# TD Bank Europe Limited

## Directors' Report and Audited Financial Statements

31 October 2023



Registered No: 2734652

## Directors

P McDonald-Pryer
J Banks
L Izzard
B Hooper
S Souchon
D Thomas
S Kim

## Company Secretary

EAH Hennigan

## Auditors

Ernst & Young LLP
25 Churchill Place
London E14 5EY

## Registered Office

60 Threadneedle Street
London
EC2R 8AP

## Registered Number of Incorporation

2734652

# Directors' report

The directors submit their report and audited financial statements for the year ended 31 October 2023 and the comparative figures for the year ended 31 October 2022.

## Results and dividends

TD Bank Europe Limited's ("the Bank") results for the year are shown in the statement of comprehensive income on page 31 The total comprehensive income for the year was CAD56,036,808 (2022: CAD52,734,651).

No dividend on ordinary shares was declared during the year and none is proposed (2022: 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 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 which is at least, one year from the date of approval of the financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## Events since the balance sheet date

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

## Directors and their interests

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

| | | |
|---|---|---|
| P McDonald-Pryer (Irish) | - | Chair and Independent Non-Executive Director |
| J Banks (British) | - | Director |
| L Izzard (British) | - | Director |
| B Hooper (Canadian) | - | Non-Executive Director |
| S Souchon (British) | - | Independent Non-Executive Director |
| D Thomas (British) | - | Independent Non-Executive Director |
| S Kim (Canadian) | - | Director |
| J Moore (Canadian) | - | Director (resigned 20 December 2022) |

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

**Ordinary Shares**

| | *At 31 October 2022* | *Additions/Disposals during the year* | *At 31 October 2023* |
|---|---|---|---|
| J Banks | 207 | 67 | 274 |
| B Hooper | 50,131 | 689 | 50,820 |
| S Kim | 74 | 357 | 431 |
| L Izzard | | 10 | 10 |
| | 50,412 | 1,123 | 51,535 |



Internal

# Directors' report (continued)

## Directors and their interests (continued)

**Share Options**

| | *At 31 October 2022* | *Additions/Disposals during the year* | *At 31 October 2023* |
|---|---|---|---|
| B Hooper | 162,819 | 35,946 | 198,765 |
| | 162,819 | 35,946 | 198,765 |

During the financial year the Bank's directors benefited from qualifying third party indemnity granted by the Banks'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 the Bank separately from these financial statements. When preparing the Pillar 3 disclosures, the Bank is required to comply with:

(i) the PRA Rulebook – Disclosure (CRR) chapter; and

(ii) the PRA Supervisory Statements

The Bank is the sole regulated entity of TD Securities ("TDS") in the UK, the Pillar 3 report is prepared at the solo level and can be accessed at https://www.tdsecurities.com/tds/document/Pillar-3-Disclosure-2022

## 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 in force for regulated financial institutions. The following table complies with this regulation for the 2023 financial year.

| | |
|---|---|
| Name of entity | *TD Bank Europe Limited* |
| Geographical location | *United Kingdom* |
| Turnover* | CAD93,796,440 |
| Average number of employees | 19 |
| Profit before tax | CAD70,459,219 |
| Public subsidies received | - |

The Bank made corporation tax payments of CAD21,472,978 in 2023 (2022: CAD13,612,258). 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 and net fee & commission income

## Charitable donations

The Bank made no charitable donations (2022: nil) during the year and no political donations (2022: nil).

# **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
2 February 2024

# Strategic report

## Strategy

As an international operation of a major Canadian financial institution, the primary strategic objective is to support TD Bank's North American franchise by holding HQLA assets which act as contingent liquidity for TD Bank Group. In addition TDBEL assists TD Bank to manage it's client relationships with large multinationals, however this arrangement is now in run-off.

## 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.

The Bank holds an investment portfolio of High Quality Liquid Assets ("HQLA") and associated derivative hedges. The portfolio is run to diversify the pool of HQLA available to the TD Bank or TD Bank Group ("TDBG") and to serve as a contingent source of liquidity for the TDBG. This portfolio is classified as held to collect with cash flow hedge accounting applied to the derivatives used to hedge foreign currency risk.

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 Bank 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.

Following a TDBG review in order to optimize and simplify the UK model, the IEQ, corporate banking & investment banking activities are in run-off in the Bank. The booking point for investment banking activities will be London Branch.

## 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 TDBG. The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the 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:

| | *2023* | *2022* | *Change* |
|---|---|---|---|
| | *CAD'000* | *CAD'000* | |
| Net interest income | 69,984 | 55,340 | 26% |
| Net fee income & commission income | 23,812 | 30,577 | (22)% |
| Profit on ordinary activities before taxation | 70,459 | 72,289 | (3)% |
| Profit for the financial year | 56,037 | 52,735 | 6% |
| Total assets | 21,901,686 | 21,411,125 | 2% |
| Total shareholder's equity | 1,187,508 | 1,174,679 | 1% |

Net interest income increased year on year, up 26% due to the increase in the HQLA bond portfolio held for the fiscal year 2023. A portion of this HQLA portfolio is funded from the Bank's capital and retained earnings, which benefitted from the higher interest rate environment. This was offset by higher charges payable to London Branch due to increased support & governance received during the fiscal year. Net fee income & commission income decreased year on year, down 22% due to fewer cross-selling market opportunities during the fiscal year.

# Strategic report (continued)

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

These changes resulted in 6% increase in profits on ordinary activities before taxation.

Total assests increased year on year, up 2% due to the increase in the HQLA bond portfolio.

Total shareholder's equity increased by 1% due to profit offset by 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 generating significant mark to market movement on EUR/CAD FX forward trades.

## Principal risks and uncertainties

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

## Climate-Related Financial Disclosure

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, requires the disclosure of Task Force on Climate-related Financial Disclosures ("TCFD") aligned climate disclosures.

As the Bank is a fully integrated subsidiary whose primary strategic position in the region is to support TDBG, the Bank is captured by and has a dependency on broader TDBG climate initiatives and reporting. Where appropriate, in addition to the TDBG initiatives and oversight, the Bank's Board of Directors and executives provide direction and oversight of the Bank's standalone climate matters.

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 are included in the below TCFD disclosures. This also complies with the requirements of the Large & Medium-Sized Companies and Groups (Accounts & Reports) Regulations 2008.

<u>**Governance**</u>

### a. Board oversight of climate-related risks and opportunities

TDBG's Board of Directors is focused on creating sustainable growth and long-term value for its shareholders. The TDBG Board oversees the implementation of an effective risk culture and internal control framework across the enterprise. TDBG's Board of Directors and executives oversee Environmental and Social "E&S" Risk and assess and manage potential impacts on TDBG's business strategies and financial performance. The TDBG Board continues to oversee E&S risk as one of the top and emerging risks of the TDBG and receives periodic updates on progress on E&S matters. As part of its mandate, the TDBG Board oversees the management of risks and controls related to climate change issues affecting TD Bank and its stakeholders and the delivery of a strategy that manages climate-related risks and opportunities. This includes oversight of TDBG's efforts to help support the transition to a low carbon economy. The Board and its Committees carry out their mandate by providing oversight of TDBG's management of climate-related risks.

In the UK, the Bank's Board oversight has been established, with oversight responsibilities part of the Bank's Board mandate. Climate risk has been allocated a Senior Management Function ("SMF"), the Chief Risk Officer ("CRO"), where the CRO is accountable for local risk management and quarterly Board reporting for all UK risk activities, including climate risk management. Climate risk has been integrated into the risk management approach of the Bank, which includes assessing the impact of climate risk in the ICAAP, ILAAP, and Pillar 3 processes.

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

### b. Management's role in assessing and managing climate-related risks and opportunities

At TD Bank, the Chief Executive Officer ("CEO") is ultimately accountable for the execution of TDBG's climate strategy, including the Climate Action Plan ("CAP"). The Environmental, social and governance ("ESG") Senior Executive Team ("SET") Forum, composed of senior executives from TD Bank's businesses and corporate segments, provides oversight of ESG and climate strategy development. TDBG's various business-specific and enterprise risk committees are required to provide oversight and support management accountability by providing a platform to guide, challenge and advise on existing and emerging E&S Risks.

TDBG's work to integrate climate management capabilities into its lines of business is ongoing and is intended to reinforce ownership and accountability of climate risks and opportunities across the enterprise. Business and Corporate segments are responsible for identifying, owning, and managing E&S risks within their respective areas. This includes incorporating E&S risk assessments into governance and business as usual processes, including but not limited to new clients, transactions, and positions.

The Bank, as an integrated subsidiary is captured within the mandate of the ESG SET Forum and other enterprise risk committees, which have been set up to assess and manage climate-related risks and opportunities either directly or indirectly through interaction with local executives.

**Strategy**

### a. Climate-related risks and opportunities over the short, medium, and long term

In 2020 TDBG announced its Climate Action Plan ("CAP") which includes a target to achieve net zero greenhouse gases ("GHG") emission in its own operations and financing activities by 2050 and defines TDBG's long-term climate ambitions. To deliver on the first phase of the plan, a 3-year strategic roadmap to calculate, manage and disclose financed emissions has been established for TDBG. 2030 Emission Targets for the Energy and Power Generation sectors were disclosed at a TDBG-level in 2022. TD Bank prioritised the Energy and Power Generation sectors for the initial release of its 2030 interim financed emissions targets as it believes these sectors will have the most impact in the decarbonisation of the broader economy and represents 25% of TD Bank's non-retail lending to carbon intensive industries, as defined by the Net Zero Banking Alliance (NZBA). In 2023, TD Bank also announced new targets for the automotive manufacturing and aviation sectors, which also cover corporate lending and capital market activities.

TDBGs CAP serves as the foundation of climate strategy and describes the actions TD Bank is taking to address climate change, including how TDBG is working towards the 2050 target of net-zero GHG emissions associated with operations and financing activities. Since the launch of the CAP, TDBG has made progress toward its existing GHG emissions targets and have set new financed emissions targets for priority sectors. As a global financial institution, TDBG is exposed to a range of environmental and social ("E&S") risks and opportunities and TDBG is working towards integrating climate-related risks into its risk assessment processes, such as incorporating insights from the Climate Risk Heatmap into scenario analysis exercises. Progress has also been made enhancing TDBG's product offerings to capture climate opportunities such as through the new Carbon Advisory business within TDS.

TDBG also recognises that the low carbon transition will present unique challenges for its clients, and it is focused on supporting them to address these challenges on the path to net zero. TDBG is also focused on navigating the uncertainty and complexity inherent in a global economic transition and outlines material challenges it has identified that inform its approach:

- Responding to the pace and scale of climate change

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

- Tailoring its approach to the communities TDBG operates in
- Navigating evolving regulatory requirements and reporting standards

Whilst local risk oversight is provided as specified in the Governance section above, as the Bank's business is to support TDBG, climate-related risk and opportunities are primarily considered at the enterprise level rather than within the Bank. As a constituent part of TDBG's overall Treasury investment portfolio, the Bank contributes to the $15 to $20 billion target for holdings of social, sustainability and pandemic bonds. The Bank's Board monitor holdings of such bonds on a quarterly basis. Due to TDBEL's future business focussing on the Investment Portfolio rather than corporate activities, the Bank has limited direct profitability sensitivity to climate risk.

### b. Impact of climate-related risks and opportunities on the businesses, strategy, and financial planning

#### Business Planning and Operations

TDBG's Climate Target Operating Model ("TOM") outlines how TDBG will design and establish new functions, capabilities, governance and related infrastructure support to deliver TDBG's CAP, summarised as follows:

- Financed emissions measurement and target setting
- Risk strategy and identification
- Business line strategy and front-line delivery
- Enterprise climate data and technology

#### Products and Services

TDBG aims to provide clients with products and services that can help implement their climate transition plans, mitigate climate risks, and capture the benefits of low carbon technologies. The Sustainable Finance Executive Council ("SFEC") mobilises sustainable finance efforts across TDBG to align opportunities with enterprise wide ESG Strategy and CAP.

