities and providing cross-selling services. The Bank facilitates access to the Bank of England for other group entities.

Principal activity and review of the business

The Bank, an authorised institution under The Financial Services and Markets Act 2000, carries on the business of corporate banking. The Bank is regulated by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

The key financial performance indicators during the year were as follows:

	2014 *£'000*	*2013* *£'000*	*Change*
Net interest income	5,898	6,307	(6)%
Operating profit	5,930	9,516	(38)%
Profit after tax	4,634	7,284	(36)%
Shareholder's funds	522,294	517,660	1%

Although net interest income remained relatively flat, several internal commissions related to the investment banking business received in the prior year were not repeated in 2014. In addition the Bank was impacted by increased employee-related costs and transfer pricing charges. This has resulted in a 38% drop in operating profit. Included in net interest income is revenue generated by funds placed with the Bank of England as part of a strategy to diversify TDBG's sources of liquidity; although the year end balance is significantly lower than 2013, the average balance during the year was greater, resulting in increased interest receivable.

Principal risks and uncertainties

The financial risk management objectives and policies of the Bank are shown in Note 23 of the financial statements.

Future developments

The Bank will continue to use its regulatory permissions to support TDBG activity in Europe.

On behalf of the board

D Cerovic

David Cerovic

Director
9 February 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report, Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of TD Bank Europe Limited

We have audited the financial statements of TD Bank Europe Limited for the year ended 31 October 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Bank's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and Strategic report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 October 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of TD Bank Europe Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Manprit Dosanjh (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 13 February 2015

Profit and loss account
for the year ended 31 October 2014

	Note	2014 £'000	2013 £'000
Interest receivable and similar income	2	17,192	12,171
Interest payable and similar charges	3	(11,294)	(5,864)
Net interest income		5,898	6,307
Fees receivable	4	4,207	6,244
Fees payable	5	(519)	(224)
Profit on facility transfer		–	166
Foreign exchange loss		(33)	(141)
Net income		3,655	6,045
Administrative expenses		(2,997)	(2,598)
Other operating income		591	703
Other operating expenses		(1,217)	(941)
Profit on ordinary activities before taxation	6	5,930	9,516
Tax on profit on ordinary activities	9	(1,296)	(2,232)
Retained profit for the financial year	20	4,634	7,284

The above results are derived solely from continuing operations.

The notes on pages 11 to 31 form an integral part of the financial statements.

Statement of total recognised gains and losses

for the year ended 31 October 2014

	Note	*2014* *£'000*	*2013* *£'000*
Profit for the financial year		4,634	7,284
Total recognised gains and losses relating to the year		4,634	7,284
Translation differences on non-Sterling share capital	20	(140)	(387)
Total gains and losses recognised since last annual report		4,494	6,897

The notes on pages 11 to 31 form an integral part of the financial statements.

Balance sheet

at 31 October 2014

	Note	2014 £'000	2013 £'000
Assets			
Tangible fixed assets	10	15	18
Cash at central bank	11	604,741	4,415,079
Loans and advances to banks	12	114,645	235,569
Loans and advances to customers	13	336,265	312,412
Prepayments and accrued income	14	736	1,975
Other assets	15	16,590	16,479
Total assets		1,072,992	4,981,532
Liabilities			
Deposits by banks	16	348,727	4,394,593
Other deposits	17	181,193	44,245
Accruals and deferred income	18	19,433	21,685
Corporation tax payable		1,345	3,349
Total liabilities		550,698	4,463,872
Shareholder's funds			
Called up share capital	19	361,257	361,117
Profit and loss account	20	161,037	156,543
Total shareholder's funds	20	522,294	517,660
Total liabilities and shareholder's funds		1,072,992	4,981,532
Memorandum items			
Commitments	22	1,360,089	1,324,324

The financial statements were approved by the Board of Directors on 9 February 2015 and signed on their behalf by:

D Cerovic

Director

The notes on pages 11 to 31 form an integral part of these financial statements.

Notes to the financial statements

at 31 October 2014

1. Accounting policies

Basis of preparation

The financial statements of TD Bank Europe Limited were approved by the Board of Directors on 9 February 2015.

These financial statements have been prepared on the going concern basis under the historical cost convention modified for the revaluation of derivatives and in accordance with the requirements of Schedule 2 of the Large and Medium size companies and group (accounts and reports) regulation 2008 relating to banking companies, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and Statements of Recommended Practice issued by the British Bankers Association.

A summary of the accounting policies of the Bank is set out below:

Fee recognition

Loan origination fees are considered to be adjustments to loan yield and are deferred and amortised over the term of the loan. Commitment fees are amortised to other income over the commitment period when it is unlikely the commitment will be called upon; otherwise they are deferred and amortised over the term of the resulting loan. Loan syndication fees are recognised upon completion of the financing placement unless the yield on any loan retained by the Bank is less than that of other comparable lenders involved in the financing syndicate. In such cases, an appropriate portion of the fee is recognised as a yield adjustment over the term of the loan. Customer advisory fees are recognised as income when earned. Where internal transfers of commission are made to other group companies in relation to the business of corporate lending, such amounts are recognised in full as fees payable upon completion of the transaction.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date arising from transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Loans and advances and provision for bad and doubtful debts

Loans and advances are stated at their amortised cost, net of provisions for losses on loans and advances and net of unearned income.

