

TO OUR SHAREHOLDERS

## Chairman of the Board's Message



### PERFORMANCE IN A TOUGH YEAR

2008 was certainly a year that redefined the global banking industry. Banks, shareholders and employees around the world faced challenges unlike many they had seen before. Some banks didn't survive. Others emerged as clear leaders, proving yet again that the true mettle of an organization often shows more in the bad times than in the good times. In 2008 TD Bank Financial Group was one of those leaders. For the Board and TD's management team, it was a year that validated our strategy, our focus on the fundamentals of the banking business, and most importantly, our integrity.

We told shareholders we were aiming for \$4 billion in retail adjusted earnings in 2008. The TD team delivered on that. An impressive accomplishment – especially in this tumultuous year. But we also told shareholders TD wouldn't be completely immune to the effects of the ongoing market turmoil as our credit trading losses – particularly in the 4th quarter – attest. As a result, TD experienced slower growth this year as adjusted earnings were \$3.8 billion, and total shareholder return declined. In a normal year we would expect to do much better for our shareholders. We all know, though, that 2008 was anything but normal. However, we remain pleased that on a 5 year basis, TD's total shareholder return is above the Canadian peer bank average.

Confidence in the strength of our strategy led the Board to make two dividend increases in 2008. Total dividends per share increased to \$2.36, up 12% over 2007 – well above most of TD's North American peers. This is a clear indication of the Board's confidence in TD's continuing ability to consistently grow earnings over time.

Your Board also remains extremely confident in the leadership of Ed Clark and his senior management team. They are building TD into a North American powerhouse – and in the process, they have shown they can ably navigate in tougher short-term economic and market realities, while making the right investments for future growth.

### STOCK PRICE WAS IMPACTED

TD's strategic positioning in 2008 made it possible to avoid most of the market issues that hurt so many other financial institutions around the world. TD was also one of the few banks worldwide to avoid the major problems related to U.S. sub prime exposure. So why hasn't TD's stock price outperformed? This situation doesn't feel good – for the Board, management, employees or you – our shareholders.

The reality is that investors simply fled the banking sector. They sold almost all of their bank holdings, especially those with exposure to the United States. In 2008, the market didn't differentiate between institutions like TD – that effectively managed the impact of market turmoil – and the many others who didn't.

### BUILDING FOR THE FUTURE

Over time we expect the market will recognize TD for its strategy of being a lower risk, highly integrated and customer focused bank. Growing in the United States is an important part of TD's future growth. Over the last year, your Board continued to provide strategic oversight in the review of TD's integration plan for TD Banknorth and Commerce Bank. The rollout of the brand – TD Bank, America's Most Convenient Bank, began in November of this year and will be complete by fall 2009. We believe TD shareholders will only continue to benefit from TD's growing presence in the U.S. – through a TD Bank branch network that's now as large as TD Canada Trust's in Canada, as well as TD's investment in TD Ameritrade.

### A TRACK RECORD OF MANAGING RISK

This year showed us that the banks that weathered the market turmoil the best were those who had better risk management practices. The Board – and especially the Risk Committee – spent considerable time this year reviewing the impact of the global credit crunch and resulting liquidity crisis on TD. Working with management, your Board has been, and will continue to be, vigilant in identifying, monitoring and providing strategic counsel about current and future risks and to mitigate events like the mispricing incident that occurred this summer.

### A CORPORATE GOVERNANCE LEADER

As well, your Board continues to represent the best interests of shareholders through a strong focus on corporate governance. This is an absolutely essential ingredient of an organization's success, and it has been a priority for the Board for many years.

I'm proud to report our work in this area was recognized externally again in 2008. For the second year in a row, GovernanceMetrics International ranked TD among the top 1%, receiving the highest global score assigned for leadership in corporate governance. This was based on assessing TD in areas such as financial disclosure, shareholder rights and Board and corporate accountability.

We also stayed focused on streamlining Board and committee processes to ensure that key Board initiatives – including best-in-class leadership development, TD's executive succession plan, and executive compensation practices – received the time and attention they deserved. We've also taken steps to align the governance model of our U.S. subsidiaries to ours to ensure a unified approach to governance and to execute with a "single view" on important Board initiatives.

### CHANGES TO THE BOARD

In 2008 the Board was pleased to welcome its newest director, Nadir Mohamed. His reputable track record as an executive in the communications industry, coupled with his extensive business knowledge and accounting background, make him a valuable addition to the Board and Audit Committee. I'd also like to express the Board's sincere gratitude for Darren Entwistle's contributions and service during his six-year tenure on the Board.

### OPTIMISM FOR THE FUTURE

TD is a top 10 bank in North America by market capitalization, and every single day, remains focused on growing in size and stature. TD and its people are incredibly optimistic about the future of their company. I know I speak for the entire Board when I say we're proud to be part of this winning organization and we thank you, our shareholders, for your trust and loyalty.

On behalf of the Board, I would also like to sincerely thank Ed Clark, his management team and all 74,000 TD employees, who every single day, show their commitment to building the better bank. The challenges of the last year – and TD's ability to stand apart – are a testament to the talent and enthusiasm of what I believe to be the best team working in banking today.

**John M. Thompson**  
Chairman of the Board of Directors