

Momentum = Responsible Governance



STRENGTH IN ADVERSITY

Coming on the heels of the financial industry crisis of 2008, the recession of 2009 shook global markets. Jobs vanished. Family homes and small businesses were put in jeopardy. Customers and shareholders sought refuge in well-established companies with strong leadership and straightforward strategies – companies such as TD Bank Financial Group.

Last year we said that TD would be recognized for its lower-risk, highly integrated customer-service focus. And we have been – despite the financial crisis. In Canada, TD reached out to those under financial stress, offering strategies to help them manage their credit obligations. In the U.S., customers looking for safety and soundness brought their deposits to us. Impressive retail adjusted earnings of close to \$4 billion were a major contributor to solid adjusted earnings of more than \$4.7 billion. TD Securities achieved strong trading revenues while considerably reducing risk in the business. Once again TD delivered one of the highest levels of return on risk-weighted assets among its North American peers.

Total shareholder return was 14 per cent for the year. And during the financial turmoil of the past two years, total shareholder return remains above the Canadian and U.S. bank peer averages on a compounded basis. While other financial institutions struggled, we maintained our dividend. This indicates your Board's confidence that TD will continue to grow earnings over time.

TD continues to be one of the world's most sound, best capitalized and best managed banks and one of the few in the world rated triple-A by Moody's. While the market is still unsure about the economy, particularly in the U.S., your Board continues to have confidence that over time shareholders will keep benefiting from TD's strategy.

CORPORATE GOVERNANCE

One of the keys to corporate success in good times and bad is corporate governance. Your Board regularly reviews and updates our

governance practices and continues to represent the best interests of shareholders through a strong focus on transparency and accountability. For the third year in a row we were recognized for our corporate governance standards by GovernanceMetrics International, which ranked us among the top one percent of companies worldwide. In addition, we tied for first place in the *Report on Business's* annual Board Games ranking.

STRONG RISK MANAGEMENT

The problems that beset the financial services industry in 2008 put risk management policies and procedures under considerable scrutiny and highlighted the importance of board oversight. Over the past few years, TD has taken a number of steps to reduce the inherent risk in its businesses.

In 2009, together with senior management, we took a long, hard look at what had led to the financial crisis and closely examined TD's risk management policies and procedures against the findings.

Our ongoing objective is to make sure that TD businesses are only taking on risks they understand and that are manageable within an acceptable level. And because of this disciplined approach to risk management, TD was one of the few global institutions that did not require government assistance during the financial crisis.

COMPENSATION GUIDELINES SUPPORT CONSERVATIVE RISK CULTURE

Your Board continued to provide strategic counsel on executive compensation. During 2009, we completed a comprehensive review of executive compensation programs and fine-tuned our compensation practices in order to appropriately align them with evolving compensation principles. We have implemented a risk adjustment that applies to both the annual incentive compensation and share unit awards. An annual review conducted by the Risk Committee and Management Resources Committee links compensation to the risks our businesses assume on both a prospective and after-the-fact basis. In addition, all executive compensation plans now include a clawback feature that allows for recovery of compensation in circumstances where material errors or misrepresentations have been made. These changes position TD well in relation to the Financial Stability Board recommendations, which have been endorsed by many regulators and governments, including the Government of Canada.

In addition, in response to growing investor interest in having a "say on pay," at our upcoming annual meeting, shareholders will be able to vote on executive compensation in an advisory capacity.

CONTINUING STRONG LEADERSHIP

Your Board continues to have great confidence in the leadership of Ed Clark and his senior management team. They have again demonstrated an impressive ability to successfully guide the bank in a challenging economy while building for future growth. As a measure of our confidence in Ed, your Board was very pleased in 2009 to extend his employment contract with the bank until at least 2013.

CHANGES TO THE BOARD

We welcomed two new Board members in fiscal 2009, Carole Taylor of Vancouver and Brian Levitt of Montreal. Both are valuable additions to the Risk Committee. They bring important strategic insights as we continue to drive forward our vision of being the better bank. I'd also like to express the Board's sincere gratitude for Brian MacNeill's service during his 15-year tenure on the Board.

CONFIDENCE IN THE FUTURE

Underlying economic conditions are expected to remain challenging for the foreseeable future. However, your Board is confident that TD's strategy is working. The bank is in a position of strength for the future – we have a solid retail base that allows us to continue to earn during difficult economic times. We have a conservative risk profile that has protected us from the worst of the economic and financial market storms, and we are investing for long-term growth, which will allow us to capitalize on opportunities as we eventually emerge from the recession.

On behalf of the Board of Directors, I would like to thank Ed Clark, his management team and every one of our outstanding employees for their tremendous commitment, day in and day out, to building a better bank. They are, without any doubt, a force to be reckoned with and, in my view, the best team in banking today.

John M. Thompson
Chairman of the Board of Directors