Provisions for losses on loans and advances are based on evaluation by the directors of their collectability. Specific provisions are raised against debts whose recovery has been identified as doubtful.

Estimates of losses on loans and advances require the exercise of judgement and the use of assumptions. The principal factors considered in determining the loan loss provision are the composition and quality of the loan portfolio, the ability of the individual borrowers to repay the loans, past performance of the individual loans, existence of overdue interest or principal repayments and, in the event of default, the value and adequacy of collateral/security.

Notes to the financial statements

at 31 October 2014

1. Accounting policies (continued)

Interest income recognition

Interest earned and paid is accounted for at amortised cost using the effective interest rate method. When a loan is classified as impaired, interest accruals cease and any interest previously accrued, but not yet received, is reversed against interest income. This treatment continues until, in the opinion of management, there is reasonable assurance as to the timely collection of the full amount of loan principal and interest.

Share-based compensation plans

The Bank operates a restricted share unit plan, which is offered to certain employees of the Bank. Under this plan, participants are awarded share units equivalent to TDBG's common shares that generally vest over four years. A liability is accrued by the Bank related to such share units awarded and an incentive compensation expense is recognised in the Profit and Loss Account over the vesting period.

Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of these plans are recorded in the Profit and Loss Account.

The Bank also offers deferred share unit plans to eligible employees. Under these plans, a portion of the participant's annual incentive award and/or maturing share units may be deferred as share units equivalent to TD Bank Group's common shares.

Foreign currencies

Net interest income, fees and commission receivable denominated in foreign currencies are translated into Sterling at average rates of exchange during the year.

For reporting purposes, monetary assets and liabilities (including share capital) denominated in currencies other than Sterling are translated into Sterling at spot rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in currencies other than Sterling are translated into Sterling at the spot rates of exchange at the date of transaction. Foreign exchange differences relating to the Bank's share capital are taken directly to profit and loss account reserves. Other foreign exchange gains or losses are dealt with through the profit and loss account as other operating income or expense.

Financial assets

Financial assets are recognised when the Bank becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Bank determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All regular purchases and sales of financial assets are recognised on the trade date, being the date that the Bank commits to purchase or sell the asset. Regular transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Financial assets at fair value through profit or loss
Financial assets classified as held-for-trading and other assets designated as such on inception are included in this category. Financial assets are classified as held-for-trading if they are acquired for sale in the short term.

Notes to the financial statements

at 31 October 2014

1. Accounting policies (continued)

Financial assets (continued)

Derivatives are classified as held-for-trading. Assets are carried in the balance sheet at fair value with gains or losses recognised in the profit and loss account.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that the Bank does not intend to sell immediately or in the near term and that are not quoted in an active market. Loans are accounted for at amortised cost, net of an allowance for loan losses and net of unearned income, which includes prepaid interest, loan origination fees, commitment fees, loan syndication fees, and unamortised discounts.

All purchased loans are initially measured at their fair value which reflects the expected credit losses estimated at the acquisition date. As a result, no allowance for credit losses is recorded on the date of acquisition. Subsequent to the acquisition date, the loans are accounted for at amortised cost. Expected cash flows at the acquisition date in excess of the fair value of loans are recorded as interest income over the life of the loans using the effective interest rate method if the timing and amount of the future cash flows is reasonably estimable. Subsequent increases in cash flows over those expected at the acquisition date are recognized as interest income using the effective interest rate method. Decreases in expected cash flows after the acquisition date are recognized by recording an allowance for credit losses.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the three preceding categories.

Impairment of financial assets

The Bank assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Notes to the financial statements

at 31 October 2014

1. Accounting policies (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held-for-trading and financial liabilities designated upon initial recognition as such.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held-for-trading are recognised in profit or loss.

All of the Bank's financial liabilities, except those classified as trading, were recorded on an amortised cost basis.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it expires or is settled, sold or cancelled.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Fair value of financial assets and liabilities

For certain financial assets and financial liabilities that are short term in nature or contain variable rate features, fair value is based on the appropriate prevailing interest rates and/or credit curves. The fair value of loans and advances to banks, interest-bearing deposits by banks and customers' liabilities under acceptances are considered to be equal to carrying value.

The estimated fair value of loans reflects changes in interest rates which have occurred since the loans were originated and changes in the creditworthiness of individual borrowers. For fixed-rate performing loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at market interest rates for loans with similar credit risks. The fair value of loans is not adjusted for the value of any credit protection the Bank has purchased to mitigate credit risk. For floating rate performing loans, changes in interest rates have minimal impact on fair value since loans reprice to market frequently. On that basis, in the absence of deterioration in credit, fair value is assumed to equal carrying value.

