

From the TD Waterhouse initial public offering to the Canada Trust acquisition, the sweeping changes of 1999 have propelled TD Bank Financial Group to #1 in bank market capitalization in Canada and have positioned TD for a dynamic future. TD has momentum – and we will make the most of it.

Changing the dynamics of financial services

TD Bank Financial Group has capitalized on opportunities to build our businesses, to pursue our strategies for enhancing shareholder value and to invest in the future of financial services rather than in the past. We are moving forward with the integration of CT Financial Services Inc. – the largest transaction in Canadian banking history, and one that will propel us to the forefront in retail financial services. TD Waterhouse Group, Inc., just seven months after its initial public offering (IPO), is recording solid growth and expanding in key global markets. Our investment and corporate banking groups have integrated their operations and approach to clients and are gaining ground with higher-value transactions. We have also restructured our commercial banking activities to place greater focus on this core business and to improve customer service.

With new global giants leaping ahead and creating new levels of competition over a range of financial services, our goal has been to set a course through this changing landscape – positioning TD to generate profitable growth as a competitive, world-class financial institution.

Our businesses in both the retail and wholesale sectors have pursued individual strategies and delivered results. They have also made the adjustments required to remain contenders in our rapidly evolving world.

Last year in this report we noted that, while the government did not approve our planned merger with the Canadian Imperial Bank of Commerce, we were keenly focused on seeking out new opportunities to improve shareholder value. We also underlined our intention to achieve scope and scale in businesses where we had an opportunity to be competitive.

In 1999, we did what we set out to do – and in so doing, we changed the dynamics of the financial services sector in Canada.

DELIVERING SHAREHOLDER VALUE

In fiscal 1999, TD achieved record revenues, record net income, strong improvements in return on equity, major gains in market capitalization and significant additions to our capital base – all adding up to a considerable increase in shareholder value. These represent record results when measured both before and after special gains from the proceeds of the TD Waterhouse IPO and the sale of our stake in Knight/Trimark.

All our core businesses – retail banking, wealth management and TD Securities – grew strongly during the year, with outstanding gains in revenue and net income.

These businesses have demonstrated tremendous momentum in the growth areas of financial services and are well positioned for the future.

SHAREHOLDER VALUE

With its bold strategic initiatives, TD is delivering on its commitment to build long-term value for shareholders. The market price of TD's shares increased 47% from a year ago to close at \$33.75 at fiscal year end. Total market capitalization reached \$20.9 billion at October 31, 1999, up from \$13.6 billion in 1998 and \$15.3 billion in 1997. TD is now the largest Canadian bank as measured by market capitalization. Over the past five years TD's share price has more than tripled, well ahead of the performance of the TSE Banks and Trusts Index. Over the past 39 years, TD has also significantly outperformed its peer group.



We have supplemented TD's capital base with common share and preferred share equity issues in anticipation of the CT purchase which will temporarily reduce our capital ratios. However, these measures, among others, will allow us to achieve the regulatory Tier 1 capital ratio of 7% and total capital ratio of 10% by the close of the second fiscal quarter of 2000 (April 30).

LAUNCHING A GLOBAL CONTENDER WITH TD WATERHOUSE

With the creation of TD Waterhouse Group, Inc. ("TD Waterhouse") and its successful IPO in the third quarter, we made progress on several fronts:

- First, the successful IPO realized proceeds of \$1.5 billion from the sale of 11.5% of the new company – providing substantial capital for investment in the growth of TD Waterhouse in North America and around the world.
- Second, we enhanced TD shareholder value by establishing the market value of a core asset.
- Third, we created an acquisition currency in the form of TD Waterhouse shares – shares which can now be used to fund further acquisitions in the discount brokerage business, while enhancing the value of TD shares.
- And finally, by combining our global discount brokerage operations – in the United States, Canada, the United Kingdom, Australia and Hong Kong – into one entity,

we have created a global contender in online services, the fastest-growing segment of the financial services sector. TD Waterhouse is now the world's second-largest discount broker and is poised for further growth and expansion.

