



## TD Stock or Royal Bank Stock: Which Bank Is Better?

### Description

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) both came out with earnings reports this week, starting out the earnings season for the banks. And it's a tumultuous time for both TD stock and Royal Bank stock.

The [Big Six banks](#) have all been going through a period of lower share prices, thanks to the increase in inflation and interest rates. This leads to Canadians taking out fewer loans and leads to the banks taking out provisions for loan losses.

But that's what they're there for! And that's why the bank stocks have been doing so well when it comes to earnings. Still, it will be nice to know which bank will be back on top first. So, when it comes to TD stock or Royal Bank stock, which is the better choice?

### TD stock

TD stock came out with earnings on Aug. 25, with shares climbing on news of some record results. Adjusted diluted earnings per share came in at \$2.09, up from \$1.96 the year before. Adjusted net income was also up to \$3.8 billion from \$3.6 billion.

TD stock saw its retail deliver its strongest quarter on record, with revenue reaching \$7 billion, up 7% year over year. This was further supported by its United States operations, with net income up 11% to \$1.44 billion for the quarter.

Analysts weighed in on TD stock the next day, raising their target prices for the Big Six bank — in some cases, to triple digits. In particular, analysts pointed out the positive expense management that lowered its risk for a decline in loan growth.

Shares of TD stock currently trades at 10.69 times earnings and offers investors a dividend yield of 4.15%. The bank stock was up slightly on market close Aug. 25.

## Royal Bank stock

In contrast to TD stock, there's the other largest bank by market capitalization of Royal Bank stock. The bank reported it used \$340 million used of provisions taken on loans. But while lower earnings were expected, the company was able to offset some of this with higher results from investments and wealth management.

Net income was down both year over year and quarter over quarter, but client growth remained up. What's more worrisome is that Royal Bank stock missed estimates of \$2.66 earnings per share, reporting \$2.55 per share instead. This caused analysts to cut price targets but also to note that while it's in a more dire position now, it won't always be the case.

Royal Bank stock remains strong, analysts noted, and remains a buy at such [valuable](#) prices. It trades at 11.45 times earnings, offering a 4.07% dividend. So, patient investors could get a deal if they plan holding long term. Shares were up slightly by 2% since earnings.

## Foolish takeaway

When it comes to choosing between TD stock or Royal Bank stock, it looks like TD comes out on top this quarter. The company continues to find ways of saving cash to help with loan losses and has been increasing its retail segment both in Canada and the United States. Meanwhile, Royal Bank has some catching up to do, with lower trading and deals made by the company hurting it this quarter.

In either case, both these bank stocks offer investors high dividends and a solid path to profits coming out of this economic downturn. But today, I'd choose TD stock over Royal Bank stock.

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