



Which of the Big 5 Banks Performed Best in Q3?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), the five largest Canadian banks, all reported their third-quarter results in August.

RBC was the first bank to report its quarterly results on August 22 and TD was the last one to report on August 30. The third-quarter earnings season has been a bullish one, with earnings boosted by gains in the United States.

In addition, the increase in interest rates over the past year has improved lending margins, since the rates paid to depositors have risen at a slower pace.

Canadian banks have also benefited from strong economies on both sides of the border and from efficiency improvements.

In total, Canada's five biggest banks reported \$11.06 billion of net income for the three months ended July 31, about 9% higher than last year's third quarter.

Let's look at the results of the five big banks to see which one performed better.

	CIBC	RBC	BMO	BNS	TD
Revenue (in billions)	\$4.55 (+11%)	\$11 (+9.3%)	\$5.82 (+6.6%)	\$7.18 (+4.2%)	\$9.89 (+6.5%)
Net income (in billions)	\$1.37 (+25%)	\$3.11 (+11%)	\$1.54 (+10.8%)	\$1.94 (-7.6%)	\$3.11 (+12.1%)

Adjusted	\$3.08	\$2.14	\$2.36	\$1.76	\$1.66
EPS	(+11.2%)	(+12%)	(+16.3%)	(+4.8%)	(+9.9%)
Estimates	\$2.94	\$2.11	\$2.26	\$1.75	\$1.63

Dividend					
(per	\$1.36	\$0.98	\$0.96	\$0.85	\$0.67
quarter)	(+2.3%)	(+4.3%)	(flat)	(+3.7%)	(flat)
Yield	4.3%	3.6%	3.5%	4.3%	3.2%

This was a strong quarter overall for the Big Five banks, which all beat analysts' estimates. CIBC had the strongest beat, with an adjusted EPS \$0.14 higher than analysts' estimates. Scotiabank, despite showing the weakest results, beat expectations by \$0.01.

All banks increased their revenue — with CIBC leading the group with an 11% increase. All banks showed robust overall profit growth from last year, except for Scotiabank, which saw a decline in profit due to acquisition-related items at its international banking arm.

The banks' operations in the United States generally outperformed their core domestic business.

TD reported that profit at its U.S. retail banking operations grew by 26.5% from last year compared with a 7% increase in Canadian retail banking profit.

BMO reported a 36% increase in net income from its U.S. personal and commercial banking unit, compared with a 5% increase at its Canadian counterpart.

CIBC's and RBC's U.S. operations, which represent a smaller portion of their overall business, also outperformed their domestic profit growth during the quarter.

CIBC had the strongest increase in net income, with a big jump of 25% to \$1.37 billion.

In spite of continuing worries about free-trade negotiations and tariff wars, CIBC's profit from Canadian commercial banking and wealth management jumped 20% from the same quarter last year, while loan and deposit balances each increased 10%.

CIBC also continued to build its U.S. arm faster than expected. Profit from U.S. commercial banking

and wealth management rose 295% to \$162 million, thanks to the inclusion of PrivateBancorp, which was acquired last year.

U.S. earnings accounted for nearly 16% of CIBC's total profit, positioning the bank well to reach its goal to generate 17% of overall profit in the United States by 2020.

RBC, CIBC, and Scotiabank raised their dividend. RBC raised its dividend the most, with a 4.3% increase. But CIBC and Scotiabank stocks still have a higher dividend yield than RBC, with a similar yield of 4.3% versus 3.6% for RBC.

Which bank had the best Q3 and which one is a better buy?

From my point of view, CIBC had the best quarter, managing to boost profit by 25% despite [slowed mortgage growth](#).

While CIBC had the best quarter, I think that TD is a better buy. TD has a significant presence in the U.S. and is expected to [benefit the most](#) from the reduced tax rates.

TD's earnings are expected to grow at an average annual rate of 9.3% over the next five years, which is the strongest growth rate among the Big Five. This strong earnings growth will give room to TD to increase its dividend fast.

TD is also the cheapest relative to growth, with a PEG of 1.7.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

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)
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10. TSX:TD (The Toronto-Dominion Bank)

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