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# TD Bank Europe Limited

## Directors' Report and Audited Financial Statements

31 October 2021



## TD Bank Europe Limited

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Registered No: 2734652

### Directors

P McDonald

J Banks

L Izzard

J Moore

B Hooper

S Souchon

D Thomas

### Company Secretary

D Hirani

### Auditors

Ernst & Young LLP

25 Churchill Place

London E14 5EY

### Registered Office

60 Threadneedle Street

London

EC2R 8AP

## Directors' report

The directors submit their report and audited financial statements for the year ended 31 October 2021.

### Results and dividends

TD Bank Europe Limited's ("the Bank") results for the year are shown in the statement of comprehensive income on page 25. The total comprehensive income for the year was CAD44,278,776 (2020: CAD31,014,270).

No dividend on ordinary shares was declared during the year and none is proposed (2020: CAD Nil).

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

### Going concern

The Bank's management has made a forward-looking assessment (for a reasonably foreseeable period) of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The directors have considered the impact of the COVID-19 pandemic when making their assessment.

### Events since the balance sheet date

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

### Directors and their interests

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

P McDonald (Irish)	-	Chair and Independent Non-Executive Director
J Banks (British)	-	Director
L Izzard (British)	-	Director (appointed 14 June 2021)
J Moore (Canadian)	-	Director
B Hooper (Canadian)	-	Non-Executive Director
S Souchon (British)	-	Independent Non-Executive Director (appointed 14 June 2021)
D Thomas (British)	-	Independent Non-Executive Director (appointed 1 February 2021)
M Cole (British)	-	Independent Non-Executive Director (resigned on 12 August 2021)
M Huppke (Canadian)	-	Director (resigned on 29 Sep 2021)

According to the register of directors, no director has any interests in the share capital of the Bank. The interests of the directors in the shares of The Toronto-Dominion Bank ("TD Bank"), a Canadian financial institution and the ultimate parent company, are as follows:

### Ordinary Shares

	<i>At 1 November 2020</i>	<i>Additions/Disposals during the year</i>	<i>At 31 October 2021</i>
J Banks	80	70	150
M Huppke	34	1	35
B Hooper	27,096	11,312	38,408
J Moore	23	1	24
	<u>27,233</u>	<u>11,384</u>	<u>38,617</u>

## Directors' report (continued)

### Directors and their interests (continued)

#### Share Options

	<i>At 1 November 2020</i>	<i>Additions/Disposals during the year</i>	<i>At 31 October 2021</i>
B Hooper	133,408	13,432	146,840
	<u>133,408</u>	<u>13,432</u>	<u>146,840</u>

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

### Pillar 3

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

- (i) the Capital Requirement Regulation (EU) No 575/2013 ("CRR") - Pillar 3 disclosures as at the reporting date are prepared in accordance with Part Eight of the CRR. From 1 January 2022 the Disclosure part of the PRA Rulebook will be applicable, which principally follows the EU CRR.
- (ii) the Final Report on the guidelines on disclosures requirements under Part 8 of CRR issued by EBA on 14 December 2016 (amended version on 9 June 2017) ("EBA Guidelines") and
- (iii) the PRA Supervisory Statements

### Financial instrument risk management

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

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

The Capital Requirements Directive IV ("CRD IV") Country by Country Reporting ("CBCR") framework is now in force for regulated financial institutions. The following table complies with this regulation for the 2021 financial year.

Name of entity	<i>TD Bank Europe Limited</i>
Geographical location	<i>United Kingdom</i>
Turnover*	CAD31,064,395 (2020:CAD9,500,855)
Average number of employees	13 (2020:10)
Profit before tax	CAD61,120,251 (2020: CAD38,478,203)
Public subsidies received	-

The Bank made corporation tax payments of CAD16,370,869 in 2021 (2020: CAD20,583,359). 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

## 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

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

On behalf of the board



J Banks  
Director  
16 February 2022

## Strategic report

### Strategy

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

### Business model

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

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

The Bank undertakes corporate banking activities. Loans and commitments are principally made to investment grade corporate customers in the UK and Europe. More specifically, loan assets (including interbank deposits) represent exposure to corporates, financial institutions, and central bank counterparties.

The Bank also receives investment banking fees from other group entities for the maintenance of client relationships, identifying market opportunities and providing cross-selling services.

The Global Metals business which previously transacted on the London Metal Exchange left the Bank on 7 December 2020 and is now booked in TD Bank, Toronto Branch.

Since September 2021, the Bank now facilitates the sale and research of Canadian equities, as part of the Institutional Equities ("IEQ") business, to institutional investors and UK clients and other non-regulated EU clients on an agency basis.

### Principal activity and review of the business

The Bank, an authorised institution under The Financial Services and Markets Act 2000, carries on the business of corporate banking and Treasury activity acting as a source of contingent liquidity for TD Bank Group. The Bank is regulated by both the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

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

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

	2021 CAD '000	2020 CAD '000	Change
Net interest income	31,064	9,501	227%
Net fee income	41,313	37,306	11%
Profit on ordinary activities before taxation	61,120	38,478	59%
Profit for the financial year	44,279	31,014	43%
Total shareholder's equity	866,701	1,002,644	(14)%

Net interest income increased by 227% as the HQLA bond portfolio was held for the full fiscal year in 2021 compared to the shorter duration of 2 months from date of acquisition, 31 August 2020, in the prior fiscal year.

## Strategic report (continued)

### Principal activity and review of the business (continued)

Net fee income increased by 11% on account of increased investment banking activity.

These changes resulted in 59% increase in profits on ordinary activities before taxation.

Total shareholder's equity reduced by 14% due to losses on derivatives designated as cash flow hedges for the Investment portfolio. The hedges, recognised in Other Comprehensive Income (OCI), hedge the FX risk on principal and coupon of the EUR and USD investments back to CAD thus eliminating P&L volatility. The movement in OCI is primarily due to interest rate volatility (EUR,CAD,USD) generating significant mark-to-market movement on EUR/CAD FX forward trades maturing between 2023-25.

### Principal risks and uncertainties

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

### Streamlined Energy and Carbon Reporting

The Streamlined Energy and Carbon Reporting ('SECR') regulations, under SI 2018/1155 of the *Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018*, requires the energy consumption and related carbon emissions to be disclosed.

This complies with the requirements of the Large & Medium-Sized Companies and Groups (Accounts & Reports) Regulations 2008.

The energy and carbon emissions data set out below, relates to the period 1 November 2019 to 31 October 2020 (inclusive) as complete 2021 sustainability reporting data is not available yet. In reporting this data, we have followed UK Government Environmental Reporting Guidelines. We have used the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting.

#### Energy usage

The company presents its analysis of greenhouse gas emissions (GHG) and energy usage below. GHG emissions are split into three categories based on the source of the emission:

- Scope 1 (Direct): emissions from sources that the company owns or controls i.e. generation of electricity, heat, or steam from combustion of fuels and operations of the facility.
- Scope 2 (Energy Indirect): indirect emissions from the consumption of purchased energy (electricity, heat, steam, and cooling) consumed in the Company's operations.
- Scope 3 (Other Indirect): Other emissions that are a consequence of the Company's actions, which occur at sources which are not owned or controlled how much are not classed as Scope 2 emissions. Per guidance this category does not include business travel.

## Strategic report (continued)

### Streamlined Energy and Carbon Reporting (Continued)

Global GHG emissions and Energy Use Data for fiscal period:	<u>2019-2020</u>	<u>2018-2019</u>
<u>Energy consumption used to calculate emissions: /kWh</u>		
<b>Scope 1</b>		
Electricity	16,617	17,750
<b>Scope 2</b>		
Emissions from purchased electricity tCO <sub>2</sub> e	13,933	17,422
<b>Total gross tCO<sub>2</sub>e based on above</b>	<b>7.12</b>	<b>8.20</b>
GHG emissions intensity from energy use (tons of tCO <sub>2</sub> e/sq.ft)	0.01	0.01

#### Methodology

Energy usage is calculated based on meter readings where possible, however in the case of common areas in buildings (i.e. reception, lift spaces) it is apportioned based on the percentage of floor space leased in the building as determined by the landlord.

The intensity ratio presented is calculated as GHG emissions per sq. ft of office space leased.

#### Energy Efficiency Action

The installation of LED lighting across the demise has been estimated to provide a saving of 264 tCO<sub>2</sub>e per annum, however the project has been delayed due to the Covid-19 pandemic.

#### Future developments

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

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

The Bank intends to grow the Investment portfolio by an additional CAD 2 Billion by May 2022.



## Strategic report (continued)

### Section 172(1) Statement

<p><b>Introduction</b></p> <p>Section 172 of the Companies Act 2006 requires a director of the Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, Section 172 requires directors to have regard to, amongst other matters, the:</p> <ul style="list-style-type: none"> <li>• Likely consequences of any decisions in the long-term;</li> <li>• Interests of the company's employees;</li> <li>• Need to foster the company's business relationships with suppliers, customers, and others;</li> <li>• Impact of the company's operations on the community and environment;</li> <li>• Desirability of the company maintaining a reputation for high standards of business conduct; and</li> <li>• Need to act fairly as between members of the company.</li> </ul>
<p>TD Bank's (TD) <b>Code of Conduct and Ethics</b> (the "Code") establishes the standards that govern the way TD Bank Europe Limited (TDBEL) deals with colleagues, customers, shareholders, governments, regulators and suppliers, amongst other stakeholders. Complying with the Code is part of the terms and conditions of employment with TD and TDBEL. As a responsible business enterprise and corporate citizen, TD is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism. Every employee of TDBEL and member of the Board is expected and required to assess every business decision and every action on behalf of the organization in light of whether it is right, legal, fair and within our risk appetite. This applies at all levels of the organization, from major decisions made by the Board to day-to-day business transactions.</p> <p>Annually, all TD and TDBEL employees need to undertake Code of Conduct training and attest to adherence to the Code.</p> <p>Management continues to roll out updates to its Conduct Risk programme. The TDBEL conduct risk register is in place and we have enhanced reporting. Efforts to mature and enhance this have commenced.</p>
<p>In all of our operations and across our businesses, TD is committed to supporting and respecting the protection of human rights. TD understands the important role that it plays in respecting the <b>human rights</b> of our employees, customers, and the communities in which we operate. TD publishes an annual statement on our efforts to combat modern slavery in compliance with the UK Modern Slavery Act (2015).</p>
<p><b>Environmental &amp; Social (E&amp;S)</b> risk is an area of increased activity, aligned with increased stakeholder expectations and regulatory guidance. Climate change related risks are not expected to pose a material threat to TD's financial stability in the UK in the short term. TD remains focused on building out the E&amp;S Risk function and related frameworks, policies, programs, and tools, aligned both with global objectives and local regulatory expectations and timelines. New tools to measure and monitor borrower E&amp;S and Climate risks have been implemented and continue to be enhanced.</p> <p>In November 2020, TD announced its commitment to a global climate action plan, which includes a target to achieve net-zero greenhouse gas emissions associated with its operations and financing activities by 2050, aligned to the associated principles of the Paris Agreement. Further, TD outlined ESG priorities for 2021 as part of an annual Task Force on Climate-Related Disclosures, including the intention to enhance governance practices with a focus on effectively managing climate-related issues and formally incorporating additional ESG metrics in the Executive Compensation Plan for TD's Senior Executive Team. At the management level, TD is aligning its ESG positions and priorities across the enterprise by integrating new responsibilities for climate change across many business units so that relevant risks and opportunities are being integrated into how we do business.</p> <p>TD's UK activities will benefit from and be aligned with these global objectives.</p>

