3 Bargains in the Banking Industry

Description

As value-conscious investors, we are always on the lookout for high-quality stocks that are on sale, and the recent downturn in the market has created a plethora of opportunities. Let's take a look at three bank stocks that have fallen over 10% year-to-date, and are now trading at very inexpensive valuations compared with both their five-year and industry averages, so you can decide which would fit best in your portfolio.

1. Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is the third-largest bank in Canada, with approximately $863.1 billion in total assets. Its stock has fallen over 10% year-to-date, including a decline of over 7% in the last three months.

At today's levels, Bank of Nova Scotia's stock trades at just 10.6 times fiscal 2015's estimated earnings per share of $5.59 and only 9.9 times fiscal 2016's estimated earnings per share of $6.03, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.7 and the industry average multiple of 12.1.

In addition, Bank of Nova Scotia pays a quarterly dividend of $0.70 per share, or $2.80 per share annually, giving its stock a 4.7% yield. Investors should also note that it has increased its dividend for five consecutive years.

2. National Bank of Canada

National Bank of Canada (TSX:NA) is one of the 10-largest banks in Canada, with approximately $215.6 billion in total assets. Its stock has fallen over 15% year-to-date, including a decline of over 11% in the last three months.

At today's levels, National Bank's stock trades at just 8.9 times fiscal 2015's estimated earnings per share of $4.73 and only 8.6 times fiscal 2016's estimated earnings per share of $4.89, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.2 and the industry average multiple of 12.1.

Additionally, National Bank pays a quarterly dividend of $0.52 per share, or $2.08 per share annually, which gives its stock a 5% yield. It is also important to note that the company has increased its dividend for five consecutive years.

3. Canadian Western Bank

Canadian Western Bank (TSX:CWB) is one of the largest banks in Canada's four western provinces, with approximately $22.3 billion in total assets. Its stock has fallen over 21% year-to-date, including a decline of over 7% in the last three months.

At today's levels, Canadian Western Bank's stock trades at just 9.9 times fiscal 2015's estimated earnings per share of $2.61 and only 9.5 times fiscal 2016's estimated earnings per share of $2.72, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.7 and the industry average multiple of 12.1.

In addition, Canadian Western Bank pays a quarterly dividend of $0.22 per share, or $0.88 per share annually, giving its stock a 3.4% yield. Investors should also note that it has increased its dividend for 23 consecutive years.

Which of these banks belong in your portfolio?

Bank of Nova Scotia, National Bank of Canada, and Canadian Western Bank are three of the top value plays in the banking industry today, and all have the added benefit of dividend yields of over 3%. Foolish investors should strongly consider making one of them a core holding.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CWB (Canadian Western Bank)
4. TSX:NA (National Bank of Canada)

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