



## Royal Bank vs. TD Bank: Which Bank Stock Is the Better Buy Before April?

### Description

Canadian banks put together a banner year in 2021. The broader economy is facing some serious challenges to start 2022. That could jeopardize the fortunes of Canada's largest financial institutions in the months ahead. When this year started, I'd [looked](#) at some of the top bank stock performers in the previous year. Today, I want to look at the top two bank stocks by market cap on the Canadian market: **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)). Which is the better buy today? Let's jump in.

### Why it is not too late to buy the dip in Royal Bank stock

Royal Bank is Canada's biggest bank and the [largest stock on the TSX by market cap](#). Shares of this top bank stock have climbed 2.5% in 2022 as of close on March 23. The stock is up 21% from the previous year.

This top bank unveiled its first-quarter 2022 earnings on February 24. Net income was reported at \$4.09 billion, or \$2.84 per diluted share, in Q1 2022 — up 6% and 7%, respectively, from the prior year. Meanwhile, it delivered net income growth of 10% to \$1.97 billion in its Personal and Commercial Banking segment. Moreover, its Wealth Management segment saw net income increase 24% from the previous year to \$795 million.

There is some anxiety over how the Bank of Canada's (BoC) rate-tightening path could impact Canada housing and the broader stock market. In the near term, higher rates should provide a boost to profit margins at Royal Bank and its top peers.

Shares of this bank stock had a [price-to-earnings ratio of 12](#) at the time of this writing. Moreover, it offers a quarterly dividend of \$1.20 per share. That represents a 3.4% yield.

## This is another giant bank stock that has bounced back in late March

TD Bank is the second-largest bank stock on the Canadian stock market. Its shares have jumped 1.7% so far in 2022. However, the bank stock has climbed 23% in the year-over-year period.

Investors got to see TD Bank's first batch of 2022 earnings on March 3. It delivered adjusted net income of \$3.83 billion, or \$2.08 per diluted share, compared to \$3.38 billion, or \$1.83 per diluted share, in the first quarter of 2021. TD Bank reported net income growth of 11% in Canadian Retail to \$2.25 billion. Meanwhile, its top end U.S. Retail segment posted net income of \$1.27 billion — up 27% from the previous year.

Canadian investors should be attracted to TD Bank because of its exposure to U.S. Retail banking. Its central bank is also pursuing a rate-tightening path in 2022. This means that TD Bank's U.S. Retail branches will also need to adjust to higher borrowing rates. That could limit credit growth going forward.

This bank stock possesses a solid P/E ratio of 12. It last paid out a quarterly dividend of \$0.89 per share, which represents a 3.5% yield.

## Which bank stock is the better buy today?

Royal Bank and TD Bank possess very comparable value ratings and dividend yields at the time of this writing. However, I'm more geared towards TD Bank due to its U.S. exposure.

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