Intangible fixed assets

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Computer software	3 years straight line

Amortisation is charged from the relevant month in the year use commences.

Tangible fixed assets

Depreciation of tangible fixed assets is provided over estimated useful lives as follows:

Computer hardware	Straight line over applicable useful life
Furniture and fittings	15 years straight line

Depreciation is charged from the relevant month in the year use commences.

Notes to the financial statements

at 31 October 2014

1. Accounting policies (continued)

Pension costs

An external pension provider operates a defined contribution scheme on behalf of the Company and payments made by the Company are charged directly to the profit and loss account in the period to which they relate.

Related party transactions

Under paragraph 3(c) of FRS 8 "Related Party Disclosures", the Bank has taken advantage of the exemptions permitted for related party transactions as a result of being a wholly owned subsidiary of a group, where the ultimate parent prepares consolidated financial statements which include the Bank and which are publicly available (see Note 24).

Cash flow statement

The Bank has not produced a cash flow statement. In accordance with FRS 1 (revised 1996) "Cash Flow Statements", the Bank is claiming an exemption as the financial statements of its ultimate parent, which include a cash flow statement, are publicly available.

Segmental information

The sole class of business of the Bank during the year was corporate banking. The geographical segment from which the Bank's corporate banking income is predominantly generated is Europe.

2. Interest receivable and similar income

	2014 *£'000*	*2013* *£'000*
Interest receivable on cash at central bank	12,842	6,556
Interest receivable on loans – ultimate parent undertaking	598	811
Interest receivable on loans – group undertaking	–	11
Interest receivable on loans and advances to customers	3,752	4,793
	17,192	12,171

3. Interest payable and similar charges

	2014 *£'000*	*2013* *£'000*
Interest payable on deposits by banks – ultimate parent undertaking	10,298	5,138
Interest payable on deposits – group undertaking	996	726
	11,294	5,864

Notes to the financial statements

at 31 October 2014

4. Fees and commissions receivable

	2014 *£'000*	*2013* *£'000*
Commitment fees receivable on loans and advances to customers	1,512	1,852
Other fees receivable on loans and advances to customers	1,664	1,735
Investment banking fees receivable from ultimate parent undertaking	971	2,105
Other fees receivable from group undertaking	60	374
Customer advisory fees receivable	–	178
	4,207	6,244

5. Fees and commissions payable

	2014 *£'000*	*2013* *£'000*
Other fees payable to ultimate parent undertaking	519	224

6. Profit on ordinary activities before taxation

Operating profit is stated after charging:

	2014 *£'000*	*2013* *£'000*
Other amounts payable to ultimate parent undertaking	1,038	551
Auditor's remuneration - audit services	54	51
Auditor's remuneration – non audit services	2	2
Amortisation	–	166
Depreciation (Note 10)	3	4

Prior year amortisation relates to intangible fixed assets.

7. Directors' remuneration

	2014 *£'000*	*2013* *£'000*
Non-executive Director Emoluments	36	30

The executive directors receive no remuneration in respect of their services to the Bank. Although none of the Bank's directors is a director of the ultimate parent company, they receive remuneration in respect of their services to the group as a whole. No recharges have been made to the Bank relating to the remuneration of directors during the year (2013: £Nil).

No pension contributions under either a defined contribution or defined benefit scheme were accrued for any director in 2014 (2013: £Nil) in respect of their role with the Bank.

During the year, no director was advanced a loan (2013: £Nil) in respect of their role with the Bank.

Notes to the financial statements

at 31 October 2014

8. Employees

	2014 £'000	2013 £'000
Wages and salaries	2,190	1,742
Social security costs	199	180
Other pension costs	97	97
	2,486	2,019

The average monthly number of employees during the year was as follows:

	2014 No.	2013 No.
Front office	5	6
Support staff	3	2
	8	8

9. Taxation

	2014 £'000	2013 £'000
Current tax:		
UK Corporation tax on profits for the year	1,235	2,225
Adjustments in respect of prior periods	–	(7)
Total current tax charge	1,235	2,218
Deferred tax:		
Change in opening deferred tax resulting from reduction in tax rates	(6)	19
Reversal of timing differences	67	6
Adjustments in respect of prior periods	–	(11)
Tax on profit on ordinary activities	1,296	2,232

	2014 £'000	2013 £'000
Deferred tax asset:		
At 1 November	130	144
Change in opening deferred tax resulting from reduction in tax rates	6	(19)
Adjustments in respect of prior periods	–	(6)
Arising in the year	(67)	11
At 31 October	69	130

Notes to the financial statements

at 31 October 2014

9. Taxation (continued)

The headline rate of UK corporation tax reduced from 23% to 21% on 1 April 2014, and through the enactment of Finance Act 2013 will reduce further to 20% from 1 April 2015.

