

# Should You Buy Toronto-Dominion Bank After its Latest Earnings Release?

## Description

On Thursday, **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) reported earnings for the third quarter of 2014. And what a quarter it was, with \$2.11 billion in earnings, easily beating analyst estimates.

Below are the three biggest highlights from the quarterly release.

### 1. Continued success in Canada

TD's most profitable business by far is Canadian Retail, and last quarter was no exception, with net income of \$1.4 billion. Adjusted net income increased 54% year-over-year (although last year saw some big losses in the Insurance division). Loan losses continued to remain very low, decreasing 4% from the previous quarter. And the net interest margin bumped up slightly as well, now at 2.98%.

There are other positives. The efficiency ratio (which measures expenses as a percentage of total revenue) dropped to 40.9%, down 1.5 percentage points from the previous year. Wealth management earnings increased 14% year-over-year. And the Aeroplan credit card portfolio continues to perform well.

### 2. Still a struggle in the United States

Truth be told, the United States has been a tough market for TD ever since it entered 10 years ago. The financial crisis certainly didn't help, and neither has the slower-than-expected recovery. Today interest rates remain depressed, and competition for loans means that profits will be hard to come by.

To give TD some credit, results have slowly been improving. Net income in the United States increased 4% year-over-year, mainly on the back of lower credit losses. Expenses were also down 1%, despite the bank's growth mindset. Return on equity was a respectable 9.0%.

But this market will remain very difficult one for the foreseeable future.

### 3. A convergence?

To make a long story short, TD continued both its strength in Canada and weakness in the U.S. And that was very good for the overall results, since Canada is a much larger contributor to earnings.

But this chasm between Canada and the United States should eventually start to close. This is partly because Canada's successful results don't seem entirely sustainable, especially if Canada's real estate market suffers a downturn.

Meanwhile, as the United States continues to recover, that will help TD in multiple ways. Firstly, it will increase demand for loans. Secondly, it will prompt the Federal Reserve to raise interest rates, which will give a boost to net interest income.

## So should you buy TD?

There are plenty of reasons to buy TD. It has a very powerful franchise in Canada and its American business has great potential.

So TD continues to be a great core holding in any portfolio, and today's results served as yet another reminder.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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## Date

2025/07/24

## Date Created

2014/08/29

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