

# Group President and CEO's Message

It was another great year for TD. As economic headwinds lingered, we delivered \$5.2 billion in adjusted profit, and our retail operations posted a record \$4.8 billion in adjusted earnings. We continued to grow our presence. In Canada, this meant continued leadership in customer service, additional banking hours and the opening of 21 new branches. In the U.S., we added about 240 stores through the acquisition of The South Financial Group, Inc. and the operations of three Florida banks purchased from the U.S. Federal Deposit Insurance Corporation.

## A STORY OF GROWTH

There's no question that 2010 was a year of significant growth for TD. While the economy is still recovering, our outstanding retail banking businesses continued to deliver strong results, and our Wholesale business earned above its target rate of return. This year, TD's earnings per share returned to a level roughly in line with 2007, which is a remarkable achievement given the continuing challenges in the economy and the fact that our share count is significantly higher than it was three years ago. In short, we're very proud of our performance.

Our Canadian Personal and Commercial Banking operations continue to be our engine of growth, thanks to strength in the Canadian housing market, strong volume growth in personal and business deposits and market share gains in business banking. The operating environment also improved for TD Insurance, positioning it well for the future.

TD Bank, America's Most Convenient Bank, continued to grow organically and also completed a number of acquisitions to further build out our Maine-to-Florida footprint and continued to perform well despite the weak economy and an uncertain regulatory environment.

Performance in our Wealth Management business continued to strengthen throughout the year, marking seven consecutive quarters of improved profit. We continued to be competitive in attracting new assets, and TD Investment Management was recognized by *Benefits Canada* as the fastest-growing pension money manager for 2010 in the greater than \$10 billion assets category.

Meanwhile, our Wholesale business normalized as we had expected and continued to deliver strong results in the face of challenging market conditions. TD Securities also grew its fixed-income, currency and commodities businesses and continued to build out its investment banking capabilities.

## SIGNIFICANT MILESTONES

A few things really stood out for me. First, TD Canada Trust continued to set the high-watermark for providing legendary service and unparalleled convenience to customers, winning the J.D. Power and Associates award for the fifth year in a row and the Synovate award for the sixth straight year – an outstanding success.

We continued to put our commitment to our customers into action. We recognize that not all customers operate on the same schedule. To better meet their needs, TD Canada Trust announced seven-day banking, which will let customers at 300 branches across Canada do their banking on any day of the week. And this year, we also celebrated our 150th anniversary of operating in Quebec – a terrific milestone in an important market. We continued to support the communities where our customers and employees live and work. This is much more than simple cheque-cutting – we worked to increase the impact of our donations by encouraging our customers and employees to get involved and by working directly with community groups.

It was a great year for our U.S. franchise. First, we bought the operations of three banks from the U.S. Federal Deposit Insurance Corporation (FDIC). We were pleased to be involved in these transactions, which not only helped grow our presence in the U.S. but also allowed us to work with the FDIC in its mission to maintain stability and public confidence in the U.S. financial system. These acquisitions were an excellent opportunity for TD to expand in the deposit-rich Florida market. We were then able to successfully complete the acquisition of The South Financial Group, Inc. (TSFG), an experienced commercial lender with a presence in Florida and North and South Carolina. The TSFG transaction was an acquisition that carried acceptable asset risk and allowed us to rapidly increase our scale in the strategically important Florida market. We plan to convert it to the TD brand in 2011. While we're still in the early days for these additions, we're happy with what we've seen so far in terms of performance.

We also remained focused on a conservative approach to risk management. We take only risks that we understand and can manage within an acceptable level. That approach has been crucial to our ability to navigate the financial crisis. It was also reflected in the acquisitions we completed in 2010.

If you look at all of TD's accomplishments throughout 2010, it's clear that we strengthened our position as a growth-oriented top North American bank. Our success was recognized by *Euromoney*, one of the world's leading international business and investment magazines, which named TD the Best Bank in North America for the second year in a row.

