31st March, 1999

# THE TORONTO-DOMINION BANK

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND MANAGEMENT PROXY CIRCULAR

THE TORONTO-DOMINION BANK

# NOTICE OF
# ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of this Bank will be held in Les Salons Windsor and Versailles, Le Windsor, 1170 Peel Street, Montreal, Quebec, on Wednesday, the 31st day of March, 1999 at 10:30 a.m. for the purposes of:

(a) receiving the financial statements for the year ended October 31, 1998, and the auditors' report thereon;
(b) considering and, if thought fit, confirming an amendment to By-law No. 1 relating to the size of the board of directors (a copy of the special resolution confirming such amendment accompanies this Notice);
(c) electing directors;
(d) appointing auditors;
(e) considering and, if thought fit, confirming an amendment to By-law No. 1 relating to the appointment of officers and the execution of instruments (a copy of the special resolution confirming such amendment accompanies this Notice);
(f) considering and, if thought fit, approving amendments to the 1993 Stock Option Plan (a copy of the resolution approving such amendments accompanies this Notice);
(g) considering certain shareholder proposals attached as Schedule "A" to the accompanying Management Proxy Circular; and
(h) transacting such other business as may properly be brought before this Meeting.

Shareholders who are unable to attend the Meeting in person are requested to complete the enclosed form of proxy. Proxies must be returned to the Secretary of the Bank at least twenty-four hours prior to the Meeting.

Details of the matters in this notice are contained in the accompanying Management Proxy Circular.

By Order of the Board
R. G. BUMSTEAD
Senior Vice President,
General Counsel and Secretary

Toronto, 1st March 1999.

# MANAGEMENT PROXY CIRCULAR
# AS OF JANUARY 26th, 1999 (unless otherwise noted)

## ANNUAL MEETING OF SHAREHOLDERS
## TO BE HELD ON MARCH 31st, 1999

### SOLICITATION OF PROXIES

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF THE TORONTO-DOMINION BANK (THE "BANK") OF PROXIES TO BE USED AT THE ANNUAL MEETING OF SHAREHOLDERS (THE "MEETING") OF THE BANK TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT PROXY CIRCULAR. THE SOLICITATION WILL BE PRIMARILY BY MAIL. THE RETURN OF PROXIES MAY ALSO BE SOLICITED BY REGULAR EMPLOYEES OF THE BANK AND ADP INDEPENDENT INVESTOR COMMUNICATIONS CORPORATION. THE COSTS OF THE SOLICITATION WILL BE BORNE BY THE BANK.

### EXERCISE OF DISCRETION BY PROXY

Subject to the provisions of the Bank Act (Canada) the shares represented by properly executed proxies received by management will be voted by the persons named in the enclosed form of proxy or a duly appointed substitute in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF ANY DIRECTION TO THE CONTRARY, THE SHARES REPRESENTED BY PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED ON ANY POLL FOR THE ELECTION OF THE NOMINEES FOR DIRECTORS, FOR THE CONFIRMATION OF BOTH AMENDMENTS TO BY-LAW NO. 1 OF THE BANK, FOR THE APPROVAL OF THE AMENDMENTS TO THE 1993 STOCK OPTION PLAN AND FOR THE APPOINTMENT OF AUDITORS AND AGAINST THE SHAREHOLDER PROPOSALS ATTACHED AS SCHEDULE "A", ALL AS DESCRIBED IN THIS MANAGEMENT PROXY CIRCULAR. The enclosed form of proxy confers discretionary authority upon each person named therein to appoint a substitute proxyholder, to act with respect to matters not specifically mentioned in the Notice of Meeting, but which may properly come before the Meeting, and to act with respect to amendments to or variations of matters identified in the Notice of Meeting. As at the date hereof, management knows of no such amendment, variation or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended to vote on such other business in such manner as the person appointed as proxy then considers to be proper.

### VOTING AND OWNERSHIP OF SHARES

As of the date hereof, the Bank has 297,183,549 common shares issued and outstanding. Holders of common shares in the capital of the Bank ("shareholders") registered on the books of the Bank as at the close of business February 23, 1999, the record date, are entitled to receive notice of the Meeting and are entitled to cast one vote for each share held except to the extent that the ownership of such shares has been transferred after February 23, 1999 and the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that he or she owns such shares and requests not later than 10 days before the Meeting that his or her name be included in the list of shareholders, in which case the transferee, subject to the Bank Act, shall be entitled to vote such shares. Every resolution that will be placed before the Meeting, except the special resolutions confirming the amendments to By-law No. 1, will be an ordinary resolution requiring a simple majority of the votes cast in respect of the resolution by holders of common shares for approval. Confirmation of the amendments to By-law No. 1 will be by special resolution requiring an affirmative vote of 66 2/3% of the votes cast at the Meeting. Proxies are to be returned to the Bank's transfer agent, CIBC Mellon Trust Company, for counting and tabulation. The results of each vote are verified by the scrutineer of the Meeting. To the knowledge of the directors and officers of the Bank, no shareholder of the Bank beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to all issued and paid up shares of the Bank.

### CONFIDENTIALITY OF VOTING

In the ordinary course, proxies are not submitted to the management of the Bank unless they contain comments clearly intended for management or when legal requirements make it necessary. Shareholders wishing to maintain complete confidentiality of their holdings and their voting thereof may elect to register their shares in the name of a nominee.

APPOINTMENT AND REVOCATION OF PROXIES

The persons specified in the enclosed form of proxy are directors or officers of the Bank. EACH SHAREHOLDER HAS THE RIGHT TO APPOINT A PROXYHOLDER OR ONE OR MORE ALTERNATIVE PROXYHOLDERS TO ATTEND AND ACT AT THE MEETING OR ANY ADJOURNMENTS THEREOF IN THE PLACE OF THE PERSONS SPECIFIED IN THE ENCLOSED FORM OF PROXY. SUCH RIGHT MAY BE EXERCISED BY STRIKING OUT THE NAMES OF THE SPECIFIED PERSONS AND INSERTING THE NAME OF THE SHAREHOLDER'S NOMINEE(S) IN THE SPACE PROVIDED OR BY COMPLETING ANOTHER APPROPRIATE FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE FORM OF PROXY TO THE SECRETARY OF THE BANK AT LEAST TWENTY-FOUR HOURS PRECEDING THE MEETING. DELIVERY TO CIBC MELLON TRUST COMPANY AT 320 BAY STREET, 6th FLOOR, TORONTO, WILL CONSTITUTE DELIVERY TO THE SECRETARY OF THE BANK.

A shareholder executing the enclosed form of proxy may revoke it by delivering an instrument of revocation in writing to the Secretary of the Bank at any time up to and including the last business day preceding the day of the Meeting or to the chairman of the Meeting.

VOTING RESTRICTIONS

Under the provisions of the Bank Act your right to vote Bank shares may be subject to certain restrictions. Common shares of the Bank may not be voted in person or by proxy if such shares are beneficially owned by the Government of Canada, a Province, the government of a foreign country or any political subdivision thereof, or any agency of any of the foregoing.

The foregoing is a summary only. If further information concerning the relevant sections of the Bank Act is required for your assistance, please forward your request to the Secretary.

