

**ANNUAL INFORMATION FORM**



**The Toronto-Dominion Bank**

Toronto-Dominion Centre

Toronto, Ontario, Canada

M5K 1A2

December 8, 2005

## Documents Incorporated by Reference

Portions of the Annual Information Form (“AIF”) are disclosed in the Annual Report to Shareholders for the year ended October 31, 2005 (“Annual Report”) and are incorporated by reference into the AIF.

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Unless otherwise specified, this AIF presents information as at October 31, 2005.

## Caution regarding Forward-Looking Statements

From time to time, The Toronto-Dominion Bank (the “Bank”) makes written and oral forward-looking statements, including in this Annual Information Form, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. All such statements are made pursuant to the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements regarding the Bank’s objectives and targets and strategies to achieve them, the outlook for the Bank’s business lines, and the Bank’s anticipated financial performance. Forward-looking statements are typically identified by words such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “may” and “could”. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors that could cause such differences include: the credit, market, liquidity, interest rate, operational, reputational and other risks discussed in the management discussion and analysis section of the Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the United States and other countries in which the Bank conducts business, as well as the effect of changes in monetary policy in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; legislative and regulatory developments; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; expanding existing distribution channels; developing new distribution channels and realizing increased revenue from these channels, including electronic commerce-based efforts; the Bank’s ability to execute its growth and acquisition strategies including those of its subsidiaries; changes in accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital market activity; consolidation in the Canadian financial services sector; the Bank’s ability to attract and retain key executives; reliance on third parties to provide components of the Bank’s business infrastructure; technological changes; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the United States securities litigation environment; unexpected changes in consumer spending and saving habits; the possible impact on the Bank’s businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, communications, power or water supply; and management’s ability to anticipate and manage the risks associated with these factors and execute the Bank’s strategies. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank’s financial results, businesses, financial condition or liquidity. The preceding list is not exhaustive of all possible factors. Other factors could also adversely affect the Bank’s results. For more information, please see the discussion starting on page 56 of the Annual Report concerning the effect certain key factors could have on actual results. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank’s forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Toronto-Dominion Bank (the "Bank") and its subsidiaries are collectively known as "TD Bank Financial Group". The Bank, a Schedule 1 chartered bank subject to the provisions of the Bank Act of Canada (the "Bank Act"), was formed on February 1, 1955 through the amalgamation of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). The Bank's head office is located at Toronto-Dominion Centre, King Street West and Bay Street, Toronto, Ontario, M5K 1A2.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

As at October 31, 2005, the Bank was the third largest Canadian bank in terms of market capitalization. From 2002 to 2005, the Bank's assets have grown on average 9.8% annually to a total of \$365.2 billion at the end of fiscal 2005. TD Bank Financial Group serves more than 14 million customers in four key businesses operating in a number of locations in key financial centres around the globe: Canadian Personal and Commercial Banking including TD Canada Trust; Wealth Management including TD Waterhouse; Wholesale Banking, including TD Securities; and U.S. Personal and Commercial Banking through TD Banknorth. TD Bank Financial Group also ranks among the world's leading on-line financial services firms, with more than 4.5 million on-line customers. For additional information on the Bank's businesses, see pages 25 - 39 of the Annual Report.

In the first half of fiscal 2003, the Bank restructured the international wealth management business of TD Waterhouse. Restructuring plans included: streamlining of TD Waterhouse International's United Kingdom operations; steps taken regarding strategic initiatives such as joint ventures in India, Singapore, Hong Kong and Luxembourg; and the sale of TD Waterhouse discount brokerage operations in Australia. The Bank also announced the restructuring of its U.S. equity options business. The Bank exited the options trading business in Philadelphia and San Francisco but continues to have a strong presence on the Chicago and American stock exchanges.

On October 31, 2003, the Bank acquired 57 Laurentian Bank branches in Ontario and Western Canada and their related regional and administrative support areas. The acquisition included a loan portfolio of approximately \$2.0 billion and a deposit portfolio of approximately \$1.9 billion. Laurentian Bank Visa card accounts were excluded. The Laurentian Bank customers, branches and related support areas have been largely merged into TD Canada Trust.

On January 20, 2004, Meloche Monnex Inc., an affiliate of the Bank, announced the signing of an agreement to acquire the Canadian personal lines property and casualty operations (automobile and homeowners insurance) of Boston-based Liberty Mutual Group. Meloche Monnex is Canada's largest direct-response property and casualty insurer and one of the country's top three property and casualty insurers in personal lines, with a total of \$1.7 billion in written premiums. The transaction closed in April 2004.

On March 1, 2005, the Bank completed the transaction to acquire a 51% stake in Banknorth Group, Inc. to create TD Banknorth. TD Banknorth is a U.S.-based personal, small business, and commercial banking business which offers a wide range of services including savings and chequing accounts, mortgages, credit cards, lines of credit, insurance, investment planning and wealth management services. TD Banknorth operates in New England and upstate New York through over 400 branches and 550 ATMs, also offering online banking services.

During March 2005, TD Banknorth completed a share repurchase of 15.3 million shares. As a result of this share repurchase, the Bank increased its ownership of TD Banknorth by 4.5% to 55.5%.

At the end of the second quarter of 2005, a strategic decision was made to reposition the global capital markets businesses, reducing the focus on the less profitable and more complex products in order to dedicate resources on growing the more profitable parts of the business.

On June 22, 2005 the Bank announced its intention to sell its U.S. brokerage business, TD Waterhouse U.S.A. to Ameritrade Holding Corporation in exchange for approximately a 32% ownership in the combined legal entity. As part of the transaction, promptly after closing the Bank has agreed to tender for an additional 7.9% of the shares which, if successful, would bring the Bank's total holdings to 39.9%. The new entity will operate under the name TD Ameritrade. The transaction is currently expected to result in a net gain on sale of approximately U.S.\$900 million after-tax subject to the value of Ameritrade's share price at closing. The Bank intends to account for its investment in TD Ameritrade using the equity method of accounting. Also on June 22, 2005, the Bank announced its intention to purchase 100% of Ameritrade's Canadian brokerage operations for U.S.\$60 million cash consideration. Both transactions are expected to close early in calendar 2006 subject to Canadian and U.S. regulatory approvals and Ameritrade shareholder approval.

