TD Bank Europe Limited

Report and Audited Financial Statements

31 October 2018

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COMPANIES HOUSE

Registered No: 2734652

Registered No: 2734652

Directors

P McDonald Pryer (Irish)
A Minton Beddoes (British)
P Walker (British)
J Godfrey (American)
K Taylor (British)
Jane Jon (Canadian)

Company Secretaries

M Caretta (Italian)

S Dhaliwal (British)

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 2018.

Results and dividends

TD Bank Europe Limited's ("the Bank") results for the year are shown in the statement of comprehensive income on page 15. The total comprehensive income for the year was a gain of £11,670,624 (2017: a gain of £4,338,486).

No dividend on ordinary shares was declared during the year and none is proposed (2017: £Nil).

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

On November 1, 2017, the Bank adopted IFRS 9 retrospectively. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. However, the Bank made the decision not to restate comparative period financial information and has recognised any measurement differences between the previous carrying amounts and the new carrying amounts on November 1, 2017, through an adjustment to opening retained earnings or accumulated other comprehensive income (AOCI), as applicable.

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

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.

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 Pryer (Irish)	-	Chairman and Non-Executive Director
A Minton Beddoes (British)	-	Non-Executive Director
P Dixon (British)	-	Director (resigned 10 November 2017)
P Walker (British)	-	Director
J Godfrey (American)	-	Director
K Taylor (British)	-	Director (appointed 8 December 2017)
J Jon (Canadian)	-	Director (appointed 18 January 2018)

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

	At 1 November 2017	*Additions/Disposals during the year*	***At 31 October 2018***
P Walker	2,251	57	**2,308**
J Jon	1,738	103	**1,841**
	3,989	160	**4,149**

Internal

Directors' report (continued)

Share Options

	At 1 November 2017	*Additions/Disposals during the year*	***At 31 October 2018***
P Walker	2,568	1,996	**4,564**
	2,568	1,996	**4,564**

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, 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

For further information on the Pillar 3 disclosures, please see TD Bank 2018 Annual Report ("AR") and Supplemental Financial Information ("SFI") which can be found online at the TD Bank website:

https://www.td.com/document/PDF/ar2018/ar2018-Complete-Report.pdf.

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

https://www.td.com/document/PDF/investor/2018/2018-Q4_Reg_Cap_F_EN.pdf

The Pillar 3 disclosure for the Consolidated UK Subsidiary Group of TD Securities is available on request from the European Parent, Toronto Dominion Investments B.V. (60 Threadneedle Street, London, EC2R 8AP, United Kingdom).

Financial instrument risk management

Directors have considered risks arising from financial instruments in note 22.

Country By Country Reporting (CBCR)

The Capital Requirements Directive IV ("CRD IV") Country by Country Reporting ("CBCR") framework is now in force for regulated financial institutions. The following table complies with this regulation for the 2018 financial year.

Name of entity	*TD Bank Europe Limited*
Geographical location	*United Kingdom*
Turnover*	*£3,967,704 (2017:£3,459,743)*
Average number of employees	*11 (2017:7)*
Profit before tax	*£14,402,027 (2017: £4,868,983)*
Public subsidies received	-

The Bank paid corporation tax of £393,000 in 2018 (2017: £450,000). 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

Internal

Directors' report (continued)

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.

Auditor

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

On behalf of the board

J Jon

Director
14 December 2018

Internal

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 European markets.

Business model

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

Since its inception, the primary business of the Bank has been corporate banking. Loans and commitments are principally made to investment grade corporate customers in the UK and Europe. More specifically, loan assets (including interbank deposits) 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 facilitates access to the Bank of England for other group entities.

The Bank has obtained category 2 membership from the London Metals Exchange (LME) and trading commenced in early 2017. The Bank's Global Metals business transacts on the LME to support TD Bank's Global Metals trading and client franchise. The introduction of the Global Metals business into the Bank represents a change to the Bank's business profile, however the booking model for this business has been established with the intention that the Bank will maintain no open trades with all positions fully hedged with TD Bank and the LME.

Principal activity and review of the business

The Bank, an authorised institution under The Financial Services and Markets Act 2000, carries on the business of corporate banking. The Bank is also a member of the LME and undertakes metal trading on the LME. 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.

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

	2018	*2017*	*Change*
	£'000	*£'000*	
Net interest income	3,968	3,460	15%
Net fee income	13,463	5,584	141%
Profit on ordinary activities before taxation	14,402	4,869	196%
Profit for the financial year	11,663	4,090	185%
Total shareholder's equity	548,316	536,704	2%

Net interest income increased in 2018 by 15% mainly due to an increase in interest income on placement with Bank of England (BoE) due to the UK base rate increase. Net fee income also increased by 141% on account of higher client introduction activity for global investment banking business resulting in higher referral commission.

These changes resulted in 196% increase in profits on ordinary activities before taxation.

Strategic report

Principal risks and uncertainties

The financial risk management objectives and policies of the Bank are shown in Note 22 of the financial statements.

Future developments

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

Following the approval of the German exemption for TD London Branch, the Bank does not anticipate to take German exposures henceforth.

As a result of Brexit, it is anticipated that the Bank will not be able to transact with EU27 regulated counterparties from 29 March 2019. Hence, a contingency plan was developed by TD Senior Management in order to ensure continued market access for EU27 regulated clients. The Bank is currently implementing its contingency plan to transfer the applicable EU27 exposures to an affiliate entity, TD Bank NV. Post Brexit, the intended strategy is to use the Bank to deal with UK and unregulated EU counterparties. While the Bank continues to monitor closely the political landscape on Brexit, the Bank will continue to implement on its contingency plan and adjust accordingly as the political landscape develops and finalizes between the UK and EU.

It is expected that there will be no impact as a result of Brexit for the Metals business as the Bank's position is reciprocated by an equal and opposite position with the LME and TD Bank respectively and this model is not anticipated to change post Brexit.

On behalf of the board

J Jon

Director
14 December 2018

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

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

Independent auditor's report

to the members of TD Bank Europe Limited

Opinion

We have audited the financial statements of TD Bank Europe Limited (the 'Bank' or 'TDBEL') for the year ended 31 October 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 24, including a summary of significant accounting policies. 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 2018 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.