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to vote for the nominees listed below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but should that occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director's term of office is until the next annual election of directors. As required by the Bank Act, the following table provides a summary of the record of attendance by directors at meetings of the Board and Committees of the Board during the twelve months ended October 31, 1998. During this period, the Board held 13 meetings. During the same period, Committees of the Board held 16 meetings, broken down as follows: Audit (3), Conduct Review (1), Audit and Conduct Review (1), Corporate Governance (2), Executive (5), and Management Resources and Compensation Advisory (4). The table also sets forth for each director: age; municipality of residence; principal occupation and business; positions or offices with significant Bank subsidiaries, if any; approximate number of Bank shares beneficially owned, directly or indirectly, or over which control or direction is exercised; and the date each became a director of the Bank.

| M. Norman Anderson<br>Vancouver, B.C. | Age | Director Since | Shares | Number of Meetings Attended | |
|---|---|---|---|---|---|
| | | | | Board | Committees |
| | 67 | August 1979 | 21,000 Common | 12 | 5 |

President, Norman Anderson & Associates Ltd. (management consultants).

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| [2]A. Charles Baillie<br>Toronto, Ontario | Age | Director Since | Shares | Number of Meetings Attended | |
|---|---|---|---|---|---|
| | | | | Board | Committees |
| | 59 | September 1994 | 82,407 Common<br>9,373 Deferred Share Units | 12 | 5 |

Chairman and Chief Executive Officer of the Bank.

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| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| [1,2]G. Montegu Black<br>Toronto, Ontario | 58 | August 1978 | 3,150 Common | 13 | 10 |

Chairman and President, Txibanguan Limited (holding company).

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| William T. Brock<br>Toronto, Ontario | 62 | September 1996 | 40,324 Common<br>9,965 Deferred Share Units | 10 | – |

Deputy Chairman of the Bank, Officer of TD Securities Inc. and Director of Toronto Dominion (South East Asia) Limited.

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| [2]Marshall A. Cohen<br>Toronto, Ontario | 63 | February 1992 | 6,119 Common<br>336 Deferred Share Units | 12 | 6 |

Counsel, Cassels Brock & Blackwell (barristers and solicitors).

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| [1]Wendy K. Dobson<br>Uxbridge, Ontario | 57 | October 1990 | 3,105 Common<br>125 Deferred Share Units | 11 | 2 |

Professor and Director, Institute for International Business, Joseph L. Rotman School of Management, University of Toronto.

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| Henry H. Ketcham<br>Vancouver, B.C. | 49 | January 1999 | (not applicable) | (not applicable) | |

Chairman of the Board, President and Chief Executive Officer, West Fraser Timber Co. Ltd. (integrated forest products company).

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| [1]Pierre H. Lessard<br>Town of Mount-Royal, Quebec | 56 | October 1997 | 3,500 Common<br>272 Deferred Share Units | 10 | 2 |

President and Chief Executive Officer, Métro-Richelieu Inc. (distributor of food products).

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| [1]Brian F. MacNeill<br>Calgary, Alberta | 59 | August 1994 | 4,372 Common<br>177 Deferred Share Units | 12 | 4 |

President and Chief Executive Officer, Enbridge Inc. (energy delivery and services company).

| Director | Age | Director Since | Shares | Number of Meetings Attended: Board | Number of Meetings Attended: Committees |
|---|---|---|---|---|---|
| Roger Phillips<br>Regina, Saskatchewan | 59 | February 1994 | 7,000 Common<br>268 Deferred Share Units | 12 | 5 |

President and Chief Executive Officer, IPSCO Inc. (steel manufacturing company).

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| [2]Edward S. Rogers<br>Toronto, Ontario | 65 | August 1989 | 11,209 Common | 9 | 4 |

President and Chief Executive Officer, Rogers Communications Inc. (diversified communications).

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| [1]Helen K. Sinclair<br>Toronto, Ontario | 47 | June 1996 | 3,000 Common | 13 | 5 |

Chief Executive Officer, BankWorks Trading Inc. (software and educational products).

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| [2]Donald R. Sobey<br>Stellarton, N.S. | 64 | October 1992 | 213,628 Common<br>358 Deferred Share Units | 11 | 9 |

Chairman, Empire Company Limited (investment company).

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| Michael D. Sopko<br>Oakville, Ontario | 59 | August 1992 | 6,213 Common | 9 | 3 |

Chairman and Chief Executive Officer, Inco Limited (primary metals and formed metal products).

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| [2]John M. Thompson<br>Greenwich, Connecticut | 56 | August 1988 | 11,079 Common | 10 | 4 |

Senior Vice President and Group Executive, IBM Corporation (information technology hardware, software and services).

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| [2]Richard M. Thomson<br>Toronto, Ontario | 65 | April 1971 | 152,028 Common | 11 | 4 |

Former Chairman and Chief Executive Officer of the Bank.

| Director | Age | Director Since | Shares | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|---|---|---|
| George W. Watson<br>Calgary, Alberta | 51 | November 1993 | 3,660 Common<br>141 Deferred Share Units | 10 | 4 |

President and Chief Executive Officer, TransCanada PipeLines Limited (natural resource transportation, processing and marketing).

[1]Member of Audit and Conduct Review Committee
(Audit Committee and Conduct Review Committee were combined effective May 28, 1998)
[2]Member of Executive Committee
(directors serve on Board committees on a rotating basis)

Mr. Henry H. Ketcham was appointed a director at the board meeting held on January 28, 1999. Except as herein disclosed, all directors standing for election at the Meeting have held their positions or other executive positions with the same or associated firms or organizations for the past five years. Mr. Marshall A. Cohen was President and Chief Executive Officer of The Molson Companies Limited from November 1988 to September 1996. Ms. Helen K. Sinclair was President of the Canadian Bankers' Association from October 1989 to May 1996. Mr. André Chagnon, who has served as a director since September 1989, Dr. Marsha P. Hanen, who has served as a director since September 1994, Mr. James A. Pattison, who has served as a director since August 1985, and Dr. Robert J. Richardson, who has served as a director since January 1973, will not bestanding for re-election as directors at the Meeting. During the twelve months ended October 31, 1998, Mr. Chagnon attended 10 board meetings and 2 committee meetings, Dr. Hanen attended 3 board meetings and 2 committee meetings, Mr. Pattison attended 11 board meetings and 8 committee meetings, and Dr. Richardson attended 11 board meetings and 5 committee meetings. Dr. Hanen's participation in meetings has been limited due to health reasons and, as noted above, she will not be standing for re-election. Mr. Donald R. Sobey was a director of the Bank from May 1978 to January 1992.

The attendance of directors who did not stand for re-election at the last annual meeting or who resigned from the board during 1998 is set out in the table below for the twelve months ended October 31, 1998:

| | Number of Meetings Attended | |
|---|---|---|
| | Board | Committees |
| Philippe de Gaspé Beaubien[(1)] | 1 | 0 |
| Gail Cook-Bennett[(1)] | 2 | 1 |
| E. Leo Kolber[(2)] | 8 | 2 |
| Adam H. Zimmerman[(1)] | 3 | 2 |

[(1)] Did not stand for election as a director at the January 28, 1998 Annual Meeting.
[(2)] Resigned August 27, 1998.

MATERIAL INTERESTS OF BANK'S DIRECTORS OR OFFICERS

None of the Bank's directors or officers, or the proposed management nominees for election as directors of the Bank, nor any associate or controlled corporation of such person had any direct or indirect material interest, since the beginning of the Bank's last completed financial year, in respect of any matter that has materially affected or will materially affect the Bank or any of its subsidiaries.

REMUNERATION OF DIRECTORS AND OFFICERS

The table below shows the aggregate remuneration paid by the Bank during its last completed financial year to its directors and those officers who received aggregate remuneration in excess of $75,000.

