8 Top TSX Bank Stocks to Buy in August 2020

Description

If you're interested in bank stocks, then you've come to the right place. We asked our Foolish writers to give their opinions on eight of Canada's largest players in the industry, so let's take a look at what they had to say about each:

Jitendra Parashar: Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is my top banking sector pick in August. The largest Canadian bank has a whopping market cap of $133.5 billion. The unprecedented COVID-19 crisis has affected RBC's risk profile by overburdening it with a huge provision for credit losses. As a result, its interest income from loans fell by 11% year over year that led to a 54% decline in its bottom line to $1.5 billion in Q2 (ended April 2020). These challenges also badly affected its adjusted net profit margin as it fell to 14.3% in the last quarter as compared to a solid 28% a year ago.

Despite the ongoing industrywide challenges, its reliable business model with a wide range of financial offerings, strong balance sheet, and resilient cash flows allows RBC to enjoy a wide moat. Its management's years of focus on building up capital buffers is likely to help the bank remain largely unaffected by temporary periods of financial instability and continue paying high dividends to its investors. The bank currently has a solid 4.61% dividend yield.

Gradually rising economic activities across North America should support a fast recovery for RBC in the coming quarters. These are some of the key reasons you may want to buy its stock right now.

Fool contributor Jitendra Parashar has no position in any of the stocks mentioned.

Karen Thomas: Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has a strong culture of conservatism that mitigates its risk in any crisis. It also has a strong culture of driving efficiencies, which has been a catalyst for the bank's industry-leading ROE. These are the reasons why TD Bank is my top bank stock pick.

Today, TD Bank is yielding 5.26%. While the bank faces difficult times ahead, we can look to the 2008 financial crisis to gain perspective. Back then, TD Bank stock fell 50% in a matter of 9 months. This was a financial crisis, with some banks around the world going under. Toronto-Dominion Bank not only survived the crisis, but it thrived afterward.

TD Bank stock is down roughly 20% since before the coronavirus crisis. It entered this crisis with significant capital and liquidity. The banking industry will be an essential part of economic recovery. TD Bank has built long-term relationships with its customers, and it will help lead the way in an economic recovery.

Fool contributor Karen Thomas owns shares of Toronto-Dominion Bank.

Kay Ng: Bank of Nova Scotia

Similar to the other banks, the near-term performance of **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is hit by COVID-19 disruptions to the economy, including government-mandated closures.

The most impacted are the office and retail real estate, hospitality and leisure, air travel industries. Close to 4.7% of the bank's loans are in these industries.

Scotiabank estimates that the Canadian and the U.S. economy will rebound quicker than the Pacific Alliance countries (PACs). However, the PACs' banking penetration is only about 50%. So, they should deliver long-term growth.

Because of the negative outlook this year, BNS stock trades at a discount of about 33% from its normalized levels and offers a boosted yield of nearly 6.5%. It is a good time for long-term investors to accumulate quality bank shares.

Fool contributor Kay Ng owns shares of Bank of Nova Scotia.

Sneha Nahata: Bank of Montreal

As record low interest-rate environment and higher provision for credit losses continue to pose challenges, **Bank of Montreal's** (TSX:BMO)(NYSE:BMO) diversified business mix positions it well to weather the crisis. Its ability to drive loans and deposits and continued efficiency improvement suggests that it could outperform peers in the coming quarters.

Further, the bank is well-capitalized with all of its capital ratios remaining well above the minimum regulatory requirement and offers a high dividend yield.

With the uptick in economic activities, its personal and commercial banking segment is likely to drive core profitability and revenue growth through higher credit offtake, strong deposits base, and new customer additions. Besides, its investments in the digital channel should drive strong growth in account acquisition.

Its stock has corrected by more than 26% this year and presents a good entry point. Further, an attractive yield of 5.7% provides another reason to own Bank of Montreal stock.

Fool contributor Sneha Nahata has no position in any of the stocks mentioned.

Kyle Walton: Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the smallest of the Big Five Canadian banks. However, CIBC's conservative exposure to the hardest-hit sectors of the economy should position the bank well for the remainder of 2020.

For example, CIBC maintains very low loan exposure to the retail sector. The retail sector has been decimated with in-person traffic plummeting due to stay-at-home orders. CIBC has the lowest exposure to the retail sector among the Big Five Canadian banks. Approximately 3% of CIBC's loan portfolio is allocated to retail companies, compared to as much as 12% at other Big Five Canadian banks.

CIBC also pays a quarterly dividend of $1.46 per share, which results in a starting yield of over 6% at current prices. CIBC should easily be able to maintain the dividend going forward given the bank's low exposure to the hardest-hit sectors of the Canadian economy.

Fool contributor Kyle Walton has no position in Canadian Imperial Bank of Commerce.

Stephanie Bedard-Chateauneuf: National Bank of Canada

National Bank of Canada (TSX:NA), Canada's sixth-largest bank, is my top bank stock to buy in August.

National Bank is a great stock for dividend lovers, as it is increasing its dividend regularly. Indeed, the bank has increased its dividend for 10 consecutive years. The average dividends per share growth rate was 8.5% per year over the past 10 years. National Bank's stock currently has a dividend yield of 4.5%. It's also quite cheap, with a trailing P/E of 10.5.

The COVID-19 crisis weighed on the bank profits, which were down 32% in the second quarter of 2020. Despite everything, the bank increased its revenues by 15%.

National Bank recently created the National Bank SME Growth Fund, L.P., in equal partnership with the Government of Quebec. The Fund will support Quebec's economic recovery and the digital transformation of its SMEs.

Fool contributor Stephanie Bedard-Chateauneuf owns shares of National Bank of Canada.

Andrew Button: Laurentian Bank of Canada

If you have a strong stomach and an appetite for risk, **Laurentian Bank of** Canada (TSX:LB) could be one bank stock to consider.

Laurentian Bank got hit harder than most of its peers in the second quarter, posting a 79% decline in net income. Along with the earnings decline came a dividend cut, which sent shares tumbling.

However, Laurentian Bank's revenue actually increased in Q2, compared to both the previous quarter and the year-before quarter. The loss was mostly due to PCL, which increased from $15 billion to $55 billion. If the expected losses do not materialize then Laurentian Bank will be able to lower its PCL, resulting in higher earnings.

If you can handle the risk involved, this could be a worthy beaten-down play.

Fool contributor Andrew Button has no position in any of the stocks mentioned.

Jed Lloren: Canadian Western Bank

When discussing Canadian banks, many investors are quick to turn to the Big Five. However, there are excellent companies outside of that group. As its name suggests, **Canadian Western Bank** (TSX:CWB) is most prominent in the western provinces.

According to its 2019 annual report, 33% of its clients (by revenue) reside in British Columbia, 32% in Alberta, and 8% in either Saskatchewan or Manitoba. Only 27% of its clients reside in Ontario and the other eastern provinces. The company stated that it plans to focus growth in this portion of its business moving forward.

Canadian Western Bank is a well sought-after dividend company. It claims the fourth-longest active dividend growth streak in Canada (28 years). It also has a low payout ratio (37.46%) which suggests that it has room to grow its distribution in the future.

Fool contributor Jed Lloren has no position in the companies mentioned.

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