

## ANNUAL INFORMATION FORM



### The Toronto-Dominion Bank

Toronto-Dominion Centre

Toronto, Ontario, Canada

M5K 1A2

November 29, 2007

## Documents Incorporated by Reference

Portions of the Annual Information Form ("AIF") are disclosed in the Bank's annual consolidated financial statements ("Annual Financial Statements") and management's discussion and analysis ("MD&A") for the year ended October 31, 2007 and are incorporated by reference into the AIF.

	<b>Page Reference</b>	
	<b>Annual Information Form</b>	<b>Incorporated by Reference from the Annual Financial Statements and MD&amp;A</b>
<b>CORPORATE STRUCTURE</b>		
Name, Address and Incorporation .....	1	
Intercorporate Relationships .....	1	
<b>GENERAL DEVELOPMENT OF THE BUSINESS</b>		
Three Year History .....	1	24-44
<b>DESCRIPTION OF THE BUSINESS</b>		
Review of Business, including Foreign Operations .....		14-42, 117-119
TD Ameritrade Holding Corporation .....	3	35, 121
Competition .....	3	
Intangible Properties .....		92
Economic Dependence .....		69, 115-116
Average Number of Employees .....	3	
Lending .....		47-53, 63-64, 65-67
Reorganizations .....	3	
Social and Environmental Policies .....		70
Risk Factors .....	4	59-70
<b>DIVIDENDS</b>		
Dividends per Share for the Bank .....	5	
Dividends per Share for TD Banknorth Inc. ....	5	
Dividends for TD Ameritrade Holding Corporation .....	5	
Dividend Policy and Restrictions for The Toronto-Dominion Bank .....		55, 97-98
<b>CAPITAL STRUCTURE</b>		
Common Shares .....	6	97-98
Preferred Shares .....	6	95-98
Constraints .....	7	
Ratings .....	7	
<b>MARKET FOR SECURITIES OF THE BANK</b>		
Market Listings .....	9	
Trading Price and Volume .....	9	
Prior Sales .....	10	
<b>DIRECTORS AND OFFICERS</b>		
Directors and Board Committees of the Bank .....	11	
Audit Committee .....	14	
Pre-Approval Policies and Shareholders' Auditor Service Fees .....	15	
Executive Officers of the Bank .....	16	
Shareholdings of Directors and Executive Officers .....	17	
Additional Disclosure for Directors and Executive Officers .....	18	
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS</b>		
Legal Proceedings .....	18	
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS</b>		
	19	
<b>TRANSFER AGENTS AND REGISTRARS</b>		
Transfer Agent .....	19	
Co-transfer Agent and Registrar .....	19	
Shareholder Service Agent in Japan .....	19	
<b>MATERIAL CONTRACTS</b>		
	19	
<b>NAMES OF EXPERTS</b>		
	20	
<b>ADDITIONAL INFORMATION</b>		
	20	

Unless otherwise specified, this AIF presents information as at October 31, 2007.

## Caution regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements, including in this AIF, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. In addition, the Bank's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. All such statements are made pursuant to the "safe harbour" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets for 2008 and beyond, and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. The economic assumptions for 2008 for each of our business segments are set out in the 2007 Annual Report under the headings "Economic Outlook" and "Business Outlook and Focus for 2008", as updated in the subsequently filed quarterly Reports to Shareholders. Forward-looking statements are typically identified by words such as "will", "should", "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 – many of which are beyond our control – that could cause such differences include: credit, market (including equity and commodity), liquidity, interest rate, operational, reputational, insurance, strategic, foreign exchange, regulatory, legal and other risks discussed in the management discussion and analysis section of the Bank's 2007 Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the U.S. 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; the accuracy and completeness of information the Bank receives on customers and counterparties; the development and introduction of new products and services in markets; developing new distribution channels and realizing increased revenue from these channels; the Bank's ability to execute its strategies, including its integration, growth and acquisition strategies and those of its subsidiaries, particularly in the U.S.; 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; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; the failure of third parties to comply with their obligations to the Bank or its affiliates as such obligations relate to the handling of personal information; technological changes; the use of new technologies in unprecedented ways to defraud the Bank or its customers; legislative and regulatory developments; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the U.S. securities litigation environment; unexpected changes in consumer spending and saving habits; the adequacy of the Bank's risk management framework, including the risk that the Bank's risk management models do not take into account all relevant factors; 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; and the effects of disruptions to public infrastructure, such as transportation, communication, power or water supply. 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, see the discussion starting on page 59 of the Bank's 2007 Annual Report. 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" ("TDBFG"). 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.

At the Bank's most recent annual meeting, the shareholders approved the following two amendments to the Bank's By-Law No. 1: (i) an amendment to increase the maximum aggregate remuneration payable to the directors during any year from \$3,000,000 to \$4,000,000; and (ii) an amendment to keep the Bank's indemnity provision in its By-Law No. 1 current with the recent Bank Act changes. For a more detailed discussion of these amendments, please see the Bank's Management Proxy Circular dated February 23, 2007 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Intercorporate Relationships**

Information about the intercorporate relationships among the Bank and its principal subsidiaries is provided in Appendix "A" to this AIF.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

As at October 31, 2007, the Bank was the third largest Canadian bank in terms of market capitalization. From 2004 to 2007, the Bank's assets have grown on average 10.8% annually to a total of \$422.1 billion at the end of fiscal 2007. 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 and an investment in TD Ameritrade; 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 24 – 41 of the MD&A.

On March 1, 2005, the Bank completed the transaction to acquire a 51% stake in Banknorth Group, Inc. to create TD Banknorth Inc. ("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 eight northeastern states through, as of October 31, 2007, over 585 branches and 750 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% resulting in a 55.5% share ownership.

On January 24, 2006, the Bank closed the transaction involving the sale of its U.S. brokerage business, TD Waterhouse U.S.A., at a fair market value of \$2.69 billion to Ameritrade Holding Corporation in exchange for a 32.5% ownership in the combined legal entity operating under the name "TD Ameritrade". The transaction resulted in a net dilution gain on sale of \$1.67 billion (US\$1.45 billion) after-tax during the year (\$1.64 billion pre-tax). On acquisition, the Bank's investment in TD Ameritrade less the Bank's share of TD Ameritrade's net book value was approximately \$3.7 billion and consisted primarily of intangibles (approximately \$930 million) and goodwill. In connection with the transaction, TD Waterhouse Canada acquired 100% of Ameritrade's Canadian brokerage operations for \$77 million (US\$67 million) cash consideration, which consisted primarily of intangibles and goodwill.

On January 31, 2006, TD Banknorth completed the acquisition of Hudson United Bancorp ("Hudson") for total consideration of \$2.2 billion (US\$1.9 billion), consisting of cash consideration of \$1,073 million (US\$941.8 million) and the remainder in TD Banknorth common shares. The cash consideration was funded by the sale of TD Banknorth common shares to the Bank. TD Banknorth consolidates the financial results of Hudson.