STATEMENT OF DIRECTORS' AND OFFICERS' REMUNERATION FROM THE BANK AND ITS SUBSIDIARIES

NATURE OF REMUNERATION EARNED

| | Directors' fees* | Salaries | Bonuses | Non-accountable expenses | Others | Total |
|---|---|---|---|---|---|---|
| 1. REMUNERATION OF DIRECTORS | | | | | | |
| (A) Number of directors: 22 | | | | | | |
| (B) Corporation incurring the expense: | | | | | | |
| The Toronto-Dominion Bank | $963,373 | NIL | NIL | NIL | NIL | $963,373 |
| Subsidiaries | NIL | NIL | NIL | NIL | NIL | NIL |
| 2. REMUNERATION OF OFFICERS OVER $75,000 | | | | | | |
| (A) Number of officers: 272 | | | | | | |
| (B) Corporation incurring the expense: | | | | | | |
| The Toronto-Dominion Bank | | $40,777,199 | NIL | NIL | NIL | $40,777,199 |
| Subsidiaries | | NIL | NIL | NIL | NIL | NIL |
| TOTALS | $963,373 | $40,777,199 | NIL | NIL | NIL | $41,740,572 |

*Includes $77,025 received in the form of deferred share units which are described under "Compensation of Directors".

STOCK OPTION AND OTHER PLANS

The Bank's Stock Option, Incentive Compensation and Long Term Incentive Plans are described in The Management Resources and Compensation Advisory Committee report, which follows at page 11. Certain officers of the Bank participate in each of these Plans. Options were issued under the Bank's Stock Option Plan on April 2, 1998 and allow the holder to purchase common shares of the Bank at an exercise price of $61.20, which was the closing price on the Toronto Stock Exchange on April 1, 1998. The Bank's common shares traded in the range of $58.20 to $65.350 per share in the 30 days preceding the date options were issued. The options expire 10 years after issue and vest at the rate of 25% of the original award on each of the first four anniversaries of the grant date. As at October 31, 1997 and October 31, 1998, there were reserved for future issuance 7,517,725 and 5,511,700 common shares respectively in respect of the Bank's Stock Option Plan. The aggregate number of options issued under this plan to all officers who received in excess of $75,000 in the last completed fiscal year in April, 1998 was 1,625,300.

Options were issued under the Bank's Stock Option Plan on December 10, 1998 and allow the holder to purchase common shares of the Bank at an exercise price of $50.850, which was the closing price on the Toronto Stock Exchange on December 9, 1998. The Bank's common shares traded in the range of $42.750 to $55.000 per share in the 30 days preceding the date options were issued. The options expire 10 years after issue and vest at the rate of 25% of the original award on each of the first four anniversaries of the grant date. The aggregate number of options issued under this Plan to all officers who received in excess of $75,000 in the last completed fiscal year in December, 1998 was 1,831,900.

*Note: The Bank's stock option process was moved for 1998 and future years from the April board meeting to correspond with the other incentive payments in December. Therefore there have been two option grants from the commencement of fiscal 1998 up to and including the date of this circular.

During fiscal year 1998 officers of the Bank, who received in excess of $75,000 in that year exercised options to purchase 11,875 common shares of the Bank at a strike price of $16.375 per share, 20,725 common shares of the Bank at a strike price of $20.875 per share, 20,700 common shares of the Bank at a strike price of $20.250 per share, 15,250 common shares of the Bank at a strike price of $23.625, and 6,900 common shares of the Bank at a strike price of $34.900.

During fiscal year 1998 officers of the Bank, who received in excess of $75,000 in that year surrendered the following options for a cash settlement: 187,450 options at a strike price of $16.375, 245,400 options at a strike price of $20.875, 143,025 options at a strike price of $20.250, 96,625 options at a strike price of $23.625, and 52,625 options at a strike price of $34.900.

The range of common share trading prices on the Toronto Stock Exchange from October 1, 1997 to October 31, 1998 were as follows:

| | |
|---|---|
| October 1, 1997 to December 31, 1997 | $45.400 to $55.250 |
| January 1, 1998 to March 31, 1998 | $49.400 to $65.350 |
| April 1, 1998 to June 30, 1998 | $60.300 to $74.750 |
| July 1, 1998 to September 30, 1998 | $37.500 to $68.050 |
| October 1, 1998 to October 31, 1998 | $37.500 to $47.300 |

The aggregate of payments made under the Bank's Incentive Compensation Plan during the last completed fiscal year, and not previously reported, to all officers who received in excess of $75,000 in the last completed fiscal year was NIL. The aggregate of payments approved by the Board and made under this Plan on December 10, 1998 to all officers who received in excess of $75,000 in the last completed fiscal year was $20,225,327, of which $3,087,755 was deferred through the Bank's Senior Executive Deferred Share Unit Plan. This Plan provides eligible officers the option to defer a portion of their incentive award into phantom share units which mature at retirement.

The aggregate of payments made under the Bank's Long Term Incentive Plan during the last completed fiscal year, and not previously reported, to all officers who received in excess of $75,000 in the last completed fiscal year was $58,345,000. The aggregate of payments proposed to be made under this Plan in the future, and not previously reported, to all officers who received in excess of $75,000 in the last completed fiscal year is $4,100,000.

Certain officers of the Bank participate in the Bank's Performance Compensation Plan. Payments under this Plan are dependent upon market conditions and business unit performance. The aggregate of payments made under this Plan for the last fiscal year to all officers who received in excess of $75,000 in the last completed fiscal year was $32,766,839.

Certain officers of the Bank participate in the Bank's Long Term Capital Plan. Participation Units may be made available for issuance to officers in certain specialized functions. Units vest two years after grant with the redemption value based on market conditions and business unit performance. The aggregate of payments made under the Bank's Long Term Capital Plan during the last completed fiscal year, and not previously reported, to all officers who received in excess of $75,000 in the last completed fiscal year was NIL. The aggregate of payments proposed to be made under this Plan in the future to all officers who received in excess of $75,000 in the last completed fiscal year is $7,971,056.

Certain officers of the Bank participate in the Bank's contributory defined benefit pension plan (the "Pension Plan"). Pensions under the Pension Plan are based on pensionable service and the average annual pensionable earnings for the five year period immediately preceding retirement. In addition, the Bank has entered into supplementary retirement income agreements with certain officers pursuant to which each officer is entitled, upon retirement, to receive a benefit equal to the difference between the amount received by that officer under the Pension Plan and anticipated Canada Pension Plan/Quebec Pension Plan payments, and such amount as is equal to the greater of: up to 70 percent of that officer's average annual salary for the three year period immediately preceding retirement; or, up to 60 percent of that officer's average of the highest five consecutive years of the last ten years of salary and incentive compensation payments. It is impracticable to state the amounts that will be payable under these supplementary retirement income agreements as such amounts are dependent upon the future employment and salary levels of those officers and continue for the lifetime of those officers.

## EMPLOYEE SAVINGS PLAN

The Bank has an Employee Savings Plan pursuant to which all eligible employees are permitted to contribute a percentage of their annual basic salary up to a maximum of 5% or $2,200, whichever is less. Pursuant to this Plan the Bank contributes, for the account of each participant, an amount equal to 50% of the participant's contribution to this Plan. The contributions are held, invested, managed and distributed by a trustee.