Since the IPO, TD Waterhouse has forged ahead – launching a \$150 million global marketing campaign, becoming the first foreign discount broker to gain approval to trade in local securities on the Stock Exchange of Hong Kong, agreeing to acquire a second established discount broker in the U.K. which will double our share in that market, and announcing a joint venture in India to open a gateway to that rapidly growing market.

LEADING THE WAY IN ONLINE SERVICES

Our leadership in the online delivery of wealth management and banking products and services has made TD a leader in the development of e-commerce, and places us in the top six financial services firms in the world as measured by the number of online customer accounts. We are poised to be within the top three with the Canada Trust acquisition.

Reflecting our strategy of investing in the future of financial services, TD is entering 2000 as a leader in online delivery – in Canada, the United States and around the world.

MOVING TO THE FOREFRONT WITH TD CANADA TRUST

Last year, we discussed the need to reposition our retail banking business in the context of an increasingly competitive marketplace. By pursuing the opportunity to acquire Canada Trust in 1999, we have taken a quantum leap in retail banking in Canada – moving to the forefront by most key measures. Canada Trust is one of Canada's most successful and highly respected retail financial services organizations, renowned as a customer service powerhouse.

Canada Trust has long been regarded as a jewel in Canadian financial services, with close to 4 million customers, 440 branches, a workforce of 14,000 and \$41 billion in personal deposits. TD's purchase price of \$8.0 billion represents full and fair value for Canada Trust, while offering long-term value and growth potential to TD shareholders. With our retail operations combined as TD Canada Trust, we will vault to #1 among Canadian banks in number of retail customers, number of electronic banking customers and market share of personal loans and deposits. We will also lead the industry in both customer service and mutual fund advice. More importantly, we will have the scale and scope to remain a leader – developing new products, technologies, services and delivery channels. This will create a platform for future growth, not just as a Canadian leader but a North American one as well.

CREATING A POWERHOUSE IN INVESTMENT BANKING

We merged our wholesale businesses during the year to create a strong player in investment and corporate banking. Our highly focused approach has made us a global contender in financing vital growth industries such as media, telecommunications and energy, where we meet the complex needs of clients by providing a full range of integrated financing solutions. This focus has generated strong results. While TD Securities was #3 in wholesale banking revenues among Canadian banks at year end, it was #2 in profitability, contributing more than half of TD's net income before special gains in 1999. Approximately 65% of this income was generated outside Canada, primarily in the United States.

IMPROVING THE BUSINESS BALANCE

Our goal has been to enhance returns to shareholders by increasing the proportion of TD's capital employed in retail businesses from less than 50% of total capital to over 60%. As a result of both the TD Waterhouse IPO and the closing of the Canada Trust transaction on February 1, 2000, the retail proportion will exceed 60% of total capital.

PREPARING FOR CHANGE

TD's achievements in 1999 are due to the leadership of TD people throughout the organization. TD employees have risen to enormous challenges in developing new businesses, retraining and learning new jobs, and responding to sweeping changes at a very rapid pace.

Leadership is critical, and we are very proud that TD was recognized in 1999 as one of three major North American corporations to win the Catalyst Award for "exemplary initiatives to advance women into leadership", based on our Advancing Together program. It remains our goal to ensure that all TD people – including the exceptional workforce joining us with Canada Trust – have the opportunity to reach their full potential. Pursuing this goal is, without question, the key to the ongoing growth, leadership and success of TD Bank Financial Group.

MOVING FORWARD WITH MOMENTUM

Economic growth is especially robust in Canada and remains positive in our major markets around the world. This growth is good news for our customers and signals continued growth in demand for TD's products and services.

