

Comparative Analysis: Financial Stabilization and Growth in Canada's Banking System

This report compares the financial performance of TD Bank Group and CIBC in the banking industry in Canada. The sector is extremely controlled, predictable and consists of few giant institutions and growth is propelled by population growth, lending, and digital breakthroughs.

TD Bank Group is among the biggest financial institutions in North America, and has diversified operations in both Canada and the United States. Conversely, CIBC is a relatively small company that is more localized in Canada, implying that it is more vulnerable to local economic forces.

The financial analysis reveals that TD has had its ups and downs in terms of performance, as its earnings declined in 2024, but then improved significantly in 2025. CIBC on the other hand showed a consistent and continuous growth over the three years. CIBC had stable operating cash flows in terms of cash flow whereas TD was more volatile with respect to changes in operating assets and liabilities.

In general, TD has better growth prospects and higher profitability over the last year, whereas CIBC offers more predictable and consistent performance. According to the analysis, TD seems to be more suited towards long-term growth, and CIBC is less risky and predictable.

Industry Overview

The banking sector in Canada is among the most stable and concentrated banking industry across the globe. Over 90 percent of the total domestic banking assets are held by six large institutions (RBC, TD Bank Group, Scotiabank, BMO, CIBC and National Bank) (OSFI, Annual Report, 2024, p.8). All of these banks have a combined asset of more than 4 trillion CAD, which when compared to the GDP, a country like Canada is among the most bank-driven economies in the world. This is not a weak point, it is a strong point. The banking system has never failed in Canada in a major capacity since the 1920s, and the country stood out during the 2008 global financial crisis, with not one Canadian bank needing a government bailout, unlike virtually every other major economy (Bank of Canada, Financial System Review, 2024, p.12).

The department of the Superintendent of Financial Institutions (OSFI) controls the industry and gives tough capital adequacy requirements based on the Basel III framework. By October 2025, all significant banks must have a Common Equity Tier 1 (CET1) ratio of at least 11.5% and a Domestic Systemically Important Bank (D-SIB) surcharge of 1.0% will be imposed (OSFI, Capital Adequacy Requirements Guideline, 2024, p.3). These requirements are comfortably met both by TD and CIBC, which will also be discussed in Section C.

The flow of revenue in the Canadian banking sector is mainly based on net interest income - the difference between what banks earn on lending and what the banks pay on deposits - and noninterest income like wealth management fees, trading income and insurance. The total net income of the Big Six in fiscal 2024 was about \$49 billion CAD, according to the Canadian Bankers Association, recovering in 2024 and 2023, which experienced high provision charges

(Canadian Bankers Association, Annual Banking Report, 2024, p.6). Historically, the industry has had a payback of 12-16 percent, which, though consistent, is not spectacular profitability - a combination of tight lending standards and an extremely regulated environment.

Canadian banking is not growing through some drastic fluctuations in market share. It arrives, in a slow but steady stream, as a result of the growth of population, unprecedented levels of immigration and the slow but steady strengthening of financial networks with current customers. In 2024, Canada will have more than 400,000 permanent residents, many of whom are first-time users of bank accounts, mortgages, and credit products (Immigration, Refugees and Citizenship Canada, 2024). The six banks are all beneficiaries of this demographic tailwind, but those with robust retail networks and digital onboarding services benefit more.

On the cost front, the industry is mounting pressure. Higher interest rates until 2023 and early 2024 – the Bank of Canada overnight rate reached its highest point in 5.0% and then steadily declined to 2.25% by October 2025 (Bank of Canada, Monetary Policy Report, 2025, p.2) tightened net interest margins as many institutions were finding deposit costs increasing more rapidly than loan yields. The industry-wide credit loss provisions increased as the mortgage borrowers and small businesses struggled with increased borrowing rates. At the same time, the emergence of fintech rivals like Wealthsimple and Neo Financial, or the global expansion in embedded banking offerings, have intensified the pricing of more mundane products, including savings accounts and personal loans.

Technology investment and cybersecurity has also emerged as a characteristic of competitive advantage. Capital spending on digital infrastructure has greatly risen by all of the large banks and the technology spend in the industry is projected to be more than 15 billion CAD each year (Deloitte, Canadian Banking Outlook, 2024, p.9). The capability to deliver fluid, quick, and safe digital experiences is no longer a distinguishing element, but a minimum benchmark.