## Strategic report (continued)

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

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

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

In 2021, in addition to continued COVID19 relief efforts, our **charity** focus remained on four key areas: Environment, Young People, Education and Literacy, and Mental Health. Moving forward we will amend our charity focus to collaborate more closely with our diversity and inclusion pillars; Visible Minorities, LGBT2Q+, Experience, Women In Leadership, ESG and Mental Health.

### **Key Stakeholders**

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

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

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

### **Regulators**

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

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

### **Shareholder**

There is an open channel of communication between Board directors and representatives of the shareholder. Details of such to support the principal decisions taken by the TDBEL Board during FY2021 are outlined in Section 4 below.

## Strategic report (continued)

### **Workforce**

Employee engagement is measured on an annual basis through a 'Pulse' survey. The 2021 survey demonstrated overall strong Employee Experience, with scores staying flat vs 2020. There was significant uplift in the People Management Index year on year relating to career development and feedback. Leadership commitment to diversity and inclusion is one of our highest scoring questions assessed.

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

In 2021 a number of learning and development programs were provided to colleagues (People leadership – Performance Management, TDS Talks sessions, Unconscious Bias training, Getting the Who Right) in addition to having open access for all employees to the TD Thrive learning platform. An online offering, Collaborate and Thrive, was made available to colleagues focusing on resiliency and personal development.

There was ongoing focus on employee well-being throughout 2021, with the introduction of online programs (nutrition, yoga, fitness) that employees could participate in, as well as wellness forums to discuss mental health, resources and support available to employees

### **Customers**

There is a robust client engagement programme in place, including regular relationship management meetings to allow mutual understanding of goals and objectives, with key topics including financing, business performance, risk appetite, capital returns, environmental plans / strategies and on-going IBOR reform.

The Institutional Equities desk (sales & trading) interacts with its clients on an almost daily basis providing relevant market commentary and company specific news as well as responding to client requests for information. The Institutional Equities desk has permanent Instant Bloomberg chats in place with the majority of its clients which allows for ongoing communications. Clients with Research Agreements in place with TDBEL can access reports published by TD's Equity Research Analysts on various platforms. The desk also holds periodic relationship management meetings to stay updated on our clients' investment strategies and preferences, gather feedback, and provide information on TD's products and services.

The impact to clients of strategic initiatives is a key consideration in decision-making and details of such to support the principal decisions taken by the TDBEL Board during FY2021 are outlined in Section 4 below.

### **Principal Decisions**

Principal decisions taken by the TDBEL Board are those decisions in 2021 that are material to the entity, of a strategic nature and are significant to any of our key stakeholder groups.

The principal decisions made by the Board during FY2021 were the:

1. Transfer of the Global Metals (GM) Business from TDBEL to TD Bank, Toronto Branch (TDB) (decision made in FY2020)
2. Transfer of the Data Custodian and Data Controller role from TD Bank N.V. (TDNV) to TDBEL
3. Transfer of the UK Institutional Equities (IE) business from TD Securities Limited (TDSL) to TDBEL

## Strategic report (continued)

<b>Transfer of GM Business from TDBEL to TDB</b>	
<p>In September 2016, the TDBEL Board approved the introduction of the Global Metals business into TDBEL, to support the TD Bank Global Metals trading and client franchise, noting that becoming a Category Two member of the London Metal Exchange (LME), which could only be sought by a UK legal entity, presented business opportunities for TD to facilitate UK and European markets.</p> <p>In November 2018, an LME application for Ontario Securities Commission (OSC) exemptions was published and in 2019 the LME and LME Clear were granted exemptions by the Ontario Securities Commission, allowing TD Bank to become a direct member of the LME. The TDBEL Board noted that this would be more operationally effective for TD Bank and subsequently, when TDB was approved as LME member in December 2020, the Global Metals business was migrated out of TDBEL.</p>	
<b>Transfer of data custodian and controller roles to TDBEL</b>	<b>Transfer of UK Institutional Equities business to TDBEL</b>
<p>Project Windmill was the program to unwind TDNV in the Netherlands which had 2 businesses:</p> <ul style="list-style-type: none"> <li>• HQLA Investment Portfolio (which was transferred to TDBEL in August 2020)</li> <li>• 76,000 retail accounts which have been closed (90% were UK based accounts)</li> </ul> <p>Before it could formally begin its liquidation activities, TDNV was required to identify an entity to act as Data Custodian / Controller for its:</p> <ul style="list-style-type: none"> <li>• Retail customer data</li> <li>• Employee information</li> <li>• Historical transaction data for the Investment Portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• TD Securities Limited (TDSL) is a MIFID investment dealer and historically was the passporting entity for TD London businesses into Europe</li> <li>• Post Brexit, TDSL no longer had EU passport and European business had transferred to TD Global Finance in Dublin leaving only the UK IE sales business in TDSL</li> <li>• Proposal was to transfer the UK IE business from TDSL to TDBEL and subsequently unwind TDSL</li> <li>• Since September 2021, TDBEL offers sales, trading and research services covering North American equities, as part of the Institutional Equities business, to institutional clients across the UK, Europe (limited to non-EU regulated clients e.g. Switzerland) and Asia on an agency basis</li> </ul>
<b>How Were stakeholders considered in principal decisions?</b>	
<b>Transfer of GM Business from TDBEL to TDB</b>	
<p><b>Shareholder engagement/considerations:</b></p> <ul style="list-style-type: none"> <li>• It was considered operationally more effective for the parent for the LME membership to transition to TDB</li> </ul> <p><b>Regulator and Workforce engagement/considerations:</b></p> <ul style="list-style-type: none"> <li>• The transition of the business to TDB impacted on 2019 capital planning (ICAAP) and ultimately reduced capital requirements</li> <li>• Due to back-to-back nature of the business model, there was minimal impact on liquidity but there was a delay in the transition of the business to TDB, as a new membership agreement for a Canadian entity had to be drawn up and additional delays were caused by the pandemic, and this did cause some impact and constraint around leverage usage</li> <li>• From an SMCR and HR perspective, appropriate changes were made as a result of the business transfer to TDB</li> </ul> <p><b>Customer/Client engagement/considerations:</b></p>	

## Strategic report (continued)

<ul style="list-style-type: none"> <li>It was considered that LME's application for exemption was in response to demand in the market from Canadian entities to join the LME and the transition of the business to TDB supported that</li> <li>It was confirmed that there was no adverse impact to clients resulting from the above-mentioned delay in the transition to TDB</li> </ul>	
<b>Transfer of data custodian and controller roles to TDBEL</b>	<b>Transfer of UK Institutional Equities business to TDBEL</b>
<p><b>Shareholder engagement/considerations:</b></p> <p>Given the Data Controller definition under the EU General Data Protection Regulation (GDPR), external counsel recommended that data related decision-making responsibilities and control of restricted data be maintained within a TD legal entity, therefore third parties outside of the TD Group were not considered for the Data Controller role.</p> <p>Management worked closely with TD partners to deliver shareholder objectives, including that the legal entity taking over the Data Custodian and Controller roles from TDNV should:</p> <ul style="list-style-type: none"> <li>be within the TD Bank Group, as the appointment of a TD entity ensured ongoing application of the TD Enterprise Data and Information Management Policy, which established the minimum requirements for the governance and management of data/information created, used or maintained on behalf of TD Bank Group</li> <li>had (or had ability to outsource to other TD teams) the required expertise and infrastructure to meet its obligations as a Data Controller, therefore preferably located in Europe or the UK, as these entities were already subject to GDPR.</li> </ul>	<p><b>Shareholder engagement/considerations:</b></p> <p>Potential benefits of unwinding TDSL included:</p> <ul style="list-style-type: none"> <li>Approach was in-line with Group legal entity rationalisation strategy</li> <li>Reduced costs associated with running the entity and release of ~C\$130MM capital from TDSL to Parent which was currently placed on deposit with TDBEL</li> <li>Cost savings and increased operational efficiency resulting from reduced governance and regulatory reporting requirements for both for TDSL on a solo basis as well as for the UK Consolidated Group (i.e., TDBEL)</li> <li>No need to adopt and implement the new Investment Firm Regime (EBA) for TDSL that changed the way capital was calculated and reported</li> </ul>
<p><b>Workforce engagement/considerations:</b></p> <p>When considering employees, the following key points were noted:</p> <ul style="list-style-type: none"> <li>TD London Branch was already joint Data Controller with TDNV for TDNV's employee data</li> <li>TDBEL would need to be Data Custodian but TD Bank London Branch would transition to sole Data Controller for employee and contractor data from its current joint Data Controller status</li> <li>HR team in London maintained employee records for TDNV and a move to TDGF</li> </ul>	<p><b>Workforce engagement/considerations:</b></p> <p>When considering employees, the following key points were noted:</p> <ul style="list-style-type: none"> <li>As of August 2021, TDSL had three employees – one in finance and two in the IE business – who were notified of the change and subsequently transferred to TDBEL.</li> </ul> <p>From an SMCR perspective, the following changes occurred as a result of the business transfer to TDBEL:</p>

