



## Income Investors: 2 Dirt Cheap Canadian Banks With Dividend Yields Up to 5.7% for Your TFSA Forever Fund

### Description

Canadian bank stocks have been bouncing back of late, and while it may seem like you've missed the boat entirely, one must remember that a bunch of the Canadian bank stocks are still off double-digit percentage points from their all-time highs.

While the macro environment looks bleak for Canada's big banks, I do believe there's compelling value with Canada's cheapest two banks in **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Laurentian Bank** ([TSX:LB](#)), both of which have single-digit P/E multiples to go with some of the highest yields in the Canadian banking scene.

Let's take a closer look at both banks to see which one might be a suitable pick for your TFSA as we head into RRSP crunch time.

### CIBC

The biggest jaw-dropper from CIBC's fourth-quarter results was the fact that the bank saw its mortgage growth slow considerably. Specifically, CIBC saw the slowest mortgage growth relative to all its peers in the Big Six. While the mortgage growth slowdown may be seen as a negative, I think it's actually a blessing in disguise, as CIBC is already extremely overexposed to Canada's frothy housing market, with the most uninsured mortgages of any Big Six bank.

CIBC's "other personal lending" book grew fairly quickly relative to the other Big Six banks, which I find to be a big plus on an otherwise mediocre quarter to end the year. With upped expenses arising from the U.S. business, many investors are growing impatient with CIBC, and the management team that is operating with the long term in mind.

CIBC stock trades at a 9.1 forward P/E, a 1.5 P/B, and a 2.8 P/S, all of which are considerably lower than the bank stock's five-year historical average multiples of 10.8, 1.9, and 2.9, respectively. With a 4.8% dividend yield, CIBC is a bountiful bank to own for your TFSA, and at today's depressed levels,

long-term investors should strongly consider initiating a position today.

## Laurentian Bank

Just a few months ago, I was [pounding the table on Laurentian](#), touting the regional bank as my [top pick](#) as the yield swelled past the 7% mark. The stock has been punished severely over a “mini mortgage crisis that was unique to Laurentian,” and despite the extra baggage that investors would be getting at the time, I highlighted the ridiculously cheap valuation metrics as primary reasons for why Laurentian was a steal.

Laurentian has since ironed out some of the wrinkles regarding improperly documented mortgages, and although shares remain cheap relative to the broader basket of bank stocks, CIBC still looks like a better bank for the buck.

Today, Laurentian stock has corrected 25% to the upside, and the dividend yield is now at a more modest, but still impressive 5.7%. Shares trade at a 9.0 times forward P/E, and a 0.9 P/B, both of which are slightly lower than the company’s five-year historical average multiples of 11.6, and 1.1, respectively.

## Foolish takeaway

Unless you’re keen on getting an extra 1% in yield, I’d bet on CIBC today, as the bank is not only better managed, but its U.S. business also appears poised for superior long-term growth.

Stay hungry. Stay Foolish.

### CATEGORY

1. Bank Stocks
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### TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:LB (Laurentian Bank of Canada)

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