Independent auditor's report

to the members of TD Bank Europe Limited (continued)

Overview of our audit approach

Key audit matters	• Loan impairment provisions • Revenue recognition – Upfront loan and investment banking fees
Materiality	• Overall materiality of £5.4m which represents 1% of Equity.

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
Loan impairment provisions – Failure to record necessary allowances for credit losses against the loan portfolio **At year end the Bank reported gross Loans and advances to Customers of £161,034k (2017: £311,441k) and an expected credit loss provision of £12k (2017: nil)** ***Refer to the Strategic Report (page 5); Accounting policies (page 19); and Note 12 of the Financial Statements (page 36) and note 22 of the financial statements page 42)*** The Bank early-adopted the new accounting standard, IFRS 9 which was effective from accounting periods 1 January 2018 onwards. Implementation of the standard as at 1 November 2017 led to an adjustment to opening retained earnings of £59k.The key changes arising from the adoption of IFRS 9 are in the Bank's credit losses which are now based on an expected credit loss model (ECL) rather than an incurred loss model.	We tested the design and operating effectiveness of key controls implemented by management over the IFRS 9 process. We undertook testing of the accuracy of data flow into the ECL model at both the transition date and year end. We reviewed key accounting interpretations and assumptions and confirmed these were in line with the requirements of IFRS 9 and were accurately reflected in the bank's processes. We undertook independent loan file reviews to identify any indicators of significant credit deterioration. We increased our sample size for testing transactions back to the ECL model and on loan file reviews to respond to the identified risk.	We concluded that the key controls tested they were designed and operating effectively and therefore could place reliance on these key controls for the purposes of our audit. No material issues were identified from the execution of our audit procedures. We concluded that the carrying value of loans and advances to customers and related credit loss provisions as at the transition date of 1 November 2017 and 31 October 2018 were reasonable and in compliance with United Kingdom Generally Accepted Accounting Practice.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Given the relative size of the loan portfolio, a failure to record the exposure in the correct stage of the model could have a material impact on the resulting provision in the financial statements. Given the subjective nature of assumptions in the model, there is heightened risk that these could be overridden by management. The risk has remained consistent during the year as the composition of the portfolio continues to comprise a low volume of facilities and general credit conditions have not changed.		
Revenue recognition: Investment banking fee income and upfront fee income in TDBEL may be calculated incorrectly or booked in the wrong period resulting in inaccurate revenue recognition. (Fraud risk) **Investment banking fee for the year recognised by the Bank totalled £10,009k (2017:£3,020k)** **Upfront fees for the year recognised by the Bank totalled £837k (2017: £878k)** ***Refer to the Strategic Report (page 5; and Accounting policies (page 19)*** Fee income in TDBEL may be calculate incorrectly or booked into the wrong period resulting in incorrect revenue recognition. (Fraud risk) This risk has been extended since the prior year to include investment banking fee income as this source of revenue has increased significantly during the year.	We gained an understanding of the revenue recognition process in place for recording upfront fee income and investment banking fee income, concluding to not rely on controls and perform a substantive testing approach. We reviewed the accounting policy for recognising the two significant revenue streams and recalculated fee income to test that they were in accordance with the terms of the underlying agreement, and had been recognised in the appropriate period and in accordance with IFRS. For a sample of transactions we confirmed the cash received by the Bank during the year. We increased our sample size for transactions in both streams to respond to the identified fraud risk.	No material issues were identified from the execution of our audit procedures over the risk of improper recognition of upfront fee income. We concluded that the revenue recognised related to fees for the year ended 31 October 2018 is materially correct and in accordance with United Kingdom Generally Accepted Accounting Practice.

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.

In establishing our overall approach to the audit, we determined the type of work that needed to be undertaken by us, as the audit engagement team, or by EY Canada as the auditors of the Toronto Dominion Bank Group ("TD Group"), who operated under our instruction. Where work was performed by the TD Group auditors, we had the appropriate level of involvement 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. The audit engagement team also participated in meetings with key TD Group management personnel and visited the TD Group location. This visit involved discussing the audit approach with the TD Group audit team and any issues arising from their work, as well as meeting with local management. 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 Group auditors from other EY global network firms operating under our instruction.

Changes from the prior year

There were no 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 £5.4m (2017: £5.4m), which is 1% (2017: 1%) of Equity. Equity was deemed the most appropriate basis for materiality, given that the purpose of the entity is to primarily act as a passporting entity supporting wider activity undertaken by the TD 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% (2017: 75%) of our materiality, namely £2.7m (2017: £4m). We have set performance materiality at this percentage due to the fact that there have been changes in accounting staff, adoption of new accounting standards and recorded audit differences identified in the prior period.

Reporting threshold

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

There were no uncorrected audit differences in excess of £268k (2017: £267k), which is set at 5% of materiality (2017: 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 6, 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 7, 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.

Auditor's responsibilities for the audit of the financial statements (continued)

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 and Risk 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.

- 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 13 years, covering the years ending 31 October 2005 to 31 October 2018.

- 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.

Simon Ludlam (Senior Statutory Auditor)

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

London

Date: 19 December 2018

Statement of comprehensive income

for the year ended 31 October 2018

	Note	2018	2017
		£'000	£'000
Interest income		10,959	10,059
Interest expense		(6,991)	(6,599)
Net interest income	4	3,968	3,460
Fee & Commission income		13,463	5,584
Net fee & Commission income	5	13,463	5,584
Realised gain on Financial assets at fair value through OCI		-	62
Foreign exchange income/(loss)		(23)	4
Personnel expenses	6	(1,876)	(1,555)
Other expenses	8	(1,158)	(2,686)
		14,374	4,869
Credit loss expense		28	-
Profit on ordinary activities before taxation		14,402	4,869
Tax on profit on ordinary activities	9	(2,739)	(779)
Profit for the financial year		11,663	4,090
Items that will not be recycled to statement of profit or loss			
Net un-realised gain on Financial assets at fair value through OCI		8	248
Total comprehensive income for the year		11,671	4,338

The accompanying notes on pages 19 to 55 form an integral part of the financial statements.

