

# **TD Bank Europe Limited**

## **Directors' Report and Audited Financial Statements**

31 October 2020



# TD Bank Europe Limited

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Registered No: 2734652

## **Directors**

P McDonald  
J Banks  
M Cole  
M Huppke  
J Moore  
B Hooper

## **Company Secretary**

D Hirani

## **Auditors**

Ernst & Young LLP  
25 Churchill Place  
London E14 5EY

## **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 2020.

### Results and dividends

TD Bank Europe Limited's ("the Bank") results for the year are shown in the statement of comprehensive income on page 22. The total comprehensive income for the year was CAD31,014,270 (2019: CAD18,338,517).

No dividend on ordinary shares was declared during the year and none is proposed (2019: CADNil).

Information on the principal activity, risks, uncertainties and future developments of the business are provided in the strategic report on page 5.

### Going concern

The Bank's management has made a forward-looking assessment (for a reasonably foreseeable period) 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. The directors have considered the impact of the COVID-19 pandemic when making their assessment.

### 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:

P McDonald (Irish)	-	Chair and Independent Non-Executive Director
J Banks (British)	-	Director
M Cole (British)	-	Independent Non-Executive Director
M Huppke (Canadian)	-	Director
J Moore (Canadian)	-	Director
B Hooper (Canadian)	-	Non-Executive Director (appointed 29 Sep 2020)

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 ("TD Bank"), a Canadian financial institution and the ultimate parent company, are as follows:

#### Ordinary Shares

	<i>At 1 November 2019</i>	<i>Additions/Disposals during the year</i>	<i>At 31 October 2020</i>
J Banks	6	74	80
M Huppke	23	11	34
B Hooper	26,974	122	27,096
J Moore	22	1	23
	<u>27,025</u>	<u>208</u>	<u>27,233</u>

#### Share Options

	<i>At 1 November 2019</i>	<i>Additions/Disposals during the year</i>	<i>At 31 October 2020</i>
B Hooper	134,068	(660)	133,408
	<u>134,068</u>	<u>(660)</u>	<u>133,408</u>

## Directors' report (continued)

### Directors and their interests (continued)

During the financial year the Bank's directors benefited from qualifying third party indemnity granted by the Bank's ultimate parent, The Toronto-Dominion Bank, indemnifying the directors against liabilities and associated costs which they could incur in the course of their duties to the Bank. The indemnity remains in force as at the date of the financial statements.

### Pillar 3

Pillar 3 is a required regulatory requirement for the Bank's capital, risk exposures and risk management policies that have been prepared at the European parent level separately from these financial statements. When preparing the Pillar 3 disclosures, the Bank is required to comply with

- (i) the Capital Requirement Regulation (EU) No 575/2013 ("CRR")
- (ii) the Final Report on the guidelines on disclosures requirements under Part 8 of CRR issued by EBA on 14 December 2016 (amended version on 9 June 2017) ("EBA Guidelines") and
- (iii) the PRA Supervisory Statements

### Financial instrument risk management

Directors have considered risks arising from financial instruments in note 24.

### Country By Country Reporting (CBCR) (audited)

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 2020 financial year.

Name of entity	<i>TD Bank Europe Limited</i>
Geographical location	<i>United Kingdom</i>
Turnover*	CAD9,500,855 (2019:CAD7,566,684)
Average number of employees	10 (2019:10)
Profit before tax	CAD38,478,203 (2019:CAD22,652,574)
Public subsidies received	-

The Bank made corporation tax payments of CAD 20,583,359 in 2020 (2019: nil). Corporation tax liabilities have been offset by tax losses, where available, surrendered to the Bank as group relief from other group companies.

\*Turnover consists of net interest income

### 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 Bank'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.

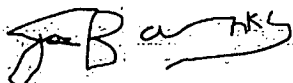
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' report (continued)

### Auditor

The Auditors, Ernst & Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board

A handwritten signature in black ink, appearing to read 'J Banks', with a stylized flourish extending to the right.

J Banks  
Director  
9 February 2021

## Strategic report

### Strategy

As an international operation of a major Canadian financial institution, the primary strategic position in the region is to support TD Bank's North American franchise. TD Bank 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 to European counterparties.

### 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 the UK and operating expenses are a combination of a) direct costs and b) allocations of overhead costs from TD Bank's London and Toronto operations.

During the year on 31 August 2020, the Bank acquired an investment portfolio of High Quality Liquid Assets ("HQLA") and associated derivative hedges. The portfolio is run to invest TD Bank's Canadian operations' excess liquidity and it serves as a contingent source of liquidity for TD Bank or other group companies ("TD Bank Group"). This portfolio is classified as held to collect with cash flow hedge accounting applied to the associated derivative hedges.

The Bank also undertakes corporate banking activities. Loans and commitments are principally made to investment grade corporate customers in the UK and Europe. More specifically, loan assets (including interbank deposits) represent exposure to corporates, 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 has held category 2 membership from the London Metals Exchange (LME) since trading commenced in early 2017. However, on 7 December 2020 this business was transferred out of the entity.

### 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 and Treasury activity acting as a source of contingent liquidity for TD Bank Group. The Bank is regulated by both the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

The Bank follows UK GAAP (United Kingdom Generally Accepted Accounting Practice) and has adopted Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework for all periods presented.

On 31 August 2020 the Bank's functional currency was changed from British Pounds ("GBP") to Canadian Dollars ("CAD") due to the change in business profile as the Bank now functions primarily as a treasury entity for the Canadian parent. The presentation currency for fiscal 2019 was changed retrospectively and restated for comparative purposes.

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

	2020 CAD '000	Restated 2019 CAD '000	Change
Net interest income	9,501	7,567	26%
Net fee income	37,306	20,071	86%
Profit on ordinary activities before taxation	38,478	22,653	70%
Profit for the financial year	31,014	18,339	69%
Total shareholder's equity	1,002,644	953,961	5%

Net interest income increased in 2020 by 26% due to net interest income on the HQLA bond portfolio. Net fee income increased by 86% on account of increased investment banking activity.

These changes resulted in 70% increase in profits on ordinary activities before taxation.

## Strategic report (continued)

### Principal risks and uncertainties

The financial risk management objectives and policies of the Bank are shown in Note 24 of the financial statements.

### Interbank reference rate (IBOR) Transition

Various interest rates and other indices that are deemed to be “benchmarks” (including IBOR benchmarks) have been, and continue to be, the subject of international regulatory guidance and proposals for reform. Following the announcement by the U.K. Financial Conduct Authority (FCA) on 27 July 2017, indicating that the FCA would no longer compel banks to submit rates for the calculation of London Interbank Offered Rate (“LIBOR”) post 31 December 2021, efforts to transition away from IBORs to alternative reference rates (“ARR”) have been continuing in various jurisdictions.

The Bank has significant contractual rights, obligations and exposures referenced to IBOR benchmarks and the discontinuance of, or changes to, benchmark rates could adversely affect the Bank’s business and results of operations. Via direct engagement and outsourced arrangements with the parent entity TD Bank, the Bank participates in a group-wide transition program. TD Bank has established an enterprise-wide, cross functional initiative with senior management and Board oversight to evaluate the impact of the market, financial, operational, legal, technology and other risks on its products, services, systems, models, documents, processes, and risk management frameworks with the intention of managing the impact through appropriate mitigating actions. The Bank is also actively participating in trade associations, industry working groups, such as the Alternative Reference Rate Committee (“ARRC”) in the US, and the Canadian Alternative Reference Rate (“CARR”) Committee and is incorporating best practice guidance from these working groups and regulators globally, such as the FCA, on transition activities, including incorporating appropriate ARR fallback language in contracts, making available new products referencing ARRs, ceasing the issuance of IBOR based financial instruments and preparing for overall operational readiness.

The group transition program monitors industry consultations initiated by the ICE Benchmark Administration Limited, which serves as the administrator for the IBORs, regarding the process and timing for the orderly wind-down of LIBOR, as well as guidance from relevant regulatory agencies to cease issuance of such LIBOR products in 2021 despite the potential continuance of certain currencies and tenors of LIBOR beyond 31 December 2021. These developments, and the related uncertainty over the potential variance in the timing and manner of implementation in each jurisdiction, introduce risks that may have adverse consequences on the Bank, its clients, and the financial services industry. Moreover, the replacement of IBORs or other benchmark rates could result in market dislocation and have other adverse consequences to market participants.

There is no assurance that the group-wide transition activities will fully mitigate these risks. In addition to operational challenges, there are also market risks that arise because the new reference rates are likely to differ from the prior benchmark rates resulting in differences in the calculation of the applicable interest rate or payment amount. The difference could result in different financial performance for previously booked transactions, require different hedging strategies, or affect the Bank’s capital and liquidity planning and management. Additionally, any adverse impacts on the value of and return on existing instruments and contracts for the Bank’s clients may present an increased risk of litigation, regulatory intervention, and possible reputational damage.

### Future developments

The Bank will continue to use its regulatory permissions to support TD Bank activity in Europe and support treasury activity for TD Bank Group.

As a result of Brexit, the Bank is unable to transact with EU27 regulated counterparties. Post Brexit, the strategy is to use the Bank to deal with UK and select unregulated EU counterparties as well as managing a source of contingent liquidity for the group. While the Bank continues to monitor closely the political landscape on Brexit, it will continue to implement its strategy and adjust accordingly as the political landscape develops and finalizes between the UK and EU.

The Bank’s Global Metals business transacts on the London Metal Exchange to support TD Bank’s Global Metals trading and client franchise. This business left the Bank on 7 December 2020 and is now booked by TD Bank, Toronto Branch.

## Strategic report (continued)

### Future developments (continued)

The Bank's Board have approved in principle for the fee and commission income and related expenses associated with TD Bank's UK based institutional equities business to be booked in the Bank.

### Section 172(1) Statement

<p><b>Introduction</b></p> <p>Section 172 of the Companies Act 2006 requires a director of the Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, Section 172 requires directors to have regard to, amongst other matters, the:</p> <ul style="list-style-type: none"> <li>• Likely consequences of any decisions in the long-term;</li> <li>• Interests of the company's employees;</li> <li>• Need to foster the company's business relationships with suppliers, customers, and others;</li> <li>• Impact of the company's operations on the community and environment;</li> <li>• Desirability of the company maintaining a reputation for high standards of business conduct; and</li> <li>• Need to act fairly as between members of the company.</li> </ul>
<p>TD's Code of Conduct and Ethics (the "Code") establishes the standards that govern the way TDBEL deals with colleagues, customers, shareholders, governments, regulators and suppliers, amongst other stakeholders. Complying with the Code is part of the terms and conditions of employment with TD and TDBEL. As a responsible business enterprise and corporate citizen, TD is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism. Every employee of TDBEL and member of the Board is expected and required to assess every business decision and every action on behalf of the organization in light of whether it is right, legal, fair and within our risk appetite. This applies at all levels of the organization, from major decisions made by the Board to day-to-day business transactions.</p> <p>Annually, all TD and TDBEL employees need to undertake Code of Conduct training and attest to adherence to the Code.</p> <p>Management continues to roll out updates to its Conduct Risk programme. The TDBEL conduct risk register is in place and we have enhanced reporting. Efforts to mature and enhance this, for potential implementation later this year, have commenced.</p>
<p>In all of our operations and across our businesses, TD is committed to supporting and respecting the protection of human rights. TD understands the important role that it plays in respecting the human rights of our employees, customers, and the communities in which we operate. TD publishes an annual statement on our efforts to combat modern slavery in compliance with the UK Modern Slavery Act (2015).</p>
<p>Environmental &amp; Social (E&amp;S) risk is an area of increased activity, aligned with increased stakeholder expectations and regulatory guidance. Climate change related risks are not expected to pose a material threat to TD's financial stability in the UK in the short term. TD remains focused on building out the E&amp;S Risk function and related frameworks, policies, programs, and tools, aligned both with global objectives and local regulatory expectations and timelines. New tools to capture and escalate borrower E&amp;S and Climate risks have been implemented. Additional industry assessment tools were launched in 2020 and are in the process of being operationalized.</p> <p>In November 2020, TD announced its commitment to a global climate action plan, which includes a target to achieve net-zero greenhouse gas emissions associated with its operations and financing activities by 2050, aligned to the associated principles of the Paris Agreement. TD's UK activities will be aligned with these global objectives.</p>



## Strategic report (continued)

TD is working toward embedding diversity and inclusion into every aspect of its business to help create an inclusive bank that reflects the diverse communities we serve. TD has built a fully integrated diversity and inclusion strategy starting with our colleagues and extending to the way we serve and connect with customers and communities. The Bank is committed to diversity and inclusion at all levels of the Bank's workforce as a business imperative.

TDBEL recognises that having a diverse board is important in providing a range of perspectives, insights and challenge necessary to support good decision making and will adopt a Board Diversity Policy in 2021, setting out the approach to diversity on the Board of directors of TDBEL.

TD recognises the importance of volunteerism as a community and employee engagement tool. Throughout the year, employees participate in a variety of fundraising and community programs and events.

In 2020, in addition to COVID19 relief efforts, our charity focus was on four key areas: Environment, Young People, Education and Literacy, and Mental Health.

### **Key Stakeholders**

TDBEL's key stakeholders are the regulators, shareholder and workforce. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions.

As a subsidiary of TD Bank Group (TD), TDBEL adopts TD's policies, as relevant, including on environmental, social, regulatory and governance (ESG) matters and ensures additional local policies are adopted, as required, to provide an appropriate framework to manage its risk and ensure strong corporate governance. Directors ensure TDBEL complies with all relevant policies and gives them due consideration when interacting with stakeholders.

Senior management commits to continued investment in people and infrastructure, as and when required, with particular focus on the governance and controls in place to ensure sustained growth while meeting regulatory expectations and obligations under the Senior Manager & Certification Regime (SMCR).