Company Descriptions

TD Bank Group is the second largest bank in Canada based on assets and among the ten largest banks in North America having total assets of around 2.09 trillion CAD as of October 31, 2025 (TD Annual Report, 2025, p.1). The sheer magnitude of its operations in America is what makes TD stand out among most of its Canadian counterparts. Its U.S. Retail division - which operates as TD bank between Maine and Florida - accounts to about 40 percent of total turnover, providing the bank with some geographic diversification, which is not even comparable to any other Canadian bank. The bank is structured into four main segments namely; Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance as well as Wholesale Banking. This structure diversifies risks in terms of geographies and product lines and minimizes over dependence on a single market or product line (TD Annual Report, 2025, p.4).

CIBC on the other hand is more established at home. CIBC is the fifth largest of the Big Six, with total assets of about 1.12 trillion CAD as at October 31, 2025 (CIBC Annual Report, 2025, p.1), which is not very small, but in a different league than either RBC or TD in terms of geography. Canadian Personal and Business Banking and Wealth Management and Canadian Commercial

Banking help the bank to generate most of its revenue. Its U.S. business, mainly via the CIBC Bank USA in Chicago, yields income but is a comparatively small part of group income. CIBC has decided to go deep instead of wide broadly; it has decided to become the bank that Canadians like the most to deal with mortgages, wealth management, and small businesses as opposed to establishing a cross-border empire.

Competitive Environment

The Big Six competition is a commonplace affair: stiff on price, soft on form. The oligopolistic characteristics of the Canadian market imply that market share changes occur gradually, in basis points across years, as opposed to quarterly gains or losses. With that said, TD and CIBC are especially direct competitors in the retail banking and residential mortgages, small business credit, and wealth management the areas that both banks most depend on to earn domestic revenue.

The competitive landscape of these segments was redefined by the interest rate environment of 2023-2025. Mortgage renewals became a point of credit strains when the Bank of Canada hiked rates to curb inflation, and the industry saw a decline in loan growth. Those banks that had developed more intimate relationships with borrowers - based on multi-products and aggressive financial counseling - could retain them, who could go out to shop around. This trend marginally worked in favour of the CIBC approach of relationship depth in Canada, although the diversified revenue base offered by TD south of the border made it stable (TD Annual Report, 2025, p.6; CIBC Annual Report, 2025, p.4).

Another front on which both the banks are in close competition is digital transformation. TD has made significant investments in its online and mobile platforms, with more than 17 million active online and mobile customers as of fiscal 2025 (TD Annual Report, 2025, p.8). CIBC has also dedicated itself to being a digital leader, and in 2025, the bank announced its AI-powered engine to personalize client experiences, CIBC CRTeX, which the bank states will be at the heart of enhancing client interaction and retention (CIBC Annual Report, 2025, p.6). The two banks are also grappling with the regulatory scrutiny of growing data use and adoption of AI, which will only grow as regulators tighten their responsibilities responsible AI in financial services.

Strengths and Weaknesses Relative to the Industry

TD Bank Group

The best strength of TD is its geographic diversification. Unlike all other large Canadian banks, which are nearly fully invested in the Canadian economic cycle, i.e. the housing prices, consumer debt levels and the Bank of Canada policy decisions, TD earns about 40 percent of its income in the United States. This is a true economic buffer. As the Canadian consumer expenditure becomes weak, the U.S. operations will be able to balance it and vice versa. It is not a hypothetical benefit,

though, as we saw in the 2025 results with the Canadian Personal and Commercial Banking division of the bank generating record revenue of 5.3 billion in the fourth quarter of 2025 alone (TD Annual Report, 2025, p.14), and U.S. Retail bouncing back in the aftermath of the 2024 AML pen

That AML scenario is, however, the most relevant recent weakness of TD and a story to get to know well. In October 2024, TD settled regulatory inquiries by U.S. regulators such as the Department of Justice, FinCEN and the OCC into flaws in its U.S. anti-money laundering program, forfeiting a total of US\$3.09 billion (C\$2.23 billion) and imposing an asset cap of US\$434 billion (TD Annual Report, 2025, p. This was not just a monetary fine - it limited TD to expand its U.S. business when the American banking market was offering some serious opportunities. These charges led the bank to report a net income of \$8.84 billion in fiscal 2024, but to recover to an underlying performance of \$20.54 billion in fiscal 2025 as one-time items inverted and underlying performance recovered (TD Annual Report, 2025, p.153). The AML program is likely to incur a cost of about US\$500 million in fiscal 2026 to remediate, implying that the bank is not yet over with the financial and reputational costs (TD Annual Report, 2025, p.8).

