



## Why Royal Bank of Canada Is Your Best Financial Stock Option

### Description

Here in Canada, one of our best investment options is the banking sector, which has been recognized by the World Economic Forum as the soundest in the past seven years. The big six banks have deep roots and leave investors with a multitude of choices when it comes to managing their portfolios. So, if you could only have one Canadian bank in your portfolio, which would it be? Personally, I see **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) as your best bet at this point in time.

### Bankable earnings

In its first quarter of 2015, RBC managed to achieve three milestones. It crossed the \$1 trillion-in-assets mark, it reclaimed the title of Canada's largest lender, and for the second year in a row, it posted record earnings. RBC soared past the \$2.09 billion (\$1.38 per share) in net income it posted in Q1 2014, with \$2.45 billion (\$1.67 per share) in Q1 2014. These results managed to beat analysts' expectations of \$1.55 per share, and it is a nice increase over the \$2.33 billion RBC earned in Q4 2014.

This is the second year in a row that RBC has managed to fuel its net income at this rate and it has become the measuring stick that the other big six banks are compared to. What is also very interesting and comforting to investors is how almost all of its major business segments are contributing to these increased results.

### Sources of growth

When we go through the books, we see that its net income came from personal banking, which many consider to be an exhausted market, rose by 17% in the quarter to \$1.25 billion. Its net income from Canadian personal banking alone rose by 7% in a quarter where some of its competitors posted negative numbers.

Net income from insurance rose by 18% to \$185 million, and investor & treasury services net income rose by 34% to \$142 million. RBC's controversial capital markets segment saw its net income up 18% to \$594 million, adding fuel to the debate of whether or not RBC should adjust its current cap on earnings from this segment.

The only segment of RBC's operations that didn't post an increase was its wealth management segment, which had its net income fall by 2% to \$230 million. This was impacted by a \$42 million restructuring cost in its U.S. and international operations, and is far better than the 17% drop it experienced in Q1 2014.

### **What is in store for 2015**

Record earnings in the quarter has allowed RBC to once again boost its dividend. In this instance, the quarterly dividend was raised by 3% to \$0.77. It appears that RBC may not be done in terms of boosting its dividend, as one analyst at **Desjardins Capital Markets** is projecting another 9% dividend increase in 2015.

RBC seems not be fazed at all by the current market conditions and the energy slump in Canada. In the first quarter, RBC had a return on investment rate of 18%, and it generated \$855 million in trading revenues in the first quarter up by 118% over Q4 2014. Management at RBC believes that the weak loonie and low oil prices will translate into increased consumer spending and better performance in the manufacturing sector.

RBC has already begun its re-entry into the U.S. retail banking market by acquiring City National Corp for US\$5.4 billion. This is a bold move for the bank, as its last attempt at U.S. retail banking was abandoned in 2011. This is a great opportunity for the bank to seek out growth opportunities, as the Canadian banking market can only support these blockbuster earnings reports for so long.

### **Top of the pack**

RBC has managed to grow itself into number one or number two spots in all retail banking categories among the big six banks. For investors, this bank offers solid returns and a steadily climbing stock price. On Thursday, RBC's stock closed at \$77.10, right near the middle of its 52-week range of \$71.04-83.87 and has an average price target of \$83.50.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

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

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## Tags

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