### c. Resilience of the strategy, taking into consideration different climate-related scenarios

Climate change risks and opportunities will manifest differently over time as will their impacts on TDBG. Climate scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty.

#### TDBG's Climate Scenario Analysis Program

In exercises in 2021 and 2022 on physical risk and transition risk, respectively, TDBG leveraged scenarios that are consistent with those developed by the Network for Greening the Financial System ("NGFS"). The exercise on physical risk included a scenario that exceeds a 2°C global warming threshold, with the objective of this work focused on building internal scenario analysis capabilities, supporting TD Bank's climate risk identification processes, and enhancing firm understanding of the breadth of potential physical climate risks within TDBG's portfolios. This allowed TDBG to better understand the various transmission channels where climate risks can generate financial impacts and shed further insight on drivers for potential losses. Scenario analysis conducted for internal strategy and risk management purposes are still in development.

In the Bank, Climate risk sensitivity analysis is considered for the corporate lending portfolio as part of the ICAAP. The climate scenario analysis utilises adverse credit migration in climate sensitive industries.

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

Management is comfortable that based on the size and nature of the corporate lending portfolio in the Bank, additional capital is not currently required to be held for climate risk. The Bank will continue to engage with TDBG to ensure that local climate risk sensitivity assessment is further enhanced, principally in consideration to the sovereign exposure in the Investment Portfolio. The Bank will continue to ensure that any material climate risks are appropriately capitalised and provisioned for.

**Risk Management**

### a. Processes for identifying and assessing climate-related risks

Operating a global financial institution exposes TDBG's lines of business and operations to a broad range of E&S risks. TDBG's risk management approach considers climate as a transverse risk that could have implications for TDBG and its clients across various risk categories (refer to additional details in section b. below).

TD Bank's processes for identifying, assessing, and managing climate related risks are integrated into its enterprise risk management approach. TDBG's E&S Risk Framework sets foundational guidance for managing E&S risks, including climate risk, and entails:

- Managing carbon related exposures within TDBG's strategy, risk appetite and policies.
- Drawing on industry standards such as Task Force on Climate Related Financial Disclosures ("TCFD") and the Partnership for Carbon Accounting Financials ("PCAF").
- Integrating consideration of E&S risks into business decision making, including new product development.

E&S risk, including climate risk, continues to be among the top and emerging risks for TDBG and is identified, discussed, and acted on by senior leaders and reported quarterly to the TDBG Risk Committee of the Board, and in the UK to the Bank's Board and Board Risk Committee.

TDBG's Climate TOM supports our work to manage climate risks through dedicated workstreams, including an enterprise climate risk strategy and scenario analysis program, described earlier.

In 2022, TDBG approved an enterprise-wide E&S Risk Policy, which requires all business and corporate functions to assess, control, monitor and report on E&S risks, including climate risk, in their business activities and adhere to enterprise-wide requirements.

TDBG's approach to climate risk management comprises four key processes: Risk Identification & Assessment, Measurement, Control and Monitoring & Reporting.

In 2021 TDBG established a climate risk inventory that provides a view of climate risk drivers. The climate risk inventory supports a comprehensive identification of climate risks and provides a view of associated events and impacts. In accordance with TCFD, TD Bank defines physical risk as risks which arise from climate and weather-related events that can result in financial losses or other adverse organisational impacts. TD Bank defines transition risks as risks which arise from the process of adjustment towards a low carbon economy that could prompt the reassessment of the value of a large range of assets.

Also in 2021, TDBG developed a Climate Risk Heatmap ("the heatmap") that provides a visual representation of the sensitivity to climate risk by industry sector or geographic location. The heatmap is considered a foundational risk management identification tool which was developed to provide a better understanding of how climate risks might affect TDBG's clients. The results of the heatmap have helped TDBG prioritise industry sectors and geographic locations for risk assessment and measurement work via scenario analysis. Additionally, the heatmap has helped TDBG inform the build out of other risk management actions particularly within the credit risk management and over time, TDBG expects to integrate it into business strategy decision making as well as industry and concentration limits.

The Bank's corporate clients fall within the scope of the non-retail heatmap, which utilises a sensitivity scale to show the potential impact (high to low) across various transition and physical risks, considering

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

impact to overall industry sector earnings. The sensitivities are determined based on both qualitative and quantitative analysis over a 10-year forward looking horizon to the overall industry sector. The sensitivities are determined based on both qualitative and quantitative analysis over a 10-year forward looking horizon to the overall industry sector. The sensitivities to climate risk drivers are based on inherent risk assessment and do not represent the risks specific to TD Bank's clients. The client level impact will depend on factors such as the location of physical assets, business activities, and management action taken to mitigate (e.g., the ability of a borrower to absorb the cost of transition) the risks. Therefore, the non-retail heatmap should not be interpreted as a risk to specific clients, but rather as industry sectors TDBG is proactively focusing on in the near term, to better understand, assess, measure and manage climate risk exposures.

### b. Processes for managing climate-related risks

As noted above, TD Bank recognises that climate related risk is a transverse risk and can have a wide range of impacts on our business activities and operations and TDBG takes specific actions to manage and mitigate those risks, as follows:

| Risk Category | Climate Related Risk | Actions to identify, assess and manage |
|---|---|---|
| **Credit Risk** | Risk of financial losses as physical or transition climate related risks have negative impacts on the financial health of our customers and clients | - Established an E&S Risk Process for Non-Retail Lending Business Lines for applicable transactions, including enhanced due diligence to identify E&S risks and escalations as appropriate to the relevant Reputational Risk Committees<br>- E&S considerations are incorporated into our Industry Risk Review process and there are sector specific guidelines for environmentally sensitive sectors within non-Retail lending.<br>- Ongoing participation in industry committees and working groups, including the United Nations Environment Programme Finance Initiative (UNEP-FI), Climate Risk Tool Demonstration Working Group to understand the current landscape and develop standardised approaches to quantify and address the impacts of climate change within the Lending portfolio<br>- Build on existing tools and capabilities to continue to incorporate the impacts of climate risk into non-Retail borrower risk assessments<br>- Continue to evaluate lending policies and processes with respect to potential forward-looking climate impacts<br>- Established inaugural Climate Credit Risk Dashboard to provide insights into how climate risk may manifest within the credit portfolio |
| **Strategic Risk** | Risk of not being able to meet changing customer and consumer expectations for ESG products and services | - Initiate the implementation of the Climate Target Operating Model ("TOM"), which outlines steps to execute TD Bank's Climate Action Plan<br>- Through ESG Solutions Group TDS launched Carbon Advisory business |

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

| | | |
|---|---|---|
| **Operational Risk** | Impact of extreme weather events on physical operations | - TDBG's Change Risk Management Framework and assessment process continues to evaluate E&S risks and impacts associated with material changes made toTDBG's products, services, projects, and initiatives<br>- TDBG's enterprise-wide Business Continuity and Crisis Management Program continues to support management's ability to operate TDBG's business and operations in the event of a business disruption incident |
| **Reputational Risk** | Stakeholder perceptions of TD Bank's action or inaction in relation to climate change.<br><br>Increased focus from NGOs to apply sustainable investment and business practices | - Continue to reinforce TD Bank's track record of environmental leadership as a purpose driven bank<br>- Develop sustainable products and services to help finance the transition to the low carbon economy<br>- Understand stakeholder perspectives through regular engagement on climate change topics and promote awareness of TDBG's CAP<br>- Managing emerging climate issues through governance forums, including Reputational Risk Committees |
| **Legal, Regulatory Compliance & Conduct Risk** | Increased potential for climate related litigation and/or legal and regulatory enforcement action.<br><br>Introduction of new, and changes to, laws and regulations, novel application of current laws, and regulations in E&S, and issuance of judicial or regulatory decisions that may result in new or unanticipated legal requirements<br><br>Non-compliance with existing laws and regulations as they apply to climate related matters<br><br>Increase in international policy and standard-setting initiatives concerning climate action and the management and disclosure of climate related risks and opportunities | - TDBG has processes in place to monitor and evaluate the potential impact of applicable legal, regulatory, and policy developments in the jurisdictions where it operates, and to identify laws and regulations applicable to TDBG that may have an impact on ESG<br>- Advocate for more standardised industry, regulatory and legislative guidance related to climate risk management and disclosure through a variety of stakeholder forums |

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

### c. Integration of processes for identifying, assessing, and managing climate-related risks into overall risk management

As a wholly owned subsidiary of TDBG, the Bank operates within a global financial institution that is exposed to climate related risks across its lines of business and operations. As noted above, the processes for identifying, assessing and managing climate related risks are integrated into the enterprise risk management approach and TDBG's E&S Risk Framework sets foundational guidance for managing E&S risks, including climate risk.

For the Bank, financial exposures relating to climate change factors and Weighted Average Carbon Intensity (WACI) of the corporate lending portfolio are routinely calculated and reported internally to local management and Risk committees and the Bank Board. Local lending portfolios are assessed against established Sustainably-linked-loans criteria. The proportion of Green, Social, and Sustainable ("GSS") investments within the local Contingent Liquidity Investment Portfolio in the Bank is monitored and shared with the Bank's management committees and the Board as they contribute to publicly stated GSS global investment goals.

## Metrics and Targets

### a) Metrics used to assess climate-related risks and opportunities

TDBG is focused on measuring and managing its performance using metrics and setting targets to focus decision making and to help measure progress over time. A variety of metrics and targets are used to monitor exposures to climate related risks and assess how the activities of TDBG are helping to capture new business opportunities.

TDBG aims to present the results of its progress in a clear and transparent manner with appropriate context and methodological details.

### b) Scope 1, Scope 2 and, Scope 3 greenhouse gas (GHG) emissions and the related risks

Scope 1 and 2 GHG emissions and related risks

TDBG calculates its operational GHG emissions on an annual basis to understand & monitor its impact and report on progress against its target. TD Bank's UK operations are included in the annual operational GHG emissions quantification & reporting exercise. Results specific to the Bank's operations are detailed below[1]:

| Scope 1 & 2 (location-based) | Units | 2022 | 2021 |
|---|---|---|---|
| Scope 1 | tonnes CO2e | 0.9 | 1.1 |
| Scope 2 | tonnes CO2e | 6.3 | 5.9 |
| Total Scope 1 & 2 | tonnes CO2e | 7.2 | 7.0 |
| GHG emissions intensity (per square foot) | kg CO2e/sq.ft | 4.6 | 4.8 |

| Scope 1 & 2 (market-based) | Units | 2022 | 2021 |
|---|---|---|---|
| Scope 1 | tonnes CO2e | 0.9 | 1.1 |
| Scope 2 | tonnes CO2e | 0 | 0 |
| Total Scope 1 & 2 | tonnes CO2e | 0.9 | 1.1 |
| GHG emissions intensity (per square foot) | kg CO2e/sq.ft | 0.6 | 0.8 |

[1]2022 scope 1 and 2 emissions are disclosed in order to align with available data and existing TDBG scope 1 and 2 emissions disclosures. Where data elements are unavailable estimations based on consumption and emission intensity per sq ft are utilised.

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

Scope 3 Financed Emissions

TDBGs financed emissions reporting consists of two important and complementary components:

- **Financed emissions footprint,** which represents a snapshot of TD Bank's attributed absolute financed emissions in a given year calculated in line with Partnership for Carbon Accounting Financials ("PCAF") requirements.
- **Financed emissions targets,** which represent forward-looking targets that TDBG can aim to achieve by 2030. Targets are intensity based and are set for specific sectors to guide business strategy and client engagement.