Statement of changes in equity

for the year ended 31 October 2018

	Called up share capital	*Retained earnings*	*FVOCI Reserve*	*Total shareholders equity*
	£'000	*£'000*	*£'000*	*£'000*
Balance as at 31 October 2017	361,257	175,199	248	536,704
Impact on adoption of IFRS 9	-	(59)	-	(59)
Profit for the financial year	-	11,663	-	11,663
Financial assets at fair value through OCI securities - gross gain	-	-	8	8
At 31 October 2018	361,257	186,803	256	548,316

	Called up share capital	*Retained earnings*	*AFS Reserve*	*Total shareholders equity*
	£'000	*£'000*	*£'000*	*£'000*
Balance as at 31 October 2016	361,257	171,109	-	532,366
Profit for the financial year	-	4,090	-	4,090
Financial assets at fair value through OCI securities - gross gain	-	-	310	310
Financial assets at fair value through OCI securities - realised gain	-	-	(62)	(62)
At 31 October 2017	361,257	175,199	248	536,704

The accompanying notes on pages 19 to 55 form an integral part of the financial statements.

Balance sheet

at 31 October 2018

	Note	*2018*	*2017*
		£'000	*£'000*
Assets			
Cash and balances at central banks	10	593,387	1,604,162
Loans and advances to banks	11	46,710	33,098
Loans and advances to customers	12	161,034	311,441
Derivative financial instruments	13	115,268	80,678
Financial assets at fair value through Other Comprehensive Income	14	1,475	1,475
Tangible fixed assets	15	15	15
Deferred tax asset	9	-	29
Other assets	16	32,233	15,097
Prepayments and accrued income		1,356	1,347
Total assets		951,478	2,047,342
Liabilities			
Deposits from banks	17	200,804	1,343,691
Other deposits	18	77,887	77,411
Derivative financial instruments	13	115,268	80,678
Other liabilities	19	6,405	8,434
Current tax liabilities		2,783	424
Deferred tax liability	9	15	-
Total liabilities		403,162	1,510,638
Shareholders equity			
Called up share capital	20	361,257	361,257
Profit and loss account		186,803	175,199
Financial assets at fair value through OCI securities - gross gain		256	248
Total shareholders equity		548,316	536,704
Total liabilities and shareholders equity		951,478	2,047,342
Memorandum items			
Commitments	21	1,957,331	1,798,881

The financial statements were approved by the Board of Directors on 14 December 2018 and signed on their behalf by:

J Jon
Director

The accompanying notes on pages 19 to 55 form an integral part of the financial statements.

Notes to the financial statements

at 31 October 2018

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 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 14 December 2018.

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 not yet effective.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), 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, are prepared on a going concern basis.

Significant accounting policies

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, 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 judgements 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 consists of cash at banks and short term deposits. These amounts are due on demand or have an original maturity of three months or less.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue associated with the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

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 generally recognised at a point in time when the transaction is executed.

Interest from interest-bearing assets and liabilities with other group companies or TD Bank is calculated using the the effective interest rate method ("EIRM"). Interest from the Corporate loan portfolio 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.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Bank is required to adopt the standard for the annual period beginning on November 1, 2018. The standard is to be applied on a modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings without restating comparative period financial information.

Financial instruments other than derivatives under IFRS 9

On November 1, 2017, the Bank adopted IFRS 9, Financial Instruments (IFRS 9), which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting. Accounting for macro hedging has been decoupled from IFRS 9.

On November 1, 2017, the Bank adopted IFRS 9 retrospectively. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. However, the Bank made the decision not to restate comparative period financial information and has recognised any measurement differences between the previous carrying amounts and the new carrying amounts on November 1, 2017, through an adjustment to opening retained earnings or accumulated other comprehensive income (AOCI), as applicable.

Refer to the Bank's 2017 Annual Financial Statements and the accompanying Notes for accounting policies under IAS 39 applied during those periods.

Amendments were also made to IFRS 7 introducing expanded qualitative and quantitative disclosures related to IFRS 9, which the Bank has also adopted for the annual period beginning November 1, 2017.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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).

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 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.

Loans Measured at Amortised Cost

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 recognised 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 unamortised discounts or premiums. Interest income is recognised in the Statement of Income using the effective interest rate method (EIRM). Loan origination fees and costs are considered to be adjustments to the loan yield and are recognised in interest income over the term of the loan. Commitment fees are recognised in credit fees over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are recognised in interest income over the term of the resulting loan. Loan syndication fees are recognised 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 recognised as a yield adjustment in interest income over the term of the loan.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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. Dividends are recognised on the ex-dividend date and interest is recognised on an accrual basis.

Equity Instruments

Equity investments are required to be measured at FVTPL (classified as non-trading financial assets 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 Income.

Classification and Measurement for Financial Liabilities

The Bank classifies its financial liabilities into the following categories:

- Held-for-trading;
- Other liabilities.

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.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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 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 Model

The ECL model applies to financial assets, including loans 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 back 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 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. Internal risk ratings are also used in the calculation of regulatory capital, economic capital, and incurred but not identified allowance for credit losses. Consistent with the AIRB Approach to measure capital adequacy at a one-year risk horizon, the parameters are estimated to a twelve-month forward time horizon.

Borrower Risk Rating and 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.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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 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 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

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.

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:

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

Measurement of Expected Credit Losses

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 Adavances 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 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.

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.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

Foreign currencies

The Bank's financial statements are presented in sterling, 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 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	4 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 a quarterly 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.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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 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.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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 are covered below.

Classification and Measurement of Financial Assets Under IFRS 9

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

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 Under IFRS 9

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.

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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 (probability of default) 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 (probability of default), LGD (loss given default), and EAD (exposure at default). 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.

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

Notes to the financial statements

at 31 October 2018

2. Accounting policies (continued)

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.

3. Current and Future Changes in Accounting

Summary of impact upon adoption of IFRS 9 – Classification and measurement

The following table summarizes the classification and measurement impact as at November 1, 2017. Reclassifications represent movements of the carrying amount of financial assets and liabilities which have changed their classification. Re-measurement represents changes in the carrying amount of the financial assets and liabilities due to changes in their measurement.

