



This Bank Stock Is a Better Buy Than CIBC (TSX:CM) Stock

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) and **National Bank of Canada** ([TSX:NA](#)) both reported their quarterly results last week. CIBC stock is down about 3% year-to-date, while National Bank stock is up about 1%. Which [bank stock](#) is a better buy now? Let's look at the results of both banks to see if one stands out above the other.

National Bank of Canada

The profitability of National Bank of Canada remained stable during the months of May, June, and July. Its performance exceeded analysts' expectations, even as the bank continued to set aside large sums to account for potential bad debts during the COVID-19 pandemic.

The largest banking institution in Quebec generated net profits of \$602 million in its most recent quarter, down from \$608 million a year earlier. Its earnings per share stood at \$1.66, while consensus saw it hovering around \$1.30.

The bank's revenue totalled \$2.02 billion, down from \$2.04 billion. Provisions for credit losses were \$143 million, up from \$86 million a year ago. They were \$504 million in the prior quarter.

"We were very proactive last quarter and significantly increased our PCLs, primarily to reflect the deterioration in the macroeconomic cost conditions caused by COVID-19," [bank chief executive Louis Vachon told financial analysts](#).

With this overall positive quarter, National Bank is less exposed than its counterparts to possible troubles linked to the pandemic.

It's still too early to predict the effects of the pandemic on the economy in the long term, but National Bank is in a strong position thanks to the solidity of its balance sheet, its defensive positioning, the quality of its credit portfolios, and its cautious approach to provisioning.

For the full year, revenue is expected to be up 5.8% year-over-year to \$8.1 billion. Earnings are

estimated to decline by 10% for the current year. Over the next five years, earnings are expected to decline by 0.6% per year on average. National Bank's stock has a dividend yield of 4%.

CIBC

CIBC saw its profits dip in the third quarter due to an increase in funds set aside for bad debts in the wake of the tremors of the COVID-19 pandemic.

The Toronto bank reported net income of \$1.17 billion, or \$2.55 per share, in the three-month period that ended July 31, from \$1.4 billion, or \$3.06 per share, the same period a year ago. Provisions for credit losses were \$525 million in the third quarter, compared to \$291 million a year ago and \$1.41 billion in the second quarter of the current fiscal year.

Excluding non-recurring items, CIBC posted adjusted earnings per share of \$2.71 in the third quarter, compared to \$3.10 a year ago. Analysts were forecasting adjusted earnings per share of \$2.15.

For the full year, revenue is expected to be up 1.5% year-over-year to \$18.9 billion. Earnings are estimated to decline by 25% for the current year. Over the next five years, earnings are expected to decline by 4.2% per year on average. CIBC stock has a dividend yield of 5.7%.

National Bank or CIBC stock?

National Bank and CIBC are two solid Canadian banks. However, National Bank has been less impacted than CIBC by the pandemic and should recover faster, so National Bank stock looks like a better buy now than CIBC stock.

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2. TSX:CM (Canadian Imperial Bank of Commerce)
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