Pillar 3 Disclosure Report

TD Bank Europe Limited

for the year ended 31 October 2022

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1 OVERVIEW

1.1 Introduction

Market discipline has long been recognized as a key objective of the Basel Committee on Banking Supervision (“BCBS”). Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements, requiring regular disclosure to the market of both qualitative and quantitative aspects of a firm’s capital adequacy and risk.

With effective date 1 January 2022 the firm ceased to be governed by the European Union's ("EU") Capital Requirements Directive IV ("CRD IV") and has been governed since by the Prudential Regulation Authority ("PRA") Rulebook which is largely reflective of the EU’s Capital Requirements Regulation (CRR) and continues to the set out a three-pillar framework:

- **Pillar 1** details a rule-based minimum capital standard, determined by the pertinent Capital Requirements Regulation (CRR) chapters of the PRA Rulebook..
- **Pillar 2** is an internal evaluation of the adequacy of the regulatory capital and liquidity requirements under Pillar 1 and other non-Pillar 1 risks. It requires firms to assess additional risks that impact capital and liquidity requirements and conduct stress testing through the ICAAP and ILAAP. The output includes the setting of individual capital and liquidity requirements based on supervisory review of this assessment.
- **Pillar 3** sets out public disclosure requirements intended to enhance market discipline. Pillar 3 disclosures as at the reporting date are prepared in accordance with the Disclosure (CRR) chapter of the PRA Rulebook.

This document contains the TD Bank Europe Limited (“TDBEL” or “the Firm”) 2022 Pillar 3 Disclosures. These complement those disclosures in The Toronto-Dominion Bank (“TDBG” or “the Group”) and TDBEL Audited Financial Statements. Additional information on the Toronto-Dominion Bank's approach to risk management are included on the corporate website with TDBEL subject to Group policies as appropriate.

TDBEL is not a Globally Systemic Important Institution ("G-SII"), Other Systemic Important Institution ("O-SII"), a significant subsidiary or a subsidiary of material significance for their local market, therefore is not required to comply with Article 433b of the PRA Rulebook "Guidelines on disclosure requirements under Part Eight of CRR ". TDBEL must adhere to the guidelines included within Part Eight of the CRR.

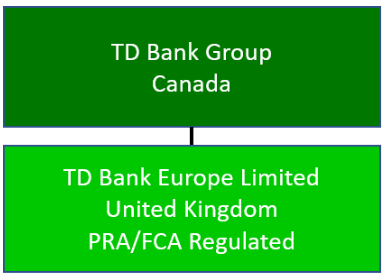
1.2 Scope of Application

TDBEL is a Credit Institution registered in the United Kingdom. The company is a wholly owned subsidiary of The Toronto-Dominion Bank, a company registered in Canada. TDBEL provides wholesale investment services and lending, but its main business is the management of a portfolio of liquid assets. TDBEL operations are located exclusively in the United Kingdom.

TDBEL complies with the Pillar 3 requirement on a solo basis, as there are no other regulated firms controlled by a parent that is a mixed financial holding company in the UK.

The corporate structure of TDBEL is represented in Figure 1 below:

Figure 1: TDBEL Group organisational chart



The ultimate parent of TDBEL is The Toronto-Dominion Bank, a Canadian authorised Credit Institution with external credit rating Aa1 (Moody's Long Term Counterparty Risk Rating) at the date this Pillar 3 document was approved[1].

TDBEL is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and the PRA. TDBEL is the single operating regulated subsidiary in the UK. This document includes material subsidiary disclosures for TDBEL as required by the PRA Rulebook Disclosures (CRR) chapter.

1.2.1 Financial Position Overview

Table 1 summarises the key regulatory defined metrics that are relevant to TDBEL.

Table 1: Key regulatory metrics

Capital Ratios as at 31 October 2022	2022	2021
CET 1 Ratio *(Section 3)*	87%	96%
Leverage Ratio *(Section 4)*	4.7%	5.1%
Liquidity Coverage Ratio *(Section 9)*	29,989%	18,136%
Net Stable Funding Ratio *(Section 9)*	8,307%	800%

As at 31 October 2022, the firm continued to be well capitalised, with positions largely stable throughout the year. The liquidity position is significantly in excess of the regulatory minima due to the business model of the firm, holding high-quality liquid assets in an investment portfolio.

Key metrics are also detailed in Appendix 11.1.

1.2.2 Business profile

The TDBEL business model consists of a Corporate Loan Business, a High-Quality Liquid Asset ("HQLA") Investment Portfolio and an Institutional Equities Sales business. Loan assets are comprised of exposures to corporates and financial institutions. The Investment portfolio consists of HQLA securities and FX forwards to hedge FX risk. In addition, TDBEL has a reserve account with the Bank of England ("BoE").

Corporate Loan Business

Loans and commitments are principally made to investment grade corporate customers in the UK, Europe and Asia Pacific. Generally corporate facilities in TDBEL form part of a syndicated facility, whereby TDBEL is only liable for its legally agreed proportion of the syndicated facilities.

Investment Portfolio

The investment portfolio consists of high-quality, liquid fixed income bonds. The primary purpose of this investment portfolio is to support TDBG's global liquidity risk management program and the portfolio functions as a source of reserve liquidity. The portfolio's asset mix includes HQLAs denominated in US dollars, Sterling, Euro, and FX derivatives to fully hedge the investment portfolio to the funding currency of Canadian dollars (including that funded by equity).

The investment portfolio is booked in the banking book and attracts credit risk and non-trading market risk. Credit risk is not considered material given the high-quality nature of the portfolio and non-trading market risk is minimal with the portfolio cash flows being fully hedged with the exception of the premium or discount on the bonds. The investment portfolio presents de minimis interest rate risk due to the funding structure and minimal foreign exchange risk as it is effectively match funded except for the component funded by equity. The asset size of the investment portfolio, plus FX forward derivative position does impact leverage. In addition, volatility in interest rates (EUR, CAD, USD) relating to the portfolio's cashflow hedges can cause significant balance movement in the Other Comprehensive Income cashflow hedge reserve, however there are no regulatory capital implications from this volatility and no profit/loss impact.

[1] *Current credit ratings are available at* https://www.td.com/investor-relations/ir-homepage/share-information/credit-ratings/credit.jsp

Institutional Equities Sales

The institutional equities sales business is responsible for facilitating the sales of Canadian equities to UK clients and other non-regulated EU clients on an agency basis. Therefore, the business does not result in significant balance sheet positions.

1.3 Future Developments

Business Developments

TDBEL operationalised the firm's ability to enter into repurchase agreements ("Repo") in FY2022, with the intention to have repo capability to liquidate HQLA bonds in the Investment Portfolio. The repo capability will be utilised as an option to monetise the bonds, when necessary, as opposed to an active repo desk.

TDBEL ensures the existence and impact of any new or emerging risks are assessed on a periodic basis. The most significant regulatory change currently impacting TDBEL is understanding the implementation and expansion of UK legislation. Key elements of this are presented below.

- **Basel 3.1 standards** – The firm monitors regulatory and legislative developments on an on-going basis to ensure it is prepared for forthcoming regulatory change. The firm continues to consider the impacts of the PRA's implementation of the Basel 3.1 standards, including Pillar 3 disclosure requirements.
- **Leverage Ratio –** As part of the UK Leverage Framework, as of the 1 January 2023 this legislation introduces a binding minimum leverage ratio requirement of 3.25%, plus prescribed buffers. The firm currently monitors the leverage ratio in compliance with this minimum requirement.
- The firm's approach to monitor and manage climate change risk continues to develop. This risk has been allocated a Senior Management Function ("SMF") and has been integrated into the risk framework of the operations within the region. From the perspective of TDBEL, this includes assessing the impact to include climate change risk in the ICAAP, ILAAP, and Pillar 3 documents.

1.4 Frequency of disclosures

TDBEL updates these disclosures on an annual basis as at its financial year end of 31 October. TDBEL will assess the need to publish some or all disclosures more frequently than annually in the light of the criteria specified in Article 433 of the PRA Rulebook Disclosure (CRR) Chapter.

1.5 Location and verification

These disclosures are not subject to external audit and have been produced solely for the purpose of satisfying the PRA Rulebook regulatory disclosure requirements (Disclosure (CRR))). As such, the information is not prepared in accordance with International Financial Reporting Standards or FRS 101. In addition, the report does not constitute any form of forward-looking opinion.

A copy of these disclosures is available on the TD Securities website (https://www.tdsecurities.com/ca/en/legal).

2 Risk Management

2.1 Overview

Growing profitability in financial performance based on balanced revenue, expense and capital growth involves selectively taking and managing risks within TDBEL's risk appetite. The strategy and objective is to earn a stable and sustainable rate of return for every dollar of risk it takes, while putting significant emphasis on investing in its businesses to meet its future strategic objectives.