The footprint is a holistic representation of the estimated absolute financed emissions and therefore includes all parts of the value chain within the sectors TDBG finances, even where data is unavailable. Where data is available, TD Bank uses the most current data, for the applicable year, in accordance with PCAF guidance. TDBG currently report business loans and investments exposures to corporate clients on a two-year lag due to emissions data availability. As this disclosure occurs in advance of TDBG's fiscal 2023 disclosure a three-year lag is necessary (i,e. Fiscal year 2020 results are disclosed in this report and 2021 results will be disclosed through TDBG fiscal 2023 report). Scope 3 disclosures have been presented on this basis to fully align with past disclosures by TDBG. These reporting dates are necessary to allow for alignment with the data available to calculate scope 3 emissions and existing TDBG scope 3 emissions disclosures, thus creating the three-year lag. Financed emissions are not currently calculated for the debt securities held in the Bank's investment portfolio.

### Results by sector and asset class (committed lending basis for business loans)

| PCAF Asset Classes | Sector | Year | Scope 1 & 2 Financed Emissions (tonnes C02e) | Scope 1 & 2 Data Quality Score 1-5 | Scope 3 Financed Emissions (tonnes C02e) | Scope 3 Data Quality Score 1-5 |
|---|---|---|---|---|---|---|
| Business Loans and investments combined | Energy | 2020 | 56,149 | 3.3 | 615,874 | 3.3 |
| | Power & Utilities | 2020 | 8,857 | 2.0 | | |
| | Aviation | 2020 | 4,842 | 2.0 | | |
| | Industrials | 2020 | 3,982 | 5.0 | 50,100 | 5.0 |

### c) Targets used by the organization to manage climate-related risks and opportunities and performance against targets.

In 2021, TD Bank announced an interim target to achieve an absolute reduction in our Scope 1 and Scope 2 GHG emissions by 25% by 2025, relative to 2019 baseline. The interim target was set using a science-based approach and is in line with the 1.5 degrees trajectory recommended by the Paris Agreement. TD Bank used the SBTi absolute contraction approach, which allows for equal annual decreases in absolute GHG emissions by 2050.

As of the end of 2022 TDBG has reduced its location-based Scope 1 and 2 emissions by 24.6% compared to the 2019 base year. TDBG continues to remain focused on reducing its operational emissions in line

# Strategic report (continued)

## Climate-Related Financial Disclosure (continued)

with its target by implementing resource efficiency measures and portfolio adjustments across its operations.

TDBG sets its financed emissions (Scope 3) interim targets in accordance with NZBA guidance. TDBG's interim target setting aims to provide stakeholders with additional transparency on significant sectors in its portfolio and takes the following approach:

- focuses on the most relevant parts of a sector's value chain
- are intensity-based, not absolute
- include capital markets facilitated activities
- use 2019 as a baseline year

As part of the 2021 Climate Action Report, TDBG published its first set of 2030 interim targets for non-retail lending and capital markets facilitations to clients in the Energy and Power Generation sectors. TDBG also published the absolute financed emissions footprint associated with these portfolios and in 2022, interim Scope 3 financed emissions targets were announced for these sectors, followed by the expansion of interim Scope 3 targets for the automotive manufacturing and aviation sectors. Any of the Bank's clients operating in the sectors for which targets have been set are within scope of the TDBG target setting activities.

**Summary of Our Targets**

| | Energy | Power Generation | Automotive Manufacturing | Aviation |
|---|---|---|---|---|
| Target metric | Financed Emissions Lending Intensity | Physical Emissions Intensity | Physical Emissions Intensity | Physical Emissions Intensity |
| Baseline year | 2019 | 2019 | 2019 | 2019 |
| Measurement | $gCO_2e/\$$ | $kgCO_2e/MWh$ | $gCO_2e/vkm$ | $gCO_2e/pkm$ |
| Emission baseline | 2,078 | 376 | 194 | 87 |
| Target reduction by 2030 | -29% | -59% | -50% | -8% |
| 2030 emissions target | 1,475 | 156 | 97 | 80 |
| Reference scenario | IEA Net Zero (2021) | IEA Net Zero (2021) | IEA Net Zero (2022) | IEA Net Zero (2022) |

In 2022 TDBG set a target to hold $15 to $20 billion in green, social, sustainability and pandemic bonds in its Treasury investment portfolio by the end of 2025. Whilst no targets for such bonds are defined at the entity level, bonds held in the Bank's investment portfolio contribute to this target.

## Future developments

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

The Bank will only undertake corporate banking activities where there are strategic benefits for TD Bank. Cross sell-arrangements with TD Bank would cease as the maintenance of client relationships, identifying market opportunities and providing cross-selling services would be performed elsewhere in TDBG. Corporate bankers currently employed by the Bank have had their contracts of employment amended to become employees of London Branch effective from 1 November 2023.

The Bank has decided to cease the sale and research of Canadian equities, as part of the IEQ business within the next fiscal year. Such activities to be performed elsewhere in the TDBG, where the prerequisite regulatory permissions exist and benefit from synergies with other entities.

# Strategic report (continued)

**Section 172(1) Statement**

**INTRODUCTION**

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:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers, and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

TD Bank publishes a suite of ESG-related reports, the latest including the 2022 Environmental, Social and Governance Report, the 2022 TD's Climate Action Plan: Report on Progress and Update on TCFD, and the 2022 TD Ready Commitment Report. Also relevant are the 2020 TDBG Statement on Human Rights, the 2023 TD Statement Against Modern Slavery and Human Trafficking and TD's Code of Conduct and Ethics.

TD Bank is committed to supporting and respecting the protection of human rights. TD understands the important role that it plays in respecting the human rights of our employees, customers, and the communities in which we operate, and aims to avoid contributing to adverse human rights impacts through its business activities, including our supply chain.

On behalf of the Bank, TD Bank publishes an annual statement on our efforts to combat modern slavery in compliance with the UK Modern Slavery Act (2015).

TD's **Code of Conduct and Ethics** (the "Code") establishes the standards that govern the way the Bank 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 Bank and the Bank. As a responsible business enterprise and corporate citizen, TD Bank is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism. Every employee of the Bank and member of the Bank's 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.

Annually, the Bank's employees need to undertake Code of Conduct training and attest to adherence to the Code.

Management continues to roll out updates to its Conduct Risk programme. The Bank has adopted the TDS conduct risk register which is refreshed annually and approved by the Bank's Board. Conduct and Culture reporting is in place and is reviewed and updated regularly.
There have been a number of actions taken during 2023 to enhance the Conduct Risk Program including, but not limited to, the following:

- The TDS Culture and Conduct Risk team (C&C team) continues to engage with key stakeholders across the group to develop a Conduct Risk Database which will serve as a supervision and conduct risk repository and monitoring and reporting tool.
- The C&C team is working to deliver further enhancements to the existing escalation model in place for Conduct Risk.

# Strategic report (continued)

- The C&C team continues to work to enhance the annual Culture Dashboard, with ongoing monitoring via key programs throughout the year.

Internal Audit performed an audit of the TDS Europe and Asia-Pacific Conduct Risk Program during 2023. The overall rating was Satisfactory.

TD Bank's approach to **Environmental, Social and Governance** (ESG) risk is outlined in our 2022 ESG Report. The TDS Solutions Group focusses on providing ESG advise and delivering client-focused solutions to help advance our clients' own ESG strategies and provide access to sustainable financing. The ESG Solutions Group offers advisory services such as advice on best practices/market standards for ESG integration and reporting and market access through ESG due diligence in mergers and acquisitions and private equity transactions. Through the ESG Solutions Group, TDS launched its carbon advisory business, offering clients end-to-end carbon market solutions to support the transition to a low carbon economy.

Climate related impact to the Bank's stakeholders is considered in the Climate-Related Financial Disclosures section of the strategic report on pages 6 to 14.

In the UK, the Bank's Board oversight has been established, with oversight responsibilities delegated to the Bank's Board Risk Committee, as of March 2021. The local SMF is accountable for local management, Board and governance committee reporting for UK activities.

In 2018 TD Bank established the **European Inclusion and Diversity Committee** (EIDC). The committee engages colleague volunteers to design and execute on initiatives in support of TD's inclusion and diversity, colleague experience, corporate citizenship and sustainability performance. The EIDC's annual strategy is overseen by a Steering Committee represented by senior leaders in the region, and all activity is program managed by Europe's dedicated inclusion and diversity professional. The EIDC engages with, and reports into, global TD counterparts within these areas of focus.

Beyond financial and operational support for individual and small-group fundraisers and volunteering, the TDS London office also runs an annual fundraising event that engages colleagues to nominate a charity to support. The event is funded by the business and offers the opportunity for colleagues at all levels to make individual contributions. The 2023 London event raised a record-breaking amount of funds for the Alzheimer's Society.

The EIDC model continues to adapt in response to enterprise-wide developments, as well as changing cultural, individual and environmental priorities. EIDC will continue to produce an annual strategy that maps out its joint mission towards enhanced inclusion and diversity, colleague experience and corporate social responsibility in Europe.

A core component of the EIDC is to engage all colleagues on issues related to diversity and inclusion, social impact, well-being and sustainability. This is activated through awareness and engagement activities. As well as working closely with HR on talent attraction strategies, the EIDC also amplifies our business ethos in the industry and beyond through client engagements, industry peer interactions and external communication.

Multiple stakeholders contribute to business objectives towards ESG in Europe:

- Sustainable Finance and ESG solutions services across Global Markets and Investment Banking.
- Operational Business Functions: Governance, Technology, Corporate Real Estate, Human Resources, Risk, Marketing & Events.
- Dedicated control functions: Human Resources, Risk and the I&D Function (which in Europe engages on Inclusion & Diversity, Colleague Experience, Corporate Social Responsibility and Sustainability).

# Strategic report (continued)

- Colleague-driven action through our European Inclusion and Diversity Committee (EIDC) and Business Line Team Engagement.
- Executive Leadership and Board-level Governance.

The Bank's Board receives annual EIDC updates. In September 2023 the Bank's Board received an update on the following environmental and social action taken in Europe:

**Environmental Action taken in Europe:**
Technology

- Reducing hardware usage and transitioning to a low-energy-consumption supplier.
- Extended N2S engagement beyond TD Bank equipment, enabling colleagues to recycle personal technology.
- Actively seeking to understand our carbon footprint to fulfil incoming Scope 3 emissions reporting.

Marketing and Events

- Reducing print materials, leveraging smart technology and engaging local suppliers for stand-building services.
- Working with event venues and suppliers with 'green certification' or who prioritise sustainable practices.
- Selecting low-carbon or recycled client gifts, ordered on an 'as-needed' basis.

Corporate Real Estate

- Participation in Earth Hour in 2023 – turning off all non-essential electrical equipment across the office.
- Reduction in disposable and single use items and improving recycling signage and facilities.
- Actively participating in tenant meetings to steer the building on sustainable initiatives.

HR and Executive Leadership

- 'Cycle to Work' scheme engagement as a benefit for colleagues.
- Encouraging virtual meetings where suitable, to reduce carbon emissions from travel.
- Engaging business lines to evolve strategies and seek opportunities to reduce waste and emissions.

EIDC

- A dedicated grass-roots resource group to steer colleagues towards sustainable practices,
- Focus on educating colleagues on TD's broader ESG profile, in relation to their own business activities,
- Volunteer exercises initiated, including the 2023 Tower Hamlets Cemetery Gardens clear-up.

**Social Action taken in Europe:**
Support & Control Teams

- The Technology team actively collaborates with Stemettes to boost the young, female talent pipeline.
- The Operations team is working with HR and the EIDC to create an internship with a refugee charity.
- The Marketing team is working with the business to ensure web content meets accessibility standards.

Human Resources Action

- Developing an internship and graduate program in partnership with Generation Success.
- Expert consultation from Stonewall on policy and process change for a safe, inclusive environment.
- Guiding the business on more inclusive hiring and talent opportunities, including internal mobility.