Compared to the industry, the wholesale banking and capital markets offerings of TD, run through TD Securities and TD Cowen, provides it with access to fee revenues streams that cannot be accessed by a more domestically oriented bank such as CIBC on the same scale. The integration of TD Cowen after the 2023 takeover has increased advisory and underwriting capacity of the bank in the United States by a significant margin, but the cost of integration has burdened the reported performance.

CIBC

The heart of CIBC is precisely what some analysts may consider the weakness of this bank: it understands its market and operates in it with increased discipline. This is because the bank has continued to increase its domestic performance with record net income of \$8.45 billion in fiscal 2025, compared to 7.15 billion in 2024 and 5.04 billion in 2023, a steady upward trend that is indicative of real improvement in operations rather than a short-term gain (CIBC Annual Report, 2025, p.113 The adjusted return on equity of the bank was 14.3% in fiscal 2025 (CIBC Annual Report, 2025, p.4), which is not only within the historical performance range of the industry but higher than it was trading only 2 years ago.

A special highlight is the wealth management franchise of the bank. CIBC was ranked 6 th of all Registered Investment Advisors in Barron Top 100 RIA Firm of 2025- a move that indicates that the bank has been investing in high net worth and affluent client services (CIBC Annual Report, 2025, p.6). The Imperial Service offer to wealthy Canadians and the Costco Co-brand relationship obtained by CIBC in 2022 have increased the retail revenue base of the latter in a structurally valuable, as opposed to cyclically-dependent, manner.

What analysts are really worried about, though, is the weakness that is CIBC being concentrated on residential mortgages in Canada. The bank has the biggest residential mortgage book versus total assets among the Big Six - a business that provided good-revenue in the low-rate, high-volume years, but that has real risk as mortgage renewal cycles in the Big Six approach in 2025 and 2026. Canadian mortgage renewals (around 284 billion) will occur during 2025-2026

across the industry (Bank of Canada, Financial Stability Report, 2024, p.18), and since CIBC is more heavily exposed to this product than other financial institutions, a decline in the Canadian housing prices or a prolonged mix of borrower stress would be more keenly experienced than at TD or RBC. It is not a crisis, as the loan loss ratio of CIBC was only 33 basis points in fiscal 2025 (CIBC Annual Report, 2025, p.4), which implies that the bank has not yet diversified the credit risk, but it is a concentration risk to which it has not diversified.

To recap it all, TD and CIBC are robust institutions that are based on one of the most stable banking systems in the world. The strength of TD is its geographic reach and wholesale base, yet it is operating under substantial regulatory and reputational headwinds in the U.S. CIBC is performing well in the domestic market and is enhancing its returns, but is even more susceptible to the Canadian housing and credit cycle than most of its peers. With the interest rate environment returning to normal and the mortgage renewal pressures at their highest point, it will be more evident in the financial performance that is to follow how each bank will perform relatively in terms of its strategy.

Summary Statement of Cash Flows

TD Bank Group – Summary Statement of Cash Flows (CAD \$M)						
Line Item	FY2023 (\$M)	FY2024 (\$M)	FY2025 (\$M)	FY2023 (%)	FY2024 (%)	FY2025 (%)
OPERATING ACTIVITIES						
Net income	10,634	8,842	20,538	4.8%	4.5%	6.1%
Provision for credit losses	2,933	4,253	4,506	1.3%	2.2%	1.3%
Depreciation & amortization	1,911	2,027	2,166	0.9%	1.0%	0.6%
Net securities loss / (gain)	48	358	1,951	0.0%	0.2%	0.6%
Deferred income taxes	(1,306)	(1,061)	(764)	-0.6%	-0.5%	-0.2%
Changes in operating assets & liabilities	(79,522)	40,519	(99,033)	-35.9%	20.5%	-29.2%
Net cash from (used in) operating activities	(65,302)	54,937	(69,646)	-29.4%	27.8%	-20.5%
FINANCING ACTIVITIES						
Subordinated debt issued	-	3,324	2,283	0.0%	1.7%	0.7%
Subordinated debt redeemed	(1,716)	(1,544)	(3,175)	-0.8%	-0.8%	-0.9%
Shares issued (common + preferred)	74	1,428	1,930	0.0%	0.7%	0.6%
Shares repurchased	(4,285)	(3,997)				

