



## 3 Canada Bank Stocks to Buy Ahead of Earnings

### Description

Earlier this week, I'd discussed why [I'm targeting](#) the largest sector on the **TSX** right now. I'm talking about the financial sector. More specifically, I'm still excited about Canadian bank stocks. Today, I want to look at three top banks that are worth your attention as we await third-quarter earnings from the country's top financial institutions.

### What to expect from Canadian bank stocks ahead of their earnings

Canada's top banks were throttled in the second quarter. Revenues and earnings were down while provisions for credit losses skyrocketed. So what has changed from Q2 2020?

The domestic economy has passed through several phases of reopening as COVID-19 cases have levelled off nicely in Canada. Of course, most sectors are still facing major challenges. Air travel, hospitality, and entertainment will likely take years to recover in full. Meanwhile, Canada housing has roared back to [reel off record sales activity](#) in June and July. This is a promising sign for Canada's banks.

### Three Canadian banks I'm targeting in August

**Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) is the first bank stock I want to focus on today. It is the largest Canadian bank by market cap. Shares of Royal Bank have dropped 1.8% in 2020 as of close on August 11. The stock has increased 14% over the past three months.

In the second quarter, Royal Bank's Personal and Commercial Banking segment suffered due to higher PCL on performing assets. Moreover, Royal Bank and its peers have been forced to accept lower spreads as interest rates have been forced down to historic lows. Investors can expect to see the bank's third-quarter results on August 26.

This bank stock last possessed a price-to-earnings ratio of 12 and a price-to-book value of 1.7. Royal Bank is in solid value territory relative to industry peers. It also boasts a flawless balance sheet. Meanwhile, it offers a quarterly dividend of \$1.08 per share. This represents a solid 4.4% yield.

**National Bank** ([TSX:NA](#)) is a huge financial institution in the province of Quebec, but it is the smallest of the Big Six banks nationwide. Its stock has declined 7% so far this year. Shares are still up 8.6% from the prior year.

This bank will also release its Q3 2020 earnings on August 26. In the second quarter of 2020, income before provisions for credit losses and income taxes rose 3% year-over-year to \$389 million. Total revenues increased 2% from the previous year to \$848 million. Income before PCL and income taxes in Financial Markets soared 70% from Q2 2019.

Shares of this bank stock last had a favourable P/E ratio of 10 and a P/B value of 1.7. It last paid out a quarterly distribution of \$0.71 per share, which represents a 4.3% yield.

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stock has dropped 10% in 2020. Shares have fallen 11% year over year. TD Bank is uniquely situated due to its massive footprint in the United States. It will be reliant on a rebound south of the border. However, this has been complicated by soaring COVID-19 cases in the U.S. With luck, this will dissipate as we move into the autumn.

Investors can expect to see this bank stock release its third-quarter results on August 27. TD Bank has an immaculate balance sheet and looks like a discount addition right now.

It last had an attractive P/E ratio of 11 and a P/B value of 1.3. TD Bank last paid out a quarterly dividend of \$0.79 per share, representing a 5% yield.

## CATEGORY

1. Bank Stocks
2. Investing

## TICKERS GLOBAL

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

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