



2 Canadian Banks With High>Returns Potential

Description

If you missed the bank rally last year, don't worry. Here's another chance for you to pick up some bank shares after they have dipped. You should consider **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Canadian Western Bank** ([TSX:CWB](#)) for a decent value for your investment dollars. Compared to their peer group, they have higher near-term returns potential.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce is the fifth-largest bank in Canada. At about \$105 per share, the bank trades at a multiple of 10. Its normal multiple in the last five years or so was 10.2. So, Canadian Imperial Bank of Commerce is reasonably priced.

Last month, **PrivateBancorp Inc.** (NASDAQ:PVTB) shareholders approved Canadian Imperial Bank of Commerce's acquisition of the company, which the buyer worked very hard for about 11 months. The next step is to get regulatory approval for the deal.

Chicago-based PrivateBancorp is a high-quality mid-cap bank, which will help expand Canadian Imperial Bank of Commerce's private banking and wealth management business in the United States.

PrivateBancorp has been growing its earnings per share at a double-digit rate since 2013, and that kind of growth is expected to continue for the next few years.



Thanks to the recent dip, Canadian Imperial Bank of Commerce now yields 4.8%.

With a payout ratio of about 50%, it'll have no problem sustaining the dividend and is more likely to continue increasing the dividend in the future.

Canadian Western Bank

Canadian Western Bank is a regional bank with a focus on the west end of Canada. Specifically, it has 35% of its loans in both British Columbia and Alberta, respectively.

The bank expects to grow its earnings per share by 7-12% in the medium term and to maintain a payout ratio of about 30%. At about \$25.70 per share, the bank trades at a multiple of about 10.9 and offers a nearly 3.6% yield.

Its payout ratio is estimated to be about 38% this fiscal year. So, there's ample coverage for the bank's dividend. However, management may choose to wait until the payout ratio comes down (likely by growing earnings) before continuing to hike the dividend.

Investor takeaway

The analysts at **Thomson Reuters** have a mean 12-month price target of \$121 for Canadian Imperial Bank of Commerce, which represents upside potential of 15.2% from current levels, or a total return of 20% after accounting for the juicy dividend.

The target price for Canadian Western Bank is \$29.50, which implies upside potential of 14.7%, or a total return of nearly 18.3%.

Now is a good time to start buying these banks and add more on any further dips.

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1. Bank Stocks
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POST TAG

1. Editor's Choice

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:CWB (Canadian Western Bank)

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