# Strategic report (continued)

Client-Facing Teams

- Working towards bringing diverse teams to represent TD Bank at client meetings for breadth of insight.
- Actively engaging on representation initiatives at the hiring stage (emerging and experienced hires).
- Senior Leaders act as ambassadors, with impactful personal contributions to fundraising initiatives.

Corporate Real Estate

- Evolving our space – adapting to create gender-neutral bathroom facilities.
- Supporting employee well-being with healthy food and drink options in the vending machines.
- Enabling the provision of sanitary items in bathrooms.

EIDC

- Each Business Resource Group has a charity allocation to support related community impact projects.
- EIDC Charity BRG executes on annual fundraisers events, direct donations and emergency campaigns.
- Support for individual charity action: 2 annual volunteer days, volunteer grants and match-funding.

Diversity and Inclusion are embedded in TD's business strategy and framework and are core to TD's culture. TD Bank is committed to fostering Diversity and Inclusion throughout the organisation, including our corporate culture, products, service offerings, talent recruitment and development practices sourcing and procurement practices and other efforts. In 2022, TD Bank significantly advanced this work, investing in training, education, and programs that elevated diverse perspectives.

The Bank 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, setting out the approach to diversity on the Board of Directors of the Bank. In 2022, the Bank's Board agreed to increase the target for the representation of women on the Board to 40% (target met for fiscal year 2023) and agreed the additional measurable targets for Board composition:

- At least one of the senior board positions (e.g., Chair, Chief Executive Officer (CEO) or Chief Financial Officer (CFO)) shall be a woman (target met for fiscal year 2023).
- At least one member of the board shall represent an aspect of diversity as set out in the Diversity Policy, which includes age, disability, education, ethnicity, experience, geographical provenance, professional background and social background (excluding gender, for which there is a separate measurable objective as stated above) (target met for fiscal year 2023).

## 1. KEY STAKEHOLDERS

The Bank'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 TDBG, the Bank 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 the Bank 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).

# Strategic report (continued)

**Regulators**

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

The Bank's 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 the Bank's directors is in place to achieve this.

**Shareholder**

There is an open channel of communication between Board directors and representatives of the shareholder. TDBG is a key stakeholder of the Bank in relation to the Investment Portfolio and there is frequent interaction to discuss market dynamics and provide evidence about the speed with which the portfolio could be liquidated if required.

**Workforce**

Employee engagement is measured on an annual basis through a 'Pulse' survey. The 2023 survey demonstrated overall strong Employee Experience, although some scores declined vs 2022. The People Management Index remained very high with improvement seen in the activities relating to performance and career discussions.

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' 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 2023 a regional learning and development roadmap was developed to focus on the needs of the region in addition to global offerings. These were provided to colleagues and People Managers (Diagnosing Performance & Feedback, Compensation fundamentals, Recruiting in a competitive environment, Workday Essentials, Managing your Career and Coaching) in addition to having open access for all employees to the TD Thrive learning platform.

There was continued focus on employee well-being throughout 2023, by promotion of enterprise offerings and tools 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, ESG plans / strategies.

The Institutional Equities desk (sales & trading) frequently interacts with its client base providing market and company specific information, trade flow and responding to inbound requests for information or trades. The 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 the Bank can access reports published by TD's Equity Research Analysts on various platforms. The desk also seeks to hold regular relationship management meetings to stay updated on our clients' investment strategies and preferences, gather feedback, and provide information on TD's products and services.

# Strategic report (continued)

## 2. PRINCIPAL DECISIONS

Principal decisions taken by the Bank's Board are those decisions 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 FY2023 were the:

A. Transfer of the Corporate Investment Banking Booking Point from the Bank to London Branch – March 2023
B. Transfer of the Institutional Equities Booking Point Transition from the Bank to Cowen Execution Services Limited (CESL) – Board approval September 2023

### A. Transfer of the Corporate Investment Banking Booking Point from the Bank to London Branch

In March 2023, the Bank's Board approved the change in booking point for future Corporate and Investment Banking activity from the Bank to London Branch.

Customer/Client considerations:

- Management believe there would be no downside to clients as the relationships would be transferred from the Bank to TD Bank and there would be no resultant change to service levels, relationship management etc. as TD Bank maintains the same standards, operating models and expectations as the Bank.

Shareholder considerations:

- There would be no financial downside to the shareholder. The profits would instead be recognised directly within TD Bank rather than accrued in the Bank.

Workforce considerations:

- Management believe there would be no downside to employees as the relationships would be transferred from the Bank to TD Bank and there would be no resultant change to business conduct, employee rights etc. as TD Bank maintained the same standards, operating models and expectations as the Bank.

Regulator considerations:

- TD Legal, Compliance and external legal counsel undertook analysis on the UK regulatory implications (under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and the Capital Requirements Regulation 2013 (as onshored in the UK)) of the new booking model.
- It is expected that this decision would not impact the regulatory permissions or status of the Bank or its banking license granted by the PRA.

### B. Transfer of the Institutional Equities Booking Point Transition from the Bank to CESL – September 2023

In September 2023, the Bank's Board approved the change in booking point for future the Bank's Institutional Equities ("IEQ") activity (including future transactions with current clients of the Bank), to CESL, an FCA regulated Investment Firm.
This change was designed to drive operational and financial efficiencies benefiting the shareholder.

Customer/Client considerations:

- The Bank's IEQ business focused primarily on Canadian stocks which had a limited appeal to the client base in the region. By migrating to CESL, clients would be able to avail of a much broader set of products and services.
- Client repapering would be commenced ahead of transition date to provide the clients time to perform any Due Diligence and/or set up.
- Management believes there would be no downside to clients as the relationships would be transferred from one fully owned TDBG subsidiary to another and there would be no adverse

# Strategic report (continued)

change to service levels, relationship management or business conduct, as CESL would maintain the same standards, operating models and expectations as the Bank.

Shareholder considerations:

- Consolidation of the IEQ business in CESL would lead to a streamlined, more efficient structure for the TDBG as a whole and there would be no adverse tax consequences to this proposal.
- There would be no decline in revenues for the TDBG as a whole.

Workforce considerations:

- Management believes there would be no downside to the one employee directly impacted by this change as the relationship would be transferred from one fully owned TDBG subsidiary to another. There would be no resultant change to business conduct, employee rights etc. as CESL would maintain the same standards, operating models and expectations as the Bank.

Regulator considerations:

- There is no regulatory requirement for the IEQ business to be booked in a credit institution regulated by the PRA and FCA.
- CESL is regulated by the FCA.

On behalf of the board

J Banks
Director
2 February 2024

# 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 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs, FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

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

# Independent auditor's report

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

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 2023 which comprise the Statement of comprehensive Income, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 26 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 2023 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 capital position under specifically designed stress scenarios;
- 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 the going concern was appropriate. We compared the budgeted financial information for the period ended 31 October 2023 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.

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.

# Independent auditor's report

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

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 matter | • Accounting and valuation of the investment portfolio |
| Materiality | • Overall materiality of CAD 11.6m which represents 1% of total shareholders' equity excluding cash flow hedging reserve. |

**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, the potential impact of climate change 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.

**Changes from the prior year**

There were no scope changes from prior year.

**Climate change**

Stakeholders are increasingly interested in how climate change will impact TD Bank Europe Limited. The company has determined that the most significant future impacts from climate change on its operations will be from the company's role to support TD Group and enterprise level climate initiatives. These are explained on pages 6-14 in the required Climate-Related Financial Disclosures. They have also explained their climate commitments on pages 7 to 8. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.

The company has explained in the Accounting Policies note how they have reflected the impact of climate change in their financial statements. There has been no material impact identified on the financial reporting judgements and estimates. In particular the Directors considered the impact of climate change in respect of the going concern and viability of the company over the next three years. Whilst there is currently no medium-term impact expected from climate change, the Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Bank's financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments and the effects of material climate risks disclosed on pages 10-11. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Accounting and valuation of the investment portfolio**<br><br>Inappropriate accounting and valuation of investment portfolio could lead to material impact on associated balance sheet positions and company's performance.<br><br>The portfolio comprises Debt securities of CAD 21,193m (2022: CAD 19,222m) and foreign exchange derivatives of CAD 136m (2022: CAD 1,699m) that are used as hedging instruments.<br><br>Refer to the Strategic Report (page 5); Accounting policies (page 35); Note 14 of the Financial Statements (page 53) and Note 15 of the Financial statements (page 53)<br><br>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. | We performed walkthroughs and tested the controls related to the recognition and presentation of the investment portfolio in the books and records as well as the hedging criteria checks.<br><br>We verified the existence of debt securities using independent confirmations and reperformed the calculation of accrued interest.<br><br>We performed substantive testing over hedge effectiveness, tested the valuation of hedged items and independently revalued hedge derivatives.<br><br>We performed recalculations of interest income and expenses in relation to the portfolio, and verified interest received to bank statements.<br><br>We assessed the ECL estimate recorded on the positions held at amortised cost.<br><br>We performed cut-off procedures on debt securities purchased close to year end. | 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 2023. |

In the prior year, our auditor's report included a key audit matter in relation to Allowance for Credit Losses. In the current year, we have re-assessed Allowance for Credit Losses to no longer meet significant or fraud risk definition due to further simplification of the company's business and reduction in the corporate loan book.

**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.

# Independent auditor's report

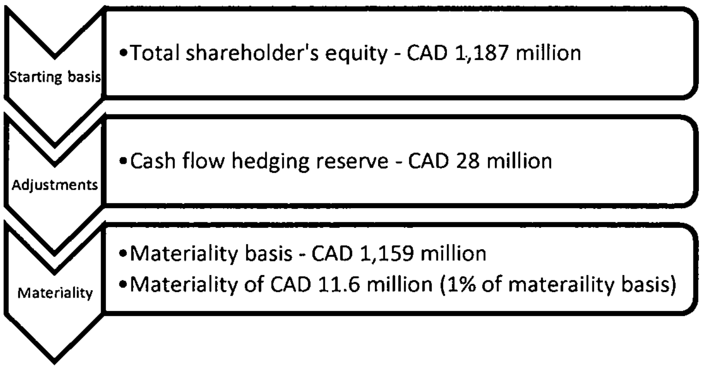
**to the members of TD Bank Europe Limited (continued)**

**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 11.6 million (2022: CAD 11.3 million), which is 1% (2022: 1%) of total shareholder's equity excluding cash flow hedging reserve. We believe that total shareholder's equity excluding cash flow hedging reserve provides us with 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.

Total equity comprises cash flow hedging reserve which might create volatility in the materiality measurement basis hence we decided to remove it from the determination of materiality in 2023.




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 75% (2022: 75%) of our planning materiality, namely CAD 8.7m (2022: CAD 8.4m). We have set performance materiality at this percentage due to our understanding of the control environment and our expectation of errors.

**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 580k (2022: CAD 561k), 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.

# Independent auditor's report

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

**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 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 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 22, 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.

***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 those that relate to the regulations and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA'), the Financial Services and Markets Act 2000 (FSMA), Financial Services Act 2012, United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework", Companies Act 2006 and the relevant tax compliance regulation in the United Kingdom.
- 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.
- The company is 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 Group. The company is authorised by the PRA and regulated by the FCA and the PRA.

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 19 years, covering the years ending 31 October 2005 to 31 October 2023.

- 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.

**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.

Ernst & Young L.L.P.

