3 TSX Bank Stocks With Dividend Yields Above 5%

Description

There are a select few stocks on the **TSX** that will always be long-term favourites. The top TSX bank stocks are always high on that list. Investors love Canadian bank stocks for their long-term performance and impressive stability.

The Canadian banking system is renowned around the world for being one of the safest. This is important both for Canadian depositors and investors, entrusting their hard-earned capital.

Bank stocks are also great long-term investments. Banking is at the centre of the economy, so with an ever-growing country like Canada, it's natural that these companies will have huge runways for growth.

That's why every investor should have a good amount of exposure to these bank stocks. It's important to find the best companies — ones that offer you high-growth potential in addition to an attractive dividend.

Here are three of those top TSX bank stocks, which yield more than 5% today.

Bank of Nova Scotia: A stock for value investors

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is the first stock to consider. The company offers more value for investors, as its stock is trading roughly 27% off its 52-week high.

The reason for the discount is, Scotiabank is seeing more of an impact than many of its peers. This is mostly due to its international segment with its operations in the Caribbean. While all of its business segments remained profitable in its most recent quarter, international was barely above water.

This is something the Street is clearly concerned with, which is why Scotiabank is trading at a bigger discount than most peers.

Despite these risks to the company's profit in the short term, its dividend, which yields roughly 6.4%, is still safe. Scotiabank has seen its payout ratio climb in recent quarters; however, it's still only 65% for the trailing 12 months.

Analysts have five buys and five holds for Scotiabank with a target price of $62 — a 10% premium from Thursday's closing price.

Combine that 10% capital appreciation potential with its 6.4% dividend, and that's an attractive 16% return over the next 12 months.

Canadian Imperial Bank of Commerce: A resilient stock for investors

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has been a lot more resilient than its peers. This is due to it having so much revenue coming from Canada, in contrast to Scotiabank.

Today, the stock is down just 12% from its 52-week high, showing just how well it's held up in 2020. CIBC is a great choice, not only because it's proven to be resilient, but it's also a company with a history of strong execution.

In the past, it's lagged some of its peers in customer satisfaction and market share, but CIBC has improved a lot of that considerably in the last few years, showing how well it can transition when it needs to.

The stock pays an incredibly safe 5.75% dividend that's had a payout ratio of just over 60% in the trailing 12 months.

Analysts have five buys and five holds on CIBC with a $110 target price — an 8.4% premium from Thursday's price. Although that may not seem like that much, when combined with its 5.75% dividend, CIBC offers a roughly 14% return over the next 12 months.

Bank of Montreal: Exposure to U.S. banking

Bank of Montreal (TSX:BMO)(NYSE:BMO) is a good compromise if you want a little more value than CIBC but less uncertainty from international operations than Scotiabank. The stock is down 20% from 52-week highs, offering a fairly reasonable discount.

BMO has handled the pandemic relatively well, increasing its pre-provision, pretax earnings in its most recent quarter. The stock is attractive because, in addition to its Canadian business, BMO has exposure to the U.S. markets. This offers it diversification and more growth potential.

The stock's dividend-payout ratio remains resilient, coming in at less than 60% for the trailing 12 months.

Analysts have three buys and seven holds on BMO with an average target price of $87. That’s a 5% premium to Thursday’s closing price. Combine that with its 5.1% dividend, and the stock offers justover 10% upside in the next 12 months. However, I would expect the target price to improve as we getmore clarity on the Canadian economy’s recovery.

Bottom line

Any well-diversified portfolio should include TSX bank stocks. So, if you’re looking for quality businesses that offer attractive passive income, these are your best bets today.

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
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