



3 High-Yield Bank Stocks to Buy Right Now

Description

Bank stocks might not attract you, but their high yields can. While I admit that low interest rates and high provisions aren't a friendly environment for banks to operate, it doesn't indicate that bank stocks are not worth investing in.

The large Canadian banks are well capitalized and could easily navigate the current crisis. Moreover, they offer lucrative yields that are safe and sustainable in the long run. So, if you're [looking for a strong passive income](#) and want to benefit from capital appreciation along the way, invest in these three high-yield bank stocks right now.

Bank of Montreal

When it comes to dividends, trust **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) stock. It has the longest dividend payment history of 191 years. Its dividends have grown at a CAGR (compound annual growth rate) of over 6% in the last 15 years.

The bank's ability to generate strong net earnings through higher loans and deposits and efficiency improvements has helped Bank of Montreal to pay dividends since 1829. While near-term challenges are taking a toll on its net earnings, its payouts are pretty safe.

Bank of Montreal's interest-bearing assets continue to grow at a modest pace, despite the tough operating environment. Meanwhile, its strong deposits base is encouraging. The bank is well capitalized, and its target payout ratio of 40-50% is sustainable in the long run.

The bank currently offers a high yield of 5.7%. Further, its stock has declined over 26% year to date, providing a good entry point for long-term investors.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a must-have bank stock in your portfolio to squeeze

high-yields. Though the bank has temporarily stopped any dividend hikes amid the COVID-19 outbreak, its yield of 5.3% still looks attractive and is safe.

The bank's consistent earnings growth and robust risk management has enabled it to pay dividends for 164 years. Moreover, in the last 20 years, Toronto-Dominion Bank's dividends have increased by an [annualized rate of 10%](#).

The bank's retail focus business model supports earnings growth and minimizes risk. Steady growth in loans and deposits support its net interest income.

Investors should note that Toronto-Dominion Bank's high-quality balance sheet, strong capital positioning, and diversified revenue channels should continue to support its payouts. Moreover, improved loans and deposit volumes and higher activity in the wealth and insurance businesses should help the bank to weather the crisis easily.

Royal Bank of Canada

With an annualized yield of 4.6%, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is among the top Canadian banks offering high and safe yields. Similar to its peers, the bank also has a long history of consistently increasing its dividends. Investors should note that Royal Bank of Canada's dividend has grown at a CAGR of 7% in the past decade.

Despite challenges, Royal Bank of Canada's loans and deposits showed healthy growth in the most recent quarter. Besides, the bank is well capitalized with its capital ratios remaining well above the regulatory requirements.

With sustained momentum in interest-bearing assets and improved efficiency, Royal Bank of Canada's dividend payout is safe.

Bottom line

Investors should note that these three Canadian banks should weather the current crisis easily and maintain their payouts. The recent pullback in their stocks and a gradual increase in economic activities suggest that investors are likely to see an increase in their investment value over time.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:RY (Royal Bank of Canada)

6. TSX:TD (The Toronto-Dominion Bank)

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