The Enterprise Risk Framework (“ERF”) reinforces risk culture, which emphasizes transparency and accountability, and supports a common understanding among stakeholders of how the TDBEL and TDBG manages risk. The ERF addresses: (1) the nature of risks to the Bank's strategy and operations; (2) how the Bank defines the types of risk it is exposed to; (3) risk management governance and organisation; and (4) how the Bank manages risk through processes that identify and assess, measure, control, and monitor and report risk. The Bank's risk management resources and processes are designed to both challenge and enable all its businesses to understand the risks they face and to manage them within subsidiary and the Group's risk appetite.

All subsidiaries operate under the TD Governance Model which is premised on the fact that the Group operates on a business line basis. The Board of Directors of The Toronto-Dominion Bank (the “TD Board”) has overall responsibility for the business and operations of TDBG and, in fulfilling this responsibility, oversees management and approves all major strategy and policy recommendations for TDBG.

2.2 Risk Inventory

TDBG Risk Inventory describes the major risk categories and related subcategories to which TDBG’s businesses and operations could be exposed. The Risk Inventory facilitates consistent risk identification and is the starting point in developing risk management strategies and processes. TDBG’s major risk categories are shown in Figure 2 below:

Figure 2: Major risk categories

Major Risk Categories									
Strategic Risk	Credit Risk	Market Risk	Operational Risk	Model Risk	Insurance Risk	Liquidity Risk	Capital Adequacy Risk	Legal, Regulatory Compliance and Conduct Risk	Reputational Risk

TDBEL utilises TDBG Risk Inventory[2] to facilitate the identification and management of risks of the entity and has identified Credit Risk and Operational risk as the most material risk categories. Further details of how these risks are managed by in TDBEL are given in Sections 5 and 7

2.3 Risk Appetite Statement

TDBG Risk Appetite Statement ("RAS") is the primary means used to communicate how TDBG views risk and determines the type and amount of risk it is willing to take to deliver on TDBG’s strategy and enhance shareholder value. In defining its risk appetite, TDBG considers its vision, mission, strategy, guiding principles, risk philosophy, and capacity to bear risk.

The key message of the Risk Appetite Statements is as per below:

TDBG takes risks required to build our business, but only if those risks:

1. Fit our business strategy and can be understood and managed.

[2] The major risk categories and the Group’s approach to management of the risk are further defined in the 2022 Annual Report – Risks Involved in TD’S Businesses p77: Strategic Risk p82, Credit Risk p83, Market Risk p88, Operational Risk p93, Model Risk p94, Insurance Risk p95, Liquidity Risk p96, Capital Adequacy Risk p107, Legal and Regulatory Compliance and Conduct Risk p107 and Reputational Risk p108.

2. Do not expose the enterprise to any significant single loss events; we don't 'bet the bank' on any single acquisition, business, or product.

3. Do not risk harming the TD Brand.

The Risk Appetite Statement is further expanded by including a number of "Principles in Practice" that give meaning to the three Core Risk Principles across all major risk categories. Associated with each Principle in Practice are several quantitative and qualitative measures, many with identified thresholds and limits.

2.3.1 TDBEL Risk Appetite Statements

In line with TDBG RAS, Board-approved Risk Appetite Statements have been established for TDBEL. These are reviewed and approved at least annually. The established quantitative and qualitative measures inform ongoing risk management and monitoring of performance against subsidiary Risk Appetite and incorporate TDBG Principles in Practice and key message.

The TDBEL establishes the qualitative and quantitative risk appetite for each major risk type and relevant sub-risks. The TDBEL Board has also established management limits that are more stringent than policy limits and act as early warning indicator's to Management. It is also responsible for ensuring compliance with all relevant management and risk appetite limits, escalation of any excesses are escalated via UK Executive Risk Committee ("UKERC") and Chief Risk Officer as appropriate.

The results of the ICAAP and ILAAP are used to inform management thresholds and policy limits on quantitative measures for the Risk Appetite Statement and Recovery Plan.

2.3.2 Regulatory Limits

TDBEL faces a number of regulatory limits that are set by the PRA. The principal limits are capital adequacy, liquidity adequacy, leverage and large exposures. These are all incorporated into RAS limits.

2.3.3 Recovery Plan

The aforementioned regulatory and internal limits are reflected in the TDBEL Recovery Plan, which establishes a set of trigger points in relation to capital adequacy, liquidity, credit quality, profitability, market-based and macro. Trigger points identified as 'amber' represent Early Warning Indicators that allow management sufficient time and opportunity to react to conditions before TDBEL breaches its policy limits.

2.4 Risk Culture

TDBG's risk culture starts with the "tone at the top" set by the TD Board, Chief Executive Officer ("CEO"), and locally by the UK Management Committee ("UKMC"), UK Executive Risk Committee ("UKERC"), TDBEL Asset, Liability and Capital Committee ("ALCO") and TDBEL Board, and is supported by its vision, purpose, and shared commitments. These governing objectives describe the behaviours that TDBG, including TDBEL seeks to foster, among its employees, in building a culture where the only risks taken are those that can be understood and managed. TDBG and TDBEL's risk culture promotes accountability, learning from past experiences, and encourages open communication and transparency on all aspects of risk taking. TDBEL's employees are encouraged to challenge and escalate when they believe TDBEL is operating outside of its risk appetite.

Ethical behaviour is a key component of TDBG, and TDBEL's risk culture. TDBEL's Code of Conduct and Ethics guides employees and Directors to make decisions that meet the highest standards of integrity, professionalism, and ethical behaviour. Every TDBG employee and Director, including TDBEL employees and Directors, are expected and required to assess business decisions and actions on behalf of the organisation considering whether it is right, legal, and fair. TDBEL's desired risk culture is reinforced by linking compensation to management's performance against risk appetite. Performance against risk appetite is a key consideration in determining compensation for executives, including adjustments to incentive awards both at the time of award and again at maturity for deferred compensation. An annual consolidated assessment of management's performance against the RAS is prepared by Risk Management and is used by Human Resources as a key input into compensation decisions. All executives are individually assessed against objectives that include consideration of risk and control behaviours. This comprehensive approach allows TDBEL to consider whether the actions of executive management resulted in risk and control events within their area of responsibility.

In addition, governance, risk, and oversight functions operate independently from business segments supported by an organisational structure that provides objective oversight and independent challenge. Governance, risk, and oversight function heads, have unfettered access to respective Board Committees to raise risk, compliance, and other issues. Lastly, awareness and communication of TDBEL's RAS and the ERF take place across the organisation through enterprise risk communication programs, employee orientation and training, and participation in internal risk management conferences. These activities further strengthen TDBG's risk culture by increasing the knowledge and understanding of TDBG's expectations for risk taking.

In support of a strong risk culture, TDBEL applies the following principles in governing how it manages risks:

- **Enterprise-Wide in Scope** - Risk Management will span all areas of TDBEL, including third-party alliances and joint venture undertakings to the extent they may impact TDBG, and all boundaries both geographic and regulatory.
- **Transparent and Effective Communication** - Matters relating to risk will be communicated and escalated in a timely, accurate, and forthright manner.
- **Enhanced Accountability** - Risks will be explicitly owned, understood, and actively managed by business management and all employees, individually and collectively.
- **Independent Oversight** - Risk policies, monitoring, and reporting will be established and conducted independently and objectively.
- **Integrated Risk and Control Culture** - Risk management disciplines will be integrated into TDBEL's daily routines, decision-making, and strategy formulation.
- **Strategic Balance** - Risk will be managed to an acceptable level of exposure, recognizing the need to protect and grow shareholder value.

2.5 Risk Governance

TDBEL's risk governance structure emphasizes and balances strong independent oversight with clear ownership for risk control within each business segment. Under TDBEL's approach to risk governance, a "three lines of defence" model is employed, in which the first line of defence is the "Risk Owners", the second line being the provision of "Risk Oversight", and the third line is Internal Audit[3].

TDBEL's risk governance model includes a senior management committee structure that is designed to support transparent risk reporting and discussions. TDBEL's overall risk and control oversight is provided by the TDBEL Board and its Committees (primarily the Audit and Risk Committees). The TD Bank CEO and Senior Executive Team determine TDBEL's long-term direction which is then carried out by business segments within TDBEL's risk appetite. Risk Management, headed by the Group Head and CRO, sets enterprise risk strategy and policy and provides independent oversight to support a comprehensive and proactive risk management approach.

TDBEL has a robust subsidiary governance framework to support its overall risk governance structure, including boards of directors, and committees for various subsidiary entities where appropriate.

2.5.1 TDBEL Risk Governance

TDBEL utilises the TDBG risk governance framework and risk management model. The TDBG Enterprise Risk Management Framework reinforces TD's risk culture, which emphasizes transparency and accountability, and supports a common understanding among stakeholders of how TDBG manages risk.