On July 12, 2005, TD Banknorth announced an agreement to acquire Hudson United Bancorp ("Hudson") for total consideration of approximately U.S.\$1.9 billion, consisting of cash consideration of approximately U.S.\$950 million and the remainder in TD Banknorth common shares. The cash consideration is to be funded by the sale of TD Banknorth common shares to the Bank. The transaction is expected to close early in calendar 2006 and is subject to approvals by shareholders of Hudson and TD Banknorth as well as regulatory approvals. TD Banknorth will consolidate the financial results of Hudson. On a proforma basis, based on the number of TD Banknorth shares outstanding on June 30, 2005, the Bank's proportionate ownership interest in TD Banknorth will decrease slightly after giving effect to the transaction which will result in an approximate \$80 million dilution loss. The Bank also announced its intention to at least maintain its ownership of TD Banknorth at the level prior to the acquisition of Hudson through TD Banknorth share repurchases or open market purchases, in each case subject to regulatory requirements, or to potentially increase its position as market conditions warrant.

## **DESCRIPTION OF THE BUSINESS**

### **Competition**

The Bank is subject to intense competition in all aspects and areas of its business from banks and other domestic and foreign financial institutions and from non-financial institutions, including retail stores that maintain their own personal credit programs and governmental agencies that make available loans to certain borrowers. Competition has increased in recent years in many areas in which the Bank operates, in substantial part because other types of financial institutions and other entities have begun to engage in activities traditionally engaged in only by banks. Many of these competitors are not subject to regulation as extensive as that under the Bank Act and, thus, may have competitive advantages over the Bank in certain respects.

### **Average Number of Employees**

In fiscal 2005, the Bank had an average number of employees of 50,991.

### **Reorganizations (within the last three years)**

Pursuant to the Sale and Purchase Agreement with Ameritrade (described in more detail under the heading "Material Contracts" on page 13), TD Waterhouse Group, Inc., also referred to as TD Waterhouse, agreed to conduct a reorganization in which it would transfer its Canadian retail securities brokerage business and TD Waterhouse Bank, N.A. to the Bank such that at the time of the consummation of the Ameritrade share purchase, TD Waterhouse would retain only its United States retail securities brokerage business. TD Waterhouse also agreed to distribute to the Bank any excess capital of TD Waterhouse above certain thresholds prior to the consummation of the Ameritrade share purchase.

## Risk Factors

Financial services involves prudently taking risks in order to generate profitable growth. The Bank's goal is to earn stable and sustainable returns from its various businesses while managing risks within acceptable limits. The businesses thoroughly examine the various risks to which they are exposed and assess the impact and likelihood of those risks. The Bank responds by developing business and risk management strategies for the various business units taking into consideration the risks and business environment in which they operate.

The Bank is exposed to a broad number of risks that have been identified and defined in the Enterprise Risk Framework. These risks include: credit risk, market risk, operational risk, insurance risk, regulatory and legal risk, reputational risk and liquidity risk. This framework forms the foundation for the setting of appropriate risk oversight processes and the consistent communication and reporting of key risks that could have an impact on the achievement of the business objectives and strategies.

Industry and Bank-specific risks and uncertainties may impact materially on the Bank's future results. Industry risks include general business and economic conditions in the regions in which the Bank conducts business, currency rates, monetary policies of the Bank of Canada and Federal Reserve System in the United States, level of competition, changes in laws and regulations, legal proceedings, and accuracy and completeness of information on customers and counterparties. Bank-specific risks include the Bank's ability to adapt products and services to evolving industry standards, its ability to successfully complete and integrate acquisitions, its ability to attract and retain key executives and the disruption of key components of the Bank's business infrastructure.

Further explanation of the types of risks cited above and the ways in which the Bank manages them can be found in the Management Discussion and Analysis in pages 56 - 66 of the Annual Report, which are incorporated by reference. The Bank cautions that the preceding discussion of risk is not exhaustive. When considering whether to purchase securities of the Bank, investors and others should carefully consider these factors as well as other uncertainties, potential events and industry- and Bank-specific factors that may adversely impact the Bank's future results.

## DIVIDENDS

### Dividends per Share

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Common Shares	\$1.58	\$1.36	\$1.16
Preferred Shares			
Series G	-	-	U.S.\$0.68
Series H	-	\$0.90	\$1.78
Series I	\$0.04	\$0.04	\$0.04
Series J	\$1.28	\$1.28	\$1.28
Series K	-	-	\$0.47
Series L	-	-	U.S.\$0.41
Series M	\$1.18	\$1.18	\$0.86
Series N	\$1.15	\$1.15	\$0.58

On February 3, 2003, the Bank redeemed all its 6,000,000 outstanding Class A First Preferred Shares, Series K and L.

On February 3, 2003, the Bank issued 14,000,000 Class A First Preferred Shares, Series M.

On April 30, 2003, the Bank issued 8,000,000 Class A First Preferred Shares, Series N.

On May 1, 2003, the Bank redeemed all its 7,000,000 outstanding Class A First Preferred Shares, Series G.

On May 3, 2004, the Bank redeemed all its 9,000,000 outstanding Class A First Preferred Shares, Series H.

On October 31, 2005, the Bank redeemed all its 16,383,935 outstanding Class A First Preferred Shares, Series J.

On November 1, 2005, the Bank issued 17,000,000 Class A First Preferred Shares, Series O. The Series O Preferred Shares will pay a dividend of \$0.299803 per share on January 31, 2006 and commencing January 31, 2006, quarterly cash dividends will be \$0.303125 per share.

## **CAPITAL STRUCTURE**

### **Common Shares**

The authorized common share capital of the Bank consists of an unlimited number of common shares without nominal or par value. The holders of common shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of common shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the holders of the preferred shares of the Bank. After payment to the holders of the preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of common shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof.

### **Preferred Shares**

The Class A First Preferred Shares (the "Preferred Shares") of the Bank may be issued from time to time, in one or more series, with such rights, privileges, restrictions and conditions as the Board of Directors of the Bank may determine.

The Preferred Shares rank prior to the common shares and to any other shares of the Bank ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank. Each series of Preferred Shares ranks on a parity with every other series of Preferred Shares.

In the event of the liquidation, dissolution or winding-up of the Bank, before any amounts shall be paid to or any assets distributed among the holders of the common shares or shares of any other class of the Bank ranking junior to the Preferred Shares, the holder of a Preferred Share of a series shall be entitled to receive to the extent provided for with respect to such Preferred Shares by the conditions attaching to such series: (i) an amount equal to the amount paid up thereon; (ii) such premium, if any, as has been provided for with respect to the Preferred Shares of such series; and (iii) all unpaid cumulative dividends, if any, on such Preferred Shares and, in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends. After payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Bank. Each series of Preferred Shares ranks equally with every other series of Preferred Shares.

There are no voting rights attaching to the Preferred Shares except to the extent provided for by any series or by the Bank Act.