Pursuant to the terms of the TD Ameritrade Stockholders Agreement, the Bank's beneficial ownership of TD Ameritrade is currently limited to 39.9% of the outstanding voting securities. This limit will increase to 45% in January 2009. The Bank acquired 44.4 million shares for \$939.1 million (US\$831.4 million), through open market purchases, which together with TD Ameritrade's share repurchase program, resulted in the Bank's beneficial ownership of TD Ameritrade increasing from 32.5% to 39.8% as at October 31, 2006.

TD Ameritrade announced two common stock repurchase programs in 2006 for an aggregate of 32 million shares. As a result of TD Ameritrade's share repurchase activity, the Bank's beneficial ownership of TD Ameritrade increased above the ownership cap of 39.9% under the Stockholders Agreement. In accordance with the Bank's previously announced intention, the Bank sold three million shares of TD Ameritrade during the three months ended July 31, 2007 to bring its beneficial ownership of TD Ameritrade as at July 31, 2007 to 39.9%, from 40.3% as at April 30, 2007. The Bank recognized a gain of \$6 million on this sale.

As at October 31, 2007, the Bank's beneficial ownership of TD Ameritrade was 39.99% due to the continued TD Ameritrade share repurchase activity. The Bank intends to sell shares of TD Ameritrade to bring its beneficial ownership of TD Ameritrade to, or under, the ownership cap of 39.9% in accordance with the Stockholders Agreement.

Effective May 15, 2006, the Bank owned all of the issued and outstanding common shares of VFC Inc. ("VFC"), a leading provider of automotive purchase financing and consumer installment loans. The acquisition of VFC's issued and outstanding common shares resulted in a total purchase consideration of \$328 million, comprising cash paid, common shares of the Bank issued and acquisition costs in the amounts of \$256 million, \$70 million and \$2 million, respectively. The acquisition was accounted for by the purchase method. VFC's results are reported in the Canadian Personal and Commercial Banking segment.

On September 14, 2006, the Bank announced an arrangement with Lillooet Limited ("Lillooet"), a company sponsored by Royal Bank of Canada, pursuant to which the Bank hedged the price risk related to 27 million shares of TD Ameritrade common stock. The number of shares hedged and the hedge price were determined based on market conditions over a specified hedging establishment period. The purpose of the arrangement with Lillooet is to provide the Bank with price protection in the event it decides to increase its beneficial ownership in TD Ameritrade in 2009. The arrangement is scheduled to be settled in 2009, subject to acceleration or early termination in certain circumstances. The arrangement does not provide the Bank any right to acquire, or any voting or other ownership rights with respect to, any shares of TD Ameritrade. As a result of consolidation, TD Ameritrade shares held by Lillooet have been included in the Bank's reported investment in TD Ameritrade. At October 31, 2007, Lillooet owned 27 million shares of TD Ameritrade, representing 4.5% of the issued and outstanding shares of TD Ameritrade.

In 2006, TD Banknorth repurchased 8.5 million of its own shares for \$290 million (US\$256 million) and the Bank acquired 1 million additional shares of TD Banknorth for \$34 million (US\$30 million) in the course of open-market purchases. In addition to the TD Banknorth shares acquired by the Bank in relation to the Hudson transaction described above, the Bank began reinvesting in TD Banknorth's dividend reinvestment program in November 2005 and acquired approximately 5.2 million shares of TD Banknorth pursuant to the program, prior to the completion of the going-private transaction described below.

TD Banknorth completed its acquisition of Interchange Financial Services Corporation ("Interchange") on January 1, 2007 for a total cash consideration of \$545 million (US\$468.1 million),

financed primarily through TD Banknorth's sale of 13 million of its common shares to the Bank at a price of US\$31.17 per share for \$472 million (US\$405 million). As the Bank consolidates TD Banknorth on a one month lag, Interchange's results for the nine months ended September 30, 2007 have been included in the Bank's results for the year ended October 31, 2007.

On April 20, 2007, the Bank completed its privatization of TD Banknorth. Under this transaction, the Bank acquired all of the outstanding common shares of TD Banknorth that it did not already own for US\$32.33 per TD Banknorth share for a total cash consideration of \$3.7 billion (US\$3.3 billion). The acquisition has been accounted for by the purchase method. On closing, TD Banknorth became a wholly-owned subsidiary of the Bank and TD Banknorth's shares were delisted from the New York Stock Exchange.

On October 2, 2007, the Bank announced a definitive agreement to acquire 100% of Commerce Bancorp, Inc. ("Commerce") for share and cash consideration with an aggregate value, as of the time of announcement of the transaction, of approximately \$8.5 billion. Commerce is a public company with approximately US\$50 billion in assets as at September 30, 2007. The acquisition will be accounted for using the purchase method of accounting and each share of Commerce will be exchanged for 0.4142 of a Bank common share and US\$10.50 in cash. The acquisition is subject to approvals from Commerce shareholders and U.S. and Canadian regulatory authorities as well as other customary closing conditions. The transaction is currently expected to close in February or March of 2008. For additional information, see "Material Contracts".

## **DESCRIPTION OF THE BUSINESS**

### **TD Ameritrade Holding Corporation**

TD Ameritrade Holding Corporation is a leading provider of securities brokerage services, with online brokerage representing the vast majority of its business. TD Ameritrade is a U.S. publicly-traded company and its common shares are listed on the NASDAQ. As of October 31, 2007, the Bank held a 39.99% interest in TD Ameritrade. Additional information concerning TD Ameritrade may be found on EDGAR at [www.sec.gov/edgar](http://www.sec.gov/edgar).

### **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 2007, the Bank had an average number of employees of 51,163.

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

In 2005, the Bank restructured its global structured products businesses within Wholesale Banking to reduce focus on the less profitable and more complex activities and concentrate resources on growing the more profitable areas of the business. As a result, the Bank recorded \$43 million of restructuring costs in 2005. During 2006, the Bank recorded an additional \$50 million of restructuring costs, consisting primarily of severance costs in relation to the restructuring of the global structured products businesses.

In January 2006, prior to the consummation of the transaction with Ameritrade described above, TD Waterhouse Group, Inc., also referred to as TD Waterhouse, conducted a reorganization in which it transferred 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 retained only its United States retail securities brokerage business.

Following the privatization of TD Banknorth, the Bank conducted a reorganization in which it transferred its interest in TD Bank USA, N.A. (formerly TD Waterhouse Bank, N.A.) to TD Banknorth. TD Bank USA provides, among other things, banking services to TD Ameritrade. As a result of the privatization of TD Banknorth and related restructuring initiatives undertaken within both TD Banknorth and TD Bank USA during 2007, the Bank incurred a total of \$67 million before-tax restructuring charges of which \$59 million related to TD Banknorth and \$8 million related to TD Bank USA. The restructuring charges consisted primarily of employee severance costs, the costs of amending certain executive employment and award agreements and the write-down of long-lived assets due to impairment.