The risk management framework and associated governance structure of TDBEL is designed to ensure there is an effective process and a clear organisational structure with well-defined responsibilities to identify, manage and monitor risk, including established risk limits, reporting lines, mandates and other control procedures. The risk management framework also establishes a three lines of defence model[4].

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[3] *Further details of the TD Bank risk governance structure are included in p79-80 of the 2022 Annual Report.*
[4] *The three lines of defence model describes accountabilities for managing risk and is discussed in the Annual Report p81.*

The TDBEL Board of Directors is ultimately responsible for identifying and controlling risks and are accountable to the PRA and FCA. Information on risk is reported directly to the Board via various committees, where established, namely the TDBEL Audit Committee and the TDBEL Risk Committee.

TDBEL has established local Board committees including an Audit Committee, a Risk Committee, a Nomination Committee and a Remuneration Committee plus, a management Asset, Liability and Capital Committee ("ALCO"). TDBEL is supported by TDBG corporate oversight functions in the delivery of independent risk management and internal audit. This support includes Risk Management, Compliance, Global Anti-Money Laundering, Treasury and Balance Sheet Management.[5]

Audit committee

The purpose of the TDBEL Audit Committee is to assist the TDBEL Board to fulfil its governance and oversight responsibilities in relation to internal and external audit functions, financial reporting, internal control framework and legal matters having a material impact on the financial statements, and, on any other matters as directed by the Board.

Risk committee

The purpose of the TDBEL Risk Committee is to assist the TDBEL Board in fulfilling its governance and oversight responsibilities in relation to the management of risk within TDBEL, and, on any other matters as directed by the Board.

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.

The existing Committee structure is considered appropriate when considering the complexity and inherent risk in TDBEL.

In addition to the TDBEL Board and Committees the TDBEL business is included and discussed at a number of TDS UK Region Committees. These Committees not only consider the current risk profile but look at emerging risks facing the business.

ALCO

The TDBEL ALCO, a management committee chaired by the CFO, Europe, is responsible for all matters relating to financial resources including the management of balance sheet, capital position, funding and liquidity and non-trading market risk. ALCO is comprised of senior management from the business, Risk, Finance, and TDBG Treasury function and meet on a monthly basis.

Remuneration committee

The purpose of the TDBEL Remuneration Committee is to assist the Board in fulfilling its governance and oversight responsibilities in relation to remuneration policy, practices and awards; and any other matters as directed by the Board. The TDS UK Remuneration Policy Statement contains a summary of the remuneration policies, practices and procedures applicable to the TD Securities entities in the UK, including TDBEL focusing on compensation schemes to attract and retain employees without incentivising risk taking above the approved risk appetite of TDBG.

Nomination Committee

The purpose of the TDBEL Nomination Committee is to assist the Board in fulfilling its governance and oversight responsibilities in relation to the identification, appointment, induction and assessment of directors to the Board and Board Sub-Committees of TDBEL and to designated Senior Management Function roles under the Financial Conduct Authority's and Prudential Regulation Authority's Senior Managers & Certification Regime.

2.5.2 Recruitment and Diversity Policy

Since 2005, building an inclusive and diverse organisation has been a formal business strategy at TDBG. The goal is to create an inclusive bank that reflects the diverse communities we serve. Inclusion and diversity are embedded into every aspect of the business.

The European Inclusion & Diversity Committee ("EIDC") is comprised of senior leaders across TD in Europe. The EIDC sets the bank's inclusion and diversity strategy, oversees its progress and is supported by more than 300 leaders who are actively driving initiatives and outcomes through business subcommittees and regional councils. Every three years the EIDC and its

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[5] Group Oversight functions include Risk Management, Business and Corporate Segments, Internal Audit, Compliance and Global Anti-Money Laundering are described in the 2022 Annual Report p80.

committees review the overall inclusion and diversity strategy, setting new three-year goals, objectives and supporting tactics.

Further information on the recruitment and diversity policy can be found in the 2021 ESG report (p73-77).

3 Capital Adequacy

3.1 Overview

The capital resources available and resource requirements applicable to a regulated entity depend upon the permissions granted by the relevant national competent authority. TDBEL is a Credit Institution and subject to the CRR rules and PRA Handbook.

Minimum Own Funds requirements are set out in PRA Rulebook CRR Article 92 and require firms to maintain a minimum total capital ratio of 8%. The total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

All figures and ratios related to regulatory capital are aligned to the relevant regulatory metric for October 2022. These figures incorporate the results for the fiscal year ended October 31, 2022 that are included in own funds following the audit of the financial statements as per PRA Rulebook CRR Article 26(2).

3.2 Capital Ratio

The Total Capital Ratio is 87% as at October 31, 2022[6]. The surplus over minimum requirements and Total Capital Ratio is shown in Table 2 below:

Table 2: Surplus over the minimum capital requirements

CAD MM	2022	2021
Total Capital Resources (Own Funds)	1,103	1,050
Total Minimum Capital Requirement	101	88
Surplus over requirement	**1,003**	**962**
Total Capital Resources (Own Funds)	1,103	1,050
Risk Weighted Assets	1,261	1,096
Total Capital Ratio	**87%**	**96%**

Further details of the constituents of capital resources and risk weighted assets are provided in Section 3.3 and Section 3.4 respectively.

3.3 Capital Resources

Eligible Own Funds is defined in the CRR and includes CET1, Additional Tier 1 (“AT1”) and Tier 2 capital instruments. Availability of own funds represents the capacity of a firm to cover all risks.

The CET1 of TDBEL consists of share capital and retained earnings and amounts to CAD 1,103 MM as of October 31, 2022.

Table 3: Capital resources

CAD MM	2022	2021
Ordinary share capital	630	630
Share premium	-	-
Retained earnings	473	420
CET1 capital	**1,103**	**1,050**
Additional Tier 1 Capital	-	-
Tier 2 Capital	-	-
Own Funds	**1,103**	**1,050**

[6] *As all capital resources are CET1, the CET1 ratio and total capital ratio are identical.*

TDBEL holds capital significantly in excess of the regulatory minimum with a CET1 ratio of 87% as per October 31, 2022. The capital of TDBEL currently consists entirely of CET1 instruments. There are no capital deductions.

A reconciliation of the own funds of the TDBEL and the October 2022 audited financial statements is included in Appendix 11.2.

3.4 Capital Resource Requirements

3.4.1 Overview

Minimum resource requirements are calculated using the Pillar 1 non-modelled methodologies included in the PRA Rulebook. TDBEL does not have permission from the PRA or FCA to use advanced measurement methods for the purpose of Pillar 1 resource requirements.

3.4.2 Risk Exposure

The total risk exposure amount is calculated for the following components of risk: credit risk, operational risk and market risk.

- Credit Risk is calculated in accordance with standardized approach and Counterparty Credit risk in accordance with standardized approach, SACCR.
- Market Risk is calculated in accordance with standardized approach included in PRA Rulebook.
- Operational Risk is calculated in accordance with Basic Indicator Approach.
- Settlement risk is calculated based on the PRA Rulebook rules.

TDBEL uses Moody's and S&P as the External Credit Assessment Institution for calculating the risk weighted exposure amounts for credit (including counterparty credit) risk.

The capital ratio is monitored monthly and reported to TDBEL ALCO monthly and the TDBEL Board Risk Committee on a quarterly basis.

3.4.3 Risk Exposure Amount

As at October 31, 2022, the minimum capital requirements were CAD 101 MM for TDBEL, as illustrated in Table 4 below.

Table 4: Capital requirements and risk weighted assets

CAD MM	Capital Requirement	Basel III RWA
Credit Risk (including CCR) - *of which*	**57**	**705**
Central Governments or Central Banks	-	-
Institutions	11	131
Corporates	40	506
Covered Bonds	6	68
Regional governments or local authorities	-	-
Public sector entities	-	-
Multilateral development banks	-	-
International organisations	-	-
Equity Exposures	-	-
Other Items	-	-
Market Risk	31	386
CVA Risk	3	42
Operational Risk	10	128
Large Exposure	-	-
Total	**101**	**1,261**

Further breakdown of the above figures is included in Section 5, 6 and 7 of this document.

3.5 Capital Buffers

CRD IV introduced a combined buffer requirement, subject to a phase in provisions. TDBEL's capital buffer comprises a Capital Conservation Buffer ("CCB") and Countercyclical Buffer ("CCyB"). As at October 31, 2022 the CCB was 2.5%.

The CCyB is calculated based upon the total risk exposure amount multiplied by the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures are located.