### **Regulators**

TDBEL is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

The TDBEL board and senior management are committed to maintaining an open and transparent relationship with the regulators and a programme of continuous engagement with local senior management, group senior management and TDBEL directors is in place to achieve this.

### **Shareholder**

There is an open channel of communication between Board directors and representatives of the shareholder. In 2020, to support the principal decision detailed below in relation to the acquisition of an investment portfolio, a representative of the shareholder was invited to the TDBEL board meeting to present to the Board and also held a 1-2-1 meeting with independent non-executive directors to discuss the proposal.

## Strategic report (continued)

### Workforce

Employee engagement is measured on an annual basis through a 'Pulse' survey. The 2020 survey demonstrated overall strong Employee Experience, with scores up +0.11 year on year and also very strong scores in commitment to employees' well-being and work enablement.

Employees who have gone "above and beyond" are acknowledged through on-line and formal appreciation programs. Select employees are nominated and recognized for 'Pinnacle' and 'Corporate League of Excellence (CLOE)' programs that celebrate the contributions of top performers globally and demonstrate TD's Shared Commitments in their daily interactions with their team members, business partners and clients.

In 2020 a number of learning and development programs were provided to colleagues (People leadership – Performance Management, TDS Talks sessions, Unconscious Bias training, Getting the Who Right) in addition to having open access to TD Thrive learning platform. Collaborate and Thrive was an online offering to colleagues that focused on resiliency and personal development.

There was ongoing focus on employee well-being throughout 2020, with the introduction of online programs (nutrition, yoga, fitness) that employees could participate in, as well as wellness forums to discuss mental health, resources and support available to employees.

### Principal Decisions

Principal decisions taken by the Board are those decisions in 2020 that are material to the Group, of a strategic nature and are significant to any of our key stakeholder groups.

The principal decisions made by the Board during FY2020 were the:

1. Acquisition on 31 August 2020 of a CAD18bn investment portfolio consisting of HQLA highly-rated and highly-liquid securities and associated hedging transactions from TD Bank NV (the Portfolio)
2. Appointment of Group non-executive director (Group NED) to the board effective 29 September 2020

### Consequences of Decisions

#### Transfer of Investment Portfolio

The transfer of the Portfolio had the following main impact on TDBEL:

- Approximately tenfold increase in the balance sheet size
- Change in the business model to serve as a liquidity provider for the group. TDBEL implemented a non-trading market risk programme with the addition of the Portfolio
- The TDBEL Risk Appetite Statement was updated to capture the impact of the Portfolio transfer from TDNV
- Change in the functional currency from GBP to CAD
- Portfolio estimated to earn a spread of 15 bps which will contribute to ~50% of the total revenue of TDBEL in 2021
- Accounting implications (i.e., classification and valuation of new instruments, hedge accounting including restrike of hedges upon a transfer to TDBEL, transfer pricing, disclosures in the financial statements)

#### Appointment of Director

The appointment of a Group NED to the Board met PRA expectations following the transfer of the Portfolio to the entity, ensured TD Bank was appropriately represented and brought necessary experience to the Board to support oversight of the new business.

## Strategic report (continued)

<ul style="list-style-type: none"> <li>• Capital and corporate governance requirements. Enhanced governance being rolled out and programmes supporting capital, liquidity, and stress-testing</li> <li>• TDBEL has received a reasonable assurance opinion on its capital ratio and associated regulatory returns</li> <li>• New SOX controls</li> </ul>	
<b>How Were stakeholders considered in principal decisions?</b>	
<p><u>Shareholder engagement/considerations:</u></p> <ul style="list-style-type: none"> <li>• Consideration of the acquisition of the Portfolio was to support the parent's strategy around streamlining European operations</li> <li>• Local functions worked closely with TD partners on the smooth transfer of the Portfolio</li> </ul>	<p><u>Shareholder engagement/considerations:</u></p> <p>As part of the transfer of the Portfolio to TDBEL, the Board composition was reviewed, in particular, to consider appropriate representation of the Treasury &amp; Balance Sheet Management group (TBSM) on behalf of the shareholder. TBSM were advised of the various options regarding representation on the board (appointment of executive director, appointment of non-executive director, appointment of regular invitee) and the legal and regulatory implications of each in order to help them make their decision. TBSM proposed the appointment of a non-executive director.</p>
<p><u>Workforce engagement/considerations:</u></p> <ul style="list-style-type: none"> <li>• Engagement with business/support functions as well as employees of TDBEL</li> <li>• Identified resourcing needs to support the portfolio and risk management post transition (including transfer of staff from TDNV to TDBEL)</li> <li>• Training provided to staff across the new infrastructure and processes</li> </ul>	
<p><u>Regulator engagement/considerations:</u></p> <ul style="list-style-type: none"> <li>• The PRA and FCA were duly notified of the Board decision regarding the acquisition of the Portfolio</li> <li>• There was extensive engagement with the PRA on the acquisition and the impact to the entity</li> </ul> <p><u>Management:</u></p> <ul style="list-style-type: none"> <li>• Worked with external legal counsel to confirm no regulatory approvals were required</li> <li>• Identified the regulatory risks against the TDS London Compliance Manual and TDS AML Standards and confirmed regulatory risk was low as there was no client coverage</li> </ul>	<p><u>Regulator engagement/considerations:</u></p> <p>The appointment of a Group NED met PRA expectations.</p> <p>The PRA was kept apprised of the status of the acquisition. Various governance/regulatory considerations were assessed and taken into account with regard to the proposed appointment of a non-executive director, including:</p> <ul style="list-style-type: none"> <li>• Balance of the board</li> <li>• Roles and responsibilities of Executive and Non-Executive directors, including shareholder board appointments</li> <li>• Time commitment expectations</li> <li>• Shareholder board appointments</li> </ul>

## Strategic report (continued)

<ul style="list-style-type: none"><li>• Identified impact on financial regulatory reporting, financial reporting and accounting, capital (including Pillar 1 and Pillar 2 capital requirements), leverage and leverage ratio and liquidity</li><li>• Disclosed the transaction to HMRC, as appropriate</li><li>• Liaised with the FCA on a Conflict of Interest assessment which was completed to address dual hatting between the Investment Portfolio and CAT desk &amp; maintained ongoing engagement post-transfer to resolve FCA's concerns in this regard</li><li>• Allocated the prescribed responsibility SMF18 to local management</li></ul>	<ul style="list-style-type: none"><li>• The PRA's expectations around TDBEL's acquisition of the Portfolio, including enhancement of governance, management and control and increased monitoring of senior management and board effectiveness by the regulator</li></ul> <p>The PRA was engaged on SMCR implications and consideration of SMF7 requirement in relation to the appointment of a Group Non-Executive director and it was concluded that the appointment did not constitute an SMF7 role.</p>
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On behalf of the board



J Banks  
Director  
9 February 2021

## Statement of directors' responsibilities

The directors are responsible for preparing the directors' report, strategic report and the financial statements in accordance with applicable UK 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework', 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 judgments 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 MEMBER OF TD BANK EUROPE LIMITED

## Opinion

We have audited the financial statements of TD Bank Europe Limited (the 'Bank' or 'TDBEL') for the year ended 31 October 2020 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 28, including a summary of significant accounting policies, and the section of the Directors' Report labelled as audited. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Bank's affairs as at 31 October 2020 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Bank's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"><li>• Allowances for credit losses</li><li>• Revenue recognition – Investment banking fees</li><li>• Accounting and valuation of the new investment portfolio</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall materiality of CAD\$10m which represents 1% of Total shareholders equity.</li></ul>

# Independent auditor's report

to the members of TD Bank Europe Limited (continued)

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Allowance for Credit Losses</b></p> <p><b>Failure to record necessary allowances for credit losses against the loan portfolio.</b></p> <p>At year end the Bank reported Loans and advances to Customers of CAD\$ 245,567k (2019: CAD\$ 133,093k), commitments of CAD\$ 1.89b (2019: CAD\$ 1.92b) and an expected credit loss provision of CAD\$ 539k (2019: CAD\$ 46k).</p> <p><i>Refer to the Strategic Report (page 5); Accounting policies (page 26); Notes 12 (page 43) and 23 (page 52) of the Financial Statements.</i></p> <p>Given the relative size of the loan portfolio, a failure to identify a significant increase in the credit risk reflected in the staging of the portfolio could have a material impact on the resulting Expected Credit Loss (ECL) recorded in the financial statements. Given the subjective nature of the staging decision and the assumptions in the ECL model, there is heightened risk that these could be overridden by management.</p> <p>Although, the composition of the portfolio continues to comprise a limited number of facilities, the risk has heightened during the year due to the global pandemic COVID-19, which has led to an increase in credit risk for a number of industries to which the Bank holds exposures.</p>	<p>We tested the design and operating effectiveness of the key controls implemented by management over the loan monitoring, staging and ECL calculation process under IFRS 9.</p> <p>Our audit procedures included, amongst others, involving our credit risk specialists to assess whether the methodology and assumptions, including management's significant increase in credit risk (SICR) triggers, used in significant models that estimate the ECL across various portfolios are consistent with the requirements of IFRS and industry standards.</p> <p>We tested the completeness and accuracy of data used in measuring the ECL.</p> <p>We undertook independent loan file reviews to identify any indicators of significant credit deterioration, with particular focus on the impact of COVID-19 on specific sectors where TDBEL have exposure. To respond to the identified risk, we performed our testing on all the drawn loans and extended our procedures to a sample of undrawn commitments.</p> <p>We performed cut-off testing to assess whether any events had occurred that may impact the year end staging assessment and resulting ECL, including assessing the year end arrears for recoverability.</p>	<p>No material issues were identified from our audit procedures over the staging decision and recorded ECL relating to loans and advances to customers.</p> <p>We concluded that the assumptions made by management in the ECL model were reasonable as at 31 October 2020.</p> <p>We concluded that the carrying amount of loans and advances to customers and related ECL as at 31 October 2020 were reasonable and in compliance with United Kingdom Generally Accepted Accounting Principles.</p>

## Independent auditor's report

to the members of TD Bank Europe Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue Recognition – Investment banking fees</b></p> <p>Investment Banking fees in TDBEL are allocated within the TD Group hence there is a risk of incorrect allocation or calculation of the fee income which could be booked in the wrong period.</p> <p>Investment banking fee income for the year totalled CAD\$ 27,772k (2019: CAD\$ 10,672k).</p> <p><i>Refer to the Strategic Report (page 5; Accounting policies (page 26); and Note 5 of the Financial Statements (page 39).</i></p> <p>The risk associated with investment banking fees has remained consistent with the prior year.</p>	<p>We confirmed our understanding of the revenue recognition policy in place for investment banking fees booked into TDBEL. We assessed the design effectiveness of key controls operating throughout the process by which the fee income is allocated within the TD Group.</p> <p>We reviewed the underlying transfer pricing agreement to confirm that revenue was being recognised in accordance with the policy, and engaged tax specialists to assess the reasonableness of the rate applied.</p> <p>For a sample of transactions, we recalculated fee income by vouching the transactions back to the terms of the underlying agreement and by testing for arithmetical accuracy. We also traced the transactions through to cash settlement. We increased our sample size for transactions to respond to the identified fraud risk.</p> <p>We tested for completeness and accuracy the schedule of the investment banking fees by checking the list of deals by customer against the TDBEL relationships master list.</p> <p>We performed cut-off testing to confirm that revenue had been recognised in the correct period.</p>	<p>No material issues were identified from the execution of our audit procedures over the risk of improper recognition of investment banking fee income.</p> <p>We concluded that the revenue recognised related to fees for the year ended 31 October 2020 is materially correct and in accordance with United Kingdom Generally Accepted Accounting Practice.</p>



## Independent auditor's report

to the members of TD Bank Europe Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Accounting and valuation of the new investment portfolio</b></p> <p>The business model of the Bank has changed following the purchase of an investment portfolio of High Quality Liquid Assets and associated derivative hedges from another TD Group company.</p> <p>The portfolio comprises Debt securities of CAD\$ 17,922,838k, Other deposits of CAD\$ 17,851,236k and CAD\$ 50,660k Foreign Exchange derivatives that are used as hedging instruments.</p> <p>Accounting and reporting risks arising from the purchase of this investment portfolio include the appropriate application of accounting standards in recording the assets and liabilities transferred, including the impact of hedge accounting and the related disclosures in relation to the transfer.</p> <p><i>Refer to the Strategic Report (page 5); Accounting policies (page 26); and Notes 1 (page 26), 4 (page 39), 14 and 15 (page 44), 20 and 21 (page 50), 24 (page 52), 25 (page 64) and 26 (page 66) of the Financial Statements.</i></p>	<p>We performed substantive procedures over the accounting policy choices of TDBEL to account for the transaction including an assessment of the appropriateness of the functional currency change from GBP to CAD.</p> <p>We performed walkthroughs and tested controls related to original recognition and subsequent presentation of the investment portfolio in the books and records as well as the hedging criteria checks.</p> <p>We verified the existence of debt securities using independent confirmations and reperformed calculation of accrued interest.</p> <p>We performed substantive testing over hedge effectiveness, tested the valuation of hedged items and independently revalued a sample of hedge derivatives.</p> <p>We performed recalculations of interest income and expenses in relation to the portfolio, and verified interest received to bank statements.</p> <p>We assessed ECL requirements on positions held at amortised cost.</p> <p>We performed cut-off procedures on debt securities purchased close to year-end.</p>	<p>No material issues were identified from our audit procedures over the investment portfolio. The balances related to the new investment portfolio were fairly stated as at 31 October 2020</p>

### An overview of the scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Bank and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

# **Independent auditor's report**

## **to the members of TD Bank Europe Limited (continued)**

In establishing our overall approach to the audit, we determined the type of work that needed to be undertaken directly by the UK audit engagement team, or by EY Canada as the auditors of The Toronto-Dominion Bank Group ("TD Bank Group" or "TD Group"), who operated under our instruction. Where work was performed by the TD Group auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Bank as a whole.