Jean-Philippe Faillat (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 7 February 2024

# Statement of comprehensive income

**for the year ended 31 October 2023**

| | Note | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|---|
| Interest income using the effective interest rate method | | 370,139 | 194,043 |
| Interest expense using the effective interest rate method | | (300,155) | (138,703) |
| ***Net interest income*** | 4 | 69,984 | 55,340 |
| Fee & Commission income | | 23,812 | 30,577 |
| ***Net fee & Commission income*** | 5 | 23,812 | 30,577 |
| Foreign exchange (loss)/gain | | (303) | 2,191 |
| Income/(Loss) on financial assets at fair value | 6 | 205 | (889) |
| Other operating income | | 11 | 11 |
| Personnel expenses | 7 | (10,029) | (7,063) |
| Other expenses | 9 | (13,966) | (8,584) |
| | | 69,714 | 71,583 |
| Credit loss recovery | | 745 | 706 |
| ***Profit on ordinary activities before taxation*** | | 70,459 | 72,289 |
| Tax on profit on ordinary activities | 10 | (14,422) | (19,554) |
| ***Profit for the financial year*** | | 56,037 | 52,735 |
| ***Other Comprehensive income (OCI)*** | | | |
| **Items that will be recycled to statement of profit or loss** | | | |
| (Losses)/Gains on derivatives designated as cash flow hedges | | (43,248) | 255,267 |
| ***Items that will not be recycled to statement of profit or loss*** | | | |
| Financial assets at fair value through OCI – realised gain /(loss) | | 40 | (24) |
| ***Total comprehensive income/(loss) for the year*** | | 12,829 | 307,978 |

The accompanying notes on pages 35 to 74 form an integral part of the financial statements.

# Statement of changes in equity

**for the year ended 31 October 2023**

| | *Called up share capital CAD'000* | *Retained earnings CAD'000* | *FVOCI Reserve CAD'000* | *Cash Flow Hedging reserve CAD'000* | *Total shareholder's equity CAD'000* |
|---|---|---|---|---|---|
| Balance as at 1 November 2022 | 629,878 | 472,619 | 508 | 71,674 | 1,174,679 |
| Profit for the financial year | - | 56,037 | - | - | 56,037 |
| Losses on derivatives designated as cash flow hedges | - | - | - | (43,248) | (43,248) |
| Financial assets at fair value through OCI - realised loss | - | - | 40 | - | 40 |
| At 31 October 2023 | 629,878 | 528,656 | 548 | 28,426 | 1,187,508 |

| | *Called up share capital CAD'000* | *Retained earnings CAD'000* | *FVOCI Reserve CAD'000* | *Cash Flow Hedging reserve CAD'000* | *Total shareholder's equity CAD'000* |
|---|---|---|---|---|---|
| Balance as at 1 November 2021 | 629,878 | 419,884 | 532 | (183,593) | 866,701 |
| Profit for the financial year | - | 52,735 | - | - | 52,735 |
| Gains on derivatives designated as cash flow hedges | - | - | - | 255,267 | 255,267 |
| Financial assets at fair value through OCI - realised gain | - | - | (24) | - | (24) |
| At 31 October 2022 | 629,878 | 472,619 | 508 | 71,674 | 1,174,679 |

The accompanying notes on pages 35 to 74 form an integral part of the financial statements.

# Balance sheet

**at 31 October 2023**

| | Note | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|---|
| ***Assets*** | | | |
| Cash and balances at central banks | 11 | 135,911 | 84,054 |
| Debt securities at amortised cost, net of allowance for credit losses | 14 | 21,193,385 | 19,221,927 |
| Loans and advances to banks | 12 | 319,740 | 285,427 |
| Loans and advances to customers | 13 | 22,977 | 70,648 |
| Derivative financial instruments | 15 | 137,226 | 1,698,556 |
| Tangible fixed assets | 16 | 55 | 113 |
| Current tax assets | | 883 | - |
| Other assets | 17 | 2,733 | 1,484 |
| Prepayments and accrued income | | 89,659 | 48,916 |
| ***Total assets*** | | 21,902,569 | 21,411,125 |
| ***Liabilities*** | | | |
| Deposits from banks | 18 | 340,060 | 186,223 |
| Other deposits | 19 | 20,161,902 | 19,925,444 |
| Derivative financial instruments | 15 | 1,272 | - |
| Current tax liabilities | | - | 5,905 |
| Deferred tax liability | 10 | 9,704 | 23,971 |
| Other liabilities | 20 | 202,123 | 94,903 |
| ***Total liabilities*** | | 20,715,061 | 20,236,446 |
| ***Shareholder's equity*** | | | |
| Called up share capital | 21 | 629,878 | 629,878 |
| Retained earnings | | 528,656 | 472,619 |
| Financial assets at fair value through OCI - net gain | | 548 | 508 |
| Gross gain/(loss) on derivatives designated as cash flow hedges | | 28,426 | 71,674 |
| ***Total shareholder's equity*** | | 1,187,508 | 1,174,679 |
| ***Total liabilities and shareholder's equity*** | | 21,902,569 | 21,411,125 |
| ***Memorandum items*** | | | |
| ***Commitments*** | 22 | 327,234 | 870,153 |

The accompanying notes on pages 35 to 74 form an integral part of the financial statements.

# Balance sheet
**at 31 October 2023**

The financial statements were approved by the Board of directors on 29 January 2024 and signed on their behalf by:

J Banks
Director

# Notes to the financial statements

**at 31 October 2023**

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

The Bank is a wholly-owned subsidiary of 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 29 January 2024.

## 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.

The Bank applies hedge accounting Under IAS 39 Financial instruments measurement and recognition, to non-trading derivatives 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.

### 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.

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.

### Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change. There has been no material impact identified on the financial reporting judgements and estimates. In particular the Directors considered the impact of climate change in respect of the going concern and viability of the Bank over the next three years.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Consideration of climate change (continued)

Whilst there is currently no medium-term impact expected from climate change, the Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Bank's 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.

Interest from interest-bearing assets and liabilities with TDBG 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.

**Interest Rate Benchmark Reform**

Effective November 1, 2020, the Bank early adopted the Interest Rate Benchmark Reform Phase 2 and no transitional 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 interbank offered rate (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 effective interest rate (EIR) prospectively. If the modification does not meet the practical expedient requirements, existing IFRS requirements are applied.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Revenue recognition (continued)

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 alternate reference rate (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.

As a result of the effects of IBOR reform, on September 26, 2019, the International Accounting Standards Board ("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.

The Bank continues to monitor developments and incorporate global working groups' and regulators' best practice guidance where applicable.

### 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

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Debt Instruments (continued)

on any loan retained by the Bank is less than that of other comparable lenders involved in the financing syndicate. In such cases, an appropriate portion of the fee is recognized as a yield adjustment in interest income over the term of the loan.

*Financial Assets Held-for-Trading*

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

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

### Equity Instruments

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

### Classification and Measurement for Financial Liabilities

The Bank classifies its financial liabilities into the following categories:

- Held-for-trading;
- Other liabilities.

### Financial Liabilities Held-for-Trading

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

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

### Other Financial Liabilities

*Deposits*

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

### Reclassification of Financial Assets and Liabilities

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

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### 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 2006-2021, 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.

*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.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

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

*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.

### 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.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### 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 inaccordance 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 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.

(b) 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 undertakes derivative transactions to hedge the currency exposure resulting from investments and funding occurring in different currencies.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Derivative financial instruments (continued)

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 the inception of each hedging instrument. 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 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).

(c) 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.

### Reverse Repurchase Agreements and Repurchase Agreements

The Bank's financial statements Reverse repurchase agreements involve the purchase of securities by the Company under agreements to resell the securities at a future date. These agreements are treated as collateralised lending transactions whereby the Company takes possession of the purchased securities but collateralised lending transactions whereby the Company takes possession of the purchased securities but does not acquire the risks and rewards of ownership. collateralised lending transactions whereby the

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Reverse Repurchase Agreements and Repurchase Agreements (continued)

Company takes possession of the purchased securities but does not acquire the risks and rewards of ownership.

The Company monitors the market value of the purchased securities relative to the amounts due under the reverse repurchase agreements, and when necessary, requires transfer of additional collateral. In the event of counterparty default, the agreements provide the Company with the right to liquidate the collateral held and offset the proceeds against the amount owing from the counterparty.

Obligations related to repurchase agreements involve the sale of securities by the Company to counterparties under agreements to repurchase the securities at a future date. These agreements do not result in the risks and rewards of ownership being relinquished and are treated as collateralised borrowing transactions. The Company monitors the market value of the securities sold relative to the amounts due under the repurchase agreements, and when necessary, transfers additional collateral and may require counterparties to return collateral pledged.

Reverse repurchase agreements and repurchase agreements are initially recorded on the Balance Ssheet at the respective prices at which the securities were originally acquired or sold, plus accrued interest. Subsequently, the agreements are measured at amortised cost on the Balance sSheet, plus accrued interest. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is determined using EIR method and is included in Net interest income on the Statement of comprehensive income.

Where securities are pledged or received as collateral, security borrowing fees and security lending income are recorded in Other operating income on the Statement of comprehensive income over the term of the transaction. Where cash is pledged or received as collateral, interest received or incurred is included in Net interest income 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

## 2. Accounting policies (continued)

### Derecognition of financial instruments (continued)

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.

*Financial Assets*

# Notes to the financial statements

**at 31 October 2023**

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

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

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

### Tangible fixed assets

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

| | |
|---|---|
| Computer hardware | 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 over the service period required for employees to become fully entitled to the awards based on the fair value of the share units at the grant date. 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.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Income taxes

Income tax is comprised of current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related taxes are also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

### Pension costs

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

### 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.

# Notes to the financial statements

**at 31 October 2023**

## 2. Accounting policies (continued)

### Business Model Assessment (continued)

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

### Solely Payments of Principal and Interest Test

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

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

### Impairment of Financial Assets

**Significant Increase in Credit Risk**

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

**Measurement of Expected Credit Loss**

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

**Forward-Looking Information**

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

# Notes to the financial statements

**at 31 October 2023**

## 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 2023**

## 3. Current Changes in Accounting Policies

The following amendments to an accounting standard have been adopted by the Bank for the fiscal year ended October 31, 2023.

**Amendments to IAS 12 – Income Taxes**

On May 23, 2023, the IASB issued International Tax Reform – Pillar Two Model Rules, which amends IAS 12, *Income Taxes*. The amendments provide a temporary mandatory exception from the requirements to recognize and disclose information about deferred taxes related to the implementation of Pillar Two model rules. Legislation in respect of Pillar Two income taxes was substantively enacted in the UK on 20 June 2023 to apply for periods commencing 1 January 2024. The Bank is in the process of undertaking an impact assessment. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Effective for reporting periods beginning on or after November 1, 2023, additional disclosure of current tax expense (recovery) and other information related to Pillar Two income tax exposures are required.

## 4. Net interest income

| | *2023* *CAD'000* | *2022* *CAD'000* |
|---|---|---|
| Net interest income comprises: | | |
| Interest income on debt securities | 359,694 | 189,558 |
| Interest income on cash at central bank | 5,356 | 2,168 |
| Interest income on loans-ultimate parent undertaking | 3,825 | 805 |
| Interest income on loans and advances to customers | 1,264 | 1,512 |
| | 370,139 | 194,043 |

| | *2022* *CAD'000* | *2022* *CAD'000* |
|---|---|---|
| Interest expense on deposits by banks - ultimate parent undertaking | (3,886) | (491) |
| Interest expense on borrowings - group undertaking | (296,269) | (138,212) |
| | (300,155) | (138,703) |
| Net interest income | 69,984 | 55,340 |

## 5. Net fee & commission income

| | *2023* *CAD'000* | *2022* *CAD'000* |
|---|---|---|
| Fee income comprises: | | |
| Commitment fees on loans and advances to customers | 913 | 1,431 |
| Other fees on loans and advances to customers | 2,369 | 1,524 |
| Investment banking fees receivable from ultimate parent undertaking | 14,063 | 22,342 |
| Investment banking fees receivable from group undertaking | 5,028 | 3,898 |
| Equities commissions and research fees | 1,439 | 1,382 |
| | 23,812 | 30,577 |

# Notes to the financial statements

**at 31 October 2023**

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

| | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|
| (Loss) realised on foreign exchange derivatives | (1,274) | (1,863) |
| Gain un-realised on foreign exchange derivatives | 1,479 | 974 |
| | 205 | (889) |

## 7. Personnel expenses

| | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|
| Wages and salaries | 8,392 | 5,878 |
| Social security costs | 1,027 | 730 |
| Other pension costs | 306 | 224 |
| Cash settled share-based payments | 304 | 231 |
| | 10,029 | 7,063 |

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

| | 2023 No. | 2022 No. |
|---|---|---|
| Front office | 9 | 6 |
| Support staff | 10 | 10 |
| | 19 | 16 |

| | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|
| Non-executive director emoluments | 531 | 489 |

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 (2022: CAD Nil).

