

BANKNORTH GROUP INC/ME

Form 425

December 30, 2004

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Subject Company: Banknorth Group, Inc.
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This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements relating to anticipated financial and operating results, the companies plans, objectives, expectations and intentions and other statements including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, and other similar expressions. based upon the current beliefs and expectations of The Toronto-Dominion Bank s and Banknorth Group, Inc. s management and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: change in general economic conditions; the performance of financial markets and interest rates; the ability to obtain governmental approvals of the transaction on the proposed terms and schedule; the failure of Banknorth Group, Inc. s shareholders to approve the transaction; disruption from the transaction making it more difficult to maintain relationships with clients, employees or suppliers; increased competition and its effect on pricing, spending, third-party relationships and revenues; the risk of new and changing regulation in the U.S. and Canada; acts of terrorism; and war or political instability. Additional factors that could cause The Toronto-Dominion Bank s and Banknorth Group, Inc. s results to differ materially from those described in the forward-looking statements can be found in the Annual Report on Form 40-F of The Toronto-Dominion Bank for the year ended October 31, 2004 and the Annual Report on Form 10-K of Banknorth Group, Inc. for the year ended December 31, 2003 and other documents filed by The Toronto-Dominion Bank and Banknorth Group, Inc. s with the Securities and Exchange Commission and available at the Securities and Exchange Commission s Internet site (<http://www.sec.gov>).

This communication is being made in respect of the proposed merger transaction involving the acquisition by The Toronto-Dominion Bank of approximately 51% of the outstanding common stock of Banknorth Group, Inc. In connection with the proposed transaction, The Toronto-Dominion Bank and Banknorth Group, Inc. filed a combined registration statement on Form F-4 and S-4 containing a preliminary proxy statement/prospectus for the shareholders of Banknorth Group, Inc. with the Securities and Exchange Commission. **Shareholders of Banknorth Group, Inc. are urged to read the preliminary proxy statement/prospectus regarding the transaction and the definitive proxy statement/prospectus when it becomes available, as well as any other relevant documents carefully in their entirety because they will contain important information.** Shareholders will be able to obtain a free copy of the proxy statement/prospectus, as well as other filings containing information about The Toronto-Dominion Bank and Banknorth Group, Inc., without charge, at the Securities and Exchange Commission s Internet site (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the filings with the Securities and Exchange Commission that will be incorporated by reference in the proxy statement/prospectus can also be obtained, without charge, by directing a request to The Toronto-Dominion Bank , c/o TD Bank Financial Group, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations (416) 308-9030, or to Banknorth Group, Inc., Two Portland Square, P.O. Box 9540, Portland, ME 04112-9540, Attention: Investor Relations (207) 761-8517.

The Toronto-Dominion Bank, Banknorth Group, Inc. and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank s directors and

executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2004, which was filed with the Securities and Exchange Commission on December 13, 2004, its notice of annual meeting and proxy circular for its 2004 annual meeting, which was filed with the Securities and Exchange Commission on February 17, 2004, and the above-referenced Registration Statement on Form S-4/F-4, which was filed with the Securities and Exchange Commission on October 4, 2004 and amended on November 16, 2004 and December 17, 2004. Information regarding Banknorth Group, Inc.'s directors and executive officers is available in Banknorth's proxy statement, which was filed with the Securities and Exchange Commission on March 17, 2004. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the above-referenced Registration Statement on Form S-4/F-4, which was filed with the SEC on October 4, 2004 and amended on November 16, 2004 and December 17, 2004, and other relevant materials to be filed with the Securities and Exchange Commission when they become available.

The following is a revised transcript of the joint conference call held by The Toronto-Dominion Bank and Banknorth Group, Inc. on August 26, 2004 which was first posted on The Toronto-Dominion Bank's website on December 30, 2004.

