



## Ranking Canada's Top Banking Stocks for 2020 (Part 2)

### Description

Yesterday, we looked at the bottom half of Canada's Big Banks. This past year was a difficult one for the industry and even some of the top performers have slipped.

There are however, some banks that stand out more than the others. Below are the three top-ranked banking stocks for 2020.

### #3 – Toronto-Dominion Bank

It's been a decidedly uncharacteristic off year for **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), which was performing inline with the average until the last quarter. Since announcing fourth-quarter- and year-end results, however, it's been the worst performer of the Big Banks.

This is uncharted territory for TD Bank shareholders. Over the past five- and 10-year periods, TD Bank has been one of the best-performing banks in the country.

It also holds the highest dividend growth rate of the group — and is deserving of its premium valuation. Unfortunately, like Royal Bank, it's been disappointing investors as of late, so why rank it ahead of the biggest bank in the country?

Toronto-Dominion still has the second-highest expected five-year average earnings growth rate (5.95%) with one of the lowest dividend payout ratios.

It's also a dividend growth leader, and its exposure to the U.S. market is second to none. Given this, TD Bank's prospects are still above average.

### #2 – Bank of Nova Scotia

Somewhat surprisingly, one of Canada's worst-performing banks over the past few years, is among the best banks to buy heading into 2020. As its peers have struggled to end the year, the **Bank of Nova Scotia**

([TSX:BNS](#))([NYSE:BNS](#)) has been [showing strength](#).

In fact, it's on track to close out the year as one of Canada's best banks in terms of performance. Looking forward, the streamlining of its international operations will continue to drive this outperformance.

Whereas coverage on most of the Big Six is relatively mixed, analysts are overwhelmingly bullish on the company, with 13 out of 16 rating it a "buy."

It has the second-highest yield, and should it continue to successfully execute on its strategy, it has the potential to be one of the few banks to exceed growth estimates.

In order to be deserving of this spot, it's all about executing on its refocused international strategy. Execute well and there is no doubt that the company will deliver.

If it missteps however, it can once again find itself among the worst-performing banks. Consider Bank of Nova Scotia a bank with the highest risk and highest reward potential.

## #1 – National Bank of Canada

The top bank heading into 2020 is none other than **National Bank of Canada** ([TSX:NA](#)). Often ignored by the broader market in favour of the Big Five, the sixth-biggest bank in Canada has been quietly eating everyone's lunch.

In what has been a down year for the sector, National Bank has [crushed the competition](#) with returns of 27.84%.

This is more than double that of its closest peer, Bank of Nova Scotia. Over the past two- and five-year periods, it has also outperformed the Big Five by a fairly significant margin.

Looking forward, investors can expect this outperformance to continue. It has the highest expected five-year annual earnings growth rate (7.20%), 125 basis points higher than TD Bank, which has the second-highest expected growth rate.

National Bank also has the lowest payout ratio on a forward 12-month basis and as such, is poised to maintain an above average dividend growth rate.

It's time that National Bank is recognized as one of Canada's best.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TD (The Toronto-Dominion Bank)

3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:NA (National Bank of Canada)
5. TSX:TD (The Toronto-Dominion Bank)

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