## LOANS TO DIRECTORS

Loans to proposed management nominees for election as directors have been made by the Bank and its subsidiaries for the purposes of private investment, including the acquisition of Bank shares, housing and personal requirements. Such indebtedness during the year ended October 31, 1998 and at the date hereof was as follows:

| | *High for fiscal year Ended October 1998* | *Average Rate per Annum* | *Balance as at January 26 1999* |
|---|---|---|---|
| A.C. Baillie | $747,725 | 5.266% | NIL |

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Annual Compensation: Fiscal Salary ($) | Annual Compensation: Bonus ($) | Annual Compensation: Other Annual Compensation (1) ($) | Long-Term Compensation: Awards: Securities Under Options/ SARs Granted (#) | Long-Term Compensation: Awards: Restricted Shares or Restricted Share Units (2) ($) | Long-Term Compensation: Payouts: LTIP Payouts ($) | All Other Compensation (3) ($) |
|---|---|---|---|---|---|---|---|---|
| A.C. Baillie | 1998 | $899,452 | $ 950,000 *(4) | $82,329 | 182,500 | | | $2,916 |
| Chairman and | 1997 | $762,192 | $1,090,000 | $ 4,139 | 197,500 | | | $2,471 |
| Chief Executive | 1996 | $601,503 | $ 800,000 | $ 5,386 | 125,000 | | | $2,106 |
| Officer | | | | | | | | |
| W.T. Brock | 1998 | $549,452 | $ 505,000 *(4) | | 82,000 | | | $1,782 |
| Deputy Chairman | 1997 | $444,959 | $ 575,000 | | 90,500 | | | $1,442 |
| | 1996 | $371,803 | $ 470,000 | | 65,000 | | | $1,393 |
| J.D. Gibson | 1998 | $400,685 | $ 372,000 * | $ 847 | 54,000 | | | $1,296 |
| Vice Chair | 1997 | $300,000 | $ 445,000 | $ 2,443 | 42,500 | | | $ 972 |
| | 1996 | $263,142 | $ 292,751 | $ 2,306 | 40,000 | | | $ 849 |
| R.P. Kelly | 1998 | $466,493 | $ 416,000 *(4) | $ 1,403 | 54,000 | | | $1,512 |
| Vice Chair | 1997 | $360,000 | $ 445,000 | $ 4,333 | 53,500 | | | $1,166 |
| | 1996 | $318,083 | $ 360,000 | $ 5,237 | 40,000 | | | $1,166 |
| S.D. McDonald | 1998 | $379,162 | $ 436,000 *(4) | $ 129 | 54,000 | | | $1,223 |
| Vice Chair | 1997 | $282,000 | $ 598,000 | | | | | $ 914 |
| | 1996 | $282,000 | $ 600,000 | $ 91 | | | | $ 914 |

**Notes to Summary Compensation Table**

(1) The value of perquisites and benefits for each Named Executive Officer, with the exception of Mr. Baillie, is less than the lesser of $50,000 and 10% of total annual salary and bonus.
The amounts quoted in this column represent the taxable benefits on reduced rate loans. The amount for Mr. Baillie also represents Professional Fees and Club memberships totaling $81,099.

(2) The aggregate holdings and value of restricted share units on October 31, 1998, are as follows:

| | # Units | Value on October 31, 1998 |
|---|---|---|
| J.D. Gibson | 5,000 | $256,525 |

Dividend equivalents are not paid on these units. Units are redeemed on the 3rd anniversary. This represents an award granted in 1997.

(3) All figures in this column reflect premiums and applicable provincial sales taxes paid by the Bank for term life insurance for each officer.

(4) The following Officers elected to defer a portion of their bonus into phantom share units as part of the Senior Executive Deferred Share Unit Plan as follows:

| | |
|---|---|
| A.C. Baillie | $475,000 |
| W.T. Brock | $505,000 |
| R.P. Kelly | $208,000 |
| S.D. McDonald | $ 46,500 |

* Awarded on December 10, 1998.

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR[1]

| *Name* | *Securities Under Options/SARs Granted April 2, 1998* | *% of Total Options/SARs Granted to Employees in April 1998* | *Exercise or Base Price ($/Security)* | *Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security)* | *Expiration Date of grants from April 2, 1998* |
|---|---|---|---|---|---|
| A.C. Baillie | 182,500 | 8.8% | $61.200 | $61.200 | April 2, 2008 |
| W.T. Brock | 82,000 | 3.9% | $61.200 | $61.200 | April 2, 2008 |
| J.D. Gibson | 54,000 | 2.6% | $61.200 | $61.200 | April 2, 2008 |
| R.P. Kelly | 54,000 | 2.6% | $61.200 | $61.200 | April 2, 2008 |
| S.D. McDonald | 54,000 | 2.6% | $61.200 | $61.200 | April 2, 2008 |

**Notes to Option/SAR Grant Table**

(1) Option awards for fiscal 1998 were granted for Bank common shares. The first 25% of the award becomes exercisable after one year, the second 25% after two years, the third 25% after three years, and the final 25% after four years.

AGGREGATE OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

| *Name* | *Securities Acquired on Exercise (#)* | *Aggregate Value Realized ($)* | *Unexercised Options/SARs at FY-End [1] (#)* | | *Value of Unexercised in-the-Money Options/SARs at FY-End [2] ($)* | |
|---|---|---|---|---|---|---|
| | | | *Exercisable* | */ Unexercisable* | *Exercisable/* | *Unexercisable* |
| A.C. Baillie | 150,000 | $6,570,750 | 276,125 | 411,875 | $6,323,825 | $3,502,500 |
| W.T. Brock | 105,000 | $5,024,250 | 181,625 | 193,875 | $4,367,038 | $1,765,538 |
| J.D. Gibson | 50,000 | $2,273,900 | 103,125 | 113,375 | $2,480,750 | $ 988,500 |
| R.P. Kelly | 62,000 | $2,727,880 | 115,875 | 121,625 | $2,806,250 | $1,079,250 |
| S.D. McDonald | 61,000 | $2,747,974 | 54,500 | 61,500 | $1,627,392 | $ 192,375 |

(1) Options issued in 1993 through 1998 and Phantom Stock Options issued in 1990 through 1992.
(2) Closing price of Bank common shares on the TSE on October 31, 1998 was $45.900.

PENSION PLAN TABLE

| *Final Average Base Salary ($)* | *Years of Service* | | | | |
|---|---|---|---|---|---|
| | *15* | *20* | *25* | *30* | *35* |
| $ 300,000 | $ 86,170 | $114,893 | $143,616 | $172,339 | $201,063 |
| $ 400,000 | $116,170 | $154,893 | $193,616 | $232,339 | $271,063 |
| $ 500,000 | $146,170 | $194,893 | $243,616 | $292,339 | $341,063 |
| $ 600,000 | $176,170 | $234,893 | $293,616 | $352,339 | $411,063 |
| $ 700,000 | $206,170 | $274,893 | $343,616 | $412,339 | $481,063 |
| $ 800,000 | $236,170 | $314,893 | $393,616 | $472,339 | $551,063 |
| $ 900,000 | $266,170 | $354,893 | $443,616 | $532,339 | $621,063 |
| $1,000,000 | $296,170 | $394,893 | $493,616 | $592,339 | $691,063 |
| $1,100,000 | $326,170 | $434,893 | $543,616 | $652,339 | $761,063 |
| $1,200,000 | $356,170 | $474,893 | $593,616 | $712,339 | $831,063 |

This table reflects the standard annual benefits payable to certain officers of the Bank, including the Named Executive Officers, at age 63 for the various salary/service combinations shown. The pension is based on 2% per year of service (to a maximum of 35 years) of the average of the final three years' salary minus an adjustment for Canada or Quebec Pension Plan benefits. These amounts include benefits payable from the Bank's Pension Fund Society but do not include payments from Canada or Quebec Pension Plans. These benefits are reduced for retirement earlier than age 62.

