3 Top Dividend-Paying Bank Stocks To Buy Now for 2021

Description

I remain upbeat on the top Canadian bank stocks and expect them to deliver stellar returns in 2021 and beyond. I believe the economic expansion and rise in consumer demand to support the uptrend in bank stocks. Further, a sharp reduction in credit provisions and improving efficiency could drive profitability and support higher dividend payments.

Here are the three top bank stocks that could deliver impressive returns in the coming years. Further, these banks offer healthy dividend yield and are trading at fair valuation multiples.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) has consistently delivered strong financial results. Meanwhile, its stock has appreciated by over 44% in the last six months. I believe the reopening of the economy and improving demand could continue to drive its high-quality earnings base and support the uptrend in its stock.

During the most recent quarter, the bank delivered 26% growth in its adjusted net income, driven by solid growth in its loans and deposit volumes and tight expense management. Further, its provisions for credit losses declined significantly, which further cushioned its bottom line.

I expect the expansion of its loan portfolio, higher deposit volumes, improving operating leverage, and lower provisions could drive its earnings and future dividend payments. The bank could continue to boost its shareholders' returns via share repurchases and higher dividend payments. Bank of Montreal also looks attractive on valuation, as it is trading at a P/BV (price-to-book value) multiple of 1.4, which is lower than its peers.

Toronto-Dominion Bank

Shares of **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) have gained over 39% in six months and are likely to deliver impressive returns in 2021 and beyond, benefiting from the recovery in demand and its diversified business model.

The bank delivered 10% growth in its adjusted earnings during the most recent quarter. A sharp decline in provisions for credit losses, higher loans and deposits, and increased fee-based income cushioned its bottom-line growth.

Toronto-Dominion Bank also has a long history of paying dividends. It has paid dividends for 164 years, while its dividends have grown at a compound annual growth rate (CAGR) of 11% in the past 25 years, which is higher than its peers. With an improving operating environment, the company could continue to enhance its shareholders' returns through higher dividend payments. Meanwhile, it's currently offering a healthy dividend yield of 3.8%.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) stock has delivered impressive returns and has gained over 40% in six months on hopes of economic recovery and improvement in demand.

Despite the recent buying in its stock, Scotiabank trades at a lower valuation than the peer group average and looks attractive at the current levels. Besides, Scotiabank has consistently paid dividends since 1833 and has increased it at a CAGR of 6% since 2009, thanks to its diversified revenue streams and high-quality earnings base. Currently, Scotiabank offers a healthy yield of 4.7%.

I believe the bank could continue to deliver stellar revenues in the coming quarters, driven by the uptick in its loan portfolio, higher deposit volumes, and exposure to high-growth markets. Further, reduction in credit provisions, operating leverage, and strength in digital business are likely to accelerate its growth and cushion its bottom line.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:TD (The Toronto-Dominion Bank)

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