

5 Reasons Why National Bank of Canada Belongs in Your Portfolio

Description

National Bank of Canada ([TSX: NA](#)) and its subsidiaries form one of the leading integrated financial groups in Canada. The bank offers its financial services to retail, commercial, corporate and institutional clients.

National Bank of Canada is an appealing dividend-paying stock with a nice yield. With branches in almost every province, it's the leading bank in Quebec and the sixth largest bank in Canada.

Here are five reasons to consider National Bank of Canada for your income portfolio.

1. Diverse operating segments

National Bank of Canada's three business segments are Personal and Commercial, Wealth Management, and Financial Markets.

For the past three years, the Personal and Commercial segment has had compound annual growth in earnings of 6%. Wealth Management has produced compound annual growth in earnings and revenues of 5% and 8% respectively while Financial Markets has produced compound annual growth in revenues and earnings of 6% and 17%, respectively in the last 36 months.

For Q2 2014, Personal and Commercial net income was \$162 million. This is up 6% from \$153 million in Q2 2013. Wealth Management net income was \$68 million in Q2, which was a 39% increase from \$49 million in Q2 2013. However, its Financial Markets net income was \$128 million in Q2, which was down 9% from \$141 million in Q2 2013. Financial Markets is expanding its global footprint by opening a business office in Hong Kong.

2. Extensive client base

The bank has clients in Canada, the U.S., Europe, and other international markets. It serves its customers via a network of representative offices, subsidiaries, and partnerships.

Its subsidiaries include National Bank Trust, National Bank Investments, Natbank, National Bank Financial, National Bank Direct Brokerage, National Bank General Insurance, National Bank Insurance Firm, and National Bank Life Insurance Company. Through these subsidiaries the bank offers a wide array of financial products and services.

3. New investments in technology to enhance client service

National Bank of Canada has its MAX program. This is to simplify and streamline its business processes. The main elements consist of the deployment of a new sales and service platform, optimization of operational sites and several other complementary actions.

The bank has its advanced mortgage platform and is putting in place a number of technological

enhancements this year and beyond. The new mortgage loan platform was installed in its branches and mortgage developer network in Quebec. The platform will be available to mortgage development managers and branches outside of Quebec later this year.

4. Strong foundation in Quebec

National Bank of Canada's operations in Quebec are a solid platform for continued revenue growth. For the last fiscal year ended October 31, 2013, the geographic distribution of total revenues was made up of Quebec (61%), other provinces (34%), and international and unallocated (5%). However, the bank is implementing several initiatives to develop business in Central, Western, and Atlantic Canada.

5. Dividends

In late May, National Bank of Canada's board declared a dividend increase from \$0.46 to \$0.48 per common share for the quarter ending July 31, 2014. The bank's current dividend yield is 3.90% and its five-year average dividend yield is 7.40%. Its dividend rate is \$1.92. In 2013, it declared \$552 million in dividends to common shareholders.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)

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