The maximum annual benefit will be the greater of: 60% of the average of the highest five consecutive years of the last 10 years of salary and Incentive Compensation payments; or, 70% of the average of the final three years of salary.

Messrs. Baillie, Brock and McDonald will have attained the maximum years of credited service at age 63. Mr. Kelly's pension will be based on 32.9 years of service with the Bank at age 63 and Mr. Gibson's pension will be based on 32 years of service with the Bank at age 63.

These retirement benefits are payable for life. Upon death, reduced payments continue to the surviving spouse.

## COMPOSITION OF THE MANAGEMENT RESOURCES AND COMPENSATION ADVISORY COMMITTEE

The following individuals served as the members of this Committee for all or part of the fiscal year that ended on October 31, 1998. None are officers, employees, or former officers or employees of the Bank or any of its subsidiaries.

| | |
|---|---|
| M.N. Anderson | D.R. Sobey, Chair |
| E.L. Kolber | M.D. Sopko |
| J.A. Pattison | J.M. Thompson |

## MANAGEMENT RESOURCES AND COMPENSATION ADVISORY COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Oversight responsibility for the Bank's executive compensation program has been delegated by the Board to the Management Resources and Compensation Advisory Committee (the "Committee"), comprised of five non-employee members of the Board. As part of its mandate, the Committee advises the Board on the appointment and remuneration of the Bank's senior officers, including the executive officers named on the Summary Compensation Table (the "Named Executive Officers"). The Committee is also responsible for reviewing the design and competitiveness of the Bank's compensation programs generally and approving the compensation budgets for all Bank employees. The Committee met four times in fiscal 1998.

### Executive Compensation Strategy and Competitive Positioning

The Bank's executive compensation program has three components, including base salary, annual incentive compensation paid in cash or deferred share units and long term, equity-based incentive compensation. Together these components form a comprehensive strategy for achieving the following objectives with respect to the Bank's senior officers, including the Named Executive Officers:

1. attract and retain highly qualified management;
2. motivate performance by linking incentive compensation to the achievement of business objectives and financial performance;
3. align management and shareholder interests; and
4. encourage retention of key resources for the succession of Bank management.

The total compensation mix is structured to place a significant portion of the executives' compensation at risk, based on individual, business unit and Bank performance as well as market practice.

The Committee references competitive data provided by outside consultants to assist in determining the level and mix of executive compensation. This year, the Committee reviewed the practices for the other five major Canadian banks, the Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and National Bank of Canada, as the primary comparator group.

**Salary**

The Committee and the Board approve the salary programs for all levels of Bank employees, based on competitive industry data for the markets in which the Bank operates. The Committee references data provided by independent consultants to determine appropriate salary ranges for the Named Executive Officers. Salary increases to the senior officers in fiscal 1998 were consistent with the base salary programs approved by the Board for all Bank employees.

**Annual Incentives**

The Bank provides annual incentive compensation to senior officers, including the Named Executive Officers, through the Incentive Compensation Plan ("ICP"). The aggregate level of ICP awards paid to all senior officers in each fiscal year is determined based on performance standards established by the Committee and approved by the Board at the beginning of the fiscal year.

Annual ICP awards are based on Bank, business unit and individual performance. The performance measures that support the Bank's business strategy are used to determine the aggregate level of ICP awards.

A threshold level of Return on Equity ("ROE") must be achieved to qualify for payment of ICP awards based on Bank performance. This feature ensures that shareholders receive an adequate level of return before management is rewarded. Each year a threshold level of ROE to be achieved in the following fiscal year is established based on a risk-free rate of return, currently equivalent to a Government of Canada medium term bond yield, plus a risk premium.

The aggregate level of ICP awards to be paid is based on the Bank's Net Income available to common shareholders ("Net Income") and is adjusted for performance compared to the primary reference group of banks and for business unit performance.

The Committee uses these ROE and Net Income guidelines to determine the general level of ICP awards, but may adjust the level of ICP awards to be allocated for the fiscal year based on its judgement of Bank performance relative to economic conditions and the primary comparator group performance. Individual awards are adjusted to reflect individual and business unit performance.

During fiscal 1998, the Bank introduced a deferred share unit plan for Senior Executives. The plan provides Senior Executives who are eligible to receive an ICP award the option to defer 0%-100% of the incentive award into phantom share units. Each unit has a value equal to one Bank common share and accrues dividend equivalents equal to the dividends declared by the Bank each quarter. The dividend equivalents are allocated to additional phantom share units. The units mature and are paid out upon retirement.

**Long Term Compensation**

*Stock Option Plan*

The Stock Option Plan was implemented in 1993. It is designed to align executive and shareholder interests and focus executives on long term value creation. Options may be exercised at the strike price, which is the closing market price on the trading day prior to the date of grant. The executives' compensation is linked directly to the appreciation in the price of the Bank's common shares. The options become exercisable over four years and expire after ten years.

The Bank's stock option grant guidelines are set to align with competitive grant practices. Data provided by external consultants on competitive market practices for award sizes is reviewed for the financial services industry. The Committee also considers the terms and total number of options and phantom stock options issued in the past. Although the Committee has not established specific life-time maximums for individuals, it considers the current inventory of options when determining whether to issue additional option grants to any officer.

*Long Term Incentive Plan*

Prior to the introduction of the Stock Option Plan, the Bank provided equity-based compensation to selected officers under the Long Term Incentive Plan ("LTIP"), which has two components. The first component under this Plan provides for Stock Appreciation Rights, which were similar to the Bank's stock options, whereby phantom stock options were issued at a market price and were redeemed for the appreciation in value four to eight years after issuance. These phantom stock options have been discontinued where stock options can be issued but may be issued in locations outside of Canada where the Bank cannot issue stock options.

The second LTIP component provides for Restricted Share Units. These Units are issued at a base price of zero and are redeemed at market price three years after issuance. Units are granted to selected high potential officers for retention and succession planning purposes.

**Executive Stock Ownership Requirements**

The Bank's stock ownership requirements for the executive officers, including the Named Executive Officers, further align management and shareholder interests. These minimum stock holding requirements are proportionate to the executive's compensation and position in the Bank. Bank common share holdings representing a multiple of three times base salary are required for the CEO; two and a half times base salary for the Deputy Chairman; two times base salary for the Vice Chairs; and one and a half times base salary for the Executive Vice Presidents. Stock ownership by the executives, including the Named Executive Officers, met these requirements at fiscal year end. Ownership rquirements of one times base salary for Senior Vice Presidents are being phased in.

**CEO's Compensation and Corporate Performance**

The Committee evaluates the performance of the CEO each year. This review covers accountabilities such as leadership, the Bank's financial performance, strategy, management development and succession, employee relations, risk, customer service and quality, and communication. Based on this review, the Committee determines changes to the CEO's compensation.

Mr. Baillie's base salary was increased in 1998 to recognize his appointment as Chairman and CEO and to provide a competitive market position. Mr. Baillie's ICP award is based on Bank performance relative to goals established for the fiscal year and comparative performance. The Board retains full discretion over the award granted.

In fiscal 1998, the Bank met the ROE qualifying threshold and based on Net Income performance Mr. Baillie received an award of 105.6% of salary.

Equity-based compensation is provided under the Bank's Stock Option Plan. Mr. Baillie's 1998 grant of an option to purchase 182,500 Bank common shares is competitive with grants made by the primary comparator group of Canadian banks. This award level is appropriate for his level of responsibility and, in conjunction with the annual incentive award, ensures that Mr. Baillie's compensation is aligned with the Bank's objectives and is reflective of performance.