## **Risk Factors**

Financial services involves prudently taking risks in order to generate profitable growth. The Bank's goal is to earn a stable and sustainable rate of return for every dollar of risk it takes, while putting significant emphasis on investing in the businesses to ensure the Bank can meet its future growth objectives. 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.

Through its businesses and operations, 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, market, operational, insurance, regulatory and legal, reputational and liquidity risk. This framework outlines appropriate risk oversight processes and the consistent communication and reporting of key risks that could hinder the achievement of the Bank's 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 U.S., level of competition, changes in laws and regulations, legal proceedings, accuracy and completeness of information on customers and counterparties and accounting policies and methods used by the Bank. 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 and execute strategic plans, its ability to attract and retain key executives, the disruption of key components of the Bank's business infrastructure, and the adequacy of the Bank's risk management framework.

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 on pages 59 – 70 of the MD&A, which are incorporated by reference. The Bank cautions that the preceding discussion of risks 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 for the Bank (October 31<sup>st</sup> year-end)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Common Shares	\$2.11	\$1.78	\$1.58
Preferred Shares			
Series H	-	-	-
Series I	-	\$0.03 <sup>1</sup>	\$0.04
Series J	-	-	\$1.28
Series M	\$1.18	\$1.18	\$1.18
Series N	\$1.15	\$1.15	\$1.15
Series O	\$1.21	\$1.21 <sup>2</sup>	-

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.

On July 31, 2006, the Bank redeemed all its 16,065 outstanding Class A First Preferred Shares, Series I.

### Dividends per Share for TD Banknorth Inc. (December 31<sup>st</sup> year-end)<sup>3</sup>

	<u>YTD 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Common Stock	US\$0.22	US\$0.88	US\$0.86	US\$0.79

As TD Banknorth Inc. is now a wholly-owned subsidiary of the Bank, it no longer pays regular dividends. Historically, it paid quarterly dividends on its common stock. TD Banknorth's ability to pay dividends depends on a number of factors, however, including restrictions on the ability of its subsidiary banks, TD Banknorth, N.A. and TD Bank USA, N.A., to pay dividends under U.S. laws and regulations. In addition, TD Banknorth, TD Banknorth, N.A. and TD Bank USA, N.A. are required to maintain certain capital levels, which could restrict the ability of each institution to pay dividends. More information on TD Banknorth's dividend history is available on its website at [www.tdbanknorth.com/investorrelations](http://www.tdbanknorth.com/investorrelations).

### Dividends for TD Ameritrade Holding Corporation (September 30<sup>th</sup> year-end)

TD Ameritrade Holding Corporation has historically not declared or paid regular cash dividends on its common stock. In connection with its acquisition of TD Waterhouse in January 2006, TD Ameritrade declared and paid a special cash dividend of US\$6.00 per share. As reported in its most recently filed 10-K for the year-ended September 30, 2007, TD Ameritrade currently intends to retain all of its earnings, if any, for use in its business and does not anticipate paying any other cash dividends in the foreseeable future. TD Ameritrade's credit agreement prohibits the payment of cash dividends. The payment of any future dividends will be at the discretion of TD Ameritrade's Board of Directors, subject to the provisions of the credit agreement, and will depend upon a number of factors, including future earnings, the success of TD Ameritrade's business activities, capital requirements, the general financial condition and future prospects of its business, general business conditions and such other factors as the company's Board of Directors may deem relevant.

<sup>1</sup> This represents the amount of cash dividends declared per share between November 1, 2005 and July 31, 2006.

<sup>2</sup> This represents the amount of cash dividends declared per share between November 1, 2005 and October 31, 2006.

<sup>3</sup> TD Banknorth Inc. changed its fiscal year end to September 30, effective August 28, 2007.



## **CAPITAL STRUCTURE**

The following summary of the Bank's share capital is qualified in its entirety by the Bank's by-laws and the actual terms and conditions of such shares.

### **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.

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of the Preferred Shares, create any class of shares ranking prior to or on a parity with the Preferred Shares.

Approval of amendments to the provisions of the Preferred Shares as a class may be given in writing by the holders of all the outstanding Preferred Shares or by a resolution carried by an affirmative vote of at least two-thirds of the votes cast at a meeting at which the holders of a majority of the then outstanding Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the shareholders then present or represented by proxy may transact the business for which the meeting was originally called.

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.

The Bank may not, without the prior approval of the holders of the Preferred Shares, create or issue (i) any shares ranking in priority to or on a parity with the Preferred Shares; or (ii) any additional series of Preferred Shares unless at the date of such creation or issuance all cumulative dividends and

any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of Preferred Shares then issued and outstanding.

## 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, the Bank Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. For example, no person shall be a major shareholder of a bank if the bank has equity of \$8 billion or more. A person is a major shareholder of a bank where: (i) the aggregate of shares of any class of voting shares owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

## Ratings

	<b>Dominion Bond Rating Service</b>	<b>Moody's Investors Service</b>	<b>Standard &amp; Poor's</b>	<b>Fitch Ratings</b>
Long Term Debt (deposits)	AA	Aaa	AA-	AA -
Tier 2B Subordinated Debt	AA (low)	Aa1	A+	A+
Tier 2A Subordinated Debt		Aa2	A	
Short Term Debt (deposits)	R-1 (high)	P-1	A-1+	F-1+
Preferred Shares	Pfd-1	Aa2	P-1 (low)	A+

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.

### Dominion Bond Rating Service

The DBRS debt rating scale is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner.

Long-term debt rated AA is of superior credit quality, and protection of interest and principal is considered high. In many cases they differ from long-term debt rated AAA only to a small degree. Given the extremely restrictive definition DBRS has for the AAA category, entities rated AA are also considered to be strong credits, typically exemplifying above-average strength in key areas of consideration and unlikely to be significantly affected by reasonably foreseeable events. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above

average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

Preferred shares rated Pfd-1 are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. Pfd-1 securities generally correspond with companies whose senior bonds are rated in the AAA or AA categories. As is the case with all rating categories, the relationship between senior debt ratings and preferred share ratings should be understood as one where the senior debt rating effectively sets a ceiling for the preferred shares issued by the entity. However, there are cases where the preferred share rating could be lower than the normal relationship with the issuer's senior debt rating. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the middle of the category.

### Moody's Investors Service

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default. Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk. Obligations rated Aa are judged to be of high quality and are subject to very low credit risk. 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.

Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Issuers rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

### Standard & Poor's

A Standard & Poor's issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms which could affect ultimate payment in the event of default.

A long-term obligation rated 'AA' indicates the obligor's capacity to meet its financial commitment on the obligation is extremely strong. An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. The 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.

