3 TSX Bank Stocks With Attractive Dividend Yields

Description

Stocks that are part of the Canadian banking sector are well known for their strong balance sheets and robust financials. These companies came out relatively unscathed from the financial crisis of 2008 and have staged a strong comeback amid COVID-19 as well, making them stellar bets for long-term investors.

Further, these TSX stocks also pay a tasty dividend yield, making them ideal for income-seeking investors. Last year, bank stocks were not allowed to raise dividend payments, as they had to adhere to certain capital requirements. However, these limits have been withdrawn, which means investors should now brace for tasty dividend increases in the near term.

Let's see three such dividend-paying stocks part of Canada's banking sector.

TD Bank

One of the largest companies in Canada, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is also the fifth-largest bank in North America. TD has been a part of multiple economic cycles and remains a top bet for 2021 and beyond.

While a low interest rate environment and a sluggish macro environment will hamper TD's financials to a certain extent, the Canadian bank should continue to deliver outsized gains for shareholders.

In 2021, TD stock has already gained 15.3% in market value and is up 40% in the last 12 months. It also offers investors a forward yield of 3.8%, and after adjusting for dividends, TD shares are up more than 71% in the last five years.

Given TD Bank's low payout ratio of 40.7%, investors can expect it to increase dividends going forward.

National Bank of Canada

National Bank of Canada (TSX:NA) has a market cap of $32 billion and a forward yield of 3%. Despite a concentrated regional presence, National Bank of Canada has outperformed its peers in the last five years. Since August 2016, NA stock has returned 150% in dividend-adjusted returns.

National Bank stock continues to trade at a reasonable valuation and is valued at a price-to-forward earnings multiple of 11.1. Bay Street expects the company to increase earnings at an annual rate of 14.4% in the next five years.

National Bank was able to endure the economic recession of 2020 and is poised to deliver substantial gains for shareholders in the upcoming quarters as well. It ended the fiscal year with $1.3 billion in credit losses. However, as these provisions will be lowered moving ahead, investors can expect strong growth in the company's bottom line.

Bank of Nova Scotia

The final stock on my list is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), a company that has a diversified base of operations in countries, including Canada, the U.S., as well as Chile, Columbia, Mexico, and Peru.

In the last five years, BNS stock has returned 40% after adjusting for dividends. It also provides investors with a tasty yield of 4.6%. BNS is valued at a forward price-to-earnings multiple of 10.16, which is cheap given its forecast to expand earnings at an annual rate of 15% in the next five years.

Bay Street also has a 12-month average price target of $88 for BNS stock, which is 15% higher compared to its current trading price. After you account for its dividend yield, total annual returns might be close to 20%.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:NA (National Bank of Canada)
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