TD / BANKNORTH ANNOUNCEMENT

CONFERENCE CALL

THURSDAY AUGUST 26, 2004

(CHECK AGAINST DELIVERY)

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CORPORATE PARTICIPANTS

TD Bank Financial Group

Ed Clark	President & CEO
Dan Marinangeli	EVP & CFO

Banknorth Group

Bill Ryan	Chairman, President & CEO
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PRESENTATION

Dan Marinangeli EVP & CFO

Slide 1

Welcome to the joint TD Bank Financial Group and Banknorth investor presentation to discuss our recently announced transaction. My name is Dan Marinangeli, and I am the CFO of TD Bank.

I would also like to remind everyone that TD Bank's investor presentation discussing third quarter earnings has been moved up from 3:00 p.m. today to 10:30 p.m. The investor presentation and conference call can be accessed through the TD website, and further details are available in the press release issued earlier this morning.

Please note this meeting is being webcast in audio and video as well as a telephone conference call. After the formal presentation, we will entertain questions from those present, as well as from pre-qualified analysts and investors on the phones. With us today is Ed Clark, TD Bank's CEO, and Bill Ryan, CEO of Banknorth. Conferencing in on the call are Peter Verrill, COO of Banknorth, and Stephen Boyle, CFO of Banknorth.

Slide 2

I'd like to note that this presentation may contain forward-looking statements, and we draw your attention to the slide concerning forward-looking statements at the beginning of the formal presentation. I will now turn the presentation over to Ed.

Ed Clark President & CEO

Thanks, Dan. Before I begin, I want to thank everyone for joining us either in person or on the phone. Getting people together for these sorts of announcements likely throws a bit of a wrench in your day, so I appreciate people making the accommodation and participating this morning.

As you saw in our earnings release, our business strategies are clearly delivering the results we said we would. We are in a great position where we have lowered our overall risk profile, while continuing to build excess capital through our strong and sustained earnings growth. It is this reserve of capital that has put us in a position to look for the right opportunity to complement our existing operations with the right structure and with the right management team. As you saw in our announcement earlier this morning, we have found and acted upon that opportunity, and I couldn't be happier. So let me tell you why this is such a great deal, as well as walking you through some of the details.

Slide 3

The simple fact is that Banknorth is a well run community-based bank that has an excellent management team. They have an impressive record of value creation through smart and profitable acquisitions, and are extremely successful in the highly attractive Northeastern U.S. market where they operate. The deal is structured so that TD effectively deploys some of our excess capital while retaining financial flexibility.

We gain a scaled franchise in the U.S. in personal and commercial banking and round out our U.S. strategy with a second strong platform which complements TD Waterhouse USA. Banknorth gains access to funding and assistance that will help them move to the next level in terms of size and product capability. And the financials are solid on this deal. It is immediately accretive to earnings with an acceptable going in financial return without reliance on synergies. This also increases our retail mix and geographically diversifies our earnings base. In addition, there is upside potential for TD, as Banknorth makes accretive follow-on acquisitions and operational synergies are realized.

Slide 4

Some of you who have joined us on this call won't be familiar with the TD, so let me give you a high-level picture of who we are and what drives our earnings. We're the third-largest bank in Canada with a market capitalization of about C\$28 billion and C\$312 billion in total assets. We operate in three main business segments. In personal and commercial banking we hold the number one market share in Canada in most retail products. We have approximately 10 million customers including 4.5 million telephone and internet customers. We have over 1000 branches across Canada and about 2700 automated banking machines.

In our domestic wealth management business, we are first in discount brokerage under the powerful brand name of TD Waterhouse. We are a leading player of mutual funds and high net-worth discretionary management. In the United States, TD Waterhouse USA is among the top five discount brokers with 150 branches. Overall, our wealth management operation has \$121 billion under management and \$295 billion in assets under administration.

Our wholesale banking business is a leading Canadian full-service operation serving corporate, government, and institutions here in Canada and around the world.