Under UK GAAP, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Since the future reduction of the corporation tax rate to 20% was enacted on 17 July 2013, the deferred tax balances at 31 October 2014 have been assessed accordingly.

The current tax assessed for the year is lower than the hybrid rate applying in the UK (21.83%). The differences are explained below:

	2014 *£'000*	*2013* *£'000*
Profit on ordinary activities before tax	5,930	9,516
Profit on ordinary activities multiplied by hybrid rate in the UK of 21.83% (2013: 23.41%)	1,295	2,228
Effects of:		
Expenses not deductible for tax purposes	7	3
Timing differences	(67)	(6)
Adjustments to tax charge in respect of prior periods	–	(7)
Total current tax charge	1,235	2,218

10. Tangible fixed assets

	Computer hardware *£'000*	*Furniture and fittings* *£'000*	*Total* *£'000*
Cost			
At 1 November 2013	15	19	34
Additions during the year	–	–	–
At 31 October 2014	15	19	34
Accumulated depreciation			
At 1 November 2013	(11)	(5)	(16)
Charge for the year	(2)	(1)	(3)
At 31 October 2014	(13)	(6)	(19)
Net book value at 31 October 2014	2	13	15
Net book value at 31 October 2013	4	14	18

Notes to the financial statements

at 31 October 2014

11. Cash at central bank

	2014	*2013*
	£'000	*£'000*
Remaining maturity:		
Repayable on demand	604,741	4,415,079

Amounts repayable on demand are interest bearing.

12. Loans and advances to banks

	2014	*2013*
	£'000	*£'000*
Remaining maturity:		
3 months or less, but not repayable on demand	98,265	213,659
Repayable on demand	16,380	21,910
	114,645	235,569

Included in loans and advances to banks are amounts owed by ultimate parent undertaking of £114,645,350 (2013: £235,568,546), of which £16,380,051 (2013: £21,909,546) is repayable on demand. Amounts repayable on demand are non-interest bearing. Amounts not repayable on demand are interest bearing.

13. Loans and advances to customers

	2014	*2013*
	£'000	*£'000*
Remaining maturity:		
5 years or less, but over 1 year	38,748	205,797
1 year or less, but over 3 months	297,517	106,615
	336,265	312,412

Loans and advances to customers are interest bearing.

14. Prepayments and accrued income

	2014	*2013*
	£'000	*£'000*
Accrued interest receivable on loans to central bank	186	1,315
Accrued interest receivable on loans to customers	379	369
Customer loan fees receivable	171	291
	736	1,975

Amounts receivable on loans to central bank are repayable on demand and are non-interest bearing. Amounts receivable on loans to customers are not repayable on demand and are non-interest bearing.

Notes to the financial statements

at 31 October 2014

15. Other assets

	2014 £'000	2013 £'000
Amounts receivable from ultimate parent undertaking	16,491	16,349
Amounts receivable from other group companies	30	–
Deferred tax asset (Note 9)	69	130
	16,590	16,479

Amounts receivable from ultimate parent undertaking are repayable on demand and are non-interest bearing.

16. Deposits by banks

	2014 £'000	2013 £'000
Remaining maturity:		
3 months or less, but not repayable on demand	347,011	230,223
Repayable on demand	1,716	4,164,370
	348,727	4,394,593

Amounts repayable on demand are non-interest bearing. Amounts not repayable on demand are interest bearing.

17. Other deposits

	2014 £'000	2013 £'000
Other deposits from group undertaking	181,193	44,245

Other deposits from group undertaking mature in 3 months or less but are not repayable on demand, and are interest bearing.

18. Accruals and deferred income

	2014 £'000	2013 £'000
Amounts payable to ultimate parent undertaking	14,831	15,886
Amounts payable to other group companies	–	617
Other accruals and deferred income	4,602	5,182
	19,433	21,685

Amounts payable to ultimate parent undertaking and other group companies are repayable on demand and are non-interest bearing. All external supplier payments are settled on presentation of invoice. Internal suppliers are settled on demand.

Notes to the financial statements

at 31 October 2014

19. Share capital

	2014	*2013*
Authorised:		
	US$000	*US$000*
100,000,000 (2013: 100,000,000) ordinary shares of US$1 each	100,000	100,000
500,000,000 (2013: 500,000,000) redeemable preference shares of US$1 each	500,000	500,000
	600,000	600,000
	£'000	*£'000*
500,000,000 (2013: 500,000,000) redeemable preference shares of £1 each	500,000	500,000
Allotted, called-up and fully paid:		
	US$000	*US$000*
40,000,000 (2013: 40,000,000) ordinary shares of US$1 each	40,000	40,000
56,663,750 (2013: 56,663,750) redeemable preference shares of US$1 each	56,664	56,664
	96,664	96,664
	£'000	*£'000*
GBP equivalent of USD-denominated share capital @ 1.5996 (2013: 1.6033)	60,429	60,289
300,827,500 (2013: 300,827,500) redeemable preference shares of £1 each	300,828	300,828
Called-up share capital	361,257	361,117

All redeemable preference shares (both £ and US$) are redeemable at par.

