



## Why These 2 Banks Are Worthy of an Investment

### Description

There's no denying the fact that Canada's big banks make some of the best investments on the market and that they have consistently provided record-breaking results and dividend hikes that are the envy of the market.

Few investors realize, however, that there are other compelling investment opportunities in the financial sector that are not reliant on the big banks. In fact, in some ways, some of the smaller banks offer prospective investors the diversification and opportunity that cannot be found with the big banks.

Let's take a look at some of those lesser-mentioned banks.

**National Bank of Canada** ([TSX:NA](#)) is the sixth of the big banks and has a much smaller footprint than its larger peers. National Bank has a footprint of 429 branches with over \$250 billion in assets. In recent years, National Bank has expanded into the U.S. market, but this remains at a much smaller scale than some of its larger peers that have [expanded into foreign markets](#).

One thing that continues to impress me with respect to National Bank is how the bank has managed to outperform many of the Big Five over the past few years, and doing so without attracting too much attention. Over the course of the trailing 12-month period, National Bank has soared nearly 20%, handily beating the performance of the Big Five over that same period.

In terms of results, in the first fiscal of 2018 National Bank reported net income of \$550 million, or \$1.46 per share diluted, representing an improvement of 11%, or 9% per diluted share, over the same quarter in fiscal 2017. The growth in net income was primarily a result of strong growth witnessed across all operating segments.

National Bank is set to announce results for the second fiscal quarter later this month.

One of the many understated reasons investors should take a look at National Bank lies with its dividend. The current quarterly dividend pays a handsome 4.05% yield, and, similar to the big banks, National Bank has maintained an annual or better precedent in hiking the dividend.

National Bank currently trades just over \$63 with a P/E of 11.50

**Laurentian Bank of Canada** ([TSX:LB](#)) is another bank outside of Big Five that has made major strides over the past few years that have matched or even surpassed those of its larger peers. The Montreal-based regional lender first opened its doors in 1846 and, since then, grown to a network of over 100 branches within Quebec.

In the most recent quarter, Laurentian reported net income of \$59.7 million, or \$1.41 per diluted share, beating the \$48.5 million, or \$1.30 per diluted share, reported in the same quarter last year. The bank also noted that both business customer loans as well as residential customer loans were up 22% and 19% year over year, respectively.

From a pricing point, Laurentian's stock has dropped over 13% year to date, despite the overall positive results in the most recent quarter, which has, in turn, created a unique buying opportunity for investors looking for a more regional, yet still prosperous, investment option.

One area where Laurentian excels over its larger peers is when it comes to dividends. The recent price dip has exposed what is currently a very impressive 5.33% quarterly yield. This factor alone could prove to be the deciding factor for those investors looking to buy a [great dividend-paying investment](#).

Laurentian currently trades at just under \$49 with a P/E of 8.88.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. Editor's Choice

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1. TSX:LB (Laurentian Bank of Canada)
2. TSX:NA (National Bank of Canada)

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dafxentiou

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