## Constraints

There are no constraints imposed on the ownership of securities of the Bank to ensure that the Bank has a required level of Canadian ownership. However, under the Bank Act, the ownership by one person or entity of more than 10% of the common shares of the Bank is prohibited without approval in accordance with the provisions of the Bank Act.

## Ratings

	<b>Dominion Bond Rating Service</b>	<b>Moody's Investor Services</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
Long Term Debt (deposits)	AA (low)	Aa3	A+	AA -
Subordinated Debt	A (high)	A1	A	A +
Short Term Debt (deposits)	R-1 (mid)	P-1	A-1	F-1+
Preferred Shares	Pfd-1 (low)	A2	P-1 (low)	

The AA (low) rating assigned by Dominion Bond Rating Service Limited ("DBRS") to the Bank's long term debt and the A (high) rating assigned to the Bank's subordinated debt are the second and third highest ratings, respectively, of DBRS's ten rating categories for long term debt obligations, which range from AAA to D. DBRS uses "high" and "low" designations on ratings from AA to C to indicate the relative standing of the securities being rated within a particular rating category. The R-1 (mid) rating assigned to short term debt is the highest rating of DBRS's four rating categories for short term debt obligations, which range from R-1 to D. A Pfd-1 (low) rating by DBRS is the highest of five categories granted by DBRS for preferred shares.

The A+ rating assigned by Standard & Poor's, a division of McGraw-Hill Companies ("S&P") to the Bank's long term debt and the A rating assigned to the Bank's subordinated debt are both the third highest ratings, of S&P's ten rating categories for long term debt obligations, which range from AAA to D. Ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. The A-1 rating assigned to short term debt is the highest rating of S&P's six rating categories for short term debt obligations, which range from A-1 to D. A P-1 (low) rating by S&P is the highest of five categories used by S&P in its Canadian preferred share rating scale. "High" and "low" grades may be used to indicate the relative standing of a credit within a particular rating category.

The Aa3 rating assigned by Moody's Investor Services Inc. ("Moody's") to the Bank's long term debt is the second highest, and the A1 and A2 ratings assigned to the Bank's subordinated debt and preferred shares, respectively, are the third highest of its nine rating categories for long term debt obligations, which range from Aaa to C. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category. The P-1 rating assigned to short term debt is the highest rating of Moody's four rating categories for short term debt obligations, which range from P-1 to NP.

The AA- rating assigned by Fitch Ratings ("Fitch") to the Bank's long term debt and the A+ rating assigned to the Bank's subordinated debt are the second and third highest ratings, respectively, of Fitch's twelve rating categories for long term debt obligations, which range from AAA to D. A plus or minus sign may be appended to ratings from AA to CCC to denote relative status within major rating categories. The F-1+ rating assigned to short term debt is the highest rating of Fitch's six rating categories for short term debt obligations, which range from F1 to D. A plus sign may be appended to an F1 rating class to denote relative status within the category.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to securities may not reflect the potential impact of all risks on the value of the securities. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

## MARKET FOR SECURITIES OF THE BANK

### Market Listings

The Bank's common shares are listed on:

the Toronto Stock Exchange  
the New York Stock Exchange  
the Tokyo Stock Exchange

The Bank's preferred shares, except the Class A First Preferred Shares, Series I, are listed on the Toronto Stock Exchange.

### Trading Price and Volume

Trading price and volume of the Bank's securities:

	TORONTO STOCK EXCHANGE			
	<u>Common Shares</u>	<u>Series J</u>	<u>Series M</u>	<u>Series N</u>
November 2004				
High Price (\$)	49.18	26.63	27.57	27.83
Low Price (\$)	45.94	26.26	26.89	26.95
Volume ('00)	275,061	529	911	2,337
December				
High Price (\$)	50.10	26.69	28.01	28.04
Low Price (\$)	47.80	26.40	27.21	27.12
Volume ('00)	273,816	311	563	1,347
January 2005				
High Price (\$)	49.97	26.94	28.10	28.10
Low Price (\$)	48.08	26.23	26.93	26.75
Volume ('00)	274,461	12,722	10,527	10,438
February				
High Price (\$)	50.90	26.59	28.10	29.00
Low Price (\$)	48.15	26.22	27.30	27.46
Volume ('00)	327,669	836	9,995	15,107
March				
High Price (\$)	51.70	26.44	27.80	27.90
Low Price (\$)	49.11	26.00	27.25	26.51
Volume ('00)	487,997	399	1,116	3,421
April				
High Price (\$)	51.14	26.40	27.79	27.50
Low Price (\$)	49.09	25.71	26.14	26.14
Volume ('00)	305,934	12,644	20,549	16,550

**TORONTO STOCK EXCHANGE**

	<u>Common Shares</u>	<u>Preferred Shares</u>		
		<u>Series J</u>	<u>Series M</u>	<u>Series N</u>
<b>May</b>				
High Price (\$)	53.68	26.49	27.60	27.79
Low Price (\$)	50.25	25.81	26.26	26.37
Volume ('00)	341,699	788	600	2,098
<b>June</b>				
High Price (\$)	56.20	26.75	28.00	28.29
Low Price (\$)	52.10	26.20	27.03	26.51
Volume ('00)	368,328	5,319	36,297	632
<b>July</b>				
High Price (\$)	57.55	26.45	27.99	27.81
Low Price (\$)	54.26	26.05	27.00	27.02
Volume ('00)	301,637	12,374	18,400	15,862
<b>August</b>				
High Price (\$)	56.94	26.49	27.72	27.71
Low Price (\$)	54.09	26.05	27.35	27.30
Volume ('00)	341,858	503	368	1,677
<b>September</b>				
High Price (\$)	59.03	26.24	27.94	27.98
Low Price (\$)	55.52	26.06	27.51	27.44
Volume ('00)	339,817	540	1,082	2,772
<b>October</b>				
High Price (\$)	58.16	26.19	27.95	27.80
Low Price (\$)	54.75	25.77	27.12	27.30
Volume ('00)	279,304	14,827	21,031	19,260

**Prior Sales**

In the most recently completed financial year, the Bank did not issue (a) any shares that are not listed or quoted on a marketplace, or (b) any subordinated debt securities.

**DIRECTORS AND OFFICERS**

**Directors and Board Committees of the Bank**

The following table sets forth the directors of the Bank as at December 8, 2005, their present principal occupation and business and the date each became a director of the Bank.

