2 Bank Stocks That Have Thrived Since the 2008 Crisis

Description

The Canadian banks have been lauded for their safe approach to banking. This has allowed these banks to absorb major financial troubles in slightly better shape than their U.S. counterparts. The 2008 bailout for Canadian banks was a fraction of what the U.S. banks got to stay afloat.

Even more stringent policies have been set to ensure we don't repeat the mistakes that triggered the Great Recession and the subsequent market crash. Multiple steps were taken, and the Bank of Canada overhauled the entire monetary policy to make banking in Canada more secure.

One example of Canada's regulatory bodies' commitment to keeping the banks in check in the time of crisis was seen recently when the banks were forbidden from raising dividends and buying back shares during the pandemic by the Office of the Superintendent of Financial Institutions (OSFI).

It has been a combination of more stringent oversight as well as the Big Six's own safe approach to business that has allowed almost all of them to thrive after the 2008 crisis. But two banks (and their stocks) stand out from the rest.

The leader of the pack

From an investment perspective, few securities inspire as much confidence in Canadian investors as **Royal Bank of Canada** (TSX:RY)(NYSE:RY) does. It's not just the largest bank but also the largest publicly traded company in Canada, a stark contrast from the U.S., where tech giants dominate the top spots.

Royal Bank of Canada stock has performed exceptionally well since the 2008 crash. It started its recovery journey in the first quarter of 2009, and from that point to the first quarter of 2020 (before the pandemic-driven crash), the stock grew well over 260%. The bulk of that growth can be associated with the direct recovery from the crash, but the overall impact has still been phenomenal.

The dividend history has been quite stellar as well. The bank has raised its payouts by about 2.1 times alone in the last 10 years.

The smallest of the pack

National Bank of Canada (TSX:NA), the smallest and the most “local” bank in the Big Six, has been the most potent grower since the 2008 crisis. Its recovery between early 2009 and 2020 has been far more phenomenal — over 380%. It has easily been the best grower in the last decade, followed closely by the Royal Bank of Canada.

The bank has slightly different strengths than the others. Even though it’s more locally focused, about 15% of its revenue came from outside the country in 2021. Within the country, the largest chunk of its revenue comes from Quebec alone.

Its dividends have also been relatively safe and rewarding. Between 2012 and 2022, the payouts grew by about 2.2 times, and the payout ratio has only risen past 50% just once.

Foolish takeaway

Almost all Big Six banks are solid long-term investments, especially for the dividends. However, the two banks, on either end of the market capitalization spectrum of the group, stand out among the group for obvious reasons. Royal Bank is a safe, mighty giant with a good mix of dividends and capital-appreciation potential. National Bank is a robust grower.

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1. Bank Stocks
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