TD highlights

TD's adjusted net income was CA$7.08 billion, up CA$643 million or 10% from 2011 (reported net income of CA$6.47 billion, up CA$426 million or 7%). Adjusted revenues increased CA$1.72 billion or 8% from 2011 to CA$23.3 billion. Dividends during 2012 totalled CA$2.89 per share (CA$2.61 in 2011), an 11% increase. On October 31, 2012, the quarterly dividend was CA$0.77 per share, which was increased twice during the year and is consistent with the bank's current target payout range of 40% to 50% of adjusted net earnings, an increase from 35% to 45% in 2011.

The bank's four main business segments are: Canadian Personal and Commercial Banking (Canadian P&C), Wealth and Insurance, US Personal and Commercial Banking (US P&C) and Wholesale Banking.

Canadian P&C net earnings were CA$3.30 billion, up CA$253 million or 8% from 2011, and revenues were CA$10.7 billion, up 12% from 2011. The addition of the MBNA Canada (MBNA) portfolio had a significant effect, contributing 9% to revenues and assisting in growth of the margin on average earnings, up 8 basis points (bps) to 2.84% from 2011. Excluding MBNA, margins decreased 12 bps from 2.76% to 2.64% and the bank offset this margin decline with volume growth. The continued decrease in margin, excluding MBNA, continues to be due to the low-rate environment and competitive pricing, similar to the other Canadian banks.

Wealth and Insurance net income was CA$1.37 billion, an increase of CA$53 million or 4% from 2011. Revenues declined slightly by 1% to CA$4.02 billion. A decrease in trading revenue in direct investing was offset by higher fee-based revenue from in advice-based and asset management (9% growth in assets under administration and 10% growth in assets under management). Insurance revenues, net of claims expenses, were flat at CA$1.2 billion, as they had increased from premium growth of 7% and the inclusion of MBNA, but were offset by unfavourable prior year claims development for the Ontario auto insurance market and weather-related events.

US P&C adjusted net earnings were US$1.42 billion in 2012, an increase of US$152 million or 12%, and revenues increased US$398 million or 7% to US$6.13 billion. Earnings and revenues increased primarily due to loan and deposit growth (17% and 11% respectively from 2011) and higher fee-based revenue. This was offset by higher expenses to support growth and the regulatory impacts of the Durbin Amendment to the Dodd-Frank Act to cap interchange fees. The margin on average earning assets for the year decreased by 13 bps to 3.60%, primarily due to the low-rate environment and timing of cash flows on acquired portfolios. Reported net earnings were negatively impacted by litigation reserves of US$248 million as a result of adverse judgements, as announced in January 2012, and the impact of Superstorm Sandy of US$37 million.

Wholesale Banking net income for the year was CA$880 million, an increase of CA$65 million or 8% from 2011, and revenues were CA$2.65 billion, up CA$158 million or 6%. Earnings and revenues were bolstered by fixed income and credit trading from increased liquidity and volatility, debt underwriting and mergers and acquisitions revenue, partially offset by reduced investment portfolio gains and weaker equity trading volumes.

Adjusted provisions for credit losses in 2012 were CA$1.90 billion, up 28% from 2011, due to the MBNA portfolio acquisition in the Canadian P&CB segment and loan growth in the US P&CB segment, partially offset by strengthening in credit quality despite uncertain economic conditions.

Acquisitions in the year:

- On December 1, 2011, the bank acquired substantially all of the credit card portfolio of MBNA for CA$6.84 billion. Results of the acquisition are reported primarily in the Canadian P&C and Wealth and Insurance segments. For 2012, the acquisition contributed CA$811 million to revenue and a CA$15 million loss to net income.
- Near the end of the fiscal year, the bank announced that it entered into an agreement with Target Corporation to acquire Target's US$5.9 billion credit card portfolio and a seven-year program agreement to become the issuer of Target credit cards to its US customers. Subject to regulatory approval, the acquisition is expected to be completed in the first half of 2013.
- The bank also announced on December 6, 2012 that it acquired US based asset management firm Epoch Partners for US$668 million. Subject to regulatory approval, the transaction is also expected to be completed in the first half of 2013.

Consistent with the other Canadian banks, TD's outlook for 2013 is to maintain moderate growth in Canada despite slowing economic growth and the low-rate environment, and grow volumes, insurance premiums and market share in its other segments. The bank plans to continue balancing investment in its business lines and infrastructure and focusing on productivity and controlling expenses.