

Momentum = The Right Strategy

It was a landmark year. Despite the downturn we delivered a record \$4.7 billion in adjusted profit – and for the second year in a row we had almost \$4 billion in retail earnings. TD Securities earned a record \$1.1 billion, all while reducing risk. And we successfully completed the integration of TD Bank, America's Most Convenient Bank.



"I'm confident that our business model will survive the downturn and that we'll continue to drive forward our vision of being the better bank and emerge from these challenging times with momentum on our side."

THE PAST YEAR HAS BEEN DESCRIBED AS THE WORST DOWNTURN SINCE THE 1930s. HOW HAS TD MANAGED THROUGH IT?

For years we've cultivated a conservative risk management philosophy – we only take on risks that we understand and that can be managed within an acceptable level. It's that simple. This philosophy helped us outperform many of our competitors through the downturn. At a time when many banks were retrenching or retreating, TD maintained a position of strength and has continued to grow. And even as we grew our lending to our customers and clients, we actually continued to grow our already strong capital base, in part because we are prudent managers of risk-weighted assets.

As a result, by almost every measure, we've emerged as a top-10 financial institution in North America. Look at our 2009 earnings – despite some exceptionally tough market conditions at the start of the year, TD earned a record \$4.7 billion on an adjusted basis. We did all this through old-fashioned banking, by delivering for our customers and clients. We hit almost \$4 billion in adjusted retail earnings for the second year in a row. That's \$4 billion of consistent, high-quality earnings – a fantastic foundation for our bank to keep growing in the future. In fact, in 2009 we earned more in retail earnings than any of our North American peers.

At TD Securities, we had a record year with more than \$1.1 billion in earnings. We're building the dealer of the future – a wholesale bank focused on franchise businesses and designed to be profitable even in adverse market conditions. And we're solidifying our position as a top-ranked dealer while continuing to reduce risk.

I think it's also important to give credit to governments, regulators and central banks around the world. As a group they've responded both quickly and appropriately to the financial crisis. In Canada's case, we benefited from the fiscal action of the government, prudent oversight of the regulators and the proactive monetary policies of the Bank of Canada.

All of our success is underpinned by people. You can have the best strategy in the world, but it means nothing without a talented team that can execute that strategy. That's why our core advantage comes down to the people we employ. We work hard to create a workplace that attracts people who are passionate about the customer experience, and I'm extremely proud of our 74,000 employees for all their hard work over the past year.

HOW DO YOU PLAN TO BUILD ON THIS MOMENTUM?

It begins by remaining true to our strategy, which we like to keep simple: to produce long-term profitable growth by building great franchises and delivering value to our customers, shareholders and communities. The core of TD's strategy didn't change in 2009 and it won't change in 2010.

That means we're going to continue to invest in our capabilities. It also means being disciplined acquirers, being highly selective and patient and deploying our capital for prudent medium-term growth. We'll continue to build our branch network in both the U.S. and Canada. And as the year begins, we still lead the pack on banking hours; we're open more than 50 per cent longer on average than our competitors both north and south of the border. I expect these competitive advantages to continue delivering strong results, and we'll aim to keep taking market share in small business, commercial and personal banking – outgrowing the competition in revenues and profits.



THIS YEAR WE SAW THE INTEGRATION OF TD'S U.S. RETAIL OPERATIONS. HOW DID THE INTEGRATION GO AND WHAT'S NEXT FOR TD BANK, AMERICA'S MOST CONVENIENT BANK?

In November, after more than a year of incredibly hard work, we completed a very complex integration, bringing together the best of TD with the best of Commerce and TD Banknorth to create one unified bank. From Maine to Florida, all our U.S. retail operations are now united under one brand – TD Bank, America's Most Convenient Bank.

This integration was not a simple “rip and replace” merger, but rather a build-out of the best of both legacy organizations, as well as TD. We did experience delays with our overnight processing in the first few days after our systems integration. This was disappointing given the thousands of successful integration-related projects we completed without a hitch. These delays did have an impact on our customers – and for that, we're sorry. In true TD style, our organizational strengths were highlighted as employees worked tirelessly to resolve the integration challenges – to make things right for our customers and to recover with flair.

With the integration now complete, TD Bank, America's Most Convenient Bank, will continue to own the service and convenience space while at the same time leveraging other TD products and services to take market share and grow the business. As an integrated North American bank, our considerable scale and breadth of product offerings are giving us the opportunity to succeed in the most competitive markets – that's being demonstrated in New York City, Boston and Washington, D.C. Look for us to continue building on this momentum in 2010.

TD FOCUSES ON DELIVERING LEGENDARY CUSTOMER EXPERIENCES. HOW DID YOU ADAPT YOUR STRATEGY AMID THE ECONOMIC DOWNTURN?

We always listen very carefully to our customers so we can understand what's on their minds. Clearly many people were worried about their financial future – and remain so. For TD to continue to be the undisputed leader in customer service, we knew we had to define what that meant in tough times. In short, we must continue to find ways to deliver the same level of service to customers who are facing hardships as we do to customers with opportunities.

And we're working hard to do that. Earlier this year we launched TD Helps, a program that provides our customers with practical solutions to get through this downturn. By the end of the year, our program had helped over 30,000 customers. This clearly makes

good business sense for us. But it means much more than that. For the most part, these customers have done everything right, and through no fault of their own, they've come across some serious financial adversity. We're proud to use our strength as a bank to do something for them. And we'll remain proud to stand by our customers and clients and help them build a better future.

WHAT'S YOUR OUTLOOK FOR 2010 AND WHAT SPECIFIC OPPORTUNITIES DO YOU SEE?

There are some positive signs that we are in a recovery. But we can't kid ourselves. We expect that underlying economic conditions will remain lacklustre for the foreseeable future. Large structural shifts are taking place in the global economy. A rebalancing is underway.

Nevertheless, there'll no doubt be opportunities to take advantage of our position of strength through this market dislocation to continue to grow market share. We'll aim to continue growing our under-represented businesses in Canada, such as small business banking and insurance. At the same time, our goal is to leverage our wealth management and wholesale banking capabilities across our U.S. footprint, as we take advantage of our newly consolidated U.S. retail platform. An enormous amount of hard work went into completing the U.S. integration, and in 2010 we'll see more opportunities to cross-sell our products and services.

It's also very important to think about TD's unique and inclusive employee culture. And I can tell you that TD's employment brand has never been stronger. We're able to attract the best people on both sides of the border, whether at the executive level or at the entry level.

We relentlessly measure employee engagement, and we're very committed to increasing that on a constant basis. And we're receiving accolades that recognize us as a best employer. I think our extraordinary workplace is a true source of strength for us and a competitive advantage as we move forward.

Overall, while we remain cautious, I'm confident that our business model will survive the downturn and that we'll continue to drive forward our vision of being the better bank and emerge from these challenging times with momentum on our side.



Ed Clark
President and Chief Executive Officer

RETAIL NET INCOME
(millions of Canadian dollars)



Our Retail Strategy Continues to Deliver

Our retail businesses continue to provide a strong, consistent earnings anchor for our shareholders. We've hit almost \$4 billion in adjusted retail earnings for two years in a row – quite an achievement considering the economic conditions during this time. And over the past five years, our adjusted retail net income has more than doubled.

We Live and Breathe Risk Management

At TD, we only take on risks that we understand and that can be managed within an acceptable level – that's consistent across all of our businesses. And we work hard to make sure all of our employees understand this too. During the financial crisis, our approach to risk management has been put to the test. We were one of the few global institutions that did not require support from the government.

Please see “How the Bank Reports” in the accompanying MD&A for information on how adjusted results are calculated.