<u>Director Name</u> <u>Principal Occupation</u>	<u>Director Since</u>
William E. Bennett..... Corporate Director and retired President and Chief Executive Officer, Draper & Kramer, Inc.	May 2004
Hugh J. Bolton..... Chair of the Board, EPCOR Utilities Inc. (integrated energy company)	April 2003

<b><u>Director Name</u></b> <b><u>Principal Occupation</u></b>	<b><u>Director Since</u></b>
John L. Bragg..... Chairman, President and Co-Chief Executive Officer, Oxford Frozen Foods Limited (distributor of frozen food products)	October 2004
W. Edmund Clark..... President and Chief Executive Officer, The Toronto-Dominion Bank	August 2000
Marshall A. Cohen..... Counsel, Cassels Brock & Blackwell LLP (law firm)	February 1992
Wendy K. Dobson..... Professor and Director, Institute for International Business, Joseph L. Rotman School of Management, University of Toronto	October 1990
Darren Entwistle..... President and Chief Executive Officer, TELUS Corporation (telecommunications company)	November 2001
Donna M. Hayes..... Publisher and Chief Executive Officer, Harlequin Enterprises Limited (global publishing company)	January 2004
Henry H. Ketcham..... Chairman of the Board, President and Chief Executive Officer, West Fraser Timber Co. Ltd. (integrated forest products company)	January 1999
Pierre H. Lessard..... President and Chief Executive Officer, METRO INC. (food retailer and distributor)	October 1997
Harold H. MacKay..... Counsel, MacPherson Leslie & Tyerman LLP (law firm)	November 2004
Brian F. MacNeill..... Chairman of the Board, Petro-Canada (integrated oil and gas company)	August 1994
Roger Phillips..... Corporate Director and retired President and Chief Executive Officer, IPSCO Inc.	February 1994
Wilbur J. Prezzano..... Corporate Director and retired Vice Chairman, Eastman Kodak Company	April 2003

<b><u>Director Name</u></b> <b><u>Principal Occupation</u></b>	<b><u>Director Since</u></b>
William J. Ryan ..... Vice Chair and Group Head, U.S. Personal and Commercial Banking, The Toronto-Dominion Bank and Chairman, President and Chief Executive Officer, TD Banknorth Inc. (banking and financial services holding company)	March 2005
Helen K. Sinclair..... Chief Executive Officer, BankWorks Trading Inc. (satellite communications company)	June 1996
John M. Thompson ..... Chairman of the Board, The Toronto-Dominion Bank	August 1988

Except as hereinafter disclosed, all directors have held their positions or other executive positions with the same, predecessor or associated firms or organizations for the past five years. Prior to his appointment as Chair of EPCOR Utilities Inc. on January 1, 2000, Mr. Hugh J. Bolton was a financial consultant and corporate director. Prior to joining the Bank on February 1, 2000, Mr. W. Edmund Clark was President and Chief Executive Officer of CT Financial Services Inc., Canada Trustco Mortgage Company and The Canada Trust Company. Until December 20, 2002 when Mr. Clark became the President and Chief Executive Officer of the Bank, he was the President and Chief Operating Officer of the Bank. Mr. Brian F. MacNeill was President and Chief Executive Officer of Enbridge Inc. (formerly IPL Energy Inc.) from April 1991 and stepped down as President in September 2000 and as Chief Executive Officer in January 2001. Mr. Roger Phillips retired as President and Chief Executive Officer of IPSCO Inc. in January 2002. Mr. John M. Thompson was the Vice Chairman of the Board of IBM Corporation from August 2000 until his retirement in September 2002. Each director will hold office until the next annual meeting of shareholders of the Bank, which is scheduled for March 30, 2006. Information concerning the nominees proposed by management for election as directors at the meeting will be contained in the proxy circular of the Bank in respect of the meeting.

### **Audit Committee**

The Audit Committee of the Board of Directors of the Bank operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this AIF. As at December 8, 2005, the members of the Committee were: Hugh J. Bolton (chair), William E. Bennett, John L. Bragg, Donna M. Hayes, Henry H. Ketcham and Helen K. Sinclair. The following sets out the education and experience of each director relevant to the performance of his or her duties as a member of the Committee:

**William E. Bennett** is a Corporate Director. He is a current member of the audit committee of TD Banknorth. Mr. Bennett is the former President and Chief Executive Officer of Draper & Kramer, Inc., a Chicago-based financial services and real estate company. He holds an undergraduate degree in economics from Kenyon College and a master's degree in business administration from the University of Chicago.

**Hugh J. Bolton** is Chair of the Bank's Audit Committee. Mr. Bolton holds an undergraduate degree in economics from the University of Alberta. Mr. Bolton has over 40 years of experience in the accounting industry, including as a former partner, Chairman and Chief Executive Officer of Coopers & Lybrand Canada, Chartered Accountants. He remains a Chartered Accountant and Fellow of the Alberta Institute of Chartered Accountants and has significant experience with accounting and auditing issues relating to financial service corporations such as the Bank. Mr. Bolton is the Bank's Audit Committee Financial Expert for the purposes of U.S. securities legislation.

**John L. Bragg** is President and Founder of Oxford Frozen Foods Limited and the owner and founder of Bragg Communications Inc. Mr. Bragg holds a Bachelor of Commerce degree and a Bachelor of Education degree from Mount Allison University.

**Donna M. Hayes** is the Publisher and Chief Executive Officer of Harlequin Enterprises Limited and is a member of its Board of Directors and the boards of a number of associated companies. Ms. Hayes holds an undergraduate degree from McGill University and has completed the professional publishing course at Stanford University and the executive management program at the Richard Ivey School at The University of Western Ontario.

**Henry H. Ketcham** is the Chairman of the Board, President and Chief Executive Officer of West Fraser Timber Co. Ltd. Mr. Ketcham holds an undergraduate degree from Brown University and has completed the Program for Management Development at Harvard Business School.

**Helen K. Sinclair** is the founder and Chief Executive Officer of BankWorks Trading Inc. and is a member of its Board of Directors. Ms. Sinclair holds an undergraduate degree from York University and a master's degree from the University of Toronto, both in economics. She is a graduate of the Advanced Management Program of the Harvard Business School.

On December 9, 2004, the Canadian securities regulators issued an MRRS decision document exempting the Bank from one of the director independence tests prescribed under Multilateral Instrument 52-110 – *Audit Committees*. Amendments to the Instrument, which became effective June 30, 2005, make it unnecessary for the Bank to continue to rely on the relief granted by the decision document. From March 23, 2005 (the date of the Bank's annual shareholder meeting) until June 30, 2005, the Bank relied on the exemption granted under the decision document to permit Mr. Hugh Bolton to sit on the Bank's Audit Committee. The Bank's Corporate Governance Committee has determined that Mr. Bolton is independent under the current Instrument.