As at October 31, 2022 TDBEL's CCyB rate was 0.038%, as shown in Table 5 below:

Table 5: TDBEL CCyB - Own funds requirements

TDBEL Own Fund Requirements					
CAD MM	Exposure at Default		Own Fund Requirements for CCyB	Own Fund Requirements weight	Countercyclical Capital Buffer rate
	of which: General credit exposures	of which: Trading book exposures			
Austria	616	-	-	0.0%	0.0%
Australia	441	-	3.5	7.7%	0.0%
Belgium	282	-	0.0	0.0%	0.0%
Switzerland	67	-	5.4	11.7%	0.0%
Denmark	183	-	-	0.0%	1.0%
Finland	440	-	-	0.0%	0.0%
Germany	6,532	-	0.0	0.0%	0.0%
Korea	66	-	0.0	0.0%	0.0%
France	3,303	-	6.6	14.5%	0.0%
United Kingdom	440	-	28.5	62.0%	0.0%
Netherlands	993	-	0.0	0.0%	0.0%
Norway	467	-	0.6	1.4%	1.5%
Canada	217	-	0.0	0.0%	0.5%
Sweden	501	-	0.8	1.8%	1.0%
Singapore	53	-	0.4	0.9%	0.0%
Other	5,476	-	-	0.0%	-
Total	**12,078**	**-**	**46**	**100.0%**	**0.038%**

The CCyB rates applied by relevant countries to TDBEL exposure largely remained consistent throughout 2022, with the UK and European peers set to increase their CCyB rates through 2023. The list of current CCyB rates can be found on the Bank of England website.[7]

The TDBEL institution specific CCyB at October 31, 2022 is as shown in Table 6 below:

Table 6: CCyB Requirement

CAD MM CCyB Capital Requirement	2022	2021
Total Risk Exposure Amount	1,261	1,096
Institution specific CCyB rate	0.038%	0.005%
CCyB Capital Requirement	**0.5**	**0.1**

[7] https://www.bankofengland.co.uk/financial-stability

4 LEVERAGE

4.1 Overview

The leverage ratio is a simple, transparent, non-risk based supplementary measure to the risk-based capital requirements. This ratio is defined as the tier 1 capital divided by total exposure measure, expressed as a percentage.

The requirement for the calculation and reporting of a leverage ratio was introduced as part of CRD IV in 2014. The primary objectives are to restrict the build-up of excessive leverage in the banking sector and to reinforce the risk-based requirements with a simple, non-risk measure.

The Basel Committee on Banking Supervision ("BCBS") has established a leverage ratio limit of 3.0%. The leverage ratio isa binding minimum requirement in the UK as part of the UK Leverage Ratio Framework. The minimum leverage ratio under UK legislation will be 3.25%, applicable from January 1, 2023, if TDBEL holds foreign assets of equal or greater than GBP 10 MM. The PRA minimum leverage ratio of 3.25% does not currently apply to TDBEL as it does not have retail deposits in excess of the established threshold.

The leverage ratio is monitored weekly and reported to TDBEL ALCO monthly and the TDBEL Board on a quarterly basis.

4.2 Leverage ratio

As per October 31, 2022 TDBEL's leverage ratio stood at 4.7%, as shown in Table 7 below:

Table 7: Leverage ratio

CAD MM	2022	2021
Balance Sheet Assets	19,556	17,751
Off-Balance Sheet Exposure at gross notional amount	870	1,531
Adjustments for conversion to credit equivalent amounts (50%)	(435)	(765)
Derivative Exposure	3,418	1,968
Replacement cost associated with SA-CCR derivatives transactions	2,374	
Potential future exposure contribution under SA-CCR	1,044	
Regular-way purchases and sales awaiting settlement: Accounting value under trade date accounting	0	-
Total Exposure Measure (excluding claims on central banks)	**23,408**	**20,484**
Total exposure measure including claims on central banks	23,408	
Leverage ratio including claims on central banks (%)	4.7%	
Tier 1 Capital	**1,103**	**1,050**
Tier 1 Leverage Ratio (excluding claims on central banks)	**4.7%**	**5.1%**
Regulatory minimum leverage ratio requirement (%)	**3.25%**	**3.0%**

Leverage is TDBEL's binding capital constraint. TDBEL continues to have sufficient levels of capital to support the investment portfolio. Note, the items within the table that have been greyed out in the prior year are due to these reporting elements only being introduced under UK's implementation of Basel Standards, binding from January 01, 2022.

5 CREDIT RISK

5.1 Credit Risk

Credit risk exposure comes from TDBEL’s corporate loan portfolio and investment portfolio, with securities held in the banking book. TDBEL's corporate loan client base are principally borrowers domiciled in the UK, Europe and Australia. TDBEL also has credit risk exposure through the cash it places with TDBG companies.

Credit risk is mitigated by TDBEL’s prudent credit management process combined with its conservative lending strategy.

5.2 Definition of Credit Risk

Credit risk is the risk that the company will incur a loss because its counterparties fail to discharge their contractual obligations. The magnitude of the risk depends on the estimated exposure at default and the creditworthiness of the counterparty.

Counterparty credit risk is assessed separately in Section 5.5.

5.3 Management and Governance

TDBEL adheres to TDBG’s Credit Risk Management Framework, which outlines the internal risk and control structure to manage credit risk and includes risk appetite, policies, processes, limits and governance. The Credit Risk Management Framework is maintained by Risk Management and supports alignment with the risk appetite for credit risk.

Credit risk is managed through centralized control by Risk Management of credit policies that establish and maintain a strategic balance of risk and return by managing credit risk within the Risk Appetite, taking into account business strategies and recognizing the need to create, protect and enhance shareholder value.

TDBEL manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, countries and industries, monitoring exposures in relation to such limits. Counterparty limits are established by the use of a credit risk classification system, managed by TDBG Risk Management Department, which assigns each counterparty a risk rating. Risk ratings are subject to regular review and revision.

The Group approach, adopted by TDBEL, for managing risk to non-retail exposures is further discussed in TDBG Annual Report (p85-87).

5.4 Credit Risk Profile

The following section provides additional detail on TDBEL's credit exposure values. All figures are post credit risk mitigation unless indicated.

5.4.1 Exposure Class

Table 8: Exposure by standardised exposure class

CAD MM	Net value of exposures at the end of the period
Central Governments or Central Banks	8,633
Institutions	657
Corporates	506
Covered Bonds	676
Regional governments or local authorities	2,419
Public sector entities	1,711
Multilateral development banks	4,073
International organisations	1,403

Equity Exposures	0
Other Items	0
Total	**20,078**

5.4.2 Industry Breakdown of Exposures

Table 9: TDBEL Group exposure by industry breakdown

CAD MM	TDBEL						
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
Central Governments or Central Banks	84	8,549	-	-	-	-	**8,633**
Institutions	-	-	657	-	-	-	**657**
Corporates	-	-	-	-	506	-	**506**
Covered Bonds	-	-	676	-	-	-	**676**
Regional governments or local authorities	-	2,419	-	-	-	-	**2,419**
Public sector entities	-	1,711	-	-	-	-	**1,711**
Multilateral development banks	-	-	-	4,073	-	-	**4,073**
International organisations	-	-	-	1,403	-	-	**1,403**
Total	**84**	**12,679**	**1,333**	**5,476**	**506**	**-**	**20,078**

5.4.3 Geographical Breakdown of Exposures

Table 10: TDBEL exposure by geographical breakdown

CAD MM	Central governments or central banks	Regional governments or local authorities	Multilateral Development Banks	International Organisations	Public sector entities	Institutions	Corporates	Covered Bonds	Total
Austria	616	-	-	-	-	-	-	-	**616**
Australia	-	-	-	-	-	-	-	441	**441**
Belgium	282	-	-	-	-	-	-	-	**282**
Switzerland	-	-	-	-	-	-	67	-	**67**
Germany	5,096	1,436	-	-	-	-	-	-	**6,532**
Denmark		183	-	-	-	-	-	-	**183**
Finland	68	372	-	-	-	-	-	-	**440**
France	1,509	-	-	-	1,711	-	83	-	**3,303**
Korea	-	-	-	-	-	66	-	-	**66**
United Kingdom	84	-	-	-	-	-	356	-	**440**
Netherlands	728	-	-	-	-	265	-	-	**993**

Norway	-	388	-	-	-	-	-	79	**467**
Ireland	-	-	-	-	-	0	-	-	**0**
Canada	-	-	-	-	-	217	-	-	**217**
Sweden	251	39	-	-	-	109	-	102	**501**
Singapore	-	-	-	-	-	-	-	53	**53**
Other	0	-	4,073	1,403	-	0	-	-	**5,476**
Total	8,633	2,419	4,073	1,403	1,711	657	506	676	**20,078**

