TORONTO DOMINION BANK
Form 40-F
December 12, 2005

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 40-F

o Registration statement pursuant to section 12 of the Securities Exchange Act of 1934

or

x Annual report pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended	Commission File Number
October 31, 2005	**1-14446**

The Toronto-Dominion Bank
(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

6029
(Primary Standard Industrial Classification Code Number (if applicable))

13-5640479
(I.R.S. Employer Identification Number (if applicable))

c/o General Counsel's Office
P.O. Box 1
Toronto Dominion Centre
Toronto, Ontario M5K 1A2
(416) 308-6963
(Address and telephone number of Registrant's principal executive offices)

Brendan O'Halloran, The Toronto-Dominion Bank
31 West 52nd Street
New York, NY
10019-6101
(212) 827-7000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares	712,782,856
Class A First Preferred Shares, Series I	16,065
Class A First Preferred Shares, Series M	14,000,000
Class A First Preferred Shares, Series N	8,000,000
Class A First Preferred Shares, Series O	17,000,000

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes o 82- ______________ No x

Indicate by check mark whether the Registrant (1) has filed all reports required tobe filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Disclosure Controls and Procedures and
Changes in Internal Control Over Financial Reporting.

The disclosure provided under the heading *Accounting Standards and Policies - Controls and Procedures* on page 70 of Exhibit 2: Management's Discussion and Analysis is incorporated by reference herein.

Audit Committee Financial Expert.

The disclosure provided under the heading *Corporate Governance - The Audit Committee and the Shareholders' Auditors* on page 12 of Exhibit 4**:** Corporate Governance Disclosure is incorporated by reference herein.

Code of Ethics.

The Registrant has adopted the *TD Bank Financial Group Guidelines of Conduct* as its code of ethics applicable to the Registrant's President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Chief Accountant. The Registrant undertakes to provide a copy of its code of ethics to any person without charge upon request. Such request may be made by mail, fax or email to:

The Toronto-Dominion Bank
Shareholder Relations
P.O. Box 1, TD Centre
12th Floor, TD Tower
Toronto, Ontario, Canada
M5K 1A2
fax: 416-982-6166
email: tdshinfo@td.com

Principal Accountant Fees and Services.

The disclosure provided under the heading *Accounting Standards and Policies - Bank's Auditors* on page 70 of Exhibit 2: Management's Discussion and Analysis is incorporated by reference herein.

Pre-Approval Policy for Audit and Non-Audit Services

The disclosure provided under the heading *Accounting Standards and Policies - Bank's Auditors* on page 70 of Exhibit 2: Management's Discussion and Analysis is incorporated by reference herein.

Hours Expended on Audit Attributed to Persons Other than the Principal Accountant's Employees

N/A

Off-balance Sheet Arrangements.

The disclosure provided under the heading *Group Financial Condition - Off-balance Sheet Arrangements* on pages 53 to 55 of Exhibit 2: Management's Discussion and Analysis is incorporated by reference herein.

Tabular Disclosure of Contractual Obligations.

The disclosure provided in Table 31 on page 55 of Exhibit 2: Management's Discussion and Analysis is incorporated by reference herein.

Identification of the Audit Committee.

The disclosure provided on pages 9 and 10 of Exhibit 1: Annual Information Form identifying the Bank's Audit Committee is incorporated by reference herein.

Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

	THE TORONTO-DOMINION BANK	
DATE: December 12, 2005	By:	/s/ CHRISTOPHER A. MONTAGUE
	Name:	Christopher A. Montague
	Title:	Executive Vice President and General Counsel

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 40-F

ANNUAL REPORT PURSUANT TO

SECTION 13(a) or 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

THE TORONTO-DOMINION BANK

EXHIBITS

INDEX TO EXHIBITS

No.	Exhibits
1.	Annual Information Form
2.	Management's Discussion and Analysis
3.	2005 Annual Statement and Principal Subsidiaries
4.	Corporate Governance Disclosure
5.	Senior Officers
6.	Corporate Responsibility Report 2005
7.	Independent Auditors' Report to the Directors of Ernst & Young LLP and PricewaterhouseCoopers LLP dated November 22, 2005 and Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference
8.	Consent of the Independent Auditors dated December 12, 2005
9.	Certification Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
10.	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

Exhibit 1

ANNUAL INFORMATION FORM

The Toronto-Dominion Bank

Toronto-Dominion Centre

Toronto, Ontario, Canada

M5K 1A2

December 8, 2005

Documents Incorporated by Reference

Portions of the Annual Information Form ("**AIF**") are disclosed in the Annual Report to Shareholders for the year ended October 31, 2005 ("**Annual Report**") and are incorporated by reference into the AIF.

Unless otherwise specified, this AIF presents information as at October 31, 2005.

Caution regarding Forward-Looking Statements

From time to time, The Toronto-Dominion Bank (the “Bank”) makes written and oral forward-looking statements, including in this Annual Information Form, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. All such statements are made pursuant to the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements regarding the Bank’s objectives and targets and strategies to achieve them, the outlook for the Bank’s business lines, and the Bank’s anticipated financial performance. Forward-looking statements are typically identified by words such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “may” and “could” very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors that could cause such differences include: the credit, market, liquidity, interest rate, operational, reputational and other risks discussed in the management discussion and analysis section of the Annual Report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the United States and other countries in which the Bank conducts business, as well as the effect of changes in monetary policy in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; legislative and regulatory developments; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; expanding existing distribution channels; developing new distribution channels and realizing increased revenue from these channels, including electronic commerce-based efforts; the Bank’s ability to execute its growth and acquisition strategies including those of its subsidiaries; changes in accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital market activity; consolidation in the Canadian financial services sector; the Bank’s ability to attract and retain key executives; reliance on third parties to provide components of the Bank’s business infrastructure; technological changes; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the United States securities litigation environment; unexpected changes in consumer spending and saving habits; the possible impact on the Bank’s businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, communications, power or water supply; and management’s ability to anticipate and manage the risks associated with these factors and execute the Bank’s strategies. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank’s financial results, businesses, financial condition or liquidity. The preceding list is not exhaustive of all possible factors. Other factors could also adversely affect the Bank’s results. For more information, please see the discussion starting on page 56 of the Annual Report concerning the effect certain key factors could have on actual results. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank’s forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Toronto-Dominion Bank (the "Bank") and its subsidiaries are collectively known as "TD Bank Financial Group". The Bank, a Schedule 1 chartered bank subject to the provisions of the Bank Act of Canada (the "Bank Act"), was formed on February 1, 1955 through the amalgamation of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). The Bank's head office is located at Toronto-Dominion Centre, King Street West and Bay Street, Toronto, Ontario, M5K 1A2.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

As at October 31, 2005, the Bank was the third largest Canadian bank in terms of market capitalization. From 2002 to 2005, the Bank's assets have grown on average 9.8% annually to a total of $365.2 billion at the end of fiscal 2005. TD Bank Financial Group serves more than 14 million customers in four key businesses operating in a number of locations in key financial centres around the globe: Canadian Personal and Commercial Banking including TD Canada Trust; Wealth Management including TD Waterhouse; Wholesale Banking, including TD Securities; and U.S. Personal and Commercial Banking through TD Banknorth. TD Bank Financial Group also ranks among the world's leading on-line financial services firms, with more than 4.5 million on-line customers. For additional information on the Bank's businesses, see pages 25 - 39 of the Annual Report.

In the first half of fiscal 2003, the Bank restructured the international wealth management business of TD Waterhouse. Restructuring plans included: streamlining of TD Waterhouse International's United Kingdom operations; steps taken regarding strategic initiatives such as joint ventures in India, Singapore, Hong Kong and Luxembourg; and the sale of TD Waterhouse discount brokerage operations in Australia. The Bank also announced the restructuring of its U.S. equity options business. The Bank exited the options trading business in Philadelphia and San Francisco but continues to have a strong presence on the Chicago and American stock exchanges.

On October 31, 2003, the Bank acquired 57 Laurentian Bank branches in Ontario and Western Canada and their related regional and administrative support areas. The acquisition included a loan portfolio of approximately $2.0 billion and a deposit portfolio of approximately $1.9 billion. Laurentian Bank Visa card accounts were excluded. The Laurentian Bank customers, branches and related support areas have been largely merged into TD Canada Trust.

On January 20, 2004, Meloche Monnex Inc., an affiliate of the Bank, announced the signing of an agreement to acquire the Canadian personal lines property and casualty operations (automobile and homeowners insurance) of Boston-based Liberty Mutual Group. Meloche Monnex is Canada's largest direct-response property and casualty insurer and one of the country's top three property and casualty insurers in personal lines, with a total of $1.7 billion in written premiums. The transaction closed in April 2004.

On March 1, 2005, the Bank completed the transaction to acquire a 51% stake in Banknorth Group, Inc. to create TD Banknorth. TD Banknorth is a U.S.-based personal, small business, and commercial banking business which offers a wide range of services including savings and chequing accounts, mortgages, credit cards, lines of credit, insurance, investment planning and wealth management services. TD Banknorth operates in New England and upstate New York through over 400 branches and 550 ATMs, also offering online banking services.

During March 2005, TD Banknorth completed a share repurchase of 15.3 million shares. As a result of this share repurchase, the Bank increased its ownership of TD Banknorth by 4.5% to 55.5%.

1

At the end of the second quarter of 2005, a strategic decision was made to reposition the global capital markets businesses, reducing the focus on the less profitable and more complex products in order to dedicate resources on growing the more profitable parts of the business.

On June 22, 2005 the Bank announced its intention to sell its U.S. brokerage business, TD Waterhouse U.S.A. to Ameritrade Holding Corporation in exchange for approximately a 32% ownership in the combined legal entity. As part of the transaction, promptly after closing the Bank has agreed to tender for an additional 7.9% of the shares which, if successful, would bring the Bank's total holdings to 39.9%. The new entity will operate under the name TD Ameritrade. The transaction is currently expected to result in a net gain on sale of approximately U.S.$900 million after-tax subject to the value of Ameritrade's share price at closing. The Bank intends to account for its investment in TD Ameritrade using the equity method of accounting. Also on June 22, 2005, the Bank announced its intention to purchase 100% of Ameritrade's Canadian brokerage operations for U.S.$60 million cash consideration. Both transactions are expected to close early in calendar 2006 subject to Canadian and U.S. regulatory approvals and Ameritrade shareholder approval.

On July 12, 2005, TD Banknorth announced an agreement to acquire Hudson United Bancorp ("Hudson") for total consideration of approximately U.S.$1.9 billion, consisting of cash consideration of approximately U.S.$950 million and the remainder in TD Banknorth common shares. The cash consideration is to be funded by the sale of TD Banknorth common shares to the Bank. The transaction is expected to close early in calendar 2006 and is subject to approvals by shareholders of Hudson and TD Banknorth as well as regulatory approvals. TD Banknorth will consolidate the financial results of Hudson. On a proforma basis, based on the number of TD Banknorth shares outstanding on June 30, 2005, the Bank's proportionate ownership interest in TD Banknorth will decrease slightly after giving effect to the transaction which will result in an approximate $80 million dilution loss. The Bank also announced its intention to at least maintain its ownership of TD Banknorth at the level prior to the acquisition of Hudson through TD Banknorth share repurchases or open market purchases, in each case subject to regulatory requirements, or to potentially increase its position as market conditions warrant.

DESCRIPTION OF THE BUSINESS

Competition

The Bank is subject to intense competition in all aspects and areas of its business from banks and other domestic and foreign financial institutions and from non-financial institutions, including retail stores that maintain their own personal credit programs and governmental agencies that make available loans to certain borrowers. Competition has increased in recent years in many areas in which the Bank operates, in substantial part because other types of financial institutions and other entities have begun to engage in activities traditionally engaged in only by banks. Many of these competitors are not subject to regulation as extensive as that under the Bank Act and, thus, may have competitive advantages over the Bank in certain respects.

Average Number of Employees

In fiscal 2005, the Bank had an average number of employees of 50,991.

Reorganizations (within the last three years)

Pursuant to the Sale and Purchase Agreement with Ameritrade (described in more detail under the heading "Material Contracts" on page 13), TD Waterhouse Group, Inc., also referred to as TD Waterhouse, agreed to conduct a reorganization in which it would transfer its Canadian retail securities brokerage business and TD Waterhouse Bank, N.A. to the Bank such that at the time of the consummation of the Ameritrade share purchase, TD Waterhouse would retain only its United States retail securities brokerage business. TD Waterhouse also agreed to distribute to the Bank any excess capital of TD Waterhouse above certain thresholds prior to the consummation of the Ameritrade share purchase.

2

Risk Factors

Financial services involves prudently taking risks in order to generate profitable growth. The Bank's goal is to earn stable and sustainable returns from its various businesses while managing risks within acceptable limits. The businesses thoroughly examine the various risks to which they are exposed and assess the impact and likelihood of those risks. The Bank responds by developing business and risk management strategies for the various business units taking into consideration the risks and business environment in which they operate.

The Bank is exposed to a broad number of risks that have been identified and defined in the Enterprise Risk Framework. These risks include: credit risk, market risk, operational risk, insurance risk, regulatory and legal risk, reputational risk and liquidity risk. This framework forms the foundation for the setting of appropriate risk oversight processes and the consistent communication and reporting of key risks that could have an impact on the achievement of the business objectives and strategies.

Industry and Bank-specific risks and uncertainties may impact materially on the Bank's future results. Industry risks include general business and economic conditions in the regions in which the Bank conducts business, currency rates, monetary policies of the Bank of Canada and Federal Reserve System in the United States, level of competition, changes in laws and regulations, legal proceedings, and accuracy and completeness of information on customers and counterparties. Bank-specific risks include the Bank's ability to adapt products and services to evolving industry standards, its ability to successfully complete and integrate acquisitions, its ability to attract and retain key executives and the disruption of key components of the Bank's business infrastructure.

Further explanation of the types of risks cited above and the ways in which the Bank manages them can be found in the Management Discussion and Analysis in pages 56 - 66 of the Annual Report, which are incorporated by reference. The Bank cautions that the preceding discussion of risk is not exhaustive. When considering whether to purchase securities of the Bank, investors and others should carefully consider these factors as well as other uncertainties, potential events and industry- and Bank-specific factors that may adversely impact the Bank's future results.

DIVIDENDS

Dividends per Share

		2005		2004		2003
Common Shares	$	1.58	$	1.36	$	1.16
Preferred Shares						
Series G		-		-		U.S.$0.68
Series H		-	$	0.90	$	1.78
Series I	$	0.04	$	0.04	$	0.04
Series J	$	1.28	$	1.28	$	1.28
Series K		-		-	$	0.47
Series L		-		-		U.S.$0.41
Series M	$	1.18	$	1.18	$	0.86
Series N	$	1.15	$	1.15	$	0.58

On February 3, 2003, the Bank redeemed all its 6,000,000 outstanding Class A First Preferred Shares, Series K and L.

On February 3, 2003, the Bank issued 14,000,000 Class A First Preferred Shares, Series M.

On April 30, 2003, the Bank issued 8,000,000 Class A First Preferred Shares, Series N.

3

On May 1, 2003, the Bank redeemed all its 7,000,000 outstanding Class A First Preferred Shares, Series G.

On May 3, 2004, the Bank redeemed all its 9,000,000 outstanding Class A First Preferred Shares, Series H.

On October 31, 2005, the Bank redeemed all its 16,383,935 outstanding Class A First Preferred Shares, Series J.

On November 1, 2005, the Bank issued 17,000,000 Class A First Preferred Shares, Series O. The Series O Preferred Shares will pay a dividend of $0.299803 per share on January 31, 2006 and commencing January 31, 2006, quarterly cash dividends will be $0.303125 per share.

CAPITAL STRUCTURE

Common Shares

The authorized common share capital of the Bank consists of an unlimited number of common shares without nominal or par value. The holders of common shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of common shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the holders of the preferred shares of the Bank. After payment to the holders of the preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of common shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof.

Preferred Shares

The Class A First Preferred Shares (the “Preferred Shares”) of the Bank may be issued from time to time, in one or more series, with such rights, privileges, restrictions and conditions as the Board of Directors of the Bank may determine.

The Preferred Shares rank prior to the common shares and to any other shares of the Bank ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank. Each series of Preferred Shares ranks on a parity with every other series of Preferred Shares.

In the event of the liquidation, dissolution or winding-up of the Bank, before any amounts shall be paid to or any assets distributed among the holders of the common shares or shares of any other class of the Bank ranking junior to the Preferred Shares, the holder of a Preferred Share of a series shall be entitled to receive to the extent provided for with respect to such Preferred Shares by the conditions attaching to such series: (i) an amount equal to the amount paid up thereon; (ii) such premium, if any, as has been provided for with respect to the Preferred Shares of such series; and (iii) all unpaid cumulative dividends, if any, on such Preferred Shares and, in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends. After payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Bank. Each series of Preferred Shares ranks equally with every other series of Preferred Shares.

There are no voting rights attaching to the Preferred Shares except to the extent provided for by any series or by the Bank Act.

Constraints

There are no constraints imposed on the ownership of securities of the Bank to ensure that the Bank has a required level of Canadian ownership. However, under the Bank Act, the ownership by one person or entity of more than 10% of the common shares of the Bank is prohibited without approval in accordance with the provisions of the Bank Act.

Ratings

	Dominion Bond Rating Service	Moody's Investor Services	Standard & Poor's	Fitch
Long Term Debt (deposits)	AA (low)	Aa3	A+	AA -
Subordinated Debt	A (high)	A1	A	A +
Short Term Debt (deposits)	R-1 (mid)	P-1	A-1	F-1+
Preferred Shares	Pfd-1 (low)	A2	P-1 (low)	

The AA (low) rating assigned by Dominion Bond Rating Service Limited ("DBRS") to the Bank's long term debt and the A (high) rating assigned to the Bank's subordinated debt are the second and third highest ratings, respectively, of DBRS's ten rating categories for long term debt obligations, which range from AAA to D. DBRS uses "high" and "low" designations on ratings from AA to C to indicate the relative standing of the securities being rated within a particular rating category. The R-1 (mid) rating assigned to short tem debt is the highest rating of DBRS's four rating categories for short term debt obligations, which range from R-1 to D. A Pfd-1 (low) rating by DBRS is the highest of five categories granted by DBRS for preferred shares.

The A+ rating assigned by Standard & Poor's, a division of McGraw-Hill Companies ("S&P") to the Bank's long term debt and the A rating assigned to the Bank's subordinated debt are both the third highest ratings, of S&P's ten rating categories for long term debt obligations, which range from AAA to D. Ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. The A-1 rating assigned to short tem debt is the highest rating of S&P's six rating categories for short term debt obligations, which range from A-1 to D. A P-1 (low) rating by S&P is the highest of five categories used by S&P in its Canadian preferred share rating scale. "High" and "low" grades may be used to indicate the relative standing of a credit within a particular rating category.

The Aa3 rating assigned by Moody's Investor Services Inc. ("Moody's") to the Bank's long term debt is the second highest, and the A1 and A2 ratings assigned to the Bank's subordinated debt and preferred shares, respectively, are the third highest of its nine rating categories for long term debt obligations, which range from Aaa to C. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category. The P-1 rating assigned to short tem debt is the highest rating of Moody's four rating categories for short term debt obligations, which range from P-1 to NP.

The AA- rating assigned by Fitch Ratings ("Fitch") to the Bank's long term debt and the A+ rating assigned to the Bank's subordinated debt are the second and third highest ratings, respectively, of Fitch's twelve rating categories for long term debt obligations, which range from AAA to D. A plus or minus sign may be appended to ratings from AA to CCC to denote relative status within major rating categories. The F-1+ rating assigned to short term debt is the highest rating of Fitch's six rating categories for short term debt obligations, which range from F1 to D. A plus sign may be appended to an F1 rating class to denote relative status within the category.

5

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to securities may not reflect the potential impact of all risks on the value of the securities. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

MARKET FOR SECURITIES OF THE BANK

Market Listings

The Bank’s common shares are listed on:

the Toronto Stock Exchange
the New York Stock Exchange
the Tokyo Stock Exchange

The Bank’s preferred shares, except the Class A First Preferred Shares, Series I, are listed on the Toronto Stock Exchange.

Trading Price and Volume

Trading price and volume of the Bank’s securities:

TORONTO STOCK EXCHANGE

		Preferred Shares		
	Common Shares	Series J	Series M	Series N
November 2004				
High Price ($)	49.18	26.63	27.57	27.83
Low Price ($)	45.94	26.26	26.89	26.95
Volume (’00)	275,061	529	911	2,337
December				
High Price ($)	50.10	26.69	28.01	28.04
Low Price ($)	47.80	26.40	27.21	27.12
Volume (’00)	273,816	311	563	1,347
January 2005				
High Price ($)	49.97	26.94	28.10	28.10
Low Price ($)	48.08	26.23	26.93	26.75
Volume (’00)	274,461	12,722	10,527	10,438
February				
High Price ($)	50.90	26.59	28.10	29.00
Low Price ($)	48.15	26.22	27.30	27.46
Volume (’00)	327,669	836	9,995	15,107
March				
High Price ($)	51.70	26.44	27.80	27.90
Low Price ($)	49.11	26.00	27.25	26.51

Volume ('00)	487,997	399	1,116	3,421
April				
High Price ($)	51.14	26.40	27.79	27.50
Low Price ($)	49.09	25.71	26.14	26.14
Volume ('00)	305,934	12,644	20,549	16,550

TORONTO STOCK EXCHANGE

	Common Shares	Preferred Shares Series J	Series M	Series N
May				
High Price ($)	53.68	26.49	27.60	27.79
Low Price ($)	50.25	25.81	26.26	26.37
Volume ('00)	341,699	788	600	2,098
June				
High Price ($)	56.20	26.75	28.00	28.29
Low Price ($)	52.10	26.20	27.03	26.51
Volume ('00)	368,328	5,319	36,297	632
July				
High Price ($)	57.55	26.45	27.99	27.81
Low Price ($)	54.26	26.05	27.00	27.02
Volume ('00)	301,637	12,374	18,400	15,862
August				
High Price ($)	56.94	26.49	27.72	27.71
Low Price ($)	54.09	26.05	27.35	27.30
Volume ('00)	341,858	503	368	1,677
September				
High Price ($)	59.03	26.24	27.94	27.98
Low Price ($)	55.52	26.06	27.51	27.44
Volume ('00)	339,817	540	1,082	2,772
October				
High Price ($)	58.16	26.19	27.95	27.80
Low Price ($)	54.75	25.77	27.12	27.30
Volume ('00)	279,304	14,827	21,031	19,260

Prior Sales

In the most recently completed financial year, the Bank did not issue (a) any shares that are not listed or quoted on a marketplace, or (b) any subordinated debt securities.

DIRECTORS AND OFFICERS

Directors and Board Committees of the Bank

The following table sets forth the directors of the Bank as at December 8, 2005, their present principal occupation and business and the date each became a director of the Bank.

