3 Top TSX Bank Stocks You Can Buy Right Now

Description

I see an opportunity to buy into top **TSX** bank stocks, as Canadian banks are likely to make a strong comeback in 2021 on an expected improvement in economic activities. I believe the vaccine distribution could lead to an uptick in economic revival and drive loans and deposit volumes.

As the net interest income (NII) of the banks rises on loan book expansion, the reduction in loss provisions and expense management is likely to lead to improved earnings.

Here are the top three TSX-listed bank stocks that could outperform the benchmark index in the coming quarters.

Royal Bank of Canada

Speaking of top bank stocks, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) should be on your buy list. The bank's industry-leading market share, strong balance sheet, and diversified earnings sources position it well to benefit from the economic recovery.

With the improvement in loans and deposit volumes, Royal Bank of Canada's NII could improve, despite the low-interest-rate environment. Meanwhile, the expected increase in non-interest income, operational efficiency, and lower provisions are likely to support profitability.

Royal Bank of Canada's net income improved both sequentially and on a year-over-year basis during Q4. Moreover, its pre-provision, pre-tax (PPPT) earnings also improved during the last reported quarter.

Notably, Royal Bank of Canada is also known for robust dividend payments. The bank has raised its dividends at a CAGR (compound annual growth rate) of 7% in the past 10 years. Meanwhile, it offers a decent dividend yield of 4.1%.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) looks attractive investment, thanks to the expected improvement in the operating environment. Its loans and deposits are likely to improve. Meanwhile, its bottom line could benefit from lower provisions and improving efficiency ratio.

The bank impressed with its recent financial performance. Its provision for losses improved sequentially. Meanwhile, its efficiency ratio improved by 160 basis points.

While the expected improvement in its operating and financial performance is likely to drive its stock higher, its low valuation makes it appealing. Bank of Montreal trades at a significant discount when compared to peers. Moreover, it offers a dividend yield of 4.4%.

Scotiabank

Like Bank of Montreal, **Scotiabank** (TSX:BNS)(NYSE:BNS) also looks attractive on the valuation front. Its P/B ratio remains about 20% lower than the peer group average. Meanwhile, the uptick in credit demand and improvement in the economy is likely to give a significant boost to Scotiabank stock, thanks to its diversified exposure to high-growth markets.

Besides offering value and growth, Scotiabank is known for its stellar dividend payments. Scotiabank's dividends have grown at a CAGR of 6% over the past decade. Meanwhile, its high-quality earnings base suggests that the bank would continue to increase its dividends further in the coming years.

Scotiabank's growing scale, strong credit quality, and market share gains in the core market positions it well to deliver healthy earnings in the coming years. Meanwhile, Scotiabank's investors could continue to gain from its high yield of 5.3%.

Bottom line

The economic recovery is likely to give a significant boost to these bank stocks. Meanwhile, investors are expected to benefit from the consistent dividend payments and high yield amid a low-interest-rate environment.

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:RY (Royal Bank of Canada)

4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
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