5.4.4 Risk Weight Breakdown of Exposures

Table 11: TDBEL RW breakdown of exposures

CAD MM	0%	2%	10%	20%	50%	100%	150%+	Total
Credit Risk (excluding CCR)	**18,239**	**-**	**676**	**657**	**-**	**506**	**-**	**20,078**
Of which:								
Central governments or central banks	8,633	-	-	-	-	-	-	**8,633**
Regional governments or local authorities	2,419	-	-	-	-	-	-	**2,419**
Multilateral Development Banks	4,073	-	-	-	-	-	-	**4,073**
International Organisations	1,403	-	-	-	-	-	-	**1,403**
Public sector entities	1,711	-	-	-	-	-	-	**1,711**
Institutions	-	-	-	657	-	-	-	**657**
Corporates	-	-		-	-	506	-	**506**
Covered Bonds	-	-	676	-	-	-	-	**676**

5.4.5 Maturity Breakdown of Exposures

Table 12: TDBEL breakdown of exposures by maturity

CAD MM	0 - 3m	3m - 1yr	1yr - 2yrs	2yr - 3yrs	3yr - 5yrs	5yr - 10yrs	No stated maturity	Total
Central Governments or Central Banks	1,783	2,332	2,216	2,061	158	-	84	**8,633**
Institutions	303	75	68	124	-	-	87	**657**
Corporates	-	83	-	-	38	-	385	**506**
Covered Bonds	106	-	269	200	102	-	-	**676**
Regional governments or local authorities	545	316	53	1,352	152	-	-	**2,419**
Public sector entities	306	50	352	878	125	-	-	**1,711**
Multilateral development banks	697	676	811	1,694	195	-	-	**4,073**
International organisations	347	231	68	758	-	-	-	**1,403**
Other Items	-	-	-	-	-	-	-	**-**
Total	**4,086**	**3,761**	**3,837**	**7,067**	**770**	**-**	**469**	**20,078**

5.4.6 Credit Quality of Assets

A loan is classified as past due when a borrower has failed to make a payment by the contractual due date. A loan is considered impaired and migrates to Stage 3 when it is 90 days or more past due, rated Borrower Risk Rating (BRR) 9, or when there is objective evidence that there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. As at October 31, 2022, TDBEL has no past-due or impaired exposures.

5.4.6.1 Impact of IFRS 9

On November 1, 2017, TDBEL adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting.

The key changes arising from the adoption of IFRS 9 are in the Bank's credit losses which are now based on an expected credit loss model ("ECL") rather than an incurred loss model. The ECL is calculated by forecasting the Probability of Default (PD), Loss Given Default ("LGD") and Exposure at Default ("EAD") for each future reporting period, by individual exposure as well as collective reporting lines. All three components are multiplied together, and adjustments applied to reflect any defaults or prepayments in month. The resulting ECL is discounted back using original effective interest rate to the reporting date and summed up.

Borrower Risk Rating ("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.

For more information on the IFRS 9 treatment please see the 2022 TD Bank Europe Limited Report and Audited Financial Statements (p42).

Table 13: Credit quality of performing and non-performing exposures by past due days

CAD MM	Performing			Non-performing						
	Total	Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 5 years	Past due > 5 years	Of which: defaulted
Cash balances at central banks and other demand deposits	248	248	-	-	-	-	-	-	-	-
Debt securities										
General governments	8,354	8,354	-	-	-	-	-	-	-	-
Credit institutions	10,916	10,916	-	-	-	-	-	-	-	-
Loans and advances										
Credit institutions	117	117								
Non-financial corps.	71	71	-	-	-	-	-	-	-	-
Off balance sheet exposures										
Non-financial corps.	870	n/a	n/a	-	-	-	-	-	-	-
Total	**20,576**	**19,706**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 14: Performing and non-performing exposures and related provisions

CAD MM	Gross carrying amount/Nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Performing			Non-performing exposures	Performing exposures			Non-performing exposures
		Of which: Stage 1	Of which: Stage 2			Of which: Stage 1	Of which: Stage 2	
Debt securities								
General governments	8,354	8,354	-	-	(0.0)	(0.0)	-	-
Credit institutions	10,916	10,916	-	-	(0.0)	(0.0)	-	-
Loans and advances								
Credit institutions	117	117	-	-	-	-	-	-
Non-financial corporations	71	71	-	-	(0.0)	(0.0)	-	-
Off balance sheet exposures								
Non-financial corporations	870	750	120	-	(0.9)	(0.1)	(0.8)	-
Total	**20,328**	**20,208**	**120**	**-**	**(0.9)**	**(0.1)**	**(0.8)**	**-**

5.5 Counterparty Credit Risk

5.5.1 Overview

Counterparty credit risk arises from the hedging derivatives booked in the Investment portfolio. In the portfolio FX Forwards are booked to hedge US dollar, Sterling and Euro denominated securities back to the currency of the funding, Canadian dollar. The FX forwards are collateralised to reduce the counterparty credit risk exposure.

5.5.2 Definition

Counterparty credit risk ("CCR") is the risk associated with the counterparty defaulting prior to the final settlement of the derivative contract and therefore cash flow requirements are not fulfilled.

5.5.3 Management and Governance

TDBEL adheres to TDBG's Credit Risk Management Framework and policies that includes counterparty credit risk management. TDBEL has established limits in relation to counterparty credit risk that are aligned to the principles in practice.

Derivative-related credit risk is subject to the same credit approval, limit, monitoring, and exposure guideline standards that TDBEL uses for managing other transactions that create credit risk exposure. These standards include evaluating the creditworthiness of counterparties, measuring and monitoring exposures, including wrong-way risk exposures, and managing the size, diversification, and maturity structure of the portfolios.

Counterparty credit risk is managed through the approval of all credit risk policies. No positions with a client are allowed without an approved credit limit and industry standard trading documentation including ISDA agreements and credit support annex ("CSA"). The portfolio is monitored on a daily basis by the Investment Portfolio desk and reported to TDBEL Senior Management.

The Group approach, adopted by TDBEL, for managing risk exposures is further discussed in TDBG Annual Report p77.

5.5.4 Counterparty Credit Risk Profile

TDBEL calculates the SACCR exposure as a single exposure value at a netting set level, with the contractual netting agreement adhering to requirements as set out in Section 3 of the Counterparty Credit Risk (CRR) chapter of the PRA Rulebook. TDBEL holds solely FX derivative contracts therefore are all under one netting set, with the impact of hedging sets negligible due to structure of the FX forwards (principally all receiving CAD). The PFE add-on for FX risk principally uses the notional position and a supervisory factor to determine an add-on. The agreement is subject to a two-way margin agreement with the variation margin and independent margin incorporated into the SACCR calculation and result in a counterparty credit risk exposure.

Collateral on hedging FX derivatives is in the form of securities, principally Canadian regional government securities. Credit concentrations within credit mitigation taken are monitored daily.

Ordinarily TDBEL does not enter into credit derivative hedge trades or credit derivative trades with or for clients. As at October 31, 2022 TDBEL did not hold any credit derivative hedges.

5.6 Credit Risk and Counterparty Credit Risk Weight Breakdown of Exposures

Table 15: Counterparty and Credit Risk Gross Exposure by CQS

CAD MM	Pre-Credit Risk Mitigation	Post-Credit Risk Mitigation
Central governments or central banks		
CQS		
1	2,814	8,700
Total Exposure Value	**2,814**	**8,700**
Institutions		
CQS		
1	7,229	591
Total Exposure Value	**7,229**	**591**
Corporates		
CQS		
1	-	-
2	-	-
3	941	941
Total Exposure Value	**941**	**941**
Covered Bonds		
CQS		
1	676	676
Total Exposure Value	**676**	**676**
Regional governments or local authorities		
CQS		
1	1,436	2,419
Total Exposure Value	**1,436**	**2,419**
Public sector entities		
CQS		
1	1,941	1,711
Total Exposure Value	**1,941**	**1,711**
Multilateral development banks		
CQS		
1	4,073	4,073
Total Exposure Value	**4,073**	**4,073**
International organisations		

CQS		
1	1,403	1,403
Total Exposure Value	**1,403**	**1,403**
Combined Total Exposure Value	**20,513**	**20,513**

5.7 Use of Mitigation Techniques

TDBEL actively engages in risk mitigation strategies through the use of derivative master netting agreements, collateral pledging and other credit risk mitigation techniques.

The firm has detailed policies in place to ensure that credit mitigation is appropriately recognised and captured for regulatory capital purposes. In order to recognise the credit risk mitigation, the firm considers the following factors:

- Effectiveness and enforceability of the legal arrangements in place;
- Correlation between the value of collateral and the credit quality of the obligor (in TDBEL's case, TDBG);
- Eligibility and quality of the collateral received.

The amount and type of collateral, and other credit risk mitigation techniques required, are based on the Bank's own assessment of the borrower's or counterparty's credit quality and capacity to pay.

