



The Best Bank Stock for 2022

Description

The Canadian banking sector has always been fertile ground for steady returns. Banks here are well-diversified, exposed to a real estate sector that's been booming for three decades, and offer robust dividend yields. In some ways, Canada's bank stocks offer the best passive income opportunity for long-term investors.

Most of the top banks are similar, but investors need to consider which one suits their investment objectives. Here's a closer look at Canada's top two bank stocks.

TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has an impressive track record when it comes to shareholder value.

TD Bank has held firm even on the record low-interest-rate environment that has made it difficult for banks to generate significant returns. The stock is up by more than 19% year to date, extending this bull run.

Apart from impressive stock performance, TD Bank has shown excellent operational efficiency metrics. This efficiency is likely to continue as Canada transitions from the low-interest-rate environment. Having maneuvered the pandemic environment well, the bank is well-positioned to continue growing for many years to come.

Strong earnings, impressive liquidity, and cash reserves are some of the factors that affirm TD bank as a solid play for anyone looking for exposure in the Canadian banking sector. The bank already pays a solid 3.8% dividend yield, perfect for anyone looking to generate significant passive income on the side. The dividend yield looks set to increase once the central bank starts raising rates and pulling back stimulus measures.

TD Bank stock is trading at a price-to-earnings multiple of 10 and a price-to-book ratio of 1.73.

RBC

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) has been a consistent market-beater over the years, which explains why it is Canada's largest bank. The stock is up by more than 20% for the year and 58% over the past five years.

After a tumultuous period characterized by record-low interest rates, the bank has remained true to its roots on consistent growth. While the Canadian banking sector might not be the fastest for growth, RBC has lived up to expectations.

RBC is not just Canada's largest bank but also one of the most diversified. The bank generates [about 58%](#) of its revenues in Canada, with the remaining coming from abroad and the U.S. accounting for about 20%.

The fact that it is geographically spread means it is well exposed to better growth opportunities. In addition, it offers more stability and a better physical footprint. A strong business banking segment is another attribute that makes it stand out.

Valuation

RBC bank is not cheap compared to its peers as it is trading with a trailing [price-to-earnings](#) multiple of 12. However, it is fairly valued given the tremendous opportunity for growth as the Canadian economy recovers from the pandemic and interest rates are poised to increase.

While RBC bank pays a lower dividend yield of 3.4% compared to 3.8% at TD Bank. However, it is still a solid pick for anyone looking to profit from consistent growth. The bank is also a safe bet for investors looking for a well-diversified financial giant.

Bottom line

Investors looking for a cheaper bank stock with better dividend yield should focus on TD Bank. But if you're looking for a well-diversified bank with more scale, RBC Bank is a better alternative.

CATEGORY

1. Bank Stocks

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. arosenberg
2. vraisinghani

Category

1. Bank Stocks

Date

2025/08/22

Date Created

2021/10/24

Author

vraisinghani

default watermark

default watermark