



Royal Bank, Scotiabank Climb Ranks as U.S. Banks Fall (Update1)

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By Sean B. Pasternak and Doug Alexander



March 16 (Bloomberg) -- **Royal Bank of Canada**, Toronto- Dominion Bank, **Bank of Nova Scotia** and Bank of Montreal pushed deeper into the ranks of North America's 10 biggest banks after U.S. counterparts stumbled or disappeared in the past year.

Royal Bank, Canada's biggest bank by assets, is now seventh- largest in North America after tripling assets in the past decade, according to data compiled by Bloomberg from company filings. **Toronto-Dominion**, Scotiabank and **Bank of Montreal** rank eight, ninth and 10th. At the end of 2007, Toronto-based Royal Bank was the sole Canadian firm among the top 10.

Canadian banks have remained profitable, outperforming their peers, because of tighter government restrictions on lending and capital requirements. The country's six biggest lenders reported less than C\$20 billion (\$15.8 billion) in debt-related writedowns since the credit crisis began in 2007, about 2 percent of the \$887.1 billion recorded by banks and brokerages worldwide.

"It's a combination of the deleveraging that you're seeing at some of the U.S. banks and, frankly, the relative strength of the Canadian banks," National Bank Financial analyst **Robert Sedran** said in a March 13 interview. "They've been less disrupted on a relative basis than a lot of their U.S. peers."

While New York-based **Citigroup Inc.** lost \$17.3 billion in the fourth quarter, San Francisco-based Wells Fargo & Co. had a net loss of \$2.55 billion and Bank of America Corp., the biggest by assets, lost \$1.79 billion, Canada's six largest banks were profitable in the quarter ended Jan. 31, and each beat analyst estimates.

Obama Noticed

Canada's performance has been noticed. U.S. President **Barack Obama** said in a February **interview** with Canadian Broadcasting Corp. that Canada has been "a pretty good manager of the financial system and the economy." In October, the **World Economic Forum** ranked Canada as the soundest financial system.

"The Canadian system is more or less working," **Scotiabank** Chief Executive Officer **Richard Waugh**, 61, said in a Feb. 25 interview. "Even during this crisis, we have a lot of good assets on our balance sheet that are earning good, sustainable revenue."

U.S. banks have racked up record losses and received unprecedented financial support from the government in the past year. Shares of Citigroup, once the world's biggest bank by market value, dropped below \$1 in New York Stock Exchange composite trading March 5.

U.S. Woes

Canadian banks have climbed in rank as U.S. banks collapsed or were bought in the past year. **Lehman Brothers Holdings Inc.** filed for Chapter 11 bankruptcy protection in September and Bear Stearns Cos. agreed to be purchased by JPMorgan Chase & Co. last March. Wachovia Corp., which ranked sixth last year, was acquired by No. 4 Wells Fargo & Co. and Merrill Lynch & Co. was bought by Bank of America Corp., which ranked third at the end of last year.

A decade ago, Canada's banks failed to make the top 10 list. **Royal Bank** had the equivalent of \$183.9 billion in assets at the end of 1999, making it the 12th-biggest bank on the continent. Royal's assets more than tripled to \$577.6 billion by the end of January, in part by adding a U.S. franchise based in Raleigh, North Carolina.

Toronto-Dominion has spent more than \$15 billion in the past four years expanding in the U.S., including purchases of Portland, Maine-based TD Banknorth and Cherry Hill, New Jersey- based Commerce Bancorp Inc. The lender's U.S.

branches exceed its Canadian network. Scotiabank and Bank of Montreal have expanded from their Canadian base in recent years to increase revenue.

Shares of Canada's banks dropped amid the global financial crisis. The nine-member **S&P/TSX Banks Index** has dropped 4.2 percent so far this year, less than the 42 percent drop among the 24-member **KBW Bank Index**.

"We've beaten expectations to some degree, but I wouldn't overplay that," Royal Bank CEO **Gordon Nixon**, 52, told reporters in Vancouver on Feb. 26. "The expectation is the Canadian banks will continue to generate profitability throughout this turmoil and I think that's a real positive."

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