## A GROWTH-ORIENTED NORTH AMERICAN BANK

We're very pleased with how our U.S. Personal and Commercial Banking business is performing. Our focus has been on organic growth complemented by strategic acquisitions, and we made progress on both fronts. In 2010, TD Bank, America's Most Convenient Bank, added 32 new stores, aside from the acquisitions we made. The year also marked an important milestone for our U.S. business, as it delivered the highest level of adjusted profit since TD entered that market. On the regulatory front, we saw some clarity regarding the regulation of overdraft fees, and we're happy to see the U.S. banking system is moving toward a more packaged approach, similar to Canada's.

The economy and the U.S. regulatory environment remain uncertain, but despite the current economic challenges, our commitment to the U.S. is unwavering. We'll continue to lend to customers, just as we have throughout the recession. In fact, since the downturn started in 2007, we've grown our U.S. lending volume by 25 per cent. We also remain very happy with our investment in TD Ameritrade. Our relationship represents a strategic fit with our retail bank with mutually attractive cross-selling opportunities that will play an important role in the success of both companies.

### **DRIVEN BY A SIMPLE STRATEGY**

I said last year that our strategy would not change in 2010, and it didn't. We will continue to focus on producing long-term, profitable growth by building great franchises and delivering value to our customers, shareholders and communities. The strategy has clearly worked well for us. In 2002, we were the third largest Canadian bank by market capitalization. Today, we're the sixth largest in North America, and our market capitalization has tripled in that time. We'll continue to win market share with our product and service offering and our commitment to deliver the absolute best in customer service and convenience. Despite the ongoing economic turbulence, we'll continue to lend. We didn't make bad loans in good times, so we're able to make good loans in bad times.

We think interest rates are going to stay low for a prolonged period, and that certainly impacts our operations. This means it's going to get tougher to repeat our past success. As a result, we're keeping a very close eye on expense management. This won't be about simply cutting but, rather, prudently moderating the pace at which our expenses are growing. At the same time, we're also always looking for new ways to drive revenue consistent with our risk appetite. Long-term growth is always a priority for us, despite any economic challenges we encounter. Throughout the downturn, we kept our business model intact, and we don't plan to change that. While we'll manage expenses, we will continue to strategically invest in our business for the future where it makes sense.

### **ONE OF THE BEST TEAMS IN BANKING**

It's clear to me and to the entire senior executive team that those investments will include people. It takes a lot of talent, experience and expertise to build The Better Bank, and we recognize the important contributions that each employee has made to TD's ongoing success. Thanks to our people, we were able to navigate through the worst operating environment since the Great Depression and deliver earnings growth despite continued uncertainty. Our employment brand is the strongest it has ever been, and we'll continue to invest in making TD an extraordinary place to work.

### **WELL POSITIONED FOR SUSTAINABLE GROWTH**

The economy is still on shaky footing, and we can't say that a sustainable recovery has taken hold. We're not out of the woods yet. On top of the weak economy, we're also facing regulatory uncertainty as authorities around the world work toward a new set of capital rules to ensure the same type of crisis doesn't happen again. We're confident we are well positioned to address the new rules and believe we will not need to raise new capital as a result.

Despite these challenges, TD is in a very strong position to take advantage of new opportunities for sustainable, long-term growth. Our focus on lower-risk, reliable and steady streams of retail earnings proved to be the right banking model, and I believe that it will continue to drive our results. TD Canada Trust will continue to focus on being the best-in-class Canadian retail bank and driving organic growth. And just as it is today, customer service will continue to be front and centre in terms of the future of all of our retail businesses. This is much more than a nice-to-have for us. It's a critical part of our strategy and it's what sets us apart from our competitors.

In the U.S., we'll leverage our expanded network of stores to continue to win share. We've got a great opportunity to give customers access – from the moment they walk in the door – to the entire bank, from commercial products and services to retail and insurance.

Our Wealth business is on a growth trajectory and will continue to thrive under new leadership. TD Securities will build on its achievements as it continues to build out the client-driven franchise dealer model.

### **IN CLOSING**

While challenges and uncertainty persist, we've clearly shown we're a resilient, integrated and customer-focused bank with momentum on our side. We're a growth company, and that's precisely what our focus will be for the year ahead. I want to thank each and every one of our employees for everything they did to contribute to TD's success in 2010. Their dedication, talent and enthusiasm are also why I'm looking forward to 2011 and why I'm confident TD's best days are definitely yet to come.



**Ed Clark**  
Group President and Chief Executive Officer