



## Want Enduring Value-for-Money? Pick 1 of 2 Big Bank Stocks

### Description

Many investors react to macroeconomic events or market conditions by moving money away from one sector and into another. However, if your stock holdings include the **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) or **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), there's no need to panic or act at all.

The two Canadian [Big Bank stocks](#) are staples in any investment portfolio. Both have endured countless economic downturns and the harshest of recessions, yet they remain formidable as ever. Besides financial stability and strength, the dividend track records of these [blue-chip assets](#) span more than 100 years. Buy either one today, and sleep easy for years.

### Size and scale

RBC is not only the country's largest bank but also the most valuable and strongest brand. The \$178 billion bank ranks number one on [Brand Finance's Canada 100 2022](#). Big Banks perennially rank high on the list, although RBC and BNS are only two among six peers with double-digit growth in 2020.

Its President and CEO, Dave McKay, said, "In an uncertain world, we continue to operate from a position of strategic and financial strength. Looking ahead, our size, scale, and diversified business model will continue to create value for our clients, communities, and shareholders."

In Q3 fiscal 2022, net income fell 17% to \$3.6 billion versus Q3 fiscal 2021. However, alarm bells aren't ringing as RBC's capital position remains robust. The bank's Investor & Treasury Services reported the highest net income growth (up 86% to \$76 million) due to higher client deposit revenue.

As of July 31, 2022, the Common Equity Tier 1 (CET1) ratio is 13.1%. The bank facilitated strong client-driven organic growth and return of capital to shareholders through common share dividends (\$1.8 billion) and share buybacks (\$1.3 billion). RBC has a \$66 billion buffer over the regulatory minimum. Also, the large client deposit base can fund organic loan growth in the personal and commercial banking businesses.

## Better growth prospects

The Bank of Nova Scotia's net income in Q3 fiscal 2022 rose 2% year-over-year to \$2.59 billion due to the 14% loan growth in the Canadian banking division. Its CEO, Brian Porter, said, "The boost in lending came as corporate and consumer financial health showed continued strength."

Porter adds, "The macroeconomic backdrop of our key geographies remains positive as economies begin to stabilize following a unique confluence of events." But in light of economic uncertainties, BNS took appropriate action by increasing its provisions for credit loss (PCLs) by 8% to \$412 million.

Another highlight during the quarter was the strong consumer finances, notwithstanding inflationary pressures. BNS' average deposits went up 14% compared with pre-pandemic levels, while retail delinquency rates were half that of the pre-pandemic ratio.

Some market analysts believe BNS has better growth prospects than RBC because of the bank's exposure to emerging and Latin American markets. They said the outlook is bright for these markets in the second half of 2023.

## Hold forever

RBC trades at \$126.45 per share and pays a 4.05% dividend, while BNS is cheaper (\$71.25) and more generous (5.78%). While the share price and dividend yield are important considerations, one thing is for certain – you can buy either Big Bank stock today and hold them forever.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:RY (Royal Bank of Canada)

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