## Strategic report (continued)

<p>would add further complication; therefore move to TDBEL was optimum. In addition, there was a further connection with the transfer of the Investment Portfolio in 2020 from TDNV to TDBEL</p>	<ul style="list-style-type: none"> <li>• New responsible SMF for the IE business approved by the regulator on 23 July 2021</li> <li>• 3 employees were required to be certified to conduct regulated activities on behalf of TDBEL upon the transfer of the Equities business</li> <li>• Two additional material risk takers under the EBA and PRA remuneration rules as a result of the transfer</li> </ul>
<p><b>Regulator engagement/considerations:</b></p> <p>Regulator was kept apprised of proposal on regular basis and did not provide any objections</p> <ul style="list-style-type: none"> <li>• TDBEL was already subject to UK GDPR for limited lower risk data</li> <li>• The Board noted that UK regulators were likely to be interested in UK customers being properly serviced from the UK with regard to any trailing enquiries</li> </ul>	<p><b>Regulator engagement/considerations:</b></p> <ul style="list-style-type: none"> <li>• Regulatory permissions already existed within TDBEL for IE sales. Regulators were kept apprised of proposal on regular basis and did not provide any objections.</li> </ul> <p>As part of the transfer, several regulatory workstreams were considered and actioned as appropriate, including:</p> <ul style="list-style-type: none"> <li>• Notification of the transfer to the PRA and FCA</li> <li>• Implementation of any required operational changes to ensure TDBEL satisfied any additional reporting obligations in connection with the transfer</li> <li>• Assigning appropriate SMCR coverage for TDBEL IE business</li> <li>• Updating internal governance frameworks and documentation</li> <li>• Wind-down of TDSL, including cancellation of relevant permissions as necessary, per FCA requirements to complete in 2022.</li> </ul>
<p><b>Customer/Client engagement/considerations:</b></p> <ul style="list-style-type: none"> <li>• Rationale behind TDBEL being preferred over TDGF as the potential new Data Custodian/Controller, following the outcome of the assessments made, included that 90% of the former TDNV customers were UK based, mitigating any potential customer concerns around relocation of data and the UK Technology team had supported the TDNV platform</li> <li>• Board considered duty of care to retail clients was significant and that when considering the proposal explicitly from the clients' perspective and discharging the duty of care to them, the proposal for TDBEL to take on the Data Custodian and Data</li> </ul>	<p><b>Customer/Client engagement/considerations:</b></p> <ul style="list-style-type: none"> <li>• The proposal allowed clients to continue to trade with TD</li> <li>• Discussions were held with senior IE management around whether to move the entire business and operations to Dublin and it was concluded that there was a strong business rationale and desire for TD Bank to continue to have a base in London for access to the UK markets and servicing of UK clients (and clients with UK operations) and therefore it had been agreed the best option would be to transfer the UK IE business from</li> </ul>

## Strategic report (continued)

<p>Controller role from TDNV appeared to be the most sensible option</p> <ul style="list-style-type: none"><li>• TDNV held data for ~76,000 former retail customers (90% of whom are based in the UK)</li><li>• Appropriate expertise/knowledge for retail interactions and appropriate management considered, including identified network/escalation path for non-routine/administrative requests</li><li>• Appropriate resources identified for governance and support for outsourcing all aspects of Data Custodian/Controller role and responsibilities in particular for non-routine retail requests/issues</li><li>• Based on the nature of recent customer interactions, it was expected that most interactions could be addressed by the group assigned responsibility for monitoring the TDNV customer service email mailbox (i.e., would not require escalation).</li><li>• If a more complex issue was raised by a former customer, the issue would be discussed with Business/Compliance resources. TD Legal could provide support for any such queries or complaints that required legal advice on a case-by-case basis</li></ul>	<p>TDSL to TDBEL and then subsequently unwind TDSL</p> <ul style="list-style-type: none"><li>• The project team, in conjunction with TD's onboarding team, operated a client outreach program. The client outreach team sent every client involved in the migration a comprehensive onboarding pack for TDBEL to help clients onboard TDBEL as efficiently as possible and minimize disruption</li></ul>
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On behalf of the board



J Banks  
Director  
16 February 2022

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 101 'Reduced Disclosure Framework', and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing those financial statements, the directors are required to:

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

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



# **Independent auditor's report**

**to the member of TD Bank Europe Limited**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TD BANK EUROPE LIMITED

## **Opinion**

We have audited the financial statements of TD Bank Europe Limited (the "Company") for the year ended 31 October 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 27 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 company's affairs as at 31 October 2021 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. We are independent of the company 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained management's going concern assessment which included their evaluation of the profitability, capital adequacy, liquidity and funding positions of the Company. It also assessed these positions under specifically designed stress tests scenarios factoring the concentration in the corporate loan portfolio and associated credit risk;
- We confirmed our understanding of management's going concern assessment process and challenged management on the inclusion of key factors in their assessment;
- Based on our understanding of the business, we evaluated whether the forecasting method adopted by management in assessing going concern was appropriate. We compared the budgeted financial information for the period ended 31 October 2021 with historical actual results.
- We reviewed the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

# Independent auditor's report

## to the member of TD Bank Europe Limited (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from the approval date of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"><li>• Allowance for credit losses</li><li>• Accounting and valuation of the investment portfolio</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall materiality of CAD 8.6m which represents 1% of Total shareholders equity.</li></ul>

### 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 Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company 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 audit procedures that needed to be undertaken directly by the UK audit engagement team, or by EY Canada as the auditors of The Toronto-Dominion Bank Group ("TD Group"), who operated under our instructions. Where work was performed by the TD Group auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Company as a whole.

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

## **Independent auditor's report**

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

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

There were no scope changes from prior year.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, 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.

# Independent auditor's report

to the member of TD Bank Europe Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Allowance for Credit Losses</b></p> <p><b>Failure to record necessary allowances for credit losses against the loan portfolio.</b></p> <p>At year end the Company reported Loans and advances to customers of CAD 176,208k (2020: CAD 245,567k), commitments of CAD 1.31b (2020: CAD 1.89b) and an expected credit loss provision of CAD 68k (2020: CAD 539k).</p> <p>Refer to the Strategic Report (page 5); Accounting policies (page 29); Notes 13 (page 48) and 23 (page 57) of the Financial Statements.</p> <p>Given the relative size of the loan portfolio, a failure to identify a significant increase in the credit risk reflected in the staging of the portfolio could have a material impact on the resulting Expected Credit Loss (ECL) recorded in the financial statements. Given the subjective nature of the staging decision and the assumptions in the ECL model, there is heightened risk that these could be overridden by management.</p> <p>Although, the composition of the portfolio continues to comprise a limited number of facilities, the risk remained heightened during the year due to the global pandemic COVID-19, which has led to an increase in credit risk for a number of industries to which the Company holds exposures.</p>	<p>We tested the design and operating effectiveness of the key controls implemented by management over the loan monitoring, staging and ECL calculation process under IFRS 9.</p> <p>Our audit procedures included, amongst others, involving our credit risk specialists to assess whether the methodology and assumptions, including management's significant increase in credit risk (SICR) triggers, used in significant models that estimate the ECL across various portfolios are consistent with the requirements of IFRS and industry standards.</p> <p>We tested the completeness and accuracy of data used in measuring the ECL.</p> <p>We undertook independent loan file reviews to identify any indicators of significant credit deterioration, with particular focus on the impact of COVID-19 on specific sectors where the Company has exposure. To respond to the identified risk, we performed our testing on all the drawn loans and extended our procedures to a sample of undrawn commitments.</p> <p>We performed cut-off testing to assess whether any events had occurred that may impact the year end staging assessment and resulting ECL, including assessing the year end arrears for recoverability.</p> <p>We considered the impact of climate change for each individual loan on the balance sheet, based on the sector, credit quality and maturity profile of the exposures.</p>	<p>No material issues were identified from our audit procedures over the staging decision and the recorded ECL relating to loans and advances to customers.</p> <p>We concluded that the assumptions made by management in the ECL model were reasonable as at 31 October 2021.</p> <p>We concluded that the carrying amount of loans and advances to customers and related ECL as at 31 October 2021 were reasonable and in compliance with United Kingdom Generally Accepted Accounting Principles.</p>

## Independent auditor's report

to the member of TD Bank Europe Limited (continued)

Risk	Our response to risk	Key observations communicated to the Audit Committee
<p><b>Accounting and valuation of the investment portfolio</b></p> <p><b>Inappropriate accounting and valuation of investment portfolio could lead to material impact on associated balance sheet positions and Company's performance.</b></p> <p><b>The portfolio comprises Debt securities of CAD 16,375m (2020: CAD 17,923m) and Foreign exchange derivatives of CAD 1,151m (2020: CAD 51m) that are used as hedging instruments.</b></p> <p><b>Refer to the strategic report (page 5); Accounting policies (page 29); and Note 14 of the Financial Statements (page 49) and note 15 of the financial statements (page 49)</b></p> <p>The business model of the Company has changed following the purchase of an investment portfolio of High Quality Liquid Assets in August 2020 and associated derivative hedges from another TD Group company.</p> <p>Accounting and reporting risks arising from the investment portfolio include the inappropriate application of accounting standards related to this portfolio, including the impact of hedge accounting, valuation of financial instruments and the related disclosures.</p>	<p>We performed walkthroughs and tested controls related to recognition and presentation of the investment portfolio in the books and records as well as the hedging criteria checks.</p> <p>We verified the existence of debt securities using independent confirmations and reperformed calculation of accrued interest.</p> <p>We performed substantive testing over hedge effectiveness, tested the valuation of hedged items and independently revalued a sample of hedge derivatives.</p> <p>We verified the appropriateness of the related cash flow hedge reserve and deferred tax asset balance at year-end.</p> <p>We performed recalculations of interest income and expenses in relation to the portfolio, and verified interest received to bank statements.</p> <p>We assessed ECL requirements on positions held at amortised cost.</p> <p>We performed cut-off procedures on debt securities purchased close to year end.</p>	<p>No material issues were identified from our audit procedures over the investment portfolio. The balances related to the investment portfolio were fairly stated as at 31 October 2021.</p>

# Independent auditor's report

## to the member of TD Bank Europe Limited (continued)

In the prior year, our auditor's report included key audit matters in relation to revenue recognition – investment banking fees. In the current year, the revenue recognition from investment banking fees is no longer a key audit matter based on our reassessment of the risk and historical experience.