The audit engagement team interacted regularly with the TD Group audit team where appropriate throughout the course of the audit, which included holding planning meetings, maintaining regular communications on the status of the audit, reviewing all relevant working papers and maintaining responsibility for the scope and direction of the audit process. This, together with the additional procedures performed at the UK level, gave us appropriate evidence for our opinion on the TDBEL's financial statements.

All audit work was performed directly by the audit engagement team, EY specialists or by the TD Bank Group auditors from other EY global network firms operating under our instruction.

### **Changes from the prior year**

Other than the transfer of the Investment portfolio into the Bank, there were no other scope changes from prior year.

### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### **Materiality**

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Bank to be CAD\$ 10,026k (2019: CAD\$ 9,594k), which is 1% (2019: 1%) of Total shareholders equity. Total shareholders equity was deemed the most appropriate basis for materiality, given that the purpose of the entity is primarily to manage a portfolio of liquid assets for TD Bank Group and to support the global banking activities undertaken by the Group, rather than being an entity whose success is primarily measured on its standalone return metrics.

During the course of our audit, we reassessed initial materiality and considered the materiality levels to be appropriate.

#### **Performance materiality**

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our materiality, namely CAD\$ 5,013k (2019: CAD\$ 4,797k). We have set performance materiality at this percentage due to the change in the business model of the Bank.

#### **Reporting threshold**

An amount below which identified misstatements are considered as being clearly trivial.

# **Independent auditor's report**

## **to the members of TD Bank Europe Limited (continued)**

There were no uncorrected audit differences in excess of CAD\$ 501k (2019: CAD\$ 475k), which is set at 5% of materiality (2019: 5%), as well as differences below that threshold that, in our view, which warranted reporting on qualitative grounds to the directors.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the Directors' report and Strategic report set out on pages 2 to 11, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 to be audited 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.

# Independent auditor's report

to the members of TD Bank Europe Limited (continued)

## Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach in respect of irregularities, including fraud was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are the Financial Services and Markets Act 2000 (FSMA), Financial Services Act 2012 and other relevant Financial Conduct Authority ('FCA') & Prudential Regulation Authority ('PRA') regulations.
- We understood how the Bank complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Bank and UK regulatory bodies; reviewed minutes of the Board, Audit Committee and Asset Liability & Capital Committee; and gained an understanding of the Bank's approach to governance, demonstrated by the Board's approval of the Bank's governance framework and the Board's review of the Bank's risk management framework and internal control processes.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Bank has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved inquiries of regulatory bodies, legal counsel, executive management, internal audit, and focused testing, as referred to in the Key Audit Matters section above.

## **Independent auditor's report**

**to the members of TD Bank Europe Limited (continued)**

- The Bank operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### ***Other matters we are required to address***

- We were appointed by the Bank on 31 October 2005 to audit the financial statements for the year ending 31 October 2005 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 16 years, covering the years ending 31 October 2005 to 31 October 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

# Independent auditor's report

to the members of TD Bank Europe Limited (continued)

## Use of our report

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.

Ernst & Young L.L.P.

JeanPhilippe Jacques Faillat (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

*Date: 17 February 2021*

## Statement of comprehensive income

for the year ended 31 October 2020

		2020	Restated 2019
	Note	CAD'000	CAD'000
Interest income using the effective interest rate method		20,703	14,790
Interest expense using the effective interest rate method		(11,202)	(7,223)
<b>Net interest income</b>	4	<u>9,501</u>	<u>7,567</u>
Fee & Commission income		37,306	20,071
<b>Net fee &amp; Commission income</b>	5	<u>37,306</u>	<u>20,071</u>
Foreign exchange loss		(332)	(220)
Loss on financial assets at fair value	6	(1,933)	-
Personnel expenses	7,8	(3,611)	(3,102)
Other expenses	9	<u>(1,616)</u>	<u>(1,605)</u>
		<u>39,315</u>	<u>22,711</u>
Credit loss expense		(837)	(58)
<b>Profit on ordinary activities before taxation</b>		<u>38,478</u>	<u>22,653</u>
Tax on profit on ordinary activities	10	<u>(7,464)</u>	<u>(4,314)</u>
<b>Profit for the financial year</b>		<u>31,014</u>	<u>18,339</u>
<b>Other Comprehensive income (OCI)</b>			
Functional currency translation		<u>20,954</u>	<u>142</u>
<b>Items that will not be recycled to statement of profit or loss</b>			
Net realised loss on held for sale		(15)	-
Losses on derivatives designated as cash flow hedges		<u>(3,270)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>48,683</u>	<u>18,481</u>

The accompanying notes on pages 26 to 67 form an integral part of the financial statements.

## Statement of changes in equity

for the year ended 31 October 2020

	<i>Called up share capital CAD'000</i>	<i>Retained earnings CAD'000</i>	<i>FVOCI Reserve CAD'000</i>	<i>Cash Flow Hedging reserve CAD'000</i>	<i>Total shareholders equity CAD'000</i>
Balance as at 1 November 2019	616,339	337,185	437	-	953,961
Functional currency translation	13,539	7,406	9	-	20,954
Profit for the financial year	-	31,014	-	-	31,014
Losses on derivatives designated as cash flow hedges	-	-	-	(3,270)	(3,270)
Held for sale - realised loss	-	-	(15)	-	(15)
At 31 October 2020	629,878	375,605	431	(3,270)	1,002,644

<i>Restated</i>	<i>Called up share capital CAD'000</i>	<i>Retained earnings CAD'000</i>	<i>FVOCI Reserve CAD'000</i>	<i>Cash Flow Hedging reserve CAD'000</i>	<i>Total shareholders equity CAD'000</i>
Balance as at 1 November 2018	616,339	318,704	437	-	935,480
Functional currency translation	-	142	-	-	142
Profit for the financial year	-	18,339	-	-	18,339
At 31 October 2019	616,339	337,185	437	-	953,961

The accompanying notes on pages 26 to 67 form an integral part of the financial statements.



**Balance sheet**

at 31 October 2020

		2020	Restated 2019
	Note	CAD'000	CAD'000
<b>Assets</b>			
Cash and balances at central banks	11	1,027,258	1,709,855
Debt securities at amortised cost, net of allowance for credit losses	14	17,922,838	-
Loans and advances to banks	12	103,579	99,892
Loans and advances to customers	13	245,567	133,093
Derivative financial instruments	15	255,451	194,087
Financial assets at fair value through Other Comprehensive Income	16	-	2,516
Financial assets Held for Sale	16	2,546	-
Tangible fixed assets	17	233	246
Current tax assets		4,362	-
Deferred tax asset	10	708	-
Other assets	18	145,281	120,343
Prepayments and accrued income		56,368	1,862
<b>Total assets</b>		<b>19,764,191</b>	<b>2,261,894</b>
<b>Liabilities</b>			
Deposits from banks	19	377,372	961,652
Other deposits	20	17,987,414	134,019
Derivative financial instruments	15	200,243	194,087
Other liabilities	21	196,518	9,056
Current tax liabilities		-	9,093
Deferred tax liability	10	-	26
<b>Total liabilities</b>		<b>18,761,547</b>	<b>1,307,933</b>
<b>Shareholders equity</b>			
Called up share capital	22	629,878	616,339
Retained earnings		375,605	337,185
Financial assets at fair value through OCI - net gain			437
Held for Sale – net gain		431	
Gross loss on derivatives designated as cash flow hedges		(3,270)	-
<b>Total shareholder's equity</b>		<b>1,002,644</b>	<b>953,961</b>
<b>Total liabilities and shareholder's equity</b>		<b>19,764,191</b>	<b>2,261,894</b>
<b>Memorandum items</b>			
<b>Commitments</b>	23	<b>1,893,451</b>	<b>1,924,273</b>

The accompanying notes on pages 26 to 67 form an integral part of the financial statements.

## Balance sheet

at 31 October 2020

The financial statements were approved by the Board of directors on 9 February 2021 and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'J Banks', with a stylized flourish at the end.

J Banks

Director

## Notes to the financial statements

at 31 October 2020

### 1. Authorisation of financial statements and statement of compliance with FRS 101

TD Bank Europe Limited ("the Bank") is a wholly-owned subsidiary of Toronto Dominion Investments BV whose ultimate parent is The Toronto-Dominion Bank. The Bank is a private company limited by shares, incorporated and domiciled in United Kingdom. The registered office is located at 60 Threadneedle Street, London, England EC2R 8AP.

The Bank, an authorised institution under The Financial Services and Markets Act 2000, is regulated by both the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements of the Bank were approved by the Board of directors on 9 February 2020.

During the year on 31 August 2020, the Bank purchased an investment portfolio of High Quality Liquid Assets and associated derivative hedges. The portfolio is run to invest TD Bank's Canadian operations' excess liquidity and it serves as a contingent source of liquidity for TD Bank or other group companies ("TD Bank Group"). This portfolio is classified as held to collect with cash flow hedge accounting applied to the associated derivative hedges.

The table below shows the line items that have been significantly impacted by the investment portfolio:

Investment Portfolio related balances as at 31/10/2020	CAD'000
Debt securities	17,922,838
Derivative Financial Instruments-Assets	50,660
Prepayments and accrued income	55,606
Other deposits	(17,851,236)
Other liabilities	(182,859)
Interest income using the effective interest rate method	(14,426)
Interest expense using the effective interest rate method	9,073

### 2. Accounting policies

#### Basis of preparation

The Bank follows UK GAAP (United Kingdom Generally Accepted Accounting Practice) and has adopted FRS 101 Reduced Disclosure Framework for all periods presented. The Bank has taken advantage of the following disclosure exemptions under FRS 101:

(a) Paragraph 8 (k) of FRS 101, exempts a qualifying entity from the requirements in International Accounting Standard ("IAS") 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(b) Paragraph 8 (h) of FRS 101, exempts a qualifying entity from the requirements in IAS 7 to produce a statement of cash flows. The Bank is claiming an exemption as the financial statements of its ultimate parent, which include a cash flow statement, are publicly available.

(c) Paragraph 8 (i) of FRS 101, exempts a qualifying entity from the requirements in IAS 8 to disclose accounting standards issued but not yet effective.

During the year on 31 August 2020, The Bank pursued the purchase of an investment portfolio of High Quality Liquid Assets and associated derivative hedges. As a consequence, there was a change in the Bank's strategy, which is to serve as a contingent source of liquidity for TD Bank Group. This portfolio is classified as held to collect with cash flow hedge accounting applied to the associated derivative hedges.

The Bank's functional currency was changed from Sterling ('GBP') to Canadian Dollars ('CAD') on the same date. Borrowing from Group undertakings will fund the Bank's investment portfolio (in CAD) and as a result of derivative hedges on the investment portfolio, the Bank will primarily earn revenue in CAD. Based on this, Management believes that CAD functional currency is the currency that most faithfully represents the economic effects of the Bank's transactions, events and conditions. The presentation currency

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Basis of preparation (continued)

for fiscal 2019 was changed retrospectively and restated for comparative purposes. Refer to Note 25 for details on comparative balances.

The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand (CAD000), unless otherwise indicated.

The financial statements were prepared under a historical cost basis except for certain items carried at fair value as discussed below.

#### Going concern

The financial statements, which should be read in conjunction with the directors' report and strategic report, are prepared on a going concern basis.

The directors have performed a detailed assessment of the uncertainties prevailing as a result of the COVID-19 pandemic as they relate to the adoption of the going concern principle. This assessment included various stress tests and reverse stress tests, as well as a detailed look at the collectability of the corporate portfolio. It is recognised that COVID-19 has increased credit risk due to the broad-based global economic impacts which include increased unemployment, reduced economic activity and longer-term uncertainty around collateral values and business strategies as the pandemic re-defines where and how people work. As a result, there was a continued build-up in the Bank's expected credit losses (ECL) during the quarter. The ultimate duration and severity of the pandemic remains uncertain. Management believes that most of the Borrower Risk Rating (BRR) downgrades are expected to have been incorporated at this time. Liquidity requests have remained stable after the peak in Q2 2020. COVID-19 industries of focus are being closely monitored and the bank remains well positioned to manage itself through this period relying on its active management of credit risk.

Based on the assessment performed as stated within the directors' report, the directors have a reasonable expectation that the Bank is well placed to manage its business risks and meet its capital and liquidity requirements over the next twelve months and therefore have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in the preparation of the financial statements.

#### Significant accounting policies

The preparation of the financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following summary of accounting policies have been applied to all periods presented in the financial statements.

#### Cash and balances at central banks

Cash and balances at central banks consist of cash at banks and short-term deposits. These amounts are due on demand or have an original maturity of three months or less.

#### Revenue recognition

Revenue is recognized at an amount that reflects the consideration the Bank expects to be entitled to in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Bank recognizes revenue when it transfers control of a good or a service to a customer at a point in

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Revenue recognition (continued)

time or over time. The determination of when performance obligations are satisfied requires the use of judgment. The Bank identifies contracts with customers subject to IFRS 15, which create enforceable rights and obligations. The Bank determines the performance obligations based on distinct services promised to the customers in the contracts.

Investment banking fees are recognised as income when earned. Underwriting fees which are included in investment banking fees, are recognised as income when the Bank has rendered all services to the issuer and is entitled to collect the fee. Investment banking fees are included in fee income on the statement of comprehensive income.

London Metal Exchange sales and brokerage commissions are recognised at a point in time when the transaction is executed.