A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

The Standard & Poor's Canadian preferred share rating scale serves issuers, investors, and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. A 'P-1(Low)' national scale preferred share rating corresponds to an 'A' global scale preferred share rating.

## Fitch Ratings

Fitch's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

Long-term rating of 'AA': Very high credit quality, denotes expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Long term rating of 'A': High credit quality, denotes expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Short-term rating of 'F1': Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

## **MARKET FOR SECURITIES OF THE BANK**

### **Market Listings**

The Bank's common shares are listed on:

1. the Toronto Stock Exchange;
2. the New York Stock Exchange; and
3. the Tokyo Stock Exchange.

The Bank's preferred shares are listed on the Toronto Stock Exchange.

### **Trading Price and Volume**

Trading price and volume of the Bank's securities:

	<b>TORONTO STOCK EXCHANGE</b>			
	<b><u>Common Shares</u></b>	<b><u>Series M</u></b>	<b><u>Series N</u></b>	<b><u>Series O</u></b>
November 2006				
High Price (\$)	68.25	27.88	27.73	26.45
Low Price (\$)	64.60	27.17	27.23	25.90
Volume ('000)	34,218	68	179	136
December				
High Price (\$)	70.21	27.79	27.72	26.50
Low Price (\$)	66.30	27.56	27.55	26.26
Volume ('000)	37,116	456	235	410
January 2007				
High Price (\$)	70.36	27.98	28.00	26.48
Low Price (\$)	68.28	27.12	26.90	26.09
Volume ('000)	28,495	438	45	252
February				
High Price (\$)	71.61	27.56	27.40	26.50
Low Price (\$)	69.27	27.09	26.95	26.20
Volume ('000)	27,219	64	57	152

**TORONTO STOCK EXCHANGE**

	<u>Common Shares</u>	<u>Preferred Shares</u>		
		<u>Series M</u>	<u>Series N</u>	<u>Series O</u>
March				
High Price (\$)	70.47	27.81	27.45	26.72
Low Price (\$)	67.21	27.04	26.91	26.25
Volume ('000)	33,142	377	184	380
April				
High Price (\$)	69.74	27.22	27.03	26.59
Low Price (\$)	67.51	26.70	26.50	26.20
Volume ('000)	24,760	165	122	376
May				
High Price (\$)	74.89	27.00	27.23	26.38
Low Price (\$)	66.55	26.71	26.25	25.30
Volume ('000)	39,802	120	102	1,422
June				
High Price (\$)	74.53	26.98	27.48	25.50
Low Price (\$)	71.51	26.11	25.64	23.75
Volume ('000)	39,224	77	79	447
July				
High Price (\$)	73.75	27.24	27.50	24.75
Low Price (\$)	67.82	25.76	25.73	24.27
Volume ('000)	36,546	153	26	177
August				
High Price (\$)	72.50	26.39	26.24	24.79
Low Price (\$)	64.02	26.09	25.80	24.35
Volume ('000)	62,339	178	145	340
September				
High Price (\$)	77.10	26.57	26.59	25.00
Low Price (\$)	70.66	26.16	26.09	23.75
Volume ('000)	42,204	177	191	257
October				
High Price (\$)	76.50	26.50	26.40	24.58
Low Price (\$)	67.75	26.12	25.86	22.05
Volume ('000)	76,799	100	106	212

**Prior Sales**

In the most recently completed financial year, the Bank did not issue any shares that are not listed or quoted on a marketplace. The following chart sets out all of the issuances of subordinated debentures of the Bank during the most recently completed financial year:

<u>Date Issued</u>	<u>Issue Price per \$1,000 Principal Amount of Debentures</u>	<u>Aggregate Principal Amount</u>
December 14, 2006	\$1,000	\$2,250,000,000
July 20, 2007	\$1,000	\$1,800,000,000

## DIRECTORS AND OFFICERS

### Directors and Board Committees of the Bank

The following table sets forth the directors of the Bank, their present principal occupation and business, municipality of residence and the date each became a director of the Bank.

<b><u>Director Name</u></b> <b><u>Principal Occupation &amp; Municipality of Residence</u></b>	<b><u>Director Since</u></b>
William E. Bennett Corporate Director and retired President and Chief Executive Officer, Draper & Kramer, Inc. Chicago, Illinois, U.S.A.	May 2004
Hugh J. Bolton Chair of the Board, EPCOR Utilities Inc. (integrated energy company) Edmonton, Alberta, Canada	April 2003
John L. Bragg Chairman, President and Co-Chief Executive Officer, Oxford Frozen Foods Limited (food manufacturers) Collingwood, Nova Scotia, Canada	October 2004
W. Edmund Clark President and Chief Executive Officer, The Toronto-Dominion Bank Toronto, Ontario, Canada	August 2000
Wendy K. Dobson Professor and Director, Institute for International Business, Joseph L. Rotman School of Management, University of Toronto Uxbridge, Ontario, Canada	October 1990
Darren Entwistle President and Chief Executive Officer, TELUS Corporation (telecommunications company) Vancouver, British Columbia, Canada	November 2001
Donna M. Hayes Publisher and Chief Executive Officer, Harlequin Enterprises Limited (global publishing company) Toronto, Ontario, Canada	January 2004
Henry H. Ketcham Chairman of the Board, President and Chief Executive Officer, West Fraser Timber Co. Ltd. (integrated forest products company) Vancouver, British Columbia, Canada	January 1999

<b><u>Director Name</u></b> <b><u>Principal Occupation &amp; Municipality of Residence</u></b>	<b><u>Director Since</u></b>
Pierre H. Lessard President and Chief Executive Officer, METRO INC. (food retailer and distributor) Westmount, Quebec, Canada	October 1997
Harold H. MacKay Counsel, MacPherson Leslie & Tyerman LLP (law firm) Regina, Saskatchewan, Canada	November 2004
Brian F. MacNeill Chairman of the Board, Petro-Canada (integrated oil and gas company) Calgary, Alberta, Canada	August 1994
Irene R. Miller Chief Executive Officer, Akim, Inc. (investment management and consulting firm) New York, New York, U.S.A.	May 2006
Roger Phillips Corporate Director and retired President and Chief Executive Officer, IPSCO Inc. Regina, Saskatchewan, Canada	February 1994
Wilbur J. Prezzano Corporate Director and retired Vice Chairman, Eastman Kodak Company Charleston, South Carolina, U.S.A.	April 2003
William J. Ryan Chairman TD Banknorth Inc. (banking and financial services holding company) Falmouth, Maine, U.S.A.	March 2005
Helen K. Sinclair Chief Executive Officer, BankWorks Trading Inc. (satellite communications company) Toronto, Ontario, Canada	June 1996
John M. Thompson Chairman of the Board, The Toronto-Dominion Bank Toronto, Ontario, Canada	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. 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. Until September 2006, Mr. Ryan was also the President of TD Banknorth Inc.; until March 2007, Mr. Ryan was also the Chief Executive Officer of TD Banknorth; and until May 2007, Mr. Ryan was also the Group Head, U.S. Personal and Commercial Banking, TD Bank Financial Group. Each director will hold office until the next annual meeting of shareholders of the Bank, which is scheduled for April 3, 2008. 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.

