



## Royal Bank of Canada or Toronto-Dominion Bank: Which Is the Better Buy?

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) are Canada's largest banks in terms of total assets, and both of their stocks represent great long-term investment opportunities today.

However, the laws of diversification clearly state that we cannot own both, so let's compare their earnings results from the first quarter of fiscal 2016, their stocks' valuations, and their dividends to determine which is the better buy today.

### Royal Bank of Canada

RBC is Canada's largest bank with approximately \$1.2 trillion in total assets. Here's a quick breakdown of 10 of the most notable statistics from its first quarter of fiscal 2016 compared with its first quarter of fiscal 2015:

1. Net income decreased 0.4% to \$2.45 billion
2. Earnings per diluted share decreased 4.2% to \$1.58
3. Total revenue from continuing operations decreased 3% to \$9.36 billion
4. Net interest income increased 15.6% to \$4.2 billion
5. Non-interest income decreased 14.1% to \$5.16 billion
6. Total assets increased 10.5% to \$1.2 trillion
7. Total deposits increased 17.5% to \$769.57 billion
8. Total loans, net of allowance for loan losses, increased 15.2% to \$516.19 billion
9. Total assets under management increased 15.6% to \$561.5 billion
10. Book value per share increased 19.2% to \$42.42

At today's levels, RBC's stock trades at 11 times fiscal 2016's estimated earnings per share of \$6.73 and 10.4 times fiscal 2017's estimated earnings per share of \$7.10, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 12.6 and the industry average multiple of 13. It also trades at 1.74 times its book value per share per share of \$42.42, which is a discount compared with its five-year average market-to-book value of 2.18.

In addition, RBC pays a quarterly dividend of \$0.81 per share, or \$3.24 per share annually, which gives its stock a yield of about 4.4%. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its recent increases, including its 2.5% hike in February, has it on pace for 2016 to mark the sixth consecutive year with an increase.

### **Toronto-Dominion Bank**

Toronto-Dominion is Canada's second-largest bank with approximately \$1.17 trillion in total assets. Here's a quick breakdown of 10 of the most notable statistics from its first quarter of fiscal 2016 compared with its first quarter of fiscal 2015:

1. Adjusted net income increased 5.8% to \$2.25 billion
2. Adjusted diluted earnings per share increased 5.4% to \$1.18
3. Total revenue increased 13.1% to \$8.61 billion
4. Net interest income increased 10.7% to \$5.05 billion
5. Non-interest income increased 16.7% to \$3.56 billion
6. Total assets increased 8.6% to \$1.17 trillion
7. Total deposits increased 9.5% to \$736.53 billion
8. Total loans, net of allowance for loan losses, increased 11.4% to \$567.03 billion
9. Total assets under management increased 8.7% to \$346.73 billion
10. Book value per share increased 13.9% to \$35.99

At today's levels, Toronto-Dominion's stock trades at 11.5 times fiscal 2016's estimated earnings per share of \$4.78 and 10.8 times fiscal 2017's estimated earnings per share of \$5.07, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13 and the industry average multiple of 13. It also trades at 1.53 times its book value per share per share of \$35.99, which is a discount compared with its five-year average market-to-book value of 1.78.

In addition, Toronto-Dominion pays a quarterly dividend of \$0.55 per share, or \$2.20 per share annually, which gives its stock a yield of about 4%. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its 7.8% hike in February has it on pace for 2016 to mark the sixth consecutive year with an increase.

### **Which bank is the better buy today?**

Here's how each company ranks when comparing their earnings results in the first quarter of fiscal 2016, their stocks' valuations, and their dividends:

<b>Metric</b>	<b>RBC</b>	<b>Toronto-Dominion</b>
Earnings Strength	2	1

Forward P/E	1	2
Valuation – 2016		
Forward P/E	1	2
Valuation – 2017		
Market-to-Book	2	1
Value		
Dividend Yield	1	2
Dividend Growth	1	1
<b>Average Ranking</b>	<b>1.33</b>	<b>1.5</b>

As the chart above depicts, Toronto-Dominion reported stronger earnings results in the first quarter and its stock trades at a more attractive market-to-book value, but Royal Bank of Canada trades at more attractive forward price-to-earnings valuations and it has a higher dividend yield, giving it a very slight edge in this match up.

With all of this being said, I think both banks represent great long-term investment opportunities, so all Foolish investors should strongly consider making one of them a core holding today.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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## Date

2025/09/06

## Date Created

2016/03/12

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