



## A High-Yield Dividend Payer With Stellar Earnings

### Description

**National Bank of Canada** ([TSX:NA](#)) stock is an excellent addition to any Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). The bank reported stellar earnings on Wednesday before market open. Notably, National Bank's return on shareholder equity stands at an above-average 18.7%.

The bank reported earnings of \$1.66 per share and a third-quarter net income increase of 7%. Beating expectations by about \$0.05, the stock avoided a decline market value this morning after the earnings announcement. On November 1, National Bank will issue a dividend of \$0.68 per common share.

TFSA investors should buy shares in reliable [dividend stocks](#) like National Bank of Canada to benefit from compounded interest. National Bank of Canada is one of the safest investments for a TFSA. Moreover, it has a respected reputation for managing risk and maintaining safe capital levels.

### Financial markets strain banking profits

Financial markets slowed during the first six months of 2019, most likely due to international trade tensions and interest rate uncertainty. Still, National Bank of Canada benefited from a 2% increase in net income from these investments.

Global markets performed exceptionally well last quarter, with revenues rising by \$25 million — a 6% year-over-year increase. Market volatility has created many opportunities for investors to either lose money or gain big. National Bank seems to be handling the volatility reasonably well — an attribute savvy TFSA investors should look for in bank stocks.

National Bank of Canada CEO Louis Vachon commented on the tenuous international environment: "In an environment of economic and geopolitical uncertainty, the bank will maintain its disciplined approach to managing costs, credit, and capital." National Bank of Canada reported a Basel III CET1 capital ratio of 11.7%, well above the 4% minimum requirement.

The bank's commitment to maintaining a strong capital position should comfort TFSA investors who

are concerned about the excessive market volatility, aggressive U.S. trade negotiations, and interest rate uncertainty.

## Outstanding Cambodia ABA subsidiary performance

The International Specialty Finance segment saw a boost in net income of 28% from the same quarter of 2018. ABA Bank Cambodia subsidiary accounted for 60% of the surge in net income — a whopping \$33 million of the \$54 million total increase.

Specialty finance includes unsecured consumer loans, non-prime credit cards, and other risky assets. Examples include new credit to high-risk borrowers and loans in default.

In 2016, National Bank of Canada acquired a 90% controlling interest in ABA Bank Cambodia. The investment initially reduced National Bank's standard equity Tier 1 ratio by about 18 basis points but has contributed enormously to the bank's profits in the past two years.

In May 2019, National Bank purchased the remaining 10% of ABA Bank Cambodia from Damir Karassayev, the former head of the Kazakhstan Stock Exchange. Karasseyev now serves as Chairman to Paladigm Capital, a Singapore-based asset management firm. The former head of the Kazakhstan Stock Exchange also has experience in telecommunications and gas transportation.

## Foolish takeaway

Allowing institutions to manage your savings will lead to high fees and poor performance. Instead, [invest in banks](#) and collect on the dividends. National Bank of Canada stock, with its fantastic dividend yield and return on equity, is one of the best purchases an aspiring retiree can make.

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