The following table sets forth the Committees of the Bank's Board, the members of each Committee and each Committee's key responsibilities.

<b><u>Committee</u></b>	<b><u>Members</u></b>	<b><u>Key Responsibilities</u></b>
Corporate Governance Committee	John M. Thompson (Chair) Wendy K. Dobson Darren Entwistle Harold H. MacKay Brian F. MacNeill	<b>Responsibility for corporate governance of TDBFG:</b> <ul style="list-style-type: none"> <li>• Set the criteria for selecting new directors and the Board's approach to director independence;</li> <li>• Identify individuals qualified to become Board members and recommend to the Board the director nominees for the next annual meeting of shareholders;</li> <li>• Develop and, where appropriate, recommend to the Board a set of corporate governance principles, including a code of conduct and ethics, aimed at fostering a healthy governance culture at TDBFG;</li> <li>• Review and recommend the compensation of the directors of TDBFG;</li> <li>• Satisfy itself that TDBFG communicates effectively with its shareholders, other interested parties and the public through a responsive communication policy;</li> <li>• Facilitate the evaluation of the Board and committees.</li> </ul>
Management Resources Committee	Brian F. MacNeill (Chair) Henry H. Ketcham Pierre H. Lessard Wilbur J. Prezzano Helen K. Sinclair John M. Thompson	<b>Responsibility for management's performance evaluation, compensation and succession planning:</b> <ul style="list-style-type: none"> <li>• Discharge, and assist the Board in discharging, the responsibility of the Board relating to executive compensation as set out in this Committee's charter;</li> <li>• Set performance objectives for the CEO, which encourage TDBFG's long-term financial success and regularly measure the CEO's performance against these objectives;</li> <li>• Determine the recommended compensation for the CEO and certain senior officers in consultation with independent advisors who help this Committee set competitive compensation that meets TDBFG's hiring, retention and performance objectives;</li> <li>• Review candidates for CEO and recommend the best candidate to the Board as part of the succession planning process for the position of CEO;</li> <li>• Oversee the selection, evaluation, development and compensation of other members of senior management;</li> <li>• Produce a report on executive compensation for the benefit of shareholders, which is published in TDBFG's annual proxy circular and review, as appropriate, any other major public disclosures concerning executive compensation.</li> </ul>
Risk Committee	Roger Phillips (Chair) William E. Bennett Hugh J. Bolton Harold H. MacKay Wilbur J. Prezzano	<b>Supervising the management of risk of TDBFG:</b> <ul style="list-style-type: none"> <li>• Identify and monitor the key risks of TDBFG and evaluate their management;</li> <li>• Approve risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk;</li> <li>• Satisfy itself that policies are in place to manage the risks to which TDBFG is exposed, including market, operational, liquidity, credit, insurance, regulatory and legal risk, and reputational risk;</li> </ul>



<b><u>Committee</u></b>	<b><u>Members</u></b>	<b><u>Key Responsibilities</u></b>
		<ul style="list-style-type: none"> <li>• Provide a forum for “big-picture” analysis of future risks including considering trends;</li> <li>• Critically assess TDBFG’s business strategies and plans from a risk perspective</li> </ul>
Audit Committee	Hugh J. Bolton* (Chair) William E. Bennett John L. Bragg Donna M. Hayes Irene R. Miller Helen K. Sinclair	<b>Supervising the quality and integrity of TDBFG’s financial reporting:</b> <ul style="list-style-type: none"> <li>• Oversee reliable, accurate and clear financial reporting to shareholders;</li> <li>• Oversee internal controls – the necessary checks and balances must be in place;</li> <li>• Be directly responsible for the selection, compensation, retention and oversight of the work of the shareholders’ auditor – the shareholders’ auditor reports directly to this Committee;</li> <li>• Listen to the shareholders’ auditor, internal auditor and the chief compliance officer, and evaluate the effectiveness and independence of each;</li> <li>• Oversee the establishment and maintenance of processes that ensure TDBFG is in compliance with the laws and regulations that apply to it as well as its own policies;</li> <li>• Act as the Audit Committee and Conduct Review Committee for certain subsidiaries of TDBFG that are federally-regulated financial institutions and insurance companies;</li> <li>• Receive reports on and approve, if appropriate, certain transactions with related parties.</li> </ul>

\* Designated Audit Committee Financial Expert

### **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 Appendix “B”. As listed in the table above, the members of the Committee are: Hugh J. Bolton (chair), William E. Bennett, John L. Bragg, Donna M. Hayes, Irene R. Miller and Helen K. Sinclair. Each of the Committee members is independent under the Bank’s Director Independence Policy (a copy of which is available on the Bank’s website at [www.td.com](http://www.td.com)) and the corporate governance guidelines of the Canadian Securities Administrators, and financially literate under the Committee’s charter. The members of the Bank’s Audit Committee bring significant skill and experience to their responsibilities, including academic and professional experience in accounting, business and finance. The Board has determined that there is at least one audit committee member who has the attributes of an audit committee financial expert. Hugh Bolton, Chair of the Bank’s Audit Committee, is an audit committee financial expert as defined in the U.S. Sarbanes-Oxley Act and is independent under the applicable listing standards of the New York Stock Exchange. The Board’s determination does not impose greater duties, obligations or liabilities on Mr. Bolton nor does it affect the duties, obligations or liabilities of other members of the Audit Committee or Board. 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. Previously, he served as Executive Vice President and Chief Credit Officer of First Chicago Corp. and its principal subsidiary, the First National Bank of Chicago. 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 institutions such as the Bank. As stated above, Mr. Bolton is the Bank's Audit Committee financial expert.

**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.

**Irene R. Miller** is the Chief Executive Officer of Akim, Inc. Until June 1997 Ms. Miller was Vice Chairman and Chief Financial Officer of Barnes & Noble, Inc. Prior to that, she held senior investment banking and corporate finance positions with Morgan Stanley & Co., and Rothschild Inc., respectively. During the past ten years, Ms. Miller has chaired the audit committees of the boards of Oakley, Inc., The Body Shop International plc and Benckiser N.V. Ms. Miller holds an undergraduate degree in science from the University of Toronto and a master's of science degree in chemistry and chemical engineering from Cornell University.

**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.

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 and any other relevant consideration as determined by the Board of Directors, including the Bank's Director Independence Policy.

