



2 Undervalued Bank Stocks to Buy Now

Description

With the worst likely to be over, the interest in bank stocks could increase. I remain bullish on banks, as the credit performance is expected to improve, reflecting the uptick in economic activities and positive vaccine data. Initiatives to control expenses and a sequential decline in provision for credit losses are likely to support profitability.

Let's focus on two top TSX bank stocks trading at a discounted valuation compared to peers and offer good value at the current levels.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) stock has recouped all of its losses and is now trading in the positive territory. Despite the steep recovery in its stock, Bank of Montreal is trading at a discounted valuation compared to its peers.

Bank of Montreal stock is trading at a price-to-tangible book value of 1.5, reflecting a discount of 21% compared to the peer group average of 1.9. Bank of Montreal's low valuation and diversified business mix position it well to benefit from the improving outlook.

Sustained momentum in Bank of Montreal's personal and commercial banking segment, strong deposit base, credit offtake, and acquisition of new clients are likely to push its stock higher. It remains well capitalized and is focusing on expense rationalization.

Bank of Montreal is also known for its robust dividend payments. It has been paying dividends for the past [191 years](#). Meanwhile, its dividends have grown at a compound annual growth rate of 6% in the past 15 years.

Bank of Montreal's low valuation, strength in the core business, and an attractive dividend yield of 4.4% make it a top bank stock to buy and hold for strong returns.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is another top stock offering great value and income. The reopening of the economy and positive development on the COVID-19 vaccine front led to a healthy recovery in its stock. However, it's still trading at a discount compared to peers.

It is trading at a price-to-tangible book value of 1.6, reflecting a discount of 20% compared to the peer group average. It offers an [attractive dividend](#) yield of 5.6%.

Bank of Nova Scotia's diversified geographic footprint, exposure to high-quality growth markets, and sustained momentum in the core business are likely to drive its financials. Meanwhile, continued growth in loans and deposits and stable P&C (personal & commercial) banking and wealth business should help it navigate the current crisis.

Thanks to its high-quality earnings base, Bank of Nova Scotia has raised its dividend in 43 of the past 45 years. It has been paying dividends since 1833.

Final thoughts

Shares of both these Canadian lenders look appealing at the current levels. Not only are these bank stocks trading at discounted valuations compared to peers, but they are also trading at lower multiples when compared to their historical average.

Besides offering great value, both these banks are expected to boost shareholders' returns through consistent dividend payments. With the improving operating environment, investors can expect continued dividend hikes in the coming years.

CATEGORY

1. Bank Stocks
2. Coronavirus
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4. TSX:BNS (Bank Of Nova Scotia)

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