Interest from interest-bearing assets and liabilities with TD Bank Group is calculated using the effective interest rate method ("EIRM"). Interest from the Corporate loan portfolio and debt securities is recognised as interest income using the EIRM. EIRM is the rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument.

Revenue recognition policies for financial instruments are described in the accounting policies below.

#### IBOR Reform and its Effects on Financial Reporting

Various interest rates and other indices that are deemed to be "benchmarks" (including interbank offered rate (IBOR) benchmarks) have been, and continue to be, the subject of international regulatory guidance and proposals for reform. Following the announcement by the U.K. Financial Conduct Authority (FCA) on July 27, 2017 indicating that the FCA would no longer compel banks to submit rates for the calculation of LIBOR post December 31, 2021, efforts to transition away from IBORs to alternative reference rates have been continuing in various jurisdictions. These developments, and the related uncertainty over the potential variance in the timing and manner of implementation in each jurisdiction, introduce risks that may have adverse consequences on the Bank, its clients and the financial services industry. Moreover, the replacement of the IBORs or other benchmark rates could result in market dislocation and have other adverse consequences for market participants.

As a result of the effects of Interbank Offered Rates (IBOR) reform, on September 26, 2019, the IASB issued Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 ("Interest Rate Benchmark Reform"); these amendments did not have a significant impact on the Bank.

#### Classification and Measurement of Financial Assets

The Bank classifies its financial assets into the following categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Held-for-trading;

The Bank continues to recognise financial assets on a trade date basis.

#### Debt Instruments

The classification and measurement for debt instruments is based on the Bank's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest (SPPI).

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Debt Instruments (continued)

The Bank has determined its business models as follows:

- Held-to-collect: the objective is to collect contractual cash flows;
- Held-to-collect-and-sell: the objective is both to collect contractual cash flows and sell the financial assets; and
- Held-for-sale and other business models: the objective is neither of the above.

The Bank performs the SPPI test for financial assets held within the held-to-collect and held-to-collect-and-sell business models. If these financial assets have contractual cash flows which are inconsistent with a basic lending arrangement, they are classified as non-trading financial assets measured at fair value through profit or loss ("FVTPL"). In a basic lending arrangement, interest includes only consideration for time value of money, credit risk, other basic lending risks, and a reasonable profit margin.

#### *Debt Securities and Loans Measured at Amortised Cost*

Debt securities and loans held within a held-to-collect business model where their contractual cash flows pass the SPPI test are measured at amortised cost. The carrying amount of these financial assets is adjusted by an allowance for credit losses recognized and measured as described in the Impairment – Expected Credit Loss Model section of this Note, as well as any write-offs and unearned income which includes prepaid interest, loan origination fees and costs, commitment fees, loan syndication fees, and unamortized discounts or premiums. Interest income is recognized using EIRM. Loan origination fees and costs are considered to be adjustments to the loan yield and are recognized in interest income over the term of the loan. Commitment fees are recognized in credit fees over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are recognized in interest income over the term of the resulting loan. Loan syndication fees are recognized in credit fees 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 recognized as a yield adjustment in interest income over the term of the loan.

#### *Financial Assets Held-for-Trading*

The held-for-sale business model includes financial assets held within a trading portfolio if they have been originated, acquired, or incurred principally for the purpose of selling in the near term, or if they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

Trading portfolio assets are accounted for at fair value, with changes in fair value as well as any gains or losses realised on disposal recognised in trading income. Transaction costs are expensed as incurred.

#### Equity Instruments

Equity investments are required to be measured at FVTPL, except where the Bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. If such election is made, the fair value changes, including any associated foreign exchange gains or losses, are recognised in OCI and are not subsequently reclassified to net income, including upon disposal. Realised gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognised in interest income unless the dividends represent a recovery of part of the cost of the investment. Gains and losses on non-trading equity investments measured at FVTPL are included in income (loss) from non-trading financial instruments at FVTPL in the Statement of Comprehensive Income.

#### Classification and Measurement for Financial Liabilities

The Bank classifies its financial liabilities into the following categories:

- Held-for-trading;
- Other liabilities.

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Financial Liabilities Held-for-Trading

Financial liabilities are held within a trading portfolio if they have been incurred principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking.

Trading portfolio liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in trading income. Transaction costs are expensed as incurred. Interest is recognised on an accrual basis and included in interest expense.

#### Other Financial Liabilities

##### *Deposits*

Deposits, other than deposits included in a trading portfolio, are accounted for at amortised cost. Accrued interest on deposits, calculated using EIRM, is included in Other liabilities on the Balance Sheet and is recognised as Interest expense on the Statement of Comprehensive Income.

#### Reclassification of Financial Assets and Liabilities

Financial assets and financial liabilities are not reclassified subsequent to their initial recognition, except for financial assets for which the Bank changes its business model for managing financial assets. Such reclassifications of financial assets are expected to be rare in practice.

#### Impairment – Expected Credit Loss (ECL) Model

The ECL model applies to financial assets, including loans and debt securities measured at amortised cost, and loan commitments that are not measured at FVTPL.

The ECL model consists of three stages: Stage 1 – twelve-month ECLs for performing financial assets, Stage 2 – Lifetime ECLs for financial assets that have experienced a significant increase in credit risk since initial recognition, and Stage 3 – Lifetime ECLs for financial assets that are impaired. ECLs are the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows the Bank expects to receive, discounted at the original effective interest rate. If a significant increase in credit risk has occurred since initial recognition, impairment is measured as lifetime ECLs. Otherwise, impairment is measured as twelve-month ECLs which represent the portion of lifetime ECLs that is expected to occur based on default events that are possible within twelve months after the reporting date. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance reverts to being measured based on twelve-month ECLs.

The Bank manages exposures on an individual borrower basis, using industry and sector-specific credit risk models, and expert judgment. The Bank has categorized credit risk exposures according to the following Basel counterparty types: corporate, including wholesale and commercial customers, sovereign, and bank.

The Bank considered ECL on intercompany loans however these amounts were deemed to be immaterial.

The Bank evaluates credit risk for exposures by using both borrower risk rating (BRR) which is an internal risk rating and facility risk rating (FRR). The Bank uses this system for all corporate, sovereign, and bank exposures. The Bank determines the risk ratings using industry and sector-specific credit risk models that are based on internal historical data for the years of 1994-2017, covering both wholesale and commercial lending experience. All borrowers and facilities are assigned an internal risk rating that must be reviewed at least once each year.

External data such as rating agency default rates or loss databases are used to validate the parameters. Internal risk ratings (BRR and FRR) are key to portfolio monitoring and management and are used to set exposure limits and loan pricing. Consistent with the Advanced Internal Rating-Based (AIRB) approach to measure capital adequacy at a one-year risk horizon, the parameters are estimated to a twelve-month forward time horizon.

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Impairment – Expected Credit Loss (ECL) Model (continued)

##### *Borrower Risk Rating and Probability of Default (PD)*

Each borrower is assigned a BRR that reflects the PD of the borrower using proprietary models and expert judgment. In assessing borrower risk, the Bank reviews the borrower's competitive position, financial performance, economic, and industry trends, management quality, and access to funds. Under the AIRB Approach, borrowers are grouped into BRR grades that have similar PD.

Use of projections for model implied risk ratings is not permitted and BRRs may not incorporate a projected reversal, stabilization of negative trends, or the acceleration of existing positive trends. Historic financial results can however be sensitized to account for events that have occurred, or are about to occur, such as additional debt incurred by a borrower since the date of the last set of financial statements.

In conducting an assessment of the BRR, all relevant and material information must be taken into account and the information being used must be current. Quantitative rating models are used to rank the expected through-the-cycle PD, and these models are segmented into categories based on industry and borrower size. The quantitative model output can be modified in some cases by expert judgment, as prescribed within the TD Bank's credit policies.

To calibrate PDs for each BRR band, the Bank computes yearly transition matrices based on annual cohorts and then estimates the average annual PD for each BRR. The PD is set at the average estimation level plus an appropriate adjustment to cover statistical and model uncertainty. The calibration process for PD is a through-the-cycle approach.

##### *Facility Risk Rating and Loss Given Default (LGD)*

The FRR maps to LGD and takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure.

Different FRR models are used based on industry and obligor size. Where an appropriate level of historical defaults is available per model, this data is used in the LGD estimation process. Data considered in the calibration of the LGD model includes variables such as collateral coverage, debt structure, and borrower enterprise value. Average LGD and the statistical uncertainty of LGD are estimated for each FRR grade. In some FRR models, lack of historical data requires the model to output a rank-ordering which is then mapped through expert judgment to the quantitative LGD scale.

The AIRB Approach stipulates the use of downturn LGD, where the downturn period, as determined by internal and/or external experience, suggests higher than average loss rates or lower than average recovery, such as during an economic recession. To reflect this, average calibrated LGDs take into account both the statistical estimation uncertainty and the higher than average LGDs experienced during downturn periods.

##### *Exposure at Default (EAD)*

The Bank calculates EAD by first measuring the drawn amount of a facility and then adding a potential increased utilization at default from the undrawn portion, if any. Usage Given Default (UGD) is measured as the percentage of Committed Undrawn exposure that would be expected to be drawn by a borrower defaulting in the next year, in addition to the amount that already has been drawn by the borrower. In the absence of credit mitigation effects or other details, the EAD is set at the drawn amount plus (UGD x Committed Undrawn), where UGD is a percentage between 0% and 100%.

Given that UGD is determined in part by PD, UGD data is consolidated by BRR up to one-year prior to default. An average UGD is then calculated for each BRR along with the statistical uncertainty of the estimates.

Historical UGD experience is studied for any downturn impacts, similar to the LGD downturn analysis. The Bank has not found downturn UGD to be significantly different than average UGD, therefore the UGDs are set at the average calibrated level, per BRR grade, plus an appropriate adjustment for statistical and model uncertainty.



# Notes to the financial statements

at 31 October 2020

## 2. Accounting policies (continued)

### Significant Increase in Credit Risk

Significant increase in credit risk is assessed based on changes in BRR since initial recognition.

The Bank defines default as BRR 9A or 9B whereby the probability of default for its exposures is 100%. At this point exposures are considered fully impaired and moved to Stage 3, or when there is objective evidence that there has been a deterioration of credit quality to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

When determining whether there has been a significant increase in credit risk since initial recognition of a financial asset, the Bank considers all reasonable and supportable information that is available without undue cost or effort about past events, current conditions, and forecast of future economic conditions.

### Measurement of Expected Credit Losses (ECL)

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and consider reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Bank's credit risk assessment. Expected life is the maximum contractual period the Bank is exposed to credit risk, including extension options for which the borrower has unilateral right to exercise. For certain financial instruments that include both a loan and an undrawn commitment and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period, ECLs are measured over the period the Bank is exposed to credit risk.

### Forward-Looking Information and Expert Credit Judgment

Forward-looking information is considered when determining significant increase in credit risk and measuring ECLs. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant.

Qualitative factors that are not already considered in the modelling are incorporated by exercising expert credit judgment in determining the final ECL.

### Allowance for Loan Losses

The allowance for loan losses represents management's best estimate of ECLs in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. The allowance for loan losses for lending portfolios reported on the Balance Sheet is deducted from Loans and Advances on the Balance Sheet. The allowance for loan losses for loans measured at FVOCI is presented on the Statement of Changes in Equity. The allowance for loan losses for off-balance sheet instruments, which relates to undrawn lines of credit, is recognised in Other liabilities on the Balance Sheet. Allowances for lending portfolios reported on the balance sheet and off-balance sheet exposures are calculated using the same methodology. The allowance is increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals. Each quarter, allowances are reassessed and adjusted based on any changes in management's estimate of the ECL. Loan losses on impaired loans in Stage 3 continue to be recognised by means of an allowance for loan losses until a loan is written off.

A loan is written off against the related allowance for loan losses when there is no realistic prospect of recovery. Loans are generally written off when all reasonable collection efforts have been exhausted, such as when a loan is sold, when all security has been realised, or when all security has been resolved with the receiver or bankruptcy court.

### Derivative financial instruments

Derivatives are instruments that derive their value from changes in underlying interest rates, foreign exchange rates, credit spreads, commodity prices, equities, or other financial or non-financial measures. Such instruments include interest rate, foreign exchange, equity, commodity and credit derivative contracts. Derivatives are carried at their fair value on the Balance Sheet.

The notional amounts of derivatives are not recorded as assets or liabilities as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged in

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Derivative financial instruments (continued)

accordance with the contract. Notional principal amounts do not represent the potential gain or loss associated with market risk and are not indicative of the credit risk associated with derivatives.

##### (a) Derivatives held for trading purposes

The Bank enters into trading derivative contracts to meet the needs of the customers. The realised and unrealised gains or losses on trading derivatives are recognised immediately in net trading income.

##### (b) Derivatives held for non-trading purposes

Non-trading derivatives are primarily used to manage foreign exchange risk, as the majority of investments are in a different currency (EUR/USD) than the underlying funding (CAD) and functional currency (CAD). When derivatives are held for non-trading purposes and when the transactions meet the hedge accounting requirements of IAS39 Financial instruments measurement and recognition, they are classified by the Bank as non-trading derivatives and receive hedge accounting treatment, as appropriate.

##### (c) Hedge accounting

The Bank aims to effectively hedge the risk of changes in the value of the balance sheet and expected future cash flows due to foreign currency fluctuations for the remaining lifetime of the investments. manages its investment portfolio on a going concern basis, whereas investments in debt securities with a term of maximum seven years are re-invested at maturity through the roll-over of loans (tranches) at their maturity under the loan agreement. To mitigate foreign exchange ("FX") risk, the Bank aims to establish a highly effective level of hedging and compliance with cost price hedging requirements. The Bank will enter into FX spot and FX forward transactions to hedge all investment related principal and coupon cash flows back to the funding currency. The Bank undertakes derivative transactions to hedge the currency exposure resulting from investments and funding occurring in different currencies.

