

TO OUR SHAREHOLDERS

Chairman of the Board's Message

This was a year of great activity and success for TD Bank Financial Group. It was also a year marked by our 150th anniversary of serving customers and our continued expansion to the United States.



AT A GLANCE OVERVIEW

- **Strong earnings performance in 2005.**
- **Annual dividend grew 16.7%.**
- **U.S. expansion strategy to enhance shareholder value over the long term.**

2005 BANK PERFORMANCE

TD Bank Financial Group delivered strong financial results in 2005. The Board increased the total annual dividend per share this year to \$1.68, an increase of 16.7% over 2004. Over the last two years, the Board has increased the dividend four times for a total increase of 31.3%.

The Board had a particularly busy year in 2005 in advising and supporting the management team on strategic direction. The closing of the TD Banknorth transaction, the pending sale of TD Waterhouse USA to Ameritrade and the proposed TD Banknorth acquisition of Hudson United Bancorp required significant review and due diligence by the Board and its committees. The Board is confident that these moves position TDBFG well to grow earnings and enhance shareholder value over the long term.

CORPORATE GOVERNANCE

Corporate governance has quickly become a catchphrase. Numerous organizations have established checklists and guidelines to evaluate a company's performance. But we believe that good corporate governance is much more than simply adhering to industry best practices and policies or checking boxes on a list. It's about establishing a culture based on transparency and openness among the Board, management and shareholders.

Like all responsible companies, we measure our corporate governance performance by benchmarking ourselves against other leaders in governance from all sectors, and by constantly reviewing the business environment for emerging trends and best practices that would be appropriate for us. We also carefully review shareholder proposals and feedback, and provide regular opportunities for shareholders to voice their concerns and ideas for enhancing our practices.

This year we further enhanced disclosure to investors and will introduce majority voting for directors at the Annual Meeting in Vancouver in March 2006. This is discussed in greater detail on page 11.

Director independence remains the cornerstone of our approach to corporate governance. Currently 15 of 17 directors are independent and the Board meets for a portion of each regularly scheduled meeting without management present.

A strong, engaged Board comprised of directors with rich and diverse experience is equally important. Their different perspectives proved invaluable during the TD Banknorth and Ameritrade transactions. Beyond recognizing the opportunity for growth, the Board considered each transaction with an eye to the best long-term interests of shareholders. And ultimately that should be the principal goal of any Board – ensuring that shareholders can have confidence in the Bank's management, financial results and strategic direction.

RECOGNIZING SERVICE

The role of director grows more demanding each year. Directors are expected to make significant commitments in terms of time, accountability, shareholdings, ongoing education and independence.

In recognition of their outstanding service to shareholders, I would like to thank Donald Sobey and Michael Sopko, directors who retired this year.

Finally, on behalf of the Board, I would like to sincerely thank Ed Clark, his management team and the Bank's 52,000 employees for another successful year. And in light of our 150th anniversary, I would also like to recognize the contributions of previous generations of TDBFG employees who helped lay the foundation for the Bank's ongoing tradition of customer service excellence.

John M. Thompson

Chairman of the Board of Directors