



Not All Great Banks Are Big Banks

Description

Are you invested in Canada's big banks? Few would argue that augmenting your portfolio with one or more of Canada's leading financial institutions is a bad move. In recent years those Big banks have expanded to foreign markets, reaping [huge rewards](#) in the process.

But rather than focus on those larger institutions, let's take a look at one of the smaller players on the market: **Laurentian Bank** ([TSX:LB](#)).

What sets Laurentian apart from the pack?

Montreal-based Laurentian Bank was founded in 1846. Today, the bank provides retail business and institutional customers across Canada. The bulk of Laurentian's business stems from Quebec, and the company also has a small presence in the U.S. market.

Laurentian recently announced results for the second quarter; the bank reported earnings of \$43.3 million, or \$0.95 per share. In the same quarter last year, Laurentian reported \$59.2 million, or \$1.34 per share.

The less-than-stellar results were attributed to Laurentian's focus on reducing costs, increasing the use of technology, and boosting profits. The bank also had a slew of costs related to a new collective agreement that was completed in the quarter.

Mr. Desjardins, president, and CEO of Laurentian Bank, noted that now that labour relations issues were settled, the bank could turn its attention more towards "growth and performance" and that the new agreement "strategically changes the business going forward."

Laurentian's strategic transformation is a factor that has weighed heavily on the bank over the past years, with the stock trading near flat over the trailing 12-month period and down just over 16% in the past two years. So far in 2019, the bank has provided investors with a better-than-market return of 19%.

Banks are known for offering handsome dividends, and Laurentian fits that description perfectly. Over

the past five years, Laurentian has raised its dividend by 26.5%, including a recent 1.5% hike this year. In terms of yield, Laurentian offers a very attractive 6.17% yield, which easily puts the Quebec-based lender at the top of the list for income-seeking investors.

Laurentian currently trades at just over \$45 with a P/E of 10.76.

Should you buy?

There are clear advantages to diversifying your financial holdings outside of the big banks, and that makes Laurentian an interesting option worth considering. The attractive and recently hiked dividend also sweetens the offer, particularly for those investors that have an appetite for risk.

That being said, I wouldn't solely invest in the stock, but instead, consider Laurentian as a small part of a [well-balanced portfolio](#) of investments.

CATEGORY

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1. TSX:LB (Laurentian Bank of Canada)

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