



## Cheap Bank Alert: A Fascinating Banking Bargain to Back Up the Truck on Today

### Description

If you're looking to bank stocks for value, you're on the right track. The banks have been under fire over the past year thanks in part to a weak macro environment and a handful of short-sellers who've pitched "far-fetched" doomsday theses that Canadian investors should take with a very fine grain of salt.

At this juncture, there's a pretty wide valuation spread between the ones that are in the bargain bin and the ones that have held up well over the last few quarters. And although the theme is common for all banks, most notably the capital markets slowdown and the rise to expenses and provisions, there are banks that have been overly punished and are likely trading at significant discounts to their intrinsic value.

While buying shares of cheap banks may be an easy task, hanging on to them until the market recognizes their true worth can be tough for all but the most patient of investors.

Consider [Canadian Western Bank \(TSX:CWB\)](#), a regional bank that's been in a world of pain ever since oil prices imploded in 2014. The stock has failed to remain above the \$30 mark, and although the firm's high exposure to the Albertan market may be a turn-off for prospective investors, I'd argue that given the new business-friendly UCP government, the potential for further pipeline approvals, and the recent strength in oil prices are reasons to seek exposure to the ailing province of Alberta.

The stock has been fairly unrewarding to those contrarians who've hung on to their shares over the past few years. While nobody knows when (or if) the tides will turn in Alberta's favour again, one thing is certain: Canadian Western Bank has a dividend that's safer than most peer crude plays. Think of Canadian Western Bank as a way to enjoy a feast in the event of an Albertan recovery without too much of the indigestion that comes with owning oil firms with weak balance sheets in a "lower-for-longer" WCS price environment.

At the time of writing, Canadian Western Bank trades at 9.3 times next year's expected earnings and 1.3 times book, both of which are lower than the five-year historical average multiples of 14.55 and 1.7, respectively.

[That's cheap](#), and if you're at all thinking that Alberta might have a change of fortune over the next five years under a UCP mandate, Canadian Western Bank may be the best bank for your buck, but only if you're willing to hold shares through tough times, as you collect a below-average 3.7% dividend yield, which pales in comparison to many other Canadian banks.

Stay hungry. Stay Foolish.

## CATEGORY

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## TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)

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