In the event that it is resolved to distribute, by way of dividend, all or part of the profits, the holder of the redeemable preference shares (both £ and US$) has the right to receive a variable non-cumulative preferential dividend at such rate to be determined by the issuer.

The redeemable preference shares (both £ and US$) have attached to them the same rights regarding voting and payment on a winding up as are attached to ordinary shares.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains healthy capital ratios in order to support its business and maximise shareholder value. The Bank will make adjustments to its capital in light of changes in economic conditions and the risk characteristics of its activities. The Bank continues to hold sufficient capital levels to ensure that flexibility is maintained in its operations. During the year ended 31 October 2014 the Capital Requirements Regulation and the Capital Requirements Directive IV were implemented, these regulations have led to changes in the Company's policies and processes, but not the Company's objectives. No changes were made to the objectives, policies or processes during the year ended October 2013.

The Group Treasury and Balance Sheet Management function is responsible for managing capital for TDBG and for acquiring, maintaining and retiring capital, with oversight from the ultimate parent, namely TDBG's Board of Directors.

Notes to the financial statements

at 31 October 2014

19. *Share capital (continued)*

Regulatory capital

	2014 £'000	2013 £'000
Tier 1 capital	319,292	362,580
Tier 2 capital	202,121	154,275
	521,413	516,855
Credit Risk	49,578	42,177
Operational Risk	2,126	2,132
Total Pillar 1	51,704	44,309
Pillar 2	110,646	94,822
Total Capital required	162,350	139,131

Regulatory capital consists of Tier 1 capital, which comprises share capital and retained earnings including current year profit. A proportion of the redeemable preference share capital (both £ and US$) is eligible for inclusion in Tier 1 capital. The other component of regulatory capital is Tier 2 capital, which includes preference shares, being the excess over the limits for Tier 1.

20. Reconciliation and analysis of shareholder's funds

Year ended 31 October 2014

	Profit and loss account £'000	*Ordinary share capital £'000*	*Preference shares (equity) £'000*	*Shareholder's funds £'000*
At 1 November 2013	156,543	24,948	336,169	517,660
Foreign exchange gain / (loss) on opening share capital	(140)	59	81	–
Profit for the financial year	4,634	–	–	4,634
At 31 October 2014	161,037	25,007	336,250	522,294

Year ended 31 October 2013

	Profit and loss account £'000	*Ordinary share capital £'000*	*Preference shares (equity) £'000*	*Shareholder's funds £'000*
At 1 November 2012	149,646	24,788	335,942	510,376
Foreign exchange gain / (loss) on opening share capital	(387)	160	227	–
Profit for the financial year	7,284	–	–	7,284
At 31 October 2013	156,543	24,948	336,169	517,660

Notes to the financial statements

at 31 October 2014

21. Share-based payments

The Bank operates a restricted share unit plan which is offered to certain employees. Under this plan, participants are awarded share units equivalent to TDBG's common shares that generally vest over four years, providing the employees have remained continuously employed by the Group for this period. The number of units granted is determined using the closing share price on the Toronto Stock Exchange (TSX) on the trading day preceding the grant date.

Beginning with units granted in December 2009, the Human Resources Committee ("HRC") of the Board of TDBG has the discretion to adjust the number of units within a range of +/-20% at maturity based on considerations of risk outcomes during the life of the award. Share units are subject to a claw back in the event of a material misrepresentation resulting in the restatement of financial results or a material error, within a three year retrospective period for non-Code Staff and a seven year retrospective period for those identified as Code Staff. In the event of a material misrepresentation or error, the committee will determine the extent of the claw back based on the specific circumstances.

At the maturity date, the participant receives cash representing the value of the share units, unless the employee previously elected to defer them into deferred share units. Any dividends earned over the period will be re-invested in additional units that will be paid at maturity. Redemption proceeds are paid within 60 days of maturity, net of statutory withholdings, and are taxed as employment income. The redemption value of units can be reduced by the HRC in unusual circumstances.

A liability is accrued by the Bank related to such share units awarded and an incentive compensation expense is recognised in the profit and loss account over the vesting period. Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of these plans are recorded in the profit and loss account. For the year ended 31 October 2014, the Bank recognised compensation expense for these plans of £194,937 (2013: £179,634).

	2014	*2013 restated*
	No. of units	*No. of units*
Outstanding at 1 November	20,704	26,996
Granted during the year	8,042	12,678
Transfers out during the year	-	(6,196)
Released during the year	(8,760)	(12,774)
Outstanding at 31 October	19,986	20,704

TDBG share price at 31 October 2014 was C$55.47 (2013: C$47.82). The CAD/GBP exchange rate at 31 October 2014 was 1.8030 (2013: 1.6718). The prior year figures and 2014 opening balance have been restated to provide appropriate comparatives following the 1 for 1 stock dividend (equivalent to a 2-for-1 Stock Split) dated January 31st 2014.