### 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 Company to be CAD 8.6 million (2020: CAD 10.0 million), which is 1% (2020: 1%) of total shareholders' equity. Total shareholders' equity was deemed the most appropriate basis for materiality, given that the purpose of the entity is primarily to manage a portfolio of liquid assets for TD Group and to support the global banking activities undertaken by the Group, rather than being an entity whose success is primarily measured on its standalone return metrics.

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

#### Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely CAD 4.3m (2020: CAD 5.0m). This is consistent with prior year and based on our expectation of error.

#### Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of CAD 430k (2020: CAD 501k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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 annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material

# **Independent auditor's report**

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

misstatement in the financial statements themselves. 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 company 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 directors' responsibilities statement set out on page 15, 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 company'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 company 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.

# Independent auditor's report

to the member of TD Bank Europe Limited (continued)

## *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company 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 Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies, reviewed the minutes of the Board, Audit Committee, Risk Committee and Asset Liability & Capital Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered the 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. 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 Company 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**

- Following the recommendation from the audit committee we were appointed by the company on 31 August 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 17 years, covering the years ending 31 October 2005 to 31 October 2021.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.



## Independent auditor's report

to the member of TD Bank Europe Limited (continued)

### Use of our report

This report is made solely to the company'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 company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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Ernst & Young L.L.P.

*Jean-Philippe Faillat (Senior statutory auditor)*

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

*London*

*Date: 22 February 2022*

## Statement of comprehensive income

for the year ended 31 October 2021

		2021	2020
	Note	CAD'000	CAD'000
Interest income using the effective interest rate method		95,526	20,703
Interest expense using the effective interest rate method		(64,462)	(11,202)
<b>Net interest income</b>	4	<u>31,064</u>	<u>9,501</u>
Fee & Commission income		41,313	37,306
<b>Net fee &amp; Commission income</b>	5	<u>41,313</u>	<u>37,306</u>
Foreign exchange gain/(loss)		122	(332)
Income/(loss) on financial assets at fair value	6	374	(1,933)
Other operating income		288	-
Personnel expenses	7,8	(5,869)	(3,611)
Other expenses	9	(5,419)	(1,616)
		<u>61,873</u>	<u>39,315</u>
Credit loss expense		(753)	(837)
<b>Profit on ordinary activities before taxation</b>		<u>61,120</u>	<u>38,478</u>
Tax on profit on ordinary activities	10	(16,841)	(7,464)
<b>Profit for the financial year</b>		<u>44,279</u>	<u>31,014</u>
<b>Other Comprehensive income (OCI)</b>			
Functional currency translation		-	20,954
<b>Items that will be recycled to statement of profit or loss</b>			
Losses on derivatives designated as cash flow hedges		(180,323)	(3,270)
<b>Items that will not be recycled to statement of profit or loss</b>			
Financial assets at fair value through OCI – realised gain	16	101	(15)
<b>Total comprehensive (loss)/income for the year</b>		<u>(135,943)</u>	<u>48,683</u>

The accompanying notes on pages 29 to 70 form an integral part of the financial statements.

## Statement of changes in equity

for the year ended 31 October 2021

	<i>Called up share capital</i>	<i>Retained earnings</i>	<i>FVOCI Reserve</i>	<i>Cash Flow Hedging reserve</i>	<i>Total shareholders equity</i>
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Balance as at 1 November 2020	629,878	375,605	431	(3,270)	1,002,644
Profit for the financial year	-	44,279	-	-	44,279
Losses on derivatives designated as cash flow hedges	-	-	-	(180,323)	(180,323)
Financial assets at fair value through OCI - realised gain	-	-	101	-	101
At 31 October 2021	629,878	419,884	532	(183,593)	866,701

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

The accompanying notes on pages 29 to 70 form an integral part of the financial statements.

**Balance sheet**

at 31 October 2021

		2021	2020
	Note	CAD'000	CAD'000
<b>Assets</b>			
Cash and balances at central banks	11	1,009,106	1,027,258
Debt securities at amortised cost, net of allowance for credit losses	14	16,375,260	17,922,838
Loans and advances to banks	12	293,637	103,579
Loans and advances to customers	13	176,208	245,567
Derivative financial instruments	15	1,151,448	255,451
Financial assets Held for Sale	16	-	2,546
Tangible fixed assets	17	172	233
Current tax assets		3,793	4,362
Deferred tax asset	10	69,577	708
Other assets	18	3,589	145,281
Prepayments and accrued income		36,570	56,368
<b>Total assets</b>		<b>19,119,360</b>	<b>19,764,191</b>
<b>Liabilities</b>			
Deposits from banks	19	237,439	377,372
Other deposits	20	17,969,614	17,987,414
Derivative financial instruments	15	-	200,243
Other liabilities	21	45,606	196,518
<b>Total liabilities</b>		<b>18,252,659</b>	<b>18,761,547</b>
<b>Shareholder's equity</b>			
Called up share capital	22	629,878	629,878
Retained earnings		419,884	375,605
Financial assets at fair value through OCI - net gain		532	431
Gross loss on derivatives designated as cash flow hedges		(183,593)	(3,270)
<b>Total shareholder's equity</b>		<b>866,701</b>	<b>1,002,644</b>
<b>Total liabilities and shareholder's equity</b>		<b>19,119,360</b>	<b>19,764,191</b>
<b>Memorandum items</b>			
<b>Commitments</b>	23	<b>1,313,931</b>	<b>1,893,451</b>

The accompanying notes on pages 29 to 70 form an integral part of the financial statements.

## Balance sheet

at 31 October 2021

The financial statements were approved by the Board of directors on 16 February 2022 and signed on their behalf by:



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J Banks

Director

## Notes to the financial statements

at 31 October 2021

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

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

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

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

The financial statements of the Bank were approved by the Board of directors on 16 February 2022.

### 2. Accounting policies

#### Basis of preparation

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

- (a) Paragraph 8 (k) of FRS 101, exempts a qualifying entity from the requirements in International Accounting Standard ("IAS") 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (b) Paragraph 8 (h) of FRS 101, exempts a qualifying entity from the requirements in IAS 7 to produce a statement of cash flows. The Bank is claiming an exemption as the financial statements of its ultimate parent, which include a cash flow statement, are publicly available.
- (c) Paragraph 8 (i) of FRS 101, exempts a qualifying entity from the requirements in IAS 8 to disclose accounting standards issued but not yet effective.

Under IAS 39 Financial instruments measurement and recognition, the Bank classifies non-trading derivatives accordingly and applies hedge accounting when transactions meet the appropriate requirements.

The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand (CAD'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.

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Going concern

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

The directors have performed a detailed assessment of the uncertainties prevailing as a result of the COVID-19 pandemic as they relate to the adoption of the going concern principle. This assessment included various stress tests and reverse stress tests, as well as a detailed look at the collectability of the corporate portfolio. It is recognised that COVID-19 has increased economic uncertainty due to the broad-based global economic impacts which include reduced economic activity and longer-term uncertainty around collateral values and business strategies as the pandemic re-defines where and how people work. The ultimate duration and severity of the pandemic remains uncertain, however, management believes that the Bank remains well positioned to manage itself through this period relying on its active management of credit risk.

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

#### Significant accounting policies

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

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

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

#### Cash and balances at central banks

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

#### Revenue recognition

Revenue is recognized at an amount that reflects the consideration the Bank expects to be entitled to in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Bank recognizes revenue when it transfers control of a good or a service to a customer at a point in time or over time. The determination of when performance obligations are satisfied requires the use of judgment. The Bank identifies contracts with customers subject to IFRS 15, which create enforceable rights and obligations. The Bank determines the performance obligations based on distinct services promised to the customers in the contracts.

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

London Metal Exchange sales and brokerage commissions are recognised at a point in time when the transaction is executed. The Bank exited this business on the 7th December 2020.

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Revenue recognition (continued)

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

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

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

As a result of the decision taken by international regulators to transition from IBORs to Alternative Reference Rates ("ARR"), the IASB undertook standard setting activities related to the accounting issues of IBOR reform in two phases. On September 26, 2019, the IASB issued Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform Phase 1), for which the Bank adopted the applicable amendments in the fourth quarter of 2019. On August 27, 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform Phase 2). The amendments are effective for annual periods beginning on or after January 1, 2021, with early adoption permitted. The Bank early adopted these amendments on November 1, 2020 and no transition adjustment was required.

Interest Rate Benchmark Reform Phase 2 addresses issues affecting financial reporting when changes are made to contractual cash flows of financial instruments or hedging relationships as a result of IBOR reform. The amendments permit modification to financial assets, financial liabilities and lessee lease liabilities required as a direct consequence of IBOR reform and made on an economically equivalent basis to be accounted for by updating the EIR prospectively. If the modification does not meet the practical expedient requirements, existing IFRS requirements are applied. Reliefs are also provided for an entity's hedge accounting relationships in circumstances where changes to hedged items and hedging instruments arise as a result of IBOR reform. The amendments enable entities to amend the formal designation and documentation of a hedging relationship to reflect these changes without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include redefining the hedged risk to reference an ARR (contractually or non-contractually specified), amending the description of the hedged item and hedging instrument to reflect the ARR, and amending the description of how the entity will assess hedge effectiveness. Hedging relationships within the scope of Interest Rate Benchmark Reform Phase 2 are the same as those within the scope of Interest Rate Benchmark Reform Phase 1. Interest Rate Benchmark Reform Phase 2 also amended IFRS 7, introducing expanded qualitative and quantitative disclosures about the risks arising from IBOR reform, how an entity is managing those risks, its progress in completing the transition to ARRs, and how it is managing the transition.

