



## Royal Bank (TSX:RY) vs. TD Bank (TSX:TD): Which Bank Is a Better Buy After Earnings?

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), Canada's two largest banks, both reported their quarterly earnings this week. Which one of these banks is a better buy? Let's take a look at their financial results.

### Royal Bank

On Wednesday, Royal Bank of Canada announced a slight increase in its quarterly profit that exceeded analysts' expectations, thanks to the strength of its financial markets unit and reduced provisions to cover potential loan losses linked to the COVID-19 pandemic.

Canada's largest lender by market capitalization set aside \$427 million in the fourth quarter as economic turmoil from the pandemic heightened the possibility of defaults. The amount was well below analysts' forecast of \$798.75 million and down 14% from the previous year.

Net income from personal and commercial banking — RBC's largest source of income — fell 7% to \$1.5 billion, largely due to the impact of lower rates of interest.

The country's banks have faced pressure on margins this year due to rising deposits and slowing loan growth in the retail and commercial segments.

However, Royal Bank's financial markets division, which includes trading services, investment banking, and advisory services, saw net income jump 44% to \$840 million, helped by the increased market volatility due to the health crisis.

Royal Bank's overall profit increased. Indeed, total net income rose by 1.25% to \$3.25 billion for the quarter ended October 31, or \$2.23 per share, from \$3.21 billion, or \$2.19 per share, a year earlier.

On an adjusted basis, the bank earned \$2.27 per share, more than the analysts' average estimate of \$2.05 per share, according to data from Refinitiv.

Royal Bank stock has a dividend yield of about 4%. Its forward P/E is 12.7.

## TD Bank

TD Bank Group reported its fourth-quarter results on Thursday. Its profit beat estimates profit increased from a year ago on lower-than-expected credit loss provisions and as its income from retail and wholesale banking activities in Canada increased from a year ago. The sale of TD Ameritrade also boosted earnings.

The bank says it earned \$5.14 billion, or \$2.80 per diluted share, for the quarter ended October 31, up from \$2.86 billion, or \$1.54 per diluted share, a year ago.

Revenue totaled \$11.84 billion, up from \$10.34 billion in the same period a year earlier.

Provisions for credit losses were \$917 million, up from \$891 million a year ago, but down from nearly \$2.19 billion in the third quarter.

On an adjusted basis, TD Bank earned \$1.60 per diluted share in its most recent quarter, up from adjusted earnings of \$1.59 per diluted share in the same quarter last year.

Analysts on average expected TD to earn an adjusted profit of \$1.28 per share in the quarter, according to financial data firm Refinitiv.

TD Bank stock has a dividend yield close to 4.5%. Its forward P/E is 12.7.

## Which bank is a better buy?

Both Royal Bank and TD Bank reported better-than-expected results in their latest quarter. Despite [headwinds](#), both banks are solid. TD Bank and Royal Bank remain Canada's only members on the ["too-big-to-fail" list](#). It's hard to tell which stock will perform better next year. Since both stocks have a similar valuation, I would go with TD Bank for its higher dividend 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:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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