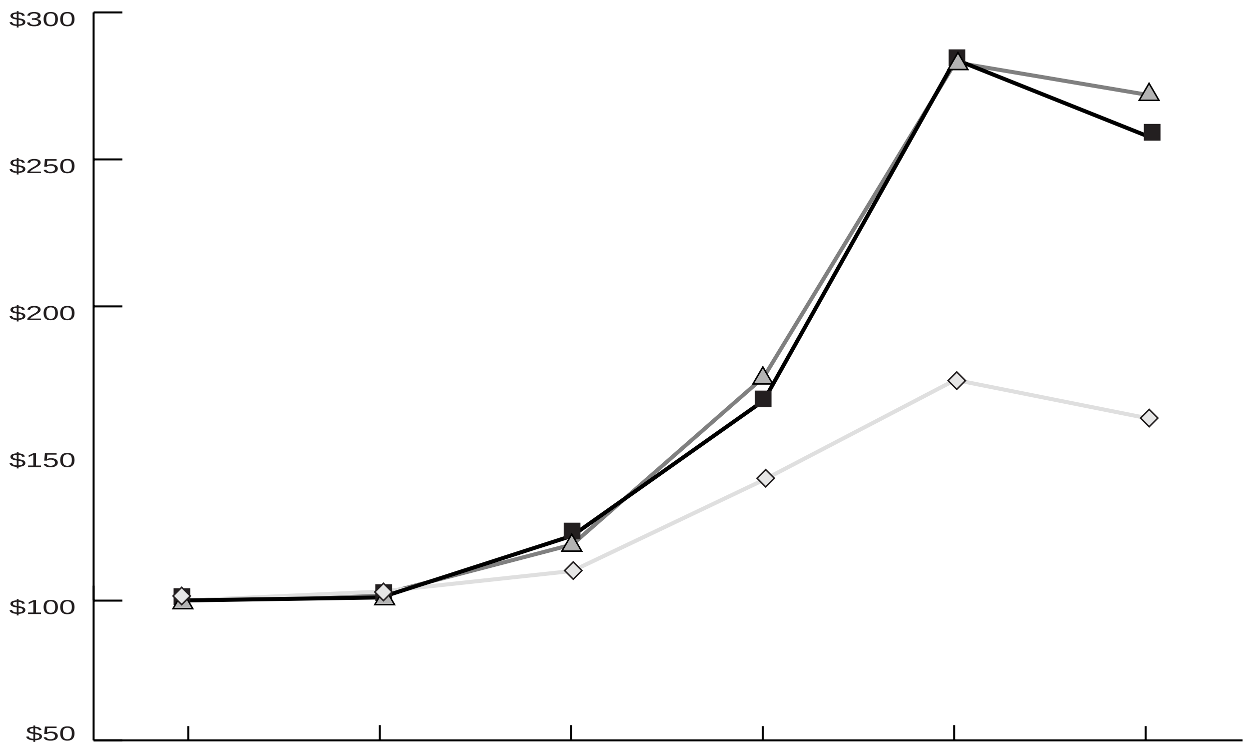
Report Presented By

| | |
|---|---|
| M.N. Anderson | M.D. Sopko |
| J.A. Pattison | J.M. Thompson |
| D.R. Sobey, Chair | |

FIVE YEAR TOTAL SHAREHOLDER RETURN COMPARISON

The following graph assumes that $100 was invested on October 31, 1993 in the Bank's common stock, the TSE 300 Composite Index and the TSE Banks and Trusts Sub-group Index (formerly the TSE Banks Sub-group Index), respectively.

CUMULATIVE VALUE OF A $100 INVESTMENT ASSUMING REINVESTMENT OF DIVIDENDS




| | Oct. 31, 1993 | Oct. 31, 1994 | Oct. 31, 1995 | Oct. 31, 1996 | Oct. 31, 1997 | Oct. 31, 1998 |
|---|---|---|---|---|---|---|
| ■ TD BANK | 100 | 101 | 122 | 168 | 284 | 258 |
| ◇ TSE 300 | 100 | 103 | 110 | 141 | 175 | 162 |
| △ TSE BANKS AND TRUSTS | 100 | 102 | 119 | 176 | 283 | 272 |

COMPENSATION OF DIRECTORS

Each director who is not an employee of the Bank is entitled to be paid $23,000 per annum for services as a director. Each director who is not an employee is entitled to $3,000 per annum for services as a member of the Audit and Conduct Review, Corporate Governance, Executive, and Management Resources and Compensation Advisory Committees of the Board, excluding the Chair of each of those Committees. The Chair of each of the Audit and Conduct Review, Corporate Governance and the Management Resources and Compensation Advisory Committee is entitled to receive $12,500 per annum for services in that capacity. In all cases, directors who are not employees are entitled to an attendance fee and the reimbursement of their expenses for each board and committee meeting. Attendance fees are: $1,000 for a board meeting and $900 for committee meetings held on a board meeting day. Directors based outside the province in which a board or committee meeting is held receive double attendance fees for board meetings and for committee meetings held on a day when the Board is not meeting. Fees for telephone meetings are $1,000 for board meetings and $900 for committee meetings regardless of where the director is based and regardless of when the meeting is held.

As a matter of policy, the Bank considers it appropriate that directors hold a substantial number of common shares of the Bank, further aligning their interests with those of other shareholders. As a result, the Board has adopted a policy under which directors are expected to acquire, over time, common shares of the Bank with a value equivalent to at least six times the basic director's fee of $23,000.

Consistent with the Bank's policy of encouraging directors to have a substantial investment in the Bank, the Outside Director Share Plan (the "Plan") was established in 1998. Under the Plan, directors who are not employees or officers of the Bank may elect to receive any portion of their annual compensation in the form of cash, common shares of the Bank or deferred share units ("Units"), or a combination thereof. A Unit is a bookkeeping entry, equivalent in value to a common share. Units are maintained until the director retires from the Board. Units are considered the equivalent of common shares for purposes of the Bank's policy on share ownership by directors.

## TABLE OF INDEBTEDNESS UNDER SECURITIES PURCHASE PROGRAMS

The aggregate indebtedness to the Bank and its subsidiaries of all officers, directors and employees entered into in connection with a purchase of securities of the Bank or any of its subsidiaries, excluding routine indebtedness, was $691,558 as at December 31, 1998.

| *Name and Principal Position* | *Involvement of Bank or Subsidiary* | *Largest Amount Outstanding During Fiscal 1998 ($)* | *Amount Outstanding as at December 31, 1998 ($)* | *Financial Assisted Securities Purchased During Fiscal 1998* |
|---|---|---|---|---|
| G.J. O'Mahoney<br>Senior Vice President | Loan from Bank | $351,135 | $104,828[1] | NIL |
| B. Shirreff<br>Senior Vice President | Loan from Bank | $125,655 | $69,101[1] | 2,000[2] |
| R. Strickland<br>Senior Vice President | Loan from Bank | $517,629 | $517,629[1] | 8,600[2] |

[1] Demand Loan at a floating interest rate of TD's Prime rate minus 2.0% with a ten year term and amortization for the purchase of Bank common shares, held as evidence of good faith.

[2] TD Bank common shares.