The following table discloses the Bank's exposures to significant interest rate benchmarks subject to IBOR reform that have yet to transition to an ARR and will be maturing after December 31, 2021.



## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### IBOR Reform and its Effects on Financial Reporting (continued)

##### Exposures to Interest Rate Benchmarks Subject to IBOR Reform 1,2,3,4

	Non- derivative financial assets	Off-balance sheet commitments
	Carrying amount	Contractual
Corporate lending	CAD ('000)	CAD ('000)
Libor tenors ceasing 31/12/2021	66,184	534,016
Libor tenors ceasing post 31/12/2021	n/a	264,993
<b>Total</b>	<b>66,184</b>	<b>799,008</b>

The Bank had no derivative exposures to significant interest rate benchmark subject to IBOR reform

<sup>1</sup> US LIBOR transitioning to SOFR (Secured Overnight Financing Rate), GBP LIBOR transitioning to SONIA (Sterling Overnight Index Average), and JPY LIBOR transitioning to TONAR (Tokyo Overnight Average Rate).

<sup>2</sup> EURIBOR (Euro Interbank Offered Rate) is excluded from the table as it underwent a methodology change in 2019 and will continue as an interest rate benchmark.

<sup>3</sup> Loans reported under non-derivative financial assets represent the drawn amounts and exclude allowance for loan losses.

<sup>4</sup> Many of the Bank's corporate loan facilities permit the borrower to select the benchmark interest rate upon drawing on the facility. Based on the Bank's historical experience, the benchmark interest rate selected by the borrower is often the same as the facility currency and therefore the Bank has assumed that the benchmark interest rate for its undrawn credit and liquidity commitments is the same as the facility currency for the purpose of this disclosure.

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

## Notes to the financial statements

at 31 October 2021

### 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 fair value through profit or loss ("FVTPL"). In a basic lending arrangement, interest includes only consideration for time value of money, credit risk, other basic lending risks, and a reasonable profit margin.

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

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

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

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

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

#### Equity Instruments

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

#### Classification and Measurement for Financial Liabilities

The Bank classifies its financial liabilities into the following categories:

- Held-for-trading;
- Other liabilities.

#### Financial Liabilities Held-for-Trading

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

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

#### Other Financial Liabilities

##### *Deposits*

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Reclassification of Financial Assets and Liabilities

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

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

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

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

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

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

The Bank evaluates credit risk for exposures by using both borrower risk rating (BRR) which is an internal risk rating and facility risk rating (FRR). The Bank uses this system for all corporate, sovereign, and bank exposures. The Bank determines the risk ratings using industry and sector-specific credit risk models that are based on internal historical data for the years of 2006-2017, covering both wholesale and commercial lending experience. All borrowers and facilities are assigned an internal risk rating that must be reviewed at least once each year.

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

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

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

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

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

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

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

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

The FRR maps to LGD and considers 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 consider both the statistical estimation uncertainty and the higher than average LGDs experienced during downturn periods.

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

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

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

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Significant Increase in Credit Risk

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

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

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

#### Measurement of Expected Credit Losses (ECL)

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

#### Forward-Looking Information and Expert Credit Judgment

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

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

#### Allowance for Loan Losses

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

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

#### Derivative financial instruments

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

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Derivative financial instruments (continued)

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

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

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

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

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

##### (c) Hedge accounting

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

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

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

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Derivative financial instruments (continued)

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

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

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

#### (d) Cash flow hedges

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

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

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

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

#### Foreign currencies

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

#### Offsetting of financial instruments

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

#### Derecognition of financial instruments

##### *Financial Assets*

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

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



## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Derecognition of financial instruments (continued)

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

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

##### *Financial Liabilities*

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

#### Tangible fixed assets

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

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

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

#### Share-based compensation

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

#### Provisions

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

#### Income taxes

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Income taxes (continued)

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

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

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

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

#### Pension costs

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

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

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

#### Business Model Assessment

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

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

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

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Solely Payments of Principal and Interest Test

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

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

#### Impairment of Financial Assets

##### Significant Increase in Credit Risk

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

##### Measurement of Expected Credit Loss

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

##### Forward-Looking Information

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

## Notes to the financial statements

at 31 October 2021

### 2. Accounting policies (continued)

#### Impairment of Financial Assets (continued)

##### Expert Credit Judgment

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

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

##### Fair Value Measurements

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

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

##### Held for Sale assets

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

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

## Notes to the financial statements

at 31 October 2021

### 3. Current Changes in Accounting Policies

There are no new or amended standards that have been adopted by the Bank other than Interest Rate benchmark Reform Phase 2, as described above.

### 4. Net interest income

	2021 CAD'000	2020 CAD'000
Net interest income comprises:		
Interest income on debt securities	93,356	14,426
Interest income on cash at central bank	1,028	3,554
Interest income on loans-ultimate parent undertaking	31	14
Interest income on loans and advances to customers	1,111	2,709
	<u>95,526</u>	<u>20,703</u>
	2021 CAD'000	2020 CAD'000
Interest expense on deposits by banks-ultimate parent undertaking	152	1,570
Interest expense on borrowings - group undertaking	64,310	9,632
	<u>64,462</u>	<u>11,202</u>

### 5. Net fee & commission income

	2021 CAD'000	2020 CAD'000
Fee income comprises:		
Commitment fees on loans and advances to customers	2,039	1,789
Other fees on loans and advances to customers	738	1,162
Commission on commodity derivative transactions	992	6,583
Investment banking fees receivable from ultimate parent undertaking	33,644	24,958
Investment banking fees receivable from group undertaking	3,797	2,814
Equity research fees	103	-
	<u>41,313</u>	<u>37,306</u>

Commission on commodity derivative transactions relates to London Metal Exchange sales and brokerage commissions. The Bank exited this business on the 7 December 2020.

Equity research fees relates to the UK Institutional Equities business which transferred from TD Securities Limited (TDSL) in September 2021.

## Notes to the financial statements

at 31 October 2021

### 6. Income/(loss) on financial assets at fair value

	2021 CAD'000	2020 CAD'000
Gain realised on foreign exchange derivatives	15,776	3,273
Loss un-realised on foreign exchange derivatives	(15,402)	(5,206)
	<u>374</u>	<u>(1,933)</u>

### 7. Personnel expenses

	2021 CAD'000	2020 CAD'000
Wages and salaries	4,572	2,829
Social security costs	710	382
Other pension costs	134	107
Cash settled share-based payments	453	293
	<u>5,869</u>	<u>3,611</u>

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

	2021 No.	2020 No.
Front office	3	2
Support staff	10	8
	<u>13</u>	<u>10</u>

	2021 CAD'000	2020 CAD'000
Non-executive director emoluments	<u>481</u>	<u>251</u>

The executive directors receive no remuneration in respect of their services to the Bank. Although none of the Bank's directors is a director of the ultimate parent company, they receive remuneration in respect of their services to the group as a whole. No recharges have been made to the Bank relating to the remuneration of directors during the year (2020: CAD Nil).

No pension contributions under either a defined contribution or defined benefit scheme were accrued for any director in 2021 (2020: CAD Nil) in respect of their role with the Bank.

During the year, no director was advanced a loan (2020: CAD Nil) in respect of their role with the Bank.

## Notes to the financial statements

at 31 October 2021

### 8. Share based payments

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

The Human Resources Committee ("HRC") of the Board of the Bank has the discretion to adjust the number of units. Share units are subject to a claw back in the event of a material misrepresentation resulting in the restatement of financial results or a material error, within a three year retrospective period for non-Material Risk Takers. In the event of a material misrepresentation or error, the committee will determine the extent of the claw back based on the specific circumstances.

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

A liability is accrued by the Bank related to such share units awarded and an incentive compensation expense is recognised in the profit and loss account over the vesting period and an additional period prior to the grant date. Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of these plans are recorded in the profit and loss account. For the year ended 31 October 2021, the Bank recognised compensation expense for these plans of CAD453,413 (2020: CAD293,585) and the associated liability amount is CAD617,932 (2020: CAD386,690).

	2021 <i>No. of units</i>	2020 <i>No. of units</i>
Outstanding at 1 November	12,321	8,694
Granted during the year	15,264	6,575
Released during the year	(4,504)	(2,948)
Outstanding at 31 October	<u>23,081</u>	<u>12,321</u>

TD Bank share price at 31 October 2021 was CAD89.84 (2020: CAD58.78).

### 9. Other expenses

	2021 <i>CAD'000</i>	2020 <i>CAD'000</i>
Other charges payable to ultimate parent undertaking	2,427	557
Other charges payable to other group undertaking	53	27
Other administrative expenses	2,608	759
Auditor's remuneration - audit services	304	247
Auditor's remuneration - CASS audit	27	26
	<u>5,419</u>	<u>1,616</u>

## Notes to the financial statements

at 31 October 2021

### 10. Taxation

	2021 CAD'000	2020 CAD'000
<b>Current income tax:</b>		
UK corporation tax	16,590	7,323
Amounts overprovided in previous years	(3)	183
Foreign exchange loss	352	-
Total current income tax	<u>16,939</u>	<u>7,506</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(78)	(10)
Impact of change in tax laws and rates	<u>(20)</u>	<u>(32)</u>
Total deferred tax	<u>(98)</u>	<u>(42)</u>
<b>Total tax charge</b>	<u>16,841</u>	<u>7,464</u>

#### Reconciliation of the total tax charged:

The total tax charge reported in the statement of comprehensive income is higher than the standard rate of corporation tax applying in the period of 27% (2020: 19%).

The differences are explained below:

	2021 CAD'000	2020 CAD'000
Profit before taxation	<u>61,120</u>	<u>38,478</u>
Tax calculated using rate of corporation tax in the UK of 27% (2020: rate of 19%)	16,502	7,311
Expenses not deductible for tax purposes	10	5
Foreign exchange loss	352	-
Impact of change in tax laws and rates	(20)	(32)
Adjustment to tax charge (credit) in respect of prior years	<u>(3)</u>	<u>180</u>
<b>Total tax charge</b>	<u>16,841</u>	<u>7,464</u>

#### Change in Corporation Tax rate:

For this period the Bank was subject to an additional UK banking surcharge of 8%. In addition it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This legislative change was enacted on 10 June 2021. CAD70 million closing deferred tax assets and liabilities have therefore been recalculated taking into account this change of rate and the applicable period the deferred tax assets and liabilities are expected to crystallise. As a result, the net deferred tax asset position has increased by CAD15 million.

