2 Cheap Banking Stocks to Buy Now and Never Sell

Description

Rapidly rising interest rates are increasing interest income for most banks. Despite that, the shares of many large Canadian banks have dived sharply in 2022 due mainly to a seemingly temporary decline in market participation due to economic uncertainties, affecting the performance of the banks' capital market and wealth management businesses.

We can expect this performance to recover fast in the coming quarters once the market stabilizes. Given that, a recent dip in many dividend-paying bank stocks could be an opportunity to buy them at a big bargain — especially if you're looking to earn reliable passive income from their safe dividends for years.

In this article, I'll highlight two cheap bank stocks you can buy on the Toronto Stock Exchange now to hold forever.

Bank of Nova Scotia stock

In 2022, **Bank of Nova Scotia** (TSX:BNS) has been the worst-performing bank stock among Canada's Big Five banks. The Toronto-headquartered bank currently has a market cap of $78.4 billion, as its stock trades at $65.82 per share with about 26.5% value erosion. At the current market price, Scotiabank offers an attractive 6.3% annual dividend yield, and it distributes its dividend payouts on a quarterly basis.

In the fourth quarter of its fiscal year 2022 (ended in October), Scotiabank reported a 1.9% year-over-year drop in its adjusted earnings to $2.06 per share as challenging market conditions drove the declines in its asset under management globally and also affected its capital markets segment performance.

On the positive side, the bank still managed to maintain a strong adjusted net profit margin of 32.4%for the quarter with the help of the continued strength of its Canadian and international bankingoperations. In the long run, you can expect Scotiabank's financial growth trends to improve, as thebank continues to invest in technology modernization and digital transformation to speed up growth.

Laurentian Bank stock

While **Laurentian Bank of Canada** (TSX:LB) isn't among the Big Five banks in Canada, its stock still could be worth considering based on its strong fundamentals — especially after a recent selloff in its stock. This Montréal-headquartered bank has a market cap of $1.4 billion, as its stock trades at $32.72 per share with about 18.5% value erosion in 2022.

The ongoing growth trend in Laurentian Bank's financials looks impressive. The bank managed to surpass the first-year financial targets of its three-year strategic plan in the fiscal year 2022. In the October quarter, its total revenue rose by 2.7% from a year ago to $257.1 million. Higher revenues, a decline in its provision for credit losses, and stronger interest income helped Laurentian Bank post a solid 23.6% growth in its adjusted quarterly earnings.

The bank expects tough economic conditions to continue affecting its commercial loan growth in its fiscal year 2023. But these temporary challenges might not majorly hurt its long-term growth outlook, as its focus remains on prudent capital management and maintaining a balance between growth and profitability. That's why you can consider adding this cheap Canadian dividend stock to your portfolio now to hold for the long term.

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