No pension contributions under either a defined contribution or defined benefit scheme were accrued for any director in 2023 (2022: CAD Nil) in respect of their role with the Bank.

During the year, no director was advanced a loan (2022: CAD Nil) in respect of their role with the Bank.

# Notes to the financial statements

**at 31 October 2023**

## 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 2023, the Bank recognised compensation expense for these plans of CAD303,537 (2022: CAD231,034) and the associated asset amount is CAD134,199 (2022: liability CAD428,522).

| | *2023* | *2022* |
|---|---|---|
| | *No. of units* | *No. of units* |
| Outstanding at 1 November | 15,063 | 23,081 |
| Granted during the year | 4,539 | 3,514 |
| Released during the year | (5,402) | (11,532) |
| Outstanding at 31 October | 14,200 | 15,063 |

TD Bank share price at 31 October 2023 was CAD77.46 (2022: CAD87.19).

## 9. Other expenses

| | *2023* | *2022* |
|---|---|---|
| | *CAD'000* | *CAD'000* |
| Other charges payable to ultimate parent undertaking | 7,461 | 4,220 |
| Other charges payable to other group undertaking | 394 | 215 |
| Other administrative expenses | 5,755 | 3,821 |
| Auditor's remuneration - audit services | 328 | 301 |
| Auditor's remuneration - CASS audit | 28 | 27 |
| | 13,966 | 8,584 |

# Notes to the financial statements

**at 31 October 2023**

## 10. Taxation

| | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|
| **Current income tax:** | | |
| UK corporation tax | 18,070 | 19,512 |
| Amounts overprovided in previous years | (3,569) | (153) |
| Foreign exchange loss | (218) | 145 |
| Total current income tax | 14,283 | 19,504 |
| | | |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | 119 | (15) |
| Prior Year Adjustment | (13) | 3 |
| Foreign Exchange loss | 38 | 52 |
| Impact of change in tax laws and rates | (5) | 10 |
| Total deferred tax | 139 | 50 |
| **Total tax charge** | 14,422 | 19,554 |

**Reconciliation of the total tax charged:**

The standard corporation tax rate in the UK during the period is 25% (2022: 27%). The total tax charge reported in the statement of comprehensive income is higher than the company's standard rate of corporation tax applying in the period.

| The differences are explained below: | 2023 CAD'000 | 2022 CAD'000 |
|---|---|---|
| Profit before taxation | 70,459 | 72,289 |
| Tax calculated using rate of corporation tax in the UK of 25.83% (2021: rate of 27%) | 18,202 | 19,518 |
| Expenses not deductible for tax purposes | 26 | 27 |
| Foreign exchange loss | (219) | 145 |
| Impact of change in tax laws and rates | (5) | 10 |
| Adjustment to tax charge (credit) in respect of prior years | (3,582) | (146) |
| **Total tax charge** | 14,422 | 19,554 |

**Change in Corporation Tax rate:**

The headline rate of UK corporation tax changed from 19% to 25% from 1st April 2023. At the same time, the rate of banking surcharge reduced from 8% to 3%, and the banking surcharge allowance increased from £25 million to £100 million. The entity has applied a blended tax rate for the period taking these changes into account.Legislation in respect of Pillar Two income taxes was substantively enacted in the UK on 20 June 2023 to apply for periods commencing 1 January 2024. The group is in the process of undertaking an impact assessment. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

# Notes to the financial statements
**at 31 October 2023**

## 10. Taxation (continued)

| **Deferred Tax** | *2023 CAD'000* | *2022 CAD'000* |
|---|---|---|
| Share based payment | (33) | 107 |
| Capital allowances | (13) | (17) |
| FVOCI reserve tax | (9,658) | (24,061) |
| | (9,704) | (23,971) |

## 11. Cash and balances at central banks

| | *2023 CAD'000* | *2022 CAD'000* |
|---|---|---|
| Cash and balances at central banks - repayable on demand | 135,911 | 84,054 |

Amounts repayable on demand are interest bearing. As at 31 October 2023, all cash and balances at central banks were in Stage 1 for allowances for credit losses.

## 12. Loans and advances to banks

| | *2023 CAD'000* | *2022 CAD'000* |
|---|---|---|
| 3 months or less, but not repayable on demand | 157,271 | 117,070 |
| Repayable on demand | 162,469 | 168,357 |
| | 319,740 | 285,427 |

Included in loans and advances to banks are amounts owed by ultimate parent undertaking of CAD319,739,938 (2022: CAD285,426,315). Amounts repayable on demand are non-interest bearing. Amounts not repayable on demand are interest bearing. As at 31 October 2023, all loans and advances to banks were in Stage 1 for allowances for credit losses which consisted of CAD Nil (2022: all loans and advances to banks were in Stage 1 for allowances for credit losses which consisted of CAD Nil).

## 13. Loans and advances to customers

| | *2023 CAD'000* | *2022 CAD'000* |
|---|---|---|
| 5 years or less, but over 1 year | 22,998 | - |
| 1 year or less | - | 70,660 |
| Allowance for Credit Losses | (21) | (12) |
| | 22,977 | 70,648 |

Loans and advances to customers are interest bearing. As at 31 October 2023, the allowance for credit losses consisted of in Stage 1 CAD21,071 (2022: CAD11,838).

# Notes to the financial statements

**at 31 October 2023**

## 14. Debt Securities

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

| | 2023 | 2022 |
|---|---|---|
| | CAD'000 | CAD'000 |
| Debt securities at amortised cost | | |
| - Government securities | 14,979,772 | 14,114,679 |
| - Other debt securities | 6,213,783 | 5,107,284 |
| Provision for credit losses | (170) | (36) |
| Total debt securities at amortised cost, net of allowance for credit losses | 21,193,385 | 19,221,927 |

As at 31 October 2023, 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 are foreign exchange derivatives. These instruments allow the Bank to transfer, modify or reduce its market risk on exposure to 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.

# Notes to the financial statements
**at 31 October 2023**

## 15. Derivative financial instruments (continued)

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**

| **2023** | **Assets** | | **Liabilities** | | **Net Total** |
|---|---|---|---|---|---|
| | Canadian Dollars | Sterling | Euro | US Dollars | Asset less Liabilities |
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Foreign Exchange derivatives | 22,907,825 | 306,422 | 14,444,051 | 7,629,963 | 527,389 |
| **Total** | 22,907,825 | 306,422 | 14,444,051 | 7,629,963 | 527,389 |

**Fair Value**

| **2023** | **Assets** | | **Liabilities** | | **Net Total** |
|---|---|---|---|---|---|
| | Canadian Dollars | Sterling | Euro | US Dollars | Asset less Liabilities |
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Foreign Exchange derivatives | 20,659,176 | 295,389 | 13,434,183 | 6,793,650 | 135,954 |
| **Total** | 20,659,176 | 295,389 | 13,434,183 | 6,793,650 | 135,954 |

# Notes to the financial statements

**at 31 October 2023**

## 15. Derivative financial instruments (continued)

**Notional amounts**

| 2022 | Assets | | Liabilities | | Net Total |
|---|---|---|---|---|---|
| | Canadian Dollars | Sterling | Euro | US Dollars | |
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Foreign Exchange derivatives | 21,910,151 | 293,221 | 13,398,986 | 6,095,817 | 2,122,127 |
| **Total** | 21,910,151 | 293,221 | 13,398,986 | 6,095,817 | 2,122,127 |

**Fair Value**

| 2022 | Assets | | Liabilities | | Net Total |
|---|---|---|---|---|---|
| | Canadian Dollars | Sterling | Euro | US Dollars | |
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Foreign Exchange derivatives | 19,939,229 | 285,671 | 12,621,200 | 5,333,802 | 1,698,556 |
| **Total** | 19,939,229 | 285,671 | 12,621,200 | 5,333,802 | 1,698,556 |

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:

# Notes to the financial statements

**at 31 October 2023**

## 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* |
| **2023** | | | | |
| Foreign Exchange derivatives | 22,907,825 | 22,380,436 | 20,659,176 | 20,523,222 |
| **Total derivatives** | 22,907,825 | 22,380,436 | 20,659,176 | 20,523,222 |
| **2022** | | | | |
| Foreign Exchange derivatives | 21,910,151 | 19,788,024 | 19,939,229 | 18,240,673 |
| **Total derivatives** | 21,910,151 | 19,788,024 | 19,939,229 | 18,240,673 |

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 2023 and 31 October 2022, the periods when the hedged forecast cash flows are expected to occur and when they are expected to affect profit and loss:

| **2023** | **Within 1 year** | **1 to 3 years** | **3 to 8 years** |
|---|---|---|---|
| | CAD'000 | CAD'000 | CAD'000 |
| Net cash inflows | 304,561 | 124,873 | 99,227 |
| **2022** | | | |
| Net cash inflows | 643,367 | 902,500 | 575,283 |

During the years ended 31 October 2023 and 31 October 2022, 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 at hedge inception 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.

# Notes to the financial statements

**at 31 October 2023**

## 15. Derivative financial instruments (continued)

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 2023 and 31 October 2022:

| | Amounts recognised in OCI on derivatives | Hedge ineffectiveness |
|---|---|---|
| **2023** | CAD'000 | CAD'000 |
| Gain on foreign exchange contracts | 28,667 | – |
| **2022** | | |
| Gain on foreign exchange contracts | 71,674 | – |

Gain on foreign exchange contracts for the fiscal year is CAD28,666,579 which is net of income tax of CAD9,235,263

*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 and are subject to an enforceable master netting agreement.

# Notes to the financial statements

**at 31 October 2023**

## 15. Derivative financial instruments (continued)

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

| | Gross amounts of recognised financial instruments before balance sheet netting<br>*CAD'000* | Gross amounts of recognised financial instruments offset in the Balance Sheet<br>*CAD'000* | Net amount of financial instruments presented in the Balance Sheet<br>*CAD'000* |
|---|---|---|---|
| **2023** | | | |
| Loans And Advances To Banks - Repayable On Demand | 148,327 | 14,142 | 162,469 |
| Deposits By Banks - Repayable On Demand | (157,419) | (14,142) | (171,561) |
| Derivative financial instruments | 756,745 | (620,791) | 135,954 |
| | 747,653 | (620,791) | 126,862 |
| **2022** | | | |
| Loans And Advances To Banks - Repayable On Demand | 187,253 | (18,897) | 168,357 |
| Deposits By Banks - Repayable On Demand | (163,429) | 18,897 | (144,532) |
| Derivative financial assets | 2,003,564 | (305,008) | 1,698,556 |
| | 2,027,388 | (305,008) | 1,722,380 |

# Notes to the financial statements

**at 31 October 2023**

## 16. Tangible fixed assets

| | *Computer hardware CAD'000* | *Furniture and fittings CAD'000* | *Total CAD'000* |
|---|---|---|---|
| ***Cost*** | | | |
| As at 1 November 2022 | 288 | 10 | 298 |
| Write-offs (Fully Reserved) | (8) | - | (8) |
| ***As At 31 October 2023*** | 280 | 10 | 290 |
| ***Depreciation*** | | | |
| As at 1 November 2022 | (184) | (1) | (185) |
| Charge for the year | (58) | - | (58) |
| Write-offs (Fully Reserved) | 8 | - | 8 |
| ***As At 31 October 2023*** | (234) | (1) | (235) |
| ***Net book value as at 31 October 2023*** | 46 | 9 | 55 |

| | *Computer hardware CAD'000* | *Furniture and fittings CAD'000* | *Total CAD'000* |
|---|---|---|---|
| ***Cost*** | | | |
| As at 1 November 2021 | 326 | 48 | 374 |
| Write-offs (Fully Reserved) | (38) | (38) | (76) |
| ***As At 31 October 2022*** | 288 | 10 | 298 |
| ***Depreciation*** | | | |
| As at 1 November 2021 | (163) | (39) | (202) |
| Charge for the year | (59) | - | (59) |
| Write-offs (Fully Reserved) | 38 | 38 | 76 |
| ***As At 31 October 2022*** | (184) | (1) | (185) |
| ***Net book value as at 31 October 2022*** | 104 | 9 | 113 |

## 17. Other assets

| | *2023 CAD'000* | *2022 CAD'000* |
|---|---|---|
| Amounts receivable from ultimate parent undertaking | 190 | 381 |
| Amounts receivable from other group companies | 2,543 | 1,103 |
| | 2,733 | 1,484 |

Amounts receivable from ultimate parent undertaking and other group companies are repayable on demand and are non-interest bearing. As at 31 October 2023, all other assets were in Stage 1.