### **Pre-Approval Policies and Shareholders' Auditor Service Fees**

The Bank's Audit Committee has implemented a policy restricting the services that may be provided by the shareholders' auditor and the fees paid to the shareholders' auditor. Any service to be provided by the shareholders' auditor must be permitted by law and by the policy, and must be pre-approved by the Audit Committee pursuant to the policy, along with the associated fees for those services. The policy provides for the annual pre-approval of specific types of services, together with the maximum amount of the fees that may be paid for such services, pursuant to policies and procedures adopted by the Audit Committee, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. All other services and the associated fees must also be specifically pre-approved by the Audit Committee as they arise throughout the year. In making its

determination regarding services to be provided by the shareholders' auditor, the Audit Committee considers the compliance with the policy and the provision of services in the context of avoiding impact on auditor independence. This includes considering applicable regulatory requirements and guidance and whether the provision of the services would place the auditor in a position to audit its own work, result in the auditor acting in the role of the Bank's management or place the auditor in an advocacy role on behalf of the Bank. By law, the shareholders' auditor may not provide certain services to the Bank or its subsidiaries. Four times a year, the Bank's Chief Financial Officer makes a presentation to the Audit Committee detailing the services performed by the Bank's auditor on a year-to-date basis, and details of any proposed assignments for consideration by the Audit Committee and pre-approval, if appropriate.

Ernst & Young LLP became the Bank's sole auditor beginning with fiscal 2006. Fees paid to Ernst & Young LLP for the past three fiscal years are detailed in the table below. PricewaterhouseCoopers LLP also served jointly with Ernst & Young LLP as one of the Bank's auditing firms for fiscal 2005 and resigned as auditor of the Bank effective January 23, 2006. From November 1, 2005 to January 23, 2006, total fees paid to PricewaterhouseCoopers LLP were \$1.5 million (2005 - \$12.6 million).

(thousands of Canadian dollars)	<b>FEES PAID TO THE BANK'S AUDITOR (Ernst &amp; Young LLP)</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Audit fees	\$14,942	\$16,343	\$6,879
Audit related fees	2,727	1,072	1,339
Tax fees	203	519	998
All other fees	336	276	571
<b>Total</b>	<b>\$18,208</b>	<b>\$18,210</b>	<b>\$9,787</b>

Audit fees are fees for the professional services in connection with the audit of the Bank's financial statements or other services that are normally provided by the shareholders' auditor in connection with statutory and regulatory filings or engagements. Audit related fees are fees for assurance and related services that are performed by the Bank's auditor. These services include employee benefit plan audits, accounting consultations in connection with acquisitions and divestitures, application and general control reviews, attest services not required by statute or regulation and interpretation of financial accounting and reporting standards. Tax fees comprise: tax compliance generally involving the preparation of original and amended tax returns and claims for refund; tax advice, including assistance with tax audits, appeals and rulings plus tax advice related to mergers and acquisitions; and tax planning, including expatriate and domestic tax services and transfer pricing matters. All other fees include fees for insolvency and viability matters either paid by the Bank or by third parties, commencing in 2006, limited to cases in which the Bank is a minority syndicate participant and not in a position to influence or select the external audit firm to use. In these instances, the shareholders' auditor is retained to provide assistance on operational business reviews, lender negotiations, business plan assessments, debt restructuring and asset recovery. The amount of insolvency and viability fees paid by third parties to Ernst & Young LLP is \$0.04 million (2006 - \$0.04 million; 2005 - \$0.4 million). Also included in this category are fees for audits of charitable organizations, Section 5970/SAS 70 reports on control procedures at a service organization, audit services for certain special purpose entities administered by the Bank, and fund audits (in 2007 and 2006 limited to audits of SEC-registered funds).

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

The following individuals are executive officers of the Bank:

<b><u>Executive Officer Name</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Municipality of Residence</u></b>
Mark R. Chauvin	Executive Vice-President and Chief Risk Officer, Risk Management, Corporate Office, TD Bank Financial Group	Burlington, Ontario, Canada

<u>Executive Officer Name</u>	<u>Principal Occupation</u>	<u>Municipality of Residence</u>
W. Edmund Clark	President and Chief Executive Officer, TD Bank Financial Group	Toronto, Ontario, Canada
Robert E. Dorrance	Group Head Wholesale Banking, TD Bank Financial Group and Chairman, CEO and President, TD Securities	Toronto, Ontario, Canada
Bernard T. Dorval	Group Head Business Banking & Insurance and Co-Chair, TD Canada Trust, TD Bank Financial Group	Toronto, Ontario, Canada
William H. Hatanaka	Group Head Wealth Management, TD Bank Financial Group and Chairman and Chief Executive Officer, TD Waterhouse Canada Inc.	Toronto, Ontario, Canada
Timothy D. Hockey	Group Head Personal Banking and Co-Chair, TD Canada Trust, TD Bank Financial Group	Mississauga, Ontario, Canada
Colleen M. Johnston	Group Head, Finance and Chief Financial Officer, Corporate Office, TD Bank Financial Group	Toronto, Ontario, Canada
Robert F. MacLellan	Executive Vice President, Chief Investment Officer and Chairman, TD Asset Management and President TD Capital, TD Investments, Wholesale Banking, TD Bank Financial Group	Toronto, Ontario, Canada
Bharat B. Masrani	Group Head U.S. Personal and Commercial Banking, TD Bank Financial Group and President and Chief Executive Officer, TD Banknorth Inc.	Old Orchard Beach, Maine, U.S.A.
Frank J. McKenna	Deputy Chair, TD Bank Financial Group	Toronto, Ontario, Canada
Michael B. Pedersen	Group Head, Corporate Operations, TD Bank Financial Group	Toronto, Ontario, Canada

Except as hereinafter disclosed, all executive officers have held their positions or other executive positions with the same, predecessor or associated firms or organizations for the past five years. Prior to joining the Bank in July 2007, Mr. Pedersen worked for Barclays Bank and was responsible for their global private banking business and two other international businesses. Prior to joining the Bank in May 2006, Mr. McKenna was the Canadian Ambassador to the United States; and from 1997 until 2005, he held the position of Counsel to McInnes Cooper. Prior to joining the Bank in February 2004, Ms. Johnston was the Managing Director and Chief Financial Officer of Scotia Capital Inc. Prior to joining the Bank in January 2003, Mr. Hatanaka held the position of Chief Operating Officer, RBC Wealth Management and Co-President, RBC Dominion Securities Royal Bank of Canada.

#### **Shareholdings of Directors and Executive Officers**

To the knowledge of the Bank, as at November 29, 2007, 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 797,259 of the Bank's common shares representing 0.11% of the Bank'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 November 29, 2007:

- (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. Frank McKenna who ceased to be a director of AlphaNet Telecom Inc. within twelve months prior to AlphaNet Telecom Inc. filing an assignment in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) in February 1999;
- (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 AND REGULATORY ACTIONS**

### **Legal Proceedings**

The Bank, its subsidiaries and TD Ameritrade are involved in various legal actions in the ordinary course of business, many of which, in the case of the Bank, are loan-related. In management's opinion, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Bank.

