



Looking Behind the Curtain for Value

Description

Investors who enjoy deploying their money in oligopolies have done extremely well over the past decade by holding on to Canada's biggest financial institutions. With many headlines dominated by the record profits of the Big Five banks, investors have focused the very large part of their attention on these names, as they have accounted for a very large proportion of Canada's corporate profits.

Behind the Big Five banks, however, are a few smaller, lesser-known regional names that have a tremendous amount of upswing potential should the conditions in certain local markets line up. The first name to consider is none other than **Laurentian Bank of Canada** ([TSX:LB](#)), which has a large [footprint](#) in Quebec and is currently undergoing a transformation. Shrinking the physical footprint, the company has increased the amount of business that is conducted online in addition to the business done with business clientele.

As a reminder, when an economic cycle is well into its growth phase, it is normal to see an increase in borrowing from many larger companies seeking to expand, as spending from both consumers and businesses increases. With a strong presence in Quebec, the company's current share price of \$47.50 remains a very attractive opportunity, as investors will receive a dividend yield of 5.3% and a book value of \$52.08 per share while they wait for the next bull run.

The second name to consider is **Canadian Western Bank** ([TSX:CWB](#)), which has a very strong [presence](#) in Alberta and continues to expand east. Although many investors were burned by holding shares in this regional name, the reality is that the bank has survived low oil prices and turned the corner.

With a bottom price near the \$23 mark over the past 12 months, investors who have been patient have seen their fortunes turn, as shares currently trade at a price of almost \$34, which translates to a current dividend yield of no less than 3%. Although this name offers a less-attractive yield than Laurentian Bank, investors can expect more consistent revenues and profits from this name.

In spite of a strong consumer base in Canada's oil patch, the company has diversified its business lending to the rest of Canada and has also beefed up its wealth management division amid significantly

better equity markets. To boot, if oil could return to even US\$70 per barrel, the share price could easily see the \$40 mark. Only time will tell.

With so many fantastic names to choose from, investors need not be concerned about picking the specific horse that will win the race; instead, they should focus on picking the right race at the right time. Barring a recession, there is no reason that Canada's banks should not see tremendous increases in value in the coming months.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

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