



2 Blue-Chip Bank Stocks Canadians Can Buy and Hold Forever

Description

Banks and financial institutions are critical to the economy. While the business they run might seem complicated, the basic idea or the commercial model is easy to understand. In recent months, Canadian bank stocks have lost momentum due to a variety of factors that include interest rate hikes, rising inflation numbers, geopolitical tensions, and more.

While an uptick in interest rates might lower a bank's lending activity, it should be offset by higher profit margins. Let's take a look at two [blue-chip bank stocks](#) investors can buy right now and benefit from compounded gains over time.

Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is the largest company on the TSX and is valued at \$186 billion by [market cap](#). In the last 10 years, RY stock has returned 236% to investors after adjusting for dividends.

In the fiscal Q1 of 2022 (ended in January), Royal Bank of Canada reported earnings of \$4.1 billion — an increase of 6% year over year. It was the bank's second-highest earnings on record, as pre-tax earnings also rose by 10% on the back of solid [client-driven volume growth](#) as well as record investment banking revenue and a stellar performance from the wealth management division.

Royal Bank of Canada reported a 17.3% return on equity, which combined with a robust capital ratio allowed the company to deploy capital efficiently. In Q1, it paid \$1.7 billion to investors via dividends and \$1.3 billion in the form of share buybacks. RY stock is down 11.5% from all-time highs but offers investors a tasty dividend yield of 3.75%.

The company ended Q1 with a CET1 ratio of 13.5%, which indicates it is equipped with \$13 billion in excess capital, given banks need to maintain a ratio of 11%. A higher CET1 ratio provides Royal Bank of Canada with the flexibility to invest in technology and accelerate the deployment of organic growth opportunities.

National Bank of Canada

One of the largest banks in the country, **National Bank of Canada** ([TSX:NA](#)) is valued at \$30 billion by market cap. In the last 10 years, NA stock has returned over 250% to investors, after accounting for dividend payouts. Right now, it's trading 13% below all-time highs, making it attractive to value and income investors.

In Q1 of fiscal 2022, National Bank reported a net income of \$932 million, or \$2.65 per share, compared to a net income of \$761 million, or \$2.15 per share, in the year-ago period. The bottom-line growth was attributed to stellar revenue metrics and the reversal of allowances for credit losses on non-impaired loans provided during the ongoing pandemic.

National Bank's income before provisions for credit losses stood at \$1.18 billion compared to \$1.04 billion in Q1 of fiscal 2021.

National Bank is forecast to report adjusted earnings per share of \$9.53 in fiscal 2022, indicating a forward price-to-earnings multiple of 9.5, which is quite reasonable given the company is estimated to expand earnings at an annual rate of 9.1% in the next five years. Further, it also offers investors a dividend yield of 3.9%.

An investment of \$20,000 in each of the two stocks will allow you to generate more than \$1,500 in annual dividends.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

PP NOTIFY USER

1. araghunath

2. kduncombe

Category

- 1. Bank Stocks
- 2. Investing

Date

2025/08/22

Date Created

2022/04/29

Author

araghunath

default watermark

default watermark