The Committee charter requires all members to be financially literate or be willing and able to acquire the necessary knowledge quickly. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements. The Bank believes all of the current members of the Committee are financially literate.

In addition, the Committee charter contains independence requirements applicable to each member and each member currently meets those requirements. Specifically, the charter provides that no member of the Committee may be an officer or retired officer of the Bank and every member shall be independent of the Bank within the meaning of all applicable laws, rules and regulations and any other relevant consideration, including laws, rules and regulations particularly applicable to audit committee members.

The Committee has in place a policy to restrict the provision of non-audit services by the shareholders' auditors. Any such services must be permitted services and must be pre-approved by the Committee pursuant to the policy. The Committee also pre-approves the audit services and the fees to be paid. Additional information regarding audit and non-audit services, together with the fees paid to the shareholders' auditors in the last three fiscal years, can be found on page 70 of the Annual Report.

### **Executive Officers of the Bank**

As at December 8, 2005, executive officers of the Bank are Messrs. W. Edmund Clark, Robert E. Dorrance, Bharat B. Masrani, William J. Ryan, Fredric J. Tomczyk, Bernard T. Dorval, William H. Hatanaka, Timothy D. Hockey, Ms. Colleen Johnston, Mr. Robert F. MacLellan and Ms. Andrea Rosen (on leave).

## Shareholdings of Directors and Executive Officers

To the knowledge of the Bank, as at November 24, 2005, the directors and executive officers of the Bank as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 654,484 of the Bank's common shares and an aggregate of 61,188 of TD Banknorth's common shares representing 0.091% of the Bank's issued and outstanding common shares and 0.035% of TD Banknorth's issued and outstanding common shares.

## Additional Disclosure for Directors and Executive Officers

To the best of our knowledge, having made due inquiry, the Bank confirms that, as at December 8, 2005:

- (i) in the last ten years, no director or executive officer of the Bank is or has been a director or officer of a company (including the Bank) that, while that person was acting in that capacity:
  - (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, except Mr. Pierre Lessard who was a director of CINAR Corporation at the time its shares were suspended from trading on the Toronto Stock Exchange for more than 30 consecutive days and were delisted from the Toronto Stock Exchange and the NASDAQ due to the inability of CINAR Corporation to meet continued listing requirements;
  - (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (c) within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except Mr. Marshall Cohen who ceased to be a director of Haynes International Inc. within twelve months prior to Haynes International Inc. filing for relief under Chapter 11 of the United States Bankruptcy Code in March 2004; and who is currently a director of Collins & Aikman Corp. which filed for relief under Chapter 11 of the United States Bankruptcy Code in May 2005;
- (ii) in the last ten years, no director or executive officer of the Bank has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; and
- (iii) no director or executive officer of the Bank has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **LEGAL PROCEEDINGS**

The Bank and its subsidiaries are engaged in various legal actions arising in the ordinary course of business, many of which are loan-related. None of this litigation individually or in the aggregate, however, is expected to have a material adverse effect on the consolidated financial position or results of operations of the Bank.

During the third quarter 2005, the Bank added approximately \$365 million (U.S. \$300 million) to its contingent litigation reserves for Enron-related claims, to bring the total reserve for this matter to approximately \$665 million. The two principal legal actions regarding Enron to which the Bank is a party are the securities class action and the bankruptcy proceeding. The Bank believes it is prudent to increase the reserve to this level; however, it is possible that additional reserves above this level could be required. Additional reserves, if required, cannot be reasonably determined for many reasons, including that other settlements are not generally appropriate for comparison purposes, the lack of consistency in other settlements and the difficulty in predicting the future actions of other parties to the litigation. Subsequently, the Bank agreed to settle the bankruptcy court claims in this matter for approximately \$160 million.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

To the best of our knowledge, the Bank confirms that, as at December 8, 2005 there were no directors or executive officers of the Bank or any associate or affiliate of a director or executive officer of the Bank with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Bank.

## **TRANSFER AGENTS AND REGISTRARS**

### **Transfer Agent**

CIBC Mellon Trust Company  
P.O. Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario  
M5C 2W9

(800) 387-0825  
(416) 643-5500  
[www.cibcmellon.com](http://www.cibcmellon.com) or [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

### **Co-transfer Agent and Registrar**

Mellon Investor Services LLC  
P.O. Box 3315  
South Hackensack, New Jersey  
07606

or

480 Washington Boulevard  
Jersey City, New Jersey  
07310

(866) 233-4836  
(201) 680-6578  
[www.melloninvestor.com](http://www.melloninvestor.com)

## Shareholder Service Agent in Japan

Mizuho Trust & Banking Co., Ltd.  
1-17-7, Saga, Koto-ku  
Tokyo, Japan  
135-8722

## MATERIAL CONTRACTS

Except for contracts entered into by the Bank in the ordinary course of business or otherwise disclosed herein, the only material contracts entered into by the Bank within the most recently completed financial year are the following:

1. On June 22, 2005, Ameritrade Holding Corporation entered into an Agreement of Sale and Purchase with the Bank pursuant to which Ameritrade agreed to purchase from TD all of the capital stock of TD Waterhouse Group, Inc., a wholly-owned subsidiary of the Bank, in exchange for 193,600,000 shares of common stock, par value US\$0.01 per share, of Ameritrade and US\$20,000 in cash. The shares of Ameritrade common stock represent approximately 32% of the outstanding shares of Ameritrade after giving effect to the transaction. In connection with the acquisition, Ameritrade will change its name to TD Ameritrade at the completion of the transaction.
2. On October 28, 2005, Ameritrade and the Bank entered into Amendment No. 1 to the Agreement of Sale and Purchase dated June 22, 2005. The parties amended the Agreement of Sale and Purchase to increase the number of shares of common stock comprising the stock consideration from 193,600,000 to 196,300,000 to reflect the intent of the parties that the stock consideration represent, as of the signing of the Sale and Purchase Agreement and after giving effect to the issuance of the Stock Consideration in the Sale and Purchase Agreement, 32% of the diluted shares outstanding of Ameritrade.
3. On June 22, 2005, Ameritrade, the Bank and J. Joe Ricketts and certain of his affiliates entered into a Stockholders Agreement. The Stockholders Agreement sets forth certain governance arrangements and contains various provisions relating to stock ownership, voting and other matters. The Stockholders Agreement also contemplates changes to the Ameritrade's certificate of incorporation and bylaws to give effect to and facilitate the provisions contained in the Stockholders Agreement. In addition, the Stockholders Agreement provides that following consummation of the share purchase, pursuant to the Agreement of Sale and Purchase described above, the Bank will commence a cash tender offer pursuant to which the Bank will offer to purchase a number of shares of TD Ameritrade common stock such that, upon successful completion of the offer, the Bank will own 39.9% of the outstanding TD Ameritrade common stock. While J. Joe Ricketts is also permitted under the Stockholders Agreement to participate in this tender offer, he has informed Ameritrade that he does not intend to participate in the tender offer as a co-bidder.
4. On June 22, 2005, the Bank entered into a Voting Agreement with each of J. Joe Ricketts and certain of his affiliates, entities affiliated with TA Associates and entities affiliated with Silver Lake Partners, who collectively beneficially own approximately 34% of the outstanding shares of Ameritrade common stock, pursuant to which each party agreed to vote such party's shares of Ameritrade common stock in favour of the issuance of Ameritrade common stock in the share purchase described above and the related matters submitted for the approval of the Ameritrade stockholders and against competing proposals unless Ameritrade has effected a change in recommendation with respect to the transaction as permitted under Agreement of Sale and Purchase.
5. On July 11, 2005, TD Banknorth Inc. and Hudson United Bancorp announced that they had entered into an Agreement and Plan of Merger, dated July 11, 2005 which sets forth the terms

