Is Toronto-Dominion Bank (TSX:TD) Still Canada's Best Bank Stock?

Description

I've been a **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) bull for a number of years. It was hard to bet against the company. It had the best one, two, five and 10-year performance among Canada's Big Five. Not only that, but it was best positioned for growth with the highest dividend growth rate among its peers.

There wasn't much not to like about the company. It is for this reason that TD Bank has typically traded at a premium to its peers. Now that investors have had time to digest the most recent quarterly results, is TD Bank still Canada's top banking stock? Let's take a look.

First-quarter results

For the first time in over a year, the company missed analysts' estimates as earnings of $1.57 came up $0.15 short. On the bright side, revenue of $10 billion beat by $250 million and represented growth of 6.6% year over year.

Although one quarter does not make a trend, the cracks in Canada's infallible banking sector are beginning to show. In the first quarter, only the **Bank of Montreal** (TSX:BMO)(NYSE:BMO) met or beat estimates on both the top and bottom lines. Every other Big Five bank posted mixed results at best.

A pattern emerged in the industry. Poor capital markets and asset management numbers dragged numbers lower, which isn't surprising given the recent volatility in the stock market. This is a short-term headwind and was not of great concern.

The second and most concerning issue is the deteriorating credit quality. Most of the Big Five banks saw significant increases in provision for credit losses (PCL). TD Bank did not escape the trend, as PCL rose 15% year over year. Although PCL are still but a fraction of outstanding loans (0.50%), it is a trend worth monitoring.

Top bank for growth

Outside of the poor capital markets and rising PCL, the company performed quite well. It continues to grow at a decent pace and it managed impressive growth in Canadian (+6%) and U.S. (+21%) retail banking.

On the back of lower-than-expected results, it now expects 2019 earnings growth to come in at the lower end of its 7-10 per cent target. The good news? It still boasts the highest expected earnings growth rate among its peers.

The company also raised its dividend by 10%, thereby extending its dividend growth streak to nine years. It also continues to out-raise its peers with the highest-dividend growth rate. Based on expected growth rates and the company's current payout ratio, it's a trend that isn't likely to end any time soon.

Foolish takeaway

Although it didn't have the best quarter, I still consider TD Bank to be Canada's best. The entire sector is worth monitoring as PCLs rise. However, it's too early to tell whether it's a blip on the radar or the beginning of a longer and more concerning trend. In the meantime, TD Bank still has the best growth rates and is growing its dividend at a faster pace than its peers. It hasn't been knocked of its perch…yet.

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