Credit risk mitigation techniques include:

- Master netting agreements which enable the TDBEL to apply on/off balance sheet netting to reduce net credit exposure.
- Counterparty credit risk is reviewed to ensure that it continues to satisfy the current risk appetite; if a counterparty's risk becomes unacceptable, credit protection may be purchased where available, or loans may be sold or sub-participated to TDBG.
- Variation Margin based on the mark-to-market of the FX forward contract is transferred between TDBEL and TDBG. TDBG also pledges independent collateral to TDBEL which relates to the potential future credit exposure on the derivatives.
- Collateral received from derivative transactions are government and other high-quality securities. Collateral allocated amount is the collateral mark-to-market value after appropriate volatility adjustments. All financial collateral is subject to daily revaluation.
- Financial guarantees in the form of central or regional government guarantees against financial institutions and Public Sector Entities, are applied by TDBEL to transfer the original credit exposure to a counterparty which is more credit worthy than the original counterparty to reduce the overall credit risk.
- Credit concentrations, including those impacted by credit mitigation taken are monitored by the UK Regulatory Reporting team through its daily monitoring of margin requirements and a weekly large exposure reporting process.

Table 16: TDBEL CRM techniques overview

CAD MM	Exposures unsecured-carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total exposures	20,513	-	-	6,802	-
of which defaulted	-	-	-	-	-

Table 17: Credit risk exposures and Credit Conversion Factor ("CCF") Credit Risk Mitigation ("CRM") effects

CAD MM	Exposure before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Central governments or central banks	2,814	-	8,700	-	-	**0%**
Institutions	7,229	-	591	-	131	**17%**
Corporates	71	870	71	435	506	**73%**
Covered Bonds	676	-	676	-	68	**10%**
Regional governments or local authorities	1,436	-	2,419	-	-	**0%**
Public sector entities	1,941	-	1,711	-	-	**0%**
Multilateral development banks	4,073	-	4,073	-	-	**0%**
International organisations	1,403	-	1,403	-	-	**0%**
Total	**19,642**	**870**	**19,642**	**435**	**705**	**100%**

5.8 Credit Valuation Adjustment

As at October 31, 2022, the firm's regulatory capital charge for Credit Valuation Adjustment ("CVA") was CAD 3 MM. As at October 31, 2021, this was nil due to there being no residual derivative exposure under the Marked-to-Market method applied in the calculation of derivative exposure. Since the introduction of SACCR, despite the independent margin there is now a residual derivative exposure, thus resulting in a CVA capital charge.

CVA calculation is calculated based on the Standardised method (PRA Rulebook CRR Article 384).

6 Market Risk

6.1 Overview

The primary potential market risk parameter affecting TDBEL is FX risk. The loan book is match funded by currency and investment portfolio bonds are accounted for through amortised cost. The investment portfolio also includes FX forwards to hedge the currency mismatch between Euro, Sterling and US dollar assets funded in Canadian dollar. Therefore, all FX risk is effectively hedged in TDBEL. Nevertheless, some balance sheet exposure remains in TDBEL due to gaps between assets and liabilities in each non-reporting currency.

Non-trading FX risk derives from two primary sources:

1. unhedged profit and loss in the year. Profit and loss accounts are hedged on an annual basis, at year end. This means that over the course of the year profit and losses accrue in different currencies creating an FX risk. Any unhedged expense balances would be hedged by the Wholesale Bank Treasury team, as per the internal policy, to avoid material FX risk in the subsidiaries.
2. Investment Portfolio securities purchased at a premium or discount where cashflows from the associated FX forwards do not fully extinguish the respective security cashflows at par.

6.2 Definition of Market Risk

Market risk is defined as the potential for loss from changes in the value of financial instruments. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices.

6.3 Management and Governance

TDBEL adheres to TDBG's Market Risk Management Framework and policies in a way that is proportionate to the business model. TDBEL does not contain a trading book and therefore does not trade assets in scope for market risk.

6.4 Market Risk Profile

The table below outlines TDBEL's exposure to the market risk types as well as the associated own funds requirement.

Table 18: Market Risk exposure breakdown and own funds requirements

	Exposure	Own funds requirement
Position Risks in Traded Debt Instruments	-	-
Commodities Position Risk	-	-
Equity Specific Risk	-	-
FX	386	31
Total	**386**	**31**

7 OPERATIONAL RISK

7.1 Overview

TD requires the first line of defence to identify operational risks in relation to their business activities and establish appropriate controls. The effectiveness of controls is subject to independent review and validation. The identified operational risks are documented in the TDBEL risk register, which enables management to understand the risk that TDBEL is exposed to on a residual basis given the controls and mitigating processes in place.

As per section 10, TDBEL does not include Legal and Regulatory Compliance Risk or Reputational Risk under operational risk but assesses these as separate major risks facing the business. TDBEL assesses these risks as part of the ICAAP process and further information is included in the 2022 TD Bank Annual Report.

There have been no material operational risk events resulting in losses or gains in TDBEL.

7.2 Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or technology, or from human activities, or from external events

7.3 Management and Governance

TDBEL operates under the Europe and Asia Pacific Operational Risk Management Framework which defines the approach and structures for managing operational risk in accordance with the principles of TDBG Operational Risk Management Framework.

Management reporting and organisational structures emphasize accountability, ownership, and effective oversight of each business unit and each corporate area's operational risk exposures. In addition, the expectations of TDBG Risk Committee and senior management for managing operational risk are set out by enterprise-wide policies and practices.

The Europe and Asia Pacific Framework facilitates appropriate monitoring and reporting to senior management and the Board of TDBEL who receives, on a quarterly basis, an Operational Risk Dashboard and Risk Appetite Statement Dashboard. TDBG's Framework further facilitates appropriate reporting to the Operational Risk Oversight Committee and the Risk Committee of TDBG Board, regarding operational risk exposures across TDBG.

Risk and Control Self-Assessment ("RCSA")

TDBEL is subject to TDBG RCSA process to evaluate internal control effectiveness. Internal controls are one of the primary methods of safeguarding the employees, customers, assets, and information, and in preventing and detecting errors and fraud. Management undertakes comprehensive assessments of key risk exposures and the internal controls in place to reduce or offset these risks. Senior management reviews the results of these evaluations to determine that risk management and internal controls are effective, appropriate, and compliant with the company's policies.

The results of the TDBEL RCSAs are recorded in the respective risk register. This facilitates management understanding of the risks TDBEL is exposed to on a residual basis given the controls and mitigating processes in place. The risk register also informs scenario analysis that is undertaken as part of the ICAAP process.

Operational Risk Event Monitoring

In order to reduce the TDBEL exposure to future loss, it is critical that the company remains aware of and responds to its own and industry operational risks. TDBEL's policies and processes require that operational risk events be identified, tracked, and reported to the appropriate level of management to facilitate the company's analysis and management of its risks and inform the assessment of suitable corrective and preventative action. TDBEL also reviews, analyses and benchmarks TD against operational risk losses that have occurred at other financial institutions using information acquired through recognized industry data providers.

Scenario Analysis

Scenario Analysis is a systematic and repeatable process used to assess the likelihood and loss impact for significant operational risk events. TDBEL applies this practice to meet risk measurement and risk management objectives. The process includes the use of relevant external operational loss event data that is assessed considering the company's operational risk profile and control structure. The program raises awareness and educates business owners regarding existing and emerging risks, which may result in the identification and implementation of risk mitigation action plans to minimize tail risk.

8 LIQUIDITY RISK

8.1 Overview

To guarantee resilience of a firms liquidity profile, Basel III introduced the LCR and NSFR measure. The PRA Rulebook Liquidity Coverage Ratio (CRR) chapter states that institutions should hold liquid assets that cover net outflows under stressed conditions over a period of 30 days. TDBEL has been required to comply with the PRA's implementation of the LCR from October 1, 2015.

Liquidity management activities are designed to safeguard TDBEL against stresses, and to ensure the safety and soundness of the organisation.

8.2 Definition

Liquidity risk is the risk that the institution is unable to generate or obtain sufficient liquidity in a timely manner to meet contractual and contingent commitments as they become due or from being unable to do so at a sustainable cost.

8.3 Management and Governance

The approach to liquidity risk management of TDBEL seeks to achieve the following key objectives:

- Constantly maintain sufficient stock of high-quality liquid assets to ensure adequate liquidity coverage across the UK Group to manage normal ongoing operations as well as to allow the company to operate through a severe combined stress scenario ("SCSS") within set management and regulatory limits;
- Assess regularly the TDBEL's exposure to material liquidity risks and;
- Ensure an effective contingency funding process is in place to be able to address liquidity events if/when they occur including mechanisms for monetization of liquid assets.

TDBEL Liquidity Risk Management policy sets out the TDBEL's liquidity risk strategy, governance framework, management responsibilities, compliance procedures and contingency funding plan. This regional liquidity policy ensures strict adherence to local regulatory liquidity requirements and reporting standards.

Furthermore, TDBEL conducts an annual ILAAP process, which outlines the liquidity systems and controls of TDBEL, as well as the drivers of liquidity risk.

