



## Royal Bank vs. TD Bank: Which Is the Better Buy After Q2 Earnings?

### Description

In April, I'd discussed why investors should look to bank stocks as the [Canadian economy was on the rebound](#). Ontario, Canada's most populous province, is set to pursue the first phases of its reopening on June 14. We all hope that it will be the last we see of the restrictive and lockdown-heavy pandemic life. **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) are the two top bank stocks on the **TSX**. Today, I want to compare the two after the release of their second-quarter 2021 results.

### Royal Bank: How does Canada's top bank look after earnings?

Royal Bank is the largest financial institution in Canada. Shares of this top bank stock have climbed 19% in 2021 as of early afternoon trading on June 1. The stock is up 37% from the prior year.

The bank released its second-quarter 2021 results on May 27. It was a very strong quarter for Royal Bank, echoing a theme among its peers. Canada's banking sector is well and truly back in 2021. Net income soared \$2.5 billion, or 171% from the prior year to \$4.0 billion in Q2 2021. Meanwhile, diluted earnings per share rose 176% to \$2.76. Net income has increased 58% from the prior year to \$7.86 billion in the year-to-date period in 2021.

Royal Bank's Personal and Commercial Banking segment saw net income surge \$1.37 billion from the prior year to \$1.90 billion. This was primarily due to lower provisions for credit losses. It was also powered by volume growth. The Wealth Management segment delivered 63% growth compared to the previous year.

### How TD Bank put it all together in the second quarter

TD Bank is the second-largest bank stock in Canada. It boasts the largest United States footprint of its peers. The bank stock has climbed 21% so far this year. Its shares are up 45% from the same period in 2020.

Investors got a look at its second-quarter 2021 results on the same day Royal Bank released its

earnings. Adjusted net income came in at \$3.77 billion, or \$2.04 per share, up from \$1.59 billion or \$0.85 per share in the previous year. In the year-to-date period, adjusted net income has climbed to \$7.15 billion or \$3.86 per share over \$4.67 billion or \$2.51 per share in the first two quarters of 2020.

TD Bank's Canadian and U.S. Retail segments delivered net income growth of 86% and 292%, respectively. Both segments were aided by a significant drop in PCL. The Wholesale Banking segment reported net income growth of 83% to \$383 million. However, revenue in this space fell 8% from the prior year.

## Which bank stock is the better buy today?

I'd [suggested](#) that investors should look to snag both bank stocks in early March.

Royal Bank stock last had a favourable price-to-earnings ratio of 12. It maintained a quarterly dividend of \$1.08 per share, representing a 3.4% yield. Shares of TD Bank also possess a very solid P/E ratio of 11. It still offers a quarterly dividend of \$0.79 per share, which represents a 3.6% yield.

As always, this is a close race. However, TD Bank's exposure to the resurgent U.S. economy puts it ahead of Royal Bank for me today.

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1. Bank Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
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