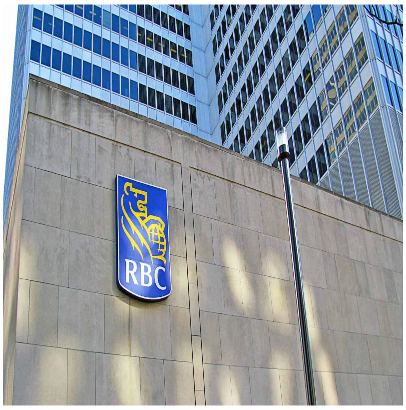

Royal Bank of Canada Shows Terrific Growth in Q4: Why it Is Still a Great Buy

Description

Royal Bank of Canada (TSX:RY)(NYSE:RY) released its Q4 earnings today. The company recorded earnings of $2.84 billion for a year-over-year increase of 12%. For the full year, net income of $11.5 billion increased 10% from the previous fiscal year. Revenue of $10.5 billion was also up 12% from last year's tally of $9.4 billion.

The bank saw a big improvement over its already strong Q3 results that it reported back in August. Let's take a closer look at the earnings report to assess whether or not Royal Bank is a good buy today.

Strong growth across most of its segments

The bank's personal and commercial banking segment, which represents close to half of its earnings, was up 10% this quarter as a result of higher volumes, and Royal Bank is taking advantage of higher spreads from the recent interest rate hikes.

Capital markets generated a profit of $584 million this quarter, which is a 21% improvement year over year. Net income from wealth management saw the biggest improvement with $491 million in earnings rising 24% from a year ago. Insurance saw a more modest, but still strong, year-over-year improvement of 16%, while inventory and treasury services saw the poorest performance with profits of $156 million declining 10% from 2016.

Strong performance is nothing new for the bank

Since the company's 2013 fiscal year, when profits were $8.3 billion, the bank's bottom line has grown nearly 40% for a compounded annual growth rate of 8.3%. Royal Bank has been a model of consistency, and investors should come to expect that results will continue to progress, as the bank rakes in more profits as the population grows, and performs better while also raising fees.

Mortgage rules could create some growth limitations

The one big challenge for Royal Bank and the other big banks is how the new mortgage rules will impact home buyers. If we see a real slowdown in housing, that will have a big impact on the growth of new mortgages, which could have an adverse effect on the top and bottom lines for lenders like Royal Bank.

However, this is not the first time we've seen the government try to slow housing, and Royal Bank has continued to turn out positive results either way.

Royal Bank offers investors a safe investment in times of high valuations

It's not hard to look at the value of some stocks and want to avoid investing, given the high valuations that are based mainly on hype rather than tangible earnings. With Royal Bank, however, investors don't need to have those concerns, given the strong growth and consistency that the bank has shown over the years.

Bank stocks are a safe bet to not only do well when the economy is growing, but they are likely outperform the TSX as well. Year to date, Royal Bank's stock has been up more than 10%, and in five years it has grown nearly 75%.

Should you buy Royal Bank's stock today?

Royal Bank is a stock that would look good in any portfolio. Not only will investors benefit from a growing dividend, but you'll likely also see some strong capital appreciation over the years as well.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/21
Date Created
2017/11/29
Author

djagielski