Permitted derivatives and financial instruments for risk mitigation are Spot / forward FX transactions, if investments are made in different currencies than they are funded in. The highly probable expected future flows from the investments, inclusive of all coupon / interest flows, will be fully matched by forward foreign exchange transactions;

Derivatives are measured at the spot rate on-balance sheet date with the application of the following: FX forwards, related to the hedged positions of on-balance sheet investments in foreign currency, are measured at cost and FX results are recognised in the income statement at the actual rate on reporting date. The interest components (the forward points) of the hedging instruments are amortized on a straight-line basis over the full life of the related investments, in view of the hedges being fully effective.

At the inception of a hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. In order to be considered effective, the hedging instrument and the hedged item must be highly and inversely correlated such that the changes in the fair value of the hedging instrument will substantially offset the effects of the hedged exposure to the Bank throughout the term of the hedging relationship. The level of ineffectiveness, if any, is determined at least at each fiscal year end. If the critical characteristics of the hedging instrument and the hedged item are not or have not been identical, this is an indication that the cost price hedge contains

# Notes to the financial statements

at 31 October 2020

## 2. Accounting policies (continued)

### Derivative financial instruments (continued)

an ineffective part. If the ineffectiveness results in an accumulated gain or loss as at the balance sheet date, the ineffectiveness is taken into the profit and loss account.

Changes in fair value relating to the derivative component excluded from the assessment of hedge effectiveness, is recognised immediately in profit or loss.

The Bank designates specific derivatives as hedges of the variability in highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

#### (d) Cash flow hedges

The Bank is exposed to variability in future cash flows attributable to foreign exchange rate risks. (Coupon and principal payments are in EUR and USD). The amounts and timing of future cash flows are projected for each hedged exposure on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults.

The effective portion of the change in the fair value of the derivative that is designated and qualifies as a cash flow hedge is initially recognised in other comprehensive income ("OCI"). The change in fair value of the derivative relating to the ineffective portion is recognised immediately in profit and loss.

Amounts in accumulated other comprehensive income ("AOCI") attributable to foreign exchange rate components, as applicable, are reclassified to the statement of comprehensive income in the period in which the hedged item affects income, and are reported in the same income statement line as the hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in AOCI at that time remains in AOCI until the forecasted transaction impacts the statement of comprehensive income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in AOCI is immediately reclassified to profit or loss on the statement of comprehensive income.

### Foreign currencies

The Bank's financial statements are presented in CAD, which is the functional and presentation currency of the Bank. Monetary assets and liabilities denominated in a currency that differs from an entity's functional currency are translated into the functional currency of the entity at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated into an entity's functional currency at average exchange rates prevailing throughout the year. Translation gains and losses are included in Foreign exchange income/(loss).

### Offsetting of financial instruments

Financial assets and liabilities are offset, with the net amount presented on the Balance Sheet only if the Bank currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. In all other situations assets and liabilities are presented on a gross basis.

### Derecognition of financial instruments

#### Financial Assets

The Bank derecognises a financial asset when the contractual rights to that asset have expired. Derecognition may also be appropriate where the contractual right to receive future cash flows from the asset have been transferred, or where the Bank retains the rights to future cash flows from the asset, but assumes an obligation to pay those cash flows to a third-party subject to certain criteria.

When the Bank transfers a financial asset, it is necessary to assess the extent to which the Bank has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards of ownership of the financial asset have been retained, the Bank continues to recognise the financial asset and

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Derecognition of financial instruments (continued)

##### *Financial Assets (continued)*

also recognises a financial liability for the consideration received. If substantially all the risks and rewards of ownership of the financial asset have been transferred, the Bank will derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. The Bank determines whether substantially all the risk and rewards have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows does not change significantly as a result of the transfer, the Bank has retained substantially all of the risks and rewards of ownership.

##### *Financial Liabilities*

The Bank derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms or where the terms of the existing liability are substantially modified, the original liability is derecognised and a new liability is recognised.

#### Tangible fixed assets

Depreciation of property and equipment is provided over estimated useful lives as follows:

Computer hardware	2-8 years straight line
Furniture and fittings	10 years straight line

Depreciation is charged from the relevant month in the year use commences. The Bank assesses its depreciable assets for impairment on an annual basis. When impairment indicators are present, the recoverable amount of the asset, which is the higher of its estimated fair value less costs to sell and its value-in-use, is determined. If the carrying value of the asset is higher than its recoverable amount, the asset is written down to its recoverable amount.

#### Share-based compensation

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 which track the price of a TD Bank common share. The participants are also credited with dividend equivalents and the share units mature on the relevant anniversary of the award based on its term as defined in the participation agreement. On maturity the amounts are paid in cash. The obligation related to share units is included in other liabilities. Compensation expense is recognised based on the fair value of the share units at the grant date adjusted for changes in fair value between the grant date and the vesting date over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period, in addition to a period prior to the grant date. For the Bank's share units, this period is generally equal to four years.

#### Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, the amount of which can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured based on management's best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognised as interest expense.

#### Income taxes

Income tax is comprised of current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Income taxes (continued)

or directly in equity, in which case the related taxes are also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes. Deferred tax assets are recognised only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. Deferred tax liabilities are not recognised on temporary differences arising on investments in subsidiaries, branches and associates, and interests in joint ventures if the Bank controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank records a provision for uncertain tax positions if it is probable that the Bank will have to make a payment to tax authorities upon their examination of a tax position.

This provision is measured at the Bank's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management determines they are no longer required or as determined by statute.

#### Pension costs

An external pension provider operates a defined contribution scheme on behalf of the Bank and payments made by the Bank are charged directly to the statement of comprehensive income in the period to which they relate.

#### Significant Accounting Judgments, Estimates, and Assumptions

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner. The significant accounting judgment, estimates and assumptions arising under IFRS 9 are covered below:

#### Business Model Assessment

In determining its business models, the Bank considers the following:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

Sales in themselves do not determine the business model and are not considered in isolation. Instead, sales provide evidence about how cash flows are realised. A held-to-collect business model will be reassessed by the Bank to determine whether any sales are consistent with an objective of collecting contractual cash flows if the sales are more than insignificant in value or infrequent.

The Bank determines its business models based on the objective under which its portfolios of financial assets are managed

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Solely Payments of Principal and Interest Test

In assessing whether contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Bank considers the primary terms as follows and assess if the contractual cash flows of the instruments continue to meet the SPPI test:

- Performance-linked features;
- Terms that limit the Bank's claim to cash flow from specified assets (non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money

#### Impairment of Financial Assets

##### Significant Increase in Credit Risk

BRR is determined on an individual borrower basis using industry and sector-specific credit risk models that are based on historical data. Current and forward-looking information that is specific to the borrower, industry, and sector is considered based on expert credit judgment. Criteria for assessing significant increase in credit risk are defined at the appropriate segmentation level and vary based on the BRR of the exposure at origination. Criteria include relative changes in BRR, absolute BRR backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

##### Measurement of Expected Credit Loss

ECLs are calculated based on the present value of cash shortfalls determined as the difference between contractual cash flows and expected cash flows over the remaining expected life of the financial instrument. Lifetime PD is determined by mapping the exposure's BRR to point-in-time PD over the expected life. LGD estimates are determined by mapping the exposure's facility risk rating (FRR) to expected LGD which takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure. Relevant macroeconomic variables are incorporated in determining expected PD and LGD. Expected cash flows are determined by applying the expected LGD to the contractual cash flows to calculate cash shortfalls over the expected life of the exposure.

##### Forward-Looking Information

In calculating the ECL, the Bank employs internally developed models that utilize parameters for PD, LGD, and EAD. Forward-looking macroeconomic factors including at the regional level are incorporated in the risk parameters as relevant. Additional risk factors that are industry or segment specific are also incorporated, where relevant. Three forward-looking macroeconomic scenarios are generated by TD Economics as part of the ECL process: A base scenario, an upside scenario, and a downside scenario. The base scenario is updated quarterly. Upside and downside scenarios are generated quarterly using realistically possible outcomes that are statistically derived relative to the base scenario based on historical distribution. TD Economics will apply judgment to recommend probability weights to each scenario on a quarterly basis. The proposed macroeconomic scenarios and probability weightings are subject to robust management review and challenge process by a cross-functional committee that includes representation from TD Economics, Risk, Finance, and Business. ECLs calculated under each of the three scenarios are applied against the respective probability weightings to determine the probability-weighted ECLs.

## Notes to the financial statements

at 31 October 2020

### 2. Accounting policies (continued)

#### Impairment of Financial Assets (continued)

##### Expert Credit Judgment

ECLs are recognised on initial recognition of the financial assets. Allowance for credit losses represents management's best estimate of risk of default and ECLs on the financial assets, including any off-balance sheet exposures, at the balance sheet date. Management exercises expert credit judgment in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already included in the quantitative models.

Management's judgment is used to determine the point within the range that is the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

##### Fair Value Measurements

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instrument, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Determining which valuation technique to apply requires judgment. The valuation techniques themselves also involve some level of estimation and judgment. The judgments include liquidity considerations and model inputs such as volatilities, correlations, spreads, discount rates, pre-payment rates, and prices of underlying instruments. Any imprecision in these estimates can affect the resulting fair value.

Judgment is also used in recording fair value adjustments to model valuations to account for measurement uncertainty when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models.

##### Held for Sale assets

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

## Notes to the financial statements

at 31 October 2020

### 3. Current Changes in Accounting Policies

The following new and amended standards have been adopted by the Bank.

#### *IBOR Reform and its Effects on Financial Reporting*

As a result of the effects of Interbank Offered Rates (IBOR) reform, on September 26, 2019, the IASB issued Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 ("Interest Rate Benchmark Reform"); these amendments did not have a material effect on the Bank.

### 4. Net interest income

	2020 CAD'000	Restated 2019 CAD'000
Net interest income comprises:		
Interest income on debt securities	14,426	-
Interest income on cash at central bank	3,554	11,929
Interest income on loans-ultimate parent undertaking	14	66
Interest income on loans and advances to customers	2,709	2,795
	<u>20,703</u>	<u>14,790</u>

	2020 CAD'000	Restated 2019 CAD'000
Interest expense on deposits by banks-ultimate parent undertaking	1,570	6,322
Interest expense on borrowings - group undertaking	9,632	901
	<u>11,202</u>	<u>7,223</u>

### 5. Net fee & commission income

	2020 CAD'000	Restated 2019 CAD'000
Fee income comprises:		
Commitment fees on loans and advances to customers	1,789	2,167
Other fees on loans and advances to customers	1,162	2,411
Commission on commodity derivative transactions	6,583	4,820
Investment banking fees receivable from ultimate parent undertaking	24,958	7,889
Investment banking fees receivable from group undertaking	2,814	2,784
	<u>37,306</u>	<u>20,071</u>



## Notes to the financial statements

at 31 October 2020

### 6. Other loss on financial assets at fair value

	2020 CAD'000	Restated 2019 CAD'000
Gain realised on foreign exchange derivatives	3,273	-
Loss un-realised on foreign exchange derivatives	(5,206)	-
	<u>(1,933)</u>	<u>-</u>

### 7. Personnel expenses

	2020 CAD'000	Restated 2019 CAD'000
Wages and salaries	2,829	2,496
Social security costs	382	310
Other pension costs	107	115
Cash settled share-based payments	293	181
	<u>3,611</u>	<u>3,102</u>

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

	2020 No.	2019 No.
Front office	2	2
Support staff	8	8
	<u>10</u>	<u>10</u>

	2020 CAD'000	Restated 2019 CAD'000
Non-executive director emoluments	<u>251</u>	<u>218</u>

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 (2019: CADNil).

No pension contributions under either a defined contribution or defined benefit scheme were accrued for any director in 2020 (2019: CADNil) in respect of their role with the Bank.

During the year, no director was advanced a loan (2019: CADNil) in respect of their role with the Bank.

## Notes to the financial statements

at 31 October 2020

### 8. 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 TD Bank's common shares that generally vest over three 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.

The Human Resources Committee ("HRC") of the Board of the Bank has the discretion to adjust the number of units. 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-Material Risk Takers. 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 and an additional period prior to the grant date. 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 2020, the Bank recognised compensation expense for these plans of CAD293,585 (2019: CAD181,446) and the associated liability amount is CAD386,690 (2019: CAD399,043).

	2020 <i>No. of units</i>	2019 <i>No. of units</i>
Outstanding at 1 November	8,694	6,520
Granted during the year	6,575	2,922
Released during the year	(2,948)	(1,802)
Outstanding at 31 October	<u>12,321</u>	<u>7,640</u>

TD Bank share price at 31 October 2020 was CAD58.78 (2019: CAD75.31).

### 9. Other expenses

	2020 <i>CAD'000</i>	<i>Restated</i> 2019 <i>CAD'000</i>
Other charges payable to ultimate parent undertaking	557	883
Other charges payable to other group undertaking	27	17
Other administrative expenses	759	521
Auditor's remuneration - audit services	247	159
Auditor's remuneration - CASS audit	26	25
	<u>1,616</u>	<u>1,605</u>

## Notes to the financial statements

at 31 October 2020

### 10. Taxation

	2020 CAD'000	Restated 2019 CAD'000
<b>Current income tax:</b>		
UK corporation tax	7,323	4,347
Amounts overprovided in previous years	183	(2)
<b>Total current income tax</b>	<b>7,506</b>	<b>4,345</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(10)	2
Impact of change in tax laws and rates	(32)	-
<b>Total deferred tax</b>	<b>(42)</b>	<b>2</b>
<b>Total tax charge</b>	<b>7,464</b>	<b>4,347</b>

#### Reconciliation of the total tax charged:

The total tax charge reported in the statement of comprehensive income is higher than the standard rate of corporation tax applying in the period of 19% (2019: 19%).

