



Which of the Big 5 Banks Performed Best in Q4?

Description

The Big Five banks' earnings season was closed by **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) on December 5. You may wonder which big bank performed best after the fourth quarter round and which one you should buy.

Two out of five beat expectations

Of the five big banks, only two surpassed expectations in terms of quarterly profit: **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)).

The other three banks failed to meet profit expectations. **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) saw their profits rise, while Bank of Montreal's profits fell.

TD Bank's adjusted earnings were up 11.5% to \$1.36 per share, but missed estimates by \$0.03. Bank of Nova Scotia's adjusted earnings rose 4.4% to \$1.65 per share, but missed consensus by \$0.01. Bank of Montreal's earnings fell 7.6% to \$1.94 per share on an adjusted basis, while analysts expected a profit of \$1.99 per share.

Let's take a deeper look at RBC and CIBC results to see which one performed best.

Royal Bank of Canada

RBC had a net income of \$2.84 billion in the fourth quarter, up 12% compared to the same quarter last year. Revenue was up 12.3% from \$9.4 billion to \$10.5 billion.

The largest Canadian bank's profit reached \$1.88 per diluted share, up 14% from a year ago. This profit was driven by [strong double-digit growth](#) in personal and commercial banking, wealth management and capital markets.

Adjusted for certain items, RBC's fourth-quarter earnings per share rose 16.4% to \$1.92, while the bank was expected to earn \$1.87.

RBC's personal and commercial banking division net income rose 10% to \$1.40 billion. RBC's wealth management and capital markets divisions saw even bigger jumps in the fourth quarter, with net income of \$491 million and \$584 million, up 24% and 21%, respectively, from the same period in the previous year.

RBC's annual net income amounted to \$11.5 billion, up 10% from fiscal 2016.

Canadian Imperial Bank of Commerce

CIBC reported a net income of \$1.16 billion in the fourth quarter, up 25% from \$931 million during the same period last year, which was driven by strong performances across all its divisions. Revenue for the quarter totalled \$4.27 billion, up 16% from \$3.68 billion in the same period a year ago.

CIBC earned a profit of \$2.59 per diluted share, up 11.6% compared to the same quarter in 2016.

The fifth-largest Canadian bank easily beat estimates in the fourth quarter. The bank earned a profit of up 8% to \$2.81 per share on an adjusted basis, while analysts expected on average a profit of \$2.59.

Profit was boosted by a surge in U.S. profits thanks to the [acquisition of Private Bancorp](#) in June. Profit in the bank's U.S. division rose 365% to \$107 million from \$23 million a year earlier.

The largest part of CIBC's profit came from its Canadian division, where adjusted earnings rose by \$63 million year-over-year to \$623 million.

For the full year, CIBC earned \$4.7 billion, almost 10% higher than in 2016.

Which bank is a better buy?

Based on its latest results, CIBC appears to be the frontrunner, but I'm leaning towards this stock for other reasons as well. CIBC's stock has a higher dividend yield than RBC at 4.3% versus 3.4%. CIBC's forward P/E is only 10.1, while RBC's is higher at 11.9. CIBC has a profit margin of 30.4% and a return on equity of 17.2%, compared to 28.9% and 15.7%, respectively, for RBC.

All of the big banks are financially solid and are great long-term investments, but I think CIBC is a better buy in the short term.

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2. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:BNS (The Bank of Nova Scotia)

3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CM (Canadian Imperial Bank of Commerce)
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sbchateauneuf

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