Slide 5

But before I share with you some of the additional thoughts on why this is such a great opportunity, I want to talk about our earnings because it is the power of our earnings that is essentially allowing us to do this deal. When I first took over this job, I said that my priority was to implement business strategies that would deliver sustainable earnings under an appropriate risk profile. We knew it would take some time to deliver results, but that ultimately our earnings would positively reflect the strategic business decisions we've been making and the excellence with which we've been implementing those decisions. Our focus has been on reducing our risk profile, maximizing economic profit, shifting our business mix to higher P/E businesses, and exploiting the high-growth leverage possibilities within our existing franchises.

As Dan will walk you through later this morning in our earnings call, this is exactly what we've been doing, which is in turn generating solid earnings growth. Our personal and commercial banking delivered double-digit returns for the seventh quarter in a row, resulting in year-over-year profit growth of 14 percent. Our wealth management business delivered solid earnings despite the softening of the markets and intensive investments to grow our platform. And in wholesale banking, we once again produced 20 percent plus ROE performance and grew year-over-year earnings while shrinking risk-weighted assets. Our earnings are up an impressive 10 percent year-over-year, and the Board once again demonstrated its confidence in our ability to continue to deliver sustained earnings by improving a dividend increase for the second time this year for an increase of 12.5 percent this fiscal year. In short, it was a great quarter, and I'm very pleased with the earnings that we continue to deliver.

As Dan mentioned, with us today is Banknorth Chairman, President and CEO, Bill Ryan, and before he shares his thoughts on why this is a good deal for his shareholders, I want to give you an overview of why this is a good deal for our shareholders. You likely have lots of questions, so let me try to answer some of them, namely, why a U.S. retail operation? Why specifically Banknorth? Why structure the deal this way? And can you make money?

Slide 6

Let me answer them in order by starting with why we pursued a U.S. retail operation.

The best way to answer this question is to step back and look at the strategic considerations our management team undertook for adding sustained shareholder value. As many of you know, we have great opportunities for organic growth for our current businesses. Our results clearly show that our growth strategies are working. We believe that if we deliver solid, ongoing earnings in the short-term, as well as pursue strategies that create a growth engine for the future, we are adding more shareholder value than we would be by simply returning the excess capital to our shareholders. So when we look beyond consideration of organic growth, we ask ourselves how could we best invest our excess capital in the way that adds long-term value, given our limited opportunities to redeploy a significant amount of capital in Canada.

In Canada, we've made some excellent tactical acquisitions over the past few months, such as the purchase of the Canadian operations of Liberty Mutual, as well as 57 Laurentian Bank branches, and we will continue to actively seek out these types of acquisitions, though that environment is constrained. I've always said that we are not running the bank based on what may or may not be happening in Canada with regard to bank mergers, and today's announcement confirms that. As I said before, if mergers are allowed to proceed in Canada, we intend to be at the table and make our decision on what is best for our shareholders. Today's announcement actually better positions us down the road for merger discussions, as we now have a highly attractive U.S. strategy.

In the U.S. we have a strong position with the wealth operations of TD Waterhouse USA. We are not, as I said before, strategically challenged. When our discussions with E*Trade ended, I said I like the space we occupy at TD Waterhouse USA and we would aggressively to grow the company. We are executing on that plan. There are some economies of scale in this industry, and we will opportunistically pursue them. Today's announcement doesn't affect our ability to do so.

To achieve the balance of deploying excess capital now while insuring sustained payoff in the future, we ultimately decided that entering the U.S. made the most sense. It only made sense, however, if we did it in a way where we would have sufficient scale to be a sustainable player. It was also important not to trap ourselves in an area where there was no growth opportunity or to use up so much of our capital that we couldn't exploit those opportunities.

As you know, as a management team we are very focused on growing shareholder value, so we also want to make sure that our growth in this market would be accretive, both at the point of entry as well as with any subsequent larger acquisitions that we made. And finally, we want to make sure that any company we acquired was well-run with an exceptional management team that would be culturally compatible. We have clear people and business operating principles, and we wanted a group which shared those.

We chose retail and commercial banking because we believe it fits our business mix strategy and is one where we can add value. It is a business that we know and one in which we have a history of successfully managing and operating. But the key is admitting what you don't know. That's why we put so much importance on getting the right management team and giving them the mandate to run the company.