Deferred Tax	2021 CAD'000	2020 CAD'000
Share based payment	170	73
Capital allowances	(31)	(32)
FVOCI reserve tax	<u>69,438</u>	<u>667</u>
	<u>69,577</u>	<u>708</u>



## Notes to the financial statements

at 31 October 2021

### 10. Taxation (continued)

It was subsequently announced in the UK Government's Budget on 27 October 2021 that the UK banking surcharge will decrease from 8% to 3% from 1 April 2023 and that there will be an increase in the banking surcharge allowance to GBP100 million. This change was enacted on 2 February 2022. In accordance with accounting standards, the impact of this announcement is not reflected in CAD70m deferred tax balances above because the legislative change had not been substantively enacted at the balance sheet date. Had it been substantively enacted, the estimated impact on CAD70 million net deferred tax carrying value would be to reduce the net deferred tax asset reported above by CAD7 million to CAD63 million.

### 11. Cash and balances at central banks

	2021 CAD'000	2020 CAD'000
Cash and balances at central banks - repayable on demand	<u>1,009,106</u>	<u>1,027,258</u>

Amounts repayable on demand are interest bearing. As at 31 October 2021, all cash and balances at central banks were in Stage 1 for allowances for credit losses.

### 12. Loans and advances to banks

	2021 CAD'000	2020 CAD'000
3 months or less, but not repayable on demand	91,751	-
Repayable on demand	<u>201,886</u>	<u>103,579</u>
	<u>293,637</u>	<u>103,579</u>

Included in loans and advances to banks are amounts owed by ultimate parent undertaking of CAD293,637,131 (2020: CAD103,578,992). Amounts repayable on demand are non-interest bearing. Amounts not repayable on demand are interest bearing. As at 31 October 2021, all loans and advances to banks were in Stage 1 for allowances for credit losses.

### 13. Loans and advances to customers

	2021 CAD'000	2020 CAD'000
5 years or less, but over 1 year	102,993	202,956
1 year or less, but over 3 months	73,283	43,150
Allowance for Credit Losses	<u>(68)</u>	<u>(539)</u>
	<u>176,208</u>	<u>245,567</u>

Loans and advances to customers are interest bearing. As at 31 October 2021, the allowance for credit losses consisted of CAD68,190 in Stage 1 (2020: CAD66,083 in Stage 1 and CAD472,886 in Stage 2).

## Notes to the financial statements

at 31 October 2021

### 14. Debt Securities

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

	2021	2020
	CAD'000	CAD'000
Debt securities at amortised cost		
- Government securities	12,566,303	13,470,226
- Other debt securities	3,809,069	4,452,808
Provision for credit losses	(112)	(196)
Total debt securities at amortised cost, net of allowance for credit losses	16,375,260	17,922,838

As at 31 October 2021, all debt securities at amortised cost were in Stage 1 for allowances for credit losses.

### 15. Derivative financial instruments

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

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

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

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

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

#### Notional amounts

2021	Assets			Liabilities			Net Total
	Canadian Dollars	US Dollars	Sterling	Euro	US Dollars		
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000		CAD'000
Foreign Exchange derivatives	19,103,583	-	963,006	13,818,972	2,472,214		1,849,391
<b>Total</b>	<b>19,103,583</b>	<b>-</b>	<b>963,006</b>	<b>13,818,972</b>	<b>2,472,214</b>		<b>1,849,391</b>

## Notes to the financial statements

at 31 October 2021

### 15. Derivative financial instruments (continued)

2021	Fair Value					
	Assets		Liabilities			Net Total
	Canadian Dollars	US Dollars	Sterling	Euro	US Dollars	
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Foreign Exchange derivatives	18,417,145	-	963,006	13,907,416	2,395,275	1,151,448
<b>Total</b>	<u>18,417,145</u>	<u>-</u>	<u>963,006</u>	<u>13,907,416</u>	<u>2,395,275</u>	<u>1,151,448</u>

2020	Notional Amounts					
	Assets		Liabilities			Net Total
	Canadian Dollars	US Dollars	Sterling	Euro	US Dollars	
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Foreign Exchange derivatives	19,062,415	-	964,815	16,187,300	1,430,829	479,471
Commodity derivatives	-	4,399,418	-	-	4,399,418	-
<b>Total</b>	<u>19,062,415</u>	<u>4,399,418</u>	<u>964,815</u>	<u>16,187,300</u>	<u>5,830,247</u>	<u>479,471</u>

2020	Fair Value					
	Assets		Liabilities			Net Total
	Canadian Dollars	US Dollars	Sterling	Euro	US Dollars	
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Foreign Exchange derivatives	18,871,981	-	964,815	16,436,764	1,415,194	55,208
Commodity derivatives	-	200,243	-	-	200,243	-
<b>Total</b>	<u>18,871,981</u>	<u>200,243</u>	<u>964,815</u>	<u>16,436,764</u>	<u>1,615,437</u>	<u>55,208</u>

## Notes to the financial statements

at 31 October 2021

### 15. Derivative financial instruments (continued)

#### Amount due from related companies

	Notional amounts		Fair value	
	Assets	Liabilities	Asset	Liabilities
	CAD'000	CAD'000	CAD'000	CAD'000
<b>2021</b>				
Foreign Exchange derivatives	19,103,583	17,254,193	18,417,145	17,265,697
<b>Total derivatives</b>	<b>19,103,583</b>	<b>17,254,193</b>	<b>18,417,145</b>	<b>17,265,697</b>
<b>2020</b>				
Foreign Exchange derivatives	19,062,415	18,582,944	18,871,981	18,816,773
Commodity derivatives	2,560,290	1,839,128	103,433	96,810
<b>Total derivatives</b>	<b>21,622,705</b>	<b>20,422,072</b>	<b>18,975,414</b>	<b>18,913,583</b>

#### (a) Commodity derivatives

Commodity derivatives of the Bank comprise of exchange traded metal futures, options and Over The Counter (OTC) contracts with the Bank's ultimate parent undertaking. The Bank exited this business on the 7th December 2020. Metal futures are standardized contracts transacted on a London Metals Exchange (LME). They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying metal and its corresponding market price level at a specified future date. These contracts are in standard amounts with standard settlement dates.

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

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

#### (b) Foreign Exchange derivatives

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

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

#### (c) Cash flow hedges

The Bank is exposed to variability in future cash flows on non-trading assets which bear foreign exchange risks. Below is a schedule indicating as at 31 October 2021 and 31 October 2020, the periods when the hedged forecast cash flows are expected to occur and when they are expected to affect profit and loss:

## Notes to the financial statements

at 31 October 2021

### 15. Derivative financial instruments (continued)

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

2021	Within 1 year	1 to 3 years	3 to 8 years
	CAD'000	CAD'000	CAD'000
Net cash inflows	291,774	917,889	633,067
2020			
Net cash inflows	26,275	167,273	281,375

During the years ended 31 October 2021 and 31 October 2020, there were no significant instances where forecasted hedged transactions failed to occur.

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

The following table discloses the impact of the derivatives designated in hedge accounting relationships with the hedged forecast cash flows in the statement of comprehensive income and in other comprehensive income ("OCI") for the year ended 31 October 2021 and 31 October 2020:

	Amounts recognised in OCI on derivatives	Hedge ineffectiveness
2021	CAD'000	CAD'000
Loss on foreign exchange contracts	(183,593)	—
2020		
Loss on foreign exchange contracts	(3,270)	—

Loss on foreign exchange contracts for the fiscal year is CAD183,593,000 which is net of income tax of CAD 69,000.

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

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

## Notes to the financial statements

at 31 October 2021

### 15. Derivative financial instruments (continued)

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

	Gross amounts of recognised financial instruments before balance sheet netting CAD'000	Gross amounts of recognised financial instruments offset in the Balance Sheet CAD'000	Net amount of financial instruments presented in the Balance Sheet CAD'000	Amounts subject to an enforceable master netting agreement CAD'000	Net Amount CAD'000
<b>2021</b>					
Loans And Advances To Banks - Repayable On Demand	264,637	62,751	201,886	62,751	139,135
Deposits By Banks - Repayable On Demand	(144,096)	(62,751)	(81,345)	(62,751)	(18,594)
	120,541	-	120,541	-	120,541
<b>2020</b>					
Loans And Advances To Banks - Repayable On Demand	311,710	208,131	103,579	208,131	(104,552)
Deposits By Banks - Repayable On Demand	(339,397)	(208,131)	(131,266)	(208,131)	76,865
Derivative financial assets	494,611	294,368	200,243	193,620	6,623
Derivative financial liabilities	(494,611)	(294,368)	(200,243)	(193,620)	(6,623)
	(27,687)	-	(27,687)	-	(27,687)

### 16. Financial assets

#### Securities - LME B shares

	2021 CAD'000	2020 CAD'000
Financial assets at fair value through Other Comprehensive income	-	-
Financial assets Held for Sale	-	2,546

The Bank's Global Metals business transacted on the LME to support TD Bank's Global Metals trading and client franchise. This business left the Bank on the 7th December 2020 and now is booked by TD Bank, Toronto Branch. The LME B shares held by the Bank were transferred to TD Bank, Toronto Branch on 3 March 2021 with a net realised gain of CAD100,723 recognised in Items that will not be recycled to statement of profit or loss on the statement of comprehensive income.