(£'000)		As at Oct. 31, 2017			As at Nov. 1, 2017		
IAS 39	IAS 39 Measurement Category	IAS 39 Carrying Amount	Re-classifications	Re-measurement	IFRS 9 Carrying Amount	IFRS 9 Measurement Category	IFRS 9
Assets							Assets
Cash and balances at central banks	LAR*	1,604,162	-	-	1,604,162	Amortised Cost	Cash and balances at central banks
Loans and advances to banks	LAR*	33,098	-	-	33,098	Amortised Cost	Cash and balances at central banks
Loans and advances to customers	LAR*	311,441	-	-	311,441	Amortised Cost	Loans and advances to customers
Derivative Financial Instruments	FVTPL***	80,678	-	-	80,678	FVTPL	Derivative Financial Instruments
Available-for-sale securities	AFS**	1,475	-	-	1,475	FVOCI	Financial assets at FVOCI
Other assets	LAR	15,097	-	-	15,097	Amortised Cost	Other assets
Tangible fixed assets	Non financial assets	15	-	-	15	Non financial assets	Tangible fixed assets
Deferred tax asset	Non financial assets	29	-	-	29	Non financial assets	Deferred tax asset
Prepayments and accrued income	Non financial assets	1,347	-	-	1,347	Non financial assets	Prepayments and accrued income
Allowance for loan losses		-	-	(35)	(35)		Allowance for loan losses
Total assets		2,047,342	-	(35)	2,047,307		Total assets

Notes to the financial statements

at 31 October 2018

(£'000)		As at Oct. 31, 2017			As at Nov. 1, 2017		
	IAS 39	IAS 39			IFRS 9	IFRS 9	
	Measurement	Carrying	Re-	Re-	Carrying	Measurement	
IAS 39	Category	Amount	classifications	measurement	Amount	Category	IFRS 9
Liabilities							
Deposits from banks	Amortised Cost	1,343,691	-	-	1,343,691	Amortised Cost	Deposits from banks
Other deposits	Amortised Cost	77,411	-	-	77,411	Amortised Cost	Other deposits
Derivative Financial Instruments	FVTPL	80,678	-	-	80,678	FVTPL	Derivative Financial Instruments
Other liabilities	Amortised Cost	8,434	-	-	8,434	Amortised Cost	Other liabilities
Current tax liabilities	Non financial liabilities	424	-	-	424	Non financial liabilities	Current tax liabilities
Provisions for Off Balance sheet liabilities		-	-	24	24		Provisions for Off Balance sheet liabilities
Total liabilities		1,510,638	-	24	1,510,662		**Total liabilities**
Equity							
Called up share capital		361,257	-	-	361,257		Called up share capital
Profit and loss account		175,199	-	(59)	175,140		Profit and loss account
Net un-realised gain on AFS securities		248	-	-	248		*Net un-realised gain on AFS securities*
Total equity		536,704	-	(59)	536,645		**Total equity**
Total liabilities and equity		2,047,342	-	(35)	2,047,307		**Total liabilities and equity**

* LAR is loans and receivables under IAS 39

** AFS is Available for sale under IAS 39

*** FVTPL is Fair Value Through Profit & Loss

Reconciliation of the Closing Allowance for Credit Losses under IAS 39/IAS 37 to Opening Allowance for Credit Losses under IFRS 9

The Bank made the decision not to restate comparative period financial information and has recognised any measurement differences between the previous carrying amounts and the new carrying amounts on November 1, 2017, through an adjustment to opening retained earnings or accumulated other comprehensive income (AOCI).

As at November 1, 2017, all the allowance for credit losses for loan losses including off-balance sheet under IFRS 9 was in Stage 1, and £(59,291) was adjusted to opening retained earnings, of which £(34,581) is for on-balancce sheet loans and £(24,710) is for off-balance sheet commitments.

Notes to the financial statements

at 31 October 2018

4. Net interest income

	2018 £'000	2017 £'000
Net interest income comprises:		
Interest income on cash at central bank	6,866	4,845
Interest income on loans-ultimate parent undertaking	165	23
Interest income on loans and advances to customers	3,928	5,191
	10,959	10,059
Interest expense on deposits by banks – ultimate parent undertaking	6,602	6,446
Interest expense on deposits – group undertaking	389	153
	6,991	6,599

5. Net fee & commission income

	2018 £'000	2017 £'000
Net fee income comprises:		
Commitment fees on loans and advances to customers	1,574	1,471
Other fees on loans and advances to customers	837	878
Commission on commodity derivative transactions	1,042	215
Investment banking fees receivable from ultimate parent undertaking	7,973	2,758
Investment banking fees receivable from group undertaking	2,037	262
	13,463	5,584

Notes to the financial statements

at 31 October 2018

6. Personnel expenses

	2018 *£'000*	*2017* *£'000*
Wages and salaries	1,465	1,250
Social security costs	193	158
Other pension costs	60	47
Cash settled share based payments	158	100
	1,876	1,555

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

	2018 *No.*	*2017* *No.*
Front office	2	2
Support staff	9	5
	11	7

	2018 *£'000*	*2017* *£'000*
Non-executive director emoluments	145	122

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 (2017: £Nil).

No pension contributions under either a defined contribution or defined benefit scheme were accrued for any director in 2018 (2017: £Nil) in respect of their role with the Bank.

During the year, no director was advanced a loan (2017: £Nil) in respect of their role with the Bank.

The directors of the Bank are considered key management personnel.

7. 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 TD Bank has the discretion to adjust the number of units within a range of +/-20% at maturity based on considerations of risk outcomes during the life of the award. Share units are subject to a claw back in the event of a material misrepresentation resulting in the restatement of financial results or a material error, within a three year retrospective period for non-Material Risk Takers and a seven year retrospective period for those identified as 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

Notes to the financial statements

at 31 October 2018

7. Share based payments (continued)

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 2018, the Bank recognised compensation expense for these plans of £157,627 (2017: £100,371) and the associated liability amount is £274,525 (2017: £167,626)

	2018 *No. of units*	*2017* *No. of units*
Outstanding at 1 November	6,520	14,908
Granted during the year	2,922	2,719
Released during the year	(1,802)	(11,107)
Outstanding at 31 October	7,640	6,520

TD Bank share price at 31 October 2018 was C$73.03 (2017: C$73.34). The CAD/GBP exchange rate at 31 October 2018 was 1.6827 (2017: 1.7134).