Notes to the financial statements

at 31 October 2014

22. Commitments

In the normal course of business the Bank enters into various contractual commitments. These commitments consist of the following types at 31 October:

	2014			*2013*		
	Undrawn facilities £'000	*Letters of credit £'000*	*Total commitments £'000*	*Undrawn facilities £'000*	*Letters of credit £'000*	*Total commitments £'000*
1 year and over	1,251,908	–	1,251,908	1,322,943	1,381	1,324,324
Less than 1 year	108,181	–	108,181	–	–	–
	1,360,089	–	1,360,089	1,322,943	1,381	1,324,324

The Bank's undrawn facilities and letters of credit are contractual amounts that commit the Bank to extend credit to customers.

23. Risk management

Objectives, policies and strategies

The principal financial risks faced by the Bank are credit risk, interest rate risk, liquidity risk and foreign currency risk. A description of the significant risks associated with the Bank's activities is provided below.

The Bank has a formal board-approved structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; there are, however, separate independent bodies responsible for managing and monitoring risks.

Risk committee

The Risk Committee of the ultimate parent undertaking has the overall responsibility for the development of group risk strategy and implementation principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk management

The Bank reports to the Group Risk Management Department of the ultimate parent undertaking, which is responsible for implementing and maintaining risk-related procedures to ensure an independent control process and for monitoring compliance with risk principles, policies and limits across the Bank. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Treasury

The Finance Department of the Bank is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for funding and managing the liquidity risks of the Bank.

Internal audit

Using a risk-based approach, risk management processes throughout the Bank are audited on a periodic basis by the Internal Audit Department of the ultimate parent undertaking, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Risk measurement and reporting systems

Monitoring and controlling risk is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment in which the Bank operates as well as the level of risk that the Bank is willing to accept. In addition, the Bank monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from daily operations is examined and processed in order to analyse, control and identify risks. This information is presented and shared among the Board of Directors and the Bank's senior management. The reporting includes aggregate credit exposure, hold-limits exceptions and risk profile changes.

Risk mitigation

As part of its overall risk management, the Bank may, from time to time, use contingent sub-participations, derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

At 31 October 2014, the Bank did not have credit protection (2013: £21,172,087 of protection) of its contractual commitments to customers of which £Nil was drawn (2013: £10,585,895). Prior year protection takes the form of an agreement with the ultimate parent undertaking such that in the occurrence of a specified credit event the associated commitment would be sub-participated to the ultimate parent entity and the Bank would not incur a loss on the transaction.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Counterparty limits are established by the use of a credit risk classification system, managed by the Group Risk Management Department of the ultimate parent undertaking, which assigns each counterparty a risk rating. Risk ratings are subject to regular review and revision. If facilities are guaranteed the Bank's credit risk is deemed to be that of the guarantor rather than that of the counterparty, and the disclosures within this note follows that treatment.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approval, risk control limits and monitoring procedures.

The Bank's maximum exposure to credit risk, excluding the value of collateral, of which none was held during the year (2013: £Nil), is reflected in the carrying amounts of financial assets on the balance sheet.

Gross maximum credit risk exposure

The following table presents the maximum amount of additional funds that the Bank could be obligated to extend, before taking into account any collateral held or other credit enhancements.

	2014 *£'000*	*2013* *£'000*
Loans and advances to customers including all contractual commitments, maturing:		
- 1 year and over	1,290,657	1,530,121
- Less than 1 year	405,698	106,615
	1,696,355	1,636,736
Cash at central bank	604,740	4,415,079
Loans and advances to banks	114,645	235,569
Other assets	17,326	18,454
Total credit exposure	2,433,066	6,305,838

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Credit risk (continued)

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions.

The Bank's target market is principally borrowers domiciled in the UK and Europe, although the Bank also has exposure to borrowers domiciled in Australia, the United States and Canada.

The current exposure to central banks generates a concentration of credit risk. This has been deemed to be within the group risk thresholds due to the fact that the exposure is to a highly rated sovereign counterparty.

The Bank's intention is to maintain a diversified portfolio of exposure by industry segment. No specific limits apply for aggregate exposure to counterparties operating in individual industries. The Bank uses an internal system, however, whereby individual industry segments are classified under risk rating grades and it monitors its individual industry exposures to ensure that there is no over-concentration of exposure in individual industry sectors or shift in the overall portfolio into the higher risk categories.

In order to avoid excessive concentrations of risk, the Bank's policy and procedures include specific guidelines to focus on maintaining a diversified portfolio and undertaking detailed credit checks before a customer is accepted. Identified concentrations of credit risk are controlled and managed accordingly.

