



## Here's Why TD Bank (TSX:TD) Is Still My Top Bank Stock

### Description

**TD Bank** ([TSX:TD](#))([NYSE:TD](#)) boasts the second-largest market capitalization on the **S&P/TSX Composite Index**. It is second only to **Royal Bank**, Canada's largest bank. However, TD Bank does boast the largest exposure to United States retail banking among its peers. Today, I want to discuss why TD Bank is still my [favourite bank stock](#) as we look ahead to September. Let's jump in.

### How has this top bank stock performed so far this year?

Shares of TD Bank have dropped 13% in 2022 as of close on Monday, August 29. Fortunately, the stock is still up 4% in the year-over-year period.

Canadian banks put together a banner 2021 after facing the challenges of the COVID-19 pandemic for most of 2020. TD Bank and its peers delivered record earnings, as the broader economy bounced back and Canada's housing market soared. These conditions have worsened in recent months. Sky-high inflation has spurred central banks to action. Policymakers have undergone rate tightening at a pace not seen in over a decade.

Almost all the Big Six Canadian banks have unveiled their third-quarter fiscal 2022 earnings in late August. Some of the top financial institutions fared better than others. TD Bank managed to outpace its peers, as it has continued to leverage its strong diversification.

### TD Bank put together a strong Q3 compared to its peers

This top bank released its third-quarter (Q3) 2022 earnings on August 25. It reported adjusted net income of \$3.81 billion, or \$2.09 per share — up from \$3.62 billion, or \$1.96 per share, in the previous year. Meanwhile, adjusted net income in the year-to-date period rose to \$11.3 billion, or \$6.18 per share. TD Bank was able to beat analyst expectations, but investors should brace for turbulence going forward.

Canadian Retail banking net income was reported at \$2.25 billion — up 6% compared to the third

quarter of fiscal 2021. Revenue rose 7% to \$7.02 billion. TD Bank was bolstered by solid banking and insurance volumes, higher interest rates, and an improvement in overall customer activity. Meanwhile, the bank's United States Retail banking segment delivered adjusted net income growth of 13% to \$1.46 billion. It was powered by loan and deposit growth of 8% each.

Meanwhile, the bank saw its Wholesale Banking segment post net income of \$271 million — down 18% from the prior year. This was due to higher non-interest expenses and provisions set aside for credit losses.

Overall, it was a positive quarter for TD Bank, while its peers started to show signs of a slowdown in the face of economic headwinds. TD's chief risk officer Ajai Bambawale still warned of ["elevated" economic risks](#) going forward. Regardless, TD Bank remains my favourite target in this space at the time of this writing.

## Why I'm stacking more TD Bank stock today

Shares of this bank stock currently possess a favourable price-to-earnings ratio of 10. TD Bank also offers a quarterly dividend of \$0.89 per share. That represents a solid 4.1% yield.

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