Better Buy: Toronto-Dominion Bank (TSX:TD) vs. Canadian Western Bank (TSX:CWB)

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has long been among Canada's favourite bank stocks. Offering strong returns, steady earnings, and a high dividend yield, it's a classic dividend growth pick.

Although other Canadian banks are cheaper, TD boasts the best track record of dividend increases among the Big Six–along with the strongest earnings growth of the bunch.

If we go beyond the Big Six, however, the story changes. Among Canada's smaller, regional banks, there are picks that actually outperform TD on certain growth metrics.

As Fool contributor Kay Ng pointed out in a recent article, **Canadian Western Bank** (TSX:CWB) is one such bank.

With a compound annual dividend growth rate of 10.3% between 2007 and 2019, CWB has edged out TD's dividend growth over that time frame. However, that doesn't necessarily make it a better buy.

As you're about to see, TD has been doing better than CWB in recent quarters, despite the latter's edge in long term dividend growth.

If you're not sure which is the better bank for your buck, here's a side by side comparison of TD and Canadian Western Bank to help you decide.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is the fastest-growing bank among the Big Six banks, with earnings growth of 9% year-over-year in its most recent quarter.

TD's strong growth is powered by its U.S. retail business, which is growing at 29% year-over-year.

The bank also has a highly profitable investment in **TD Ameritrade**, which grew at 27% year-over-year in its most recent quarter.

Because of the strong growth in its U.S. business, TD has enjoyed better capital gains than other Big Six banks. It has also delivered superior dividend growth, raising its payout by 9.6% on average over the past five years.

Canadian Western Bank

Canadian Western Bank (TSX:CWB) is a smaller regional bank based in Edmonton. As its name implies, it operates primarily in Western Canada.

As a Schedule I chartered bank, Canadian Western engages in all the retail and commercial banking activities you'd expect from a big bank, but on a smaller scale, which includes deposits, mortgages/car loans, personal investing and commercial lending.

Because CWB does so much business in Alberta, its earnings are partially influenced by the price of oil. However, that didn't stop the company from growing its revenue in 2014 and 2015, when oil was tanking.

Over the past four years, CWB grew its revenue from $580 million to $755 million, a steady growth trend that indicates the company's ability to deliver results year in and year out.

The profit trend, however, is not so rosy, with diluted EPS having decreased from $3.97 to $2.13 in 2016.

The decline in earnings didn't stop the bank from continuing its long dividend growth streak, but it represents a dramatic miss the likes of which you probably wouldn't see from TD.

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