Director Name Principal Occupation	Director Since

William E. Bennett	May 2004
Corporate Director and retired President and Chief Executive Officer, Draper & Kramer, Inc.	
Hugh J. Bolton	April 2003
Chair of the Board, EPCOR Utilities Inc. (integrated energy company)	

7

Director Name **Principal Occupation**	**Director Since**
John L. Bragg	October 2004
Chairman, President and Co-Chief Executive Officer, Oxford Frozen Foods Limited (distributor of frozen food products)	
W. Edmund Clark	August 2000
President and Chief Executive Officer, The Toronto-Dominion Bank	
Marshall A. Cohen	February 1992
Counsel, Cassels Brock & Blackwell LLP (law firm)	
Wendy K. Dobson	October 1990
Professor and Director, Institute for International Business, Joseph L. Rotman School of Management, University of Toronto	
Darren Entwistle	November 2001
President and Chief Executive Officer, TELUS Corporation (telecommunications company)	
Donna M. Hayes	January 2004
Publisher and Chief Executive Officer, Harlequin Enterprises Limited (global publishing company)	
Henry H. Ketcham	January 1999
Chairman of the Board, President and Chief Executive Officer, West Fraser Timber Co. Ltd. (integrated forest products company)	
Pierre H. Lessard	October 1997
President and Chief Executive Officer, METRO INC. (food retailer and distributor)	
Harold H. MacKay	November 2004
Counsel, MacPherson Leslie & Tyerman LLP (law firm)	
Brian F. MacNeill	August 1994
Chairman of the Board, Petro-Canada (integrated oil and gas company)	
Roger Phillips	February 1994
Corporate Director and retired President and	

Chief Executive Officer, IPSCO Inc.	
Wilbur J. Prezzano	April 2003
Corporate Director and retired Vice Chairman, Eastman Kodak Company	

8

Director Name Principal Occupation	Director Since
William J. Ryan	March 2005
Vice Chair and Group Head, U.S. Personal and Commercial Banking, The Toronto-Dominion Bank and Chairman, President and Chief Executive Officer, TD Banknorth Inc. (banking and financial services holding company)	
Helen K. Sinclair	June 1996
Chief Executive Officer, BankWorks Trading Inc. (satellite communications company)	
John M. Thompson	August 1988
Chairman of the Board, The Toronto-Dominion Bank	

Except as hereinafter disclosed, all directors have held their positions or other executive positions with the same, predecessor or associated firms or organizations for the past five years. Prior to his appointment as Chair of EPCOR Utilities Inc. on January 1, 2000, Mr. Hugh J. Bolton was a financial consultant and corporate director. Prior to joining the Bank on February 1, 2000, Mr. W. Edmund Clark was President and Chief Executive Officer of CT Financial Services Inc., Canada Trustco Mortgage Company and The Canada Trust Company. Until December 20, 2002 when Mr. Clark became the President and Chief Executive Officer of the Bank, he was the President and Chief Operating Officer of the Bank. Mr. Brian F. MacNeill was President and Chief Executive Officer of Enbridge Inc. (formerly IPL Energy Inc.) from April 1991 and stepped down as President in September 2000 and as Chief Executive Officer in January 2001. Mr. Roger Phillips retired as President and Chief Executive Officer of IPSCO Inc. in January 2002. Mr. John M. Thompson was the Vice Chairman of the Board of IBM Corporation from August 2000 until his retirement in September 2002. Each director will hold office until the next annual meeting of shareholders of the Bank, which is scheduled for March 30, 2006. Information concerning the nominees proposed by management for election as directors at the meeting will be contained in the proxy circular of the Bank in respect of the meeting.

Audit Committee

The Audit Committee of the Board of Directors of the Bank operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this AIF. As at December 8, 2005, the members of the Committee were: Hugh J. Bolton (chair), William E. Bennett, John L. Bragg, Donna M. Hayes, Henry H. Ketcham and Helen K. Sinclair. The following sets out the education and experience of each director relevant to the performance of his or her duties as a member of the Committee:

William E. Bennett is a Corporate Director. He is a current member of the audit committee of TD Banknorth. Mr. Bennett is the former President and Chief Executive Officer of Draper & Kramer, Inc., a Chicago-based financial services and real estate company. He holds an undergraduate degree in economics from Kenyon College and a master's degree in business administration from the University of Chicago.

Hugh J. Bolton is Chair of the Bank's Audit Committee. Mr. Bolton holds an undergraduate degree in economics from the University of Alberta. Mr. Bolton has over 40 years of experience in the accounting industry, including as a former partner, Chairman and Chief Executive Officer of Coopers & Lybrand Canada, Chartered Accountants. He remains a Chartered Accountant and Fellow of the Alberta Institute of Chartered Accountants and has significant experience with accounting and auditing issues relating to financial service corporations such as the Bank. Mr. Bolton is the Bank's Audit Committee Financial Expert for the purposes of U.S. securities legislation.

9

John L. Bragg is President and Founder of Oxford Frozen Foods Limited and the owner and founder of Bragg Communications Inc. Mr. Bragg holds a Bachelor of Commerce degree and a Bachelor of Education degree from Mount Allison University.

Donna M. Hayes is the Publisher and Chief Executive Officer of Harlequin Enterprises Limited and is a member of its Board of Directors and the boards of a number of associated companies. Ms. Hayes holds an undergraduate degree from McGill University and has completed the professional publishing course at Stanford University and the executive management program at the Richard Ivey School at The University of Western Ontario.

Henry H. Ketcham is the Chairman of the Board, President and Chief Executive Officer of West Fraser Timber Co. Ltd. Mr. Ketcham holds an undergraduate degree from Brown University and has completed the Program for Management Development at Harvard Business School.

Helen K. Sinclair is the founder and Chief Executive Officer of BankWorks Trading Inc. and is a member of its Board of Directors. Ms. Sinclair holds an undergraduate degree from York University and a master's degree from the University of Toronto, both in economics. She is a graduate of the Advanced Management Program of the Harvard Business School.

On December 9, 2004, the Canadian securities regulators issued an MRRS decision document exempting the Bank from one of the director independence tests prescribed under Multilateral Instrument 52-110 - *Audit Committees*. Amendments to the Instrument, which became effective June 30, 2005, make it unnecessary for the Bank to continue to rely on the relief granted by the decision document. From March 23, 2005 (the date of the Bank's annual shareholder meeting) until June 30, 2005, the Bank relied on the exemption granted under the decision document to permit Mr. Hugh Bolton to sit on the Bank's Audit Committee. The Bank's Corporate Governance Committee has determined that Mr. Bolton is independent under the current Instrument.

The Committee charter requires all members to be financially literate or be willing and able to acquire the necessary knowledge quickly. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements. The Bank believes all of the current members of the Committee are financially literate.

In addition, the Committee charter contains independence requirements applicable to each member and each member currently meets those requirements. Specifically, the charter provides that no member of the Committee may be an officer or retired officer of the Bank and every member shall be independent of the Bank within the meaning of all applicable laws, rules and regulations and any other relevant consideration, including laws, rules and regulations particularly applicable to audit committee members.

The Committee has in place a policy to restrict the provision of non-audit services by the shareholders' auditors. Any such services must be permitted services and must be pre-approved by the Committee pursuant to the policy. The Committee also pre-approves the audit services and the fees to be paid. Additional information regarding audit and non-audit services, together with the fees paid to the shareholders' auditors in the last three fiscal years, can be found on page 70 of the Annual Report.

Executive Officers of the Bank

As at December 8, 2005, executive officers of the Bank are Messrs. W. Edmund Clark, Robert E. Dorrance, Bharat B. Masrani, William J. Ryan, Fredric J. Tomczyk, Bernard T. Dorval, William H. Hatanaka, Timothy D. Hockey, Ms. Colleen Johnston, Mr. Robert F. MacLellan and Ms. Andrea Rosen (on leave).

10

Shareholdings of Directors and Executive Officers

To the knowledge of the Bank, as at November 24, 2005, the directors and executive officers of the Bank as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 654,484 of the Bank's common shares and an aggregate of 61,188 of TD Banknorth's common shares representing 0.091% of the Bank's issued and outstanding common shares and 0.035% of TD Banknorth's issued and outstanding common shares.

Additional Disclosure for Directors and Executive Officers

To the best of our knowledge, having made due inquiry, the Bank confirms that, as at December 8, 2005:

(i) in the last ten years, no director or executive officer of the Bank is or has been a director or officer of a company (including the Bank) that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, except Mr. Pierre Lessard who was a director of CINAR Corporation at the time its shares were suspended from trading on the Toronto Stock Exchange for more than 30 consecutive days and were delisted from the Toronto Stock Exchange and the NASDAQ due to the inability of CINAR Corporation to meet continued listing requirements;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(c) within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except Mr. Marshall Cohen who ceased to be a director of Haynes International Inc. within twelve months prior to Haynes International Inc. filing for relief under Chapter 11 of the United States Bankruptcy Code in March 2004; and who is currently a director of Collins & Aikman Corp. which filed for relief under Chapter 11 of the United States Bankruptcy Code in May 2005;

(ii) in the last ten years, no director or executive officer of the Bank has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; and

(iii) no director or executive officer of the Bank has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

LEGAL PROCEEDINGS

The Bank and its subsidiaries are engaged in various legal actions arising in the ordinary course of business, many of which are loan-related. None of this litigation individually or in the aggregate, however, is expected to have a material adverse effect on the consolidated financial position or results of operations of the Bank.

During the third quarter 2005, the Bank added approximately $365 million (U.S. $300 million) to its contingent litigation reserves for Enron-related claims, to bring the total reserve for this matter to approximately $665 million. The two principal legal actions regarding Enron to which the Bank is a party are the securities class action and the bankruptcy proceeding. The Bank believes it is prudent to increase the reserve to this level; however, it is possible that additional reserves above this level could be required. Additional reserves, if required, cannot be reasonably determined for many reasons, including that other settlements are not generally appropriate for comparison purposes, the lack of consistency in other settlements and the difficulty in predicting the future actions of other parties to the litigation. Subsequently, the Bank agreed to settle the bankruptcy court claims in this matter for approximately $160 million.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of our knowledge, the Bank confirms that, as at December 8, 2005 there were no directors or executive officers of the Bank or any associate or affiliate of a director or executive officer of the Bank with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Bank.

TRANSFER AGENTS AND REGISTRARS

Transfer Agent

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9

(800) 387-0825
(416) 643-5500
www.cibcmellon.com or inquiries@cibcmellon.com

Co-transfer Agent and Registrar

Mellon Investor Services LLC
P.O. Box 3315
South Hackensack, New Jersey
07606

or

480 Washington Boulevard
Jersey City, New Jersey

07310

(866) 233-4836
(201) 680-6578
www.melloninvestor.com

Shareholder Service Agent in Japan

Mizuho Trust & Banking Co., Ltd.
1-17-7, Saga, Koto-ku
Tokyo, Japan
135-8722

MATERIAL CONTRACTS

Except for contracts entered into by the Bank in the ordinary course of business or otherwise disclosed herein, the only material contracts entered into by the Bank within the most recently completed financial year are the following:

1. On June 22, 2005, Ameritrade Holding Corporation entered into an Agreement of Sale and Purchase with the Bank pursuant to which Ameritrade agreed to purchase from TD all of the capital stock of TD Waterhouse Group, Inc., a wholly-owned subsidiary of the Bank, in exchange for 193,600,000 shares of common stock, par value US$0.01 per share, of Ameritrade and US$20,000 in cash. The shares of Ameritrade common stock represent approximately 32% of the outstanding shares of Ameritrade after giving effect to the transaction. In connection with the acquisition, Ameritrade will change its name to TD Ameritrade at the completion of the transaction.

2. On October 28, 2005, Ameritrade and the Bank entered into Amendment No. 1 to the Agreement of Sale and Purchase dated June 22, 2005. The parties amended the Agreement of Sale and Purchase to increase the number of shares of common stock comprising the stock consideration from 193,600,000 to 196,300,000 to reflect the intent of the parties that the stock consideration represent, as of the signing of the Sale and Purchase Agreement and after giving effect to the issuance of the Stock Consideration in the Sale and Purchase Agreement, 32% of the diluted shares outstanding of Ameritrade.

3. On June 22, 2005, Ameritrade, the Bank and J. Joe Ricketts and certain of his affiliates entered into a Stockholders Agreement. The Stockholders Agreement sets forth certain governance arrangements and contains various provisions relating to stock ownership, voting and other matters. The Stockholders Agreement also contemplates changes to the Ameritrade's certificate of incorporation and bylaws to give effect to and facilitate the provisions contained in the Stockholders Agreement. In addition, the Stockholders Agreement provides that following consummation of the share purchase, pursuant to the Agreement of Sale and Purchase described above, the Bank will commence a cash tender offer pursuant to which the Bank will offer to purchase a number of shares of TD Ameritrade common stock such that, upon successful completion of the offer, the Bank will own 39.9% of the outstanding TD Ameritrade common stock. While J. Joe Ricketts is also permitted under the Stockholders Agreement to participate in this tender offer, he has informed Ameritrade that he does not intend to participate in the tender offer as a co-bidder.

4. On June 22, 2005, the Bank entered into a Voting Agreement with each of J. Joe Ricketts and certain of his affiliates, entities affiliated with TA Associates and entities affiliated with Silver Lake Partners, who collectively beneficially own approximately 34% of the outstanding shares of Ameritrade common stock, pursuant to which each party agreed to vote such party's shares of Ameritrade common stock in favour of the issuance of Ameritrade common stock in the share purchase described above and the related matters submitted for the approval of the Ameritrade stockholders and against competing proposals unless Ameritrade has effected a change in recommendation with respect to the transaction as permitted under Agreement of Sale and Purchase.

5. On July 11, 2005, TD Banknorth Inc. and Hudson United Bancorp announced that they had entered into an Agreement and Plan of Merger, dated July 11, 2005 which sets forth the terms and conditions pursuant to which Hudson United will be merged with and into TD Banknorth. Under the terms of the Agreement, Hudson United shareholders will have the right, subject to proration, to elect to receive cash and/or TD Banknorth common stock, in either case having a value equal to US$21.07 plus the product of 0.7247 times the average closing price of the TD Banknorth common stock during a ten-trading day period ending on the fifth trading day before the closing date. Based upon a closing stock price of TD Banknorth on July 11, 2005, the deal is valued at US$42.78 per share and the aggregate merger consideration of US$1.9 billion consists of approximately 51% TD Banknorth common stock and 49% cash. The cash for the transaction will be financed through TD Banknorth's sale of approximately 29.6 million shares of TD Banknorth common stock to the Bank at a price of US$31.79 per share.

Copies of these material contracts are available on SEDAR at www.sedar.com. You may obtain a free copy of the Ameritrade proxy statement, as well as other filings containing information about Ameritrade and the Bank, free of charge, at the SEC's Internet site: www.sec.gov. You may also obtain a free copy of the registration statement relating to the Hudson United transaction and any other relevant documents filed with the SEC, including the joint proxy statement/prospectus that is part of the registration statement, free of charge, at the SEC's Internet site.

INTERESTS OF EXPERTS

Names of Experts

The Consolidated Financial Statements of the Bank for the year ended October 31, 2005 included in the Bank's 2005 Annual Report filed under National Instrument 51-102 Continuous Disclosure (NI 51-102), portions of which are incorporated by reference in this AIF, have been audited by Ernst & Young LLP and PricewaterhouseCoopers LLP.

Further, the proxy statement/prospectus relating to the Bank's acquisition of 51% of the outstanding shares of Banknorth Group, Inc., filed under NI 51-102, describes or includes: fairness opinions of Keefe, Bruyette & Woods, Inc. and Lehman Brothers Inc.; the audit report of Ernst & Young LLP and PricewaterhouseCoopers LLP covering the consolidated financial statements of the Bank for the year ended October 31, 2003; and legal opinions of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP and Osler, Hoskin & Harcourt LLP.

Interests of Experts

To the best of our knowledge, at the relevant time, Keefe, Bruyette & Woods, Inc., Lehman Brothers Inc., and the respective partners, counsel and associates of each of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly or indirectly, less than 1% of any class of security issued by the Bank or any of its affiliates.

As of December 8, 2005, no executive officer or director of the Bank is an officer, director or employee of Keefe, Bruyette & Woods, Inc. or Lehman Brothers Inc., or is a partner, counsel or associate of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP or Osler, Hoskin & Harcourt LLP. Nor, as of December 8, 2005, to the best of our knowledge, does the Bank expect to elect, appoint or employ as a director or executive officer of the Bank any director, officer or employee of Keefe, Bruyette & Woods, Inc. or Lehman Brothers Inc., or partner, counsel or associate of Elias, Matz, Tiernan & Herrick L.L.P., Simpson Thacher & Bartlett LLP or Osler, Hoskin & Harcourt LLP.

The Bank has implemented a policy governing the hiring of current or former partners, employees or consultants of the shareholders' auditors. The objectives of this policy are to ensure that the Bank's hiring practices comply with all applicable securities laws, rules and regulations and to establish procedures to be followed by the Bank's Human Resources department when considering a candidate for a position at the Bank who is currently or has previously been employed by one or more of the shareholders' auditors. From time to time, at the Bank's request, law firms provide lawyers and law students for secondment to groups in the Bank's head office and business units.

ADDITIONAL INFORMATION

Additional information concerning the Bank may be found on SEDAR at www.sedar.com. The Bank will provide to any person or company upon request to the Secretary of the Bank at the head office of the Bank: (a) when the securities of the Bank are in the course of distribution pursuant to a short form prospectus or a preliminary short form prospectus which has been filed in respect of a proposed distribution of its securities, (i) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form, (ii) one copy of the comparative financial statements of the Bank for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditors, and one copy of the most recent interim financial statements of the Bank, if any, filed for any period after the end of its most recently completed financial year, (iii) one copy of the proxy circular of the Bank in respect of its most recent annual meeting of shareholders that involved the election of directors, and (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or (b) at any other time, one copy of any documents referred to in (a)(i), (ii) and (iii) above, provided the Bank may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Bank.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Bank's securities, options to purchase securities and interests of insiders in material transactions, in each case if applicable, is contained in the Bank's proxy circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Bank's comparative financial statements and management's discussion and analysis for its most recently completed financial year, which at the date hereof, was the year ended October 31, 2005. The Bank's comparative financial statements and management's discussion and analysis for the year ended October 31, 2005 are contained in the Annual Report.

ATTACHMENT

AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE TORONTO-DOMINION BANK

CHARTER

~ ~ Supervising the Quality and Integrity of the Bank's Financial Reporting ~ ~

Our Main Responsibilities:

- **overseeing of reliable, accurate and clear financial reporting to shareholders**
- **overseeing internal controls - the necessary checks and balances must be in place**
- **directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditors - the shareholders' auditors report directly to the Committee**
- **listening to the shareholders' auditors, internal auditor and the chief compliance officer, and evaluating the effectiveness and independence of each**
- **overseeing the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies**
- **acting as the audit committee and conduct review committee for certain subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies;**
- **receiving reports on and approving, if appropriate, certain transactions with related parties**

Independence is Key:

- **our Committee is composed entirely of independent directors**
- **we meet regularly without management present**
- **we have the authority to engage independent advisors, paid for by the Bank, to help us make the best possible decisions on the financial reporting, accounting policies and practices, disclosure practices, and internal controls of the Bank**

Composition and Independence, Financial Literacy and Authority

The Committee shall be composed of members of the Board of Directors in such number as is determined by the Board with regard to the by-laws of the Bank, applicable laws, rules and regulations and any other relevant consideration, subject to a minimum requirement of three directors. In this charter, “Bank” means The Toronto-Dominion Bank on a consolidated basis.

Posted November 2005

To facilitate open communication between the Audit Committee and the Risk Committee, the Chair of the Audit Committee shall either be a member of the Risk Committee or be entitled to receive notice of and attend as an observer each meeting of the Risk Committee and to receive the materials for each meeting of the Risk Committee. The Chair of the Risk Committee shall either be a member of the Audit Committee or be entitled to receive notice of and attend as an observer each meeting of the Audit Committee and to receive the materials for each meeting of the Audit Committee.

No member of the Committee may be an officer or retired officer of the Bank. Every member of the Committee shall be independent of the Bank within the meaning of all applicable laws, rules and regulations including those particularly applicable to audit committee members and any other relevant consideration as determined by the Board of Directors.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly appointed. A Chair will be appointed by the Board, failing which the members of the Committee may designate a Chair by majority vote. The Committee may from time to time delegate to its Chair certain powers or responsibilities that the Committee itself may have hereunder.

In addition to the qualities set out in the Position Description for Directors, all members of the Committee should be financially literate or be willing and able to acquire the necessary knowledge quickly. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements. At least one member of the Committee shall have a background in accounting or related financial management experience which would include any experience or background which results in the individual's financial sophistication, including being or having been an auditor, a Chief Executive Officer or other senior officer with financial oversight responsibilities.

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation and access any officer, employee or agent of the Bank appropriate to fulfilling its responsibilities, including the shareholders' auditors of the Bank. The Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and may retain and determine the compensation to be paid by the Bank for such independent counsel or outside advisor in its sole discretion without seeking Board approval.

Committee members will enhance their familiarity with financial, accounting and other areas relevant to their responsibilities by participating in educational sessions or other opportunities for development.

Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee should meet with the shareholders' auditors and management quarterly to review the Bank's financial statements consistent with the section entitled "Financial Reporting" below. The Committee should dedicate a portion of each of its regularly scheduled quarterly meetings to meeting separately with each of the Chief Financial Officer, the Chief Auditor and the shareholders' auditors and to meeting on its own without members of management or the shareholders' auditors. Annually, the Committee shall meet jointly with the Risk Committee and The Office of the Superintendent of Financial Institutions ("OSFI") to review and discuss the results of OSFI's annual supervisory examination of the Bank.

Specific Duties and Responsibilities

Financial Reporting

The Committee shall be responsible for the oversight of reliable, accurate and clear financial reporting to shareholders, including reviewing the Bank's annual and interim financial statements and management's discussion and analysis, prior to approval by the Board and release to the public, and reviewing, as appropriate, releases to the public of significant material non-public financial information of the Bank. Such review of the financial reports of the Bank shall include, where appropriate but at least annually discussion with management and the shareholders' auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

The Committee shall review earnings press releases and satisfy itself that adequate procedures are in place for the review of the Bank's public disclosure of financial information extracted or derived from the Bank's financial statements, other than the public disclosure in the Bank's annual and interim financial statements and MD&A, and must periodically assess the adequacy of those procedures.

Financial Reporting Process

The Committee shall support the Board in its oversight of the financial reporting process of the Bank including:

- working with management, the shareholders' auditors and the internal audit department to review the integrity of the Bank's financial reporting processes;

- reviewing the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Bank's quarterly and annual consolidated financial statements and other disclosure documents as required;

• considering the key accounting policies of the Bank and key estimates and judgments of management and discussing such matters with management and/or the shareholders' auditors;

• keeping abreast of trends and best practices in financial reporting including considering, as they arise, topical issues such as the use of variable interest entities and off-balance sheet reporting, and their application to the Bank;

• reviewing with the shareholders' auditors and management significant accounting principles and policies and all critical accounting policies and practices used and any significant audit adjustments made;

• considering and approving, if appropriate, major changes to the Bank's accounting and financial reporting and policies as suggested by the shareholders' auditors, management, or the internal audit department; and

• establishing regular systems of reporting to the Committee by each of management, the shareholders' auditors and the internal audit department regarding any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.

The Audit Committee's Role in
the Financial Reporting Process

The shareholders' auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of the Bank's annual financial statements and reviews of the Bank's quarterly financial information. Management of the Bank is responsible for the preparation, presentation and integrity of the Bank's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Audit Committee oversees the financial reporting process at the Bank and receives quarterly reporting regarding the process undertaken by management and the results of the shareholders' auditors' review. It is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Bank's financial statements are complete, accurate and in accordance with GAAP.