CIBC – Summary Statement of Cash Flows (CAD \$M)						
Line Item	FY2023 (\$M)	FY2024 (\$M)	FY2025 (\$M)	FY2023 (%)	FY2024 (%)	FY2025 (%)
OPERATING ACTIVITIES						
Net income	5,039	7,154	8,454	5.9%	8.4%	6.6%
Provision for credit losses	2,010	2,001	2,342	2.3%	2.3%	1.8%
Depreciation & amortization	1,143	1,170	1,178	1.3%	1.4%	0.9%
Deferred income taxes	(84)	(244)	(257)	-0.1%	-0.3%	-0.2%
Other non-cash items	1,822	(1,822)	(16)	2.1%	-2.1%	0.0%
Changes in operating assets & liabilities	2,224	3,829	1,137	2.6%	4.5%	0.9%
Net cash from (used in) operating activities	12,154	11,088	13,838	14.1%	12.9%	10.8%
FINANCING ACTIVITIES						
Subordinated debt issued	1,750	2,250	1,250	2.0%	2.6%	1.0%
Subordinated debt redeemed	(1,500)	(1,536)	(1,069)	-1.7%	-1.8%	-0.8%
Preferred shares / LRCNs issued	-	996	2,757	0.0%	1.2%	2.1%
Preferred shares / LRCNs redeemed	-	(975)	(1,350)	0.0%	-1.1%	-1.1%
Common shares issued	183	312	158	0.2%	0.4%	0.1%
Common shares repurchased	-	(419)	(1,731)	0.0%	-0.5%	-1.4%
Dividends paid	(2,261)	(2,947)	(3,993)	-2.6%	-3.4%	-3.1%
Lease repayments	(331)	(287)	(309)	-0.4%	-0.3%	-0.2%
Net cash from (used in) financing activities	(2,159)	(2,610)	(4,312)	-2.5%	-3.1%	-3.4%
INVESTING ACTIVITIES						

that was experienced in the same year. On the whole, TD has the ability to flex when it comes to handling large investment flows, although it is also more volatile in cash flows.

CIBC

CIBC's cash flow pattern over the three-year period was more stable compared to TD, particularly in operating activities. Net cash from operating activities remained positive in all three years, indicating consistent cash generation from core business operations. This stability is supported by steady net income growth, as well as relatively stable adjustments such as provisions for credit losses and changes in operating assets and liabilities.

Financing activities for CIBC also resulted in net cash outflows in each year. The bank issued subordinated debt and preferred shares, but these inflows were offset by debt repayments, dividends, and share repurchases. The outflow increased in 2025, reflecting higher shareholder distributions and capital management activities. This suggests that CIBC is maintaining a balanced capital structure while returning value to investors.

In investing activities, CIBC reported negative cash flows in all three years, although the magnitude of the outflow decreased significantly in 2025. This was primarily due to consistent purchases of securities, partially offset by proceeds from sales and maturities. Compared to TD, CIBC's investing activities are more conservative and less volatile, indicating a more stable investment strategy.

Comparative Analysis

When comparing the two banks, CIBC demonstrates stronger performance in terms of stability, particularly in operating cash flows, as it maintained positive operating cash flows throughout the entire period. In contrast, TD experienced significant fluctuations, with negative operating cash flows in two out of three years. This suggests that CIBC's core operations generate more consistent cash inflows.

However, TD shows greater flexibility and scale in its investing activities, with the ability to generate large positive cash inflows in certain years. This reflects its broader and more diversified operations. Both banks show similar patterns in financing activities, with consistent cash outflows due to dividend payments and capital management.

Overall, CIBC appears stronger in terms of stability and predictability, while TD demonstrates higher volatility but also greater capacity for large-scale financial movements.

