



SURPRISE: This Is the Top Canadian Bank Stock in 2019

Description

This year has been another good one for Canada's top banks. The broader market has bounced back from a rough end to 2018 to post record highs in 2019.

Canada's financial sector boasts the heaviest weighting on the **TSX**, and it played a big role in fuelling this rise. The **BMO Equal Weight Banks ETF** ([TSX:ZEB](#)), which seeks to replicate the performance of an equal weight Canadian bank index, has climbed 16% in 2019 as of early afternoon trading on December 16.

As consistent as the top banks have been, the best performance has come from one of the unsung Big Bank stocks. Back in June I'd discussed the [positive trajectory of the Quebec economy](#) in the back half of this decade. This bank boasts a presence across Canada, but its main focus is in its home province.

National Bank ([TSX:NA](#)) is the smallest bank of the Big Six, but the largest bank in the province of Quebec. Its shares have climbed 32.4% in 2019 at the time of this writing, outpacing the capital gains of its peers this year. Back in the summer, I'd explained why National Bank was [still worth scooping up](#) ahead of its earnings in the back half of 2019.

Strong earnings in 2019

The bank released its fourth-quarter and full-year results on December 4. Other top banks, such as **TD Bank** and **CIBC**, reported growth for the full year but took a step back in Q4.

National Bank reported net income of \$2.32 billion for the full year, representing 4% growth from fiscal 2018. Diluted earnings per share rose 7% year over year to \$6.34.

Fourth-quarter earnings rose 7% year-over-year to \$604 million. Diluted earnings per share climbed 10% to \$1.67. National Bank achieved growth in its major business segments. Total revenues in Personal Banking rose \$15 million year-over-year. Its net interest income was driven by growth in loan and deposit volume.

Net income in its Wealth Management segment increased 10% from the prior year to \$130 million. Growth was fuelled by higher fee-based revenues, which rose 6% from Q4 2018.

Financial Markets net income climbed to \$205 million over \$192 million. National Bank's U.S. Specialty Finance and International segment posted net income of \$78 million in Q4 2019, up 42% from the prior year.

Income boost

National Bank announced a 4% increase to its quarterly dividend to \$0.71 per share, which represents a 3.9% yield. The bank has delivered dividend growth for nine consecutive years. Its capital growth in 2019 has eaten into its yield relative to other top banks, but it's still solid as we move into 2020.

Should you buy National Bank today?

Shares of National Bank last possessed a price-to-earnings ratio of 11.3 and a price-to-book value of 1.9. Its valuation is high after such a terrific year, so investors would be paying a premium for the stock in the middle of December.

The stock had an RSI of 68 at the time of this writing, putting National Bank just outside of technically overbought territory. The bank boasts an excellent balance sheet and has achieved promising earnings growth, providing a strong and reliable dividend.

Going forward, I like National Ban, but value investors may want to exercise patience for a more attractive entry point.

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1. TSX:NA (National Bank of Canada)

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