Slide 7

So now let me talk specifically of why Banknorth. The answer is quite simple. This deal is in keeping with our history of buying companies with strong management teams with prudent, conservative operating styles and then giving them the appropriate latitude and support to flourish. In short, there is a good cultural fit between the two organizations. There's no doubt that there are differences between U.S. and Canadian retail and commercial operations—retail and Canadian retail and commercial operations. Banknorth management knows their businesses and they know their customers. In fact, in January of this year, Forbes Magazine named Banknorth the best managed bank in America. Bill and his team have clearly articulated a business strategy, and their compensation is such that they are highly incented to deliver on that strategy.

In addition to the management team, Banknorth is a terrific franchise located in a place where there is still growth opportunity. It's in a great geographic location, and it's first in combined market share in Maine, New Hampshire and Vermont, and fifth in Massachusetts and sixth in Connecticut. So it has areas of great strength and areas of great growth opportunity. Over the past few years, they've grown their business both organically and through smart and profitable purchases, and we will be looking to support that growth rate going forward.

Slide 8

Now I want to address the structure of the deal. We've chosen this structure because we went to address the barriers others see in getting into the United States. Yes, we had found a great company in a good location which was large enough to be sustainable. But if we wanted to acquire it, could we do so accretively and could we grow it without overtapping our resources? By buying only 51 percent, we solve these dilemmas. We attain scale in an accretive manner but at the same time preserve our capital and support growth through deals that will be attractive to us and to the other shareholders of Banknorth.

We believe there are ongoing opportunities for consolidation in the United States, and the immediate focus should be on growing the company. We also believe Banknorth can now do bigger deals than it did in the past, with our help. We have armed Banknorth with several sources of capital for acquisitions, their own self-generated cash, their own shares, and our capital. They can now put more cash into deals by offering shares to us. Keeping a currency with an inherent market scrutiny also gives a clear marker against which management can be measured.

The structure of this deal provides a great deal of flexibility and options going forward for both companies. As I pointed out earlier, we gain an important personal and commercial footprint in the United States while maintaining our strong capital ratios and using our capital for accretive acquisitions. For Banknorth, they gain access to capital to allow them to continue to participate in larger acquisitions.

Slide 9

So let's move to some of the particulars of this transaction. TD Bank Financial Group is acquiring 51 percent of the outstanding shares of Banknorth for approximately \$3.8 billion U.S. in cash and common shares. TD will be permitted to buy an additional Banknorth shares up to a limit of 66 2/3 percent either in the open market or in specified circumstances, such as if Banknorth were looking to raise capital. Each share of Banknorth will be converted into the right to receive a package of cash, TD common shares, and shares of the new Banknorth stock. We are acquiring just over half of a very large entity, one that is the 27th largest publicly traded commercial bank in the United States. Subject to shareholder and the necessary Canadian and U.S. regulatory approvals, we expect the deal to close in February of 2005.

As I mentioned earlier, Banknorth has an excellent management team, and we're pleased that we have management agreements in place. You will know from our track record that we like to keep existing management teams in place and let them do their jobs. Bill will become a Vice Chairman of TD and will be joining our Board. His extensive U.S. business experience will be an excellent addition to the organization, and we're looking forward to working with him. Bill will remain President, Chairman and CEO of the new

TD Banknorth organization, reporting directly to the Board of Banknorth and to me as a representative of the controlling shareholder. The new retail presence will be branded TD Banknorth, which builds on the existing plans that Banknorth had to re-brand its 389 branches to have one consistent name and brand throughout.

Slide 10

I want to talk a bit more about the corporate government structure that is in place as it is an important element of the deal. To keep the TD Banknorth Board at a workable size but at the same time reflect the interest of the majority shareholder, TD will be adding up to five members to the Board. The new Board will be composed initially of fourteen Class A directors from Banknorth and up to five class B directors from TD. The majority of the full Board and the Class B directors will be required for any motion put before the Board to change TD's majority share ownership. TD will have the right to elect the majority of the Board members.

