



National Bank of Canada (TSX:NA) Is the Perfect Stock for a Balanced Portfolio

Description

National Bank ([TSX:NA](#)) is the smallest of the Big Six Canadian banks, but is a powerhouse in its home province of Quebec. The stock has climbed 10.2% in 2019 as of close on March 13. Shares are down 2.5% year over year.

In January I'd discussed the [dip in economic activity](#) in the province of Quebec. Fresh of its fourth-quarter and full-year report from 2018, National Bank revealed that it would rely more on its Quebec footprint to generate growth going forward. Quebec has always been a middle power province in terms of economic strength, but it has improved dramatically in recent years and proven that it is capable of drawing in top-flight investment.

National Bank often flies under the radar when discussing Canada's financial institutions, but the stock is a fantastic addition to a self-directed balanced portfolio. Shares have surged 49% over the past three years, which puts it in the top echelon of Canadian banks over this period. The stock also offers a solid 4% dividend yield, but that doesn't mean there are not concerns for investors right now.

The bank released its first-quarter results on February 27. Net income was flat from the prior year at \$552 million. Diluted earnings per share rose 3% year-over-year to \$1.50. Fortunately, National Bank posted growth in all its segments except financial markets, which wasn't surprising. Volatility had hurt capital markets segment earnings, at all Canadian banks due to major weakness in the late calendar year of 2018. National Bank suffered due to lower investment banking revenues and lower gain on investments.

Fourth quarter net income in Personal and Commercial banking climbed 7% year-over-year to \$246 million. The segment was bolstered by a 5% increase in personal lending and 10% growth in commercial lending. National Bank's Wealth Management segment reported a 10% increase in net income to \$125 million. This was driven by a growth in net interest income.

National Bank maintained its quarterly dividend of \$0.65 per share, which currently represents a 4.2% yield. The bank has achieved dividend growth for nine consecutive years.

Earlier this month I'd discussed why investors should [hold off on buying bank stocks](#) after the batch of

first-quarter earnings. In addition to a mixed bag on the earnings front, investors must consider slowing Canadian growth and a TSX that has grown pricey after a big rally to kick off the year.

National Bank is still trading at the high end of its 52-week range. However, its earnings were some of the strongest among its peers apart from the predictably poor performance in financial markets. It may not be a screaming buy as of this writing, but investors geared for the long-term can justify pulling the trigger right now.

Over the past three years National Bank has offered a combination of growth and income that puts it in elite company among Canada's top financial institutions. Recent earnings demonstrate that it remains a strong alternative in comparison to its more widely touted peers.

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