

Getting rich off the banks

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Illustration: Chart/Graph: Bloomberg News, National Post / CANADA'S BANKS OUTSHINE MARKET: S&P/TSX Financials Index, S&P/TSX Composite Index: (See print copy for complete chart/graph.)

Table: Bloomberg News, National Post / CANADA'S BANKS OUTSHINE MARKET: 10-Year Return: (See print copy for complete table.)

The big banks have been the core of any good Canadian portfolio for years. In the past 10 years, even an underperforming bank has returned almost 500% to investors, about triple the broader S&P/TSX composite index. This includes both stock appreciation and dividends. That's even more astounding when you consider that the financial index accounts for about one-third of the S&P/TSX composite. Far and away the best bank to own has been Bank of Nova Scotia, returning more than 680% to investors during the past decade. Perhaps surprisingly, National Bank of Canada, the regional Quebec-based bank, came in second. It trails the big five banks in size, but not in what it delivers. Shareholders have enjoyed more than a 600% return as well in the past decade. Of course, the question on every Canadian investor's mind is: "Can the banks keep it up?" With that in mind, we assembled a team of bank experts -- Murray Leith of Odlum Brown, Jamie Keating of RBC Capital Markets and Laura Wallace of Coleford Investment Management -- to answer this question. Fortunately, they say there's little doubt Canadian banks will continue to deliver good returns to their shareholders. Dividends should be strong and each bank has a plan for better earnings. The problem will be that expansion within the Canadian market won't be as easy as it has been in the past. Most of the banks have to look outside Canada for growth. Bank mergers are the wildcard, but who knows, the government may still be dithering on that subject 10 years from now. While it's hard to forecast the next year, never mind the next decade, we asked the experts what bank is their early favourite to perform the best in the next 10 years. We get their take on each bank's strategy and why it is likely to do better or worse than the competition.