



Buy Alert: It's Time to Load Up on These 2 Great Canadian Bank Stocks

Description

It's pretty much common knowledge at this point.

Owning Canadian banks has been one of the best investment decisions made over the last 25 years, and every indication points to it working out pretty well over the next quarter-century, too.

Much was made of the so-called FinTech revolution a few years ago, as pundits were sure upstart technology-heavy competitors were about to muscle in on lucrative parts of the Canadian banking sector. Online-only loans, robo-advisors, and other revolutionary new products would take huge amounts of market share from Canadian banks.

We all know what happened. The banks invested billions into upping their own technological game. Or they used their considerable profits to buy out some of the more interesting competitors. FinTech went from trying to crush the banks to increasingly joining forces with their more established competition.

With that threat squarely in the rear-view mirror, there's nothing holding back investors from loading up on bank stocks. The only question is, which ones should they choose? There are a couple banks I believe are screaming buys today — institutions that offer an interesting mix of value today with growth potential tomorrow.

Let's take a closer look.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is the largest bank in my portfolio along with being one of my largest positions, period. There's a lot to like about this financial institution.

First off, let's start with the Canadian business, which is rock solid. Scotiabank is Canada's third-largest bank with a market cap of \$87.5 billion, assets approaching \$1 trillion, and nearly 1,000 branches in Canada. Scotiabank has a strong mortgage business, a solid wealth management division, it's a major player in capital markets, and millions of Canadians do their day-to-day banking there.

But the real gem of this company, at least in my opinion, are the international operations. The company is big in Central and South America, with significant assets in nations like Mexico, Chile, Colombia, and Peru. In total, these international operations consist of more than 1,800 branches, 50,000 employees, and they generate approximately one-third of the company's total income.

The international division is growing at a much faster rate than operations here at home. Net income from the Canadian banking division was up 8% last year. International banking growth was double that, delivering 16% growth. And higher interest rates in these developing nations mean better net interest margins.

Simply put, there isn't much growth potential here in Canada left. But Scotiabank has plenty of room to increase the Latin American operations. Investors are paying less than 10 times forward earnings for this potential as well as collecting a 4.9% dividend to wait.

Laurentian Bank

If you thought Scotiabank and its 9.9 times forward earnings multiple was cheap, then you'll love **Laurentian Bank of Canada's** ([TSX:LB](#)) valuation. Its shares trade for just 9.2 times forward earnings and for 20% less than book value.

There are a few reasons why Laurentian's shares are cheap. Some investors think the bank has lax mortgage underwriting standards. Others don't like the unionized work force, although the bank and the union did recently agree to a new contract. And some just think Laurentian will be doomed to be a small regional player — a big deal in Quebec but nothing in the rest of the country.

Meanwhile, Laurentian's management is in the middle of transforming the company. Millions will be invested in new technology in an effort to catch up to competitors. Underperforming branches will switch focus to wealth management and mortgages rather than day-to-day banking. And more cash will be kept on the balance sheet, ready to be put to work in new opportunities. The company wants to generate comparable profit margins as its competitors by 2022.

While investors wait, they can collect a 6.4% dividend — a payout that has been hiked each year for a decade.

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3. TSX:LB (Laurentian Bank of Canada)

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Date

2025/08/24

Date Created

2019/03/25

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