Growth Analysis

Growth Rates & Profit Margins – TD Bank Group vs CIBC (CAD \$M)						
Metric	TD FY2023	TD FY2024	TD FY2025	CIBC FY2023	CIBC FY2024	CIBC FY2025
INCOME STATEMENT INPUTS (\$M)						
Total Revenue	50,690	57,223	67,777	23,332	25,606	29,133
Net Interest Income	29,944	30,472	33,062	12,825	13,695	15,769
Gross Profit (Revenue – PCL)	47,757	52,970	63,271	21,322	23,605	26,791
Operating Income (EBIT)	12,888	10,830	23,643	6,973	9,166	10,939
Net Income	10,634	8,842	20,538	5,039	7,154	8,454
EPS – Basic (\$)	5.53	4.73	11.57	5.17	7.29	8.62
Dividends Per Share (\$)	3.84	4.08	4.20	3.44	3.60	3.88
Book Value Per Share (\$)	56.56	59.59	68.78	51.56	57.08	62.33
COMPOUND ANNUAL GROWTH RATES (CAGR) — FY2023 to FY2025 [Formula: $(FY2025 + FY2023)^{(1+2)} - 1$]						
Metric	TD CAGR	CIBC CAGR	TD FY2023	TD FY2025	CIBC FY2023	CIBC FY2025
Revenue	15.63%	11.74%	50,690	67,777	23,332	29,133
Operating Profit (EBIT)	35.44%	25.25%	12,888	23,643	6,973	10,939
Net Income	38.97%	29.53%	10,634	20,538	5,039	8,454
EPS – Basic (\$)	44.65%	29.12%	5.53	11.57	5.17	8.62
PROFIT MARGINS (% of Total Revenue) – 3-Year Trend						

in 2025, its profit margins were much better as the net income increased. It implies that the profitability of TD is vulnerable to external events but can recover well.

CIBC had more consistent margins over the period and it was improving albeit slowly. This is an indication of stable performance in operations and a more cautious approach.

On the whole, TD has greater profitability potential, whereas CIBC has more reliable and predictable margins.

Ratio Analysis

Financial Ratio Analysis – TD Bank Group vs CIBC (Fiscal Years Ended Oct 31)							
Ratio	TD FY2023	TD FY2024	TD FY2025	CIBC FY2023	CIBC FY2024	CIBC FY2025	Formula
BALANCE SHEET INPUTS (\$M) — hardcoded from annual reports							
Total Assets	1,955,139	2,061,751	2,094,558	975,690	1,041,985	1,116,938	Source: Annual Reports (Balance Sheet)
Net Loans	895,947	949,549	953,012	529,337	558,292	589,504	Source: Annual Reports (Balance Sheet)
Cash & Equivalents	105,069	176,367	116,929	20,816	8,565	12,379	Source: Annual Reports (Balance Sheet)
Total Deposits	1,203,900	1,268,700	1,267,100	723,376	764,857	808,124	Source: Annual Reports (Balance Sheet)
Total Equity	112,071	115,160	127,827	53,163	59,007	64,413	Source: Annual Reports (Balance Sheet)
Total Liabilities	1,843,068	1,946,591	1,966,731	922,527	982,978	1,052,525	Source: Annual Reports (Balance Sheet)
Total Revenue	50,690	57,223	67,777	23,332	25,606	29,133	Source: Annual Reports (Income Statement)
Net Income	10,634	8,842	20,538	5,039	7,154	8,454	
Operating Income (EBIT)	12,888	10,830	23,643	6,973	9,166	10,939	
Net Interest Income	29,944	30,472	33,062	1			

Leverage / Coverage

Both banks operate with high leverage, as expected in the banking industry. TD shows slightly higher leverage due to its larger asset base, while CIBC maintains a more stable

and conservative capital structure. Both banks have sufficient coverage ratios, indicating their ability to meet interest obligations.

Activity

Asset turnover ratios for both banks are relatively low, which is typical due to large asset bases. TD shows slightly better efficiency in asset utilization, while CIBC maintains stable lending practices as reflected in its loan-to-deposit ratio.

Profitability

TD shows stronger profitability in 2025 due to its significant increase in net income, while CIBC demonstrates steady improvement across all three years. TD offers higher return potential, whereas CIBC provides more consistent returns.

