Report of the Audit Committee

The Audit Committee oversees the quality, integrity and timeliness of the Bank’s financial reporting, its internal controls, including internal control over financial reporting and disclosure controls and procedures, its internal audit function, and its compliance with legal and regulatory requirements. It also has oversight responsibilities in relation to transactions involving related parties; conflicts of interest and the use and disclosure of confidential information, including customer and employee information; consumer protection measures and dealing with customer complaints; and standards of business conduct and ethics for directors, senior management and employees. The Committee also reviews and assesses the qualifications, independence and performance of the Shareholders’ Auditors. In addition, the Committee acts as the audit committee and conduct review committee of certain subsidiaries as required by the Board. The Board has determined that each member of the Audit Committee is “financially literate”, as such term is defined under the rules of the Canadian Securities Administrators and the Securities and Exchange Commission (the “SEC”) and NYSE standards, and that each of Messrs. Chevrier and Orsino and Mme Saucier is an “Audit Committee Financial Expert” as such term is defined under SEC rules.

Year in Review

Financial Reporting
- Received regular presentations on current market issues and potential financial exposures during a year of unprecedented market volatility.
- Reviewed with management emerging best practices related to financial reporting. The Bank’s President and Chief Executive Officer and Interim Chief Financial Officer continue to certify the Bank’s annual and interim filings, which include the Consolidated Financial Statements, Management’s Discussion and Analysis and Annual Information Form, as required under rules adopted by the Canadian Securities Administrators (“CSA”) and as required by the Sarbanes-Oxley Act of 2002 (“SOX”).
- Received regular updates on the Bank’s implementation of International Financial Reporting Standards (“IFRS”) and the implications of IFRS on the Bank’s financial reporting.
- Reviewed with management and the Shareholders’ Auditors: the appropriateness of the Bank’s accounting and financial reporting, the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties, the key estimates and judgments of management that were material to the Bank’s financial reporting, and the disclosure of critical accounting policies.
- Reviewed and recommended for approval by the Board: the Consolidated Financial Statements, Management’s Discussion and Analysis and financial releases on an annual and quarterly basis, and the Annual Information Form on an annual basis. Also reviewed and recommended for approval by their respective boards the annual financial statements of certain subsidiaries. The Committee concluded these documents were complete, fairly presented the Bank’s financial position and financial performance and were in accordance with generally accepted accounting principles that were consistently applied.

Internal Control over Financial Reporting and Disclosure Controls and Procedures
- Examined reports of the Chief Auditor concerning the effectiveness of internal control, including the disclosure of information to customers in compliance with the Bank Act.
- Reviewed and approved the Committee Charter, Corporate Policies relating to Auditor Independence and the Corporate Audit Mandate.
- Reviewed management’s assessment of the effectiveness of internal control over financial reporting required under SOX section 404.
- Reviewed management’s evaluation of the effectiveness of the Bank’s disclosure controls and procedures required under SOX section 302 and under rules adopted by the CSA.
- Oversaw additional disclosures as recommended by the Financial Stability Forum.
- Met regularly with the Chief Auditor without management present.
- Examined key regulatory developments and assessed their implications for the Bank.
- Received the General Counsel’s quarterly reports on legal matters that present material risks to the Bank. Considered legal and regulatory developments having an impact on the Bank’s operations.
- Received the Chief Compliance Officer’s quarterly reports on compliance with applicable laws and regulations, including anti-money laundering regulations.
- Reviewed correspondence from regulators and the Bank’s responses thereto.
Shareholders’ Auditors

- Reviewed and approved requests to engage the Shareholders’ Auditors for all their services provided to the Bank and its subsidiaries.
- Reviewed the reports of the Shareholders’ Auditors outlining all relationships between the Shareholders’ Auditors and the Bank to confirm the independence of the Shareholders’ Auditors.
- Met regularly with the Shareholders’ Auditors without management present.

Conduct Review

- Reviewed the revised corporate policy FirstPrinciples: Our Code of Business Conduct and Ethics (“FirstPrinciples”), and recommended its approval to the Board. The Code was updated to reflect the Bank’s continued commitment to ethical business practices.
- Reviewed the Bank’s whistleblower procedures, which allow officers and employees to report potential violations of FirstPrinciples or concerns relating to accounting, internal accounting controls or auditing matters on a confidential and anonymous basis.
- Reviewed the Bank’s reports relating to employee conduct procedures, including conflict of interest, personal trading in securities and results of the FirstPrinciples Annual Acknowledgement process.
- Reviewed the Bank’s procedures for dealing with customer complaints and other consumer protection provisions, including procedures to fulfill the obligations imposed by the Financial Consumer Agency of Canada (“FCAC”).
- Reviewed the Bank’s report on the status of the FCAC compliance regime, as well as updates on FCAC activities and requirements and their impact on the Bank.
- Reviewed material transactions with related parties of the Bank and its designated subsidiaries in order to identify any potential material effects of these transactions on the stability or solvency of the participants.
- Reviewed reports on the use and disclosure of confidential information, including customer and employee information, to monitor compliance with the obligations imposed by privacy legislation.
- Submitted to the Superintendent of Financial Institutions an annual report on the proceedings of the Committee.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2008.

Philip S. Orsino
Chair