



2 Big Canadian Bank Stocks With Great Value Today!

Description

The big Canadian bank stocks tend to trade at slightly different valuations because of the intricacies of their different strategies and focuses. Here are two top Canadian bank stocks that offer some of the best value in the sector right now, starting with the largest bank by market cap, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)).

Royal Bank of Canada stock

RBC takes a leading position with a market cap of about \$185 billion. It has built a diversified business that delivers solid long-term results. Last quarter, its personal and commercial banking segment brought in \$4.7 billion in revenues, its wealth management segment generated \$3.6 billion, and its capital markets business generated \$2.3 billion.

For the first half of the fiscal year, Royal Bank experienced solid earnings-per-share (EPS) growth of 7% to \$5.80 as well as a decent return on equity (ROE) of 17.9%. The company just raised its quarterly dividend by 6.7%. And its fiscal 2022 payout ratio is estimated to reach roughly 44%, which is healthy.

RBC stock's long-term normal valuation based on the price-to-earnings ratio (P/E) is about 12. Trading at about 11.8 times earnings, the stable dividend stock is fairly valued. Management targets a medium-term EPS growth rate of 7%. Its 3.9% dividend yield also adds to total returns. Assuming no valuation change, the dividend stock can deliver annualized returns of approximately 10.9% in the long run.

Up next is **National Bank of Canada** ([TSX:NA](#)), which is the smallest of the Big Six Canadian bank stocks.

National Bank of Canada stock

National Bank's revenues are diversified across the segments of personal and commercial banking (41% of 2021 revenues), wealth management (24%), financial markets (24%), and U.S. specialty finance and international (11%). Geographically, it is focused on the province of Quebec (52% of 2021

revenues), other Canadian provinces (33%), and outside Canada (15%). Last quarter, it brought in adjusted revenues of almost \$2.5 billion.

For the first half of the fiscal year, National Bank experienced top-notch earnings-per-share (EPS) growth of 18% to \$5.19 with an industry-leading ROE of 21.2%. The company also raised its quarterly dividend by 5.7%. Its fiscal 2022 payout ratio is estimated to hit roughly 36%.

National Bank stock's long-term P/E is about 10.7, but in the past five years, the multiple has bumped up to 10.9. This suggests investors are better recognizing the quality of the higher-growth bank. Trading at about 10.3 times earnings, the solid stock is fairly valued. In the past five and 10 years, the bank increased its EPS at a compound annual growth rate (CAGR) of 15.6% and 9.9%, respectively.

Assuming no valuation change, a 7% EPS growth rate going forward, and a safe yield of about 3.8%, the dividend stock can deliver annualized returns of approximately 10.8% in the long run. If the bank grows at a faster rate, the stock should deliver even stronger total returns.

Foolish investor takeaway

You can't go wrong pecking at the big Canadian bank stocks on market corrections. They have delivered safe and growing dividends for a very long time. When it comes to buying these solid dividend stocks, time in the market can bring almost certain wealth creation from passive income and price appreciation long term. If you're looking for some of the best-valued [bank stocks](#), take a deeper dive into RBC and National Bank today.

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