Market Ratios

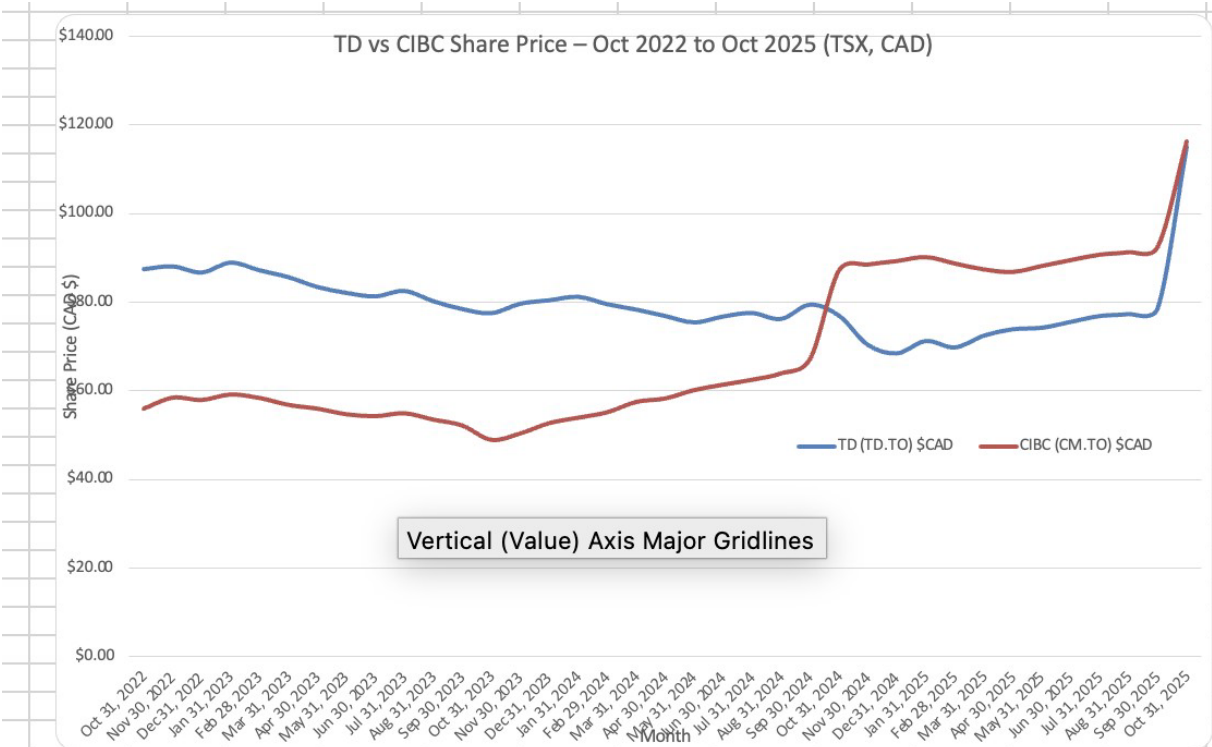
Market ratios indicate that both banks are attractive to investors. TD's earnings per share increased significantly in 2025, while CIBC showed steady growth. Both banks maintain strong dividend yields, making them appealing to income-focused investors.

The TD Bank Group is financially stronger than CIBC over the three years 2023-2025 based on the overall financial analysis. Despite the fact that in 2024 TD recorded reduced earnings, the bank has recorded a massive recovery in 2025 with a considerable growth in net income and better profitability ratios.

CIBC, however, has been able to show a consistent and steady growth over the period. Its financial performance was less volatile, as net income was growing steadily, and the operating cash flows remained stable. Nonetheless, CIBC is still more reliant on the Canadian market, especially in consumer lending and residential mortgages, and thus it is more vulnerable to the domestic economic conditions.

Cash flow wise, CIBC is more stable since it recorded positive operating cash flows in the three years. TD being larger and more diversified was more fluctuated by the large changes in operating assets and liabilities. TD was more profitable and grew faster than CIBC in 2025, which means that it has a stronger recovery and higher growth potential.

Stock Market Performance



The three-year performance of TD and CIBC in terms of stock prices is an indicator of investor expectations and perception of the market. The stock performance of TD has a more robust growth, especially after the recovery of the earnings in 2025. This shows that the investors reacted positively to the increased profitability and growth potential of the bank in the long term.

The performance of CIBC in terms of its stock is less volatile but slower in growth than TD. This is in line with its steady though average financial performance. TSX index gives an indicator of the general performance of the market and the two banks tend to move on the same trend as the rest of the market.

Generally, the financial analysis is in line with the stock performance. Harder recovery and increased profitability of TD in the last year are recorded in improved stock performance but more moderate improvement in stock price movement is seen in CIBC.

In conclusion, both TD and CIBC are financially strong institutions operating within a stable and well-regulated industry. However, TD demonstrates greater growth potential, higher profitability, and stronger recovery from short-term challenges. CIBC offers more stable and predictable performance but is more exposed to domestic economic risks.

Therefore, TD appears better positioned for long-term growth and value creation, while CIBC provides lower risk and consistent returns.