TABLE OF INDEBTEDNESS OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS

The aggregate indebtedness to the Bank and its subsidiaries of all officers, directors, and employees not entered into in connection with a purchase of securities of the Bank or any of its subsidiaries, excluding routine indebtedness, was $1,420,593 as at December 31, 1998.

| *Name and Principal Position* | *Involvement of Bank or Subsidiary* | *Largest Amount Outstanding During Fiscal 1998 ($)* | *Amount Outstanding as at December 31, 1998 ($)* |
|---|---|---|---|
| B. Palk<br>Senior Vice President | Loan from Bank | $891,033 [1] | $838,274 |
| R. Strickland<br>Senior Vice President | Loan from Bank | $423,728 [2]<br>$ 49,022 [3]<br>$100,000 [4] | $434,734<br>$ 47,585<br>$100,000 |

[1] Demand Loan at a floating interest rate of TD's Prime rate amortized over 5 years secured by investment units purchased.
[2] Demand Loan at a floating interest rate of TD's Prime rate with a one year term and amortization secured by collateral mortgage.
[3] Demand Housing Loan at a fixed interest rate of 4% with a one year term and twenty-five year amortization secured by a mortgage on principal residence.
[4] Demand Investment Loan at a floating interest rate of TD's Prime rate with a two year amortization secured by investments purchased.

APPOINTMENT OF AUDITORS

The firms and/or members of Ernst & Young LLP, KPMG LLP and PricewaterhouseCoopers LLP have held appointments in accordance with the Bank Act as auditors of the Bank during the five financial years ended October 31, 1998. Unless authority to do so is withheld, the persons named in the enclosed Appointment of Proxy intend to vote to appoint Ernst & Young LLP and KPMG LLP to be auditors to hold office until the close of the next annual meeting of shareholders of the Bank.

**FIRST AMENDMENT TO BY-LAW NO. 1**

The Bank's By-law No. 1 currently sets the minimum and maximum numbers of directors at 20 and 50, respectively. In 1998, the Corporate Governance Committee of the Board reviewed the existing Guidelines for Board Composition and recommended to the Board that the Guidelines should be amended to set the minimum and maximum numbers of directors at 15 and 22, respectively. The Committee considered the change appropriate to ensure a board size conducive to effective operation while preserving the flexibility to deal with recruitment and succession issues.

The Board accepted the recommendation and passed a resolution amending By-law No. 1 accordingly. This amendment will not be effective unless and until it is confirmed by a special resolution of the shareholders of the Bank. As a result, the following special resolution will be presented to the Meeting:

"RESOLVED AS A SPECIAL RESOLUTION THAT the amendment to By-law No. 1 deleting the first sentence of Section 2.01 thereof and replacing it with the following:

"The Board shall number not less than 15 and not more than 22."

be and is hereby confirmed."

**SECOND AMENDMENT TO BY-LAW NO. 1**

New businesses outside core retail and commercial banking put the Bank in markets with very different title structures that do not fit within the Bank's current titling parameters. Management and the Board have determined that increasing flexibility in the appointment of officers and the use of titles will assist in the recruitment, motivation and retention of our workforce. This increased flexibility will position the Bank well in the market place by permitting the use of titles that reflect market norms and are consistent with those used by competitors.

Currently, Section 3.02, which relates to the appointment of officers other than the Chairman of the Board, Chief Executive Officer and President, and Section 9.02 of By-law No. 1, which relates to the execution of instruments, present some constraints on the desired flexibility. The current Bank Act, like other modern corporate statutes, provides the directors with the authority, subject to the by-laws, to designate offices and appoint officers and to delegate the authority to do so. Consequently, to provide greater flexibility, the directors have passed an amendment to By-law No. 1 deleting Sections 3.02 and 9.02. As a result, the following special resolution will be presented to the meeting:

"RESOLVED AS A SPECIAL RESOLUTION THAT:
The amendment to By-law No. 1 deleting therefrom Sections 3.02 and 9.02 be and is hereby confirmed."

**AMENDMENTS TO 1993 STOCK OPTION PLAN**

At the 1993 Annual Meeting, the shareholders of the Bank approved the adoption of the 1993 Stock Option Plan (the "Plan"). As stated in the Proxy Circular for that meeting, the purposes of the Plan are:

- to link the interests of participating management employees with those of the shareholders;
- to promote share ownership by participating management employees;
- to motivate and reward performance which is consistent with the long term performance objectives at the Bank; and
- to assist in the long term retention of key employees.

A maximum of 20 million common shares could be issued under the Plan as initially approved. To the end of 1998, options to purchase 16,878,425 shares have been issued under the Plan. In the absence of an amendment increasing the maximum number, additional options to purchase not more than 3,121,575 shares could be issued under the Plan.

In the ordinary course, the Bank would have presented a new form of stock option plan to the shareholders for approval at the 1999 annual meeting. However, it was thought best to defer the development of such a plan until after it was determined whether or not the merger with CIBC would proceed. The timing of that determination did not permit the development of a new plan in time for the 1999 annual meeting. In the interim, this amendment to increase the maximum is being proposed to ensure that there are sufficient options available for grant in 1999 in accordance with the Bank's normal compensation policies.

Accordingly, the Board approved an amendment to the Plan increasing the maximum number of shares that can be issued under the Plan from 20 million to 21 million. While it is not possible to predict exactly the number of options that will be granted in 1999, it is believed that the proposed increase will ensure there are sufficient options available, allowing for variations in grants that may result from changing circumstances, including performance and share trading price.

In addition, in order to further align the interests of the outside directors of the Bank with those of the Bank's shareholders, the Board has approved amending the Plan to permit the granting of options to directors as well as to employees.

For the foregoing reasons, the shareholders will be asked to consider and, if thought fit, pass the following resolution:

"BE IT RESOLVED THAT the amendments to the 1993 Stock Option Plan permitting the granting of options to directors and replacing the words "20 million" in the first sentence of Section 5 with the words "21 million", so that the first sentence of Section 5 shall read as follows:

"The total number of Shares available for grants of Options shall be 21 million, subject to adjustment in accordance with Section 9(f) and 11 of the Plan."

be and are hereby approved."

SHAREHOLDER PROPOSALS

Attached to this Management Proxy Circular as Schedule "A" are certain shareholder proposals which have been submitted for consideration at the Meeting.

GENERAL MATTERS

The Bank has no matter, other than matters described in the Notice, which it intends to place before the holders of shares of the Bank to be voted upon at the Meeting.

We would be pleased to have you attend the Meeting. However, if your shares may be properly voted and you do not intend to be present at the Meeting, you are requested to fill in, sign and return the accompanying Appointment of Proxy in the enclosed envelope at your earliest convenience.

The Bank's Annual Report containing the 143rd Annual Statement of the Bank for the financial year ended October 31, 1998 is being mailed to shareholders with this Notice and Management Proxy Circular.

DIRECTORS' APPROVAL

The Board of Directors of the Bank has approved the contents of this Management Proxy Circular and its sending to the shareholders.

R. G. Bumstead
Secretary

# SCHEDULE “A”

## SHAREHOLDER PROPOSALS

The following proposals have been made by holders of shares of the Bank for consideration at the Annual Meeting of Common Shareholders. Proposal numbers 1 through 4 have been submitted by Mr. Yves Michaud, of 4765 Meridian Avenue, Montreal, Quebec H3W 2C3 and have been translated into English from French by the Bank. Proposal number 5 was submitted by Mr. J. Robert Verdun, of 15 King Street, Elmira, Ontario N3B 2R1. Management opposes these proposals for the reasons set out after each of them.