## Notes to the financial statements

at 31 October 2021

### 17. Tangible fixed assets

	<i>Computer hardware</i>	<i>Furniture and fittings</i>	<i>Total</i>
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
<b>Cost</b>			
As at 1 November 2020	326	48	374
Additions during the year	-	-	-
<b>As At 31 October 2021</b>	<b>326</b>	<b>48</b>	<b>374</b>
<b>Depreciation</b>			
As at 1 November 2020	(102)	(39)	(141)
Charge for the year	(61)	-	(61)
<b>As At 31 October 2021</b>	<b>(163)</b>	<b>(39)</b>	<b>(202)</b>
<b>Net book value as at 31 October 2021</b>	<b>163</b>	<b>9</b>	<b>172</b>
	<i>Computer hardware</i>	<i>Furniture and fittings</i>	<i>Total</i>
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
<b>Cost</b>			
As at 1 November 2019 (restated)	276	48	374
Additions during the year	50	-	-
<b>As At 31 October 2020</b>	<b>326</b>	<b>48</b>	<b>374</b>
<b>Depreciation</b>			
As at 1 November 2019 (restated)	(44)	(35)	(78)
Charge for the year	(58)	(5)	(63)
<b>As At 31 October 2020</b>	<b>(102)</b>	<b>(39)</b>	<b>(141)</b>
<b>Net book value as at 31 October 2020</b>	<b>224</b>	<b>9</b>	<b>233</b>

### 18. Other assets

	<i>2021 CAD'000</i>	<i>2020 CAD'000</i>
Amounts receivable from ultimate parent undertaking	570	18,080
Amounts receivable from other group companies	3,019	1,060
Deposit with clearing house	-	126,141
	<b>3,589</b>	<b>145,281</b>

Amounts receivable from ultimate parent undertaking and other group companies are repayable on demand and are non-interest bearing. The Bank has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 October 2021, the fair values of the short-term

## Notes to the financial statements

at 31 October 2021

### 18. Other assets (continued)

deposits pledged were CAD Nil (2020: CAD126,140,986). As at 31 October 2021, all other assets were in Stage 1.

### 19. Deposits from banks

	2021 CAD'000	2020 CAD'000
3 months or less, but not repayable on demand	156,094	246,106
Repayable on demand	<u>81,345</u>	<u>131,266</u>
	<u>237,439</u>	<u>377,372</u>

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

### 20. Other deposits

	2021 CAD'000	2020 CAD'000
Three months or shorter	133,885	136,178
Longer than three months but no longer than one year	-	-
Longer than one year but no longer than five	-	-
Longer than five years but no longer than ten years	<u>17,835,729</u>	<u>17,851,236</u>
	<u>17,969,614</u>	<u>17,987,414</u>

Other deposits are from group undertaking and are interest bearing.

### 21. Other liabilities

	2021 CAD'000	2020 CAD'000
Amounts payable to ultimate parent undertaking	7,122	8,340
Amounts payable to other group companies	30,260	8,968
Other accruals and contract liabilities	6,676	178,976
Provisions for commitments	<u>1,548</u>	<u>234</u>
	<u>45,606</u>	<u>196,518</u>

Amounts payable to ultimate parent undertaking and other group companies are repayable on demand and are non-interest bearing. All external supplier payments are settled on presentation of invoice. Internal suppliers are settled on demand. As at 31 October 2021, the Provisions for commitments consisted of CAD113,844 in Stage 1 and CAD1,434,286 in Stage 2 (2020: CAD234,315 in Stage 1).



## Notes to the financial statements

at 31 October 2021

### 22. Share capital

<i>Authorised:</i>	<i>2021</i>	<i>2020</i>
	<i>US\$000</i>	<i>US\$000</i>
600,000,000 (2020: 600,000,000) ordinary shares of US\$1 each	600,000	600,000
	<i>£'000</i>	<i>£'000</i>
500,000,000 (2020: 500,000,000) ordinary shares of £1 each	500,000	500,000
<i>Allotted, called-up and fully paid:</i>	<i>US\$000</i>	<i>US\$000</i>
96,663,750 (2020: 96,663,750) ordinary shares of US\$1 each	96,664	96,664
	<i>£'000</i>	<i>£'000</i>
GBP equivalent of USD-denominated share capital fixed at 1.5996; the rate in force as at 31st October 2014 when the accounting policy governing the revaluation of share capital was amended	60,429	60,429
300,827,500 (2020: 300,827,500) ordinary shares of £1 each	<u>300,828</u>	<u>300,828</u>
	361,257	361,257
	<i>CAD'000</i>	<i>CAD'000</i>
CAD equivalent of share capital in GBP fixed at 1.7435795; the rate in force as at 31st August 2020 when the accounting policy governing the revaluation of share capital was amended	<u>629,878</u>	<u>629,878</u>
Called up share capital	<u>629,878</u>	<u>629,878</u>

### 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

	<i>2021</i>	<i>2020</i>
	<i>CAD'000</i>	<i>CAD'000</i>
Common Equity Tier 1 capital	<u>1,049,762</u>	<u>1,005,483</u>
	<u>1,049,762</u>	<u>1,005,483</u>

Regulatory capital consists of Tier 1 capital, which comprises called up share capital and retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, which was CAD Nil as at 31 October 2021 and 31 October 2020.

## Notes to the financial statements

at 31 October 2021

### 23. Commitments

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

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

	2021	2020
	<i>Undrawn</i>	<i>Undrawn</i>
	<i>Facilities</i>	<i>Facilities</i>
	<i>CAD000</i>	<i>CAD000</i>
Original term to maturity of more than 1 year	1,159,231	1,713,590
Original term to maturity of 1 year or less	154,700	179,861
	<u>1,313,931</u>	<u>1,893,451</u>

Provisions for commitments at 31 October 2021 are CAD 1,548,130. (2020: CAD234,315). (See Note 21)

### 24. Risk management

#### Objectives, policies and strategies

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

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

#### Risk management structure

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

##### *Risk committee*

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

##### *Risk management*

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

##### *Treasury*

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

##### *Internal audit*

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

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Risk measurement and reporting systems

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

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

#### Risk mitigation

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

#### Credit Risk mitigation

Credit risk is the risk that the Bank will incur a loss because its counterparties fail to discharge their contractual obligations.

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

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

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

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

	2021 CAD'000	2020 CAD'000
Loans and advances to customers including all contractual commitments, maturing:		
- 1 year and over	1,262,156	1,959,157
- Less than 1 year	227,983	179,861
	1,490,139	2,139,018
Cash at central bank	1,009,106	1,027,258
Held for sale	-	2,546
Debt Securities	16,375,260	17,922,838
Loans and advances to banks	293,637	103,579
Derivative financial instruments	1,151,448	255,451
Other assets	40,159	201,649
Total credit exposure	20,359,749	21,652,339

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Credit risk

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

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

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

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

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

At 31 October 2021	Investment grade	Non investment grade	Total
	CAD'000	CAD'000	CAD'000
Cash at central bank	1,009,106	-	1,009,106
Debt Securities	16,375,260	-	16,375,260
Loans and advances to banks	293,637	-	293,637
Loans and advances to customers	108,527	67,681	176,208
Derivative financial instruments	1,151,448	-	1,151,448
Other assets	40,159	-	40,159
	<u>18,978,137</u>	<u>67,681</u>	<u>19,045,818</u>

At 31 October 2020	Investment grade	Non investment grade	Total
	CAD'000	CAD'000	CAD'000
Cash at central bank	1,027,258	-	1,027,258
Held for sale	2,546	-	2,546
Debt Securities	17,922,838	-	17,922,838
Loans and advances to banks	103,579	-	103,579
Loans and advances to customers	43,150	202,417	245,567
Derivative financial instruments	255,451	-	255,451
Other assets	201,649	-	201,649
	<u>19,556,471</u>	<u>202,417</u>	<u>19,758,888</u>

There are no financial assets which are past due.

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Credit risk (continued)

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

2021	Germany	United Kingdom	Netherlands	Canada	Other International	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	-	1,009,106	-	-	-	1,009,106
Debt securities	5,906,073	127,584	1,231,942	-	9,109,661	16,375,260
Loans to banks	-	134,485	-	159,152	-	293,637
Loans to Customers	-	67,708	66,163	42,337	-	176,208
Derivative financial instruments	-	-	-	1,151,448	-	1,151,448
Other assets	10,746	924	2,158	267	26,064	40,159
<b>Total</b>	<b>5,916,819</b>	<b>1,339,807</b>	<b>1,300,263</b>	<b>1,353,204</b>	<b>9,135,725</b>	<b>19,045,818</b>

'Other International' includes Supranational Organisations CAD3,186,054,251, France CAD 2,252,327,448, Luxembourg CAD 1,004,089,018, Sweden CAD740,331,548, Austria CAD729,400,689 and other less material exposures.

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

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Credit risk (continued)

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

	2021				2020			
	<i>Drawn loans</i>		<i>Undrawn commitments</i>		<i>Drawn loans</i>		<i>Undrawn commitments</i>	
	CAD'000	%	CAD'000	%	CAD'000	%	CAD'000	%
	0				0			
<i>Private:</i>								
Aircraft & Aircraft Parts Industry	-	-	356,348	27%	133,444	54%	193,286	10%
Airport Operations Industry	67,708	38%	-	-	68,973	28%	-	-
Construction Equipment	-	-	75,000	6%	-	-	-	-
Food, beverage & tobacco	-	-	133,052	10%	-	-	477,379	25%
Holding Companies Not In An Industry	-	-	-	-	-	-	166,538	9%
Mining	-	-	167,076	13%	-	-	179,861	10%
NonBank Financial Institution	42,337	24%	-	-	43,150	18%	-	-
Non-Advertising Based Publishing	-	-	86,632	7%	-	-	93,261	5%
Oil & Gas	66,163	38%	223,679	17%	-	-	309,223	16%
Other Industries <sup>1</sup>	-	-	-	-	-	-	162,181	9%
Other Manufactured Products Industries Not Elsewhere Classified	-	-	43,492	3%	-	-	122,170	6%
Port Industry	-	-	42,343	3%	-	-	-	-
Telecommunications	-	-	-	-	-	-	103,253	5%
Utilities	-	-	186,309	14%	-	-	86,299	5%
	<u>176,208</u>	<u>100%</u>	<u>1,313,931</u>	<u>100%</u>	<u>245,567</u>	<u>100%</u>	<u>1,893,451</u>	<u>100%</u>

- <sup>1</sup> Other Industries includes industry segments where the exposure is less than 5% of both the drawn loans and the total commitments in both the current and prior years.

