Invest in the Big Banks

Description

One of the most stable companies that investors flock to are banks. Canada's big banks in particular have a reputation for being good, stable investments that offer respectable rates of return, growth prospects, and dividends.

Let's take a look at some of the big banks and why they should be part of your portfolio.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) reported results for the first quarter of 2016 last month, just like most of the other banks. Results, for the most part, surpassed expectations.

In the most recent quarter the bank posted net income of $1,068 million, representing an increase of 7% over the same quarter last year. Net income was up by 13% over the same period last year as well.

Bank of Montreal has a provision in place for credit losses. This is particularly important due to the current market weakness being experienced in Alberta. That provision is now set at $183 million, representing an increase of $20 million since last year.

One of Bank of Montreal's strengths is the dividend. The bank has been paying dividends for well over 100 years, making it one of the safest, most consistent investments for those seeking dividend income.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) also reported results for the first quarter of 2016 earlier this month; it continued to see improvements across the board.

For the quarter, Bank of Nova Scotia posted an overall profit increase of 5.1% over the same quarter last year to $8.8 billion. While Canadian GDP rose at an anemic 0.8%, the bank posted profits from the Canadian banking segment of 7%, alleviating fears of the potential impact on the bottom line from the weakened energy sector–at least for now.

That's not to say that the company isn't being prepared for any fallout from the staggering energy sector. The bank has set aside $539 million to cover bad loans. The current figure is up by 16% over what was set aside last year. Of that total, $79 million is linked to the energy sector, an increase from the $24 million set aside last quarter.

Canada's third-largest bank has operations in more than 30 countries, but has a special emphasis on Chile, Colombia, Mexico and Peru, which are all part of the Pacific Alliance. The bank saw a massive growth in international operations; profit is up by 21%, thanks in part to currency translations working in favour of the bank and significant growth in both loans and deposits.

This international exposure and growth prospects are what excites me the most about Bank of Nova Scotia, making it a great investment for those seeking a diversified investment.

Royal Bank of Canada

Just as the other big banks, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) reported results for the first quarter of 2016 that showed promise.

In the most recent quarter Royal Bank reported a net income of $2,447 million, nearly unchanged from the previous quarter, and diluted earnings per share of $1.58, representing a drop of $0.07 from the previous quarter.

The company announced a 3% increase to the dividend, pushing the dividend up to $0.81 per share for a yield of 4.43%.

One of Royal Bank's great strengths is in the personal & commercial banking segment. This segment posted record income for the quarter of $1,290 million, representing a 3% bump over last year. The bulk of this was from the Canadian banking arm, which saw a 1% growth. The Caribbean & U.S. banking segment is where much of the growth came from with the bank posting net income of $59 million, up from $24 million last year. This increase largely reflects a favourable foreign exchange rate.

This focus on traditional banking segment makes Royal Bank a great investment for those looking at long-term growth.

CATEGORY

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1. Editor's Choice

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:RY (Royal Bank of Canada)
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5. TSX:BNS (Bank Of Nova Scotia)
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Date
2025/08/01
Date Created
2016/03/11
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