



Bank Earnings: Did TD Stock or Royal Bank Come Out on Top?

Description

The [Big Six banks](#) continue to come out with earnings this week, with **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) both posting earnings on Thursday. But as both have the largest market capitalizations of the Big Six, it's interesting to compare the two — especially when results come out on the same day.

Let's take a look at both TD stock and Royal Bank stock today and see which came out on top.

What happened in Q2 for TD stock and Royal Bank stock?

The second quarter saw net income improve 6% year over year for Royal Bank stock. The company brought in total net income of \$4.25 billion in the second quarter, or \$2.99 per share. This beat out estimates of \$2.69 expected by analysts.

For TD stock, the bank reported net income of \$3.81 billion — a 3% increase year over year. This amounted to \$2.07. This was above analyst estimates of \$1.93 per share. However, on an adjusted basis profit came in at \$2.02, which was down from \$2.04 the year before.

The profit boost came from two different sources, according to the banks. Royal Bank stock credited the release of funds set aside for loans that could go bad. This freed up \$342 million for those provisions. Furthermore, it credited less uncertainty surrounding [pandemic measures](#), along with the slowing of inflation and interest rates.

For TD stock, the biggest increase came from the company's expansion within the United States. Its retail business was up to \$2.24 billion the quarter, up from \$2.18 billion the year before. Further, its U.S. retail business earned \$1.37 billion, up from \$1.32 billion in the same quarter of 2021. It also benefited from credit loan provisions.

Annual dividend boost for one but not the other

Both TD stock and Royal Bank stock increased their dividends as well during the quarter on the good news. Royal Bank stock boosted the dividend by 7% — by far the largest amongst the country's Big Six banks.

Dividend seekers hoping for another boost from TD stock were disappointed that it reaffirmed its \$3.56 annual dividend. The bank stated it would reinvest dividends into its dividend-reinvestment plan. Here, the company buys up more common shares and may apply up to a 5% discount on its market price for additional shares.

What did management say in Q2 for Royal Bank stock and TD stock?

TD stock management credited the changing economic environment, and stated it would continue to use everything at its disposal to see growth and provide options for its clients.

"TD's second quarter performance reflects the strength of our diversified business model and customer-centric approach...We have delivered strong revenue growth across our businesses and we enter the second half of the year well-positioned to support households and businesses as they navigate an evolving economic environment."

Bharat Masrani, Group President and CEO, TD Bank Group

Royal Bank stock had a similar notion, crediting its diversified business model as well. However, the performance of the second quarter during trying times came down to the company's strategic investments.

"We remain well-positioned for future growth, and to deliver differentiated long-term value for our clients, employees and shareholders."

Dave McKay, RBC President and Chief Executive Officer

Which come out on top?

It's a tough call, but I believe Royal Bank stock was the one to prove it had come out on top. The company's provisions for loan losses helped propel it into a strong profit on a year-over-year basis. This allowed it to boost its dividend the most of the Big Six banks.

While TD stock certainly has a lot of growth on the table, it also means there was more risk. So, while it certainly had a strong performance, the fact it wasn't able to boost its dividend is something to raise an eyebrow over.

However, with growth going forward specifically in the United States, TD stock could be the one to beat in the long term. This is why investors hoping for a recovery supported stock growth on Thursday.

Shares for Royal Bank stock remained steady, while TD stock rose 2% on Thursday in early trading.

CATEGORY

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