and conditions pursuant to which Hudson United will be merged with and into TD Banknorth. Under the terms of the Agreement, Hudson United shareholders will have the right, subject to proration, to elect to receive cash and/or TD Banknorth common stock, in either case having a value equal to US\$21.07 plus the product of 0.7247 times the average closing price of the TD Banknorth common stock during a ten-trading day period ending on the fifth trading day before the closing date. Based upon a closing stock price of TD Banknorth on July 11, 2005, the deal is valued at US\$42.78 per share and the aggregate merger consideration of US\$1.9 billion consists of approximately 51% TD Banknorth common stock and 49% cash. The cash for the transaction will be financed through TD Banknorth's sale of approximately 29.6 million shares of TD Banknorth common stock to the Bank at a price of US\$31.79 per share.

Copies of these material contracts are available on SEDAR at [www.sedar.com](http://www.sedar.com). You may obtain a free copy of the Ameritrade proxy statement, as well as other filings containing information about Ameritrade and the Bank, free of charge, at the SEC's Internet site: [www.sec.gov](http://www.sec.gov). You may also obtain a free copy of the registration statement relating to the Hudson United transaction and any other relevant documents filed with the SEC, including the joint proxy statement/prospectus that is part of the registration statement, free of charge, at the SEC's Internet site.

## **INTERESTS OF EXPERTS**

### **Names of Experts**

The Consolidated Financial Statements of the Bank for the year ended October 31, 2005 included in the Bank's 2005 Annual Report filed under National Instrument 51-102 Continuous Disclosure (NI 51-102), portions of which are incorporated by reference in this AIF, have been audited by Ernst & Young LLP and PricewaterhouseCoopers LLP.

Further, the proxy statement/prospectus relating to the Bank's acquisition of 51% of the outstanding shares of Banknorth Group, Inc., filed under NI 51-102, describes or includes: fairness opinions of Keefe, Bruyette & Woods, Inc. and Lehman Brothers Inc.; the audit report of Ernst & Young LLP and PricewaterhouseCoopers LLP covering the consolidated financial statements of the Bank for the year ended October 31, 2003; and legal opinions of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP and Osler, Hoskin & Harcourt LLP.

### **Interests of Experts**

To the best of our knowledge, at the relevant time, Keefe, Bruyette & Woods, Inc., Lehman Brothers Inc., and the respective partners, counsel and associates of each of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly or indirectly, less than 1% of any class of security issued by the Bank or any of its affiliates.

As of December 8, 2005, no executive officer or director of the Bank is an officer, director or employee of Keefe, Bruyette & Woods, Inc. or Lehman Brothers Inc., or is a partner, counsel or associate of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP or Osler, Hoskin & Harcourt LLP. Nor, as of December 8, 2005, to the best of our knowledge, does the Bank expect to elect, appoint or employ as a director or executive officer of the Bank any director, officer or employee of Keefe, Bruyette & Woods, Inc. or Lehman Brothers Inc., or partner, counsel or associate of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP or Osler, Hoskin & Harcourt LLP.

The Bank has implemented a policy governing the hiring of current or former partners, employees or consultants of the shareholders' auditors. The objectives of this policy are to ensure that the Bank's hiring practices comply with all applicable securities laws, rules and regulations and to establish procedures to be followed by the Bank's Human Resources department when considering a candidate for a position at the Bank who is currently or has previously been employed by one or more of the shareholders' auditors. From time to time, at the Bank's request, law firms provide lawyers and law students for secondment to groups in the Bank's head office and business units.

## **ADDITIONAL INFORMATION**

Additional information concerning the Bank may be found on SEDAR at [www.sedar.com](http://www.sedar.com). The Bank will provide to any person or company upon request to the Secretary of the Bank at the head office of the Bank: (a) when the securities of the Bank are in the course of distribution pursuant to a short form prospectus or a preliminary short form prospectus which has been filed in respect of a proposed distribution of its securities, (i) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form, (ii) one copy of the comparative financial statements of the Bank for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditors, and one copy of the most recent interim financial statements of the Bank, if any, filed for any period after the end of its most recently completed financial year, (iii) one copy of the proxy circular of the Bank in respect of its most recent annual meeting of shareholders that involved the election of directors, and (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or (b) at any other time, one copy of any documents referred to in (a)(i), (ii) and (iii) above, provided the Bank may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Bank.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Bank's securities, options to purchase securities and interests of insiders in material transactions, in each case if applicable, is contained in the Bank's proxy circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Bank's comparative financial statements and management's discussion and analysis for its most recently completed financial year, which at the date hereof, was the year ended October 31, 2005. The Bank's comparative financial statements and management's discussion and analysis for the year ended October 31, 2005 are contained in the Annual Report.

**AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF THE TORONTO-DOMINION BANK**

**CHARTER**

*~ ~ Supervising the Quality and Integrity of the Bank's Financial Reporting ~ ~*

*Our Main Responsibilities:*

- overseeing of reliable, accurate and clear financial reporting to shareholders
- overseeing internal controls - the necessary checks and balances must be in place
- directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditors - the shareholders' auditors report directly to the Committee
- listening to the shareholders' auditors, internal auditor and the chief compliance officer, and evaluating the effectiveness and independence of each
- overseeing the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies
- acting as the audit committee and conduct review committee for certain subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies;
- receiving reports on and approving, if appropriate, certain transactions with related parties

*Independence is Key:*

- our Committee is composed entirely of independent directors
- we meet regularly without management present
- we have the authority to engage independent advisors, paid for by the Bank, to help us make the best possible decisions on the financial reporting, accounting policies and practices, disclosure practices, and internal controls of the Bank

***Composition and Independence, Financial Literacy and Authority***

The Committee shall be composed of members of the Board of Directors in such number as is determined by the Board with regard to the by-laws of the Bank, applicable laws, rules and regulations and any other relevant consideration, subject to a minimum requirement of three directors. In this charter, "Bank" means The Toronto-Dominion Bank on a consolidated basis.

To facilitate open communication between the Audit Committee and the Risk Committee, the Chair of the Audit Committee shall either be a member of the Risk Committee or be entitled to receive notice of and attend as an observer each meeting of the Risk Committee and to receive the materials for each meeting of the Risk Committee. The Chair of the Risk Committee shall either be a member of the Audit Committee or be entitled to receive notice of and attend as an observer each meeting of the Audit Committee and to receive the materials for each meeting of the Audit Committee.

No member of the Committee may be an officer or retired officer of the Bank. Every member of the Committee shall be independent of the Bank within the meaning of all applicable laws, rules and regulations including those particularly applicable to audit committee members and any other relevant consideration as determined by the Board of Directors.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly appointed. A Chair will be appointed by the Board, failing which the members of the Committee may designate a Chair by majority vote. The Committee may from time to time delegate to its Chair certain powers or responsibilities that the Committee itself may have hereunder.

In addition to the qualities set out in the Position Description for Directors, all members of the Committee should be financially literate or be willing and able to acquire the necessary knowledge quickly. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements. At least one member of the Committee shall have a background in accounting or related financial management experience which would include any experience or background which results in the individual's financial sophistication, including being or having been an auditor, a Chief Executive Officer or other senior officer with financial oversight responsibilities.

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation and access any officer, employee or agent of the Bank appropriate to fulfilling its responsibilities, including the shareholders' auditors of the Bank. The Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and may retain and determine the compensation to be paid by the Bank for such independent counsel or outside advisor in its sole discretion without seeking Board approval.

Committee members will enhance their familiarity with financial, accounting and other areas relevant to their responsibilities by participating in educational sessions or other opportunities for development.

### ***Meetings***

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee should meet with the shareholders' auditors and management quarterly to review the Bank's financial statements consistent with the section entitled "Financial Reporting" below. The Committee should dedicate a portion of each of its regularly scheduled quarterly meetings to meeting separately with each of the Chief Financial Officer, the Chief Auditor and the shareholders' auditors and to meeting on its own without members of management or the shareholders' auditors. Annually, the Committee shall meet jointly with the Risk Committee and The Office of the Superintendent of Financial Institutions ("OSFI") to review and discuss the results of OSFI's annual supervisory examination of the Bank.

### ***Specific Duties and Responsibilities***

#### *Financial Reporting*

The Committee shall be responsible for the oversight of reliable, accurate and clear financial reporting to shareholders, including reviewing the Bank's annual and interim financial statements and management's discussion and analysis, prior to approval by the Board and release to the public, and reviewing, as appropriate, releases to the public of significant material non-public financial information of the Bank. Such review of the financial reports of the Bank shall include, where appropriate but at least annually discussion with management and the shareholders' auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

The Committee shall review earnings press releases and satisfy itself that adequate procedures are in place for the review of the Bank's public disclosure of financial information extracted or derived from the Bank's financial statements, other than the public disclosure in the Bank's annual and interim financial statements and MD&A, and must periodically assess the adequacy of those procedures.

#### *Financial Reporting Process*

The Committee shall support the Board in its oversight of the financial reporting process of the Bank including:

- working with management, the shareholders' auditors and the internal audit department to review the integrity of the Bank's financial reporting processes;
- reviewing the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Bank's quarterly and annual consolidated financial statements and other disclosure documents as required;

- considering the key accounting policies of the Bank and key estimates and judgments of management and discussing such matters with management and/or the shareholders' auditors;
- keeping abreast of trends and best practices in financial reporting including considering, as they arise, topical issues such as the use of variable interest entities and off-balance sheet reporting, and their application to the Bank;
- reviewing with the shareholders' auditors and management significant accounting principles and policies and all critical accounting policies and practices used and any significant audit adjustments made;
- considering and approving, if appropriate, major changes to the Bank's accounting and financial reporting and policies as suggested by the shareholders' auditors, management, or the internal audit department; and
- establishing regular systems of reporting to the Committee by each of management, the shareholders' auditors and the internal audit department regarding any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.

*The Audit Committee's Role in  
the Financial Reporting Process*

The shareholders' auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of the Bank's annual financial statements and reviews of the Bank's quarterly financial information. Management of the Bank is responsible for the preparation, presentation and integrity of the Bank's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Audit Committee oversees the financial reporting process at the Bank and receives quarterly reporting regarding the process undertaken by management and the results of the shareholders' auditors' review. It is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Bank's financial statements are complete, accurate and in accordance with GAAP.

*Internal Controls*

The Committee shall be responsible for overseeing the establishment and maintenance of internal controls of the Bank, including:

- requiring management to implement and maintain appropriate systems of internal controls (including controls related to the prevention, identification and detection of fraud), and that also comply with applicable laws, regulations and guidance, including section 404 of the U.S. Sarbanes-Oxley Act;

- meeting with management, the Chief Auditor and the shareholders' auditors to assess the adequacy and effectiveness of the Bank's internal controls, including controls related to the prevention, identification and detection of fraud;
- receiving reports from the Risk Committee as considered necessary or desirable with respect to any issues relating to internal control procedures considered by that Committee in the course of undertaking its responsibilities; and
- reviewing reporting by the Bank to its shareholders regarding internal control over financial reporting.

#### *Internal Audit Division*

The Committee shall provide oversight over the internal audit division of the Bank, including reviewing and approving the mandates of the internal audit division and the Chief Auditor at least annually. The Committee shall satisfy itself that the internal audit division has adequate resources and independence to perform its responsibilities. In addition, the Committee shall:

- review and approve the annual audit plan and any significant changes thereto;
- confirm the appointment and dismissal of the Chief Auditor of the Bank;
- at least annually assess the effectiveness of the internal audit division;
- review regular reports prepared by the Chief Auditor together with management's response and follow-up on outstanding issues, as necessary;
- provide a forum for the Chief Auditor to raise any internal audit issues or issues with respect to the relationship and interaction between the internal audit division, management, the shareholders' auditors and/or regulators; and
- review reports from the Chief Auditor regarding examinations of the Bank conducted by OSFI, and follow-up with management on the status of recommendations and suggestions, as appropriate.