8. Other expenses

	2018 *£'000*	*2017* *£'000*
Other charges payable to ultimate parent undertaking	559	1,734
Other charges payable to other group undertaking	4	12
Other administrative expenses	490	861
Auditor's remuneration - audit services	92	66
Auditor's remuneration - CASS audit	13	13
	1,158	2,686

9. Taxation

	2018 *£'000*	*2017* *£'000*
Current income tax:		
UK corporation tax	2,751	874
Amounts overprovided in previous years	(4)	(161)
Total current income tax	2,747	713
Deferred tax:		
Origination and reversal of temporary differences	(10)	75
Impact of change in tax laws and rates	2	(9)
Total deferred tax	(8)	66
Total tax charge/(credit)	2,739	779

Notes to the financial statements

at 31 October 2018

Reconciliation of the total tax charged:

The total tax charge reported in the statement of comprehensive income is lower than the standard rate of corporation tax applying in the period of 19% (2017: 19.41%).

The differences are explained below:	*2018* *£'000*	*2017* *£'000*
Profit before taxation	14,402	4,869
Tax calculated using rate of corporation tax in the UK of 19% (2017: rate of 19.41%)	2,736	945
Expenses not deductible for tax purposes	5	4
Impact of change in tax laws and rates	2	(9)
Adjustment to tax charge in respect of prior years	(4)	(161)
Total tax charge/(credit)	2,739	779

Change in Corporation Tax rate

The headline rate of UK corporation tax reduced from 20% to 19% on 1 April 2017 and will further reduce to 17% from 1 April 2020. Deferred tax should be recognised based on the expected year they will unwind using the rates substantively enacted at 31 October 2018.

Deferred Tax	*2018* *£'000*	*2017* *£'000*
Deferred tax asset/(liability)		
Share based payment	37	28
Capital allowances	1	1
AFS reserve tax	(53)	-
	(15)	29

10. Cash and balances at central banks

	2018 *£'000*	*2017* *£'000*
Cash and balances at central banks - repayable on demand	593,387	1,604,162

Amounts repayable on demand are interest bearing.

11. Loans and advances to banks

	2018 *£'000*	*2017* *£'000*
3 months or less, but not repayable on demand	3,956	6,069
Repayable on demand	42,754	27,029
	46,710	33,098

Included in loans and advances to banks are amounts owed by ultimate parent undertaking of £46,710,098 (2017: £33,098,249). Amounts repayable on demand are non-interest bearing. Amounts not repayable on demand are interest bearing.

Notes to the financial statements

at 31 October 2018

12. Loans and advances to customers

	2018	*2017*
	£'000	*£'000*
5 years or less, but over 1 year	65,637	51,152
1 year or less, but over 3 months	95,409	260,289
Allowance for Credit Losses	(12)	-
	161,034	311,441

Loans and advances to customers are interest bearing. As at November 1, 2017, all the allowance for credit losses was in Stage 1.

13. Derivative financial instruments

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

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 notional amounts disclosed are presented net in line with the fair value assets and liabilities to which they relate.

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 resulting gain or loss is recognised as trading income or loss for the year.

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:

	Notional amounts		**Fair value**	
2018	**Assets**	**Liabilities**	**Asset**	**Liabilities**
	£'000	*£'000*	*£'000*	*£'000*
Commodity derivatives	1,541,242	1,541,242	115,268	115,268
Total derivatives	1,541,242	1,541,242	115,268	115,268
2017				
Commodity derivatives	1,781,700	1,781,700	80,678	80,678
Total derivatives	1,781,700	1,781,700	80,678	80,678

Notes to the financial statements

at 31 October 2018

13. Derivative financial instruments (continued)

Amount due from related companies

	Notional amounts		Fair value	
	Assets	**Liabilities**	**Asset**	**Liabilities**
	£'000	*£'000*	*£'000*	*£'000*
2018	853,292	687,951	56,990	58,279
2017	847,127	934,573	35,812	44,866

(a) Commodity derivatives

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

Metal futures are standardized contracts transacted on an 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 bi-laterly negotiated between the Bank and the counterparty to the contract. OTC contracts with ultimate parent undertaking hedge the exchange traded contracts to ensure Bank stays market risk neutral on commodity derivative contracts.

(b) Offsetting derivative financial assets and liabilities

The following table provides a summary of 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 2018

13. Derivative financial instruments (continued)

	Gross amounts of recognised financial instruments before balance sheet netting	Gross amounts of recognised financial instruments offset in the Balance Sheet	Net amount of financial instruments presented in the Balance Sheet	Amounts subject to an enforceable master netting agreement	Net Amount
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2018					
Loans And Advances To Banks - Repayable On Demand	159,292	119,197	40,095	(40,095)	-
Deposits By Banks - Repayable On Demand	(165,831)	(119,197)	(46,634)	40,095	(6,539)
Derivative financial assets	556,980	441,712	115,268	(113,979)	1,289
Derivative financial liabilities	(556,980)	(441,712)	(115,268)	113,979	(1,289)
	(6,539)	-	(6,539)	-	(6,539)
2017					
Loans And Advances To Banks - Repayable On Demand	313,043	286,014	27,029	(14,613)	12,416
Deposits By Banks - Repayable On Demand	(300,627)	(286,014)	(14,613)	14,613	-
Derivative financial assets	325,135	244,457	80,678	(71,624)	9,054
Derivative financial liabilities	(325,135)	(244,457)	(80,678)	71,624	(9,054)
	12,416	-	12,416	-	12,416

14. Financial assets at fair value through Other Comprehensive income

	2018	*2017*
	£'000	*£'000*
Securities - LME B shares	1,475	1,475

Notes to the financial statements

at 31 October 2018

15. Tangible fixed assets

	Computer hardware £'000	*Furniture and fittings £'000*	*Total £'000*
Cost			
As at 1 November 2017	22	24	46
Additions during the year	1	4	5
As At 31 October 2018	23	28	51
Depreciation			
As at 1 November 2017	(20)	(11)	(31)
Charge for the year	(1)	(4)	(5)
As At 31 October 2018	(21)	(15)	(36)
Net book value as at 31 October 2018	2	13	15
Net book value as at 31 October 2017	2	13	15

