TD Bank (TSX:TD) Is About to Make Big Moves

Description

There is a chance that we might see some significant deals take place in the banking sector, and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) could be right in the middle of it all. The second-largest bank in Canada could seek to fortify its position in the U.S. by ramping up its retail operations in our neighboring country.

The chief executive officer of TD Bank, Bharat Masrani, said that the bank is open to substantial merger deals and acquisitions in the U.S.

Masrani said that if the bank can find opportunities that fit its criteria, it will consider them seriously. Toronto-Dominion Bank has the kind of capital to make such massive moves.

Massive cash pile

TD positioned itself well with the onset of COVID-19. The management raised its provisions for credit losses (PCL) to substantial levels in case the financial institution's loan portfolios' status suffered due to the pandemic's economic fallout.

Canada and the U.S. introduced historic stimulus programs to inject liquidity into the economy and prevent a wave of consumer defaults. Fortunately, the feared catastrophic loan defaults did not happen. TD managed to decrease its PCLs, as the economic outlook improved.

With its PCL declining, the bank has more than $12 billion in excess capital that is accessible for it to use. This extra cash is more than the 11% common equity tier one ratio target most banks typically have. Due to the massive cash pile, TD has more than enough capital to pursue major acquisition deals.

There were speculations that the bank would take advantage of the pandemic-fueled frenzy to strike some deals. However, the only major move it made was acquiring **Well Fargo's** Canadian direct equipment finance business. The move was a small transaction considering TD's massive available funds.

Improving economic outlook

For the first quarter of fiscal 2021 that ended on January 31, 2020, its total PCLs went down by 66% to $313 million. The bank also realized $153 million in recovery on provisions for performing loans in its consumer lending operations in the United States. Between the lowered PCL and better-than-expected economic outlook, TD's earnings increased 10% year over year.

TD was the only company to report growth in its top and bottom lines during the financial crisis in 2008. TD took a little while to recover from the initial shock of the pandemic, but it recovered well. The CEO of TD Bank said that the financial institution does not make bad loans during good times so that it can make good loans during bad times.

The bank's capital, liquidity, and funding positions are expected to remain strong in the coming years, regardless of the economic challenges.

Excellent performance on the stock market

Investors interested in the Canadian bank will love all these developments for TD Bank. The Canadian dividend giant has a 164-year dividend-payment streak that remains unbroken. At writing, the stock is trading for $83.60 per share, and it sports a juicy 3.78% dividend yield. The stock is up 16.21% on a year-to-date basis, making it an attractive asset to consider.

Foolish takeaway

Considering the proactive response by TD Bank to the pandemic's onset, its performance during the uncertain period, and its strong economic position, it would not be a surprise to see TD making acquisitions for further growth.

If you are thinking of building a substantial nest egg for your retirement, TD Bank stock could be a staple investment to consider for your portfolio to retire as a wealthy investor. It is a top buy-and-hold stock that you could hold onto forever.

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