



## Laurentian Bank (TSX:LB): Why I'm Buying This Cheap Bank Stock on the Dip

### Description

**Laurentian Bank** ([TSX:LB](#)) is a Montreal-based regional bank that boasts a strong presence in its home province of Quebec. Today, I want to discuss why I'm targeting this under-the-radar bank stock to start the month of September. Let's jump in.

### How has this bank stock performed compared to the Big Six?

Canadian investors should be well acquainted with the [Big Six banks](#). These include household names like **Royal Bank**, **TD Bank**, **Scotiabank**, and the remaining three that are all reliable [blue-chip stocks](#). Laurentian Bank, however, is a regional bank that lacks the reach and capital of its domestic peers. That does not mean investors should ignore this under-the-radar equity.

Shares of Laurentian Bank have plunged 13% week over week as of close on September 2. That sharp drop made up the most of its 15% year-over-year decline. The rest of the Canadian banking sector has also [struggled](#) in the face of rising interest rates, surging inflation, and the threat of a recession. Royal Bank, the top Canadian bank and largest TSX stock by market cap, has dropped 10% so far in 2022. Meanwhile, TD Bank has decreased 13% in the year-to-date period.

Despite the recent bout of turbulence, I'm still looking to buy the dip in Laurentian Bank. Let's get into its recent earnings report.

### Should investors be encouraged after Laurentian Bank's recent earnings?

Laurentian Bank unveiled its third-quarter fiscal 2022 earnings on August 31. It reported adjusted net income of \$58.2 million, or \$1.24 per diluted share — down 2% or 1%, respectively, compared to the third quarter (Q3) of fiscal 2021. Meanwhile, total revenue increased 2% year over year to \$260 million. The bank benefited from improved interest income from its commercial loans.

In the year-to-date period, adjusted net income has climbed to \$179 million, or \$3.88 per diluted share. That is up 10% compared to the first nine months of fiscal 2021. This recent quarter has illustrated the gradually worsening economic conditions that Canada has experienced in the second half of the current year.

The bank reported provisions set aside for credit losses of \$16.6 million in Q3 2022, which was up from \$5.4 million in the prior year. This also weighed on its net earnings.

Despite the shaky conditions, the bank still achieved loan growth of 9% from October 31, 2021, to \$36.4 billion as at July 31, 2022. It was achieved on the back of strong commercial loan growth. However, personal loan growth suffered, and mortgage loans remained flat. Moreover, deposits increased 16% to \$26.7 billion. Personal deposits made up 80% of the total.

## Laurentian Bank: Here's why I'm buying the bank stock today

Laurentian Bank currently possesses a price-to-earnings ratio of 27. That puts the bank stock in favourable value territory compared to its peers in the financial space. The Relative Strength Index (RSI) is a technical indicator that measures a given equity's price momentum. Laurentian Bank last had an RSI of 20, which puts it in technically oversold territory at the time of this writing. Meanwhile, in Q3 2022, Laurentian declared a quarterly dividend of \$0.45 per common share. This represents a strong 5.1% yield.

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