



5 Reasons Royal Bank of Canada Is Great for Investors

Description

Royal Bank of Canada ([TSX: RY](#))([NYSE: RY](#)) recently reported results that highlighted its strong performance across all of its businesses. With offices in Canada, the United States, and 42 other nations, Royal has a breadth of operations to sustain and grow market share. Here are five reasons why Royal Bank of Canada is great for investors.

1. Strong earnings growth

Royal Bank of Canada recently reported net income of \$2.2 billion for the second quarter of 2014 (ended April 30). This represents an increase of \$292 million, or 15%, from 2013's \$1.9 billion. For year-to-date 2014 versus year-to-date 2013, its net income was \$4.29 billion, an increase of 9%, from \$3.96 billion.

For 2013, Royal had \$8.4 billion in earnings. This was up over 2012's \$7.5 billion and 2011's \$6.4 billion.

2. Its personal and commercial banking segment

Royal's personal and commercial banking segment consists of its personal and business banking operations and certain investment businesses in Canada, the United States, and the Caribbean.

In 2013, this segment accounted for 56% of earnings. For the second quarter of 2014, this segment's net income was \$1.12 billion. This represents an increase of \$76 million, or 7%, versus the same quarter last year. Canadian banking net income was \$1.11 billion, up \$86 million, or 8%. Net income for this segment was up \$44 million, or 4%, in comparison to Q1 2014.

3. Its wealth management segment

Royal Bank of Canada is the sixth-largest global wealth manager and focuses on high net worth and ultra-high net worth clients.

In 2013, the wealth management segment accounted for 11% of Royal Bank's earnings. For Q1 2014,

Royal's wealth management net income was \$278 million, an increase of \$56 million, or 25%, versus 2013. Compared to Q1 2014, net income was up \$43 million, or 18%.

Canadian Imperial Bank of Commerce's ([TSX: CM](#))([NYSE: CM](#)) wealth management segment had adjusted net income of \$392 million in 2013. This was up \$87 million, or 29%, from 2012. Wealth management contributed 11% to the bank's total adjusted earnings in 2013.

4. Dividends

This month, Royal Bank of Canada announced its quarterly common share dividend of \$0.71 per share. In 2013, it raised its dividend twice for a combined increase of 12%.

Yesterday, Canadian Imperial Bank of Commerce announced that its board declared a dividend of \$1.00 per share on common shares for the quarter ending July 31, 2014.

In addition, this month, **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) announced that a dividend of \$0.47 per fully paid common share in the capital stock of the bank was declared for the quarter ending July 31, 2014.

5. Its stable management team

Royal's team has provided consistent returns for investors over the years. Gordon Nixon has steered the ship for Royal since 2001. He will step down this August. As Reuters noted last December, "Over the course of his time as CEO, however, RBC shares have risen 168 percent — second-best among Canada's five-biggest banks, trailing only the 180 percent gain by Scotiabank."

The incoming CEO of Royal is retail banking chief Dave McKay. After Royal's problems with its previous U.S. retail banking push, he's taking a more prudent approach, not focusing on traditional neighbourhood branches in the U.S. He said, "We have a U.S.-based bank which serves over 190,000 clients through the internet, many of whom are Canadian clients who live or have homes in the U.S."

Toronto-Dominion Bank will also see a change of the guard this year. Group President and CEO Ed Clark will retire November 1, 2014. Mr. Bharat Masrani will become Group President and CEO of TD Bank Group on that date. Mr. Masrani is currently the Chief Operating Officer of TD Bank Group.

Royal Bank of Canada represents a solid bank stock choice for a portfolio. The bank has a strong track record of providing returns to investors. With its extensive retail network and other offerings, Royal Bank represents a blue-chip holding in a traditional market sector.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)

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