The differences are explained below:

	2020 CAD'000	Restated 2019 CAD'000
Profit before taxation	38,478	22,653
Tax calculated using rate of corporation tax in the UK of 19% (2019: rate of 19%)	7,311	4,304
Expenses not deductible for tax purposes	5	12
Impact of change in tax laws and rates	(32)	-
Adjustment to tax charge (credit) in respect of prior years	180	(2)
<b>Total tax charge</b>	<b>7,464</b>	<b>4,314</b>

#### Deferred Tax

	2020 CAD'000	Restated 2019 CAD'000
Share based payment	73	68
Capital allowances	(32)	(4)
FVOCI reserve tax	667	(90)
	<b>708</b>	<b>(26)</b>

## Notes to the financial statements

at 31 October 2020

### 11. Cash and balances at central banks

	2020 CAD'000	Restated 2019 CAD'000
Cash and balances at central banks - repayable on demand	1,027,258	1,709,855

Amounts repayable on demand are interest bearing. As at 31 October 2020, all cash and balances at central banks were in Stage 1.

### 12. Loans and advances to banks

	2020 CAD'000	Restated 2019 CAD'000
3 months or less, but not repayable on demand	-	7,650
Repayable on demand	103,579	92,242
	<u>103,579</u>	<u>99,892</u>

Included in loans and advances to banks are amounts owed by ultimate parent undertaking of CAD103,578,992 (2019: CAD92,241,973). Amounts repayable on demand are non-interest bearing. Amounts not repayable on demand are interest bearing. As at 31 October 2020, all loans and advances to banks were in Stage 1.

### 13. Loans and advances to customers

	2020 CAD'000	Restated 2019 CAD'000
5 years or less, but over 1 year	202,956	57,559
1 year or less, but over 3 months	43,150	75,580
Allowance for Credit Losses	(539)	(46)
	<u>245,567</u>	<u>133,093</u>

Loans and advances to customers are interest bearing. As at 31 October 2020, the allowance for credit losses consisted of CAD66,083 in Stage 1 & CAD472,886 in Stage 2.

## Notes to the financial statements

at 31 October 2020

### 14. Debt Securities

The following table summarises the type of securities held by the Bank.

	2020	Restated 2019
	CAD'000	CAD'000
Debt securities at amortised cost		
- Government securities	13,470,226	—
- Other debt securities	4,452,808	—
Provision for credit losses	(196)	—
Total debt securities at amortised cost, net of allowance for credit losses	17,922,838	—

As at 31 October 2020, all debt securities at amortised cost were in Stage 1.

### 15. Derivative financial instruments

Derivative financial instruments transacted by the Bank include commodity derivatives and foreign exchange derivatives. These instruments allow the Bank to transfer, modify or reduce its market risk on exposure to metals and foreign exchange rate risk.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore, do not indicate the Bank's exposure to credit or price risks.

The fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (derivative receivables) or unfavourable (derivative payables) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable and unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time-to-time.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The contractual or underlying principal amounts of these derivative financial instruments and their corresponding positive (derivative receivables) and negative (derivative payables) fair value presented in the balance sheet at the end of the reporting period are analysed below

2020	Assets		Notional amounts		Liabilities	
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	
	CAD	USD	GBP	EUR	USD	
Foreign Exchange derivatives	19,062,415	-	964,815	16,187,300	1,430,829	
Commodity derivatives	-	4,399,418	-	-	4,399,418	
Total derivatives	19,062,415	4,399,418	964,815	16,187,300	5,830,247	

## Notes to the financial statements

at 31 October 2020

### 15. Derivative financial instruments (continued)

2020	Assets		Fair Value		Liabilities	
	CAD'000	CAD'000		CAD'000	CAD'000	CAD'000
	CAD	USD		GBP	EUR	USD
Foreign Exchange derivatives	18,871,981	-		964,815	16,436,764	1,415,194
Commodity derivatives	-	200,243		-	-	200,243
<b>Total derivatives</b>	<b>18,871,981</b>	<b>200,243</b>		<b>964,815</b>	<b>16,436,764</b>	<b>1,615,437</b>

Restated 2019	Assets		Notional amounts		Liabilities	
	CAD'000	CAD'000		CAD'000	CAD'000	CAD'000
	CAD	USD		GBP	EUR	USD
Foreign Exchange derivatives	-	-		-	-	-
Commodity derivatives	-	3,879,663		-	-	3,879,663
<b>Total derivatives</b>	<b>-</b>	<b>3,879,663</b>		<b>-</b>	<b>-</b>	<b>3,879,663</b>

Restated 2019	Assets		Fair Value		Liabilities	
	CAD'000	CAD'000		CAD'000	CAD'000	CAD'000
	CAD	USD		GBP	EUR	USD
Foreign Exchange derivatives	-	-		-	-	-
Commodity derivatives	-	194,087		-	-	194,087
<b>Total derivatives</b>	<b>-</b>	<b>194,087</b>		<b>-</b>	<b>-</b>	<b>194,087</b>

## Notes to the financial statements

at 31 October 2020

### 15. Derivative financial instruments (continued)

#### Amount due from related companies

	Notional amounts		Fair value	
	Assets	Liabilities	Asset	Liabilities
	CAD'000	CAD'000	CAD'000	CAD'000
<b>2020</b>				
Foreign Exchange derivatives	19,062,415	18,582,944	18,871,981	18,816,773
Commodity derivatives	2,560,290	1,839,128	103,433	96,810
<b>Total derivatives</b>	<b>21,622,705</b>	<b>20,422,072</b>	<b>18,975,414</b>	<b>18,913,583</b>
<b>Restated 2019</b>				
Foreign Exchange derivatives	-	-	-	-
Commodity derivatives	2,042,942	1,836,721	100,965	93,122
<b>Total derivatives</b>	<b>2,042,942</b>	<b>1,836,721</b>	<b>100,965</b>	<b>93,122</b>

#### (a) Commodity derivatives

Commodity derivatives of the Bank comprise of exchange traded metal futures, options and Over The Counter (OTC) contracts with the Bank's ultimate parent undertaking.

Metal futures are standardized contracts transacted on a London Metals Exchange (LME). They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying metal and its corresponding market price level at a specified future date. These contracts are in standard amounts with standard settlement dates.

Metal options give the purchaser of the option, for a premium, the right, but not the obligation, to buy (a call option) or sell (a put option) at a specified price (the strike price) at a specified time (expiry date).

OTC contracts are bilaterally negotiated between the Bank and the counterparty to the contract. OTC contracts with ultimate parent undertaking hedge the exchange traded contracts to ensure the Bank stays market risk neutral on commodity derivative contracts.

#### (b) Foreign Exchange derivatives

The Bank uses foreign exchange derivatives to manage foreign exchange risk. Foreign exchange risk refers to losses that could result from changes in foreign currency exchange rates. Assets and liabilities that are denominated in foreign currencies have foreign exchange risk.

Foreign exchange derivatives of the Bank comprise of foreign exchange forwards. Permitted derivatives and financial instruments for risk mitigation are Spot / forward FX transactions, if investments are made in different currencies than they are funded in. The highly probable expected future flows from the investments, inclusive of all coupon / interest flows, will be fully matched by forward foreign exchange transactions;

#### (c) Cash flow hedges

The Bank is exposed to variability in future cash flows on non-trading assets which bear foreign exchange risks. Below is a schedule indicating as at 31 October 2020 and 31 October 2019, the periods when the hedged forecast cash flows are expected to occur and when they are expected to affect profit and loss:

## Notes to the financial statements

at 31 October 2020

### 15. Derivative financial instruments (continued)

#### (c) Cash flow hedges (continued)

2020	Within 1 year	1 to 3 years	3 to 8 years
	CAD'000	CAD'000	CAD'000
Net cash inflows	26,275	167,273	281,375
2019			
Net cash inflows	-	-	-

During the years ended 31 October 2020 and 31 October 2019, there were no significant instances where forecasted hedged transactions failed to occur.

At the inception of a hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, its risk management objective, and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting the changes attributable to the hedged risks in the cash flows of the hedged items. In order to be considered effective, the hedging instrument and the hedged item must be highly and inversely correlated such that the changes in the fair value of the hedging instrument will substantially offset the effects of the hedged exposure to the Bank throughout the term of the hedging relationship. If a hedging relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognised in profit or loss.

The following table discloses the impact of the derivatives designated in hedge accounting relationships with the hedged forecast cash flows in the statement of comprehensive income and in other comprehensive income ("OCI") for the year ended 31 October 2020 and 31 October 2019:

	Amounts recognised in OCI on derivatives	Hedge ineffectiveness
2020	CAD'000	CAD'000
Loss on foreign exchange contracts	(3,270)	-
2019		
Gain/(loss) on foreign exchange contracts	-	-

#### d) Offsetting derivative financial assets and liabilities

The following table provides a summary of the loans and deposits repayable on demand, and the derivative financial assets and derivative financial liabilities which are subject to enforceable master netting arrangements or similar agreements, including amounts not otherwise set off in the balance sheet. The gross derivative financial assets and derivative financial liabilities are reconciled to the gross amounts presented on the balance sheet under trade and other receivables and trade and other payables. These netting arrangements or similar agreements allow the counterparties to set-off liabilities against available assets received in the case of default and insolvency or bankruptcy.



## Notes to the financial statements

at 31 October 2020

### 15. Derivative financial instruments (continued)

#### d) Offsetting derivative financial assets and liabilities (continued)

	Gross amounts of recognised financial instruments before balance sheet netting CAD '000	Gross amounts of recognised financial instruments offset in the Balance Sheet CAD '000	Net amount of financial instruments presented in the Balance Sheet CAD '000	Amounts subject to an enforceable master netting agreement CAD '000	Net Amount CAD '000
<b>2020</b>					
Loans And Advances To Banks - Repayable On Demand	311,710	208,131	103,579	208,131	(104,552)
Deposits By Banks - Repayable On Demand	(339,397)	(208,131)	(131,266)	(208,131)	76,865
Derivative financial assets	494,611	294,368	200,243	193,620	6,623
Derivative financial liabilities	(494,611)	(294,368)	(200,243)	(193,620)	(6,623)
	(27,687)	-	(27,687)	-	(27,687)
<b>Restated 2019</b>					
Loans And Advances To Banks - Repayable On Demand	173,210	80,968	92,242	80,968	11,274
Deposits By Banks - Repayable On Demand	(210,971)	(81,437)	(129,534)	(81,437)	(48,097)
Derivative financial assets	831,326	637,239	194,087	186,244	7,843
Derivative financial liabilities	(831,326)	(637,239)	(194,087)	(186,244)	(7,843)
	(37,761)	(469)	(37,292)	(469)	(36,823)

### 16. Financial assets

#### Securities - LME B shares

	2020 CAD'000	Restated 2019 CAD'000
Financial assets at fair value through Other Comprehensive income	-	2,516
Financial assets Held for Sale	2,546	-

The Bank's Global Metals business transacts on the LME to support TD Bank's Global Metals trading and client franchise. This business has left the Bank on the 07<sup>th</sup> December 2020 and now is booked by TD Bank, Toronto Branch, hence the LME B shares held by the bank will now be transferred to TD Bank, Toronto Branch.

## Notes to the financial statements

at 31 October 2020

### 17. Tangible fixed assets

	<i>Computer hardware</i>	<i>Furniture and fittings</i>	<i>Total</i>
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
<b>Cost</b>			
As at 1 November 2019 (restated)	276	48	324
Additions during the year	50	-	50
<b>As At 31 October 2020</b>	<b>326</b>	<b>48</b>	<b>374</b>
<b>Depreciation</b>			
As at 1 November 2019 (restated)	(44)	(34)	(78)
Charge for the year	(58)	(5)	(63)
<b>As At 31 October 2020</b>	<b>(102)</b>	<b>(39)</b>	<b>(141)</b>
<b>Net book value as at 31 October 2020</b>	<b>224</b>	<b>9</b>	<b>233</b>
	<i>Computer hardware</i>	<i>Furniture and fittings</i>	<i>Total</i>
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
<b>Cost</b>			
As at 1 November 2018 (restated)	39	48	87
Additions during the year (restated)	237	-	237
<b>As At 31 October 2019 (restated)</b>	<b>276</b>	<b>48</b>	<b>324</b>
<b>Depreciation</b>			
As at 1 November 2018 (restated)	(36)	(26)	(62)
Charge for the year (restated)	(8)	(8)	(16)
<b>As At 31 October 2019 (restated)</b>	<b>(44)</b>	<b>(34)</b>	<b>(78)</b>
<b>Net book value as at 31 October 2019 (restated)</b>	<b>232</b>	<b>14</b>	<b>246</b>

### 18. Other assets

	<i>2020</i>	<i>Restated 2019</i>
	<i>CAD'000</i>	<i>CAD'000</i>
Amounts receivable from ultimate parent undertaking	18,080	6,336
Amounts receivable from other group companies	1,060	2,244
Deposit with clearing house	126,141	111,763
	<b>145,281</b>	<b>120,343</b>

Amounts receivable from ultimate parent undertaking and other group companies are repayable on demand and are non-interest bearing. The Bank has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 October 2020, the fair values of the short-term deposits pledged were CAD126,140,986 (2019: CAD111,762,996). As at 31 October 2020, all other assets were in Stage 1.

