



1 David vs. Goliath Bank Stock to Buy Instead of RBC (TSX:RY)

Description

Canadian banks have always enjoyed a position of power in the TSX. It is not surprising, considering that Canada has the world's best banking system, according to a world economic forum survey. Even in terms of market cap, the banks outweigh any other industry, with four out of the Big Six in the top 10 companies by market cap. Investors like you would do well with a banking stock in your investment portfolio.

With such a reliable banking sector and the Big Six reigning unopposed, it is easier to forget other banks of the country. But there is another: **Canadian Western Bank** ([TSX:CWB](#)). With a market cap of \$2.92 billion, the bank seems tiny compared to the Big Six. But Canadian Western's growth, stability, and profitability cannot be ignored, even when you compare it to the biggest of the Big Six, **Royal Bank of Canada**.

David vs. Goliath

Royal Bank of Canada is a literal giant, not just in the banking sector, but in TSX as well. With a market cap of \$152 billion, continued growth for the past several years, and continued returns plus capital growth for investors, it is easy to see why investors love to have the Royal Bank in their portfolios.

But the much smaller Canadian Western has also shown some serious growth, and the numbers reflect a secure future for the bank. Just this year, the bank has increased its market value by 28.38%, almost double the 13.48% increase of the Royal Bank. Canadian Western has also grown its year-to-year revenue by 7.15%, which is much more than the two biggest banks in the country.

Canadian Western's net income and net profit margin growth of 15.85% and 8.14% is not only more than the Royal Bank's, but it's more than all the Big Six's. The bank is also currently around 5.8% more profitable than the Royal Bank.

Dividends and fundamentals

Though the numbers above state the case for Canadian Western well enough, the bank's dividend numbers also bear mentioning. This 35-year-old bank has been [continuously paying dividends](#) for 27 years. The [current dividend](#) yield is a decent 3.35%.

Canadian Western is primarily a regional bank, but it is increasing its reach. Just this quarter, it achieved a 15% growth in eastern and central Canada. The bank has a strong balance sheet, and the management is very conservative and efficient at managing the risk factors. This approach may help investors safely through an upcoming market crash.

Foolish takeaway

Canadian Western has grown and shows potential comparable to the more significant players in the sector, despite its small size. With conservative management and growth-oriented policies, investors may see substantial growth in their capital investment as well as dividend payouts.

Currently, the bank is trading near the yearly high at \$33.43 per share. With a price-to-book ratio of 1.16, the bank seems fairly valued. If you are looking to add a banking stock in your investment portfolio, it might be time to look past the Big Six and check out Canadian Western.

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