



Canadian Imperial Bank of Commerce vs. The Bank of Nova Scotia: Which Should You Buy?

Description

It can be tricky to determine which of the Big 5 Canadian banks to add to your portfolio. Knowing which one is best can take quite a bit of time and energy. When comparing **Canadian Imperial Bank of Commerce** ([TSX: CM](#))([NYSE: CM](#)) and **The Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)), I believe there is only one winner.

There are a few reasons for that, but let's first break down a few things to determine which is the best.

Company fundamentals

The trailing price/earnings ratio for Canadian Imperial is 12.76 whereas it is 11.56 for The Bank of Nova Scotia. On the flip side, Bank of Nova Scotia doesn't have quite as high of a PEG ratio as Canadian Imperial, with a 1.20 in comparison to 1.37. That means that Canadian Imperial is expected to grow more than Bank of Nova Scotia.

The Bank of Nova Scotia has a price/book of 1.87 whereas Canadian Imperial is at 2.36. The price/book ratio is one way of determining if a company is undervalued. The lower it is, the more undervalued it is.

The final factor to take into consideration is the return on assets. This is what Warren Buffett believes is the most important part of a company. The higher this is, the better. Bank of Nova Scotia is at 0.99% whereas Canadian Imperial is at 0.82%. This means that for every dollar Bank of Nova Scotia holds, it brings in more money.

So for fundamentals, I lean toward Bank of Nova Scotia. It appears to be more undervalued and it makes more from its assets.

International diversification

Both companies have assets all around the world, but when it comes to true diversification, it's Bank of Nova Scotia that takes the cake again. While Canadian Imperial has a strong presence in the

Caribbean, most of its assets are still in North America. That concerns me because I like my banks diversified.

Bank of Nova Scotia has branches in over 50 different countries. It's continuing to invest millions in Mexico, Brazil, and other countries. 26% of its revenue comes from international banking. All told, this is really quite appealing and makes Bank of Nova Scotia the winner on this.

Dividends

If you are the kind of investor who likes to buy and hold, you'll want to maximize the income generated from your investments. While both companies are pretty generous with dividends, Canadian Imperial takes the cake with this one. It pays a 3.9% yield whereas Bank of Nova Scotia pays 3.7%. It might not sound like a lot, but if you are the buy-and-hold type, that extra 0.2% dividend will start to add up.

So in this case, Canadian Imperial takes the prize.

So which is the winner?

I like to see my companies rise in value while also paying a nice dividend. Furthermore, I like to see them diversified. Because of that, I think that The Bank of Nova Scotia is the top choice. It may not pay as high a dividend, but it earns more for each dollar it holds and that will make future earning statements more profitable.

But these are just two of the top banks in Canada. If you want to know more about them, check out the report below.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CM (Canadian Imperial Bank of Commerce)

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