



2 Top TSX Bank Stocks to Buy for Total Returns

Description

There are many reasons why Canadian investors choose bank stocks to invest in for the long term. Maybe it's the relatively high [dividend yields](#) of these companies. Or maybe it's the long-term exposure these banks provide to the strength of the North American economy.

Whatever the case, Canada's bank stocks have been on a tear of late. Interest rate hikes and the potential for more hikes on the horizon, have boosted the financial sector. That's because this is one of the few sectors that generally benefits from rate hikes. As rates rise, so do net interest margins (a key factor driving valuations in the banking sector).

Among Canada's largest bank stocks, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) are two great picks. Let's dive into the bull case on both these companies.

Top TSX bank stocks: Toronto-Dominion Bank

TD Bank ranks among the leading online financial services companies in North America. In fact, this lender has more than 15 million active mobile and online customers. One of the incredible facts I think is worth noting with TD is this bank's balance sheet, which included \$1.8 trillion of assets as of the end of January.

TD's business model is as sound as its forward-looking growth trajectory. Indeed, the awards TD has won already in 2022 speak to this well. TD won first in the Product category under Intelligent Agent and the Organization category under Machine Learning. The first award was for AI-powered digital experiences that were launched in TD's mobile app. And the second one was for Layer 6 — TD's AI division, which helps pioneer the delivery of insight-driven, responsive, and personalized experiences for this financial institution and its customers.

Toronto-Dominion is the most recent bank to stake its claim on Dallas-Fort Worth, utilizing the planned First Horizon acquisition to enter the market. This bank group declared recently that it would purchase First Horizon in an all-cash deal worth \$13.4 billion. This deal will vault the bank into the sixth largest in

the United States.

TD Bank currently provides investors with a [3.8% dividend yield](#) alongside a price-to-earnings multiple of 11.5 times.

Scotiabank

Investors eyeing bank stocks with the potential to grow as a result of rising interest rates may like Scotiabank. This company's diversified operations globally could further promote earnings growth over time.

Indeed, one of the reasons I've liked Scotiabank for so long is this company's international presence. A key player in Latin America, Scotiabank provides a level of diversification that many of its peers lack.

Notably, Scotiabank has also been a strong bottom-line performer of late. Over the past three years, Scotiabank has grown its earnings per share at more than 6% per year. Combined with a dividend yield of 4.7%, investors can expect fundamental growth in the double-digit range over the long term.

Additionally, Scotiabank has a relatively attractive valuation multiple, trading at only 10.5 times earnings.

Bottom line

In my view, a portfolio with either of these top Canadian bank stocks is likely to do very well over the long term.

CATEGORY

1. Bank Stocks
2. Investing

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

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