



## Is National Bank of Canada Still the Best Bank for Your Portfolio?

### Description

On July 2, [I wrote an article](#) that compared **National Bank of Canada** ([TSX: NA](#)) to its peers, recommending it over the others since it was significantly cheaper. Although six weeks is nothing in the investing world, so far my thesis has proven to be correct. Shares of National Bank have moved up nearly 8% compared to the next best performer in the sector, **Royal Bank of Canada** ([TSX: RY](#))([NYSE: RY](#)), which is up just 5%.

I recommended National Bank not just because it was cheaper on both a price-to-earnings and price-to-book value basis, but also because I thought that it would eventually bite the bullet and expand outside of Canada. Now that the company's multiples aren't quite so attractive, is it still a buy? Or has it been replaced as the cheapest bank in the country?

### Bank of Montreal

Currently, National Bank has a P/E of 11.3 times trailing earnings and a price-to-book value of 1.8. It has a price-to-cash-flow ratio of 8.5 and a price-to-revenue ratio of 2.2. Let's see how that compares to **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)).

Bank of Montreal has a P/E of 12.3, a price-to-book value of 1.8, and a negative price-to-cash flow ratio. The company's price-to-sales ratio is 2.5. Considering Bank of Montreal's higher price-to-sales ratio and P/E, I'd rank it as just slightly more expensive than National Bank. Each company has a virtually identical dividend yield of 3.9%.

### Toronto-Dominion Bank

Compared to **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)), National appears to be much cheaper.

TD Bank has a P/E of 15.1, a price-to-book value of two times, a price-to-sales ratio of over 3.1 times, and a price-to-cash-flow ratio of just over 10. National Bank is cheaper on every metric.

Plus, National Bank's dividend is much more attractive than TD Bank's, which comes in at just 3.3%. You could easily make the argument that Toronto-Dominion Bank is a higher-quality business than

National Bank, but it's also more expensive.

## Canadian Imperial Bank of Commerce

Let's compare National Bank to **Canadian Imperial Bank of Commerce** ([TSX: CM](#))([NYSE: CM](#)) next.

Its P/E is 13, it has a price-to-book ratio of 2.4, a price-to-sales ratio of 2.3, and a price-to-cash-flow ratio of 9.6. Once again, National Bank is cheaper, and both companies have an identical dividend yield of 3.93%. It doesn't look like a bad choice, but it's still more expensive than National Bank.

## Royal Bank of Canada

How does National Bank stack up against the country's largest bank?

Royal Bank has a P/E of 13.8, a price-to-book value of 2.4, a price-to-sales ratio of 3.0, and a price-to-cash-flow ratio of nearly 11. National Bank is considerably cheaper than Royal Bank, but considering how Royal is the largest bank in the country, it's not surprising it's among the most expensive.

## The Bank of Nova Scotia

Finally, let's compare National Bank to **The Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)).

It trades at a P/E of 13.4, a price-to-book value of two times, a price-to-sales ratio of three times, and like Bank of Montreal, it has negative cash flow. Its dividend is also much smaller than National Bank's, coming in at just 3.5%.

## What does this all mean?

Even after six weeks of strong outperformance by National Bank, it's still the cheapest of Canada's banks, by almost every margin. The only bank comparable is Bank of Montreal, which has a slightly higher P/E, a comparable price-to-book ratio, and a similar dividend yield. Still, it's easy to make the argument that National Bank is still Canada's cheapest bank, and I continue to recommend it over the rest.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:NA (National Bank of Canada)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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