



## Better Bank Stock: National Bank (TSX:NA) vs. Canadian Imperial Bank of Commerce (TSX:CM)

### Description

Canada's top banks passed through the third round of earnings in late August. The second quarter saw many top banks take a huge hit, as provisions for credit losses surged due to the COVID-19 pandemic. Interestingly, bank stocks gained momentum, as optimism reigned supreme. Today, I want to look at the two smallest banks of the Big Six: **National Bank** ([TSX:NA](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). Which is the better buy today? Let's jump in.

### National Bank stock continues to be underrated

National Bank boasts a massive footprint in its home province of Quebec. However, it is the smallest of the Big Six Canadian banks. Its shares have climbed 11% month over month as of close on September 11. This has vaulted the stock back into positive territory for 2020.

The bank released its third-quarter 2020 results on August 26. It earned \$602 million, or \$1.66 per share, which was down marginally from net income of \$608 million, or \$1.66 per share, in Q3 2019. This was a solid outing, especially considering that its provisions for credit losses were still up \$86 million from the prior year. On the plus side, National Bank reported that it saw 10,000 payment deferrals in the quarter — down from 75,000 in the second quarter.

Back in July, I'd suggested that investors should pick up National Bank, as it [offered attractive value](#) with a solid dividend. Its stock last had a price-to-earnings (P/E) ratio of 12 and a price-to-book (P/B) value of 1.8. National Bank offers a quarterly dividend of \$0.71 per share, representing a 3.9% yield.

### This bank stock still offers attractive income

CIBC is the fifth largest of the Big Six Canadian banks. Shares of CIBC have increased 6% over the past month. However, the stock is still down 2.4% in the [year-to-date period](#). The bank released its Q3 2020 report on August 27.

Provisions for credit losses climbed 80% year over year to \$525 million in the third quarter. The bank was forced to continue to guard against bad loans due to the pandemic and weak commodity prices. Meanwhile, adjusted net income fell 12% year over year to \$1.24 billion. However, this still beat analyst expectations. Headwinds aside, CIBC management appeared confident that a rebound was underway as we move into the final quarter of 2020.

Shares of CIBC last possessed a favourable P/E ratio of 11 and a P/B value of 1.2. Moreover, CIBC offers a quarterly dividend of \$1.46 per share. This represents a strong 5.7% yield. Like its peers, CIBC is on the mend. It started this year with a vow to bolster its mortgage portfolio. Canada's robust housing market is good news for this bank going forward.

## Verdict

National Bank had a stronger quarter in Q3 2020, but CIBC did still exceed expectations. As it stands today, CIBC stock offers marginally better value and a significantly more attractive dividend. For this reason, I'm more inclined to jump on CIBC stock in mid-September.

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2. Investing

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

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