



2 Key Reasons Why National Bank Stock Could Beat the Competition

Description

The Canadian banking sector is synonymous with stability. And that generally holds true throughout the world. Indeed, investors may be antsy for the top banking giants of Canada to hike their [dividends](#) again. However, in the absence of any dividend hikes, investors are focusing in more on growth right now. In this regard, **National Bank** ([TSX:NA](#)) stock are starting to look like a decent bet.

Indeed, many investors are betting this regional bank can pose tough competition to its larger Canadian banking peers. Let's dive into why this is the case.

National Bank stock booming on trading commissions policy

National Bank stock has performed very well over the past year. Indeed, this is a smaller regional bank that has outperformed many of its larger peers. With a market capitalization of "only" [\\$33 billion](#), investors may think there's not really much to see with this stock.

However, National Bank has proved it might be the little bank that could. This regional player is making a big move in the trading platform space in Canada. The lender's National Bank Direct Banking (NBDB) trading platform has zero commission fees. That's right — *zero*.

Canada has been very slow to move to this model. In the U.S., trading fees have been zero across the major platforms for some time now. However, less competition and the generally higher-fee environment Canadians are used to has made this less of an issue north of the border.

National Bank has made it clear it's ready to disrupt the game. For Canadian investors sick of paying \$10 to make a single trade, that's a great thing.

National Bank has already seen enormous growth as a result of this move. Should the company find a way to entice its traders to turn into banking clients, perhaps this growth strategy will carry a lot of water over the long term.

Strong earnings and financial strength

Going into the pandemic, I expected underperformance from regional banks. Indeed, these lenders tend to be higher-volatility plays on the sector. When the sector was in turmoil, this certainly wasn't a good thing.

However, now that we can see (perhaps) some light at the end of the tunnel, things are really looking up for National Bank. This company's growth has been spurred by relatively strong regional growth in the bank's home province of Quebec.

This past quarter, National Bank saw commercial loan growth of 14%. Total average loan volumes increased by nearly 10%, and capital markets picked up as well.

Additionally, the bank saw relatively strong net interest margins of 2.11%. While down from last year, given where interest rates are today, these are some pretty good numbers.

Bottom line

Perhaps it's unsurprising to note that National Bank stock has seen appreciation of approximately 40% this year, while the overall index for Canadian banks grew by 26%.

I think National Bank stock may have a lot more room to run from here. That is, if everything keeps going along as it is.

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