	Computer hardware £'000	*Furniture and fittings £'000*	*Total £'000*
Cost			
As at 1 November 2016	15	19	34
Additions during the year	7	5	12
As At 31 October 2017	22	24	46
Depreciation			
As at 1 November 2016	(15)	(8)	(23)
Charge for the year	(5)	(3)	(8)
As At 31 October 2017	(20)	(11)	(31)
Net book value as at 31 October 2017	2	13	15
Net book value as at 31 October 2016	-	12	12

16. Other assets

	2018 £'000	*2017 £'000*
Amounts receivable from ultimate parent undertaking	3,507	747
Amounts receivable from other group companies	336	180
Deposit with clearing house	28,390	14,170
	32,233	15,097

Notes to the financial statements

at 31 October 2018

Amounts receivable from ultimate parent undertaking and other group companies are repayable on demand and are non-interest bearing. Deposit with clearing house is non-interest bearing and £1,727,829 of the amount is repayable on demand. The Bank has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 December 2018, the fair values of the short-term deposits pledged were £28,388,943 (2017: £14,169,763).

17. Deposits from banks

	2018 *£'000*	*2017* *£'000*
3 months or less, but not repayable on demand	151,510	1,329,077
Repayable on demand	49,294	14,614
	200,804	1,343,691

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

18. Other deposits

	2018 *£'000*	*2017* *£'000*
3 months or less, but not repayable on demand	77,887	77,411

Other deposits are from group undertaking and are interest bearing.

19. Other liabilities

	2018 *£'000*	*2017* *£'000*
Amounts payable to ultimate parent undertaking	1,598	3,835
Amounts payable to other group companies	96	36
Other accruals and deferred income	4,677	4,563
Provisions for Off Balance sheet	34	-
	6,405	8,434

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.

20. Share capital

	2018	*2017*
Authorised:		
	US$000	*US$000*
600,000,000 (2017: 600,000,000) ordinary shares of US$1 each	600,000	600,000
	£'000	*£'000*

Notes to the financial statements

at 31 October 2018

500,000,000 (2017: 500,000,000) ordinary shares of £1 each	500,000	500,000
Allotted, called-up and fully paid:		
	US$000	*US$000*
96,663,750 (2017: 96,663,750) ordinary shares of US$1 each	96,664	96,664
	£'000	*£'000*
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 (2017: 300,827,500) ordinary shares of £1 each	300,828	300,828
Called up share capital	361,257	361,257

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

	2018	*2017*
	£'000	*£'000*
Common Equity Tier 1 capital	546,124	536,671
Tier 2 capital	-	-
	546,124	536,671

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 is Nil as at 31 October 2018 and 31 October 2017.

Notes to the financial statements

at 31 October 2018

21. 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:

	2018 Undrawn Facilities £000	*2017 Undrawn Facilities £000*
Original term to maturity of more than 1 year	1,885,809	1,798,881
Original term to maturity of 1 year or less	71,522	-
	1,957,331	1,798,881

22. Risk management

Objectives, policies and strategies

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

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

Risk management structure

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

Risk committee

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

Risk management

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

Treasury

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

Internal audit

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

Notes to the financial statements

at 31 October 2018

22. 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.

The following table shows the Bank's maximum exposure to credit risk, excluding the value of collateral.

Gross maximum credit risk exposure

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

	2018	*2017*
	£'000	*£'000*
Loans and advances to customers including all contractual commitments, maturing:		
- 1 year and over	2,022,968	1,850,033
- Less than 1 year	95,409	260,289
	2,118,377	2,110,322
Cash at central bank	593,387	1,604,162
Financial assets at fair value through OCI securities	1,475	1,475
Loans and advances to banks	46,710	33,098
Derivative financial instruments	115,268	80,678
Other assets	32,233	15,097
Total credit exposure	2,907,450	3,844,832

Notes to the financial statements

at 31 October 2018

22. Risk management (continued)

Credit risk (continued)

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

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

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

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

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 2018

	Investment grade	*Non investment grade*	*Total*
	£'000	*£'000*	*£'000*
Cash at central bank	593,387	-	593,387
Available-for-saleFinancial assets at fair value through OCI securities	1,475	-	1,475
Loans and advances to banks	46,710	-	46,710
Loans and advances to customers	161,034	-	161,034
Derivative financial instruments	115,268	-	115,268
Other assets	32,233	-	32,233
	950,107	-	950,107

Notes to the financial statements

at 31 October 2018

At 31 October 2017

	Investment grade	*Non investment grade*	*Total*
	£'000	£'000	£'000
Cash at central bank	1,604,162	-	1,604,162
Available-for-saleFinancial assets at fair value through OCI securities	1,475	-	1,475
Loans and advances to banks	33,098	-	33,098
Loans and advances to customers	311,441	-	311,441
Derivative financial instruments	80,678	-	80,678
Other assets	15,097	-	15,097
	2,045,951	-	2,045,951

Notes to the financial statements

at 31 October 2018

22. Risk management (continued)

Credit risk (continued)

There are no financial assets which are past due.