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Interest rate risk

At 31 October 2021

	<i>Floating rate CAD000</i>	<i>Non interest sensitive CAD000</i>	<i>Total CAD000</i>
<b>Assets</b>			
Cash at central bank	1,009,106	-	1,009,106
Debt Securities	-	16,375,260	16,375,260
Loans and advances to bank	91,751	201,886	293,637
Loans and advances to customers	176,208	-	176,208
Derivative financial instruments	-	1,151,448	1,151,448
Other assets	635	39,524	40,159
<b>Liabilities</b>			
Deposits by banks	(156,094)	(81,345)	(237,439)
Other deposits	(133,885)	(17,835,729)	(17,969,614)
Other Liabilities	-	(45,606)	(45,606)
<b>Interest rate sensitivity gap</b>	<b>987,721</b>	<b>(194,5962)</b>	<b>793,159</b>
<i>Commitments</i>	<i>1,313,931</i>	<i>-</i>	<i>1,313,931</i>
 <i>Derivative financial instruments (Notional)</i>	 <i>-</i>	 <i>1,849,392</i>	 <i>1,849,392</i>

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Interest rate risk (continued)

At 31 October 2020

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

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

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

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

		2021		2020	
		Increase/ decrease in interest rate	CAD'000	Increase/ decrease in interest rate	CAD'000
Assets	Cash at central bank	+/-100bps	10,091	+/-100bps	10,273
	Loans to banks	+/-100bps	918	+/-100bps	-
	Loans to customers	+/-100bps	1,762	+/-100bps	2,456
Liabilities	Deposits from banks	+/-100bps	1,561	+/-100bps	2,461
	Other deposits	+/-100bps	1,339	+/-100bps	1,362



## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Liquidity risk

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

2021	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 years	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,009,106	-	-	-	-	1,009,106
Debt Securities	-	296,499	2,565,623	12,812,088	701,050	16,375,260
Loans to banks	201,886	91,751	-	-	-	293,637
Loans to Customers	-	-	73,283	102,925	-	176,208
Derivative financial instruments	-	37,400	238,327	860,538	15,183	1,151,448
Other assets	4,179	1,305	7,423	26,198	1,054	40,159
<b>Total assets</b>	<b>1,215,171</b>	<b>426,955</b>	<b>2,884,656</b>	<b>13,801,749</b>	<b>717,287</b>	<b>19,045,818</b>
Deposits from banks	(81,345)	(156,094)	-	-	-	(237,439)
Other deposits	(133,885)	-	-	-	(17,835,729)	(17,969,614)
Other liabilities	(15,376)	(511)	(4,823)	(23,657)	(1,239)	(45,606)
<b>Total liabilities</b>	<b>(230,606)</b>	<b>(156,605)</b>	<b>(4,823)</b>	<b>(23,657)</b>	<b>(17,836,968)</b>	<b>(18,252,659)</b>

  

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

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Liquidity risk (continued)

The table below represents undiscounted contractual amounts:

2021	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 year	Total
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Deposits from banks	(81,345)	(156,094)	-	-	-	(237,439)
Other deposits	(133,885)	-	-	-	(17,835,729)	(17,969,614)
	(215,230)	(156,094)	-	-	(17,835,729)	(18,207,053)
2020	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 year	Total
	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>	<i>CAD'000</i>
Deposits from banks	(131,266)	(246,106)	-	-	-	(377,372)
Other deposits	(136,178)	-	-	-	(17,851,236)	(17,987,414)
	(267,444)	(246,106)	-	-	(17,851,236)	(18,364,786)

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Foreign currency risk

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

Foreign currency exposures of the Bank were as follows:

2021	Sterling	Australian Dollars	US Dollars	Euro	Canadian Dollars	Others	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,009,106	-	-	-	-	-	1,009,106
Debt Securities	-	-	2,421,114	13,954,146	-	-	16,375,260
Loans to banks	56,960	551	25,686	4,280	206,160	-	293,637
Loans to Customers	110,024	-	66,184	-	-	-	176,208
Derivative financial instruments	(963,006)	-	(2,395,275)	(13,907,416)	18,417,145	-	1,151,448
Other assets	927	-	10,332	28,451	449	-	40,159
<b>Total Assets</b>	<b>214,011</b>	<b>551</b>	<b>128,041</b>	<b>79,461</b>	<b>18,623,754</b>	<b>-</b>	<b>19,045,818</b>
Deposits from banks	(89,909)	-	(77,297)	(678)	(69,554)	(1)	(237,439)
Other deposits	(133,885)	-	-	-	(17,835,729)	-	(17,969,614)
Other liabilities	(8,871)	-	(1,130)	(561)	(35,044)	-	(45,606)
<b>Total Liabilities</b>	<b>(232,665)</b>	<b>-</b>	<b>(78,427)</b>	<b>(1,239)</b>	<b>(17,940,327)</b>	<b>(1)</b>	<b>(18,252,659)</b>
<b>Net assets / (liabilities)</b>	<b>(18,654)</b>	<b>551</b>	<b>49,614</b>	<b>78,222</b>	<b>683,427</b>	<b>(1)</b>	<b>793,159</b>
<b>Off-balance sheet items</b>							
Commitments	544,078	-	435,044	259,809	75,000	-	1,313,931
Derivatives financial Instruments (Notional-net)							
Foreign exchange	(963,006)	-	(2,472,214)	(13,818,972)	19,103,583	-	1,849,391

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Foreign currency risk (continued)

2020	Sterling	Australian Dollars	US Dollars	Euro	Canadian Dollars	Others	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Cash at central bank	1,027,258	-	-	-	-	-	1,027,258
Financial assets at fair value through OCI	2,546	-	-	-	-	-	2,546
Debt Securities	-	-	1,581,797	16,341,041	-	-	17,922,838
Loans to banks	75,532	854	-	4,789	22,404	-	103,579
Loans to Customers	245,567	-	-	-	-	-	245,567
Derivative financial instruments	(964,815)	-	(1,214,951)	(16,436,764)	18,871,981	-	255,451
Other assets	770	-	134,983	49,920	15,976	-	201,649
<b>Total Assets</b>	<b>386,858</b>	<b>854</b>	<b>501,829</b>	<b>(41,014)</b>	<b>18,910,361</b>	<b>-</b>	<b>19,758,888</b>
Deposits from banks	(246,119)	-	(114,345)	(16)	(16,889)	(3)	(377,372)
Other deposits	(136,178)	-	-	-	(17,851,236)	-	(17,987,414)
Derivative financial instruments	-	-	(200,243)	-	-	-	(200,243)
Other liabilities	(10,099)	-	(175,254)	(946)	(10,218)	(1)	(196,518)
<b>Total Liabilities</b>	<b>(392,396)</b>	<b>-</b>	<b>(489,842)</b>	<b>(962)</b>	<b>(17,878,343)</b>	<b>(4)</b>	<b>(18,761,547)</b>
<b>Net assets / (liabilities)</b>	<b>(5,538)</b>	<b>854</b>	<b>11,987</b>	<b>(41,976)</b>	<b>1,032,018</b>	<b>(4)</b>	<b>997,341</b>
<b>Off-balance sheet items</b>							
Commitments	377,378	-	1,200,682	240,391	75,000	-	1,893,451
Derivatives financial Instruments (Notional-net)							
Foreign exchange	(964,815)	-	(1,430,829)	(16,187,300)	19,062,415	-	479,471
Commodity derivative (Asset)	-	-	4,399,418	-	-	-	4,399,418
Commodity derivative (liability)	-	-	(4,399,418)	-	-	-	(4,399,418)

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

## Notes to the financial statements

at 31 October 2021

### 24. Risk management (continued)

#### Foreign currency risk (continued)

	2021		2020	
	Increase/ Decrease	Profit before tax CAD'000	Increase/ Decrease	Profit before tax CAD'000
Euro	+/-10%	7,822	+/-10%	4,198
Australian Dollars	+/-10%	55	+/-10%	85
US Dollars	+/-10%	4,961	+/-10%	1,199
Sterling	+/-10%	1,865	+/-10%	554

### 25. Fair value of financial instruments

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

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

##### (a) Fair value hierarchy

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

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

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

	Quoted prices in active markets for identical instruments (Level 1) CAD'000	Significant observable inputs other than quoted prices (Level 2) CAD'000	(Level 3) CAD'000	Total CAD'000
<b>2021</b>				
<i>Financial assets:</i>				
Derivative financial instruments (Note 15)	-	1,151,448	-	1,151,448
Total assets	-	1,151,448	-	1,151,448
<i>Financial liabilities:</i>				
Derivative financial instruments (Note 15)	-	-	-	-
Total liabilities	-	-	-	-

## Notes to the financial statements

at 31 October 2021

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

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

	Quoted prices in active markets for identical instruments (Level 1) CAD'000	Significant observable inputs other than quoted prices (Level 2) CAD'000	(Level 3) CAD'000	Total CAD'000
<b>2020</b>				
<i>Financial assets:</i>				
Held for sale	-	2,546	-	2,546
Derivative financial instruments (Note 15)	-	255,451	-	255,451
Total assets	-	257,997	-	257,997
<i>Financial liabilities:</i>				
Derivative financial instruments (Note 15)	-	200,243	-	200,243
Total liabilities	-	200,243	-	200,243

#### (b) Determination of fair value

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

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

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

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

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

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

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

## Notes to the financial statements

at 31 October 2021

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

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

As at 31 October 2021, assets carried at fair value but for which fair value is not disclosed are classed as Level 2.

The following table shows fair value of Level 2 assets compared to the amortised cost:

<i>At 31 October 2021</i>	<i>Amortised Cost CAD'000</i>	<i>Fair Value CAD'000</i>
Debt Securities	16,375,372	16,287,071

  

<i>At 31 October 2020</i>	<i>Amortised Cost CAD'000</i>	<i>Fair Value CAD'000</i>
Debt Securities	17,923,034	17,971,438

### 26. Ultimate parent undertaking and controlling party

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

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

All related party balances are disclosed in note 12 (Loans and advances to banks), note 15 (Derivative financial instruments), note 18 (Other assets), note 19 (Deposits from banks), note 20 (Other deposits), and note 21 (Other liabilities).

### 27. Subsequent Events

The Bank has commenced deploying reserves previously held on deposit with Bank of England into a new investment portfolio of High Quality Liquid Assets.

The Bank has also begun to increase the TDBEL Investment portfolio which it intends to grow by an additional CAD 2 Billion by May 2022.