



Canada's Most Overlooked Bank Scores Again

Description

WOW!

There's not much else you can say about **National Bank of Canada's** ([TSX:NA](#)) latest earnings report, which saw it deliver a 130% increase — the best year-over-year number of all six major banks.

The bank snobs among us, especially those residing outside Quebec, are probably going to dismiss its performance as a one-off, lucky, a fluke; certainly not anything worth giving it a seat at the big boy's table.

As I [said](#) in late April, National Bank is making all the right moves, and these latest numbers only cement that idea. Ignore National Bank at your peril.

Now, let's not confuse my admiration for National Bank's operations as an implied endorsement of Canadian banks, because that would be the furthest thing from the truth.

Trust us

Recently, **Toronto-Dominion Bank's** selling practices came under fire for being too aggressive. Of course, the bank's [denied](#) these accusations, and the rest of the big banks have echoed this sentiment in a classic example of circling the wagons.

We as Canadians, to a fault, firmly believe those in authority tell us the unvarnished truth, and the banks are at the top of that list.

However, the TSX is a collection of energy and financial stocks; you've got to drink the Kool-Aid.

Otherwise, you can't help but feel left behind as all your friends and relatives bank those juicy dividends — paid for, I might add, by the high-pressure sales tactics mentioned above.

Okay, enough of the rant. Let's get down to brass tacks.

Why National Bank?

My two favourite banks are **Canadian Imperial Bank of Commerce** and National Bank. I like CIBC for value and National Bank for marching to the beat of its own drum.

On May 31, National Bank announced it was tightening its mortgage lending practices outside Quebec. That doesn't mean it's going to stop providing mortgages and home equity lines of credit to non-Quebecers. It still will; it's just that you have to get those products directly from the bank as opposed to a third-party mortgage broker.

The last two to three years, National Bank has been slowly dipping its toes into the banking waters outside Quebec and has had good results to show for it. That said, it's smart to lean heavily on its home market — it generates 80% of its business in Quebec — where real estate prices haven't turned homes into ATMs, as they've become in Ontario and B.C.

For every **Bombardier, Inc.**, which, in my opinion, is a massive burden on Quebec, 10 companies are doing a fantastic job growing their businesses at home and abroad, including **Alimentation Couche Tard Inc.**, **Saputo Inc.**, and National Bank.

Quebec, like National Bank, is a rising star in the Canadian and global economy. I'm more than happy to support businesses from La Belle Province because Canada is much stronger when Quebec is thriving.

Bottom line

National Bank's stock's come a long way in the past year — up 26.2%, or almost 10 percentage points more than TD. Yet, its forward P/E is 9.8, just a tad higher than CIBC's industry-low of 9.6.

Not only is National Bank growing at a major pace, but it's doing so virtually undetected by most investors. That is going to change. Don't be too stubborn to miss out on its next leg up to \$60 and beyond.

Ignore National Bank at your peril.

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