



## 2 Top Canadian Bank Stocks to Buy

### Description

The Canadian banking sector is almost synonymous with stability not just in North America, but also around the world. Apart from few European countries, Canada has by far one of the safest and most stable banking sectors around the globe. But stability isn't always synonymous with growth, and many stable blue-chip companies are better for dividends than they are for these capital growth prospects.

Thankfully, the Canadian banking sector offers a decent selection of both *if* you choose the right banks. The banking sector is highly consolidated, and even though digital banks and credit unions have grabbed sizeable portions of the market, they are crumbs compared to the whole pie that's the Big Six. And ironically, two of the most actively used digital/direct banks are wholly-owned subsidiaries of two of the Big Six.

While each of the big-six has its merits, if you are only limiting yourself to two, you would do well by choosing from both ends of the spectrum: the **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), which is the largest bank among the Big Six and **National Bank of Canada** ([TSX:NA](#)), the smallest of the Big Six.

### The largest bank in the country

The [Royal Bank of Canada](#) enjoyed a lot of time as the largest security on the **TSX**, as a proverbial "king" of the Canadian stock exchange. While it has been dethroned from that seat, it still retains the stability and reliability of the top security. It offers a moderately generous 3.2% yield, which was significantly more generous a while ago, but the current growth momentum has carried to its all-time high, leaving the yield behind.

The stock has grown 25% in 2021 alone, which might not seem much compared to other growth stocks, but if you compare it by RY's former modest growth pace, the current rate is remarkable. It has pushed the 10-year CAGR of RY to new heights (almost 15%) and the price tag into the expensively overvalued territory (compared to the banking sector as a whole).

But even at its current price, RY is a top bank stock to buy and hold for decades. Its impressive

presence in North America and strong capital appreciation prospects make it an ideal holding.

## The smallest bank of the Big Six

National Bank of Canada managed to retain its status as the [best growth stock](#) of the banking sector (if we go by the 10-year CAGR). Its year-to-date growth is significantly more impressive (38.1%), and it's not showing any signs of slowing down. The yield, however, has fallen to 2.8% thanks to the robust growth, but as it's a Dividend Aristocrat, you will see an increased payout for many years to come (hopefully).

The 10-year CAGR is currently at 15.8%, and even though much of it is thanks to the recent growth momentum, National Bank has always been a robust growth stock. And if you are worried about the yield, you might consider keeping an eye on the stock and waiting for an eventual correction. Then you might be able to grab the stock at a much more attractive price and with a better yield.

## Foolish takeaway

Both RY and NA can make powerful additions to your investment portfolio on both the growth and dividend front. While the price might be a bit high right now, if you are buying them purely from a growth perspective and for the long-term, consider making a move right away. But if you are buying them as both growth and [dividend stocks](#), a correction or a dip might get you a better yield.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

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

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