The two principal legal actions regarding Enron to which the Bank is a party are the securities class action and the bankruptcy proceeding. In 2005, the Bank agreed to settle the bankruptcy court claims in this matter for approximately \$145 million (US\$130 million). Payment of this settlement was

made during 2006. As at October 31, 2007, the total contingent litigation reserve for Enron-related claims was approximately \$390 million (US\$413 million). It is possible that additional reserves above current 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.

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

To the best of our knowledge, the Bank confirms that, as at November 29, 2007 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 November 19, 2006, TD Banknorth Inc., Bonn Merger Co. and the Bank entered into an Agreement and Plan of Merger which set forth the terms and conditions pursuant to which a wholly-owned subsidiary of TD was to be merged with and into TD Banknorth. The Agreement and Plan of Merger provided, among other things, that as a result of the merger each outstanding share of common stock of TD Banknorth not owned by TD or its affiliates (subject to certain exceptions) was to be converted into the right to receive \$32.33 in cash. On April 20, 2007, the Bank completed its privatization of TD Banknorth.
2. On November 19, 2006, the Bank entered into a Voting Agreement with Private Capital Management, L.P. ("PCM"), a registered investment adviser under the Investment Advisers Act of 1940, pursuant to which PCM agreed to vote all shares of common stock of TD Banknorth over which it exercised voting authority in favor of the adoption of the Agreement and Plan of Merger entered into between TD Banknorth Inc., Bonn Merger Co. and the Bank on November 19, 2006.
3. On October 2, 2007, the Bank, Cardinal Merger Co., an indirect wholly-owned subsidiary of the Bank and Commerce Bancorp, Inc., entered into an Agreement and Plan of Merger, pursuant to which Cardinal Merger Co. will merge with and into Commerce Bancorp, Inc., whereupon the separate corporate existence of Cardinal Merger Co. will cease and Commerce Bancorp, Inc. will survive as a subsidiary of the Bank. Subject to the terms and conditions of the Agreement and Plan of Merger, which has been approved by the boards of directors of both the Bank and Commerce Bancorp, Inc., upon the completion of the merger, each share of Commerce Bancorp, Inc. common stock will be converted into the right to receive (i) 0.4142 common shares of the Bank, and (ii) an amount in cash equal to US\$10.50, with additional cash to be paid in lieu of fractional shares. Commerce Bancorp, Inc. stock options will become fully vested and will convert upon completion of the merger into stock options to purchase common shares of the Bank, subject to adjustment pursuant to the Agreement and Plan of Merger.

Copies of these material contracts are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **NAMES OF EXPERTS**

The Consolidated Financial Statements of the Bank for the year ended October 31, 2007 included in the Bank's Annual Report filed under National Instrument 51-102 - *Continuous Disclosure Obligations*, portions of which are incorporated by reference in this AIF, have been audited by Ernst & Young LLP. Ernst & Young LLP, Chartered Accountants, Toronto, Ontario, is the external auditor who prepared the Independent Auditors' Reports to Shareholders - Report on Financial Statements and Report on Internal Controls Under Standards of the Public Company Accounting Oversight Board (United States). Ernst & Young LLP is independent with respect to the Bank within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Ernst & Young LLP is also independent with respect to the Bank within the meaning of the United States federal securities laws and the rules and regulations thereunder, including the independence rules adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002 and Rule 3600T of the Public Company Accounting Oversight Board, which designates as interim independence standards Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and Standards Nos. 1, 2 and 3 of the Independence Standards Board.

## **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, 2007. The Bank's comparative financial statements and management's discussion and analysis for the year ended October 31, 2007 are contained in the Bank's 2007 Annual Report.



**Appendix “A”**

**Intercorporate Relationships – See Attached**

**PRINCIPAL SUBSIDIARIES****Canada**

(millions of dollars)	Address of Head or Principal Office	As at October 31, 2007 Carrying Value of shares owned by the Bank
<b>Canada</b>		
CT Financial Assurance Company	Toronto, Ontario	124
First Nations Bank of Canada (9%)	Saskatoon, Saskatchewan	6
Meloche Monnex Inc.	Montreal, Quebec	1,071
Security National Insurance Company	Montreal, Quebec	
Primum Insurance Company	Toronto, Ontario	
TD Direct Insurance Inc.	Toronto, Ontario	
TD General Insurance Company	Toronto, Ontario	
TD Home and Auto Insurance Company	Toronto, Ontario	
TD Asset Finance Corp.	Toronto, Ontario	183
TD Asset Management Inc.	Toronto, Ontario	236
TD Waterhouse Private Investment Counsel Inc.	Toronto, Ontario	
TD Asset Management USA Inc.	Toronto, Ontario	6
TD Capital Funds Management Ltd.	Toronto, Ontario	-
TD Capital Group Limited	Toronto, Ontario	455
TD Capital Trust	Toronto, Ontario	485
TD Investment Services Inc.	Toronto, Ontario	14
TD Life Insurance Company	Toronto, Ontario	29
TD Mortgage Corporation	Toronto, Ontario	10,402
The Canada Trust Company	Toronto, Ontario	
TD Pacific Mortgage Corporation	Toronto, Ontario	
TD Mortgage Investment Corporation	Calgary, Alberta	135
TD Nordique Investments Limited	Vancouver, British Columbia	324
TD Parallel Private Equity Investors Ltd.	Toronto, Ontario	116
TD Securities Inc.	Toronto, Ontario	2,720
TD Timberlane Investments Limited	Vancouver, British Columbia	4,682
TD McMurray Investments Limited	Vancouver, British Columbia	
TD Redpath Investments Limited	Vancouver, British Columbia	
TD Riverside Investments Limited	Vancouver, British Columbia	
TD US P & C Holdings ULC	Calgary, Alberta	15,005
TD Banknorth Inc.	Portland, Maine	
TD Bank USA, National Association	Portland, Maine	
TD Banknorth, National Association	Portland, Maine	
Northgroup Asset Management Company	Portland, Maine	
TD Financial International Ltd.	Hamilton, Bermuda	
Canada Trustco International Limited	St. Michael, Barbados	
TD Reinsurance (Barbados) Inc.	St. Michael, Barbados	
TD Waterhouse Canada Inc.	Toronto, Ontario	1,136
Truscan Property Corporation	Toronto, Ontario	143
VFC Inc.	Toronto, Ontario	364

Unless otherwise noted, the Bank, either directly or through its subsidiaries, owns 100% of any issued and outstanding voting securities and non-voting securities of the entities listed, except the non-voting securities of TD Capital Trust. Each subsidiary is incorporated in the country in which its head or principal office is located, except TD Asset Management USA Inc. which was incorporated in Delaware, USA.