The key drivers of liquidity risk in TDBEL are undrawn commitments and their potential drawdown in the event that the usual funding channel (i.e., match-funding from TDBG) is unavailable. TDBEL holds a liquid asset buffer to cover this eventuality, in 2022, the buffer range was at circa. CAD 18 BN.

The primary internal measure of liquidity is 90-day stressed liquidity position, which forecasts stressed outflows (and inflows) over a 90-day horizon, ensuring the entity has sufficient HQLA to maintain a positive cumulative position over the survival horizon. It ensures the firm could survive by drawing down its liquid asset buffer under stress conditions that include the inability to obtain liquidity from the usual funding channel.

The liquidity position is monitored weekly and reported to TDBEL ALCO monthly and the Board of TDBEL on a quarterly basis.

8.4 Liquidity Policy and Contingent Funding Plan

The TDBEL Liquidity Risk Management policy details the liquidity crisis stages and the associated escalation procedures and call trees for the TDBEL. The TDBEL Recovery Plan provides further detail on the actions that TDBEL could take in a liquidity crisis.

8.5 Liquidity Responsibility

TDBEL's liquidity management is the responsibility of TDBEL's Board. The Board are kept apprised of the liquidity position with regard to its regulatory limits on a quarterly basis and are made aware of any related issues.

The CFO, Europe is responsible for local regulatory reporting and monitors TDBEL's regulatory compliance with the following limits:

Figure 3: Liquidity limits

Limit	Minimum	Frequency of monitoring
LCR Ratio	100%	Monthly Returns/weekly Monitoring
NSFR Ratio	100%	Quarterly Returns/ monthly Monitoring

The CFO, Europe is also responsible for reporting the position, vis-à-vis all management limits, to local stakeholders and applicable committees, plus reporting changes in the early warning indicators.

8.6 HQLA

The TDBEL liquid asset buffer is comprised of High-quality Liquid Assets ("HQLA") held in the form of Euro, Sterling and USD denominated securities and a Sterling reserve account with the Bank of England.

8.7 Funding

TDBEL does not issue external debt and is primarily funded via equity and inter-company unsecured borrowings.

As detailed previously, TDBEL match-funds its loans by borrowing from TDBG's London Branch. With regard to the corporate loan portfolio, the funding is provided for the term of the loan, in the same currency, and with the same reset dates for interest rate resets as the corporate loan. The commitment to provide funding and the charges for the funding are set by the intra-group funding agreements. The securities in the investment portfolio are funded by a subsidiary of TDBG, which is also supported by an intra-group funding agreement.

8.8 Stress Testing

A key part of monitoring the liquid asset buffer is stress testing. The 90-day Stressed Liquidity Position is the estimation of the liquidity available over a 90-day horizon to support the stress conditions generated from the latest ILAAP. TDBG internal threshold is a 90-day stress survival horizon under the Severe Combined Stress Scenario ("SCSS") scenario. Further details on the role of stress testing in managing liquidity risk could be found in the TDBG 2022 Annual Report (p96).

8.9 Liquidity Coverage Ratio (LCR) and Net Stable Funding Ration (NSFR)

As at October 31, 2022, TDBEL was in compliance with its regulatory and internal liquidity requirements. The liquidity position is included in the simplified LCR disclosure requirements shown in Table 19 below.

Table 19: Liquidity Risk Profile

CAD MM	Oct-22	Jul-22	Apr-22	Jan-22	Oct-21
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value - average)	18,093	18,024	17,526	17,650	17,258
Cash outflows - Total weighted value	241	207	289	602	381
Cash inflows - Total weighted value	181	155	217	293	285
Total net cash outflows (adjusted value)	60	52	72	310	95
Liquidity coverage ratio (%)	**29,989%**	**34,805%**	**24,252%**	**5,702%**	**18,136%**

Net Stable Funding Ratio					
Total available stable funding	21,073	21,002	20,200	19,125	18,892
Total required stable funding	254	215	251	288	2,361
NSFR ratio (%)	**8307%**	**9756%**	**8043%**	**6637%**	**800%**

Simultaneous with the LCR, the Basel Committee introduced the NSFR with the objective to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. The amount of stable funding divided by the required amount of stable funding should have a minimum ratio of 100%. TDBEL's NSFR as per October 31, 2022 stood at 8307%. This is monitored under binding of UK legislation, introduced as of January 01, 2022.

8.10 Unencumbered Assets

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

Table 20 below outlines the carrying and fair value of certain assets of the company split between those encumbered and unencumbered.

The primary source of asset encumbrance is the pledging of collateral based upon the two-way margin agreement of the derivative ISDA. The market value of the derivative positions meant that no collateral was pledged in the derivative transactions in financial year 2022.

Table 20: TDBEL Analysis of Assets

CAD MM	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the Company	-	-	21,411	21,411
Equity Investments	-	-	-	-
Debt Securities	-	-	19,270	18,146
Other Assets	-	-	2,141	2,141

9 OTHER RISKS

9.1 Interest Rate Risk in the Banking Book

Interest rate risk in the Banking Book is the impact that changes in interest rates could have on margins, earnings and economic value. No detailed disclosures are included in this Pillar 3 document as IRRBB is not considered a material risk for TDBEL.

TDBEL has minimal interest rate risk in its loan portfolio as all of the loans are match-funded. TDBEL has a policy to match-fund all facility drawdowns with borrowings from TDBG, with funding provided until maturity and interest rate reset dates in line with the loan re-pricing dates. Therefore, TDBEL has de minimis interest rate mismatches (gap risk) in its portfolio. However, circa. 5% of the investment portfolio is funded by capital, which has no associated term and thus results in an interest rate mismatch, but this not of a material level and management are comfortable with the exposure. The basis and option risk on the loans is considered to be minimal.

The Investment Portfolio does have minimal IRRBB risk and residual funding/investment mismatches, but these residual mismatches are modest with respect to the scale of the portfolio. Based on the reinvestment of overnight cash into term securities in the year, this resulted in an uplift in EVE and thus a rise in IRRBB in the entity. However, still not considered a material risk for TDBEL.

9.2 Wrong Way Risk

There are two types of wrong-way risk exposures, namely general and specific.

- General wrong-way risk arises when the Probability of Default ("PD") of the counterparties moves in the same direction as a given market risk factor.

- Specific wrong-way risk arises when the exposure to a particular counterparty moves in the same direction as the PD of the counterparty due to the nature of the transactions entered into with that counterparty.

These exposures require specific approval within the credit approval process. TDBEL measures and manages specific wrong-way risk exposures in the same manner as direct loan obligations and controls them by way of approved credit facility limits. As part of the credit risk monitoring process, management meets on a periodic basis to review all exposures.

9.3 Regulatory Risk

Regulatory risk is the risk of failing to comply with regulatory and comparable requirements. As the risk of regulatory fines through accidental errors or misconduct is considered as part of operational risk (section 7), the focus here is on the risk of material changes to regulations resulting in the prohibition of certain business activities or onerous and expensive new requirements.

TDBEL recognises that the financial services industry is closely regulated and that the management of a financial services business is expected to meet high standards in all business dealings and transactions, even with the volume and rapidity of regulatory change in the industry. Financial penalties, unfavourable regulatory judgments and other costs may also adversely affect the earnings of TDBEL.

Enterprise-wide management of regulatory risk is carried out through the Legislative Compliance Management program ("LCM") run by the Compliance department of TDBG. Through LCM, legislative requirements and associated key controls are assessed across the organisation, using a risk-based approach. Where any gaps are identified, action plans are implemented and are tracked on a regular basis. Business senior management must attest annually in writing as to compliance with applicable legislative requirements and measures taken to address gaps. Based upon these attestations, the Chief Compliance Officer provides an annual LCM certification to the Audit Committee of the Board of TDBG.

The Board is aware of the regulatory risk associated to the UK's transition to the UK legislation from EU legislation. This risk is being closely monitored as TDBEL prepares for the changes in law, rules and regulation.

Overall, the Board does not foresee any impediments to TDBEL's ability to meet all regulatory requirements that are proportionate to the nature, scale, and complexity of its businesses.

9.4 Reputational Risk

Reputational risk is the potential that negative publicity, whether true or not, regarding an institution's business practices, actions or inactions, will or may cause a decline in the institution's value, liquidity or customer base. It may be related to customer satisfaction risk (the risk that customers are not satisfied with the products or services) or to public relations risk (the risk of not effectively maintaining a positive public image).

TDBEL recognises that a reputation is a valuable business asset in its own right, essential to optimising shareholder value and is constantly at risk. All risks may have an impact on reputation, which in turn may impact the brand, earnings and capital. Credit, market, operational, liquidity, regulatory and legal risks must all be managed effectively in order to safeguard TDBG's reputation.