# Notes to the financial statements

**at 31 October 2023**

## 18. Deposits from banks

| | 2023<br>CAD'000 | 2022<br>CAD'000 |
|---|---|---|
| 3 months or less, but not repayable on demand | 168,499 | 41,691 |
| Repayable on demand | 171,561 | 144,532 |
| | 340,060 | 186,223 |

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.

## 19. Other deposits

| | 2023<br>CAD'000 | 2022<br>CAD'000 |
|---|---|---|
| Three months or shorter | 2,562 | 1,940 |
| 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 | 20,159,340 | 19,923,504 |
| | 20,161,902 | 19,925,444 |

Other deposits are from group undertaking and are interest bearing.

## 20. Other liabilities

| | 2023<br>CAD'000 | 2022<br>CAD'000 |
|---|---|---|
| Amounts payable to ultimate parent undertaking | 7,180 | 8,847 |
| Amounts payable to other group companies | 143,281 | 79,656 |
| Trade creditors | 47,606 | - |
| Other accruals and contract liabilities | 3,992 | 5,530 |
| Provisions for commitments | 64 | 870 |
| | 202,123 | 94,903 |

Amounts payable to ultimate parent undertaking and other group companies are non-interest bearing. All external supplier payments are settled on presentation of invoice. Internal suppliers are settled on demand. As at 31 October 2023, the Provisions for commitments consisted of CAD64,277 in Stage 1 (2022: CAD57,477 in Stage 1 and CAD813,301 in Stage 2).

# Notes to the financial statements

**at 31 October 2023**

## 21. Share capital

| ***Authorised:*** | *2023* | *2022* |
|---|---|---|
| | *US$000* | *US$000* |
| 600,000,000 (2022: 600,000,000) ordinary shares of US$1 each | 600,000 | 600,000 |
| | *£'000* | *£'000* |
| 500,000,000 (2022: 500,000,000) ordinary shares of £1 each | 500,000 | 500,000 |
| ***Allotted, called-up and fully paid:*** | | |
| | *US$000* | *US$000* |
| 96,663,750 (2022: 96,663,750) ordinary shares of US$1 each | 96,664 | 96,664 |
| | *£'000* | *£'000* |
| GBP equivalent of USD-denominated share capital fixed at 1.5996; the rate in force as at 31st October 2014 when the accounting policy governing the revaluation of share capital was amended | 60,429 | 60,429 |
| 300,827,500 (2022: 300,827,500) ordinary shares of £1 each | 300,828 | 300,828 |
| | 361,257 | 361,257 |
| | *CAD'000* | *CAD'000* |
| CAD equivalent of share capital in GBP fixed at 1.7435795; the rate in force as at 31st August 2020 when the accounting policy governing the revaluation of share capital was amended | 629,878 | 629,878 |
| Called up share capital | 629,878 | 629,878 |

### 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

| | *2023* | *2022* |
|---|---|---|
| | *CAD'000* | *CAD'000* |
| Common Equity Tier 1 capital | 1,158,534 | 1,102,497 |
| | 1,158,534 | 1,102,497 |

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 2023 and 31 October 2022.

# Notes to the financial statements

**at 31 October 2023**

## 22. 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:

| | *2023 Undrawn Facilities CAD000* | *2022 Undrawn Facilities CAD000* |
|---|---|---|
| Original term to maturity of more than 1 year | 327,234 | 867,681 |
| Original term to maturity of 1 year or less | - | 2,472 |
| | 327,234 | 870,153 |

Provisions for commitments at 31 October 2023 are CAD64,277 (2022: CAD870,778). (See Note 21)

## 23. 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 2023**

## 23. Risk management (continued)

### Risk measurement and reporting systems

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

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

### Risk mitigation

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

### 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.

| | *2023* | *2022* |
|---|---|---|
| | *CAD'000* | *CAD'000* |
| Loans and advances to customers including all contractual commitments, maturing: | | |
| - 1 year and over | 350,211 | 867,669 |
| - Less than 1 year | - | 73,132 |
| | 350,211 | 940,801 |
| Cash at central bank | 135,911 | 84,054 |
| Debt Securities | 21,193,385 | 19,221,927 |
| Loans and advances to banks | 319,740 | 285,427 |
| Derivative financial instruments | 137,226 | 1,698,556 |
| Other assets | 92,392 | 50,400 |
| Total credit exposure | 22,228,865 | 22,281,165 |

# Notes to the financial statements

**at 31 October 2023**

## 23. 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 2023** | *Investment grade* | *Non investment grade* | *Total* |
|---|---|---|---|
| | *CAD'000* | *CAD'000* | *CAD'000* |
| Cash at central bank | 135,911 | - | 135,911 |
| Debt Securities | 21,193,385 | - | 21,193,385 |
| Loans and advances to banks | 319,740 | - | 319,740 |
| Loans and advances to customers | 22,977 | - | 22,977 |
| Derivative financial instruments | 137,226 | - | 137,226 |
| Other assets | 92,392 | - | 92,392 |
| | 21,901,631 | - | 21,901,631 |

| **At 31 October 2022** | *Investment grade* | *Non investment grade* | *Total* |
|---|---|---|---|
| | *CAD'000* | *CAD'000* | *CAD'000* |
| Cash at central bank | 84,054 | - | 84,054 |
| Debt Securities | 19,221,927 | - | 19,221,927 |
| Loans and advances to banks | 285,427 | - | 285,427 |
| Loans and advances to customers | 70,648 | - | 70,648 |
| Derivative financial instruments | 1,698,556 | - | 1,698,556 |
| Other assets | 50,400 | - | 54,400 |
| | 21,411,012 | - | 21,411,012 |

There are no financial assets which are past due.

# Notes to the financial statements

**at 31 October 2023**

## 23. Risk management (continued)

### Credit risk (continued)

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

| 2023 | Germany | United Kingdom | Netherlands | Canada | France | Luxemburg | Supranational Organisations | Other International | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Cash at central bank | - | 135,911 | - | - | - | - | - | - | 135,911 |
| Debt securities | 6,601,339 | 166,232 | 830,212 | - | 3,531,059 | 858,936 | 5,552,976 | 3,652,630 | 21,193,385 |
| Loans to banks | - | 166,034 | - | 153,706 | - | - | - | - | 319,740 |
| Loans to Customers | - | 22,977 | - | - | - | - | - | - | 22,977 |
| Derivative financial instruments | - | - | - | 137,226 | - | - | - | - | 137,226 |
| Other assets | 25,056 | 3,111 | 2,280 | 585 | 17,930 | 5,362 | 9,146 | 28,922 | 92,392 |
| **Total** | 6,626,395 | 494,265 | 832,492 | 291,517 | 3,548,989 | 864,299 | 5,562,122 | 3,681,552 | 21,901,631 |

| 2022 | Germany | United Kingdom | Netherlands | Canada | France | Luxemburg | Supranational Organisations | Other International | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Cash at central bank | - | 84,054 | - | - | - | - | - | - | 84,054 |
| Debt securities | 6,516,767 | 203,298 | 990,543 | - | 3,207,692 | 855,469 | 4,405,318 | 3,042,840 | 19,221,927 |
| Loans to banks | - | 128,856 | - | 156,571 | - | - | - | - | 285,427 |
| Loans to Customers | - | (6) | 31,589 | 39,065 | - | - | - | - | 70,648 |
| Derivative financial instruments | - | - | - | 1,698,556 | - | - | - | - | 1,698,556 |
| Other assets | 15,195 | 1,523 | 2,239 | 178 | - | - | - | 31,265 | 50,400 |
| **Total** | 6,531,962 | 417,725 | 1,024,371 | 1,894,370 | 3,207,692 | 855,469 | 4,405,318 | 3,074,105 | 21,411,012 |

'Other International' includes Austria CAD615,376,180, Sweden CAD500,243,676 and other less material exposures.

# Notes to the financial statements

**at 31 October 2023**

## 23. 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:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | *Drawn loans* | | *Undrawn commitments* | | *Drawn loans* | | *Undrawn commitments* | |
| | CAD'000 | % | CAD'000 | % | CAD'000 | % | CAD'000 | % |
| *Private:* | | | | | | | | |
| Aircraft & Aircraft Parts Industry | - | - | 131,246 | 39% | - | - | 251,970 | 28% |
| Construction Equipment | - | - | - | - | - | - | 75,000 | 9% |
| Food, beverage & tobacco | - | - | - | - | - | - | 125,285 | 14% |
| NonBank Financial Institution | - | - | - | - | 39,059 | 55% | - | - |
| Non-Advertising Based Publishing | 22,977 | 100% | 67,141 | 21% | - | - | 95,375 | 11% |
| Oil & Gas | - | - | - | - | 31,589 | 45% | 109,666 | 13% |
| Other Manufactured Products Industries Not Elsewhere Classified | - | - | 44,606 | 14% | - | - | 40,953 | 5% |
| Utilities | - | - | 84,241 | 26% | - | - | 171,904 | 20% |
| | 22,977 | 100% | 327,234 | 100% | 70,648 | 100% | 870,153 | 100% |

### Interest rate risk

***At 31 October 2023***

| | *Floating rate CAD000* | *Non interest sensitive CAD000* | *Total CAD000* |
|---|---|---|---|
| **Assets** | | | |
| Cash at central bank | 135,911 | - | 135,911 |
| Debt Securities | - | 21,193,385 | 21,193,385 |
| Loans and advances to bank | 157,271 | 162,469 | 319,740 |
| Loans and advances to customers | 22,977 | - | 22,977 |
| Derivative financial instruments | - | 137,226 | 137,226 |
| Other assets | - | 92,392 | 92,392 |
| **Liabilities** | | | |
| Deposits by banks | (18,499) | (321,561) | (340,060) |
| Other deposits | (2,562) | (20,159,340) | (20,161,902) |
| Derivative financial instruments | - | (1,272) | (1,272) |
| Other Liabilities | - | (202,123) | (202,123) |
| **Interest rate sensitivity gap** | 295,098 | 901,176 | 1,196,274 |
| *Commitments* | 327,234 | - | 327,234 |
| | | | |
| *Derivative financial instruments (Notional)* | - | 527,389 | 527,389 |

# Notes to the financial statements

**at 31 October 2023**

## 23. Risk management (continued)

**Interest rate risk** (continued)

| ***At 31 October 2022*** | *Floating rate CAD000* | *Non interest sensitive CAD000* | *Total CAD000* |
|---|---|---|---|
| **Assets** | | | |
| Cash at central bank | 84,054 | - | 84,054 |
| Debt Securities | - | 19,221,927 | 19,221,927 |
| Loans and advances to bank | 117,070 | 168,357 | 285,427 |
| Loans and advances to customers | 70,648 | - | 70,648 |
| Derivative financial instruments | - | 1,698,556 | 1,698,556 |
| Other assets | - | 50,400 | 50,400 |
| **Liabilities** | | | |
| Deposits by banks | (41,691) | (144,532) | (186,223) |
| Other deposits | (1,940) | (19,923,504) | (19,925,444) |
| Other Liabilities | - | (94,903) | (94,903) |
| **Interest rate sensitivity gap** | 228,141 | 976,301 | 1,204,442 |
| *Commitments* | 870,153 | - | 870,153 |
| *Derivative financial instruments (Notional)* | - | 1,151,448 | 1,151,448 |

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.