### PROPOSAL NO. 1

**"Political Contributions"**

<u>"It is proposed that the Bank put an end to the anti-democratic practice of subsidizing political parties' election funds on every government level."</u>

Statement by Shareholder:

*"The "Caisse de depot et placement du Quebec", reminds in its principles of corporate governance (February 1998) that "In a democracy, exercising the right to vote is proper to citizens, not to companies, and the latter must not financially influence the democratic process. The Caisse is therefore opposed to any kind of contribution by companies to political parties or similar movements..."*

*From 1992 to 1997, The Toronto-Dominion Bank granted $1,101,300.00 to the Liberal Party of Canada and to the Progressive Conservative Party. It is immoral and indecent that members of the Board of Directors of the Bank use the money of the shareholders to promote their personal and partial political opinions with money that does not belong to them. This practice, condemned by the editorial of* ***The Gazzette*** *dated July 8, 1998, of* ***The Globe & Mail*** *economic columnist* ***Terence Corcoran,*** *on July 10, 1998, of* ***La Presse*** *on September 23, 1998, taints the democratic process. The Bank, which does not have the right to vote, must not usurp the right of voters to finance the political parties of their choice."*

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Bank does not agree that it is immoral or indecent for the Bank or other corporations to provide financial support for the democratic process. The democratic system requires funding, and a substantial portion has to date been provided through corporate, as opposed to individual, contributions. While the Board recognizes that there are disparate views on this subject, it believes that the decision should be left to the Board depending on the circumstances at any given time. It should be noted that the Bank’s contributions have been made to a number of parties and without any conditions. They have not been contingent on the recipients supporting any specific policies or programs.

### PROPOSAL NO. 2

**"Directors’ Shareholdings"**

<u>"It is proposed that the directors hold common shares of the Bank for a value not less than six (6) times the annual retainer".</u>

Statement by Shareholder:

*"This proposal is a word for word copy of the policies of the Royal Bank of Canada on page seven (7) of the notice of the annual meeting of common shareholders and management proxy circular dated January 20, 1998. The document also adds that "the annual retainer, net of tax, is paid in Common Shares until guideline levels are achieved.*

*This proposal is a matter of common sense. It is in the shareholders' interest that the directors hold a reasonable number of shares of the Bank, in such a way that, by watching over the interests of the shareholders in accordance with the law, they protect their own interest. The adoption of the above-mentioned proposal would prevent directors from sitting on the board with an insignificant number of shares".*

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Bank advised Mr. Michaud that it has already adopted a policy that each director should have common share holdings of a value not less than 6 times the annual retainer, and that a statement about this policy would be included in the proxy circular (see page 15). Mr. Michaud was not willing to withdraw his proposal. The only difference between the proposal and the existing policy is the less mandatory wording in the existing policy. However, the Bank's directors take the policy very seriously, as is evidenced by the fact that all of the directors were in full compliance with it at December 31, 1998. The Board does feel that it is preferable to preserve the flexibility accorded by the existing policy.

**PROPOSAL NO. 3**

**"Minutes of Annual Meeting"**

"It is proposed that the minutes of the shareholders' annual meeting be sent to all the shareholders, registered or not".

Statement by Shareholder:

*"The minutes of the shareholders' annual meeting is the **main piece** of the information owed to the shareholders. It must contain an accurate summary of the points written down on the agenda of the meeting, the results of the votes following the proposals of the bank and the shareholders, the questions discussed by the latter and the answers given by management or the directors. The attendance of the shareholders or proxies at the annual meetings of the banks varies between 1% to 2% of the shareholders, leaving 99 or 98% of the owners of the bank in total ignorance of the questions discussed. It is not acceptable that the banks avoid this obligation legally imposed on even the smallest non-profit organizations in Canada..*

*About ten years ago, a section of the Bank Act required banks to send the minutes of the annual meeting to their shareholders. This article has been magically removed for reasons which reason does not comprehend! The expenses of the mailing of the minutes to the shareholders could be easily absorbed by the adoption of proposal No. 1 regarding the financing of political parties' election funds".*

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The federal government recognized in 1992 that requiring minutes of annual meetings to be sent to shareholders was not warranted, and this requirement was removed from the Bank Act in that year. Since then the Bank has received few requests for copies of the minutes, and the Bank provides copies upon request. Given the small number of requests, the Bank does not think that all shareholders should be forced to incur the expense of having minutes sent to them. Whether or not Proposal No. 1 is approved is irrelevant to this issue. Further, this is not an obligation imposed on other public corporations in Canada.

**PROPOSAL NO. 4**

**"Corporate Governance-Independence of Directors"**

"It is proposed that the Bank adopt the corporate governance policy of the "Caisse de depot et placement du Quebec" regarding the independence of directors".

Statement by Shareholder:

*"The question of the independence of directors is one of the major points of the "Summary of Principles Governing Voting Rights" of the "Caisse de depot et placement du Quebec", published in April 1998. The Caisse "considers it appropriate for a company's board of directors to disclose its links with each director and specify the source of such links which might cast doubt or seem to cast doubt on the independence of a director. A separate vote then permits shareholders to assess this link without calling into question the composition of the board.*

*The following persons are not considered as being "independent" by the Caisse:*

- *employees or past employees;*
- *relatives of an executive;*
- *persons who have economic relationships with the company, such as:*
  1. *customers and suppliers;*
  2. *consultants, such as lawyers or investment dealers;*
  3. *members of organizations that could benefit from a program or "subsidy";*
  4. *shareholders who carry out significant business transactions with the company;*
  5. *those who have non-economic relationships but do have administrative exchanges. (sic)*

*The Caisse concludes that the "disclosure of a link therefore permits the evaluation of a director's effective independence".*

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board's Corporate Governance Committee ensures that the composition of the Board meets the requirements under the *Bank Act* limiting the number of "Affiliated Directors" (as determined in accordance with the regulations prescribed under the *Bank Act*) and the guidelines established by the Montreal Exchange and The Toronto Stock Exchange limiting the number of "Related Directors" (as defined in those guidelines).

The Corporate Governance Committee ensures that the composition of the Board and its committees have sufficient independence from management and from conflicts of interest with the Bank, and that the Board, its committees and individual directors are able to conduct their functions independently of management. For example, no Bank employees are permitted to serve as members of the Audit and Conduct Review Committee, the Management Resources and Compensation Advisory Committee or the Corporate Governance Committee.

**PROPOSAL NO. 5**

**"Candidates for Election as Directors"**

"It is proposed that, commencing with the annual general meeting of shareholders for fiscal year ending October 31, 1999, the board of directors shall submit a list of qualified candidates for election as directors that is at least two more than the number of directors to be elected by the shareholders.

The names of the candidates for election to the board of directors shall appear in alphabetical order on the proxy ballot, with no other information.

Within the proxy circular, the board of directors may, at its discretion, recommend preferred choices for election as directors, but this information shall not appear on the proxy ballot".

Statement by Shareholder:

*"Shareholders currently have no meaningful participation in the annual meeting, particularly if they are unable to attend in person. The so-called election of a pre-arranged slate of directors is a mere formality, and is as undemocratic as what purports to be elections in communist countries. For an election to be meaningful, shareholders must have real choices to make. The Bank Act envisages contested elections, which are the best way of emphasizing that the directors represent the shareholders, and are responsible to the shareholders".*

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board's Corporate Governance Committee spends considerable time and effort identifying suitable candidates for the Board. It will be extremely difficult to get highly qualified people to agree to be nominated in circumstances in which there will not be a recommendation in their favour in the management proxy circular, which would obviously have to be the case for at least two nominees if this proposal were to be adopted.