Internal Controls

The Committee shall be responsible for overseeing the establishment and maintenance of internal controls of the Bank, including:

• requiring management to implement and maintain appropriate systems of internal controls (including controls related to the prevention, identification and detection of fraud), and that also comply with applicable laws, regulations and guidance, including section 404 of the U.S. Sarbanes-Oxley Act;

• meeting with management, the Chief Auditor and the shareholders' auditors to assess the adequacy and effectiveness of the Bank's internal controls, including controls related to the prevention, identification and detection of fraud;

• receiving reports from the Risk Committee as considered necessary or desirable with respect to any issues relating to internal control procedures considered by that Committee in the course of undertaking its responsibilities; and

• reviewing reporting by the Bank to its shareholders regarding internal control over financial reporting.

Internal Audit Division

The Committee shall provide oversight over the internal audit division of the Bank, including reviewing and approving the mandates of the internal audit division and the Chief Auditor at least annually. The Committee shall satisfy itself that the internal audit division has adequate resources and independence to perform its responsibilities. In addition, the Committee shall:

• review and approve the annual audit plan and any significant changes thereto;

• confirm the appointment and dismissal of the Chief Auditor of the Bank;

• at least annually assess the effectiveness of the internal audit division;

• review regular reports prepared by the Chief Auditor together with management's response and follow-up on outstanding issues, as necessary;

• provide a forum for the Chief Auditor to raise any internal audit issues or issues with respect to the relationship and interaction between the internal audit division, management, the shareholders' auditors and/or regulators; and

• review reports from the Chief Auditor regarding examinations of the Bank conducted by OSFI, and follow-up with management on the status of recommendations and suggestions, as appropriate.

Oversight of Shareholders' Auditors

The Committee shall review and evaluate the performance, qualifications and independence of the shareholders' auditors including the lead partners and annually make recommendations to the Board and shareholders regarding the nomination of the shareholders' auditors for appointment by the shareholders. The Committee shall also make recommendations regarding remuneration and, if appropriate, termination of the shareholders' auditors. The shareholders' auditors shall be accountable to the Committee and the entire Board, as representatives of the shareholders, for such shareholders' auditors' review of the financial statements and controls of the Bank. In addition, the Committee shall:

- review and approve the shareholders' auditors' annual audit plans and engagement letters;

- review the shareholders' auditors' processes for assuring the quality of their audit services including any matters that may affect the audit firms' ability to serve the Bank as shareholders' auditors;

- discuss those matters that are required to be communicated by shareholders' auditors to the Committee in accordance with the standards established by the Canadian Institute of Chartered Accountants, as such matters are applicable to the Bank from time to time;

- review with the shareholders' auditors any issues that may be brought forward by them, including any audit problems or difficulties, such as restrictions on their audit activities or access to requested information, and management's responses;

- review with the shareholders' auditors the auditors' concerns, if any, about the quality, not just acceptability, of the Bank's accounting principles as applied in its financial reporting; and

- provide a forum for management and the internal and/or shareholders' auditors to raise issues regarding their relationship and interaction. To the extent disagreements regarding financial reporting are not resolved, be responsible for the resolution of such disagreements between management and the internal and/or shareholders' auditors.

Independence of Shareholders' Auditors

The Committee shall oversee and assess the independence of the shareholders' auditors through various mechanisms, including:

- reviewing and approving (or recommending to the Board for approval) the audit fees and other significant compensation to be paid to the shareholders' auditors and reviewing, approving and monitoring the policy for the provision of non-audit services to be performed by the shareholders' auditors, including the pre-approval of such non-audit services in accordance with the policy;

- receiving from the shareholders' auditors, on a periodic basis, a formal written statement delineating all relationships between the shareholders' auditors and the Bank consistent with the rules of professional conduct of the Canadian provincial chartered accountants institutes or other regulatory bodies, as applicable;

- reviewing and discussing with the Board, annually and otherwise as necessary, and the shareholders' auditors, any relationships or services between the shareholders' auditors and the Bank or any factors that may impact the objectivity and independence of the shareholders' auditors;

• reviewing, approving and monitoring policies and procedures regarding the employment of partners, employees and former partners and employees of the present or former shareholders' auditors of the Bank as required by applicable laws; and

• reviewing, approving and monitoring other policies put in place to facilitate auditor independence, such as the rotation of members of the audit engagement team, as applicable.

Conduct Review and Related Party Transactions

The Committee shall be responsible for conduct review and oversight of related party transactions (except the approval of Bank officer related party credit facilities which are reviewed by the Management Resources Committee and the approval of Bank director related party credit facilities which are reviewed by the Risk Committee, as required), including ensuring procedures and practices are established by management as required by the *Bank Act* relating to conduct review and related party transactions and monitoring compliance with those procedures and their effectiveness from time to time.

Business Conduct and Ethical Behaviour

The Committee shall monitor compliance with policies in respect of ethical personal and business conduct, including the Bank's Disclosure of Information and Compliant Procedures and the Bank's code of ethical conduct and the conflicts of interest procedures included therein, including approving, where appropriate, any waiver from the Bank's code of ethical conduct to be granted for the benefit of any director or executive officer of the Bank.

Compliance

The Committee shall oversee the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies, including:

• reviewing with management the Bank's compliance with applicable regulatory requirements and the legislative compliance management processes;

• establishing procedures in accordance with regulatory requirements for the receipt, retention and treatment of complaints received by the Bank on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters, and receiving reports on such complaints and submissions as required under the applicable policy;

• reviewing professional pronouncements and changes to key regulatory requirements relating to accounting rules to the extent it applies to the financial reporting process of the Bank; and

• reviewing with the Bank's general counsel any legal matter arising from litigation, asserted claims or regulatory noncompliance that could have a material impact on the Bank's financial condition.

Compliance Department

The Committee shall oversee the Compliance Department of the Bank and the execution of its mandate, including reviewing and approving its annual plan and any significant changes to the annual plan and/or methodology. The Committee shall satisfy itself that the Compliance Department has adequate resources and independence to perform its responsibilities. In addition, the Committee shall:

• annually review and approve the mandate of the Compliance Department and the mandate of the Chief Compliance Officer;

• confirm the appointment and dismissal of the Chief Compliance Officer of the Bank;

• at least annually assess the effectiveness of the Compliance function;

• regularly review reports prepared by the Chief Compliance Officer for the Audit Committee and follow-up on any outstanding issues; and

• provide a forum for the Chief Compliance Officer to raise any compliance issues or issues with respect to the relationship and interaction among the Compliance Department, management and/or regulators, including meeting with the Chief Compliance Officer at least four times per year and holding in camera sessions with the Chief Compliance Officer at least four times per year.

General

The Committee shall have the following additional general duties and responsibilities:

• acting as the audit committee and conduct review committee for certain Canadian subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies, including meeting on an annual basis with the chief actuaries of the subsidiaries of the Bank that are federally-regulated insurance companies;

• reviewing materials of relevance to the Committee with respect to certain of the Bank's publicly-traded subsidiaries, as provided by management or as requested by the Committee;

• performing such other functions and tasks as may be mandated by regulatory requirements applicable to audit committees and conduct review committees or delegated by the Board;

- conducting an annual evaluation of the Committee in which the Committee (and/or its individual members) reviews the performance of the Committee for the preceding year for the purpose, among other things, of assessing whether the Committee fulfilled the purposes and responsibilities stated in this charter;

- reviewing reports from the Risk Committee for purposes of monitoring policies and processes with respect to risk assessment and risk management and discuss the Bank's major financial risk exposures, including operational risk issues, and the steps management has taken to monitor and control such exposures;

- reviewing and assessing the adequacy of this Charter at least annually and submitting this Charter to the Corporate Governance Committee and the Board for approval upon amendment;

- maintaining minutes or other records of meetings and activities of the Committee; and

- reporting to the Board following each meeting of the Committee and reporting as required to the Risk Committee on issues of relevance to it.

Exhibit 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following section provides a discussion and analysis of the Bank's operations for the most recent fiscal period ended October 31, 2005 and compared to the previous two fiscal years. This information should be read in conjunction with the Bank's audited Consolidated Financial Statements, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP), on pages 71 to 109.

Management's Discussion and Analysis is current as of December 8, 2005.

Certain comparative amounts have been restated.

Additional information relating to TD Bank Financial Group, including the Bank's Annual Information Form for the year ended October 31, 2005 is on the Bank's website at www.td.com, on SEDAR at www.sedar.com, as well as on the United States Securities and Exchange Commissions website at www.sec.gov (EDGAR filers section).

Caution regarding forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, including in this report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), and in other communications. All such statements are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements regarding the Bank's objectives and targets, and strategies to achieve them, the outlook for the Bank's business lines, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "intend", "estimate", "plan", "may" and "could". By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Some of the factors that could cause such differences include: the credit, market, liquidity, interest rate, operational, reputational and other risks discussed in the management discussion and analysis section of this report and in other regulatory filings made in Canada and with the SEC; general business and economic conditions in Canada, the United States and other countries in which the Bank conducts business, as well as the effect of changes in monetary policy in those jurisdictions and changes in the foreign exchange rates for the currencies of those jurisdictions; the degree of competition in the markets in which the Bank operates, both from established competitors and new entrants; legislative and regulatory developments; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; expanding existing distribution channels; developing new distribution channels and realizing increased revenue from these channels, including electronic commerce-based efforts; the Bank's ability to execute its growth and acquisition strategies including those of its subsidiaries; changes in accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates;

the effect of applying future accounting changes; global capital market activity; consolidation in the Canadian financial services sector; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; technological changes; change in tax laws; unexpected judicial or regulatory proceedings; continued negative impact of the United States securities litigation environment; unexpected changes in consumer spending and saving habits; the possible impact on the Bank's businesses of international conflicts and terrorism; acts of God, such as earthquakes; the effects of disease or illness on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, communications, power or water supply; and management's ability to anticipate and manage the risks associated with these factors and execute the Bank's strategies. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. The preceding list is not exhaustive of all possible factors. Other factors could also adversely affect the Bank's results. For more information, please see the discussion starting on page 56 of this report concerning the effect certain key factors could have on actual results. All such factors should be considered carefully when making decisions with respect to the Bank, and undue reliance should not be placed on the Bank's forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

HOW WE PERFORMED

TD Bank Financial Group delivered strong underlying financial results in 2005. Each of our businesses contributed to shareholder value.

CORPORATE OVERVIEW

TD Bank Financial Group is one of the largest financial services providers in North America, offering comprehensive retail and commercial banking, wealth management and wholesale banking products and services. The Bank's operations and activities are organized around operating groups: Canadian Personal and Commercial Banking, U.S. Personal and Commercial Banking, Wholesale Banking and Wealth Management. The U.S. Personal and Commercial Banking segment is a new segment created from the acquisition of a majority stake in TD Banknorth in 2005.

HOW THE BANK REPORTS

The Bank prepares its financial statements in accordance with Canadian generally accepted accounting principles (GAAP) and refers to results prepared in accordance with GAAP as the "reported basis" or "reported".
The Bank also utilizes earnings before amortization of intangibles to assess each of its businesses and to measure overall Bank performance. In addition, in the "Analysis of Performance against Shareholder Indicators", the Bank has also excluded items of note in order to better reflect how management measures the performance of the Bank. The items of note are listed in the table below. To arrive at earnings before amortization of intangibles, the Bank removes amortization of intangibles from reported basis earnings. To arrive at earnings before amortization of intangibles and items of note, the Bank removes items of note from earnings before amortization of intangibles. The Bank's intangible amortization of assets primarily relates to the TD Banknorth acquisition in March 2005 and the Canada Trust acquisition in fiscal 2000. The items of note relate to items which management does not believe are indicative of underlying business performance. Consequently, the Bank believes that earnings before amortization of intangibles and, as applicable, items of note provides the reader with an understanding of how management views the Bank's performance. As explained, earnings before amortization of intangibles and, as applicable, items of note are different from reported results determined in accordance with GAAP. Earnings before amortization of intangibles and items of note and related terms used in this report are not defined terms under GAAP, and therefore may not be comparable to similar terms used by other issuers. Table 1 below provides a reconciliation between the Bank's earnings before amortization of intangibles and items of note and its reported results.

TABLE **1**	**RECONCILIATION OF NON-GAAP MEASURES**

Net income before amortization of intangibles and items of note to reported results[1]

(millions of Canadian dollars)		**2005**		2004		2003
Net interest income	**$**	**6,021**	$	5,773	$	5,437
Provision for credit losses		**319**		336		423
Other income		**6,015**		4,961		4,469
Non-interest expenses		**7,825**		7,081		6,881
Income before provision for income taxes and non-controlling interest		**3,892**		3,317		2,602
Provision for income taxes		**899**		832		657
Non-controlling interest		**132**		-		-
Income before amortization of intangibles and items of note		**2,861**		2,485		1,945
Items of note impacting income, net of income taxes[3]						

Tax charge related to reorganizations		**(163)**		-		-
Other tax items		**98**		-		-
Loss on structured derivative portfolios		**(100)**		-		-
Restructuring charge		**(29)**		-		(617)
Non-core portfolio loan loss recoveries (sectoral related)		**127**		426		52
General allowance release		**23**		43		100
Litigation charge		**(238)**		(195)		-
Preferred share redemption		**(13)**		-		-
Hedging impact due to AcG-13		**17**		(50)		-
Net income before amortization of intangibles		**2,583**		2,709		1,480
Amortization of intangibles, net of income taxes		**(354)**		(477)		(491)
Net income available to common shareholders - reported basis	**$**	**2,229**	$	2,232	$	989
Earnings per share (EPS) before amortization of intangibles and items of note to reported results						
(Canadian dollars)						
Basic - reported basis	**$**	**3.22**	$	3.41	$	1.52
Diluted - reported basis		**3.20**		3.39		1.51
Items of note impacting income (as above)		**.40**		(.34)		.72
Amortization of intangibles		**.51**		.72		.75
Item of note impacting EPS		**.03**[2]		-		-
Diluted - before amortization of intangibles and items of note	**$**	**4.14**	$	3.77	$	2.98

1 Certain comparative amounts have been restated.

2 Adjusting for the impact of TD Banknorth earnings in the 2005, due to the one month lag between fiscal quarter ends. Only one month of TD Banknorth earnings were included in the second quarter while two months of funding costs and share issuance impacted the quarter.

3 Items of note include the following: $163 million tax expense primarily related to the TD Waterhouse reorganization in 2005 compared with nil in 2004 and nil in 2003; $98 million of other tax benefits in 2005 which includes the impact of a recent court decision and a tax benefit being applied to the future tax asset related to specific provisions compared with nil in 2004 and nil in 2003; $100 million loss in 2005 related to a reduction in the estimated value and the exit of certain structured product businesses compared with nil in 2004 and nil in 2003; $29 million in 2005 restructuring charges of the global structured products businesses compared with nil in 2004 and $617 million in 2003 primarily due to goodwill write downs; $127 million in 2005 for non-core portfolio loan loss recoveries (sectoral related) compared with $426 million in 2004 and $52 million in 2003; $23 million in 2005 general allowance release compared with $43 million in 2004 and $100 million in 2003; $238 million in 2005 contingent litigation reserve relating to Enron compared with $195 million in 2004 and nil in 2003; $13 million in 2005 preferred share redemption premium compared with nil in 2004 and nil in 2003 and $17 million in 2005 hedging impact due to AcG-13 compared with ($50) million in 2004 and nil in 2003.

ECONOMIC SUMMARY

The performance of the Canadian and U.S. economies in 2005 have been quite solid. In Canada, the domestic economy has performed well, with domestic demand growing at a strong pace. This reflected healthy consumer spending, supported by robust labour market conditions - as illustrated by a three decade low unemployment rate - and strong housing markets that increased outlays on big-ticket items, like furniture and appliances.
Meanwhile, double-digit corporate profit growth has helped to boost business investment. The main factor holding back the economy has been the fallout from the past appreciation in the Canadian dollar, which hit the non-commodity manufacturing sector particularly hard. The resulting challenging environment for exporters is expected to hold back the pace of Canadian economic growth to a moderate pace of close to 3 per cent this year. However, there are clear signs that businesses are gradually adjusting to the higher foreign exchange rate. Finally, the Canadian economy has been coping well with the energy shock. For the economy as a whole, the effect of high oil and gas prices is largely a wash, as the energy sector benefits, but consumers and energy-intensive businesses pay more.
Governments also benefit from higher tax revenues arising from the high energy prices. The high energy prices have not fuelled a sharp acceleration in inflation, which largely reflects the impact of cheap foreign imports and extremely competitive local markets that has limited the ability of firms to pass along the higher costs.
The U.S. economy has delivered a good performance in 2005 and is on track to post growth of about 3.5 per cent in the calendar year. This performance has been broadly based, with solid gains in consumer spending, business investment, government spending and exports. Moreover, the U.S. economy has weathered remarkably well the fallout from a number of hurricanes. Having said that, a couple of key imbalances have developed that warrant monitoring. Housing markets have been remarkably strong and the gains look excessive and unsustainable in some markets. The massive U.S. current account is also a key risk, but we expect that the U.S. will be able to finance the imbalance in the coming year.

ECONOMIC PROFIT AND RETURN ON INVESTED CAPITAL

The Bank utilizes economic profit as a tool to measure shareholder value creation. Economic profit is net income before amortization of intangibles and, for the purposes of the “Analysis of Performance Against Shareholder Indicators”, items of note less a charge for average invested capital. Average invested capital is equal to average common equity for the period plus the average cumulative after-tax goodwill and intangible assets amortized as of the reporting date. The rate used in the charge for capital is the equity cost of capital calculated using the capital asset pricing model. The charge represents an assumed minimum return required by common shareholders on the Bank’s invested capital. The Bank’s goal is to achieve positive and growing economic profit.

Return on invested capital (ROIC) is net income before amortization of intangibles divided by average invested capital. ROIC is a variation on the economic profit measure that is useful in comparison to the equity cost of capital. Both ROIC and the cost of capital are percentage rates, while economic profit is a dollar measure. When ROIC exceeds the equity cost of capital, economic profit is positive. The Bank’s goal is to maximize economic profit by achieving ROIC that exceeds the equity cost of capital.
Economic profit and ROIC are not defined terms under GAAP, and therefore may not be comparable to similar terms used by other issuers. The following table reconciles between the Bank’s economic profit, return on invested capital and net income before amortization of intangibles and items of note. Earnings before amortization of intangibles and items of note and related terms are discussed in the ”How the Bank Reports” section.

TABLE **2**	**RECONCILIATION OF ECONOMIC PROFIT, RETURN ON INVESTED CAPITAL** AND NET INCOME BEFORE AMORTIZATION OF INTANGIBLES AND ITEMS OF NOTE

(millions of Canadian dollars)		**2005**		2004		2003
Average common equity	**$**	**14,600**	$	12,050	$	11,396
		3,213		2,834		2,396

Average cumulative goodwill/intangible assets amortized						
Average invested capital	**$**	**17,813**	$	14,884	$	13,792
Rate charged for invested capital		**10.1%**		10.7%		10.9%
Charge for invested capital		**(1,799)**		(1,593)		(1,530)
Net income before amortization of intangibles		**2,583**		2,709		1,480
Economic profit before amortization of intangibles	**$**	**784**	$	1,116	$	(50)
Items of note (as per Table 1)		**278**		(224)		465
Economic profit before amortization of intangibles and items of note	**$**	**1,062**	$	892	$	415
Return on invested capital before amortization of intangibles		**14.5%**		18.2%		10.5%
Return on total common equity - reported basis		**15.3%**		18.5%		8.7%

ANALYSIS OF PERFORMANCE AGAINST SHAREHOLDER INDICATORS

Shareholder performance indicators help guide and benchmark the Bank’s accomplishments. They represent medium-term objectives and assist in our assessment of achieving consistent sustainable earnings growth. The Bank’s shareholder indicators are subject to economic conditions and other factors described in this report. However, our objective is to remain focused on achieving and exceeding the financial performance indicators over the medium-term. The following is an analysis of the Bank’s performance against the shareholder indicators in 2005. For the purposes of this analysis, the Bank excludes amortization of intangibles and items of note from the reported basis results that are prepared in accordance with GAAP. For further explanations see “How the Bank Reports”, “Economic Profit and Return on Invested Capital” and Table 1 “Reconciliation of Non-GAAP Measures” that are disclosed above and on the previous page.

ECONOMIC PROFIT[1]

Economic profit increased by $170 million or 19% in 2005. The increase was primarily due to Canadian Personal and Commercial Banking earnings generating $228 million of growth in economic profit. Strong volume growth across most personal and business products particularly in insurance products, business deposits and real estate secured lending drove the increase that was partially offset by tightening margins. Wealth Management generated $91 million of growth in economic profit largely driven by higher discount brokerage spreads and cash balances. Partially offsetting the above-mentioned growth was an economic loss of $105 million in TD Banknorth that was acquired in 2005. In addition, Wholesale Banking had a $49 million decline in economic profit largely due to lower trading revenues from the interest and credit portfolios.

TOTAL SHAREHOLDER RETURN

The total shareholder return was 16.9% compared to a Canadian Bank peer average of 12.9%. The result was driven primarily by appreciation of the Bank's share price as the closing price of $55.70 on October 31, 2005 was $6.72 higher than a year earlier. In addition the Bank paid quarterly dividends consistently throughout the past year. Total quarterly dividends were $1.58 per common share and included two dividend increases during the year.

DILUTED EARNINGS PER SHARE[1]

Diluted earnings per share growth was 10% for 2005. The increase was the result of strong earnings in Canadian Personal and Commercial Banking and Wealth Management. The diluted earnings per share growth was due to stronger earnings and the accretive acquisition of TD Banknorth. This acquisition on March 1, 2005 resulted in the number of average common shares outstanding increasing 6% during the year.

REVENUE GROWTH EXCEEDS EXPENSE GROWTH[1]

During 2005 each of our businesses had revenue growth that exceeded expense growth with the exception of Wholesale Banking. The differential between revenue and expense growth for each of our businesses was: 5% Canadian Personal and Commercial Banking (CP & CB), 4% Wealth Management (WM) and (2%) Wholesale Banking (WB). Our U.S. Personal and Commercial Banking business was acquired in 2005 and hence does not have comparable growth information.

Canadian Personal and Commercial Banking and Wealth Management experienced strong revenue growth throughout 2005 primarily in real estate secured lending, insurance and discount brokerage spreads and cash balances. Prudent expense management in these businesses contained expense growth to reasonable levels. Wholesale Banking experienced lower trading related revenues during the year compared to 2004. Current year Wholesale Banking expenses were lower than 2004, however, the decline did not fully offset the lower revenue impact.

RETURN ON RISK WEIGHTED ASSETS[1]

The Bank's return on risk weighted assets was 2.33% compared to the highest Canadian peer of 1.99%. Average risk-weighted assets increased $14.2 billion or 14% from 2004 due largely to TD Banknorth. While still maintaining a good risk profile, we also experienced strong volume growth in real estate secured lending and personal lending in Canadian Personal and Commercial Banking.

1 These shareholder indicators and financial measures are presented before amortization of intangibles and excluding items of note (see Table 1 and "How the Bank Reports"). Reported diluted earnings per share decreased 5.6%. On a reported basis the difference between revenue and expense growth in Wholesale Banking was (12)% and there would be no change in Canadian Personal and Commercial Banking and Wealth Management. The return on risk weighted assets on a reported basis was 1.88%.

