3 Reasons to Buy Toronto-Dominion Bank Before It's Too Late

Description

The past 12 months have been very good for **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD) and its shareholders. Over this time, the shares have returned a staggering 28%. Many investors who missed the boat are likely regretting it.

But is it really too late to buy TD shares? Not necessarily. Below we take a look at three reasons why this is only the beginning.

1. The Aeroplan portfolio

In Canada especially, credit card portfolios are highly sought after. And for good reason — they are very profitable, and risks are manageable.

We saw that last year when TD became the prime partner for the Aeroplan program, ending a 20-year reign for **Canadian Imperial Bank of Commerce** (TSX: CM)(NYSE: CM). And results so far have exceeded expectations.

But there may be more good news to come. TD is the master of cross-selling, and this was one of the main motivations for acquiring the portfolio. And the bank is still in the process of convincing these cardholders to open up a TD bank account as well. Any success on that front only offers further upside. Interestingly, TD was recently rated No. 1 among the Big 5 banks for customer satisfaction by J.D. Power, while CIBC ranked last.

2. United States growth

While TD's Canadian business has been hitting home runs year after year, the United States operations have been much more of a struggle. The sluggish U.S. recovery as well as persistently low interest rates have not helped.

But eventually the situation in the U.S. will improve — as the economy continues to recover, eventually the Federal Reserve will raise interest rates. That will help TD grow its loan portfolio, and also will help the bank earn a decent yield on these loans. As it stands, it has excess deposits, and is making very little money off them.

3. Safety

Finally, it is important to remember that things may not go smoothly, but TD is very well positioned to deal with bumps in the road. This is because TD is primarily a retail bank, which is a much steadier business than something like capital markets.

To illustrate, last year TD made 91% of its income from retail banking, compared to 9% for its wholesale banking operations (another name for capital markets). Compare this with a bank like **Royal Bank of Canada** (TSX: RY)(NYSE: RY), which last year made over 20% of income from capital markets.

The verdict

With TD shares having done so well over the last year, you may be late to the party. But the music hasn't stopped.

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1. Bank Stocks
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2. NYSE:RY (Royal Bank of Canada)
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Date
2025/07/23
Date Created
2014/09/24
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