Reputational risk is assessed at the business segment level by the TDS Reputational Risk Management Committee and at TDBG level by the enterprise Reputational Risk Committee. These committees ensure that corporate or business initiatives with significant reputational risk profiles have received adequate review for reputational risk implications prior to implementation.

It is the Board's opinion that substantial reputational risk does not arise in TDBEL's business, as they have no retail clients, deal with standard products and conduct limited business activities.

9.5 Climate Risk

TDBG recognises climate change as a transverse risk and defines Climate Risk as the risk of reputational damage and/or financial loss arising from materialised credit, market, operational and other risks resulting from the physical and transition risks of climate change to TDBG, its clients or the communities the Bank operates in.

For TDBG, climate risk, as an integral component of Environmental & Social Risk (E&S risk) is a top risk as climate change presents a critical environmental and business challenge and will require significant effort over the long term to help economies transition successfully to a low-carbon future. The global Climate Action Plan that TDBG published on November 9, 2020, further strengthens the firm's commitment to environmental leadership and a more sustainable future for all stakeholders.

TDBG has strategies in place that outline the firm's approach and guiding principles to environmental and social risk, including managing the risks arising from climate change. Further details can be found in the TDBG Environmental, Social and Governance report: https://www.td.com/document/PDF/ESG/2021-ESG-Report.pdf , p109-110 of the TD Bank 2022 Annual Report, and in the TDBG Climate Action Plan https://www.td.com/document/PDF/ESG/2021-Climate-Action-Report.pdf. The TDBG Climate Action Plan includes a target for the Bank to achieve net zero Greenhouse Gas Emission (GHG) emissions associated with its operations and financing activities by 2050. A 3-year strategic roadmap to calculate, manage and disclose financed emissions has been established for the Bank, and in 2022, Greenhouse Gas Emission Targets for the Energy and Power Generation sectors were disclosed at a TDBG-level.

TDBG in the UK has recognised the CRO, Europe & Asia Pacific (EAP) as the Senior Management Function responsible for climate change risk. TDBEL falls within this remit and through 2022 the process to identify, monitor, and report on financial exposures related to climate change risk continued to evolve. Climate change risk is integrated into the local risk management framework, which includes reporting to management and executive risk committees and the Board of TDBEL. WIt is recognised that transitional climate change risks manifest principally in the corporate loan portfolio and have been assessed in the firm's ICAAP. For this purpose, TDBEL has adopted a version of the TDBG's practices on assessing and managing strategic risk from climate change. Stress testing specific to climate change risk in TDBEL is aligned where applicable to the biennial climate scenario published by the Bank of England in 2021. The ICAAP includes a climate related scenario, which concludes this is not a material risk to TDBEL. Management is satisfied that the current ICAAP assessment covers relevant stress scenarios impacting the portfolio such as modelling the economic impacts. Additionally, the methodology broadly illustrates the extent of correlated risks in the portfolio as it relates to climate risk and as such, it is a useful approach to signal potential areas for further investigation and could act as an early warning indicator if the risks appear to be large.

Financial risk exposures arising from climate change risk factors have been identified in the TDBEL corporate loan portfolio. This includes the identification of all borrowers operating in high-risk / carbon intensive sectors, borrowers with susceptibility to and / or high exposure to climate change risk factors and those borrowers operating in industries for which targets have been set to meet 2050 net zero GHG (energy and power),All counterparties are assigned an Environmental & Social Risk Rating ("ESRR") assessment as a pre-condition of the credit review process. and is refreshed annually at a minimum. This assessment triggers additional risk due diligence, escalation and governance, according to established standards. Escalation may trigger engagement of the Reputational Risk Committee. and may lead to a deal being declined. The TDBEL Board is informed on a quarterly basis of any TDBEL corporate names subject to expanded due diligence or escalation. An additional Climate Risk specific Environmental Risk rating (“ERR”) is provided to support the overall ESRR, which provides additional insight into climate-specific risk drivers, enabling better understanding of the concentration of Climate risk across industries.

TDBG calculates the carbon intensity of TDS direct lending relationships at a portfolio level, including TDBEL's corporate lending portfolio. In some cases, client data and public disclosures are granular enough for TDBG to provide client-specific measures to the relationship. In other cases, where client data is limited, TD must use industry data, and supplement it with additional assumptions. This allows TD to calculate the Weighted Average Carbon Intensity ("WACI") for each relationship and at a portfolio level. The WACI measures the carbon intensity of businesses rather than total carbon emissions and estimates the number of Tonnes of carbon dioxide emissions per USD $1 million of revenue. The methodology is aligned to the recommendations from the Taskforce for Climate Related Financial Disclosures ("TCFD") and leverages industry and borrower data supplied by S&P Trucost. WACI data is refreshed quarterly and used for internal reporting purposes

While TDBEL understands that at the reporting date there are no mandatory Pillar 3 disclosure requirements for climate change risk, it is a risk that that is being monitored through metrics internally. The firm will continue to monitor the PRA’s standards and expectations on Pillar 3 disclosure requirements as they evolve. The Board continues to review the firm’s integration of climate risk into its risk management framework in accordance with evolving regulatory requirements.

It is noted that Scope 1 and Scope 2 disclosures are presented in the TDBEL Strategic Report.

10 REMUNERATION

10.1 Compensation Governance

Remuneration Governance Standard

The International Remuneration Committee provides broad regional oversight over remuneration for TD Securities employees in Europe and Asia-Pacific. In fiscal 2021, TDBEL established its own Board Remuneration Committee to meet regulatory requirements and to assist the Board in fulfilling its governance and oversight responsibilities in relation to remuneration policy, practices and awards; and any other matters as directed by the Board.

The TDBEL Remuneration Committee has responsibility for effective oversight of remuneration policy and practices within TDBEL, in particular, ensuring that remuneration and compensation practices are:

- Aligned with the business and compensation strategy;
- Consistent with risk strategy;
- Compliant with applicable law, regulation, and prudential rules; and,
- Enable TDBEL to attract, retain and motivate high performing personnel, to create sustainable value for the shareholder over the long-term and take into account the interests of other long-term stakeholders.

As part of the oversight responsibilities, the Committee annually reviews and approves the Remuneration Policy which includes a summary of the remuneration policies, procedures, and related governance processes applicable to TDBEL employees. The Committee is also responsible for annually reviewing and approving: the listing of TDBEL Material Risk Takers; individual remuneration for TDBEL Material Risk Takers; and the aggregate incentive awards for TDBEL employees, and any other matters as directed by the Board.

Link between pay and performance

The objective of the bank's compensation strategy is to attract, retain and motivate high performing personnel to create sustainable value for shareholders over the long term. To achieve this objectives, TDBEL's remuneration plans and policies: align with business and talent strategies; promote sound and effective risk management and discourage excessive risk taking; align with shareholder interests; promote good corporate governance; ensure clear relationships between pay and performance; and ensure TDBEL pays market competitively.

For further information on TDBEL remuneration practices please refer to the TD Securities London 2022 Remuneration Disclosure dated 31 October 2022 https://www.tdsecurities.com/tds/document/2022-TDS-UK-Disclosure

11 Appendix 1

11.1 Key Metrics

Table 21: Key Metrics

Key Metrics as at October 2022	2022	2021
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	1,103	1,050
Tier 1 capital	1,103	1,050
Total capital	1,103	1,050
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	1,261	1,096
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	87%	96%
Tier 1 ratio (%)	87%	96%
Total capital ratio (%)	87%	96%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Total SREP own funds requirements (%)	13.0%	13.0%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
Institution specific countercyclical capital buffer (%)	0.04%	0.01%
Systemic risk buffer (%)	-	-
Global Systemically Important Institution buffer (%)	-	-
Other Systemically Important Institution buffer	-	-
Combined buffer requirement (%)	2.5%	2.5%
Overall capital requirements (%)	**23.5%**	**23.5%**
Leverage ratio		
Total exposure measure excluding claims on central banks	23,408	20,484
Leverage ratio excluding claims on central banks (%)	**4.7%**	**5.1%**
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	18,093	17,258
Cash outflows - Total weighted value	241	381
Cash inflows - Total weighted value	181	285
Total net cash outflows (adjusted value)	60	95
Liquidity coverage ratio (%)	**29989%**	**18136%**
Net Stable Funding Ratio		
Total available stable funding	21,073	18,892
Total required stable funding	254	2,361
NSFR ratio (%)	**8307%**	**800%**

11.2 Own Funds

Table 22: Capital instrument features

	Disclosure template for main features of regulatory capital instruments	CET1
1	Issuer	Toronto-Dominion Bank Europe Ltd
2	Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	English
	Regulatory treatment	
4	Transitional Basel III rules	CET1
5	Post-transitional Basel III rules	CET1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	1,103
9	Par value of instrument	CAD 1.56
10	Accounting classification	Shareholder equity
11	Original date of issuance	27 July 1992
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
17	*Coupons/dividends*	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of a step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-down mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A