FINANCIAL RESULTS OVERVIEW

Net Income

AT A GLANCE OVERVIEW

- **Reported net income was $2,229 million, down $3 million from the prior year.**
- **Earnings before amortization of intangibles decreased by $126 million or 5%.**

As illustrated in Table 1, reported net income was $2,229 million in 2005, compared with reported net income of $2,232 million in 2004 and $989 million in 2003. Net income before amortization of intangibles was $2,583 million in 2005, compared with $2,709 million in 2004 and $1,480 million in 2003.

Diluted earnings per share before amortization of intangibles decreased by $.40 or 10% from a year ago. The decrease was primarily due to lower earnings before amortization of intangibles and the additional common shares outstanding during the year. The average number of diluted common shares was 697 million in fiscal 2005, compared to 659 million in 2004.

Net interest income increased $235 million or 4% from 2004 due to strong volume growth in real estate secured lending, credit cards and personal and business deposits and the inclusion of TD Banknorth's results. Discount brokerage deposit spreads and balances also experienced significant growth throughout the year. Retail banking's volume growth was partially offset by a weighting towards lower margin productsthatincludedguaranteedinvest-mentaccountsandrealestatesecuredlending. Trading related revenues from interest rate and credit portfolios that are reported in net interest income were substantially down from the prior year.

Provision for credit losses of $55 million was up $441 million compared to a net reversal of $386 million in 2004. During the year the Bank recorded $352 million of new provisions, $245 million of loan loss recoveries (mainly sectoral related) and a general loan loss allowance release of $52 million. In 2004, the Bank recorded $505 million of sectoral allowance reversals that did not recur in 2005.

Other income increased $1,006 million or 21% from 2004 primarily due to strong premium revenue from insurance products, the inclusion of TD Banknorth's results, and growth in the advice-based businesses.

Non-interest expenses increased $775 million or 10% primarily due to the inclusion of TD Banknorth's results. The litigation charge due to Enron-related claims was $365 million, an increase of $65 million over the prior year. Other expense increases occurred in restructuring costs and compensation related items.

Non-controlling interest was $132 million compared to nil in 2004. Non-controlling interest is the result of approximately 55% ownership in TD Banknorth.

Net income on a reported basis from Canadian operations was $1,117 million, down $251 million from 2004. Net income before amortization of intangibles from Canadian operations was $1,466 million, down $375 million from 2004. This decrease in net income from the prior year was largely due to provisions for credit losses of $301 million compared to a reversal of $388 million in 2004. The reversals in the prior year were largely related to sectoral allowance releases. Canadian operation expenses increased due to higher costs associated with the volume growth in insurance, higher employee compensation in the advice-based businesses and an increase of $65 million in the contingent litigation charges for Enron-related claims over the $300 million expensed in 2004. Revenue growth of $443 million resulted from solid lending and deposit product volume growth and consistently strong insurance revenues.

U.S. operations net income on a reported basis was $639 million, compared to $259 million in 2004. U.S. operations net income before amortization of intangibles increased to $644 million from $263 million primarily due to the acquisition of TD Banknorth in 2005. This acquisition contributed $158 million of net income, $1,004 million of total revenues and $549 million of expenses before amortization of intangibles to the Bank's U.S. operations. In addition, the decline in the provision for credit losses of $224 million from the prior year was the result of U.S. sectoral recoveries of $229 million.

Other international net income on a reported basis and net income before amortization of intangibles decreased by $132 million or 22% mainly reflecting lower net interest income from trading.

U.S. GAAP (see Note 27 of the Consolidated Financial Statements)
Net income under U.S. GAAP was $2,089 million for fiscal 2005, compared with $2,229 million under Canadian GAAP. The difference in net income is primarily due to the U.S. GAAP requirement to report the change in fair value of all Canadian GAAP effective hedges that are not designated or do not qualify for hedge accounting under U.S. GAAP and all ineffectiveness related to effective hedges through the Consolidated Statement of Income.
The Consolidated Statement of Comprehensive Income is a U.S. GAAP requirement, with no Canadian GAAP equivalent. Changes in the Bank's other comprehensive income are primarily driven by the U.S. GAAP requirement to record unrealized gains and losses on available for sale securities, changes in gains and losses on derivative instruments designated as cash flow hedges and unrealized foreign currency translation gains and losses through the Consolidated Statement of Comprehensive Income.

TABLE **3**	**RESULTS BY GEOGRAPHIC SEGMENT[1]**

(millions of Canadian dollars)				**2005**				2004				2003
	Canada	**United States**	**Other International**	**Total**	Canada	United States	Other International	Total	Canada	United States	Other International	Total
Net interest income	**$ 3,860**	**$ 1,338**	**$ 810**	**$ 6,008**	$ 3,849	$ 747	$ 1,177	$ 5,773	$ 3,579	$ 681	$ 1,177	$ 5,437
Other income	**4,550**	**1,286**	**53**	**5,889**	4,118	812	(47)	4,883	3,623	907	(106)	4,424
Total revenues	**8,410**	**2,624**	**863**	**11,897**	7,967	1,559	1,130	10,656	7,202	1,588	1,071	9,861
Provision for (reversal of) credit losses	**301**	**(222)**	**(24)**	**55**	(388)	2	-	(386)	401	(150)	(65)	186
Non-interest expenses	**6,168**	**1,587**	**481**	**8,236**	5,793	1,119	469	7,381	5,113	1,749	730	7,592
Provision for income taxes	**475**	**483**	**(67)**	**891**	721	175	56	952	523	12	68	603
Non-controlling interest	**-**	**132**	**-**	**132**	-	-	-	-	-	-	-	-
Net income before amortization of intangibles	**1,466**	**644**	**473**	**2,583**	1,841	263	605	2,709	1,165	(23)	338	1,480
Amortization of intangibles, net of income taxes	**349**	**5**	**-**	**354**	473	4	-	477	491	-	-	491
Net income - reported basis	**$ 1,117**	**$ 639**	**$ 473**	**$ 2,229**	$ 1,368	$ 259	$ 605	$ 2,232	$ 674	$ (23)	$ 338	$ 989

1 Based on geographic location of unit responsible for recording revenue.

FINANCIAL RESULTS OVERVIEW

Revenues

AT A GLANCE OVERVIEW

- **Revenues increased by $1,241 million or 12% from 2004.**
- **Net interest income was up $235 million or 4%.**
- **Other income was up $1,006 million or 21%.**
- **TD Banknorth's revenue was $1,004 million.**

Total revenues were up $1,241 million or 12% from 2004, reaching $11.9 billion. Canadian and U.S. revenues increased 6% and 68%, respectively. Revenue increases were driven by both organic growth and the acquisition of TD Banknorth. The revenue growth was positively impacted by net interest income and fee income primarily due to TD Banknorth. Insurance premiums and brokerage fee growth also had a favourable impact on other income.

NET INTEREST INCOME

Net interest income was $6,008 million in 2005, a year-over-year increase of $235 million or 4%. As shown in Table 4, while higher asset volumes added $1,109 million to net interest income in 2005, changes in rates reduced net interest income by $874 million. The overall increase in net interest income primarily related to our acquisition of TD Banknorth. The inclusion of 7 months of net interest income from TD Banknorth contributed $705 million. This was the first year that TD Banknorth results were included in the Bank's results. Net interest income in Wealth Management's discount brokerage business increased by $151 million due to higher brokerage account spreads and balances. There was also an increase of $188 million of net interest income in Canadian Personal and Commercial Banking due to strong volume growth in real estate secured lending, core banking and business deposits, partially offset by a continued product mix shift into lower margin products, including real estate secured lending and guaranteed investment savings accounts. Wholesale Banking experienced reduced trading related net interest income in the equity and credit portfolios, largely due to higher U.S. dollar cost of funds which more than doubled during the year due to an increase in U.S. short-term interest rates. See trading related income discussion on page 20. Net interest income also decreased in the Corporate segment due to lower non-core portfolio revenue and income earned on income tax refunds in the prior year that did not recur.

TABLE **4**	**ANALYSIS OF CHANGE IN NET INTEREST INCOME**

(millions of Canadiandollars)			**2005 vs 2004**			2004 vs 2003
	Favourable (unfavourable) due to change in			Favourable (unfavourable) due to change in		
	Average volume	**Average rate**	**Net change**	Average volume	Average rate	Net change
Total earning assets	**$ 1,634**	**$ 10**	**$ 1,644**	$ 335	$ (405)	$ (70)
Total interest-bearing liabilities	**(525)**	**(884)**	**(1,409)**	$ (29)	435	406
Net interest income	**$ 1,109**	**$ (874)**	**$ 235**	$ 306	$ 30	$ 336

NET INTEREST MARGIN

The net interest margin declined by 17 basis points in 2005, reaching 2.09%. This reflected spread compression on domestic mortgages and deposits due to a change in product mix as volume growth continues to be weighted toward lower margin products including real estate secured lending and guaranteed investment savings accounts. The downward trend in margin was less pronounced in the latter half of the year. As shown in Table 5 the average rate paid on total liabilities increased by 28 basis points and the average rate received on total assets increased by 7 basis points.

TABLE **5**	**NET INTEREST INCOME ON AVERAGE EARNING BALANCES**[1]

(millions of Canadian dollars)			**2005**			2004			2003
	Average balance	**Interest**	**Average[2] rate**	Average balance	Interest	Average[2] rate	Average balance	Interest	Average[2] rate
Earning assets									
Deposits with banks	**$ 10,654**	**$ 415**	**3.90%**	$ 7,760	$ 517	6.66%	$ 7,323	$ 212	2.89%
Securities									
Investment	**32,354**	**1,503**	**4.65**	27,678	1,219	4.40	29,183	1,017	3.48
Trading	**77,906**	**2,536**	**3.26**	71,188	2,438	3.42	62,161	2,431	3.91
Total securities	**110,260**	**4,039**	**3.66**	98,866	3,657	3.70	91,344	3,448	3.77
Securities purchased under reverse repurchase agreements	**27,253**	**907**	**3.33**	28,306	734	2.59	33,311	902	2.71
Loans									
Residential mortgages	**58,033**	**2,807**	**4.84**	52,155	2,625	5.03	53,168	2,881	5.42
Consumer instalment and other personal	**55,975**	**3,067**	**5.48**	45,215	2,373	5.25	36,909	2,195	5.95
Credit card	**2,690**	**323**	**12.01**	2,289	271	11.84	2,181	271	12.43
Business and government	**23,288**	**1,218**	**5.23**	20,778	955	4.60	27,571	1,293	4.69
Total loans	**139,986**	**7,415**	**5.30**	120,437	6,224	5.17	119,829	6,640	5.54
Total earning assets	**$ 288,153**	**$ 12,776**	**4.43%**	$ 255,369	$ 11,132	4.36%	$ 251,807	$ 11,202	4.45%
Interest-bearing liabilities									
Deposits									
Personal	**$ 122,032**	**$ 2,509**	**2.06%**	$ 108,586	$ 2,077	1.91%	$ 102,485	$ 2,130	2.08%
Banks	**14,683**	**462**	**3.15**	16,166	309	1.91	22,170	412	1.86
Business and government	**99,827**	**2,158**	**2.16**	81,139	1,467	1.81	77,750	1,660	2.14
Total deposits	**236,542**	**5,129**	**2.17**	205,891	3,853	1.87	202,405	4,202	2.08
Subordinated notes and debentures	**5,626**	**328**	**5.83**	5,731	312	5.44	4,710	259	5.50
Obligations related to securities sold short and under repurchase agreements	**34,499**	**1,164**	**3.37**	34,730	1,024	2.95	38,378	1,125	2.93
Preferred shares and capital trust secuities	**2,215**	**147**	**6.64**	2,672	170	6.36	2,789	179	6.42
Total interest-bearing liabilities	**$ 278,882**	**$ 6,768**	**2.43%**	$ 249,024	$ 5,359	2.15%	$ 248,282	$ 5,765	2.32%
Total net interest income		**$ 6,008**	**2.00%**		$ 5,773	2.21%		$ 5,437	2.13%

1 Net interest income includes dividends on securities.
2 Calculation is subject to rounding.

TABLE **6**	**NET INTEREST RATE MARGIN**

(millions of Canadian dollars)	**2005**			2004			2003		
	Average earning assets	**Net interest income**	**Margin**	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin
Canada	**$ 183,607**	**$ 3,860**	**2.10%**	$ 166,647	$ 3,849	2.31%	$ 156,193	$ 3,579	2.29%
United States	**61,159**	**1,339**	**2.19**	43,067	747	1.73	48,582	681	1.40
Other international	**43,387**	**809**	**1.86**	45,655	1,177	2.58	47,032	1,177	2.50
Total Bank	**$ 288,153**	**$ 6,008**	**2.09%**	$ 255,369	$ 5,773	2.26%	$ 251,807	$ 5,437	2.16%

OTHER INCOME

Sources of the Bank’s other income include revenues from brokerage fees, insurance premiums, service fees, mutual fund management fees, income from loan securitizations and other revenue.

Other income, on a reported basis was $5,889 million in 2005, an increase of $1,006 million or 21% from 2004. Trading income reported in other income for 2005 was $147 million, up $300 million compared with a loss of $153 million in fiscal 2004 mainly due to an increase in trading revenue within the Wholesale Banking credit and equity trading businesses. See trading related income discussion on page 20. Trading income for 2005 also included a $153 million loss due to a reduction in the estimated value and the exit of certain structured derivative portfolios in connection with the repositioning of the Bank’s global structured products businesses.

Insurance revenues, net of claims, increased by $233 million or 39% compared with the prior year. The increase was due to the acquisition of business from Liberty Mutual Group, the inclusion of TD Banknorth’s insurance business, organic growth and a slightly lower claims ratio. Card services revenues increased by $107 million or 62% from 2004 due to the inclusion of results from TD Banknorth, organic volume growth and adjustments for reward programs included in prior year results. Securitization income increased by $24 million due to higher levels of average securitized assets. Service charges increased by $114 million or 17% from fiscal 2004 largely due to the inclusion of results from TD Banknorth.

Investment and securities services increased by $121 million or 5% from 2004. Mutual fund management fees also increased by $51 million or 9% due to a 20% increase in mutual funds assets under management from the end of 2004. Securities and full service brokerage revenues increased by $189 million due to higher activity within Wealth Management's advice-based businesses as a result of growth in the number of client facing advisors. Included in securities and full service brokerage, capital market fee revenue (which includes revenues from mergers and acquisitions, underwriting and equity sales and trading) increased by $81 million or 26% mainly due to an increase in the domestic underwriting business and increased equity trading commissions earned on equity block trading. Discount brokerage fees decreased by $119 million or 12% compared with the prior year due to a decline in commissions per trade, lower average trades per day and the impact of foreign exchange in TD Waterhouse U.S.A.. Average trades per day decreased by 3% to 105,000 compared with 108,000 in 2004.
The Bank reported a gain of $27 million in other income, net of accrual costs, related to derivatives not afforded hedge accounting as a result of the hedging relationships accounting guideline (AcG-13).

TABLE **7**	**OTHER INCOME**

(millions of Canadiandollars)	**2005**	2004	2003	2002	2001	2005 vs 2004 % change
Investment and securities services:						
Discount brokerage	**$ 866**	$ 985	$ 957	$ 922	$ 1,002	(12.1)%
Securities and full service brokerage	**927**	738	667	641	701	25.6
Mutual funds	**624**	573	508	522	502	8.9
Credit fees	**343**	343	415	415	425	-
Net investment securities gains	**242**	192	23	26	216	26.0
Trading income (loss)	**147**	(153)	104	529	1,318	196.1
Service charges	**787**	673	641	596	561	16.9
Loan securitizations	**414**	390	250	218	272	6.2
Card services	**279**	172	252	249	249	62.2
Insurance, net of claims	**826**	593	420	375	326	39.3
Trust fees	**111**	78	70	76	86	42.3
Gains on sale of investment real estate	**-**	-	-	-	350	-
Gain on sale of mutual fund record keeping and custody business	**-**	-	-	40	-	-
Write-down of investment in joint ventures	**-**	-	(39)	-	-	-
Other	**323**	299	156	320	439	8.0
Total	**$ 5,889**	$ 4,883	$ 4,424	$ 4,929	$ 6,447	20.6%

TRADING RELATED INCOME

As shown in Table 8, total trading related income, which is the total of trading income reported in other income and net interest income on trading positions, decreased by $280 million or 32%, resulting in $604 million of total trading revenue. This decline was a result of weaker performance within the interest rate, credit and equity portfolios. The interest rate and equity derivatives businesses were negatively impacted by a $153 million loss incurred due to a reduction in the estimated value and exit of certain structured derivatives portfolios that was recorded in trading income (loss) in 2005. Additionally, weaker results were experienced in the trading of credit instruments.

TABLE **8**	**TRADING RELATED INCOME**[1]

(millions of Canadian dollars)	**2005**	2004	2003	2005 vs 2004 % change
Net interest income	**$ 457**	$ 1,037	$ 889	(55.9)%
Other income	**147**	(153)	104	196.1
Total trading related income	**$ 604**	$ 884	$ 993	(31.7)%
By product				
Interest rate and credit portfolios	**$ 370**	$ 559	$ 581	(33.8)%
Foreign exchange portfolios	**248**	230	248	7.8
Equity and other portfolios	**(14)**	95	164	(114.7)
Total trading related income	**$ 604**	$ 884	$ 993	(31.7)%
Trading related revenues as a percentage of total revenues	**5.1%**	8.3%	10.1%	

1 Trading related income includes both trading income reported in other income and net interest income derived from trading instruments.

FINANCIAL RESULTS OVERVIEW

Expenses

AT A GLANCE OVERVIEW

• Reported non-interest expenses increased by $775 million.
•TD Banknorth expenses before amortization of intangibles were $549 million.
•Enron related litigation provisions of $365 million.
•Restructuring charges of $43 million.

NON-INTEREST EXPENSES

Expenses include costs, such as salaries, occupancy and equipment costs, amortization of intangibles and other operating and non-operating expenses.
In 2005, we continued to tightly manage our cost base with a clear focus on improving the efficiency of all our businesses. On a reported basis, expenses for fiscal 2005 were $8,782 million compared with $8,007 million in fiscal 2004, up $775 million or 10%. The inclusion of results from the TD Banknorth acquisition contributed $549 million to this expense increase. Expenses before amortization of intangibles in fiscal 2005 were $8,236 million up from $7,381 million in 2004.
As shown in Table 9, salaries and employee benefits rose $438 million or 12% during the year, reflecting a $290 million or 13% increase in salaries, a $55 million or 5% increase in incentive compensation and a $93 million or 21% increase in pension and other employee benefits. Occupancy costs were up $64 million or 11%. Equipment costs were up $47 million or 8%. Occupancy and equipment costs increased due to the inclusion of TD Banknorth results which operates 397 branches and 556 automated banking machines. Professional and advisory services expenses increased by $48 million or 11%, primarily due to increased business development activity related to the acquisition of TD Banknorth, the proposed transactions with Ameritrade and Hudson United Bancorp. The increase in other expenses was largely due to the recognition of approximately $365 million of expense related to contingent litigation reserves increases related to Enron, compared to $300 million the previous year and increases in restructuring costs and marketing and business development. The impact of the amortization of intangibles on the Bank's reported expenses was

EFFICIENCY RATIO

The efficiency ratio measures the efficiency of operations. The ratio is calculated by taking expenses as a percentage of total revenue. A lower ratio indicates a more efficient business operation.
On a reported basis, the Bank's overall efficiency ratio improved to 73.8% from 75.1% in 2004 and 84.8% in 2003. The Bank's consolidated efficiency ratio is impacted by shifts in its business mix. The efficiency ratio is viewed as a more relevant measure for Canadian Personal and Commercial Banking, which had an efficiency ratio, before amortization of intangibles of 56.3% this year compared with 58.7% in 2004 and 59.2% in 2003. The Bank's efficiency ratio before amortization of intangibles was 69.2% compared with 69.3% in 2004 and 77.0% in 2003.

$546 million, compared with $626 million in fiscal 2004.

Expenses in Canadian Personal and Commercial Banking increased mainly due to very strong growth in the insurance business, growth in compensation costs, increased marketing costs and increased investments in systems development and infrastructure. Also this was the first full year of expenses from the Liberty Mutual acquisition. Expenses increased in Wealth Management due to an increase in compensation costs in the advisory businesses and higher mutual fund sales commissions, driven by higher assets under management. The expense increase was partially offset by the impact of foreign exchange translation in TD Waterhouse U.S.A.. Expenses in Wholesale Banking increased primarily due to the recognition of $43 million in restructuring costs relating to the global structured products businesses. The restructuring costs are further explained in Note 24 on page 104.

TABLE **9**	**NON-INTEREST EXPENSES AND EFFICIENCY RATIO**

(millions of Canadian dollars)	**2005**	2004	2003	2002	2001	2005 vs 2004 % change
Salaries and employee benefits						
Salaries	**$ 2,544**	$ 2,254	$ 2,304	$ 2,273	$ 2,225	12.9%
Incentive compensation	**1,139**	1,084	986	875	1,150	5.1
Pension and other employee benefits	**535**	442	468	418	333	21.0
Salaries and employee benefits total	**4,218**	3,780	3,758	3,566	3,708	11.6
Occupancy						
Rent	**373**	353	361	330	323	5.7
Depreciation	**147**	134	143	148	149	9.7
Property tax	**17**	14	15	18	19	21.4
Other	**139**	111	137	109	101	25.2
Occupancy total	**676**	612	656	605	592	10.5
Equipment						
Rent	**192**	165	185	170	159	16.4
Depreciation	**175**	160	175	164	169	9.4
Other	**242**	237	290	327	328	2.1
Equipment total	**609**	562	650	661	656	8.4
Goodwill impairment[1]/amortization	**-**	-	624	-	198	-
Amortization of intangible assets	**546**	626	772	998	1,292	(12.8)
Restructuring costs	**43**	(7)	92	-	239	714.3
Marketing and business development	**469**	384	348	388	410	22.1
Brokerage related fees	**226**	228	229	224	229	(.9)
Professional and advisory services	**494**	446	372	366	322	10.8
Communications	**205**	207	208	225	205	(1.0)
Other						
Capital and business taxes	**167**	141	133	107	106	18.4
Postage	**108**	100	91	96	115	8.0
Travel and relocation	**78**	62	58	68	67	25.8
Other	**943**	866	373	448	515	8.9
Other total	**1,296**	1,169	655	719	803	10.9
Total expenses	**$ 8,782**	$ 8,007	$ 8,364	$ 7,752	$ 8,654	9.7%
Efficiency ratio - reported basis	**73.8%**	75.1%	84.8%	77.0%	81.1%	(130)bps
Efficiency ratio - before amortization of intangibles	**69.2**	69.3	77.0	67.1	69.0	(10)

1 Amount represents goodwill impairment in 2003 and goodwill amortization in 2001.

TAXES

Total income and other taxes were up $42 million from 2004. Current income tax expense before amortization of intangibles was down $61 million, reflecting a 6.4% decrease from 2004. Other taxes were up $103 million from the prior year mainly due to an increase in payroll taxes, capital taxes and sales taxes by $44 million, $28 million and $32 million respectively.

The Bank's effective income tax rate, on a reported basis, was 22.8% for fiscal 2005, compared with 26.4% in fiscal 2004. Based on earnings before amortization of intangibles, the effective income tax rate was 24.7% for fiscal 2005, compared with 26.0% in fiscal 2004. The effective income tax rate on the reported basis is set out in Note 16 of the Bank's Consolidated Financial Statements.

