# 5 Reasons to Buy Shares of Royal Bank of Canada

## Description

If you look at professionally managed Canadian equity funds, you'll often find **Royal Bank of Canada** (TSX: RY)(NYSE: RY) as one of the largest holdings. This should be no surprise, since RBC is Canada's largest company.



But there are other reasons to hold the shares, and below we take a look at the top five.

### 1. Strength in Canada

In banking, size matters. While smaller banks must struggle with enormous fixed costs, the largest ones are able to absorb them more easily. Better yet, the large banks are better able to serve larger customers.

And no bank is bigger in Canada than RBC. The bank has Canada's largest branch and ATM network, and also has a top two market position in every Canadian banking product. Best of all, this is not a market position the bank will give up easily; Canadians are much more loyal to their bank than in years past. So RBC and its shareholders can feel pretty secure north of the border.

### 2. Strength elsewhere

In addition to a strong Canadian banking business, RBC is a world leader in both wealth management and capital markets. These are areas where other banks around the world have been in retreat, still reeling after the financial crisis. The most dramatic example occurred when Swiss bank **UBS AG** laid off 10,000 workers.

And that has allowed RBC to step in. More specifically, this means stealing market share in the capital markets arena and picking up cheap acquisitions in wealth management. So as the world economy continues its slow but steady recovery, RBC is extremely well-positioned.

### 3. Capital

To be fair, this is an argument that could be made for any of Canada's big five banks, but it still holds great significance.

Compared to its international competitors, RBC is very well-capitalized, with a Basel III Common Equity Tier 1 (CET1) ratio of 9.5%. This is well above the minimum of 7% that international banks must reach by 2019.

Therefore, RBC can keep up its aggressive push, without having to take on undue risk. And even if the bank suffers a couple of bad quarters (say, if stock markets perform poorly), then that should not alter any strategic plans.

**4. A solid track record**

RBC has made a lot of very smart moves in recent years. For example, the bank did not get carried away in the years leading up to the financial crisis, and as a result did not get burned as badly as it could have.

This has translated into great returns for shareholders – over the past decade, RBC shares have returned over 12% per year, well ahead of the Canadian bank average. And even with a new CEO at the helm, the bank is set to keep plowing ahead.

**5. Not too expensive**



Perhaps most importantly of all, RBC shares are not particularly expensive, trading at just 13.4 times earnings. This is not expensive by any means for a company with such a strong track record and growth prospects. So this is a great opportunity to buy a great company at a reasonable price.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

**Category**

1. Investing

**Date**
2025/09/29
**Date Created**
2014/08/27
**Author**
bensinclair