Slide 11

So now that I've covered why a U.S. retail operation, why Banknorth and why this particular structure, I want to turn to the question that is likely on everyone's mind: Can we make money in this deal?

The short answer is yes, we can and we will. We believe Banknorth will be the first in a series of acquisitions, but because it is our first we haven't built into our projection synergies nor have we assumed any lift from buying up our share to 66 2/3 percent or buying back our shares if flow-back is an issue, which we don't believe it will be.

When we make follow-on acquisitions through Banknorth, we will achieve synergies on those transactions and, therefore, anticipate that the economics on them will improve. Even without synergies buy-ups or buybacks, this acquisition is immediately accretive to earnings in fiscal 2005 and grows in 2006. Accretion is obviously higher with buy-ups and buy-backs. And while we are paying a very good premium for Banknorth, I would argue that when you look at the quality of the asset, the superior quality of the management team, and the flexibility that is embedded in this deal, we are also getting excellent value.

Slide 12

As I've said, we have not assumed any revenue or expense synergies at the outset, but it is safe to assume that there will be some as we move forward, such as in the area of strategic sourcing or technology on the cost side or access to wealth support and commercial products on the revenue side. Neither Bill nor I will live with a no synergy deal.

We continue to be in excellent capital position so that depending on the size and number of deals, further acquisition options remain open without having it necessary to go to the market to issue shares. I think it is safe to say that this deal doesn't involve a huge leap of faith. Banknorth has a proven track record of delivering earnings, and I have full confidence that the management team will continue on their path. Banknorth earnings combined with synergies and the positive economies of larger deals, which we would support, will raise the rate of return on invested capital to levels acceptable to us over the next four years.

So now, I would like to invite Bill to share his perspective on this deal.

Bill Ryan Banknorth Group Chairman, President & CEO

Slide 13

Ed, thank you very much and good morning to all of you on the call. It's really a great pleasure to be here. Before I really get into telling you a little bit about Banknorth, I want to thank Ed and his staff. We've really come together in a way that I think many CEOs would like to come together in their strategic plans for the future. Over many dinners, over many meetings with both staffs spending much time together, we think this is really a great fit, and we are really looking forward to moving this forward.

Slide 14

Let me now spend some time and tell you about Banknorth. I want to reiterate again, it's always nice to say that Banknorth was recognized by Forbes as the best managed bank in America this year. We have over 77,700 employees. Our assets today are about \$29 billion. We have a small acquisition outside of Boston that will bring our assets to \$31 billion as we close at the end of this year. We supply 1.3 million households their banking services in New England, and the net income for the past year came in at \$350 million.

We are a classic commercial bank. We have strong loan and deposit growth with a retail platform that we've developed starting back in the early '90s that we will continue to develop over the next several years. Our community banking model is really the bread and butter of what we do. What we try to do is give extraordinary customer service. I call it a missionary zeal for customer service that we have, and also make the decisions as locally as possible. And that local decision-making process has really been a great benefit for us as we move forth.

Slide 15

Let me share the map of the company. I think you'd agree with me as you look at our franchise, we've put together an excellent franchise that anyone would like to run. We enjoy running it. We have almost 400 branches, 550 ATMs, a dominant presence, as Ed had mentioned in the combined markets of Maine, New Hampshire, and Vermont. We own over 20 percent of the banking assets in those states. We're number five in Massachusetts and six in Connecticut, and that is very critical from the standpoint of future growth. We own about 6 percent of the market share of Massachusetts and Connecticut, so you can see exactly where we're going to be going over the next few years. Recent market disruptions in Massachusetts and Connecticut with other large acquisitions will probably give us a year or two of great growth potential as we move forth. So we're really in an attractive demographic area from our growth model.

