



## Canadian Imperial Bank of Commerce or National Bank of Canada: Which Is the Better Buy Today?

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **National Bank of Canada** ([TSX:NA](#)) are two of the largest banks in Canada in terms of total assets, and both of their stocks represent very attractive long-term investment opportunities today.

However, the laws of diversification state that we cannot buy both, so let's take a closer look at each company's earnings results in the first nine months of fiscal 2015, their stocks' valuations, and their dividends to determine which represents the better buy today.

### Canadian Imperial Bank of Commerce

CIBC's stock has fallen over 5.5% year-to-date, including an increase of over 4% since it announced its earnings results on the morning of August 27 for its three and nine-month periods ending on July 31, 2015. Here's a summary of eight of the most notable statistics from the first nine months of fiscal 2015 compared with the first nine months of fiscal 2014:

1. Adjusted net income increased 5.6% to \$2.82 billion
2. Adjusted earnings per share increased 5.8% to \$7.09
3. Adjusted total revenue increased 6.2% to \$10.72 billion
4. Total assets increased 12.9% to \$457.84 billion
5. Total deposits increased 11.9% to \$360.53 billion
6. Total loans and acceptances, net of allowance, increased 8.8% to \$285.5 billion
7. Total assets under management increased 15.5% to \$158.35 billion
8. Book value per share increased 16.3% to \$50.02

At current levels, CIBC's stock trades at 10 times fiscal 2015's estimated earnings per share of \$9.41 and 9.7 times fiscal 2016's estimated earnings per share of \$9.68, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 12.1.

In addition, CIBC pays a quarterly dividend of \$1.12 per share, or \$4.48 per share annually, giving its stock a 4.8% yield at today's levels. It is also important to note that the company has increased its dividend for five consecutive years.

## **National Bank of Canada**

National Bank's stock has fallen over 13% year-to-date, including an increase of about 3.5% since it announced its earnings results on the morning of August 26 for its three and nine-month periods ending on July 31, 2015. Here's a summary of eight of the most notable statistics from the first nine months of fiscal 2015 compared with the first nine months of fiscal 2014:

1. Adjusted net income increased 6.7% to \$1.27 billion
2. Adjusted earnings per share increased 6% to \$3.54
3. Adjusted revenue increased 7.4% to \$4.51 billion
4. Total assets increased 8.4% to \$215.56 billion
5. Total deposits increased 11% to \$127.61 billion
6. Total loans and acceptances increased 9.1% to \$112.79 billion
7. Total assets under management increased 19.8% to \$50.39 billion
8. Book value per share increased 9.6% to \$27.60

At today's levels, National Bank's stock trades at 9.1 times fiscal 2015's estimated earnings per share of \$4.73 and 8.8 times fiscal 2016's estimated earnings per share of \$4.88, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.2 and the industry average multiple of 12.1.

Additionally, National Bank pays a quarterly dividend of \$0.52 per share, or \$2.08 per share annually, which gives its stock a 4.8% yield at current levels. Investors should also note that the company has increased its dividend for five consecutive years.

## **Which is the better buy today?**

After directly comparing CIBC and National Bank, I think National Bank represents the better long-term investment opportunity today. Both companies reported strong earnings results in the first nine months of fiscal 2015, and they have equal dividend yields, but National Bank's stock trades at more attractive forward valuations, giving it a slight edge in this match-up. All Foolish investors should take a closer look and consider scaling in to positions today.

## **CATEGORY**

1. Bank Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)

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**Author**

jsolitro

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