



## Laurentian Bank of Canada or Canadian Western Bank: Which Should You Buy Today?

### Description

**Laurentian Bank of Canada** ([TSX:LB](#)) and **Canadian Western Bank** ([TSX:CWB](#)) are two of the largest financial institutions in Canada, each with over \$20 billion in total assets, and both of their stocks represent very attractive long-term investment opportunities today. However, the laws of diversification state that we cannot own both, so let's take a closer look at the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields to determine which is the better buy right now.

### Laurentian Bank of Canada

Laurentian Bank's stock has fallen about 2% year-to-date, including an increase of more than 2.5% since it announced its second-quarter earnings results on the morning of June 3. Here's a summary of eight of the most notable statistics from its report compared with the year-ago period:

1. Adjusted net income increased 7.4% to \$42.3 million
2. Adjusted earnings per share increased 7% to \$1.38
3. Revenue increased 1.7% to \$220.68 million
4. Total assets increased 4.8% to \$37.66 billion
5. Total loans and acceptances increased 3.2% to \$28.11 billion
6. Total deposits increased 5.1% to \$24.96 billion
7. Average earning assets increased 3.7% to \$30.63 billion
8. Book value per share increased 5.6% to \$47.10

At today's levels, Laurentian Bank's stock trades at 8.9 times fiscal 2015's estimated earnings per share of \$5.52 and 8.4 times fiscal 2016's estimated earnings per share of \$5.85, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.2 and the industry average multiple of 13.2. It also trades at a mere 1.04 times its book value per share of \$47.10, which is inexpensive compared with its market-to-book value of 1.06 a year ago.

In addition, Laurentian Bank pays a quarterly dividend of \$0.56 per share, or \$2.24 per share annually,

giving its stock a 4.6% yield at current levels. The company has also increased its annual dividend payment for eight consecutive years, and its consistent free cash flow generation could allow this streak to continue for another eight years at least.

### **Canadian Western Bank**

CWB's stock has fallen over 13% year-to-date, and it has remained relatively flat since it announced its second-quarter earnings results on the morning of June 5. Here's a summary of eight of the most notable statistics from its report compared with the year-ago period:

1. Adjusted common shareholders' net income increased 4.5% to \$54.58 million
2. Adjusted cash earnings per share increased 4.6% to \$0.68
3. Revenue increased 4.2% to \$159.91 million
4. Total assets increased 9.7% to \$21.52 billion
5. Total loans increased 11.1% to \$18.56 billion
6. Total deposits increased 7.9% to \$17.98 billion
7. Total assets under management increased 8.4% to \$1.91 billion
8. Book value per share increased 9% to \$20.19

At current levels, CWB's stock trades at 10.7 times fiscal 2015's estimated earnings per share of \$2.65 and 10 times fiscal 2016's estimated earnings per share of \$2.84, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 13.7 and the industry average multiple of 13.2. It also trades at a mere 1.40 times its book value per share of \$20.19, which is inexpensive compared with its market-to-book value of 2.01 a year ago.

Additionally, CWB pays a quarterly dividend of \$0.22 per share, or \$0.88 per share annually, giving its stock a 3.1% yield at today's levels. The company has also increased its annual dividend payment for five consecutive years, and its strong operational performance could allow this streak to continue for many years to come.

### **Which bank is the better buy today?**

After comparing the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields, I think Laurentian Bank of Canada represents the better long-term investment opportunity today. Both companies reported strong second-quarter earnings results, but Laurentian Bank's stock trades at much more attractive forward valuations and it has a much higher dividend yield, giving it an easy win in this match-up. Foolish investors should take a closer look and strongly consider initiating positions today.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Stocks for Beginners

### **TICKERS GLOBAL**

1. TSX:CWB (Canadian Western Bank)
2. TSX:LB (Laurentian Bank of Canada)

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