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:

2018	Switzerland	Australia	Germany	United Kingdom	Netherlands	Canada	Other International	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at central bank	-	-	-	593,387	-	-	-	593,387
Financial assets at fair value through OCI	-	-	-	1,475	-	-	-	1,475
Loans to banks	-	-	-		-	46,710	-	46,710
Loans to Customers	-	-	75,850	14,889	44,079	26,216	-	161,034
Derivative financial instruments	-	-	-	58,279	-	56,989	-	115,268
Other assets	-	-	-	28,471	-	3,507	255	32,233
Total	-	-	75,850	696,501	44,079	133,422	255	950,107

2017	Switzerland	Australia	Germany	United Kingdom	Netherlands	Canada	Other International	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at central bank	-	-	-	1,604,162	-	-	-	1,604,162
Financial assets at fair value through OCI securities	-	-	-	1,475	-	-	-	1,475
Loans to banks	-	-	-	-	-	33,098	-	33,098
Loans to Customers	94,117	75,293	72,055	3,387	28,061	25,000	13,528	311,441
Derivative financial instruments	-	-	-	44,866	-	35,812	-	80,678
Other assets	-	-	-	14,173	-	747	177	15,097
Total	94,117	75,293	72,055	1,668,063	28,061	94,657	13,705	2,045,951

Notes to the financial statements

at 31 October 2018

22. 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:

	2018				2017			
	Drawn loans		*Undrawn commitments*		*Drawn loans*		*Undrawn commitments*	
	£'000	%	£'000	%	£'000	%	£'000	%
Private:								
Conglomerates	-	-	97,499	5%	94,117	31%	131,037	7%
Telecommunications	-	-	88,613	5%	75,293	24%	87,705	5%
Automotive	13,825	9%	176,340	9%	72,055	23%	226,278	13%
Professional Services	-	-	-	-	-	-	-	-
Oil & Gas	44,079	27%	217,145	11%	28,061	9%	103,702	6%
Transportation	-	-	-	-	3,387	1%	201,053	11%
Other Industries[1]	4,006	2%	220,088	11%	-	-	248,354	14%
Mining	-	-	203,414	10%	-	-	322,507	18%
Food, beverage & tobacco	-	-	297,560	15%	13,528	4%	162,155	9%
Chemical	-	-	39,876	2%	-	-	236,090	13%
Utilities	-	-	-	-	-	-	80,000	4%
NBFIs	87,013	54%	-	-	25,000	8%	-	-
Aircraft And Aircraft Parts Industry	-	-	191,879	10%	-	-	-	-
Airport Operations Industry	5,000	3%	35,000	2%	-	-	-	-
Other Manufactured Products Industries Not Elsewhere Classified	1,216	1%	243,721	12%	-	-	-	-
Non-Advertising Based Publishing	5,895	4%	48,401	2%	-	-	-	-
Holding Companies Not In An Industry	-	-	97,795	5%		-	-	-
	161,034	100%	1,957,331	100%	311,441	100%	1,798,881	100%

1. 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 2018

22. 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 2018	*Floating rate £000*	*Non interest sensitive £000*	*Total £000*
Assets			
Cash at central bank	593,387	-	593,387
Financial assets at fair value through OCI securities	-	1,475	1,475
Loans and advances to bank	3,956	42,754	46,710
Loans and advances to customers	161,034	-	161,034
Derivative financial instruments	-	115,268	115,268
Other assets	-	32,233	32,233
Liabilities			
Deposits by banks	(115,510)	(49,294)	(200,804)
Other deposits	(77,887)	-	(77,887)
Derivative financial instruments	-	(115,268)	(115,268)
Other Liabilities	-	(6,405)	(6,405)
Interest rate sensitivity gap	528,980	20,763	549,743
Off balance sheet items	1,957,331	,	1,957,331
Derivative financial instruments (Notional)	1,541,242	,	1,541,242
Cumulative interest rate sensitivity gap	**4,027,553**	**20,763**	**4,048,316**

Notes to the financial statements

at 31 October 2018

22. Risk management (continued)

Interest rate risk (continued)

At 31 October 2017

	Floating rate £000	*Non interest sensitive £000*	*Total £000*
Assets			
Cash at central bank	1,604,162	-	1,604,162
Financial assets at fair value through OCI securities	-	1,475	1,475
Loans and advances to bank	6,069	27,029	33,098
Loans and advances to customers	311,441	-	311,441
Derivative financial instruments	-	80,678	80,678
Other assets	-	15,097	15,097
Liabilities			
Deposits by banks	(1,329,077)	(14,614)	(1,343,691)
Other deposits	(77,411)	-	(77,411)
Derivative financial instruments	-	(80,678)	(80,678)
Other Liabilities	-	(8,434)	(8,434)
Interest rate sensitivity gap	515,184	20,553	535,737
Off balance sheet items	1,798,881	-	1,798,881
Derivative financial instruments (Notional)	1,781,700	-	1,781,700
Cumulative interest rate sensitivity gap	**4,095,765**	**20,553**	**4,116,318**

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.

		2018		2017	
		Increase/ decrease in interest rate	£'000	Increase/ decrease in interest rate	£'000
Assets	Cash at central bank	+/-100bps	5,934	+/-100bps	16,042
	Financial assets at fair value through O securities	+/-100bps	15	+/-100bps	15
	Loans to banks	+/-100bps	467	+/-100bps	331
	Loans to customers	+/-100bps	1,610	+/-100bps	3,114
	Other asset	+/-100bps	-	+/-100bps	-
Liabilities	Deposits from banks	+/-100bps	2,008	+/-100bps	13,437
	Other deposits	+/-100bps	779	+/-100bps	774
	Other liability	+/-100bps	-	+/-100bps	-

Notes to the financial statements

at 31 October 2018

22. 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.

2018	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 years	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at central bank	593,387	-	-	-	-	593,387
Financial assets at FV through OCI	1,475	-	-	-	-	1,475
Loans to banks	42,754	3,956	-	-	-	46,710
Loans to Customers	13,825	62,013	19,559	65,637	-	161,034
Derivative financial instruments	1,221	55,997	31642	26408	-	115,268
Other assets	32,233	-	-	-	-	32,233
Total assets	684,895	121,966	51,201	92,045	-	950,107
Deposits from banks	(49,294)	(151,510)	-	-	-	(200,804)
Other deposits	(77,887)	-	-	-	-	(77,887)
Derivative financial instruments	(1,221)	(55,997)	(31,642)	(26,408)	-	(115,268)
Other liabilities	(6,405)	-	-	-	-	(6,405)
Total liabilities	(134,807)	(207,507)	(31,642)	(26,408)	-	(400,364)

