Which of the Big 5 Canadian Banks Should You Own?

Description

Two giants among heavyweights

Toronto Dominion Bank (TSX:TD)(NYSE:TD), and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) are the two banks that rise to the top among the Big Five banks in Canada. There is certainly an argument to be made that any of the major banks in Canada could prove to be solid long-term investments, providing both capital gains and solid dividend growth, but both TD and Royal have clear characteristics that make them more promising investments.

Not only do both banks hold the most assets (only two banks to have assets in the trillions), but they both have impressive growth rates and great dividend track records.

Impressive growth rates

TD and Royal have continually enjoyed solid revenue growth and income growth that outpaces the other large banks in Canada. Over the past three years, TD and Royal have had income growth of 10.5%, and 8.1%, respectively. Although some of the other big banks are in similar realms, TD and Royal consistently post the highest numbers with regards to revenue growth.

Let this fact sink in.

When looking at revenue growth and net income growth over a three-year, five-year, and 10-year period, both TD and Royal have the highest numbers in all of those time frames. This is important, because higher revenue growth generally means banks are attracting more customers, acting on new opportunities, and expanding their boundaries.

The other significant detail within these financials is that they are over both a short and long period of time, showing that both banks have been doing a great job of growing their revenues and bottom lines for significant periods of time.

Solid dividend yields

While slightly below both **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Bank of Montreal** (TSX:BMO(NYSE:BMO), which both have dividend yields of approximately 3.8%, both TD and Royal retain very respectable yields of roughly 3.5%. More importantly, TD and Royal have the highest five-year dividend-growth rates at 10.8% and 8.8%, respectively. This shows that both TD and Royal not only consistently pay out healthy dividends, but that they are also both increasing their dividends at the highest rate among big banks in Canada.

The one bank I have not mentioned yet with regards to dividend yield is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). CIBC currently has a dividend yield around 4.67%. Wow; that's significantly higher than either TD or Royal! Why shouldn't this be the stock to choose then?

Well, CIBC also has the lowest one-year return of the five banks, the lowest revenue growth over the past three-, five-, and 10-year time frames, and the lowest total assets of any of the banks. So, although CIBC has a higher current yield, I would eliminate this bank based on the other financials just mentioned. CIBC has not been able to show that it can grow its revenues or dividend at the same pace as either TD or Royal.

Which company should you bank on?

At the end of the day, all of the major Canadian banks are fairly solid investments. However, if you are to choose one or two elite banks among the five major companies, I would suggest investing in TD and/or Royal. Any investor looking at solid blue-chip stocks knows that dividend growth as well as having the ability to steadily increase revenue growth are paramount characteristics.

Both TD and Royal grow their revenue and net income at higher levels than the other banks, and both have the highest dividend-growth rates among the major banks. It's safe to say that you can bank on these two companies to provide you with a healthy long-term return.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CM (Canadian Imperial Bank of Commerce)
9. TSX:RY (Royal Bank of Canada)
10. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/08/24
Date Created
2017/06/09
Author
szeagman