The Bank has entered into certain agreements with Ameritrade. These agreements called for reorganization of the corporate entities prior to completion of the transaction. This reorganization was largely completed in the fourth quarter, with related tax costs of $138 million. Other corporate restructuring added $25 million.

The Government of Canada has the practice of announcing proposed legislation and enacting it only years, in some cases, many years later. However such enactment is often retroactive to the original announcement date although the form of the legislation may have greatly altered over the time period. Neither Canadian nor U.S. GAAP allows for any provision of the estimated impact of such proposals, even where they have a high likelihood of passage.

Currently, there is a very large amount of proposed legislation which would affect the Bank. Because of its complexity and uncertainty it is not possible to estimate a total impact. Generally, however, the Bank believes that the net impact will be favourable.

TABLE **10**	**TAXES**

(millions of Canadiandollars)	**2005**	2004	2003	2002	2001
Income tax expense (benefit) - before amortization of intangibles	**$ 891**	$ 952	$ 603	$ (81)	$ 646
Other taxes					
Payroll	**222**	178	193	187	174
Capital	**161**	133	125	97	98
GST and provincial	**178**	146	150	162	149
Municipal and business	**84**	85	86	93	91
Total other taxes	**645**	542	554	539	512
Total taxes	**$ 1,536**	$ 1,494	$ 1,157	$ 458	$ 1,158
Effective income tax rate - before amortization of intangibles	**24.7%**	26.0%	28.9%	-%	27.0%
Effective total tax rate - before amortization of intangibles[1]	**36.1**	35.5	43.9	49.1	39.9

1 Total income and other taxes as a percentage of net income before income and other taxes.

FINANCIAL RESULTS OVERVIEW

Quarterly Financial Information

PERFORMANCE SUMMARY

Net income, on a reported basis, was $589 million for the fourth quarter, compared with $595 million in the same quarter last year. Reported basic earnings per share were $.83, compared with $.91 in the same quarter last year. Reported diluted earnings per share were $.82 for the fourth quarter, compared with $.90 in the same quarter last year. Reported return on total common equity, on an annualized basis was 14.8%, compared with 19.1% in the same quarter last year.

Net income before amortization of intangibles for the fourth quarter was $675 million, compared with $687 million in the same quarter last year. Basic earnings per share before amortization of intangibles were $.95, compared with $1.05 in the same quarter last year. Diluted earnings per share before amortization of intangibles were $.94 for the quarter, compared with $1.04 in the same quarter last year. Return on total common equity before amortization of intangibles, on an annualized basis was 17.0% for the quarter, compared with 22.1% in the same quarter last year.

See fourth quarter 2005 news release for a discussion of items of note.

NET INTEREST INCOME

Net interest income on a reported basis was $1,641 million for the fourth quarter, an increase of $206 million compared with the same quarter last year. The increase was a result of the inclusion of TD Banknorth results, which reported net interest income of $298 million. Net interest income in Wealth Management's discount brokerage operations also increased due to growth in deposit spreads and margin balances. There was also increased net interest income in Canadian Personal and Commercial Banking due to volume growth across most banking products, particularly in business deposits, real estate secured lending, and credit cards. Wholesale Banking experienced reduced trading-related net interest income within the U.S. dollar equity businesses largely due to increases in U.S. short term interest rates. Net interest income also decreased in the Corporate segment due to interest earned on income tax refunds in the prior year.

OTHER INCOME

Other income, on a reported basis was $1,442 million for the fourth quarter, an increase of $324 million compared with the same quarter last year. $119 million of this increase was attributable to TD Banknorth.
Investment and securities services revenues increased by $123 million compared with the same quarter last year. Self-directed brokerage fees increased by $19 million compared with the same quarter last year due to an increase in trading volumes. Average trades per day increased by 28% to 106,000 compared with 83,000 in the same quarter last year. This was partially offset by a decline in commissions per trade and the impact of foreign exchange in TD Waterhouse U.S.A.. Mutual fund management fees and investment management fees also increased by $13 million and $20 million respectively, in the same quarter last year due to an increase in assets under management. Capital market fee revenue (which includes revenues from mergers and acquisitions, underwriting and equity sales and trading) increased by $46 million mainly due to an increase in the equity underwriting business and increased equity trading commissions.

The Bank reported a trading loss of $88 million compared with a loss of $75 million in the same quarter last year. Trading-related income (which is the total of trading income reported in other income and net interest income on trading positions reported in net interest income) decreased by $114 million compared with the same quarter last year primarily due to a $107 million loss recorded in the fourth quarter due to a reduction in the estimated value and the exit of certain structured derivatives portfolios in connection with the repositioning of the global structured products businesses. Net investment securities gains increased by $32 million compared with the same quarter last year. The Bank also recognized income of $10 million in the current quarter, related to derivatives not afforded hedge accounting as a result of the adoption of the hedging relationships accounting guideline (AcG-13).
Insurance revenues, net of claims, increased by $35 million compared with the same quarter last year due to the inclusion of results from the TD Banknorth acquisition, organic volume growth and a slightly lower claims ratio. Card services increased by $65 million compared to the same quarter last year due to the inclusion of results from TD Banknorth, increased volume and adjustments for reward programs included in prior year results. Service charges also increased by $49 million compared with the same quarter last year mainly due to the inclusion of results from TD Banknorth. Securitization income increased by $38 million due to higher average levels of securitized assets.

PROVISION FOR (REVERSAL OF) CREDIT LOSSES

In the fourth quarter, the Bank recorded a reversal of credit losses of $15 million, compared with a reversal of $73 million in the same quarter last year. The reversal was a result of a $109 million recovery in the non-core lending portfolio for amounts previously provided for under sectoral provisions. This recovery was largely offset by provisions for credit losses in the normal course of business, mainly attributable to Canadian Personal and Commercial Banking which reported a $97 million provision (before the effect of securitizations). U.S. Personal and Commercial Banking reported a provision of $7 million during the quarter. No credit losses were experienced in the Wholesale Banking credit portfolio during the quarter.

NON-INTEREST EXPENSES

On a reported basis, expenses for the fourth quarter were $2,203 million, an increase of $299 million from $1,904 million in the same quarter last year.
The increase in expenses was largely due to the inclusion of results from the TD Banknorth acquisition, which contributed $216 million. Expenses also increased in Wholesale Banking, partially as a result of higher variable compensation costs and higher payroll taxes. Canadian Personal and Commercial Banking also contributed to the expense increase, mainly due to increased employee compensation, marketing, and investments in systems development and infrastructure. Expenses increased in Wealth Management due to an increase in compensation costs in the advisory businesses, higher mutual fund sales commissions, driven by higher assets under management and higher mutual funds marketing costs, partially offset by the impact of foreign exchange in TD Waterhouse U.S.A. These increases were partially offset by a $54 million litigation accrual last year that did not recur this quarter in Corporate. The impact of amortization of other intangibles on the Bank's reported total expenses before amortization of intangibles was $135 million for the fourth quarter, compared with $142 million in the same quarter last year. Total expenses before the amortization of intangibles in the fourth quarter were $2,068 million compared to $1,762 million in the same quarter last year.

TAXES

The Bank's effective tax rate, on a reported basis, was 28.3% for the fourth quarter, compared with 17.6% in the same quarter last year.
The provision for income taxes for the fourth quarter includes a $138 million tax expense relating to TD Waterhouse. Certain steps have been taken to reorganize the TD Waterhouse group of companies which precedes the transaction with Ameritrade. These steps have been essentially completed in fiscal 2005. The provision for income taxes also includes favourable tax items of $68 million, which include the impact of a recent court decision.

Table 11 provides the summary information related to the Bank's eight most recently completed quarters.

TABLE **11**	**QUARTERLY RESULTS**

(millions of Canadian dollars)				**2005**				2004
				Quarter ended				Quarter ended
	October 31	**July 31**	**April 30**	**January 31**	October 31	July 31	April 30	January 31
Net interest income	**$ 1,641**	**$ 1,563**	**$ 1,393**	**$ 1,411**	$ 1,435	$ 1,452	$ 1,441	$ 1,445
Other income	**1,442**	**1,535**	**1,517**	**1,395**	1,118	1,181	1,284	1,300
Total revenues	**3,083**	**3,098**	**2,910**	**2,806**	2,553	2,633	2,725	2,745
	(15)	**40**	**20**	**10**	(73)	(17)	(192)	(104)

Provision for (reversal of) credit losses								
Non-interest expenses	**2,068**	**2,434**	**1,923**	**1,811**	1,762	1,755	2,109	1,755
Provision for income taxes	**302**	**64**	**257**	**268**	177	231	211	333
Non-controlling interest in net income of subsidiaries	**53**	**58**	**21**	**-**	-	-	-	-
Net income before amortization of intangibles	**675**	**502**	**689**	**717**	687	664	597	761
Amortization of intangibles, net of income taxes	**86**	**91**	**90**	**87**	92	99	107	179
Net income available to common shareholders - reported basis	**$ 589**	**$ 411**	**$ 599**	**$ 630**	$ 595	$ 565	$ 490	$ 582
(Canadian dollars)								
Basic earnings per share								
- reported basis	**$ .83**	**$ .58**	**$ .87**	**$ .96**	$ .91	$ .87	$ .75	$ .89
- before amortization of intangibles	**.95**	**.71**	**1.00**	**1.09**	1.05	1.02	.91	1.16
Diluted earnings per share								
- reported basis	**.82**	**.58**	**.86**	**.95**	.90	.86	.74	.88
- before amortization of intangibles	**.94**	**.70**	**.99**	**1.08**	1.04	1.01	.90	1.15
Return on common shareholders' equity								
- reported basis	**14.8%**	**10.4%**	**17.2%**	**19.5%**	19.1%	18.4%	16.5%	19.8%
- before amortization of intangibles	**17.0**	**12.7**	**19.8**	**22.1**	22.1	21.7	20.1	26.0
(billions of Canadian dollars)								
Average earning assets	$ **304**	**$ 302**	**$ 279**	**$ 267**	$ 257	$ 258	$ 258	$ 248
Net interest margin as a percentage of average earning assets	**2.14%**	**2.05%**	**2.05%**	**2.10%**	2.22%	2.23%	2.27%	2.32%

BUSINESS SEGMENT ANALYSIS

Business Focus

For management reporting purposes, the Bank's operations and activities are organized around the following operating business segments: Canadian Personal and Commercial Banking, U.S. Personal and Commercial Banking, Wholesale Banking and Wealth Management.

Canadian Personal and Commercial Banking comprises the Bank's personal and business banking business in Canada as well as the Bank's global insurance operations (excluding the U.S.). Operating in Canada under the TD Canada Trust brand, the retail operations provide a full range of financial products and services to approximately 10 million personal and small business customers. Products and services are provided - anywhere, anytime - through telephone and internet banking, more than 2,400 automated banking machines and a network of 1,014 branches located across Canada. TD Commercial Banking serves the needs of medium sized Canadian businesses, customizing a broad range of products and services to meet their financing, investment, cash management, international trade and day-today banking needs. Under the TD Insurance and TD Meloche Monnex brands, the Bank offers in Canada a broad range of insurance products including home and automobile coverage, life and health insurance, as well as credit protection coverage on TD Canada Trust lending products.

U.S. Personal and Commercial Banking. The Bank's approximate 55% ownership of TD Banknorth serves as the focal point of our personal and commercial banking operations in the United States. TD Banknorth provides financial services to more than 1.3 million households in the northeastern United States. Headquartered in Portland, Maine the business comprises commercial banking, insurance agency, wealth management, mortgage banking and other financial services. TD Banknorth distributes products and services through a network of 397 branches and 556 automated banking machines. The Bank's U.S. Personal and Commercial banking footprint will expand with the proposed acquisition of Hudson United Bancorp in 2006. This acquisition will add approximately U.S.$9.1 billion of assets and U.S. $6.6 billion of deposits and will expand TD Banknorth's network with an additional 204 branches and 201 automated banking machines in the Hudson River Valley, New Jersey, Connecticut and Philadelphia marketplaces.

Wholesale Banking serves a diverse base of corporate, government and institutional clients in key financial markets around the world. Under the TD Securities brand, Wholesale Banking provides a full range of capital markets and investment banking products and services that include: advice on corporate strategy and mergers and acquisitions; underwriting and distributing loan, debt and equity products; structuring tailored risk management solutions; and executing financial transactions.

Wealth Management provides a wide array of investment products and services through different brands to a large and diverse retail and institutional global client base. Wealth Management comprises a number of advisory, distribution and asset management businesses including TD Waterhouse and TD Mutual Funds, and is one of Canada's largest asset managers. Through Wealth Management's discount brokerage channels, it serves customers in Canada, the United States and the United Kingdom. In Canada, discount brokerage, financial planning, and private client services cater to the needs of different retail customer segments through all stages of their investing life cycle. At the end of the year, Wealth Management had assets under administration of $314 billion and assets under management of $130 billion.

Discount brokerage will expand operations through a proposed transaction to sell TD Waterhouse U.S.A. to Ameritrade Holding Inc.. The new organization will be called TD Ameritrade and is anticipated to have a combined 5.9 million client accounts that generate approximately 239 thousand trades per day. The Bank will own approximately 32% of TD Ameritrade after closing and has agreed to tender for an additional 7.9% of TD Ameritrade shares promptly after closing which, if successful, would bring the Bank's total holdings to 39.9%.

The Bank's other business activities are not considered reportable segments and are therefore grouped in the Corporate segment. The Corporate segment includes activities from the non-core lending portfolio, effects of asset securitization programs, treasury management, general provisions for credit losses, elimination of taxable equivalent adjustments, corporate level tax benefits, and residual unallocated revenues, expenses, and taxes. The non-core portfolio represents lending accounts where the Bank has determined the risk-return relationship was unsatisfactory. As a result, the Bank has substantially wound down this portfolio.

Results of each business segment reflect revenues, expenses, assets and liabilities generated by the businesses in that segment. The Bank measures and evaluates the performance of each segment based on earnings before amortization of intangibles and, where applicable, the Bank notes that the measure is before amortization of intangibles. This measure is relevant in the Canadian Personal and Commercial Banking, Wealth Management and the U.S. Personal and Commercial Banking segments. There are no intangibles allocated to the Wholesale Banking and Corporate segments. For further details see the "How the Bank Reports" section on page 14. For information concerning the Bank's measures of economic profit and return on invested capital, see page 15 of this Annual Report. Segmented information also appears in Note 22 on page 101 of the Bank's Consolidated Financial Statements.

Net interest income, primarily within Wholesale Banking, is disclosed on a taxable equivalent basis (TEB), hence the value of non-taxable or tax-exempt income such as dividends is increased to its equivalent before tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The TEB adjustment reflected in the Wholesale Banking segment's results is eliminated in the Corporate segment.

The "Economic Outlook" and "Business Outlook and Focus for 2006" sections provided on the following pages are based on the Bank's views and the actual outcome is uncertain. For more information, see the "Caution regarding forward-looking statements" on page 13 and the "Risk Factors That May Affect Future Results" section on page 56.

TABLE **12**	**RESULTS BY SEGMENT**

	Canadian Personal and Commercial Banking			U.S. Personal and Commercial Banking			Wholesale Banking			Wealth Management			Corpo		
(millions of Canadian dollars)	**2005**	2004	2003	**2005**	2004	2003	**2005**	2004	2003	**2005**	2004	2003	**2005**	2004	2
Net interest income	**$ 4,342**	$ 4,154	$ 4,051	**$ 705**	N/A	N/A	**$ 977**	$ 1,581	$ 1,335	**$ 643**	$ 492	$ 421	**$ (659)**	$ (454)	$ (
Other income	**2,361**	2,066	1,803	**299**			**1,011**	615	701	**2,103**	2,098	1,873	**115**	104	
Provision for (reversal of) credit losses	**373**	373	460	**4**			**52**	41	15	**-**	-	-	**(374)**	(800)	(
Non-interest expenses before amortization of intangibles	**3,773**	3,650	3,463	**549**			**1,325**	1,289	1,689	**2,083**	2,047	2,234	**506**	395	
Provision for (benefit of) income taxes and non-controlling interest	**855**	747	689	**293**			**189**	278	92	**231**	191	145	**(545)**	(264)	(
Net income (loss) before amortization of intangibles	**$ 1,702**	$ 1,450	$ 1,242	**$ 158**			**$ 422**	$ 588	$ 240	**$ 432**	$ 352	$ (85)	**$ (131)**	$ 319	$
(billions of Canadian dollars)															

Risk-weighted assets	**$ 60**	$ 58	$ 56	**$ 25**		**$ 33**	$ 30	$ 40	**$ 9**	$ 9	$ 6	**$ 2**	$ 3 $

ECONOMIC OUTLOOK

The economic backdrop is expected to be mildly supportive to financial services in 2006. Economic growth in Canada is expected to average close to 3% next year, broadly in line with the performance in 2005 and only marginally lower than the 3.3% expected by the U.S. economy. However, the annual average growth rates mask an expected moderation in the North American expansion in the second half of 2006, which reflects the fallout from an expected cooling in housing markets, particularly in the United States. Within Canada, the annual growth forecast also conceals very different regional economic conditions, with Western Canada posting above average growth and Central and Eastern Canada recording below average growth next year.

With respect to financial conditions, the Bank of Canada and the U.S. Federal Reserve are in the midst of monetary policy tightening cycles that are expected to carry into early 2006. However, the prospects of slower economic growth in the second half of next year suggests that the peak in rates is likely to come at relatively low levels and the upward pressure on bond yields should prove modest. For financial services, the limited rise in rates is favourable, but the prospect of extremely flat yield curves could negatively impact profitability. The Canadian dollar could strengthen in the near term in response to Bank of Canada rate hikes and a possible weakening in the U.S. dollar. The Canadian dollar is likely to give up some of its gains in the second half of next year in reaction to a pullback in commodity prices.

BUSINESS HIGHLIGHTS

- **Revenue growth of 8%, despite continued interest rate margin compression, on volume growth across most products.**
- **Increased sales capacity and efficiency through investing in infrastructure, process improvements and the opening of 21 new branches.**
- **Growth in personal deposit market share, which as of August 2005 was 21.5%, up .3% from last year and growth in small business banking market share to 16.6% as of June 2005, up .7% from last year.**
- **TD Canada Trust ranked first by market research firm Synovate among the country’s five major banks in eight of eleven customer satisfaction categories including “overall[1] quality of customer service,” “would recommend to friends and family,” “staff service at my branch,” and “online banking.”[1]**
- **Received the Contact Centre Industry Service Quality Award of Excellence from SQM.[2]**

CHALLENGES IN 2005

- **Continued interest rate margin compression.**
- **Improving the process for resolving customer problems on a timely basis.**
- **Decline in personal lending market share, which as of August 2005 was 20.1%, down .4% from last year.**

INDUSTRY PROFILE

The personal and business banking business in Canada is very competitive amongst the five dominant banks and some strong regional players. The competition amongst the largest banks, combined with the entrance of niche players on a select product-by-product basis, make it difficult to sustain market share gains and competitive advantages over the long-term. Increasing customer sophistication and awareness add to the challenges of offering new products to satisfy needs in a convenient, cost effective manner. In addition to outstanding customer service, continued success is contingent upon disciplined risk management practices and expense management. The Canadian property and casualty insurance industry, on the other hand, features a relatively large number of participants with limited market share. The past few years have seen reduced claim costs as a percentage of premiums, leading to strong increases in profitability after an industry cyclical low in 2002. The life and health insurance industry in Canada and the reinsurance market internationally, are more consolidated featuring a few large players.

OVERALL BUSINESS STRATEGY

The strategy for Canadian Personal and Commercial Banking has remained consistent for four years and is summarized as follows:

- Deliver superior service through a powerful, distinctive customer experience based brand.
- Leverage superior service into above average growth through better customer retention, better attraction and increased business with each customer.
- Grow under-penetrated businesses such as business banking, insurance, credit cards, and our regional presence in Quebec, at above average growth rates.
- Manage to a consistent spread between the revenue growth rate and the expense growth rate as a core competency, leading to consistent double digit earnings growth over time.

REVIEW OF FINANCIAL PERFORMANCE

Canadian Personal and Commercial Banking reported record net income before amortization of intangibles for the year of $1,702 million, an increase of $252 million from the prior year. A positive spread of five percentage points between revenue and expense growth combined with strong credit performance resulted in 17% earnings growth. Return on invested capital before amortization of intangibles increased from 20.4% in 2004 to 23.1% in 2005 as earnings growth exceeded the 4% growth in average invested capital. The segment contributed strongly to shareholder value by generating economic profit before amortization of intangibles of $1,038 million during the year, an improvement of $228 million over the prior year.

Revenue grew by $483 million or 8% over last year. Volume growth across most banking products was the main contributor to revenue growth and was particularly strong in business deposits and real estate secured lending. Volume growth was partly offset by lower margins. Also contributing to higher revenue were growth in banking and credit card service and transaction fees and insurance revenue growth through improved claims experience and new sales. The acquisition of insurance business from Liberty Mutual in 2004 contributed $57 million to revenue growth in 2005.

1 The Synovate results come from a survey which took place July 11 to August 24, 2005, using a nationally representative sample of more than 13,500 customers at banks and other financial institutions across the country. Known as the Customer Service Index, the survey has been conducted by Synovate annually since 1987.

2 Service Quality Management Group Inc. (SQM), based in British Columbia, Canada, specializes in benchmarking and tracking contact centre's service quality performance for call centre, email, website and IVR contact channels. SQM benchmarks over 200 leading North American contact centres on an annual basis and have been conducting benchmarking studies for over 9 years, managing one of the largest customer and employee survey data bases in North America.

As compared with the prior year, real estate secured lending average volume (including securitizations) grew by $10 billion or 10% and personal deposit volume grew $4 billion or 4%, while other personal loans were relatively flat. Business deposits grew by $3 billion or 12%, while business loans and acceptances grew by $725 million or 4%. Originated gross insurance premiums grew by $242 million or 13%.

Margin on average earning assets decreased from 3.05% in 2004 to 2.96% in 2005 primarily due to a change in product mix as volume growth was weighted towards lower margin products such as real estate secured lending and guaranteed investment savings accounts.

Provision for credit losses (PCL) of $373 million comprised $354 million from personal loans and $19 million from business loans. PCL was unchanged compared with the prior year in total, and for each of personal and business loans. PCL as a percent of credit volume improved to .25% from .27% in the prior year.

Expenses before amortization of intangibles increased by $123 million or 3% compared with last year. The Liberty insurance acquisition accounted for $37 million of expense growth. Employee compensation, marketing, systems projects and organic insurance business volume growth were the main factors contributing to the remaining expense increase, partly offset by synergies and lower integration expenses related to the branches acquired from Laurentian Bank the prior year. Average full-time equivalent staffing levels increased by 704 or 2% compared to the prior year due to growth in insurance business (including the acquisition) and the addition of sales and service personnel in branches and call centres. The efficiency ratio, before amortization of intangibles, for the year was 56.3%, an improvement of 2.4 percentage points over the prior year.

KEY PRODUCT GROUPS

Real Estate Secured Lending

- Offers mortgages and home equity lines of credit through branches, direct sales force, multi unit residential, and broker channels.
- During 2005, the industry continued to experience above normal growth driven by continued increases in home prices, strong unit sales and refinance activity.
- The strong housing market drove growth in new business while customer retention improved to its highest level since the integration with Canada Trust branches in 2001. Volume growth was below estimated industry growth in a highly competitive environment.
- Margins were relatively stable throughout the year.
- Improvements to customer payment options and renewal processes were launched during the year.
- Business objectives in 2006 are to increase new originations while also improving customer cross sell and maintaining margins.

