

TO OUR SHAREHOLDERS

President and CEO's Message

This was an historic year for TD Bank Financial Group
as we celebrated our 150th anniversary.



AT A GLANCE OVERVIEW

- An historic year for the Bank, 150 years of service to many generations.
- Adjusted earnings per share growth of 10% (before amortization of intangibles and items of note).
- Five key areas of differentiation.
- A dedicated, customer-focused workforce, driving shareholder value.

From its roots in agriculture, the Bank grew through the amalgamation of The Bank of Toronto and The Dominion Bank in 1955 and later established itself as a retail banking leader through the integration of TD Bank and Canada Trust in 2000. By the end of fiscal 2005, TDBFG stood as the 10th largest bank in North America, as measured by market capitalization. That's quite a journey for a company that started out with a single branch serving grain millers and merchants.

Our anniversary has provided us with a natural opportunity to look back on where we've been and to look forward to where we are going. This past year, we've had a tremendous amount of success as well as facing some distinct challenges, but just as the custodians of the bank before us, we focused on delivering solid financial results, and making strategic decisions that will build for the future.

Though financial figures provide only part of the story this year, I am extremely pleased that TD delivered strong results for the year including:

- Adjusted net income of \$2.861 billion (before the amortization of intangibles and items of note), or \$2.229 billion on a reported basis;
- An increase in adjusted earnings (before amortization of intangibles and items of note) of 15%, compared with 2004;
- A total shareholder return of 17% this year, including a 16.7% dividend increase.

In any large and complex organization, there are always challenges, and in 2005 TD was not immune. During the year we announced an increase in our reserve for Enron litigation which we felt was the prudent thing to do. We also made the difficult business decision to exit our global structured products business in Wholesale Banking. While the short-term economic cost to the Bank is regrettable, I am pleased that we have taken the steps we have and that we can continue to focus on growing our businesses for the future to deliver long-term shareholder value.

BUILDING A SOLID FOUNDATION FOR GENERATIONS TO COME

The banking industry has changed dramatically over the years, and we have had the honour of serving many generations of customers. And while we are extremely proud of our roots, we cannot let history alone define who we are and what we do. We are committed to being the better bank. Why the "better bank?" Because working to be the better bank means we are continually improving on our past successes, learning from our challenges, and working to identify and leverage new opportunities.

We're keenly aware that any organization wishing to compete in the market must focus on its customers and must look to drive long-term shareholder value. So in that respect, we are no different. What does set us apart, however, is not only what we do, but how we do it. That is why we have adopted a set of guiding principles and a leadership profile that speaks to what we want to accomplish as an organization, and how we want to accomplish it. We want to be transparent about what we expect from our leaders, so that customers, shareholders, our community partners and our employees know what they can expect from us. We want to be open and up front about the good news and the bad. We want to actively

listen to both our employees and our external stakeholders. I invite you to turn to page 120 to read more about how we operate as an organization as a whole, as well as in the communities we serve.

DIFFERENTIATING OURSELVES

We have also laid a solid foundation in a number of key areas that I believe set us apart from our competition:

- We have a balanced and actively managed risk strategy that delivers the best return for each dollar of risk that we take on which means a better mix of business with less overall volatility.
- We have tremendous opportunity for organic growth, a unique position for a dominant player in a mature market. And we are successfully pursuing strong customer acquisition strategies in each of our businesses.
- We are focused on operational excellence – on simply doing it better. We want to continuously earn the right to serve our customers and we continually re-engineer our processes to lower costs, increase capacity and improve customer satisfaction.
- We focus on growing economic profit. We assign a cost to the capital that we invest in our business, and the difference between our earnings and the cost assigned to that capital represents economic profit.
- We have a strong U.S. growth platform through our TD Banknorth acquisition, and later through the agreement for TD Banknorth to acquire Hudson United Bancorp. We've made a significant move in the U.S. online brokerage market through our pending transaction with Ameritrade.

EMPLOYEES MAKE THE DIFFERENCE

Whatever the product, whatever the service, an organization that lacks a dedicated, customer-focused workforce is almost certain to fail. At TD Bank Financial Group, I believe that we have the best group of employees who understand that putting the customer first is an imperative, that working to drive shareholder value is an expectation, and that contributing to the communities in which they live is an honour. Our employees work hard each and every day to make a difference both personally and professionally, and on behalf of senior management and the Board of Directors, I would like to sincerely thank them for their commitment to building the better bank.

CONCLUSION

We are proud to be the trustees of one of Canada's great long-standing institutions and we look forward to another 150 successful years. Our strategies are being executed, our operating paradigm and leadership practices are in place, and the commitment of our more than 52,000 employees worldwide is second to none. I am confident that we will continue to serve the many generations to come and continue to be an integral and valuable part of the business landscape.



W. Edmund Clark
President and Chief Executive Officer