**PRINCIPAL SUBSIDIARIES**  
**United States and Other International**

(millions of dollars)		As at October 31, 2007
	Address of Head or Principal Office	Carrying Value of shares owned by the Bank
<b>United States</b>		
TD Discount Brokerage Acquisition LLC	Wilmington, Delaware	885
TD AMERITRADE Holding Corporation (7.47%)	Omaha, Nebraska	
TD Discount Brokerage Holdings LLC	Wilmington, Delaware	3,158
TD AMERITRADE Holding Corporation (32.52%)	Omaha, Nebraska	
TD North America Limited Partnership	Wilmington, Delaware	541
Toronto Dominion Holdings (U.S.A.), Inc.	Chicago, Illinois	1,631
TD Equity Options, Inc.	Chicago, Illinois	
Edge Trading Systems LLC	Chicago, Illinois	
TD Options LLC	Chicago, Illinois	
TD Holdings II Inc.	New York, New York	
TD Securities (USA) LLC	New York, New York	
TD Professional Execution, Inc.	Chicago, Illinois	
Toronto Dominion (Texas) LLC	New York, New York	
TD USA Insurance, Inc.	New York, New York	
Toronto Dominion (New York) LLC	New York, New York	
Toronto Dominion Capital (U.S.A.), Inc.	New York, New York	
Toronto Dominion Investments, Inc.	Houston, Texas	
<b>Other International</b>		
NatWest Personal Financial Management Limited (50%)	London, England	61
NatWest Stockbrokers Limited	London, England	
TD Haddington Services B.V.	Amsterdam, The Netherlands	9
TD Ireland	Dublin, Ireland	374
TD Global Finance	Dublin, Ireland	
TD Securities (Japan) Inc.	St. Michael, Barbados	30
TD Waterhouse Bank N.V.	Amsterdam, The Netherlands	221
TD Waterhouse Investor Services (UK) Limited	Leeds, England	44
TD Waterhouse Investor Services (Europe) Limited	Leeds, England	
Toronto Dominion Australia Limited	Sydney, Australia	165
Toronto Dominion International Inc.	St. Michael, Barbados	588
Toronto Dominion Investments B.V.	London, England	1,077
TD Bank Europe Limited	London, England	
Toronto Dominion Holdings (U.K.) Limited	London, England	
TD Securities Limited	London, England	
Toronto Dominion Jersey Holdings Limited	St. Helier, Jersey, Channel Islands	1,292
TD Guernsey Services Limited	St. Peter Port, Guernsey, Channel Islands	
TD European Funding Limited (60.99%)	St. Peter Port, Guernsey, Channel Islands	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	635

Unless otherwise noted, the Bank, either directly or through its subsidiaries, owns 100% of any issued and outstanding voting securities and non-voting securities of the entities listed, except the non-voting securities of TD Capital Trust. Each subsidiary is incorporated in the country in which its head or principal office is located, except TD Asset Management USA Inc. which was incorporated in Delaware, USA.

## Appendix “B”

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

#### CHARTER

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

##### *Main Responsibilities:*

- overseeing 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' auditor – the shareholders' auditor reports directly to the Committee
- listening to the shareholders' auditor, 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:*

- the Committee is composed entirely of independent directors
- the Committee meets regularly without management present
- the Committee has the authority to engage independent advisors, paid for by the Bank, to help it 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. However, in overseeing entities in which The Toronto-Dominion Bank has a controlling interest, where such entities have their own independent board and committee oversight structure under applicable law, the Committee shall be entitled to place reliance on these processes in satisfying its Charter responsibilities provided that it does not come to the conclusion that it would be inappropriate to do so. The Committee shall review materials of relevance to it with respect to such entities, as provided by management or as requested by the Committee.

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, including the Bank’s Director Independence Policy.

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 upon recommendation of the Corporate Governance Committee, 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' auditor. The Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors as the 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 shall meet with the shareholders' auditor and management quarterly to review the Bank's financial statements consistent with the section entitled "Financial Reporting" below. The Committee shall dedicate a portion of each of its regularly scheduled quarterly meetings to meeting separately with each of the Chief Financial Officer, the Chief Auditor, the Chief Compliance Officer and the shareholders' auditor and to meeting on its own without members of management or the shareholders' auditor. 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' auditor 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' auditor 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' auditor;
- 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' auditor 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 policies as suggested by the shareholders' auditor, management, or the internal audit department; and
- establishing regular systems of reporting to the Committee by each of management, the shareholders' auditor 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' auditor is 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 review by the shareholders' auditor. 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 and similar rules of the Canadian Securities Administrators;
- meeting with management, the Chief Auditor and the shareholders' auditor 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 oversee 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; and
- 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' auditor and/or regulators.



### *Oversight of Shareholders' Auditor*

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

- review and approve the annual audit plans and engagement letters of the shareholders' auditor;
- review the shareholders' auditor's processes for assuring the quality of their audit services including any matters that may affect the audit firm's ability to serve as shareholders' auditor;
- discuss those matters that are required to be communicated by the shareholders' auditor 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' auditor any issues that may be brought forward by it, including any audit problems or difficulties, such as restrictions on its audit activities or access to requested information, and management's responses;
- review with the shareholders' auditor 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' auditor 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' auditor.

### *Independence of Shareholders' Auditor*

The Committee shall monitor and assess the independence of the shareholders' auditor 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' auditor and reviewing, approving and monitoring the policy for the provision of non-audit services to be performed by the shareholders' auditor, including the pre-approval of such non-audit services in accordance with the policy;

- receiving from the shareholders' auditor, on a periodic basis, a formal written statement delineating all relationships between the shareholders' auditor 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' auditor, any relationships or services between the shareholders' auditor and the Bank or any factors that may impact the objectivity and independence of the shareholders' auditor;
- reviewing, approving and monitoring policies and procedures for the employment of past or present partners, or employees of the shareholders' auditor 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 satisfying itself that procedures and practices are established by management as required by the *Bank Act* (Canada) 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 Complaint Procedures and the Bank's Code of Conduct and Ethics and the conflicts of interest procedures included therein, including approving, where appropriate, any waiver from the Bank's Code of Conduct and Ethics 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 they apply 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 of the Bank;
- confirm the appointment and dismissal of the Chief Compliance Officer;
- confirm the appointment and dismissal of the Chief Anti-Money Laundering 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;
- review an annual report from the Chief Compliance Officer regarding examinations of the Bank conducted by OSFI, and follow-up with management on the status of recommendations and suggestions, as appropriate; 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.

### *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;

- 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 to assess its contribution and effectiveness in fulfilling its mandate;
- 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 on material matters arising at Audit Committee meetings following each meeting of the Committee and reporting as required to the Risk Committee on issues of relevance to it.



**Bank Financial Group**