Personal Deposits

- Offers a complete range of Canadian and U.S. dollar chequing, savings and term investment vehicles designed to promote primary banking relationships, retirement savings and retirement income options.
- Personal Deposits experienced growth in all key areas during 2005. Net growth in active chequing accounts of 5% was fueled by an increase in openings, fewer closures and the “EasySwitch” account transfer process. Despite a highly competitive market, volume growth outpaced the industry allowing the Bank to increase market share, and maintain its number one share ranking.
- Margin compression continued during the year due to the impact of low interest rates, rate competition and growth being weighted toward the lower margin guaranteed investment account.
- For 2006, the continued focus is on growing the number of chequing accounts and core banking relationships. Margin is expected to improve with the anticipated rising interest rate environment, moderated by continued growth in the guaranteed investment account.

Consumer Lending

- Offers lines of credit, loans, overdraft protection products and a wide selection of Visa credit cards including classic, premium, and commercial cards as well as compelling reward programs such as the TD Gold Travel Visa card and the GM Card.

- Revenue growth was driven by improved margins and growth in card and other fee income.
- Lending volumes, excluding credit cards, were relatively flat reflecting growth in our line of credit and loan portfolios, offset by the wind-down of a financing program for customers of the Insurance Company of British Columbia.
- Credit losses continued to be maintained at low rates reflecting the benefits of new credit management systems.
- Credit card purchase volume and outstanding balances increased 13% and 7%, respectively. The Bank signed a definitive agreement to outsource product administration to an industry leader in credit card technology solutions.

TABLE **13**	**CANADIAN PERSONAL AND COMMERCIAL BANKING**

(millions of Canadian dollars)		**2005**		2004		2003
Net interest income	**$**	**4,342**	$	4,154	$	4,051
Provision for credit losses		**373**		373		460
Other income		**2,361**		2,066		1,803
Non-interest expenses before amortization of intangibles		**3,773**		3,650		3,463
Income before provision for income taxes		**2,557**		2,197		1931
Provision for income taxes		**855**		747		689
Net income - before amortization of intangibles	**$**	**1,702**	$	1,450	$	1,242
Selected volumes and ratios						
Average loans and acceptances (billions of Canadian dollars)	**$**	**117**	$	110	$	104
Average deposits (billions of Canadian dollars)		**124**		116		110
Economic profit (millions of Canadian dollars)	**$**	**1,038**	$	810	$	639
Return on invested capital - before amortization of intangibles		**23.1%**		20.4%		18.5%
Efficiency ratio - before amortization of intangibles		**56.3%**		58.7%		59.2%
Margin on average earning assets[1]		**2.96%**		3.05%		3.25%

1 Including securitized assets.

- The key objectives for 2006 are to grow the credit card and indirect lending businesses, improve profitability of the unsecured line of credit product, increase the penetration of overdraft protection and ensure the successful implementation of the credit card product administration platform.

Small Business Banking and Merchant Services

- Offers quick and efficient delivery of deposit, lending, cash management and investment services to Canada's small business owners through the full retail branch network, as well as the award winning EasyWeb and EasyLine banking services. Additionally, 160 rural account managers serve the banking needs of agri-businesses through the retail branch network in rural communities.
- Merchant services offers point-of-sale settlement solutions for debit and credit card transactions, supporting over 100,000 business locations across Canada.
- In 2005, 100 small business advisors were added to the retail branch network; individuals specifically trained in understanding and meeting the banking needs of small businesses and their owners.
- Focus on meeting the needs of these customers has helped achieve a 6% growth in net new deposit accounts and 9% growth in new small business borrowers.
- Focus in 2006 will be to continue to make it simpler, faster and easier for small business customers to do business and on building the expertise in retail branches to help customers meet their goals.

Commercial Banking

- Offers a full range of lending, deposit, investment and cash management services to medium sized businesses in Canada.
- Improved credit markets and strengthened business development efforts led to a 4% increase in commercial loan volumes in 2005 compared to an overall decline in the prior year.
- Commercial deposit growth continued to be strong at 11%, surpassing the rate of growth achieved in 2004. Margin compression, although less significant than in the prior year, continued primarily due to an ongoing customer preference for lower margin term products.
- The overall risk profile of the credit portfolio has increased only moderately and continues to remain well within acceptable risk guidelines.
- Loan losses continued to be well below historic norms in 2005. While provisions are likely to increase in 2006, they should continue to be below cyclical averages.
- In 2006, continued investments in business processes and relationship management capability will be made in order to increase commercial banking relationships, volumes and revenues in line with the overall strategy to grow at an above average rate.

TD Life Group

- Provides life and health insurance protection to 1.8 million retail customers, as well as life and health reinsurance in the international market.
- A leader in critical illness and direct life and health insurance in Canada. The first full year of critical illness coverage on lines of credit exceeded all expectations and contributed to the overall success of this product category.
- Revenue grew by 16% over last year, continuing the trend of strong growth.
- The focus for 2006 will be on continued growth in sales and further investments in systems development that will position us to enhance product offerings well into the future.

TD Meloche Monnex

- Aims to be the benchmark in the personal automobile and home insurance industry in Canada by growing through a unique direct marketing model.
- Services niche segments representing alumni, professionals, and members of employer groups, and also to individuals who are primarily customers of the Bank.
- #3 in personal lines market share and the #1 direct writer in Canada.
- Premiums were $1.7 billion, and grew 13% over 2004.

- Through good underwriting practices and a reduction in claims frequency, we improved the loss ratio from 72.7% in 2004 to 68.6% in 2005 despite a higher than usual level of weather-related claims.
- Best in class expense ratio in the Canadian property and casualty industry.
- The integration of operations acquired from Liberty Mutual was substantially completed.
- To maintain better than industry average margins, key priorities will be to maintain growth related to the group and non-group businesses, further develop information technology tools and operating systems, and improve business processes.

ECONOMIC OUTLOOK

The Canadian economy should be supportive to personal and commercial banking activities in 2006. Tight labour markets suggest stronger personal income growth in the coming year although there will be a moderation in housing markets and tempered consumer spending on big-ticket items thus dampening demand for mortgages and personal credit. A rise in rates should not be sufficient to cause an outright pullback in consumer spending. Businesses are adjusting to a stronger Canadian dollar and high energy prices. Exporters will also face another hurdle if the U.S. economy begins to slow. Demand for borrowing should be supported by the need to invest in assets in order to boost competitiveness and slower profit growth may dampen the ability of firms to finance with internally generated funds.

BUSINESS OUTLOOK AND FOCUS FOR 2006

The outlook for revenue growth continues to be strong for both personal and business banking products as new marketing initiatives, branch openings, leadership in customer satisfaction, as well as greater sales capacity are targeted to attract both new customers and more business from existing customers. Insurance volume is expected to remain solid, however, revenue growth will be moderated by premium rate reductions. The low PCL rates on personal loans are expected to be sustainable, however business banking loan losses are likely to increase moderately going forward. Further investments in systems development and infrastructure, as well as increased marketing efforts will result in further expense growth. Canadian Personal and Commercial Banking remains committed to deliver continuing double-digit earnings growth over time. Key priorities for 2006 are as follows:

- **Make customers the number one priority for all employees and go beyond expectations in resolving customer complaints.**
- **Support employee development by improving training, coaching and leadership, enhance recruitment and orientation and better reflect the diverse communities we serve.**
- **Develop relationships with more Canadians and deepen relationships with our existing customers.**
- **Continue to reduce business process complexity and increase productivity levels.**
- **Maintain industry leadership in direct insurance through TD Meloche Monnex and TD Insurance.**
- **Continue growing under-penetrated businesses.**

BUSINESS HIGHLIGHTS

- **Earnings before amortization of intangibles were $158 million for the seven month period March 1, 2005 to September 30, 2005.**
- **For the period March 1, 2005 to September 30, 2005, total loans averaged $24 billion, total deposits averaged $27 billion and the margin on average earning assets was 4.11%.**
- **The annualized return on invested capital before amortization of intangibles was 5.4%.**
- **Continued strong asset quality.**
- **Acquired the naming rights to the TD Banknorth Garden, the home of the Boston Bruins and Boston Celtics.**

CHALLENGES IN 2005

- **Margin compression related to increasing short-term interest rates and the continued flattening of the yield curve.**
- **Slowing commercial loan growth.**

INDUSTRY PROFILE

The personal and commercial banking industry in the U.S. is very competitive in all aspects of our business. The Bank is subject to vigorous competition from other banks and financial institutions, including savings banks, finance companies, credit unions and other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. TD Banknorth is one of the largest financial institutions located in the northeastern U.S., but the competition includes banks and other financial institutions with larger branch networks, a wider array of commercial banking services, and substantially greater resources. Keys to profitability are attracting and retaining customer relationships over the long-term, effective risk management, rational product pricing, the use of technology to deliver products and services for customers anytime/anywhere, growing fee-based businesses and the effective control of operating expenses.

OVERALL BUSINESS STRATEGY

- Deliver superior customer service across all channels.
- Unify various brands under the single TD Banknorth brand.
- Focus organic banking growth on core chequing accounts and commercial and small business loans.
- Continue to grow wealth management, investment planning and insurance agency businesses.
- Maintain strong asset quality and expense discipline.
- Continue the acquisition strategy throughout New England and other niche areas of the United States.

REVIEW OF FINANCIAL PERFORMANCE

For the seven month period March 1, 2005 to September 30, 2005, the U.S. Personal and Commercial Banking segment's earnings before amortization of intangibles was $158 million, the annualized return on invested capital was 5.4% and the economic loss before amortization of intangibles was $105 million.
Total revenues were $1.0 billion. The margin on average earning assets was 4.11% and benefited from balance sheet de-leveraging in February 2005. Consumer loan growth has been solid, while commercial loan growth slowed late in the year and residential mortgage loans have declined.
Provision for credit losses was $4 million, reflecting continued strong asset quality.

Expenses before amortization of intangibles were $549 million, including $10 million of merger related charges. The average FTE staffing level was 7,284. The efficiency ratio, before amortization of intangibles was 54.7%.

KEY PRODUCTS GROUPS

Community Banking

The community banking business offers a broad range of banking services and products to individuals, business and governments through branches, telephone banking and internet banking channels. Products and services include loans and loan-related services for commercial real estate, commercial businesses, residential real estate and consumers as well as a full array of deposit products to individuals, businesses and governments including, chequing, savings, money-market, term investment, merchant services and cash management products designed to meet the needs of the customer.

The community banking gross revenues, which comprise the majority of TD Banknorth's revenues, amounted to $1.0 billion on average loans of $24 billion and average deposits of $27 billion over the seven month period ended September 30, 2005. Net interest margin of 4.11%, solid chequing and banking fees, and strong asset quality were important factors in the performance.

Wealth Management and Investment Advisory Services

The wealth management business delivers wealth advisory, investment management and investment advisory services to both individuals and businesses. Wealth management revenues amounted to $45 million for the seven months ended September 30, 2005. Wealth management had total assets under management of $15.9 billion at September 30, 2005 including both discretionary and custodial investments.

Insurance Agency
The insurance agency business provides insurance products and services to individuals and businesses including homeowners, automobile, property and casualty and employee benefits and is one of the leading insurance agencies in the northeastern U.S.
Insurance agency revenues, which are predominantly commissions earned on sales of insurance products, amounted to $38 million for the seven months ended September 30, 2005.

ECONOMIC OUTLOOK

- The U.S. economy, including the U.S. northeast, is expected to deliver solid economic growth in 2006, but the pace of expansion is expected to slow over the course of the year. However, after two years of outperforming the national average, the pace of expansion in New England is likely to underperform next year.
- Although employment will likely rise at a modest pace, personal income growth is expected to accelerate next year and the personal savings rate is expected to rise. Corporate profit growth is expected to drop from the double-digit gains over the past couple of years, but should remain in positive territory. These trends should be supportive to deposit growth.
- Commercial loan growth is likely to be tempered by less stimulative monetary policy. However, while short-term rates will have risen significantly from their 1% trough, the peak in rates will be low by historical standards. The rise in long-term borrowing costs will likely prove modest. Moreover, strong business investment and slower growth in corporate profits could boost demand for commercial loans.
- Personal loan growth is vulnerable to a cooling in U.S. housing markets. Over the past few years, the wealth effects from booming real estate markets has been a powerful catalyst to consumer spending. However, the recent trends are not sustainable, and U.S. consumer outlays will lose momentum if the housing market declines. Even if the annual increase in home prices were to slow to roughly the pace of inflation, consumer spending growth would dip. Outlays on big-ticket items such as furniture, appliances and autos are the most vulnerable. If this moderation occurs, it would dampen personal loan growth.

BUSINESS OUTLOOK AND FOCUS FOR 2006

Build on our strengths of providing superior customer service and timely, local decision making. The outlook is for modest organic revenue growth in 2006. Net interest margins are expected to remain under pressure until the yield curve steepens. Credit loss provisions are at historic lows and are expected to increase. Fee income and operating expenses, each excluding acquisitions, are expected to grow modestly. The goal of U.S. Personal and Commercial Banking is to achieve consistent earnings growth over time. Key priorities for 2006 are:

- **Complete the pending acquisition and achieve a smooth integration of Hudson United into the TD Banknorth organization and complete re-branding of all Hudson United locations.**
- **Achieve projected revenue growth and cost reduction targets for the Hudson acquisition.**
- **Regain momentum in growing commercial loans and core deposits, while keeping strong credit quality and competitive pricing.**
- **Continue to deliver customer service that is above and beyond customer expectations.**
- **Continue to improve the efficiency ratio.**

TABLE **14**	**U.S. PERSONAL AND COMMERCIAL BANKING**

(millions of Canadian dollars)		**2005**
Net interest income	**$**	**705**
Provision for credit losses		**4**
Other income		**299**

Non-interest expenses before amortization of intangibles		**549**
Income before provision for income taxes		**451**
Provision for income taxes		**161**
Non-controlling interest in subsidiaries		**132**
Net income - before amortization of intangibles	**$**	**158**
Selected volumes and ratios		
Average loans and acceptances (billions of Canadian dollars)	**$**	**24**
Average deposits (billions of Canadian dollars)		**27**
Economic loss (millions of Canadian dollars)	**$**	**(105)**
Return on invested capital - before amortization of intangibles		**5.4%**
Efficiency ratio - before amortization of intangibles		**54.7%**
Margin on average earning assets		**4.11%**

BUSINESS HIGHLIGHTS

- **Strong results from the domestic franchise driven partially by improved market share in areas such as block trading, where TD Securities held the #1 market share for the year.**
- **Restructuring activities undertaken in 2005 have improved the market and operational risk profile which should lead to increased profitability in future years.**
- **Continued to use credit effectively by focusing on client profitability.**
- **Continued to maintain a low credit risk profile.**

CHALLENGES IN 2005

- **Restructuring activities in the global structured products businesses had a negative impact on earnings.**
- **Weaker results in our equity investment portfolios compared to 2004.**
- **Reducing run rate costs while maintaining business momentum and operational excellence.**
- **Tightening lending margins.**

INDUSTRY PROFILE

The Wholesale Banking sector in Canada is a mature market with intense competition from the Canadian banks, the large global investment banks and to a lesser extent - small niche investment banks and dealers. In order to compete effectively, it is necessary to offer a complete package of solutions and products, with credit often being a key component of a relationship. Additionally, it is necessary to offer international expertise in order to service the Canadian based international corporate client base. We believe there are increasing opportunities for a Wholesale Bank that offers innovative solutions and ideas which span across products and regions.

OVERALL BUSINESS STRATEGY

- Deliver a full suite of capital market services for Wholesale Banking's established and growing client base in Canada with a goal to becoming a top 3 relationship bank in Canada.
- Maintain a strong international trading platform and global operations to support our domestic strategy.
- Selectively use credit to support high return relationships.

REVIEW OF FINANCIAL PERFORMANCE

Net income was $422 million in 2005, a decrease of $166 million from $588 million last year. Net income includes the impact of restructuring costs of $43 million and losses related to the reduction of the estimated value and exit of certain structured derivative portfolios which had an impact of $153 million. The return on invested capital for 2005 was 17%, compared with 25% last year. Economic profit for the year was $100 million compared with an economic profit of $278 million in 2004.

Wholesale Banking revenue is derived primarily from capital markets and investment banking, investing and corporate banking activities. Revenue for the year was $1,988 million, compared with revenue of $2,196 million last year. Capital markets and investment banking revenues, which include advisory, underwriting, trading, facilitation and execution services were lower than last year, largely due to the impact of losses of $153 million incurred due to a reduction of the estimated value and exit of certain structured derivative portfolios. Excluding these items, revenue is up slightly on significant growth in equity underwriting and equity facilitation revenues partially offset by weaker trading revenue in the equity, credit and interest rate portfolios. Revenue from the equity investment portfolios decreased as higher security gains were more than offset by lower interest, dividend and other income. Lending revenue decreased as margins have come under pressure due to high investor demand for assets relative to corporate borrowing requirements.

Provisions for credit losses were $52 million in 2005, an increase of $11 million from $41 million in 2004. Provisions for credit losses in the Wholesale Banking segment represents allowances for loan losses and the accrual costs for credit protection. The change in market value of the credit protection, in excess of the accrual cost, is reported in the Corporate segment. The provision for credit losses of $52 million is attributed solely to costs of credit protection. The credit quality of the portfolio remains strong as there have been no credit losses in the core lending portfolio in Wholesale Banking.

Wholesale Banking holds $3.2 billion in credit protection against the lending portfolio, a decrease of $1.3 billion from the end of last year. Wholesale Banking continues to proactively manage its credit risk through active management of the credit protection portfolio.

Risk-weighted assets of the Wholesale Banking segment were $33 billion this year, an increase of $3 billion compared with 2004. The increase is largely due to an increase in exposures in the lending portfolio.

Expenses were $1,325 million compared with $1,289 million last year. The increase is a result of a $43 million restructuring charge compared to a $7 million restructuring release in 2004. The underlying change in expenses, before the impact of restructuring, was a decrease of $14 million. This is a result of lower variable compensation related to weaker performance in the capital markets businesses, partially offset by higher operating expenses related to infrastructure improvements.

KEY PRODUCT GROUPS

Corporate Banking

- Corporate banking, which includes corporate lending, trade finance and related activities, had a revenue decline of 12% from $303 million in 2004 to $266 million in 2005. This decrease is largely a result of reduced revenue from lending activities. Lending revenue decreased because of reduced lending margins.

Investment Banking and Capital Markets

- Investment banking and capital markets revenues decreased 8% from $1,594 million in 2004 to $1,467 million in 2005. Capital markets revenue includes the impact of $153 million in losses related to the reduction of the estimated value and exit of certain structured derivative portfolios noted above. Excluding these items revenue is up 2% from last year. This reflects stronger investment banking, underwriting and equity facilitation revenues which are a result of both better market conditions and increased market share - shown by TD Securities' #1 rank in block trading market share in 2005. These gains were partially offset by weaker trading revenue in our structured equity, interest rate and credit portfolios as these portfolios experienced difficult market conditions.

Equity Investments

- The equity investment portfolios, comprised public and private equity, had weaker overall results in 2005 as revenue decreased by 15% from a very strong result in 2004 of $299 million to $255 million. This was a result of lower interest and dividends partially offset by higher security gains. Although revenue was lower in 2005, the unrealized gains in the portfolios increased by $332 million to $750 million.

ECONOMIC OUTLOOK

- Moderate growth in client demand for wholesale banking services is expected in 2006.
- Despite the tightening in monetary policy, sustained low bond yields and relatively tight corporate spreads are likely to remain supportive to borrowing.
- Business investment is expected to be a major engine for economic growth in the coming year, which should be positive for activity in investment banking, debt capital markets, institutional equities and private equity.
- Continued growth in corporate profits should also be beneficial for business confidence, and with profit growth slowing to a single digit annual pace, some firms may find it more difficult to finance outlays with internally generated funds.
- Demand for foreign exchange services is expected to remain strong. The U.S. dollar is likely to lose ground in response to the massive U.S. current account deficit and the currency is expected to be weakened by signs that the U.S. economic expansion is slowing in reaction to a cooling in U.S. housing markets.
- This outlook augurs for further volatility in the Canadian dollar and suggests that the exchange rate to the U.S. dollar could climb higher, particularly in early 2006. However, the gains in the currency may prove fleeting, as a future U.S. slowdown would result in a pullback in commodity prices that would reduce the international attractiveness of the Canadian currency. Nevertheless, any retreat in the Canadian dollar should be limited and the currency is expected to remain well above the U.S. $.80 mark.

BUSINESS OUTLOOK AND FOCUS FOR 2006

Equity markets were strong in 2005 and our domestic franchise benefited from these conditions. Wholesale Banking is optimistic that momentum will continue in 2006. Key priorities for 2006 are:

- **Complete the restructuring of the global structured products businesses, including the right-sizing of the cost structure.**
- **Continue the momentum of increasing market share in the Canadian franchise.**
- **Achieve return on invested capital target of 15% to 22%.**

In 2006, Wholesale Banking will continue to focus on growing and deepening domestic client relationships, expanding its product and service suite and operating with excellence. The segment is expected to deliver a strong return on invested capital in 2006 with a significantly reduced risk profile.

TABLE **15**	**WHOLESALE BANKING**

(millions of Canadian dollars)	**2005**	2004	2003
Net interest income	**$ 977**	$ 1,581	$ 1,335
Provision for credit losses	**52**	41	15
Other income	**1,011**	615	701
Non-interest expenses	**1,325**	1,289	1,689
Income before provision for income taxes	**611**	866	332
Provision for income taxes	**189**	278	92
Net income	**$ 422**	$ 588	$ 240
Selected volumes and ratios			
Risk-weighted assets (billions of Canadian dollars)	**$ 33**	$ 30	$ 40
Economic profit (loss) (millions of Canadian dollars)	**$ 100**	$ 278	$ (125)
Return on invested capital	**17.0%**	24.7%	8.6%
Efficiency ratio	**66.6%**	58.7%	83.0%

BUSINESS HIGHLIGHTS

- **Wealth management assets under administration increased $35 billion or 13% from 2004 due to growth in net new assets combined with market growth. Assets under management grew $14 billion or 12% over the prior year due to net asset growth and market appreciation.**
- **The 2004 investment in under-penetrated businesses started to pay off in 2005 with solid profitability growth in those channels.**
- **Exceeded our goal of adding 125 net new client facing advisors.**
- **TD Mutual Funds had the best ever year of net fund sales with $4.1 billion including a 73% increase in sales to external dealers.**
- **Discount brokerage will expand operations through a proposed transaction to sell TD Waterhouse U.S.A. to Ameritrade Holding. The transaction is subject to shareholder and regulatory approval and is expected to close in early 2006.**

CHALLENGES IN 2005

- **Price competition, particularly in the U.S., continued to negatively impact commission revenue.**
- **Canadian markets generally improved in 2005, challenges continued in the U.S. markets, impacting average trades per day which declined 3% from 108,000 in 2004 to 105,000 in 2005.**
- **The stronger Canadian dollar negatively impacted the TD Waterhouse U.S.A. results and produced lower commission revenue on U.S. transactions for the Canadian discount brokerage operations.**

INDUSTRY PROFILE

The wealth management industry in North America is large, diverse and very competitive. Profitability is dependent on price competition, the ability to attract and retain client assets and market volatility. Cost management is a critical success factor in the industry and consolidation of industry participants continues to occur. Key events in 2005:

- The industry benefited from strong growth in long term mutual fund sales.
- In the U.S., discount brokerage revenues were hampered by intense price competition.
- In Canada, the strength of the oil sector and income trusts were factors in the growth of Canadian markets and corresponding trading activity.