2017	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 years	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at central bank	1,604,162	-	-	-	-	1,604,162
Financial assets at FV through OCI	1,475	-	-	-	-	1,475
Loans to banks	27,029	6,069	-	-	-	33,098
Loans to Customers	-	75,294	184,995	51,152	-	311,441
Derivative financial instruments	3,728	39,625	37,325	-	-	80,678
Other assets	15,097	-	-	-	-	15,097
Total assets	1,651,491	120,988	222,320	51,152	-	2,045,951
Deposits from banks	(14,614)	(1,329,077)	-	-	-	(1,343,691)
Other deposits	(77,411)	-	-	-	-	(77,411)
Derivative financial instruments	(3,728)	(39,625)	(37,325)	-	-	(80,678)
Other liabilities	(8,434)	-	-	-	-	(8,434)
Total liabilities	(104,187)	(1,368,702)	(37,325)	-	-	(1,510,214)

Notes to the financial statements

at 31 October 2018

22. Risk management (continued)

The table below represents undiscounted contractual amounts:

2018	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 year	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Deposits from banks	(49,294)	(151,584)	-	-	-	(200,878)
Other deposits	(77,887)	-	-	-	-	(77,887)
	(127,181)	(151,584)	-	-	-	(278,765)

2017	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 year	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Deposits from banks	(14,614)	(1,329,644)	-	-	-	(1,344,258)
Other deposits	(77,411)	-	-	-	-	(77,411)
	(92,025)	(1,329,644)	-	-	-	(1,421,669)

Notes to the financial statements

at 31 October 2018

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:

2018	Sterling	Australian Dollars	US Dollars	Euro	Canadian Dollars	Others	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at central bank	593,387	-	-	-	-	-	593,387
Financial assets at fair value through OCI	1,475	-	-	-	-	-	1,475
Loans to banks	35,751	-	-	1,999	8,930	30	46,710
Loans to Customers	93,217	13,837	53,133	-	847	-	161,034
Derivative financial instruments	-	-	115,268	-	-	-	115,268
Other assets	1,414	95	28,983	386	2,726	-	33,604
Total Assets	725,244	13,932	197,384	2,385	12,503	30	951,478
Deposits from banks	(97,257)	(13,983)	(79,888)	(282)	(9,484)	-	(200,804)
Other deposits	(77,887)	-	-	-	-	-	(77,887)
Derivative financial instruments	-	-	(115,268)	-	-	-	(115,268)
Other liabilities	(5,815)	36	(903)	(1,866)	(640)	-	(9,188)
Total Liabilities	(180,959)	(13,857)	(196,059)	(2,148)	(10,124)	-	(403,147)
Net assets / (liabilities)	544,285	75	1,325	237	2,379	30	548,331
Off Balance sheet items							
Commitments	327,145	-	825,712	761,118	43,356	-	1,957,331
Derivatives financial instruments(Notional)	-	-	1,541,242	-	-	-	1,541,242

Notes to the financial statements

at 31 October 2018

22. Risk management (continued)

Foreign currency risk (continued)

2017	Sterling	Australian Dollars	US Dollars	Euro	Canadian Dollars	Others	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at central bank	1,604,162	-	-	-	-	-	1,604,162
Financial assets at fair value through OCI	1,475	-	-	-	-	-	1,475
Loans to banks	27,537	1,198	1,683	2,317	363	-	33,098
Loans to Customers	25,000	72,055	207,514	6,525	347	-	311,441
Derivative financial instrument	-	-	80,274	404	-	-	80,678
Other assets	1,163	64	14,833	409	18	-	16,487
Total	1,659,337	73,317	304,304	9,655	728	-	2,047,341
Deposits from banks	(1,042,610)	(72,055)	(221,831)	(6,848)	(347)	-	(1,343,691)
Other Deposits	(77,411)	-	-	-	-	-	(77,411)
Derivative financial instrument	-	-	(80,274)	(404)	-	-	(80,678)
Other liabilities	(2,790)	(1,181)	(1,861)	(2,095)	(931)	-	(8,858)
Total Liabilities	(1,122,811)	(73,236)	(303,966)	(9,347)	(1,278)	-	(1,510,638)
Net assets / (liabilities)	536,526	81	338	308	(550)	-	536,703
Off Balance sheet items							
Commitments	279,531	-	645,887	873,463	-	-	1,798,881
Derivatives financial instruments (Notional)	-	-	1,781,700	-	-	-	1,781,700

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

	2018		*2017*	
	Increase/ Decrease	*Profit before tax £000*	*Increase/ Decrease*	*Profit before tax £000*
Euro	+/-10%	24	+/-10%	31
Canadian Dollars	+/-10%	238	+/-10%	55
Australian Dollars	+/-10%	7	+/-10%	8
US Dollars	+/-10%	132	+/-10%	34

Notes to the financial statements

at 31 October 2018

23. 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)	Significant observable inputs other than quoted prices (Level 2)	(Level 3)	Total
	£'000	£'000	£'000	£'000
2018				
Financial assets:				
Financial assets at fair value through OCI	-	1,475	-	1,475
Derivative financial instruments (Note 21)	-	115,268	-	115,268
Total assets	-	116,743	-	116,743
Financial liabilities:				
Derivative financial instruments (Note 21)	-	115,268	-	115,268
Total liabilities	-	115,268	-	115,268
2017				
Financial assets:				
Financial assets at fair value through OCI	-	1,475	-	-
Derivative financial instruments (Note 21)	-	80,678	-	-
Total assets	-	82,153	-	-
Financial liabilities:				
Derivative financial instruments (Note 21)	-	80,678	-	-
Total liabilities	-	80,678	-	-

Notes to the financial statements

at 31 October 2018

23. Fair value of financial instruments (continued)

Fair value of financial instruments that are carried at fair value *(continued)*

(b) Determination of fair value

(i) Financial investments – financial assets at fair value through OCI (Note 11)

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 21)

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 10); Loans and advances to banks (Note 11); Loans and advances to customers (Note 12); prepayments and accrued income; Amount due from ultimate parent undertaking (Note 16); Amount due from other group companies (Note 16); Deposits from banks (Note 17); other deposits (Note 18) ; Amount payable to ultimate parent undertaking (Note 19); Amount payable to other group companies (Note 19); Other accruals and deferred income (Note 19);

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.

24. Ultimate parent undertaking and controlling party

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

The Bank's ultimate parent undertaking, controlling party and the parent of the largest group to consolidate the financial statements of the Bank is 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.

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).