



## National Bank of Canada Posts a Strong Q3: Why it Might Be the Best Bank Stock

### Description

**National Bank of Canada** ([TSX:NA](#)) posted its quarterly results on Wednesday and was able to beat its expected earnings. Revenue for the quarter of \$1.675 billion was up 8% from the prior year as non-interest income rose by 9%, while net interest income increased by 6%. The company also posted net income of \$518 million, which was up 8% from the previous year's tally of \$478 million.

National Bank is certainly underrated when considering other big-name banks, but I will outline three reasons why you should consider the stock.

#### **The bank saw all of its segments grow sales and most had stronger bottom lines**

The bank's personal and commercial segment saw revenues increase by 6%, while net income grew to \$240 million this quarter, up 21% year over year. The main drivers pushing the increase in this segment were growing loan, deposit, and credit card balances.

The wealth management division saw revenues grow by 12%, and net income jumped by 31% from 2016. The improvements here were mainly the result of growth in deposits and higher margins overall.

The company's financial markets segment also saw sales increase by 6%, while net income was up 8% largely due to trading revenues growing by 14% from the prior year.

Lastly, the U.S. specialty finance and international division posted revenues of \$147 million, which were up 18% year over year. However, net income for the segment was down \$13 million as the prior year included a non-taxable gain of \$41 million which was not present this quarter.

#### **The company continues its strong growth**

Revenue for Q3 was up over 7% and the previous three quarters also showed positive year-over-year growth. In the previous quarter National Bank posted revenues which were up 12% year over year, while Q1 was 27% higher than a year ago, and Q4 improved over 11% from the prior year as well. Revenues have also grown for three consecutive years, and this year should prove to be a continuation of that trend.

Net income has also improved year over year for the third consecutive quarter with Q2 showing an improvement of 130% in the bottom line, while in Q1 profits grew by 90%. The company's net income has not grown as consistently as revenues have; however, the bank has been able to consistently maintain a profit margin of at least 20% of net revenue.

### **National Bank's stock has outperformed the other big banks**

National Bank might be the sixth-largest bank, but its stock is among the best for investor returns. Although 2017 has been a poor year for banks, with names like **Canadian Imperial Bank of Commerce** down 5%, **Bank of Montreal** dropping over 7%, and **Toronto-Dominion Bank** declining over 3%, National Bank's stock has been leading the pack with year-to-date returns of over 5%. If we look at the past 12 months, the spread is even larger with National Bank's returns of almost 22% being well above **Royal Bank of Canada's** 15% returns and **Bank of Nova Scotia's** 16% price improvement.

### **Bottom line**

National Bank is perhaps an afterthought when thinking of the big banks, but it shouldn't be. The stock has a dividend of 4%, which rivals most other Canadian banks, it has seen strong growth, and its stock has done a terrific job the past year of providing great returns for investors.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **TICKERS GLOBAL**

1. TSX:NA (National Bank of Canada)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **Date**

2025/09/02

**Date Created**

2017/08/31

**Author**

djagielski

default watermark

default watermark