OVERALL BUSINESS STRATEGY

- Develop an integrated asset gathering client focused organization.
- Continue to grow under-penetrated businesses at above average growth rates.
- Retain focus on the financial planning and private investment advice businesses.
- Leverage the wealth brands of TD Waterhouse and TD Mutual Funds as premier, trusted advisors in investing for clients.
- Develop a world class continuum of products, services and solutions designed to meet the needs of each client segment.
- Leverage technology to enhance the systems architecture supporting the customer experience and to increase operational efficiency.
- Leverage the strong client referral relationship with Canadian Personal and Commercial Banking to ensure clients are serviced in the most appropriate distribution channel within Wealth Management.

REVIEW OF FINANCIAL PERFORMANCE

Wealth Management's net income before amortization of intangibles for 2005 was $432 million compared with $352 million in 2004, an increase of 23% as a result of growth across the Wealth businesses. The return on invested capital before the amortization of intangibles for the year was 16% compared with 13% in 2004. The economic profit for 2005 was $116 million, an improvement of $91 million over 2004.

Total revenue increased by $156 million from 2004 to $2,746 million due to strong growth in advice-based and asset management businesses. Mutual fund management fees increased as a result of 20% asset growth and the shift in portfolio mix to higher earning fund classes while growth in assets under administration generated improved results in private investment advice and financial planning. Discount brokerage revenues were impacted by a 3% decline in trading volumes and the negative impact of foreign exchange on U.S. results offset by growth in net interest income from higher margin volumes and increased deposit spreads.

Expenses before the amortization of intangibles were $2,083 million in 2005, an increase of $36 million from 2004. Higher trailer payments to sellers of the Bank's mutual funds and higher sales force compensation in private investment advice and financial planning were partially offset by the benefits of cost control in all businesses and the foreign exchange impact of the higher Canadian dollar on expenses.

Assets under management of $130 billion at October 31, 2005 increased $14 billion or 12% from October 31, 2004 due to strong sales of mutual funds and growth in institutional assets. The impact of market growth on assets under management was approximately 3%. Assets under administration totaled $314 billion at the end of the year, increasing $35 billion or 13% from October 31, 2004 due to the addition of new assets in discount brokerage, private investment advice and financial planning and market growth of approximately 4%.

KEY PRODUCT GROUPS

TD Waterhouse Discount Brokerage

- A leader in self-directed investing, serving customers in Canada, the United States and the United Kingdom.
- The businesses continued to be challenged on trade volumes which declined 3% from 2004.
- Revenue increased by $10 million as higher net interest income due to higher deposit balances combined with higher spread revenue more than offset the impact on revenue of declines in trade volumes, lower commissions per trade and the impact on U.S. results of the higher Canadian dollar. The decline in commissions per trade resulted from pricing pressures in the U.S. and lower commissions per trade on U.S. transactions for the Canadian discount brokerage operations.
- Expenses before the amortization of intangibles declined by $49 million primarily due to cost control in the face of declining volumes, the impact of foreign exchange on U.S. results partially offset by higher marketing expenses and the costs associated with call centre closures in the U.S.

TD Asset Management

- TD mutual funds is the sixth largest mutual fund family in Canada with $42 billion in assets under management at October 31, 2005, an increase of 20% over 2004, resulting in record earnings for the year. Revenue growth of 12% resulted from this growth in assets, offset by trailer payments to internal Wealth counterparties. Expenses before the amortization of intangibles increased $21 million also due to the increase in assets as trailer payments to the Bank and external sellers of the Bank's funds increased over 2004. For the third year in a row, TD mutual funds was second in the industry in long term sales at $5.0 billion.
- TD investment management is recognized as one of the largest quantitative managers in the country. Services provided include investment management to pension funds, corporations, institutions, endowments and foundations. Assets under management increased by 12% compared with 2004. Revenue increased 14% as the growth in assets generated higher management fees.

Advice-Based Businesses

- TD Waterhouse Private Client Group includes trust services, private banking and private investment counsel. Increases in customer assets were responsible for a 12% or $20 million increase in revenue year-over-year. Expenses before the amortization of intangibles were flat due to the offsetting impacts of higher expenses due to growth in assets and the costs incurred in 2004 related to the rebranding of private client services under the TD Waterhouse banner.
- TD Waterhouse private investment advice provides full-service brokerage services to its retail customers throughout Canada. In 2005, assets under administration continued to grow resulting in a $42 million increase in revenue. Expenses before the amortization of intangibles grew at 14% reflecting increases in investment advisor compensation with the growth in commissionable revenue.
- TD Waterhouse financial planning continues to aggressively grow its client facing advisors with a 21% increase in the number of planners and a 66% increase in assets under administration in 2005. As a result, revenues increased $24 million in 2005 while expenses grew $17 million as the investment in growing the number of financial planners continues.

ECONOMIC OUTLOOK

- Economic conditions are expected to remain positive for Wealth Management in 2006. Rising personal income and low unemployment rates should encourage increased investing activity.
- The return on money market instruments is likely to rise in reaction to Bank of Canada rate hikes in late 2005 and early 2006.
- Bond yields may rise during the monetary policy tightening, but they are likely to retreat in reaction to slower economic growth in late 2006.
-

Foreign exchange volatility will continue, particularly with respect to the U.S. dollar, which may impact investment strategies.

BUSINESS OUTLOOK AND FOCUS FOR 2006

The outlook is favourable for continued revenue growth in 2006 as the focus on diversifying the Wealth Management revenue stream continues. Key priorities for 2006 are:

- **Ensure the successful closing and successful integration of the TD Ameritrade transaction, including the realization of revenue and expense synergies planned for the upcoming year.**
- **Improve Wealth Management's new client asset growth by increasing the number of client facing advisors, both through competitive hiring and training programs for new and experienced advisors.**
- **Increase share of business with current customers by enhancing and delivering new products, services and solutions.**
- **Introduce an active-trader platform in Canada to target the frequent trading customers in Wealth Management's discount brokerage business.**
- **Maintain a positive spread between revenue and expense growth by aggressively managing costs through technology investment and elimination of overlapping functions and processes.**
- **Focus on growing a more stable revenue base by targeting fee-based and net interest revenues.**

TABLE **16**	**WEALTH MANAGEMENT**

(millions of Canadian dollars)	**2005**	2004	2003
Net interest income	**$ 643**	$ 492	$ 421
Other income	**2,103**	2,098	1,873
Non-interest expenses before amortization of intangibles	**2,083**	2,047	2,234
Income before provision for income taxes	**663**	543	60
Provision for income taxes	**231**	191	145
Net income (loss) - before amortization of intangibles	**$ 432**	$ 352	$ (85)
Selected volumes and ratios			
Assets under administration (billions of Canadian dollars)	**$ 314**	$ 279	$ 259
Assets under management (billions of Canadian dollars)	**130**	117	107
Economic profit (loss) (millions of Canadian dollars)	**$ 116**	$ 25	$ (476)
Return on invested capital - before amortization of intangibles	**16.4%**	13.0%	(3.6)%
Efficiency ratio - before amortization of intangibles	**75.9%**	79.0%	97.4%
Average trades per day (thousands)	**105**	108	98

BUSINESS SEGMENT ANALYSIS

Corporate

The Corporate segment includes activities from the non-core lending portfolio, effects of asset securitization programs, treasury management, general provisions for credit losses, elimination of taxable equivalent adjustments, corporate level tax benefits, and residual unallocated revenues, expenses, and taxes.

During fiscal 2005, the Corporate segment reported a net loss of $131 million. There was a tax charge of $163 million related to the TD Waterhouse reorganization which precedes the transaction with Ameritrade. The gain on this transaction is expected to be recognized in the first quarter of 2006. During the year, the Bank increased its contingent litigation reserves by $365 million. Other expenses included a preferred share redemption premium resulting in a charge of $13 million as well as costs associated with net treasury activities and net unallocated revenues, expenses and taxes. These losses were offset by gains realized of $229 million related to specific non-core portfolio loan loss recoveries from prior year sectoral provisions and a general allowance release of $35 million. Corporate also recorded gains of $27 million as a result of the impact of hedging relationships accounting guideline (AcG-13), which requires the mark-to-market the value of credit protection on the corporate lending portfolio amongst other things. Favourable tax items during the year were $98 million including the benefit of a court decision and a $30 million tax benefit as a result of a higher tax rate now being applied on prior year sectoral provisions.
The negative net interest income in Corporate segment is substantially due to the reversal of taxable equivalent basis adjustments. Primarily within Wholesale Banking, the value of non-taxable or tax-exempt income such as dividends is increased to its equivalent before tax value. Corporate segment records a matching decrease such that, in aggregate, the Bank's Net Interest Income excludes TEB adjustments.

TABLE **17**	**CORPORATE**

(millions of Canadian dollars)		**2005**		2004		2003
Net interest loss	**$**	**(659)**	$	(454)	$	(370)
Reversal of credit losses		**(374)**		(800)		(289)
Other income		**115**		104		47
Non-interest expenses		**506**		395		206
Income (loss) before benefit of income taxes		**(676)**		55		(240)
Benefit of income taxes		**(545)**		(264)		(323)
Net income (loss)	**$**	**(131)**	$	319	$	83

CORPORATE MANAGEMENT

The corporate management function of the Bank comprised audit, compliance, corporate and public affairs, economics, enterprise technology solutions (information technology), finance, human resources, legal, marketing, office of the ombudsman, real estate, risk management and security.
Banking is an increasingly complex and challenging business. The demands and expectations of our stakeholders - customers, shareholders, employees, regulators, governments and the community at large - are constantly changing. Ensuring the Bank stays abreast of emerging trends and developments is vital to maintaining stakeholders' confidence in the Bank.
Those who serve our more than 14 million global customers most directly in our four key businesses need strong and effective support from a wide range of functional groups, so that they can remain focused on the key priority of exceeding customer expectations. Corporate management's mandate is to provide centralized advice and counsel and to design, establish and implement processes, systems and technologies to ensure that the Bank's key businesses

operate efficiently, reliably and in compliance with all applicable regulations. To accomplish this, corporate management endeavors to have the best people, processes and tools to support our businesses, customers, employees and shareholders.

PROPOSED TRANSACTIONS

TD Waterhouse U.S.A. and Ameritrade

On June 22, 2005 the Bank announced its intention to sell its U.S. brokerage business, TD Waterhouse U.S.A. to Ameritrade Holding Corporation in exchange for approximately a 32% ownership in the combined legal entity. As part of the transaction, promptly after closing the Bank has agreed to tender for an additional 7.9% of the shares which, if successful, would bring the Bank's total holdings to 39.9%. The new entity will operate under the name TD Ameritrade. The transaction is currently expected to result in a net gain on sale of approximately U.S.$900 million after-tax subject to the value of Ameritrade's share price at closing. The Bank intends to account for its investment in TD Ameritrade using the equity method of accounting. Also on June 22, 2005, the Bank announced its intention to purchase 100% of Ameritrade's Canadian brokerage operations for U.S.$60 million cash consideration. Both transactions are expected to close early in calendar 2006 subject to Canadian and U.S. regulatory approvals and Ameritrade shareholder approval.

Hudson United Bancorp

On July 12, 2005, TD Banknorth announced an agreement to acquire Hudson United Bancorp ("Hudson") for total consideration of approximately U.S.$1.9 billion, consisting of cash consideration of approximately U.S.$950 million and the remainder in TD Banknorth common shares. The cash consideration is to be funded by the sale of TD Banknorth common shares to the Bank. The transaction is expected to close early in calendar 2006 and is subject to approvals by shareholders of Hudson and TD Banknorth as well as regulatory approvals. TD Banknorth will consolidate the financial results of Hudson. On a proforma basis, based on the number of TD Banknorth shares outstanding on June 30, 2005, the Bank's proportionate ownership interest in TD Banknorth will decrease slightly after giving effect to the transaction which will result in an approximate after-tax $80 million dilution loss. The Bank also announced its intention to at least maintain its ownership of TD Banknorth at the level prior to the acquisition of Hudson through TD Banknorth share repurchases or open market purchases, in each case subject to regulatory requirements, or to potentially increase its position as market conditions warrant.

2004 FINANCIAL RESULTS OVERVIEW

Summary of 2004 Performance

EVENTS IN 2004

The Bank expanded insurance operations though the acquisition of the Canadian personal property and casualty operations of Boston-based Liberty Mutual Group, in April 2004. The prior year's results also incorporate the 57 Laurentian Bank branches, which were acquired on October 31, 2003.

TABLE **18**	**REVIEW OF 2004 FINANCIAL PERFORMANCE**

(millions of Canadian dollars)	Canadian Personal and Commercial Banking	Wholesale Banking	Wealth Management	Corporate	Total Consolidated
Net interest income (loss)	$ 4,154	$ 1,581	$ 492	$ (454)	$ 5,773
Other income	2,066	615	2,098	104	4,883
Total revenue	6,220	2,196	2,590	(350)	10,656
Provision for (reversal of) credit losses	373	41	-	(800)	(386)
Non-interest expenses before amortization of intangibles	3,650	1,289	2,047	395	7,381
Income before provision for income taxes	2,197	866	543	55	3,661
Provision for (benefit of) income taxes	747	278	191	(264)	952
Net income - before amortization of intangibles	$ 1,450	$ 588	$ 352	$ 319	$ 2,709
Amortization of intangibles, net of income taxes					477
Net income - reported basis					$ 2,232

Net interest income on a reported basis was $5,773 million in 2004, a year-over-year increase of $336 million or 6%. Numerous factors contributed to the increase, including the mix of interest earning securities and derivatives within the trading businesses of Wholesale Banking, continued growth in lending volumes in Canadian Personal and Commercial Banking, and higher margin lending and higher spreads on loans and deposits in Wealth Management's discount brokerage business. At 2.3%, the Bank achieved the largest interest rate spread among the big six banks in 2004.

Other income on a reported basis was $4,883 million in 2004, an increase of $459 million or 10% from 2003. The improvement was primarily due to higher insurance revenues, income from loan securitizations, and investment and securities services. The increase was partially offset by a decrease in credit fees due to a reduction in assets as well as outstanding commitments in the core and non-core lending portfolios, and trading-related income due to weaker results in the equity trading businesses. The improvement in the investment securities portfolio was largely a result of stronger market conditions resulting in opportunities in the Bank's private and public equity portfolios.

Non-interest expenses on a reported basis were $8,007 million compared with $8,364 million in 2003. Expenses before amortization of intangibles were $7,381 million, a year-over-year decrease of $211 million or 3%. The Bank posted a marked improvement in its productivity ratio to 74% in 2004. The decline in expenses is primarily a result of

$624 million in goodwill write downs and $92 million of restructuring costs included in prior period figures that related to the international unit of the Bank's wealth management business and its U.S. equity options business in Wholesale Banking. This decrease was partially offset by litigation loss accruals of $300 million recorded in fiscal 2004. The impact of the amortization of intangibles on the Bank's reported before tax expenses was $626 million, compared with $772 million in fiscal 2003.

Income tax expense on a reported basis was $803 million in fiscal 2004, up $481 million from 2003. The Bank's effective income tax rate was 26.4% for fiscal 2004, compared with 24.6% in 2003.

BALANCE SHEET

The Bank, with 92% of its assets in Canada, increased assets by $37 billion or 13.7% to $311 billion at the end of fiscal 2004. It was significantly higher than assets growth of 4.5% in the six largest banks in Canada, and total assets growth of 5.6% in the Canadian banking industry.

2004 FINANCIAL RESULTS OVERVIEW

2004 Financial Performance by Business Line

Canadian Personal and Commercial Banking reported record earnings in 2004. Net income of $1,450 million before amortization of intangibles for the year increased by $208 million or 17% from the prior year. Return on invested capital increased from 18.5% last year to 20.4% in 2004 as earnings growth exceeded the 6% growth in average invested capital. Canadian Personal and Commercial Banking contributed strongly to shareholder value by generating economic profit of $810 million during the year, an improvement of $171 million over last year.

Revenue grew by $366 million or 6% over the prior year. The acquisition of insurance business from Liberty Mutual Group and branches from Laurentian Bank contributed $130 million to revenue growth. The main contributors to organic revenue growth were strong volumes in insurance, core deposits, real estate secured lending, small business deposits and branch mutual fund sales, as well as improved insurance claims experience and higher transaction-based fees. These areas of growth were partly offset by a contraction in commercial lending, lower net interest margins and adjustments for credit card customer reward programs.

Margin on average earning assets decreased from 3.25% last year to 3.05% as margins narrowed on deposits from a combination of competitive pricing, customers moving balances to higher rate savings accounts and the low interest rate environment.

Provision for credit losses (PCL) decreased by $87 million or 19% compared with the prior year. Commercial and small business PCL was low at $19 million for the year down $68 million from last year. Personal PCL of $354 million was $19 million lower than last year on improved delinquency rates. PCL as a percent of lending volume was at a cyclically low rate of .27% down from .36% last year.

Expenses before amortization of intangibles increased by $187 million or 5% compared with the prior year. The insurance and branch acquisitions accounted for $115 million or 3% of the expense growth. Higher volumes in the insurance business, systems development projects and the upgrading of the Bank’s automated banking machines also contributed to the increase in expenses. Offsetting these factors were higher severance and Wal-Mart in-store branch closure costs in the prior year. Growth in the insurance business added 695 full-time equivalent (FTE) to average staffing levels compared to 2003. Base average staffing levels were down 380 FTE from last year as a result of the in-store branch closures and a series of productivity improvements in operations centres. The efficiency ratio for the year was 58.7% an improvement of .5% over the prior year.

Wholesale Banking net income was $588 million in 2004, an increase of $348 million or 145% from $240 million the prior year. The return on invested capital for 2004 was 25%, com-pared with 9% the prior year. Economic profit for the year was $278 million compared with an economic loss of $125 million in 2003.

Revenue for the year was $2,196 million, compared with revenue of $2,036 million the prior year. Capital markets and investment banking revenues were slightly higher than the prior year as overall trading revenue was relatively flat year-over-year but Wholesale Banking’s equity underwriting and institutional equity facilitation revenues improved. Revenue from the equity investment portfolios also improved significantly relative to the prior year because of higher dividends received and higher net security gains on improved market conditions. These increases were partially offset by lower revenues in corporate banking due to lower lending fees on a reduced loan portfolio.

Provisions for credit losses increased by $26 million resulting in $41 million in 2004, and were attributed solely to costs of credit protection. The credit quality of the portfolio remained strong. Wholesale Banking held $4.5 billion in credit protection against the lending portfolio, an increase of $1.6 billion from 2003, as significant hedging activities were undertaken in 2004.

Risk-weighted assets (RWA) of the Wholesale Banking segment were $30 billion in 2004, a decrease of $10 billion compared with 2003. The reduction is a result of a decrease in both market risk and credit risk.

Expenses were $1,289 million in fiscal 2004 compared with $1,689 million in 2003, which included $416 million relating to the restructuring costs and goodwill impairment charges for the U.S. equity options business. The underlying increase in expenses was $23 million (before the impact of restructuring costs and goodwill). This was a result of higher variable compensation related to stronger performance in the capital markets businesses and increased investment in infrastructure improvements.

Wealth Management's net income before amortization of intangibles for 2004 was $352 million compared with a loss of $85 million in 2003. The return on invested capital for the year was 13% compared with a negative return of 4% in 2003. The economic profit for 2004 was $25 million, an improvement of $501 million over 2003.
Total revenue increased by a healthy $296 million from 2003 to $2,590 million due to improvements in both equity markets and client asset growth. Trades per day in discount brokerage grew 10% while interest revenue increased due to 20% growth in margin balances. Mutual fund management fees increased as a result of 12% growth in mutual fund assets under management while growth in assets under administration generated improved results in private investment advice and financial planning.
Expenses before the amortization of intangibles were $2,047 million in 2004, a decrease of $187 million from 2003. The change in expenses resulted from volume-related trade execution costs, higher trailer payments to sellers of TD mutual funds and higher sales force compensation in private investment advice and financial planning resulting from the growth in revenue in those businesses. Expenses also reflect a higher level of investment in technology, hiring of sales staff and marketing costs in order to better position the business for future growth.
Assets under management of $117 billion at October 31, 2004 increased $10 billion or 9% from October 31, 2003 due to strong sales of mutual funds and growth in institutional assets. Assets under administration totaled $279 billion at the end of the year, increasing $20 billion or 8% from October 31, 2003 due to the addition of new assets in discount brokerage, private investment advice and financial planning.

Corporate segment reported net income of $319 million in 2004. The most significant factors contributing to this result were pre-tax income of $655 million in sectoral allowance releases during the year, a $67 million general allowances release in the second quarter 2004, and interest income earned on income tax refunds of $77 million before tax. This income was partially offset by litigation loss accruals of $300 million. Corporate also recorded $77 million in losses relating to the impact of the hedging relationship guideline and costs associated with net treasury activities and net unallocated revenues, expenses and taxes.

GROUP FINANCIAL CONDITION

Balance Sheet Review

Total assets were $365 billion at the end of fiscal 2005, $54 billion or 17% higher than October 31, 2004. At October 31, 2005 total assets primarily comprised loans (net of allowance for credit losses) of $152 billion or 42% of total assets, trading assets of $66 billion or 18% of total assets, investments of $42 billion or 12% of total assets, and securities purchased under reverse repurchase agreements of $26 billion or 7% of total assets.

Total average interest-earning assets were $288 billion compared to $255 billion in 2004. Total liabilities increased by $50 billion comprising $40 billion or 19% increase in deposits and a $10 billion or 13% increase in other liabilities, partially offset by a slight decrease in subordinated notes and debentures. In addition, at October 31, 2005, total shareholder equity increased $3 billion to $16 billion, up 25% from the prior year.

TABLE **19**	**SELECTED CONSOLIDATED BALANCE SHEET ITEMS**

(millions of Canadian dollars)			**As at October 31, 2005**	As at October 31, 2004
	TDBFG excluding TD Banknorth	**TD Banknorth**	**TDBFG Consolidated**	TDBFG Consolidated
Securities	**$ 102,833**	**$ 5,263**	**$ 108,096**	$ 98,280
Securities purchased under reverse repurchase agreements	**26,375**	**-**	**26,375**	21,888
Loans (net of allowance for credit losses)	**129,347**	**22,896**	**152,243**	123,924
Deposits	**220,926**	**26,055**	**246,981**	206,893

FACTORS AFFECTING ASSETS AND LIABILITIES

The consolidation of TD Banknorth added assets of $33 billion (9% of the Bank's total assets) and total liabilities of $30 billion to the Bank's October 31, 2005 Consolidated Balance Sheet. The consolidation also added financial instruments measured at fair value of $55 billion to the Bank's October 31, 2005 Consolidated Balance Sheet. The Bank also enters into structured transactions on behalf of clients and the assets are recorded on the Bank's Consolidated Balance Sheet for which market risk is transferred to third parties via total return swaps. As at October 31, 2005, assets under such arrangements amounted to $14 billion unchanged from 2004 and compared with $13 billion in 2003. The Bank also acquires market risk on certain assets via total return swaps, without acquiring the cash instruments directly. Assets under such arrangements amounted to $5 billion as at October 31, 2005 unchanged from 2004 and compared with $6 billion in 2003. Market risk for all such positions is tracked and monitored, and regulatory market risk capital is required. The assets sold under these arrangements (excluding equity derivatives) discussed in the Off-balance Sheet Arrangements on page 53 are included in this amount. See Note 19 on page 97 for more details on derivative contracts.

