



Big 5 Bank Stocks: Top 2 Picks in Canada

Description

Five of the TSX's 11 primary sectors are in negative territory to start the second half of April 2022. The energy (+49.36%) and materials (+27.30%) sectors lead the advancers with solid gains. Communications services (+12.35%), utilities (-5.29%), and consumer staples (+5.13%) round up the top five performers.

The financial sector, led by the Big Five banks, lags and is down 1.6% year to date. However, despite the sudden retreat, none of the giant lenders will lose favour with Canadians, especially [dividend investors](#). All of them have dividend track records of more than 100 years. Moreover, their financial standings are healthy, while the dividend payouts are safe and sustainable.

If you're looking to have at least one big bank stock as a core holding in your stock portfolio, choose between **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). These two banks pay the highest dividends in the banking sector. Also, you can buy either one or both to [secure income for decades](#) while limiting the downside.

Highest payout

BNS trades at \$84.64 per share and is the cheapest among big bank peers. The dividend yield is a super-attractive 4.7%. **Royal Bank of Canada**, **Toronto-Dominion Bank**, and **Bank of Montreal** announced expansion moves recently and are spending their excess common equity tier one capital for M&As.

However, BNS already has a head start and is well positioned for further business growth. The \$101.94 billion bank has a strong international presence, including Pacific Alliance countries. Furthermore, earnings from these emerging markets abroad should improve as interest rates increase.

Brian Porter, president and CEO of BNS, said, "2022 has started well, reflecting the full earnings power of the bank, with very strong operating results in our four business lines." In Q1 fiscal 2022 (quarter ended January 31, 2022), net income increased 14.3% to \$2.7 billion versus Q1 fiscal 2021.

Notably, assets under management and under administration grew by an identical 11% compared to the same quarter in the previous fiscal year. While there's no potential acquisition in the U.S. yet, BNS has plans to develop its capabilities across the border.

Bank stock for keeps

CIBC is down by less than 1% year to date, although current investors enjoy a 4.45% — the second-highest yield. If you invest today, the share price is \$144.91. The 154-year dividend track record of the country's fifth-largest lender is enough to say this big bank stock is [for keeps](#).

This \$65.4 billion bank's consistent and sustainable earnings through the years create shareholder value and help achieve strategic growth. According to management, CIBC holds a position of strength in fiscal 2022, despite the industry headwinds.

In Q1 fiscal 2022, adjusted net income rose 15% to \$1.86 billion versus Q1 fiscal 2021. Its Canadian Commercial Banking and Wealth Management group reported the most significant year-over-year increase (31%) in net income. Profits this fiscal year should remain strong, although they could be lower.

CIBC expects mortgage demand growth to decelerate slightly due to softer home sales volumes and higher interest rates.

Must-own assets

Its wide geographic presence in attractive, emerging markets is the competitive advantage of BNS. However, CIBC's four strategic business units should continue to drive shareholder value. Either Big Five bank stock is a must-own, income-producing asset.

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