## Notes to the financial statements

at 31 October 2020

### 19. Deposits from banks

	2020 CAD'000	Restated 2019 CAD'000
3 months or less, but not repayable on demand	246,106	832,118
Repayable on demand	131,266	129,534
	<u>377,372</u>	<u>961,652</u>

The amounts within deposits from banks are all due to the ultimate parent undertaking. Amounts repayable on demand are non-interest bearing and amounts not repayable on demand are interest bearing.

### 20. Other deposits

	2020 CAD'000	Restated 2019 CAD'000
Three months or shorter	136,178	134,019
Longer than three months but no longer than one year	-	-
Longer than one year but no longer than five	-	-
Longer than five years but no longer than ten years	17,851,236	-
	<u>17,987,414</u>	<u>134,019</u>

Other deposits are from group undertaking and are interest bearing.

### 21. Other liabilities

	2020 CAD'000	Restated 2019 CAD'000
Amounts payable to ultimate parent undertaking	8,340	3,433
Amounts payable to other group companies	8,968	147
Other accruals and contract liabilities	178,976	5,387
Provisions for commitments	234	89
	<u>196,518</u>	<u>9,056</u>

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 2020

### 22. Share capital

<i>Authorised:</i>	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
600,000,000 (2019: 600,000,000) ordinary shares of US\$1 each	600,000	600,000
	<i>£'000</i>	<i>£'000</i>
500,000,000 (2019: 500,000,000) ordinary shares of £1 each	500,000	500,000
<i>Allotted, called-up and fully paid:</i>		
	<i>US\$'000</i>	<i>US\$'000</i>
96,663,750 (2019: 96,663,750) ordinary shares of US\$1 each	96,664	96,664
	<i>£'000</i>	<i>£'000</i>
GBP equivalent of USD-denominated share capital fixed at 1.5996; the rate in force as at 31st October 2014 when the accounting policy governing the revaluation of share capital was amended	60,429	60,429
300,827,500 (2018: 300,827,500) ordinary shares of £1 each	300,828	300,828
	361,257	361,257
	<i>CAD'000</i>	<i>Restated CAD'000</i>
CAD equivalent of share capital in GBP fixed at 1.7435795; the rate in force as at 31st August 2020 when the accounting policy governing the revaluation of share capital was amended	629,878	
CAD equivalent of share capital in GBP at 1.7060969; the rate in force as at 31st October 2019. Refer to Note 26 for details on comparative balances		616,339
Called up share capital	629,878	616,339

### 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.

### Regulatory capital

	2020	Restated 2019
	<i>CAD'000</i>	<i>CAD'000</i>
Common Equity Tier 1 capital	1,004,032	953,524
	1,004,032	953,524

Regulatory capital consists of Tier 1 capital, which comprises called up share capital and retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, which was Nil as at 31 October 2020 and 31 October 2019.

## Notes to the financial statements

at 31 October 2020

### 23. Commitments

In the normal course of business, the Bank enters into various commitments to extend credit. The primary purpose of these contracts is to make funds available for the financing needs of customers. Commitments to extend credit represent unutilized portions of authorization to extend credit in the form of loans.

The values of credit instruments reported represent the maximum amount of additional credit that the Bank could be obligated to extend should contracts be fully utilized. These off-balance sheet commitments consist of the following at 31 October:

	2020	<i>Restated</i> 2019
	<i>Undrawn</i>	<i>Undrawn</i>
	<i>Facilities</i>	<i>Facilities</i>
	<i>CAD000</i>	<i>CAD000</i>
Original term to maturity of more than 1 year	1,713,590	1,770,352
Original term to maturity of 1 year or less	179,861	153,921
	<u>1,893,451</u>	<u>1,924,273</u>

### 24. Risk management

#### Objectives, policies and strategies

The principal financial risks faced by the Bank are credit risk, foreign currency risk and liquidity 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 2020

### 24. 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.

#### Credit Risk mitigation

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.

*Banks's Gross maximum credit risk exposure to credit risk, excluding the value of collateral.*

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.

	2020 CAD'000	Restated 2019 CAD'000
Loans and advances to customers including all contractual commitments, maturing:		
- 1 year and over	1,959,157	1,827,911
- Less than 1 year	179,861	229,501
	2,139,018	2,057,412
Cash at central bank	1,027,258	1,709,855
Financial assets at fair value through OCI	-	2,516
Held for sale	2,546	-
Debt Securities	17,922,838	-
Loans and advances to banks	103,579	99,892
Derivative financial instruments	255,451	194,087
Other assets	201,649	120,343
Total credit exposure	21,652,339	4,184,105

## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### Credit risk

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 Canada.

The current exposure to central banks and certain credit institutions 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, 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.

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 2020	Investment grade	Non investment grade	Total
	CAD'000	CAD'000	CAD'000
Cash at central bank	1,027,258	-	1,027,258
Held for sale	2,546	-	2,546
Debt Securities	17,922,838	-	17,922,838
Loans and advances to banks	103,579	-	103,579
Loans and advances to customers	43,150	202,417	245,567
Derivative financial instruments	255,451	-	255,451
Other assets	201,649	-	201,649
	<u>19,556,471</u>	<u>202,417</u>	<u>19,758,888</u>
At 31 October 2019 (Restated)	Investment grade	Non investment grade	Total
	CAD'000	CAD'000	CAD'000
Cash at central bank	1,709,855	-	1,709,855
Financial assets at fair value through OCI	2,516	-	2,516
Debt Securities	-	-	-
Loans and advances to banks	99,892	-	99,892
Loans and advances to customers	133,093	-	133,093
Derivative financial instruments	194,087	-	194,087
Other assets	120,343	-	120,343
	<u>2,259,786</u>	<u>-</u>	<u>2,259,786</u>

There are no financial assets which are past due.

## Notes to the financial statements

at 31 October 2020

### 24. 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:

2020	Germany	United Kingdom	Netherlands	Canada	Other International	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	-	1,027,258	-	-	-	1,027,258
Held for sale	-	2,546	-	-	-	2,546
Debt securities	6,440,745	70,727	1,594,933	-	9,816,433	17,922,838
Loans to banks	-	81,175	-	22,404	-	103,579
Loans to Customers	-	202,417	-	43,150	-	245,567
Derivative financial instruments	-	96,810	-	158,641	-	255,451
Other assets	18,156	143,296	8,569	1,451	30,177	201,649
<b>Total</b>	<b>6,458,901</b>	<b>1,624,229</b>	<b>1,603,502</b>	<b>225,646</b>	<b>9,846,610</b>	<b>19,758,888</b>

'Other International' includes Supranational Organisations CAD 2,940,705,269, France CAD 1,919,676,614, Luxembourg CAD 1,290,131,765, Sweden CAD 923,238,573 and Austria CAD 800,182,692 and other less material exposures.

Restated 2019	Germany	United Kingdom	Netherlands	Canada	Other International	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	-	1,709,855	-	-	-	1,709,855
Financial assets at fair value through OCI	-	2,516	-	-	-	2,516
Debt securities	-	-	-	-	-	-
Loans to banks	-	-	-	99,892	-	99,892
Loans to Customers	-	47,121	41,719	44,253	-	133,093
Derivative financial instruments	-	93,122	-	100,965	-	194,087
Other assets	-	112,161	-	6,336	1,846	120,343
<b>Total</b>	<b>-</b>	<b>1,964,775</b>	<b>41,719</b>	<b>251,446</b>	<b>1,846</b>	<b>2,259,786</b>



## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### Credit risk (continued)

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

	2020				Restated 2019			
	<i>Drawn loans</i>		<i>Undrawn commitments</i>		<i>Drawn loans</i>		<i>Undrawn commitments</i>	
	CAD'000	%	CAD'000	%	CAD'000	%	CAD'000	%
	0				0			
<i>Private:</i>								
Aircraft And Aircraft Parts Industry	133,444	54%	193,286	10%	-	-	321,388	17%
Airport Operations Industry	68,973	28%	-	-	-	-	68,244	4%
Automotive	-	-	-	-	-	-	-	-
Chemical	-	-	-	-	-	-	-	-
Conglomerates	-	-	-	-	-	-	-	-
Food, beverage & tobacco	-	-	477,379	25%	-	-	301,251	16%
Holding Companies	-	-	166,538	9%	-	-	164,638	9%
Not In An Industry	-	-	-	-	-	-	-	-
Mining	-	-	179,861	10%	-	-	177,808	9%
NBFIs	43,150	18%	-	-	42,652	32%	-	-
Non-Advertising Based Publishing	-	-	93,261	5%	47,122	35%	45,028	2%
Oil & Gas	-	-	309,223	16%	41,719	32%	297,281	15%
Other Industries <sup>1</sup>	-	-	162,181	9%	1,600	1%	360,722	19%
Other Manufactured Products Industries	-	-	122,170	6%	-	-	102,608	5%
Not Elsewhere Classified	-	-	-	-	-	-	-	-
Telecommunications	-	-	103,253	5%	-	-	-	-
Utilities	-	-	86,299	5%	-	-	85,305	4%
	<u>245,567</u>	<u>100%</u>	<u>1,893,451</u>	<u>100%</u>	<u>133,093</u>	<u>100%</u>	<u>1,924,273</u>	<u>100%</u>

<sup>1</sup> 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 2020

### 24. 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 2020**

	<i>Floating rate CAD000</i>	<i>Non interest sensitive CAD000</i>	<i>Total CAD000</i>
<b>Assets</b>			
Cash at central bank	1,027,258	-	1,027,258
Held for sale	-	2,546	2,546
Debt Securities	-	17,922,838	17,922,838
Loans and advances to bank	-	103,579	103,579
Loans and advances to customers	245,567	-	245,567
Derivative financial instruments	-	255,451	255,451
Other assets	762	200,887	201,649
<b>Liabilities</b>			
Deposits by banks	(246,106)	(131,266)	(377,372)
Other deposits	(136,178)	(17,851,236)	(17,987,414)
Derivative financial instruments	-	(200,243)	(200,243)
Other Liabilities	-	(196,518)	(196,518)
<b>Interest rate sensitivity gap</b>	<b>891,303</b>	<b>106,038</b>	<b>997,341</b>
<i>Commitments</i>	<i>1,893,451</i>	<i>-</i>	<i>1,893,451</i>
<i>Derivative financial instruments (Notional)</i>	<i>4,399,418</i>	<i>474,992</i>	<i>4,874,410</i>
<b>Cumulative interest rate sensitivity gap</b>	<b>7,184,172</b>	<b>581,030</b>	<b>7,765,202</b>

## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### Interest rate risk (continued)

At 31 October 2019 (restated)

	Floating rate CAD000	Non interest sensitive CAD000	Total CAD000
<b>Assets</b>			
Cash at central bank	1,709,855	-	1,709,855
Financial assets at fair value through OCI	-	2,516	2,516
Debt Securities	-	-	-
Loans and advances to bank	7,650	92,242	99,892
Loans and advances to customers	133,093	-	133,093
Derivative financial instruments	-	194,087	194,087
Other assets	-	120,343	120,343
<b>Liabilities</b>			
Deposits by banks	(831,647)	(130,005)	(961,652)
Other deposits	(134,019)	-	(134,019)
Derivative financial instruments	-	(194,087)	(194,087)
Other Liabilities	-	(9,056)	(9,056)
<b>Interest rate sensitivity gap</b>	<b>884,932</b>	<b>76,040</b>	<b>960,972</b>
Off-balance sheet items	1,924,273	-	1,924,273
Derivative financial instruments (Notional)	3,879,663	-	3,879,663
<b>Cumulative interest rate sensitivity gap</b>	<b>6,688,868</b>	<b>76,040</b>	<b>6,764,908</b>

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

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 assets and liabilities balance.

		2020		Restated 2019	
		Increase/ decrease in interest rate	CAD'000	Increase/ decrease in interest rate	CAD'000
Assets	Cash at central bank	+/-100bps	10,273	+/-100bps	17,099
	Loans to banks	+/-100bps	-	+/-100bps	77
	Loans to customers	+/-100bps	2,456	+/-100bps	1,331
Liabilities	Deposits from banks	+/-100bps	2,461	+/-100bps	8,317
	Other deposits	+/-100bps	1,362	+/-100bps	1,341

## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### 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 table below.