Slide 16

We don't sacrifice earnings, though, because of growth. We don't use growth as the excuse to tell our owners, our shareholders, that we don't earn well. We've had a consistent earnings pattern over the last ten years. We've had ten years of operating earnings growth each and every year. Our cash ROE comes in at 27 percent, and a cash efficiency ratio of about 50 percent. In all of these categories of financial review, we usually are in the top 15 or 20 percent of the banking companies in the United States in terms of the top fifty banks. It has come from consistent really loan and deposit growth.

Our loan and deposit growth have been double-digits now for several years. We see no reason to think that that won't change as we move forth. Having gone through some difficult problems in the early '90s, our asset quality is pristine, and we rank seventh of the top 50 banks in America in terms of the asset quality numbers that all of you would review. So we are feeling very good about the foundation we've created for this company as we move forth.

Slide 17

Part of it has certainly been our history of successful acquisitions. It has been a core competency at our company. We've really done it on the basis that the discipline is necessary and needed to run a successful acquisition strategy. Our acquisitions are always accretive in the first year. We don't build in any revenue enhancements, and all of them have met or exceeded our targets over the last 10 years. I'm talking about a company, Banknorth, which has acquired 24 banks since 1989. We think we have an expertise in doing this, and we have not stumbled and fallen in any way over the last several years. In fact, recently we've been very aggressive and have acquired 10 banks since the year 2000 in the high growth areas of Massachusetts and Connecticut.

Slide 18

I think as I look at this as a major shareholder of Banknorth and certainly as a senior manager of our company, this is really a winning proposition for all of us. It's an opportunity for those of us who own Banknorth shares to get rewarded for our comfort in owning the company. The \$40 a share price for 51 percent of the company is certainly a very competitive premium, and also the shares that we'll own in TD. TD's had a stronger dividend component than we at Banknorth have had, so the accretion on the dividend side is also very substantial for existing shareholders. So I think as a Banknorth shareholder and a major one, I feel very comfortable with the structure of this transaction and how today as a shareholder realizing growth is obvious to us.

Also, and maybe not as obvious but obvious to me, is our ability to continue the Banknorth model. Continued emphasis on community banking as Ed and I have talked over the last several months, it goes hand-in-hand with TD's model as we want to move forward and be the community bank of size or substance in the Americas.

Executive management and our directors remain in place. There will be no real disruption of the management or the director emphasis on our company, and key probably, at least it's what's going on in New England now, is there is no customer disruption. There are no conversions to new systems. Our customers will see a seamless transition and what a benefit we'll have. Leveraging with TD, their products, their services, their potential to add obviously capital to the potential we have of growing the company in the future is a great opportunity for all of us to continue to own Banknorth shares, and to feel comfortable over the next few years that this is a position people will really strive to acquire.

Slide 19

It's dynamic. It's not easy to put companies together that really have the same strategy. And certainly over the last several months in talking to the TD management team, I feel extremely comfortable that this fits like a glove. The strategic opportunities for TD and the strategic opportunities for Banknorth in America are a perfect fit. The capital flexibility I've mentioned is going to be enormous in our ability to grow and continue to grow through acquisitions. The commitment to growth is there. Obviously, there are still over 8000 banks in America, so our potential to grow in America is very obvious to all of us. And now having the capital base and the flexibility of products and services that TD offers as part of Banknorth, it will give us a rare opportunity to continue to grow the company.

We thought we could be successful in the future. I think our success is more than ever an element that we can feel very comfortable with as we move forward. I feel extremely positive about going forward with this dynamic partnership we've put together.

Slide 20

Is it a bright future for the Company? Certainly it is. The synergies are there as we talked about. The services and products of a company the size of TD will be an enormous benefit to us at Banknorth. Your investment in IT and other areas will again be a help to us. Like Ed, I'm committed to the synergies that we'll identify over the next several months and years and that the benefits that that will bring in this combined combination of two companies coming together.

Slide 21

Future value for our potential is there. If you owned Banknorth shares in the past, why wouldn't you want to own them in the future with TD being part of our process in growing and part of expanding in the Americas? I think it is fair to say that as we look forward, with reasonable governance in place, TD will have the opportunity over the next several years to buy the rest of our company, tha