The credit quality of financial assets is managed by the Bank using a combination of external credit ratings agencies and internal rating methods to establish whether loans and advances are rated as either investment grade or non-investment grade. The table below shows the credit quality by class of financial instruments:

At 31 October 2014

	Investment grade £'000	*Non-investment grade £'000*	*Unrated £'000*	*Total £'000*
Cash at central bank	604,740	-	-	604,740
Loans and advances to banks	114,645	-	-	114,645
Loans and advances to customers	331,673	4,387	205	336,265
	1,051,058	4,387	205	1,055,650

At 31 October 2013

	Investment grade £'000	*Non-investment grade £'000*	*Unrated £'000*	*Total £'000*
Cash at central bank	4,415,079	-	-	4,415,079
Loans and advances to banks	235,569	-	-	235,569
Loans and advances to customers	302,584	4,525	5,303	312,412
	4,953,232	4,525	5,303	4,963,060

There are no financial assets which are past due.

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Credit risk (continued)

The Bank's portfolio could be sensitive to changing conditions in particular geographic regions. Although all corporate banking revenue is generated in Europe, the geographic areas of ultimate risk were as follows at 31 October:

	2014				*2013*			
	Loans and advances to				*Loans and advances to*			
	Customers		*Banks*		*Customers*		*Banks*	
	£'000	*%*	*£'000*	*%*	*£'000*	*%*	*£'000*	*%*
Canada	107,570	32%	114,645	16%	104,834	34%	235,569	5%
Switzerland	78,141	23%	-	-	63,539	20%	-	-
Australia	62,512	19%	-	-	62,370	20%	-	-
Germany	41,236	12%	-	-	44,245	14%	-	-
Netherlands	21,446	6%	-	-	17,871	6%	-	-
United Kingdom	15,569	5%	604,741	84%	8,967	3%	4,415,079	95%
Other International[1]	9,791	3%	-	-	10,586	3%	-	-
	336,265	100%	719,386	100%	312,412	100%	4,650,648	100%

[1] Other International includes countries where the exposure is less than 5% of the loans and advances to both customers and banks in both the current and prior years.

Of the total commitments and loans and advances to customers, the industry segments were as follows at 31 October:

	2014				*2013*			
	Drawn Loans		*Undrawn Commitments*		*Drawn Loans*		*Undrawn Commitments*	
	£'000	*%*	*£'000*	*%*	*£'000*	*%*	*£'000*	*%*
Real Estate	100,000	30%	-	-	100,000	32%	-	-
Conglomerates	78,141	23%	82,796	6%	63,539	20%	46,232	3%
Telecommunications	62,512	19%	46,884	4%	62,370	20%	46,777	4%
Automotive	41,236	12%	136,295	10%	44,245	14%	147,356	11%
Oil & Gas	21,446	6%	1,437	0%	17,871	6%	13,314	1%
Transportation	18,061	5%	138,705	10%	8,967	3%	129,413	10%
Utilities	9,791	3%	87,922	6%	10,585	3%	109,824	8%
Mining	-	-	240,673	18%	-	-	249,895	19%
Food, beverage & tobacco	-	-	156,281	11%	-	-	154,629	12%
Chemical	-	-	176,244	13%	-	-	190,546	14%
Sundry Manufacturing	-	-	103,419	8%	-	-	105,681	8%
Other Industries[2]	5,078	2%	189,433	14%	4,834	2%	130,657	10%
	336,265	100%	1,360,089	100%	312,411	100%	1,324,324	100%

[2] Other Industries includes industry segments where the exposure is less than 5% of both the drawn loans and the total commitments in both the current and prior years.

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Interest rate risk

The following table sets out the carrying amount by maturity of the Bank's financial instruments that are exposed to interest rate risks:

At 31 October 2014

	Within 1 year £000	*1 to 2 years £000*	*2 to 3 years £000*	*3 to 4 years £000*	*4 to 5 years £000*	*Total £000*
Floating rate						
Cash at central bank	604,741	–	–	–	–	604,741
Loans and advances to banks	98,265	–	–	–	–	98,265
Loans and advances to customers	297,517	4,387	20,394	8,242	5,725	336,265
Deposits by banks	(348,727)	–	–	–	–	(348,727)
Other deposits	(181,193)	–	–	–	–	(181,193)
Interest rate sensitivity gap	470,603	4,387	20,394	8,242	5,725	509,351
Off balance sheet items	108,181	83,511	107,393	156,861	904,143	1,360,089
Cumulative interest rate sensitivity gap	578,784	87,898	127,787	165,103	909,868	1,869,440

At 31 October 2013

	Within 1 year £000	*1 to 2 years £000*	*2 to 3 years £000*	*3 to 4 years £000*	*4 to 5 years £000*	*Total £000*
Floating rate						
Cash at central bank	4,415,079	–	–	–	–	4,415,079
Loans and advances to banks	235,569	–	–	–	–	235,569
Loans and advances to customers	106,615	162,370	27,228	5,612	10,587	312,412
Deposits by banks	(4,394,593)	–	–	–	–	(4,394,593)
Other deposits	(44,245)	–	–	–	–	(44,245)
Interest rate sensitivity gap	318,425	162,370	27,228	5,612	10,587	524,222
Off balance sheet items	–	113,430	438,211	97,365	675,318	1,324,324
Cumulative interest rate sensitivity gap	318,425	275,800	465,439	102,977	685,905	1,848,546

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Interest rate risk (continued)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Bank that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

The following table demonstrates the sensitivity of floating rate assets and liabilities to a 100 basis point change in the interest rate with all other variables held constant, to the Bank's profit before tax. This table discloses absolute values for the potential interest rate movements when applied to the average assets and liabilities balance throughout the year.