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | | Increase/ decrease in interest rate | CAD'000 | Increase/ decrease in interest rate | CAD'000 |
| Assets | Cash at central bank | +/-100bps | 1,359 | +/-100bps | 841 |
| | Loans to banks | +/-100bps | 1,573 | +/-100bps | 1,171 |
| | Loans to customers | +/-100bps | 230 | +/-100bps | 706 |
| Liabilities | Deposits from banks | +/-100bps | 185 | +/-100bps | 417 |
| | Other deposits | +/-100bps | 26 | +/-100bps | 19 |

# Notes to the financial statements

**at 31 October 2023**

## 23. 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.

| 2023 | 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 | 135,911 | - | - | - | - | 135,911 |
| Debt Securities | - | 1,321,250 | 2,974,965 | 16,096,589 | 800,581 | 21,193,385 |
| Loans to banks | 162,469 | 157,271 | - | - | - | 319,740 |
| Loans to Customers | - | - | - | 22,977 | - | 22,977 |
| Derivative financial instruments | - | 67,103 | 189,982 | (112,283) | (7,576) | 137,226 |
| Other assets | 5,702 | 5,544 | 4,496 | 71,315 | 5,335 | 92,392 |
| **Total assets** | 304,082 | 1,551,168 | 3,169,443 | 16,078,598 | 798,340 | 21,901,631 |
| Deposits from banks | (321,561) | (18,499) | - | - | - | (340,060) |
| Other deposits | (2,562) | - | - | - | (20,159,340) | (20,161,902) |
| Derivative financial instruments | - | (1,272) | - | - | - | (1,272) |
| Other liabilities | (8,510) | (56,369) | (21,827) | (110,109) | (5,308) | (202,123) |
| **Total liabilities** | (332,633) | (76,140) | (21,827) | (110,109) | (20,164,648) | 20,705,357) |

| 2022 | 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 | 84,054 | - | - | - | - | 84,054 |
| Debt Securities | - | 454,160 | 3,494,191 | 14,542,990 | 730,586 | 19,221,927 |
| Loans to banks | 168,357 | 117,070 | - | - | - | 285,427 |
| Loans to Customers | - | - | 70,648 | - | - | 70,648 |
| Derivative financial instruments | - | 46,957 | 539,167 | 1,073,081 | 39,351 | 1,698,556 |
| Other assets | 3,733 | 1,224 | 5,564 | 38,348 | 1,531 | 50,400 |
| **Total assets** | 256,144 | 619,411 | 4,109,570 | 15,654,419 | 771,468 | 21,411,012 |
| Deposits from banks | (144,532) | (41,691) | - | - | - | (186,223) |
| Other deposits | (1,940) | - | - | - | (19,923,504) | (19,925,444) |
| Other liabilities | (64,673) | (694) | (6,107) | (22,319) | (1,110) | (94,903) |
| **Total liabilities** | (211,145) | (42,385) | (6,107) | (22,319) | (19,924,614) | (20,206,570) |

# Notes to the financial statements

**at 31 October 2023**

## 23. Risk management (continued)

**Liquidity risk (continued)**

The table below represents undiscounted contractual amounts:

| 2023 | On demand | Less than 3 months | 3 to 12 months | 1 – 5 years | Over 5 year | Total |
|---|---|---|---|---|---|---|
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Deposits from banks | (321,561) | (18,499) | - | - | - | (340,060) |
| Other deposits | (2,562) | - | - | - | (20,159,340) | (20,161,902) |
| | (324,123) | (18,499) | - | - | (20,159,340) | (20,501,962) |

| 2022 | On demand | Less than 3 months | 3 to 12 months | 1 – 5 years | Over 5 year | Total |
|---|---|---|---|---|---|---|
| | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* | *CAD'000* |
| Deposits from banks | (144,532) | (41,691) | - | - | - | (186,223) |
| Other deposits | (1,940) | - | - | - | (19,923,504) | (19,925,444) |
| | (146,472) | (41,691) | - | - | (19,923,504) | (20,111,667) |

# Notes to the financial statements

**at 31 October 2023**

## 23. Risk management (continued)

### Foreign currency risk

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

Currency exposures of the Bank were as follows:

| 2023 | 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 | 135,911 | - | - | - | - | - | 135,911 |
| Debt Securities | 168,341 | - | 7,146,883 | 13,878,161 | - | - | 21,193,385 |
| Loans to banks | 2,627 | 1,373 | 34,818 | 8,438 | 272,278 | 206 | 319,740 |
| Loans to Customers | 22,977 | - | - | - | - | - | 22,977 |
| Derivative financial instruments | (161,135) | - | (6,793,650) | (13,434,183) | 20,526,194 | - | 137,226 |
| Other assets | 1,492 | - | 36,142 | 53,350 | 1,408 | - | 92,392 |
| **Total Assets** | 170,213 | 1,373 | 424,193 | 505,766 | 20,799,880 | 206 | 21,901,631 |
| Deposits from banks | (39,974) | - | (32,632) | (1,735) | (265,718) | (1) | (340,060) |
| Other deposits | (2,562) | - | - | - | (20,159,340) | - | (20,161,902) |
| Derivative financial instruments | (134,254) | - | - | - | (132,982) | - | (1,272) |
| Other liabilities | (1,948) | - | (47,741) | (67) | (152,367) | - | (201,123) |
| **Total Liabilities** | (178,738) | - | (80,373) | (1,802) | (20,444,443) | (1) | (20,705,357) |
| **Net assets / (liabilities)** | (8,525) | 1,373 | 343,820 | 503,964 | 355,437 | 205 | 1,196,274 |
| **Off-balance sheet items** | | | | | | | |
| Commitments | 215,487 | - | 67,141 | 44,606 | - | - | 327,234 |
| Derivatives financial Instruments (Notional-net) Foreign exchange | (306,422) | - | (7,629,963) | (14,444,051) | 22,907,825 | - | 527,389 |

# Notes to the financial statements

**at 31 October 2023**

## 23. Risk management (continued)

**Foreign currency risk** (continued)

| 2022 | 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 | 84,054 | - | - | - | - | - | 84,054 |
| Debt Securities | 155,456 | - | 5,732,987 | 13,333,484 | - | - | 19,221,927 |
| Loans to banks | 56,164 | 416 | 42,476 | 11,370 | 175,001 | - | 285,427 |
| Loans to Customers | 39,057 | - | 31,591 | - | - | - | 70,648 |
| Derivative financial instruments | (285,671) | - | (5,333,802) | (12,621,200) | 19,939,229 | - | 1,698,556 |
| Other assets | 1,225 | - | 22,980 | 25,662 | 533 | - | 50,400 |
| **Total Assets** | 50,285 | 416 | 496,232 | 749,316 | 20,114,763 | - | 21,411,012 |
| Deposits from banks | (50,278) | - | (68,196) | (410) | (67,338) | (1) | (186,223) |
| Other deposits | (1,940) | - | - | - | (19,923,504) | - | (19,925,444) |
| Other liabilities | (9,216) | - | (442) | (229) | (85,016) | - | (94,903) |
| **Total Liabilities** | (61,434) | - | (68,638) | (639) | (20,075,858) | (1) | (20,206,570) |
| **Net assets / (liabilities)** | (11,149) | 416 | 427,594 | 748,677 | 38,905 | (1) | 1,204,442 |
| **Off-balance sheet items** | | | | | | | |
| Commitments | 462,943 | - | 165,972 | 166,238 | 75,000 | - | 870,153 |
| Derivatives financial Instruments (Notional-net) | | | | | | | |
| Foreign exchange | (293,221) | - | (6,095,817) | (13,398,986) | 21,910,151 | - | 2,122,127 |

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 2023:

| | *2023* | | *2022* | |
|---|---|---|---|---|
| | *Increase/ Decrease* | *Profit before tax CAD000* | *Increase/ Decrease* | *Profit before tax CAD000* |
| Euro | +/-10% | 50,396 | +/-10% | 74,868 |
| Australian Dollars | +/-10% | 853 | +/-10% | 1,115 |
| US Dollars | +/-10% | 137 | +/-10% | 42 |
| Sterling | +/-10% | 34,382 | +/-10% | 42,759 |

# Notes to the financial statements

**at 31 October 2023**

## 24. 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 |
|---|---|---|---|---|
| **2023** | | | | |
| *Financial assets:* | | | | |
| Derivative financial instruments (Note 15) | | 137,226 | | |
| Total assets | | 137,226 | | |
| *Financial liabilities:* | | | | |
| Derivative financial instruments (Note 15) | | 1,272 | | |
| Total liabilities | | 1,272 | | |

| | 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 |
|---|---|---|---|---|
| **2022** | | | | |
| *Financial assets:* | | | | |
| Derivative financial instruments (Note 15) | - | 1,698,556 | - | 1,698,556 |
| Total assets | - | 1,698,556 | - | 1,698,556 |
| *Financial liabilities:* | | | | |
| Derivative financial instruments (Note 15) | - | - | - | - |
| Total liabilities | - | - | - | - |

# Notes to the financial statements

**at 31 October 2023**

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

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

(b) Determination of fair value

(i) Derivative financial instruments (Note 15)

The fair value of the Bank's derivative financial instruments comprising foreign exchange 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 receivable from ultimate parent undertaking (Note 18); Amount receivable 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.

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

As at 31 October 2023, 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:

| ***At 31 October 2023*** | *Amortised Cost* | *Fair Value* |
|---|---|---|
| | *CAD'000* | *CAD'000* |
| Debt Securities | 21,193,585 | 20,169,162 |

| ***At 31 October 2022*** | *Amortised Cost* | *Fair Value* |
|---|---|---|
| | *CAD'000* | *CAD'000* |
| Debt Securities | 19,221,962 | 18,083,014 |

# Notes to the financial statements

**at 31 October 2023**

## 25. Ultimate parent undertaking and controlling party

Effective 15 February 2023, the Bank's parent undertaking, controlling party and the parent of the largest group to consolidate the financial statements of the Bank is TD Bank, which is incorporated in Canada. Copies of TD Bank's financial statements may be obtained from: Finance Control Division, The Toronto-Dominion Bank, PO Box 1, Toronto-Dominion Centre, King St W and Bay St, Toronto, Ontario M5K 1A2, Canada. Copies of the group financial statements may also be obtained online at www.td.com.

All related party balances are disclosed in 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).

## 26. Subsequent Events

This note discloses significant events that have occurred in the company after the reporting period of the financial statements but before they are issued.

The transfer of corporate banking activities, along with the related employees, to another entity of the TDBG starting from 1st November 2023, represents a subsequent event. This event does not materially impact the financial statements or the company's financial position as of the date of the financial reports' issuance. Though reallocation of activities and employees may change the operational dynamics of the involved entities post 1st November 2023, it doesn't induce any significant changes on the financial statement for the reporting period. Therefore, no adjustments have been made to the financial statements due to this transfer.