Royal Bank of Canada Continues to Grow and Embrace New Technology

Description

Royal Bank of Canada (TSX:RY)(NYSE:RY) is one of the largest banks in Canada based on total assets. While the company has lost some value over the past few months along with the rest of the market during this downturn, there are plenty of reasons to consider adding RBC to your portfolio.

Let's take a look at how RBC is currently doing and how it differentiates from its competitors.

How is RBC doing?

RBC currently trades at $73.53, mid-way between the 52-week low of $68.05 and the high of $83.87. Year-to-date, RBC is no exception to the current market slump and is down by over 8%. Looking at the long-term performance of the stock shows a healthy 32% price increase over the past five years.

In the most recent quarter, RBC announced positive results with net income of $2.475 billion, up 4% over the same quarter in the prior year. Diluted earnings per share came in at $1.66, up from $1.59 in the same quarter in the prior year.

During that last quarter, RBC also announced a 3% increase to dividends. Currently, the quarterly dividend stands at $0.79 per share, or $3.16 per share on an annual basis, giving a yield of approximately 4.3%.

RBC expands via new acquisitions

RBC recently got the nod of approval from the U.S. Federal Reserve for the purchase of Los Angeles-based City National Corp. in a deal worth a reported US$5.4 billion.

The deal has already passed through Canadian regulators when it was initially announced back in January. With all regulatory body approvals now in place, the merger is now expected to close on November 2.

The significance of this deal is two-fold. First, the deal allows RBC to expand its wealth management portfolio in the U.S., where RBC does not have as much exposure as its competitors. RBC's previous foray into U.S. markets ended several years ago when the bank sold off a network of 424 branches to Pittsburgh-based PNC Financial Services Group.

Secondly, City National has considerable assets: it has over $33 billion across 75 offices in Atlanta, California, Nashville, Nevada, and New York City. This will allow the company to hit the ground running in terms of an expanded footprint that could translate into increased revenues for a comparatively small price.

Embracing new technology

Banks are often slow to adopt new technology, opting instead to wait for near-mass acceptance of a particular technology before adopting it into their long-standing processes. While this is for good reason, RBC has been making strides in the use of technology, and is leading the pack over most banks in Canada.

RBC is one of 22 of the world's largest banks that have recently joined together to form a common set of standards for adopting the blockchain, which is the unique factor behind cryptocurrencies such as bitcoin. The blockchain is effectively a ledger of transactions that is publicly available and distributed.

This makes single transactions more difficult to manipulate as there is no central authority, and anything that increases security will surely be at the top of the minds of the world's largest financial companies. Cost savings and increased security come to mind as potential benefits of being part of this group.

In my opinion, RBC is a great option for an investor looking for growth. The company has very healthy (and improving) financials, a healthy dividend, and is at the forefront in embracing new technology that will make banking more secure and more efficient.

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