
# Smart Investors Should Probably Avoid This Canadian Bank

## Description

**Canadian Western Bank** (TSX:CWB) is an intriguing alternative to the Big Six banks, which many investors may consider as bigger value plays. Shares are still down about 35% from its August 2014 highs, and the attractive 3.3% dividend yield is attractive to many investors who are willing to wait for the smaller regional bank to rebound.



While Canadian Western Bank may seem like a potentially cheaper bank with a larger amount of upside, many investors may be shocked to discover that although the bank's risk profile is higher than that of the Big Six, the potential rewards may not be all that great for contrarians who are hungry for a rebound.

Canadian Western Bank has a $2.47 billion market cap and is the 10th largest Canadian bank which operates primarily on the west coast with over 70% of revenues coming from Alberta and British Columbia.

Alberta has been a really tough place to invest, and an investment in Canadian Western Bank is a playing a recovery in the Albertan economy, which I believe may be weaker for a longer than originally anticipated. Canada's energy sector is hurting right now, and many foreign investors have thrown in the towel on the Albertan oil patch.

As fellow Fool contributor Chris MacDonald pointed out in one of his previous pieces, Canadian Western Bank has a greater number of loans to over-leveraged and financially distressed Albertan borrowers when compared to its Big Six peers, who have a more diversified portfolio of loans across different locations across Canada, the U.S., or other international locations.

For investors looking for more potential upside with their bank investment, Canadian Western Bank is probably not the way to go, especially since the Alberta headwinds will likely prevent it from breaking out anytime soon.

When you consider the huge number of headwinds from Canadian Western Bank's Albertan exposure, you would think that its shares trade at a significant discount to its peers in the Big Six. On a price-to-earnings basis, you'd be wrong.

Shares of CWB trade at a 12.81 price-to-earnings multiple and have a 3.29% dividend yield. The price-to-earnings multiple is in line with its Big Six peers, but the yield is considerably lower. Although CWB trades at a ridiculously cheap 1.1 price-to-book multiple, I'm not convinced that investors should be pulling the trigger on CWB right now, especially considering the risks involved. You're much better off with a safer Big Six bank with its larger yield.

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joefrenette