



ALERT: Canada's Best Bank Is My Top Pick for 2021

Description

Laurentian Bank ([TSX:LB](#)) is a diversified [financial services provider](#) with activities across Canada and the United States (U.S.). The bank has about \$45 billion in balance sheet assets and \$28 billion in assets under administration. Laurentian is the seventh largest bank in Canada, based on total assets.

The sum of its parts

The bank has three [operating segments](#). Within the personal segment, clients can access the bank's offering of products and services through Laurentian's network of branches in Quebec. The business services segment caters to the financial needs of business clients across Canada and in the U.S. The capital markets segment provides a range of services, including research market analysis and advisory services, corporate underwriting for debt and equity services.

Economic moat

The main differentiating factors between Laurentian and other big banks are the rates and prices offered, service-quality, flexibility of products and services, proximity, and use of technology. Laurentian leverages new technologies, advanced data and analytical tools, and lower costs to serve customers. The banks also uses faster processes to challenge the big banks and other new entrants in retail payments, consumer and commercial lending, foreign exchange and low-cost investment advisory services.

Effective risk management

The bank's loan portfolio consists of personal loans, residential mortgage loans and commercial loans. To manage credit risks, the bank has in place credit and financial management policies that include limits on the maximum commitment that may be made to an individual borrower, a commercial borrower or a financial institution. Within the limits set for loans granted to commercial borrowers, sub-limits have been established to limit the risks the bank is prepared to assume in sectors deemed to

entail higher risk.

The personal loan portfolio includes a range of consumer credit products such as investment loans, home-equity lines of credit, credit cards, personal lines of credit and other consumer loans. The loan underwriting process specifically takes into consideration the client's credit risk in addition to investment collateral values.

Geographical diversification

Over the recent years, the bank has made significant progress towards diversifying the company's geographical footprint. The residential mortgage loan portfolio contributes to the bank's geographic diversification across Canada. In accordance with the bank's credit risk management policies, the residential mortgage portfolios are regularly reviewed to ensure that the level of risk associated with these portfolios remains in line with the bank's risk appetite and strategic objectives.

As part of the bank's diligent oversight, the portfolios are stressed to reflect the effects of a potential economic downturn creating a decline in property values. Due to the large portion of insured loans and the relatively low loan-to-value ratio of uninsured mortgage loans, management have indicated that loan losses are easily manageable.

Future outlook

The bank has enhanced the quality of Laurentian's financial advice and has changed the way it does business. Laurentian continuously evaluates the relevance of the bank's product and service offerings and performs the research necessary to improve services for customers. Drawing on the expertise of the specialists in product development and enhancement is a core and regular activity of the bank.

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Date

2025/08/22

Date Created

2021/03/08

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