



Laurentian Bank (TSX:LB) Is a Solid Pick Over the Big 6

Description

The Q2 fiscal 2022 earnings releases of [Canadian banks](#) are over; one lender outside the Big Six has advanced the most since then. **Laurentian Bank (TSX:LB)** has gained 15.63% from May 20, 2022, and is up 7.73% year to date. At \$42.83 per share, it pays a juicy 4.33% dividend.

Meanwhile, the year-to-date performances of larger banks like **BMO** (+3.44%), **National Bank of Canada** (+1.59%), **TD** (+0.69%), **RBC** (+0.39%), **CIBC** (-3.66%), and **BNS** (-4.44%) pale in comparison. Even super-regional bank **Canadian Western Bank** (-15.58%) is in negative territory.

Overall, the **TSX's** financial sector is up by only 0.35% year to date. Market analysts are bullish on Canada's eighth-largest bank and recommend a hold rating. They forecast the share price to appreciate between 8.9% and 23.7% in 12 months.

Most profitable quarter

In Q2 fiscal 2022 (quarter ended April 30, 2022), Laurentian Bank's net income grew 12% to \$59.5 million versus Q2 fiscal 2021. Its president and CEO Rania Llewellyn said, "This was the bank's most profitable quarter since 2018, driven by top-line revenue growth and fueled by strong performances in Commercial Banking and Capital Markets, and our continued focus on cost management."

For the first half of this fiscal year, the reported net income was \$115.1 million, which represents a 17.5% growth from the same period in fiscal 2021. However, Laurentian Bank increased its provision for credit losses (PCL) to \$13 million from \$2.4 million a year ago.

According to management, the releases of allowances on performing loans recorded in fiscal 2021 was the reason for the increase in PCL. It also cited the impact of the adverse shift in forward-looking economic scenarios and respective probability weights.

As to the bank's financial condition, the total assets as of April 30, 2022, were \$48.3 billion. The amount is 7% higher than the \$45.1 billion on October 31, 2021, on account of the higher levels of loans and liquid assets.

Loan and deposit growth

The \$1.85 billion lender had a strong commercial loan growth during the quarter but was offset by lower bookings in personal and residential mortgage loans. Nevertheless, loans and bankers' acceptances increased 7% to \$2.2 billion compared to October 31, 2021.

Deposits in Q2 fiscal 2022 grew in line the bank's loan growth. The increased from six months ago was 10% or \$2.3 billion. As of April 30, 2022, Laurentian Bank's deposit level is \$25.2 billion. According to management, the significant increase in personal deposits (\$1.6 billion) was due to deepening and expanding relationships with advisors and brokers.

Optimizing liquidity

A new report by *BNN Bloomberg* said that because of the uncertain environment, Canadian banks want to optimize their liquidity and total loss-absorbing capacity ratios. According to some sources, Laurentian Bank issued three-year deposit notes priced at \$400 million. The spread was 173 basis points higher than Canadian government bonds.

Near-term plans

Rania Llewellyn is the first female CEO of a Canadian-owned chartered bank. She said that Laurentian Bank will continue to focus on execution, including initiatives that drive customer acquisition. The chief executive also plans to increase its U.S. exposure to the bank's commercial loan book.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:LB (Laurentian Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date

2025/08/23

Date Created

2022/06/09

Author

cliew

default watermark

default watermark