		2014		2013	
		Increase/ decrease in interest rate	£'000	Increase/ decrease in interest rate	£'000
Assets	Cash at central bank	+/-100bps	25,947	+/-100bps	13,025
	Loans to banks	+/-100bps	1,661	+/-100bps	2,122
	Loans to customers	+/-100bps	3,044	+/-100bps	2,372
Liabilities	Deposits by banks	+/-100bps	24,586	+/-100bps	12,076
	Other Deposits	+/-100bps	806	+/-100bps	239

Liquidity risk

The Bank's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Bank and to enable the Bank to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets and through management control of the growth of the business. The maturity profile of the Bank's assets and liabilities, based on contract maturity date or earliest available date on which repayment can be demanded where relevant, is set out in Notes 11 to 18.

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Foreign currency risk

The Bank uses matched funding with the ultimate parent undertaking to finance its business activities. It funds its business activities in the respective currency, thus minimising foreign currency exposure.

Foreign currency and interest rate exposures of the Bank were as follows:

At 31 October 2014

	Financial assets			*Financial liabilities*			
	Floating interest rate £'000	*Fixed interest rate £'000*	*Non-interest bearing £'000*	*Floating interest rate £'000*	*Fixed interest rate £'000*	*Non-interest bearing £'000*	*Net financial assets £'000*
Sterling	815,773	–	16,103	(307,416)	–	(464,033)	60,427
Australian Dollars	41,236	–	12,269	(41,236)	–	(12,269)	–
US Dollars	165,147	–	1,253	(165,287)	–	(61,541)	(60,427)
Euro	16,956	–	288	(15,325)	–	(1,918)	–
Canadian Dollars	158	–	1,597	(655)	–	(1,100)	–
New Zealand Dollars	–	–	1,442	–	–	(1,442)	–
	1,039,270	–	32,952	(529,919)	–	(542,303)	–

At 31 October 2013

	Financial Assets			*Financial Liabilities*			
	Floating interest rate £'000	*Fixed interest rate £'000*	*Non-interest bearing £'000*	*Floating interest rate £'000*	*Fixed interest rate £'000*	*Non-interest bearing £'000*	*Net financial assets £'000*
Sterling	4,735,842	–	23,470	(4,233,590)	–	(465,382)	60,340
Australian Dollars	44,246	–	13,383	(44,246)	–	(13,383)	–
US Dollars	145,464	–	2,100	(146,038)	–	(61,815)	(60,289)
Euro	15,420	–	314	(14,785)	–	(949)	–
Canadian Dollars	179	–	1,566	(179)	–	(1,617)	(51)
New Zealand Dollars	–	–	1,527	–	–	(1,527)	–
	4,941,151	–	42,360	(4,438,838)	–	(544,673)	–

Notes to the financial statements

at 31 October 2014

23. Risk management (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change, set at 10%, in the Sterling exchange rate against the US Dollar, Canadian Dollar, Australian Dollar and Euro exchange rates, with all other variables held constant, to the Bank's profit before tax and the Bank's equity. This table discloses absolute values for the potential exchange rate movements at 31 October:

		2014		*2013*	
	Increase/ Decrease	*Equity £000*	*PBT £000*	*Equity £000*	*PBT £000*
Euro	+/-10%	–	59	–	35
Canadian Dollars	+/-10%	–	35	–	60
Australian Dollars	+/-10%	–	24	–	120
US Dollars	+/-10%	6	22	6	14

24. Ultimate parent undertaking and controlling party

The immediate parent company and the parent undertaking of the smallest group of which the Bank forms part of is Toronto Dominion Investments BV, which is incorporated in the Netherlands. Copies of the immediate parent's financial statements may be obtained from: 60 Threadneedle Street, London, EC2R 8AP, UK.

The Bank's ultimate parent undertaking, controlling party and the parent of the largest group to consolidate the financial statements of the Bank is The Toronto-Dominion Bank, which is incorporated in Canada. Copies of The Toronto-Dominion Bank's group financial statements may be obtained from: Finance Control Division, The Toronto Dominion Bank, PO Box 1, Toronto-Dominion Centre, King St W and Bay St, Toronto, Ontario M5K 1A2, Canada. Copies of the group financial statements may also be obtained online at www.td.com.