



Forget the Big Five and Invest in National Bank of Canada (TSX:NA)

Description

I've long held the view that Canada's banks, particularly the Big Five, are some of the best investments on the market. They pay incredible dividends that far outperform their peers south of the border, have [strong growth prospects](#) that are geared to either the U.S. market or Latin America, and perhaps most important, continue to shatter earnings records nearly every quarter.

Looking past those Big Five, however, there are other financial investments in Canada that can be just as, if not more impressive than the Big Banks.

One such company that warrants a deeper look is **National Bank of Canada** ([TSX:NA](#)). National is often regarded as one of the Big Six, and the Montreal-based lender holds plenty of potential for investors that can be summed up in the following three points.

National Bank is a strong growth pick for the local market

One thing that few investors realize is the exposure that National Bank has over Quebec. Over half of the bank's branches are in the province, and the bulk of its mortgage portfolio is based in Quebec too.

Normally that might raise an eyebrow or two on diversifying outside of Quebec, which National is, but the real point here the favourable conditions in Quebec at the moment. The province is experiencing an extended period of growth with unemployment trending lower, and in both Montreal and Quebec City, housing is still vastly more affordable when compared with the white-hot markets of Toronto and Vancouver.

To put it another way, Quebec's strong economy and friendlier home prices will continue to provide National with strong results and a steady stream of mortgage clients.

In terms of results, National Bank saw a 13% year-over-year jump in net income, which came in at \$547 million in the most recent quarter. The bank earned \$1.44 per diluted share in the quarter, which surpassed the \$1.28 per share reported in the same quarter last year.

National Bank continues to diversify outside Canada

National Bank is often viewed as a quieter, more subdued bank than any of the Big Five, which leads to the perception that the bank isn't expanding at all, or has few operations outside of Canada, or even outside Quebec for that manner.

This couldn't be further from the truth, as the bank has several promising investment stakes around the world.

Back in 2015, National Bank expanded heavily into foreign markets. During that year, National purchased an interest in Ivory Coast-based NSIA Participations SA, as well a stake in Cambodia-based ABA Bank, and then turned to Mauritius-based AfrAsia Bank Ltd.

In the most recent quarter, National's international segment saw a 43% year-over-year improvement to \$174 million over the same quarter last year, with much of that growth attributed to the ABA Bank interest.

National Bank has a great dividend

While National may not stack up against some its dividend-paying peers that have been paying out to shareholders since before Confederation, National has paid out a respectable and growing dividend consistently for nearly four decades.

Speaking of growth, the current quarterly dividend on offer has been hiked an impressive four times in the past two years, leading to its current \$0.62 per share, which provides a very impressive 3.91% yield.

Final thoughts

In my opinion, National Bank remains an excellent option for investors looking to [diversify their portfolio](#) with another financial stock. The bank is a great addition for both income and growth-seeking investors, with the stock price appreciating an impressive 63% over the course of the past five years and over 13% in the past 12-month period.

National Bank currently trades just below \$64 with a P/E of 11.26 at the time of writing.

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