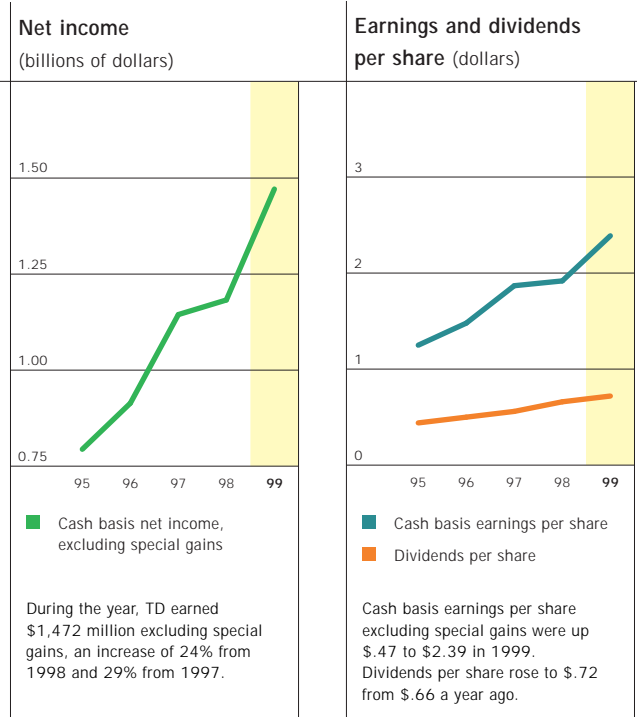
We therefore expect another year of positive financial results in our core businesses, each of which is proceeding with focused strategies for growth.

With the completion of the Canada Trust acquisition, our major challenge in the year ahead will be integration. Having worked closely with senior executives at Canada Trust, we have both a comprehensive integration plan and a strong joint management team. We will integrate administrative functions rapidly in order to achieve the

EARNINGS GROWTH

TD generated record earnings for the sixth consecutive year, with cash basis net income¹ of \$1,472 million excluding special gains, an increase of 24% over last year. Cash basis earnings per share excluding special gains were \$2.39 in 1999, up from \$1.92 in 1998. Our record profitability has allowed us to increase common share dividends to \$.72 per share for the year, up 9% from 1998 and 29% from 1997. For more details on TD's performance, see page 17.

¹ Cash basis measures are explained in table 3 on page 29.



expense savings to which we have committed. Customers will be a critical focus during integration and our key priority is to make the transition as seamless as possible to them. As an immediate step, we have begun to extend the hours of service at TD branches across Canada as part of our move toward the Canada Trust service model. We have also frozen service charges at their current levels and eliminated the inter-bank fee for ABM cash withdrawals.

Having brought together two outstanding service organizations, our aim is to be recognized as the premier financial services enterprise in Canada.

This is a major challenge, but our focus is clear at TD: we believe in setting our goals high and achieving them. With the Year 2000 transition behind us, we are stepping up our systems and technology development to better meet the needs of our customers. We also plan continued expansion of TD Waterhouse around the world and the aggressive development of TD Waterhouse Bank as a platform for growth in the U.S. As well, our integrated investment banking group will continue to leverage its industry specialization approach as a leader in providing financial solutions for growth industries.

1999 was an extraordinary year. The momentum we generated continues to build as TD moves forward as one of the world's most dynamic financial institutions.

A. Charles Baillie
Chairman and
Chief Executive Officer

William T. Brock
Deputy Chairman

Toronto
January 31, 2000

Deputy Chairman William T. Brock, who cosigned this letter for the last two years, retired on January 31, 2000 after a career of over 36 years with TD. Bill Brock has been a driving force throughout his career, representing TD in the U.K., Hong Kong and Singapore before becoming head of International Banking in 1981, and serving in a key role in risk management since 1984. As Deputy Chairman since 1997, Bill has been instrumental in the transformation of TD into a bank of the future. In particular, he played a critical role in the successful completion of the Canada Trust transaction, having led the negotiations with British American Tobacco p.l.c. and guided discussions with regulators, including the Office of the Superintendent of Financial Institutions, the Competition Bureau and the Department of Finance.