



Royal Bank vs. Scotiabank: Which Is the Better Buy After Earnings?

Description

Canada's top banks have moved to release the last batch of earnings for the 2021 fiscal year. This has coincided with a bloodbath in domestic and global markets due to the emergence of the Omicron COVID-19 variant. Today, I want to look at **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)) after the release of their Q4 earnings. Which bank stock is the better buy today? Let's dive in.

How does Royal Bank look after its final batch of earnings?

Royal Bank is the largest financial institution in Canada. Shares of this [top bank stock](#) have climbed 20% in 2021 as of close on December 1. However, the stock has dropped 5% week over week at the time of this writing.

The bank unveiled its fourth-quarter and full-year 2021 earnings on the same day. In the fourth quarter, net income increased 20% year over year to \$3.9 billion. It again benefited from a significant drop in provisions for credit losses (PCLs). Meanwhile, it posted robust growth in each of its major segments. Personal & Commercial Banking net income grew 35% to \$2.03 billion due to lower PCLs and strong average volume growth.

Net income for the full year was reported at \$16.1 billion or \$11.06 per share — up 40% and 41%, respectively, from the previous year. Canada's top bank delivered on a strong year that saw the broader economy enjoy a big rebound from 2020.

Shares of Royal Bank possess a favourable price-to-earnings (P/E) ratio of 11. It last had an RSI of 26, putting the bank stock in technically oversold territory. Moreover, the bank increased its quarterly dividend to \$1.20 per share. That represents a 3.8% yield.

Scotiabank unveiled its Q4 and full-year 2021 results in late November

Scotiabank was the first of the [Big Six Canadian bank stocks](#) to release its final batch of 2021 earnings. Its shares have increased 21% in the year-to-date period. Unfortunately, Scotiabank has also fallen victim to the recent pullback. The stock has dipped 1.1% over the past week.

In Q4 2021, Scotiabank posted net income of \$2.55 billion, or \$1.97 per share — up from \$1.89 billion, or \$1.42 per share, in the fourth quarter of 2020. Like Royal Bank, Scotiabank also received a big boost due to lower provisions set aside for loan losses. Moreover, Scotiabank delivered on higher revenues and strong loan growth.

For the full year, Canada's "International Bank" reported net income of \$9.95 billion, or \$7.70 per share, compared to \$6.85 billion, or \$5.30 per share, in 2020. Scotiabank's Canadian Banking segment posted adjusted net earnings of \$4.17 billion — up 60% from the previous year. Meanwhile, net income in its Global Wealth Management segment increased 23% to \$1.59 billion. Better yet, its International Banking segment delivered adjusted earnings growth of 62% to \$1.85 billion.

This top bank stock has an attractive P/E ratio of 10. It announced a quarterly dividend increase to \$1.00 per share. That represents a very solid 4.8% yield.

Which bank stock is the better buy?

Royal Bank's size and diversification makes it one of the safest bets among Canadian [blue chips](#). However, I'm more attracted to Scotiabank's value and attractive dividend after its Q4 earnings release.

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