2020	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 years	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,027,258	-	-	-	-	1,027,258
Held for sale	2,546	-	-	-	-	2,546
Debt Securities	-	1,190,832	2,616,885	13,589,552	525,569	17,922,838
Loans to banks	103,579	-	-	-	-	103,579
Loans to Customers	-	-	43,150	202,417	-	245,567
Derivative financial instruments	-	108,150	44,618	101,831	852	255,451
Other assets	146,636	9,150	12,867	32,626	370	201,649
<b>Total assets</b>	<b>1,280,019</b>	<b>1,308,132</b>	<b>2,717,520</b>	<b>13,926,426</b>	<b>526,791</b>	<b>19,758,888</b>
Deposits from banks	(131,266)	(246,106)	-	-	-	(377,372)
Other deposits	(136,178)	-	-	-	(17,851,236)	(17,987,414)
Derivative financial instruments	-	(100,358)	(40,737)	(59,148)	-	(200,243)
Other liabilities	(13,659)	(174,510)	(1,346)	(6,741)	(262)	(196,518)
<b>Total liabilities</b>	<b>(281,103)</b>	<b>(520,974)</b>	<b>(42,083)</b>	<b>(65,889)</b>	<b>(17,851,498)</b>	<b>(18,761,547)</b>

2019 (restated)	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 years	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,709,855	-	-	-	-	1,709,855
Financial assets at FV through OCI	2,516	-	-	-	-	2,516
Debt Securities	-	-	-	-	-	-
Loans to banks	92,242	7,650	-	-	-	99,892
Loans to Customers	-	-	75,580	57,513	-	133,093
Derivative financial instruments	3,103	71,405	44,544	75,035	-	194,087
Other assets	120,343	-	-	-	-	120,343
<b>Total assets</b>	<b>1,928,059</b>	<b>79,055</b>	<b>120,124</b>	<b>132,548</b>	<b>-</b>	<b>2,259,786</b>
Deposits from banks	(130,005)	(831,647)	-	-	-	(961,652)
Other deposits	(134,019)	-	-	-	-	(134,019)
Derivative financial instruments	(3,103)	(71,405)	(44,544)	(75,035)	-	(194,087)
Other liabilities	(9,056)	-	-	-	-	(9,056)
<b>Total liabilities</b>	<b>(276,183)</b>	<b>(903,052)</b>	<b>(44,544)</b>	<b>(75,035)</b>	<b>-</b>	<b>(1,298,814)</b>

## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### Liquidity risk (continued)

The table below represents undiscounted contractual amounts:

2020	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 year	Total
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Deposits from banks	(131,266)	(246,106)	-	-	-	(377,372)
Other deposits	(136,178)	-	-	-	(17,851,236)	(17,987,414)
	(267,444)	(246,106)	-	-	(17,851,236)	(18,364,786)

2019 (restated)	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 year	Total
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Deposits from banks	(130,005)	(831,647)	-	-	-	(961,652)
Other deposits	(134,019)	-	-	-	-	(134,019)
	(264,024)	(831,647)	-	-	-	(1,095,671)

## Notes to the financial statements

at 31 October 2020

### 24. 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 exposures of the Bank were as follows:

2020	Sterling	Australian Dollars	US Dollars	Euro	Canadian Dollars	Others	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,027,258	-	-	-	-	-	1,027,258
Held for sale	2,546	-	-	-	-	-	2,546
Debt Securities	-	-	1,581,797	16,341,041	-	-	17,922,838
Loans to banks	75,532	854	-	4,789	22,404	-	103,579
Loans to Customers	245,567	-	-	-	-	-	245,567
Derivative financial instruments	(964,815)	-	(1,214,951)	(16,436,764)	18,871,981	-	255,451
Other assets	770	-	134,983	49,920	15,976	-	201,649
<b>Total Assets</b>	<b>386,858</b>	<b>854</b>	<b>501,829</b>	<b>(41,014)</b>	<b>18,910,361</b>	<b>-</b>	<b>19,758,888</b>
Deposits from banks	(246,119)	-	(114,345)	(16)	(16,889)	(3)	(377,372)
Other deposits	(136,178)	-	-	-	(17,851,236)	-	(17,987,414)
Derivative financial instruments	-	-	(200,243)	-	-	-	(200,243)
Other liabilities	(10,099)	-	(175,254)	(946)	(10,218)	(1)	(196,518)
<b>Total Liabilities</b>	<b>(392,396)</b>	<b>-</b>	<b>(489,842)</b>	<b>(962)</b>	<b>(17,878,343)</b>	<b>(4)</b>	<b>(18,761,547)</b>
<b>Net assets / (liabilities)</b>	<b>(5,538)</b>	<b>854</b>	<b>11,987</b>	<b>(41,976)</b>	<b>1,032,018</b>	<b>(4)</b>	<b>997,341</b>
<b>Off-balance sheet items</b>							
Commitments	337,378	-	1,200,682	240,391	75,000	-	1,853,451
Derivatives financial Instruments (Notional-net)							
Foreign exchange	(964,815)	-	(1,430,829)	(16,187,300)	19,062,415	-	479,471
Commodity derivative (Asset)	-	-	4,399,418	-	-	-	4,399,418
Commodity derivative (liability)	-	-	(4,399,418)	-	-	-	(4,399,418)

## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### Foreign currency risk (continued)

2019 (restated)	Sterling	Australian Dollars	US Dollars	Euro	Canadian Dollars	Others	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,709,855	-	-	-	-	-	1,709,855
Financial assets at fair value through OCI	2,516	-	-	-	-	-	2,516
Debt Securities	-	-	-	-	-	-	-
Loans to banks	84,091	138	-	1,634	13,981	48	99,892
Loans to Customers	91,374	-	41,719	-	-	-	133,093
Derivative financial instruments	-	-	194,087	-	-	-	194,087
Other assets	787	-	114,547	544	4,465	-	120,343
<b>Total Assets</b>	<b>1,888,623</b>	<b>138</b>	<b>350,353</b>	<b>2,178</b>	<b>18,446</b>	<b>48</b>	<b>2,259,786</b>
Deposits from banks	(789,931)	-	(149,974)	(15)	(21,727)	(5)	(961,652)
Other deposits	(134,019)	-	-	-	-	-	(134,019)
Derivative financial instruments	-	-	(194,087)	-	-	-	(194,087)
Other liabilities	(5,121)	-	(1,234)	(1,553)	(1,148)	-	(9,056)
<b>Total Liabilities</b>	<b>(929,071)</b>	<b>-</b>	<b>(345,295)</b>	<b>(1,568)</b>	<b>(22,875)</b>	<b>(5)</b>	<b>(1,298,814)</b>
<b>Net assets / (liabilities)</b>	<b>959,552</b>	<b>138</b>	<b>5,058</b>	<b>610</b>	<b>(4,429)</b>	<b>43</b>	<b>960,972</b>
<b>Off-balance sheet items</b>							
Commitments	626,396	-	864,694	359,783	73,400	-	1,924,273
Derivatives financial Instruments (Notional)							
Commodity derivative (Asset)	-	-	3,879,663	-	-	-	3,879,663
Commodity derivative (liability)	-	-	(3,879,663)	-	-	-	(3,879,663)

The following table demonstrates the sensitivity to a reasonably possible change, set at 10%, in the Canadian Dollar exchange rate against the US Dollar, Sterling, 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:

## Notes to the financial statements

at 31 October 2020

### 24. Risk management (continued)

#### Foreign currency risk (continued)

	2020	Profit	Restated 2019	Profit
	Increase/ Decrease	before tax CAD'000	Increase/ Decrease	before tax CAD'000
Euro	+/-10%	4,198	+/-10%	65
Canadian Dollars	+/-10%	-	+/-10%	444
Australian Dollars	+/-10%	85	+/-10%	14
US Dollars	+/-10%	1,199	+/-10%	522
Sterling	+/-10%	554	+/-10%	-

### 25. Fair value of financial instruments

#### A. Fair value of financial instruments that are carried at fair value

FRS requires disclosure of a three-level hierarchy for fair value measurements based on transparency of inputs to the valuation of an assets or liability as of the measurement date. The three levels are defined as follows:

##### (a) Fair value hierarchy

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1) CAD'000	Significant observable inputs other than quoted prices (Level 2) CAD'000	(Level 3) CAD'000	Total CAD'000
<b>2020</b>				
<i>Financial assets:</i>				
Held for sale	-	2,456	-	2,456
Derivative financial instruments (Note 15)	-	255,451	-	255,451
<b>Total assets</b>	<b>-</b>	<b>257,907</b>	<b>-</b>	<b>257,907</b>
<i>Financial liabilities:</i>				
Derivative financial instruments (Note 15)	-	200,243	-	200,243
<b>Total liabilities</b>	<b>-</b>	<b>200,243</b>	<b>-</b>	<b>200,243</b>



## Notes to the financial statements

at 31 October 2020

### 25. Fair value of financial instruments (continued)

#### A. Fair value of financial instruments that are carried at fair value (continued)

	Quoted prices in active markets for identical instruments (Level 1) CAD'000	Significant observable inputs other than quoted prices (Level 2) CAD'000	(Level 3) CAD'000	Total CAD'000
<b>Restated 2019</b>				
<i>Financial assets:</i>				
Financial assets at fair value through OCI	-	2,516	-	2,516
Derivative financial instruments (Note 15)	-	194,087	-	194,087
Total assets	-	196,603	-	196,603
<i>Financial liabilities:</i>				
Derivative financial instruments (Note 15)	-	194,087	-	194,087
Total liabilities	-	194,087	-	194,087

#### (b) Determination of fair value

##### (i) Financial investments – held for sale/financial assets at fair value through OCI (Note 16)

Fair value is determined directly by reference to their published market bid price at the end of the reporting period. These are LME B shares that a member is required to hold but not for public trading.

##### (ii) Derivative financial instruments (Note 15)

The fair value of the Bank's derivative financial instruments comprising commodity derivatives is the estimated amount the Bank would receive to sell an asset or pay to transfer a liability under the contracts at the end of the reporting period and is determined by reference to market values for similar instruments.

#### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and balances at central bank (Note 11); Loans and advances to banks (Note 12); Loans and advances to customers (Note 13); prepayments and accrued income; Amount due from ultimate parent undertaking (Note 18); Amount due from other group companies (Note 18); Deposits from banks (Note 19); other deposits (Note 20); Amount payable to ultimate parent undertaking (Note 21); Amount payable to other group companies (Note 21); Other accruals and contract liabilities (Note 21).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates or near the end of the reporting period.

## Notes to the financial statements

at 31 October 2020

### 25. Fair value of financial instruments (continued)

#### C. Assets and liabilities not carried at fair value but for which fair value is disclosed

As at 31 October 2020, assets carried at fair value but for which fair value is not disclosed are classed as Level 2. The fair value of Level 2 assets was CAD 17,922,838 (2019: CAD 0).

### 26. Comparative information

#### Change in functional and presentation currency

As disclosed in Note 2, on 31 August 2020 the Bank's functional currency was changed from Sterling ("GBP") to Canadian Dollars ("CAD"). As a consequence, the presentation currency changed from GBP to CAD.

Balances and transactions marked as 'Restated', which were presented in Sterling within the 2019 audited directors' report and Audited Financial Statements, have been translated to Canadian dollars for the purposes of these financial statements.

The following rates were used to convert the prior period balances to CAD.

Currency	CAD rate	CAD
	31 October 2019	Average rate year ended 31 October 2019
CAD	1.7060969	1.693160311

All exchange rates were extracted from the Company's financial records.

The impact of the change in the presentation currency to the previously issued 2019 financial statements is as follows:

		2019	Restated 2019
	Note	GBP'000	CAD'000
<b>Assets</b>			
Cash and balances at central banks	10	1,002,203	1,709,855
Debt Securities	13	-	-
Loans and advances to banks	11	58,550	99,892
Loans and advances to customers	12	78,010	133,093
Derivative financial instruments	14	113,761	194,087
Financial assets at fair value through Other Comprehensive Income	15	1,475	2,516
Tangible fixed assets	16	143	246
Other assets	17	70,537	120,343
Prepayments and accrued income		1,091	1,861
<b>Total assets</b>		<b>1,325,770</b>	<b>2,261,893</b>
<b>Liabilities</b>			
Deposits from banks	18	563,656	961,652
Other deposits	19	78,553	134,019
Derivative financial instruments	14	113,761	194,087
Other liabilities	20	5,308	9,056
Current tax liabilities		5,330	9,093
Deferred tax liability	9	15	26
<b>Total liabilities</b>		<b>766,623</b>	<b>1,307,933</b>

## Notes to the financial statements

at 31 October 2020

### 26. Comparative information (continued)

#### Change in functional and presentation currency (continued)

		2019	Restated 2019
	Note	GBP'000	CAD'000
<b>Shareholder's equity</b>			
Called up share capital	21	361,257	616,339
Retained earnings		197,634	337,185
Financial assets at fair value through OCI securities - gross gain		256	437
Gross loss on derivatives designated as cash flow hedges		-	-
<b>Total shareholder's equity</b>		<u>559,147</u>	<u>953,961</u>
<b>Total liabilities and shareholder's equity</b>		<u>1,325,770</u>	<u>2,261,894</u>
<b>Memorandum items</b>			
<b>Commitments</b>	22	<u>1,127,880</u>	<u>1,924,273</u>
Interest income using the effective interest rate method		8,735	14,790
Interest expense using the effective interest rate method		(4,266)	(7,223)
<b>Net interest income</b>	4	<u>4,469</u>	<u>7,567</u>
Fee & Commission income		<u>11,854</u>	<u>20,071</u>
<b>Net fee &amp; Commission income</b>	5	<u>11,854</u>	<u>20,071</u>
Foreign exchange loss		(130)	(220)
Personnel expenses	6	(1,832)	(3,102)
Other expenses	8	(948)	(1,605)
		<u>13,413</u>	<u>22,711</u>
Credit loss (expense)/recovery		(34)	(58)
<b>Profit on ordinary activities before taxation</b>		<u>13,379</u>	<u>22,653</u>
Tax on profit on ordinary activities	9	(2,548)	(4,314)
<b>Profit for the financial year</b>		<u>10,831</u>	<u>18,339</u>
<b>Other Comprehensive income</b>			
Functional currency translation		-	-142

## Notes to the financial statements

at 31 October 2020

### 26. Comparative information (continued)

#### Change in functional and presentation currency (continued)

		2019	Restated 2019
	Note	GBP'000	CAD'000
<i>Items that will not be recycled to statement of profit or loss</i>			
Net realised gain on Financial assets at fair value through OCI		-	-
Changes in gains/(losses) on derivatives designated as cash flow hedges		-	-
<b>Total comprehensive income for the year</b>		<b>10,831</b>	<b>18,481</b>

### 27. 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 TD Bank, which is incorporated in Canada. Copies of TD Bank's 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](http://www.td.com).

All related party balances are disclosed in notes 11 (loans and advances to banks), 16 (Other assets), 17 (Deposits from banks), 18 (Other deposits), and 19 (Other liabilities).

### 28. Subsequent Events

The Bank's Global Metals business transacts on the LME to support TD Bank's Global Metals trading and client franchise. This business has left the Bank on the 7 December 2020 and now is booked by TD Bank, Toronto Branch.

The Bank's Board have approved in principle for the fee and commission income and related expenses associated with TD Bank's UK based institutional equities business to be booked in the Bank.