



2 Bank Stocks That Pay Canadians Tasty Dividends

Description

Most [Canadian bank stocks](#) offer investors the opportunity to benefit from a steady stream of dividend income and long-term capital gains. Due to their strong fundamentals and conservative business decisions, Canadian banks have managed to deliver outsized gains to long-term investors.

Yes, lending is a cyclical industry, and the fears of multiple interest rate hikes, rising inflation numbers, and the onset of a global recession might impact revenue and earnings for banks in the near term. However, it also offers investors the opportunity to buy stocks at a lower multiple.

Let's take a look at two bank stocks TSX investors can buy right now.

National Bank of Canada

With an asset base of \$367 billion and \$773 billion in assets under management, **National Bank of Canada** ([TSX:NA](#)) is one of the largest companies on the TSX valued at \$31.3 billion, by [market cap](#). In the fiscal Q1 of 2022 that ended in January, National Bank of Canada reported revenue of \$2.46 billion and a net income of \$932 million, or \$2.65 per share.

It pays investors \$3.48 per share in annual dividends, indicating a forward yield of 3.8%. The bank's payout ratio stands at 31.3%, which is sustainable. In the medium term, National Bank aims to grow adjusted earnings at an annual rate of between 5% and 10%. Comparatively, Bay Street expects NA stock earnings to expand by 9% annually in the next five years.

After adjusting for dividends, National Bank of Canada has returned close to 300% to investors in the last 10 years. Despite its stellar gains, the stock is valued at an attractive forward price-to-earnings multiple of 9.7. According to consensus price target estimates, National Bank stock is trading at a discount of more than 10% right now.

Laurentian Bank of Canada

Valued at \$1.66 billion by market cap, **Laurentian Bank of Canada** ([TSX:LB](#)) has underperformed the broader markets in the last decade. Since, May 2012, Laurentian Bank has returned 52.4% to investors, after accounting for dividends. At the time of writing, Laurentian Bank pays annual dividends of \$1.76 per share, amounting to a forward yield of 4.6%.

In Q1 of fiscal 2022, Laurentian Bank of Canada reported a net income of \$59.5 million and earnings per share of \$1.26. In the year-ago period, its net income stood at \$47.6 million with adjusted earnings of \$1.03 per share.

Further, Laurentian Bank of Canada reported a return on shareholder's equity of 9.2% in Q1 compared to 7.5% in the prior-year quarter.

Laurentian Bank unveiled a strategic plan to achieve long-term profitable growth. It expects commercial banking to remain a key driver of revenue as Laurentian Bank will focus on growing its portfolio mix contribution from the U.S. and diversifying into new focus industries.

The company explained, "Capital Markets has a unique value proposition that provides mid-sized customers with personalized service and will further align its capabilities to meet the needs of Commercial Banking customers, expand product capabilities and build out ESG-focused advisory services."

LB stock is valued at eight times forward sales, which is quite cheap, given its [earnings are forecast](#) to rise at an annual rate of 7% in the next five years.

CATEGORY

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2. Investing

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1. TSX:LB (Laurentian Bank of Canada)
2. TSX:NA (National Bank of Canada)

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Date

2025/08/25

Date Created

2022/05/18

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