#### *Oversight of Shareholders' Auditors*

The Committee shall review and evaluate the performance, qualifications and independence of the shareholders' auditors including the lead partners and annually make recommendations to the Board and shareholders regarding the nomination of the shareholders' auditors for appointment by the shareholders. The Committee shall also make recommendations regarding remuneration and, if appropriate, termination of the shareholders' auditors. The shareholders' auditors shall be accountable to the Committee and the entire Board, as representatives of the shareholders, for such shareholders' auditors' review of the financial statements and controls of the Bank. In addition, the Committee shall:

- review and approve the shareholders' auditors' annual audit plans and engagement letters;
- review the shareholders' auditors' processes for assuring the quality of their audit services including any matters that may affect the audit firms' ability to serve the Bank as shareholders' auditors;
- discuss those matters that are required to be communicated by shareholders' auditors to the Committee in accordance with the standards established by the Canadian Institute of Chartered Accountants, as such matters are applicable to the Bank from time to time;
- review with the shareholders' auditors any issues that may be brought forward by them, including any audit problems or difficulties, such as restrictions on their audit activities or access to requested information, and management's responses;
- review with the shareholders' auditors the auditors' concerns, if any, about the quality, not just acceptability, of the Bank's accounting principles as applied in its financial reporting; and
- provide a forum for management and the internal and/or shareholders' auditors to raise issues regarding their relationship and interaction. To the extent disagreements regarding financial reporting are not resolved, be responsible for the resolution of such disagreements between management and the internal and/or shareholders' auditors.

#### *Independence of Shareholders' Auditors*

The Committee shall oversee and assess the independence of the shareholders' auditors through various mechanisms, including:

- reviewing and approving (or recommending to the Board for approval) the audit fees and other significant compensation to be paid to the shareholders' auditors and reviewing, approving and monitoring the policy for the provision of non-audit services to be performed by the shareholders' auditors, including the pre-approval of such non-audit services in accordance with the policy;
- receiving from the shareholders' auditors, on a periodic basis, a formal written statement delineating all relationships between the shareholders' auditors and the Bank consistent with the rules of professional conduct of the Canadian provincial chartered accountants institutes or other regulatory bodies, as applicable;
- reviewing and discussing with the Board, annually and otherwise as necessary, and the shareholders' auditors, any relationships or services between the shareholders' auditors and the Bank or any factors that may impact the objectivity and independence of the shareholders' auditors;

- reviewing, approving and monitoring policies and procedures regarding the employment of partners, employees and former partners and employees of the present or former shareholders' auditors of the Bank as required by applicable laws; and
- reviewing, approving and monitoring other policies put in place to facilitate auditor independence, such as the rotation of members of the audit engagement team, as applicable.

#### *Conduct Review and Related Party Transactions*

The Committee shall be responsible for conduct review and oversight of related party transactions (except the approval of Bank officer related party credit facilities which are reviewed by the Management Resources Committee and the approval of Bank director related party credit facilities which are reviewed by the Risk Committee, as required), including ensuring procedures and practices are established by management as required by the *Bank Act* relating to conduct review and related party transactions and monitoring compliance with those procedures and their effectiveness from time to time.

#### *Business Conduct and Ethical Behaviour*

The Committee shall monitor compliance with policies in respect of ethical personal and business conduct, including the Bank's Disclosure of Information and Compliant Procedures and the Bank's code of ethical conduct and the conflicts of interest procedures included therein, including approving, where appropriate, any waiver from the Bank's code of ethical conduct to be granted for the benefit of any director or executive officer of the Bank.

#### *Compliance*

The Committee shall oversee the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies, including:

- reviewing with management the Bank's compliance with applicable regulatory requirements and the legislative compliance management processes;
- establishing procedures in accordance with regulatory requirements for the receipt, retention and treatment of complaints received by the Bank on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters, and receiving reports on such complaints and submissions as required under the applicable policy;
- reviewing professional pronouncements and changes to key regulatory requirements relating to accounting rules to the extent it applies to the financial reporting process of the Bank; and

- reviewing with the Bank's general counsel any legal matter arising from litigation, asserted claims or regulatory noncompliance that could have a material impact on the Bank's financial condition.

#### *Compliance Department*

The Committee shall oversee the Compliance Department of the Bank and the execution of its mandate, including reviewing and approving its annual plan and any significant changes to the annual plan and/or methodology. The Committee shall satisfy itself that the Compliance Department has adequate resources and independence to perform its responsibilities. In addition, the Committee shall:

- annually review and approve the mandate of the Compliance Department and the mandate of the Chief Compliance Officer;
- confirm the appointment and dismissal of the Chief Compliance Officer of the Bank;
- at least annually assess the effectiveness of the Compliance function;
- regularly review reports prepared by the Chief Compliance Officer for the Audit Committee and follow-up on any outstanding issues; and
- provide a forum for the Chief Compliance Officer to raise any compliance issues or issues with respect to the relationship and interaction among the Compliance Department, management and/or regulators, including meeting with the Chief Compliance Officer at least four times per year and holding in camera sessions with the Chief Compliance Officer at least four times per year.

#### *General*

The Committee shall have the following additional general duties and responsibilities:

- acting as the audit committee and conduct review committee for certain Canadian subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies, including meeting on an annual basis with the chief actuaries of the subsidiaries of the Bank that are federally-regulated insurance companies;
- reviewing materials of relevance to the Committee with respect to certain of the Bank's publicly-traded subsidiaries, as provided by management or as requested by the Committee;
- performing such other functions and tasks as may be mandated by regulatory requirements applicable to audit committees and conduct review committees or delegated by the Board;

- conducting an annual evaluation of the Committee in which the Committee (and/or its individual members) reviews the performance of the Committee for the preceding year for the purpose, among other things, of assessing whether the Committee fulfilled the purposes and responsibilities stated in this charter;
- reviewing reports from the Risk Committee for purposes of monitoring policies and processes with respect to risk assessment and risk management and discuss the Bank's major financial risk exposures, including operational risk issues, and the steps management has taken to monitor and control such exposures;
- reviewing and assessing the adequacy of this Charter at least annually and submitting this Charter to the Corporate Governance Committee and the Board for approval upon amendment;
- maintaining minutes or other records of meetings and activities of the Committee; and
- reporting to the Board following each meeting of the Committee and reporting as required to the Risk Committee on issues of relevance to it.



**Bank Financial Group**