3 Key Takeaways from Toronto-Dominion Bank's (TSX:TD) Q2 Results

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) proved yet again why despite all the concerns surrounding bank stocks, it's still one of the best options for investors. The company released its quarterly results last week, posting another strong performance with net revenues rising by 8% and profits up by around 9%.

Those are some pretty strong numbers for a bank stock, reinforcing just how consistent the company has been over the years. Below are three other things that stood out to me from TD's latest quarterly results.

Provision for credit losses down from last quarter

One of the more surprising numbers I noticed was that despite concerns about rising debt levels and the impact higher interest rates will have on borrowers, the bank's provision for credit losses in Q2 was down more than 25% from Q1. The change amounts to a $217 million improvement this quarter, although the provisions are still higher than they were a year ago.

Retail segments continue to show strong numbers

Canadian retail revenues came in at around $6 billion for the quarter, and while they were flat from Q1, represented an increase of more than 8% from last year. However, rising expenses and interest-related costs kept the segment's profits from showing any significant improvement.

In the U.S. retail segment, the bank continued to show impressive growth there as well. Revenues of $2.9 billion were up 11% from a year ago. Reported net income also climbed above $1 billion for the quarter, 19% higher than last year's total as costs showed little increase, allowing for much of the improvement in the top line to flow through to the bottom line.

With both Canadian and U.S. economies still doing well, we could see the growth continue indefinitely.

Concerns of a cooling housing market haven't hurt TD's numbers

The government has implemented measures to slow the hot housing market in some key cities in Canada. And while that appears to have had an impact, at least according to the Bank of Canada's figures, it hasn't caused a dent on TD's financials, as loans have continued to grow.

Although home sales have certainly slowed in Vancouver, it's not representative of other markets that may still be seeing lots of growth. Either way, it's not an area I'd be concerned about when it comes to TD, as the company's strong results in the U.S. could more than make up for any shortfall in the Canadian market.

Bottom line

TD has had a brutal year by its standards, with the stock showing not showing any improvement over the past 12 months. However, that makes it all the more reason to consider adding the stock to your portfolio, as such a poor performance is atypical for TD's stock, which has risen more than 40% in five years. It looks undervalued today, and investors would be wise to pick it up before it starts to pick up steam and climbs over $80, which is where it belongs.

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