



2 Major Bank Stocks to Buy Now

Description

Bank stocks are a great way to make a lot of money. Since 1995, shareholders of **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) have earned more than 2,000%. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) investors came in a close second with a total return of around 1,500%. If you had put \$10,000 into each stock, you'd have roughly \$350,000 today.

While many believe the best days are over, skeptics have been [proven wrong](#) year after year. Canadian bank stocks continue to surge higher while delivering dividends between 4% and 5%. Sure, there likely isn't 100% upside with these stocks, but they're still positioned to generate double-digit returns for decades to come.

Whether or not you decide to purchase these stocks, it can pay off to understand what makes them so attractive. That way, you'll be prepared to capitalize.

Bulletproof business

RBC has a storied history. Founded in Halifax 155 years ago, the bank now serves more than 16 million clients with 80,000 employees. It has a dominant presence in Canada as well as 40 other countries.

The Canadian banking system is well regarded for its resiliency, especially in the face of global economic pressures. RBC is no exception. Consider the 2008 and 2009 financial crisis. In September of 2008, the company's stock price was \$45 per share. By September of 2009, the share price had *risen* to \$50 per share. Oh, and the company maintained a healthy dividend the entire time.

This performance is incredible. At the time, many U.S. banks were failing. Some went bankrupt. It took less than 12 months for RBC shares to recover from the collapse. International competitors like **Bank of America** and **Citigroup** still haven't fully recovered more than a decade later.

Today, RBC stock trades at just 12 times forward earnings. That's despite EPS growing by 13.6% annually over the last 10 years. Banks will always get pressured during a recession, but RBC has

proven capable of rebounding in record time. Its 4% dividend should be considered nearly bulletproof.

An even better deal

The story of Scotiabank should sound familiar. The company was able to fully recover from the 2008 and 2009 financial crisis in about 12 months. Since then, shares have been on a steady upward climb. There really is plenty of proof behind Canadian banks being globally respected for their resiliency.

Today, Scotiabank shares look like the better bet versus larger peers like RBC. RBC is valued at roughly \$150 billion. Scotiabank is only worth half that. Due to the laws of large numbers, it should be easier for Scotiabank to grow. RBC is simply too big to sustain above-average growth rates into perpetuity.

Scotiabank also looks like a better value. The dividend is higher at roughly 5%, and the valuation is cheaper at just 10 times forward earnings. With a payout ratio of only 50%, this stock gives you yet another bulletproof dividend at an even cheaper price.

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1. Editor's Choice

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