Securities and securities purchased under reverse repurchase agreements increased by $10 billion or 10% and $5 billion or 20%, respectively. The increase was attributable to portfolio growth of $9 billion in government and government-insured securities, $552 million in equity securities, and $499 million in other debt securities.

Total Loans (net of allowance for credit losses) at October 31, 2005 were $152 billion compared to $124 billion in the prior year, up $28 billion or 23%. TD Banknorth contributed $23 billion of the growth. The increase represents significant growth in the consumer loan and the business and government loan portfolios reflecting the TD Banknorth acquisition, an increase in loan originations during the year due to the favourable interest rate environment, and partially offset by the impact of foreign exchange rates. Personal loans, including securitizations, increased by $15 billion or 27%, of which TD Banknorth contributed $7 billion. Growth in personal loans was also a result of strong growth in real estate secured lending volumes within Canadian Personal and Commercial Banking. Residential mortgages, including securitizations, increased by $4 billion or 6%. Bank-originated securitized assets not included on the balance sheet amounted to $24 billion, compared with $20 billion last year.

Other assets were up $7 billion or 12%. This was due mainly to an increase in goodwill from theTDBanknorth acquisition.

Deposits were $247 billion, up $40 billion or 19% from the prior year. TD Banknorth contributed $26 billion of deposits. This increase was driven by a $20 billion or 24% increase in business and government deposits and a $21 billion or 19% increase in personal deposits. Personal non-term deposits increased by $13 billion while personal term deposits remained relatively unchanged. The growth in deposits primarily reflects the effects of organic growth, acquisition of TD Banknorth and offset by the impact of foreign currency translation.

Other liabilities increased by $10 billion or 13%. The growth was largely caused by a $8 billion or 30% increase in obligations related to securities sold short and under repurchase agreements, and a $2 billion or 13% increase in other liabilities.

Subordinated notes and debentures were down by $506 million or 9% due to repayment of various subordinated notes and debentures.

Non-controlling interest in subsidiaries consists entirely of the Bank’s interest in TD Banknorth.

Shareholders equity rose by $3 billion or 25% from the prior year, due to $2 billion of common shares issued for the TD Banknorth acquisition, a 12% growth in retained earnings, during the year partially offset by the foreign currency translation adjustments.

U.S. GAAP

Total assets under U.S. GAAP were $372 billion as at October 31, 2005, $7 billion higher than under Canadian GAAP. The difference was primarily due to non-cash collateral. Under U.S. GAAP, certain non-cash collateral received in securities lending transactions is recognized as an asset and a liability is recorded for the obligation to return the collateral. Under Canadian GAAP, non-cash collateral received as part of a security lending transaction is not recognized in the Consolidated Balance Sheet. Total liabilities under U.S. GAAP were $350 billion as at October 31, 2005, $3 billion higher than under Canadian GAAP. The increase is mainly due to the U.S./Canadian GAAP difference for derivative instruments recorded in other liabilities. Under U.S. GAAP, all of the Bank’s non-trading derivatives are required to be recorded on the Consolidated Balance Sheet at fair value. Under Canadian GAAP, only certain non-trading derivatives are recorded on the Consolidated Balance Sheet.

GROUP FINANCIAL CONDITION

Credit Portfolio Quality

AT A GLANCE OVERVIEW

- **Loans and acceptances portfolio net of allowances for credit losses was $158 billion, up $29 billion or 22% from the prior year.**
- **Impaired loans after specific allowance were $196 million, down $75 million or 28%.**
- **Provision for credit losses was $55 million, compared with a reversal of $386 million in 2004.**
- **Total allowances for credit losses increased by $110 million or 9%, to $1,293 million in 2005.**

LOAN PORTFOLIO

Overall in 2005 the Bank's credit quality continues to be stable as a result of strong economic conditions in North America, established business and risk management strategies and the current low interest rate environment. The Bank experienced no corporate defaults and nominal levels of new impaired loan formations during the year.
During 2005, the loans and acceptances portfolio continued to be diversified between retail and business and government. The Bank increased its credit portfolio by $29 billion or 22% from the prior year, mainly due to a 49% increase in business and government loans and acceptances and a 15% increase in personal loans. The business and government portfolio totaled $40 billion at year end. The increase was primarily due to the acquisition of TD Banknorth, which added $12 billion to the portfolio. The non-core wholesale portfolio continues to run off and was $.6 billion compared to $1.8 billion in 2004 and $5.6 billion in 2003. The Bank will continue to manage this portfolio downward. Loans authorized and amounts outstanding to small and mid-sized business customers are provided in Table 20 below.

TABLE **20**	**LOANS TO SMALL AND MID-SIZED BUSINESS CUSTOMERS**

(millions of Canadian dollars)		Loans authorized			Amount outstanding	
Loan amount	**2005**	2004	2003	**2005**	2004	2003
(thousands of Canadian dollars)						
0 - 24	**$ 1,137**	$ 1,054	$ 1,056	**$ 589**	$ 522	$ 530
25 - 49	**1,000**	768	745	**648**	445	434
50 - 99	**1,582**	1,308	1,298	**931**	727	745
100 - 249	**3,251**	2,701	2,682	**1,988**	1,608	1,626
250 - 499	**3,100**	2,484	2,409	**1,798**	1,452	1,421
500 - 999	**3,235**	2,537	2,478	**1,653**	1,286	1,271
1,000 - 4,999	**9,735**	6,969	6,769	**4,457**	3,185	3,112
Total[1]	**$ 23,040**	$ 17,821	$ 17,437	**$ 12,064**	$ 9,225	$ 9,139

1 Personal loans used for business purposes are not included in these totals.

The retail business portfolio continued to be the dominating category for lending activity. During the year, the portfolio, which primarily comprised residential mortgages and consumer instalments and other personal loans, increased by $16 billion or 15%, and totaled $118 billion at year end. The growth was primarily due to the retail portfolio acquired in the TD Banknorth acquisition as well as the targeted expansion of retail lending in TD Canada

Trust. The Banknorth portfolio was $11 billion and included $7 billion of consumer loans and leases and $4 billion of residential mortgages at year end. Furthermore, strong domestic demand for consumer lending products, including residential mortgages, added $5 billion to the portfolio.

As illustrated in Table 21, the total retail portfolio represents 75% of net loans, including acceptances, compared with 79% in 2004 and 77% in 2003. This portfolio declined in overall percentage due to the additional business and government loans acquired in the TD Banknorth acquisition. Residential mortgages represented 33% of the portfolio in 2005, compared with 40% in 2004 and 42% in 2003. Consumer installment and other personal loans were 41% of total loans, compared with 39% in 2004 and 34% in 2003. The portion of business and government credit exposure increased to 25% in 2005, from 21% in 2004 and 23% in 2003, mainly due to the Banknorth acquisition.

The majority of credit risk exposure relates to the loan and acceptances portfolio, however, the Bank also engages in activities that have off-balance sheet credit risk. These include credit instruments and derivative financial instruments, as explained in Note 21 on page 101.

TABLE **21**	**LOANS AND ACCEPTANCES, NET OF ALLOWANCE FOR CREDIT LOSSES BY INDUSTRY SECTOR**[1]

				Percentage of total		
(millions of Canadian dollars, except percentage amounts)	**2005**	2004	2003	**2005**	2004	2003
Canada						
Residential mortgages	**$ 49,067**	$ 51,374	$ 52,525	**31.0%**	39.7%	42.1%
Consumer instalment and other personal	**54,063**	46,814	38,623	**34.2**	36.2	31.0
Total residential and personal	**103,130**	98,188	91,148	**65.2**	75.9	73.1
Real estate development						
Commercial and industrial	**1,326**	1,343	1,491	**.9**	1.0	1.2
Residential	**1,608**	1,395	1,247	**1.0**	1.1	1.0
Retail	**388**	346	352	**.2**	.3	.3
Real estate services	**267**	251	300	**.2**	.2	.2
Total real estate	**3,589**	3,335	3,390	**2.3**	2.6	2.7
Agriculture	**2,187**	2,155	2,428	**1.4**	1.7	1.9
Apparel and textile	**309**	270	323	**.2**	.2	.3
Automotive	**1,283**	1,404	1,644	**.8**	1.1	1.3
Cable	**386**	543	417	**.2**	.4	.3
Chemical	**424**	435	415	**.3**	.3	.3
Construction	**754**	764	694	**.5**	.6	.6
Financial	**3,745**	1,983	1,960	**2.4**	1.5	1.6
Food, beverage and tobacco	**1,367**	1,233	1,319	**.9**	1.0	1.1
Forestry	**530**	427	563	**.3**	.3	.5
Government	**537**	464	589	**.3**	.4	.5
Health and social services	**1,264**	1,130	1,144	**.8**	.9	.9
Media and entertainment	**1,201**	904	1,111	**.8**	.7	.9
Metals and mining	**451**	464	600	**.3**	.4	.5
Oil and gas	**1,205**	863	941	**.8**	.7	.7
Retail	**1,020**	1,071	1,072	**.6**	.8	.8
Sundry manufacturing	**810**	905	910	**.5**	.7	.7
Telecommunications	**21**	60	92	**-**	-	.1
Transportation	**520**	448	600	**.3**	.3	.5
Utilities	**558**	613	665	**.3**	.5	.5
All other loans	**1,738**	1,935	1,487	**1.1**	1.4	1.2
Total business and government	**23,899**	21,406	22,364	**15.1**	16.5	17.9
Total Canada	**127,029**	119,594	113,512	**80.3**	92.4	91.0
United States						
Residential mortgages	**3,625**	-	-	**2.3**	-	-
Consumer instalment and other personal	**11,258**	4,294	4,272	**7.1**	3.3	3.4
Total residential and personal	**14,883**	4,294	4,272	**9.4**	3.3	3.4

Real estate development						
Residential	**1,498**	16	85	**.9**	-	.1
Real estate services	**6,009**	-	4	**3.8**	-	-
Total real estate	**7,507**	16	89	**4.7**	-	.1
Agriculture	**103**	-	-	**.1**	-	-
Apparel and textile	**39**	-	-	**-**	-	-
Automotive	**317**	52	91	**.2**	-	.1
Cable	**161**	145	363	**.1**	.1	.3
Chemical	**208**	-	24	**.1**	-	-
Construction	**291**	5	27	**.2**	-	-
Financial	**1,280**	772	264	**.9**	.6	.2
Food, beverage and tobacco	**198**	103	106	**.1**	.1	.1
Forestry	**178**	68	209	**.1**	.1	.2
Government	**290**	328	151	**.2**	.3	.1
Health and social services	**369**	-	57	**.3**	-	-
Media and entertainment	**448**	183	351	**.3**	.1	.3
Metals and mining	**193**	10	42	**.1**	-	-
Oil and gas	**192**	152	451	**.1**	.1	.5
Retail	**214**	-	59	**.1**	-	-
Sundry manufacturing	**448**	74	9	**.3**	-	-
Telecommunications	**230**	111	333	**.1**	.1	.3
Transportation	**197**	31	57	**.1**	-	-
Utilities	**292**	476	1,171	**.2**	.4	.9
All other loans	**1,491**	207	247	**1.0**	.2	.2
Total business and government	**14,646**	2,733	4,101	**9.3**	2.1	3.3
Total United States	**29,529**	7,027	8,373	**18.7**	5.4	6.7
Other International						
Residential mortgages	**-**	-	-	**-**	-	-
Consumer instalment and other personal	**9**	11	13	**-**	-	-
Total residential and personal	**9**	11	13	**-**	-	-
Real estate development - retail	**-**	-	19	**-**	-	-
Apparel and textile	**-**	-	38	**-**	-	-
Automotive	**83**	-	3	**.1**	-	-
Cable	**-**	77	298	**-**	.1	.3
Chemical	**52**	60	80	**-**	.1	.1
Construction	**6**	1	21	**-**	-	-
Financial	**755**	1,728	466	**.5**	1.3	.4
Food, beverage and tobacco	**97**	102	141	**.1**	.1	.1
Forestry	**3**	18	27	**-**	-	-
Government	**14**	-	-	**-**	-	-
Media and entertainment	**199**	252	255	**.1**	.2	.2
Metals and mining	**110**	18	10	**.1**	-	-
Oil and gas	**-**	-	278	**-**	-	.2
Sundry manufacturing	**1**	22	2	**-**	-	-
Telecommunications	**51**	140	309	**-**	.1	.3

Transportation	**52**	47	50	**-**	-	.1
Utilities	**217**	182	652	**.1**	.2	.5
All other loans	**25**	152	156	**-**	.1	.1
Total business and government	**1,665**	2,799	2,805	**1.0**	2.2	2.3
Total Other International	**1,674**	2,810	2,818	**1.0**	2.2	2.3
Total	**$ 158,232**	$ 129,431	$ 124,703	**100.0%**	100.0%	100.0%
Percentage change	**22.3%**	3.8%	(4.3)%			

1 Based on geographic location of unit responsible for recording revenue.

CONCENTRATION OF CREDIT RISK

Geographically, the credit portfolio remains highly concentrated in Canada. In 2005, the percentage of loans held in Canada was 80%, compared with 92% in 2004 and 91% in 2003. The remaining balance is predominantly in the United States. Exposure in the United Kingdom, Asia, Australia and New Zealand is limited. The acquisition of TD Banknorth which operates in the United States increased the overall lending portfolio by $23 billion at year end and was responsible for the increase in our U.S. geographic lending.
As indicated in Table 22, the largest Canadian exposure is in Ontario, at 48% of total loans in 2005, down from 56% in fiscal 2004. Internationally, the largest concentration is in the United States, which comprises 18% of total loans, up from 5% in 2004.

TABLE **22**	**LOANS AND ACCEPTANCES, NET OF ALLOWANCE FOR CREDIT LOSSES BY LOCATION OF ULTIMATE RISK**

					Percentage of total			
(millions of Canadian dollars, except percentage amounts)	**2005**	2004	2003	2002	**2005**	2004	2003	2002
Canada								
Atlantic	**$ 3,637**	$ 3,463	$ 3,445	$ 3,342	**2.3%**	2.7%	2.8%	2.6%
Québec	**8,312**	7,570	6,822	6,663	**5.3**	5.9	5.5	5.1
Ontario	**75,673**	72,334	71,914	70,219	**47.8**	55.9	57.6	53.9
Prairies	**19,150**	18,424	16,667	16,286	**12.1**	14.2	13.4	12.5
British Columbia	**19,074**	17,780	15,054	15,310	**12.1**	13.7	12.1	11.7
Total Canada	**125,846**	119,571	113,902	111,820	**79.5**	92.4	91.4	85.8
United States	**28,609**	6,131	7,731	11,714	**18.1**	4.7	6.2	9.0
Other International								
United Kingdom	**1,039**	904	434	1,118	**.7**	.7	.3	.8
Europe - other	**1,095**	962	854	1,838	**.7**	.8	.7	1.4
Australia and New Zealand	**638**	665	746	1,328	**.4**	.5	.6	1.0
Japan	**-**	-	42	138	**-**	-	-	.1
Asia - other	**573**	894	488	1,254	**.4**	.7	.4	1.0
Latin America and Caribbean	**431**	303	503	1,123	**.3**	.2	.4	.9
Middle East and Africa	**1**	1	3	13	**-**	-	-	-
Total Other International	**3,777**	3,729	3,070	6,812	**2.4**	2.9	2.4	5.2
Total	**$ 158,232**	$ 129,431	$ 124,703	$ 130,346	**100.0%**	100.0%	100.0%	100.0%
Percentage change over previous year								
Canada	**5.2%**	5.0%	1.9%	5.4%				
United States	**366.6**	(20.7)	(34.0)	(25.7)				
Other International	**1.3**	21.5	(54.9)	(2.4)				
Total	**22.3%**	3.8%	(4.3)%	1.2%				

As shown in Table 21 on page 45, the largest business and government sector concentrations in Canada are real estate development, financial and agriculture at 2%, 2% and 1% respectively. Real estate development was also the leading sector of concentration in the United States at 5%.

IMPAIRED LOANS

A loan is considered impaired when, in management's opinion, it can no longer be reasonably assured that we will be able to collect the full amount of principal and interest when due. Note 3 on page 79 provides an enhanced explanation of impaired loans. Table 23 shows the decreasing impact on net interest income due to impaired loans.
As indicated in Table 24 and Table 25 on page 47 and 48, net impaired loans before general allowances were $196 million for the year ended October 31, 2005, compared with a total of $271 million a year earlier and $884 million for 2003. The decline from 2004 was due to a $90 million decrease in corporate net impaired loans. Successful collection activities and fewer new problem loans contributed to this result. The decline in corporate net impaired loans was entirely in the non-core lending portfolio that is being wound down. There were no net impaired non-core loans at October 31, 2005 compared to $133 million in 2004 and $640 million in 2003. The acquisition of TD Banknorth added $49 million of new additions to net impaired loans.

TABLE **23**	**IMPACT ON NET INTEREST INCOME DUE TO IMPAIRED LOANS**

(millions of Canadian dollars)	**2005**	2004	2003
Reduction in net interest income due to impaired loans	**$ 35**	$ 49	$ 111
Recoveries	**(26)**	(8)	(11)
Net reduction	**$ 9**	$ 41	$ 100

TABLE **24**	**IMPAIRED LOANS LESS ALLOWANCE FOR CREDIT LOSSES BY INDUSTRY SECTOR**[1]

(millions of Canadian dollars, except percentage amounts)	**2005**	2004	2003	Percentage of total **2005**	2004	2003
Canada						
Residential mortgages	**$ 8**	$ 15	$ 43	**4.1%**	5.5%	4.8%
Consumer instalment and other personal	**63**	41	52	**32.2**	15.2	5.9
Total residential and personal	**71**	56	95	**36.3**	20.7	10.7
Real estate development						
Commercial and industrial	**2**	4	9	**1.0**	1.4	1.0
Residential	**1**	1	2	**.5**	.4	.2
Total real estate	**3**	5	11	**1.5**	1.8	1.2
Agriculture	**49**	46	73	**25.0**	17.0	8.4
Apparel and textile	**1**	(2)	(1)	**.5**	(.7)	(.1)
Automotive	**9**	13	20	**4.6**	4.8	2.3
Chemical	**11**	1	6	**5.6**	.4	.7
Construction	**1**	4	2	**.5**	1.4	.2
Financial	**-**	-	2	**-**	-	.2
Food, beverage and tobacco	**1**	(8)	2	**.5**	(3.0)	.2
Forestry	**-**	1	11	**-**	.4	1.2
Health and social services	**-**	1	2	**-**	.4	.2
Media and entertainment	**-**	3	9	**-**	1.1	1.0
Metals and mining	**-**	2	23	**-**	.7	2.6
Oil and gas	**-**	3	-	**-**	1.1	-
Retail	**1**	1	2	**.5**	.4	.2
Sundry manufacturing	**-**	9	1	**-**	3.3	.1
Telecommunications	**-**	-	2	**-**	-	.2
Transportation	**-**	1	6	**-**	.4	.7
Utilities	**-**	-	44	**-**	-	5.0
All other loans	**-**	3	5	**-**	1.1	.6
Total business and government	**76**	83	220	**38.7**	30.6	24.9
Total Canada	**147**	139	315	**75.0**	51.3	35.6
United States						
Residential mortgages	**-**	-	-	**-**	-	-
Consumer instalment and other personal	**-**	-	-	**-**	-	-
Total residential and personal	**-**	-	-	**-**	-	-
Real estate development						
Commercial and industrial	**23**	-	-	**11.8**	-	-

Residential	**1**	-	-	**.5**	-	-
Shopping Centres	**1**	-	-	**.5**	-	-
Real Estate Services	**4**	-	-	**2.0**	-	-
Total real estate	**29**	-	-	**14.8**	-	-
Automotive	**-**	-	1	**-**	-	.1
Cable	**-**	-	146	**-**	-	16.5
Chemical	**-**	-	9	**-**	-	1.0
Construction	**3**	-	-	**1.5**	-	-
Financial	**-**	15	20	**-**	5.5	2.3
Food, beverage and tobacco	**1**	-	-	**.5**	-	-
Forestry	**1**	-	-	**.5**	-	-
Media and entertainment	**1**	-	-	**.5**	-	-
Metals and mining	**4**	-	(2)	**2.1**	-	(.2)
Sundry manufacturing	**6**	-	-	**3.1**	-	-
Telecommunications	**-**	-	41	**-**	-	4.7
Transportation	**1**	-	8	**.5**	-	.9
Utilities	**1**	88	259	**.5**	32.5	29.3
All other loans	**2**	12	3	**1.0**	4.4	.3
Total business and government	**49**	115	485	**25.0**	42.4	54.9
Total United States	**49**	115	485	**25.0**	42.4	54.9
Other International						
Residential mortgages	**-**	-	-	**-**	-	-
Consumer instalment and other personal	**-**	-	-	**-**	-	-
Total residential and personal	**-**	-	-	**-**	-	-
Automotive	**-**	-	6	**-**	-	.7
Cable	**-**	17	22	**-**	6.3	2.5
Media and entertainment	**-**	-	1	**-**	-	.1
Telecommunications	**-**	-	20	**-**	-	2.3
Utilities	**-**	-	35	**-**	-	3.9
Total business and government	**-**	17	84	**-**	6.3	9.5
Total Other International	**-**	17	84	**-**	6.3	9.5
Total net impaired loans before general and sectoral allowances	**196**	271	884	**100.0%**	100.0%	100.0%
Less: general allowances	**1,140**	917	984			
sectoral allowances	**-**	-	541			
Total net impaired loans	**$ (944)**	$ (646)	$ (641)			
Net impaired loans as a % of common equity	**(6.0)%**	(5.1)%	(5.5)%			

1 Based on geographic location of unit responsible for recording revenue.

Net impaired loans after specific and general allowances were $(944) million compared to $(646) million for 2004 and $(641) million for 2003. The overall impaired loans coverage increased by $298 million from the prior year primarily due to lower net impaired loans coupled with a higher general allowance due to the consolidation of Banknorth's general allowance of $289 million.

TABLE **25**	**IMPAIRED LOANS LESS ALLOWANCE FOR CREDIT LOSSES BY LOCATION**[1]

(millions of Canadian dollars, except percentage amounts)	**2005**	2004	2003	2002	**2005**	2004	Percentage of total 2003	2002
Canada								
Atlantic	**$ 2**	$ 2	$ 4	$ 5	**1.0%**	.7%	.5%	.4%
Québec	**7**	3	9	18	**3.6**	1.1	1.0	1.2
Ontario	**99**	91	223	345	**50.5**	33.6	25.2	23.8
Prairies	**33**	36	62	60	**16.8**	13.3	7.0	4.1
British Columbia	**6**	7	17	21	**3.1**	2.6	1.9	1.5
Total Canada	**147**	139	315	449	**75.0**	51.3	35.6	31.0
United States	**49**	115	485	929	**25.0**	42.4	54.9	64.0
Other International	**-**	17	84	73	**-**	6.3	9.5	5.0
Total net impaired loans before general and sectoral allowances	**196**	271	884	1,451	**100.0%**	100.0%	100.0%	100.0%
Less: general allowances	**1,140**	917	984	1,141				
sectoral allowances	**-**	-	541	1,285				
Total net impaired loans	**$ (944)**	$ (646)	$ (641)	$ (975)				
Net impaired loans as a % of net loans[2]	**(.6)%**	(.5						