



## Is Canadian Western Bank Worth Considering?

### Description

**Canadian Western Bank** ([TSX:CWB](#)) is one of Canada's lesser-known banks; it currently offers a 3.2% dividend yield. This is considerably lower than that of its peers in the Big Six, but is there a reason why Canadian Western Bank might be a better play than its bigger brothers?

There's no question that the Big Six banks have had a huge run over the past year, and many investors may be tempted by a smaller, cheaper bank like Canadian Western, but is it actually capable of outperforming its peers in the long run?

Canadian Western Bank is Canada's 10th largest bank with a \$2.5 billion market cap. The company is headquartered in Edmonton and primarily operates in western Canada. Approximately 71% of the bank's revenues come from British Columbia and Alberta, so if you live on the east coast, then the chances are that you've never heard of Canadian Western Bank.

The bank was founded as the Bank of Alberta in 1984, and it eventually changed its name after the acquisition of Western & Pacific Bank of Canada. Canadian Western Bank offers a wide range of financial services, including mortgages, loans, personal and business bank accounts, insurance, and credit cards. Like its larger peers in the Big Six, Canadian Western Bank is also a dividend-growth king that's grown its dividend by leaps and bounds over the last decade.

The stock of Canadian Western Bank has been difficult for long-term investors to own when compared to its Big Six peers. The stock is currently down over 33% from its August 2014 high thanks to its huge exposure to Alberta, which has been a huge laggard since the collapse in oil prices.

Oil prices have slowly headed higher since the oil crash, but there's still reason to believe that the Albertan economy will remain weak for a longer period of time. Many international investors have disposed of their investments in Alberta's oil patch, and many pundits believe that Alberta's oil sands are extremely unattractive at current levels.

Personally, I'm not a fan of Canadian Western Bank's overexposure to the Albertan market, but the management team has been taking steps to diversify away from Alberta. This initiative sounds promising, but it won't launch Canadian Western Bank's stock into the atmosphere any time soon.

The price-to-book multiple is substantially lower than the company's five-year historical average multiple of 1.6. The stock looks cheap right now, but it's cheap for a reason.

If you're bullish on Alberta's economy, then Canadian Western Bank could be a huge value play right now. But if you're like me, and you're not a fan of the uncertainty surrounding Alberta, then it's probably a better idea to pass on Canadian Western Bank for a safer, more stable Big Six bank. The risks are smaller, and the yields are greater.

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## Author

joefrenette

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