3 Key Takeaways From Bank of Nova Scotia's Investor Day

Description

Of all the Canadian banks, none places more of an emphasis on international businesses than **Bank of Nova Scotia** (TSX: BNS)(NYSE: BNS). The bank earns about half of its net income outside of Canada, easily higher than any other bank in the country.

But late last week, as part of its series of investor days, Bank of Nova Scotia hosted a group of shareholders and analysts at the Hockey Hall of Fame to talk about the bank's Canadian operations. Below are the three biggest takeaways from that conference.

1. The trend is in the right direction

Bank of Nova Scotia certainly does not have the same Canadian banking footprint as some of its larger rivals, like **TD Bank** (TSX: TD)(NYSE: TD). But it has placed a heavy emphasis on closing the gap, and results have been encouraging thus far. In the past three years, income from Canadian banking has grown by 13% per year. Over this same time period, average assets have grown by 11% per year and deposits by 12%.

Over the next three to five years, Bank of Nova Scotia hopes to grow earnings from Canadian banking by 5-8% per year, and become "Canada's most recommended bank". The second goal will be particularly difficult to achieve; TD has ranked highest in customer satisfaction for eight years in a row, and will not fall from that pedestal without a fight.

2. Customer loyalty has increased

Responding to the first question of the day, the head of Canadian banking brought up an interesting statistic. Five years ago, 14-15% of Canadians were ready to switch bank accounts. Today, that number is in the mid-single digits. Customers are far more loyal to their banks and this trend is expected to continue.

This is good news and bad news. The good news is that Bank of Nova Scotia's earnings in Canada are of higher quality, and the bank will not have to offer customers large discounts to prevent them from leaving. The bad news is that it makes stealing market share painfully difficult. If Bank of Nova

Scotia wants to make any major market share gains – for example by growing its credit card business – it may have to come through acquisitions.

3. Tangerine: still the same

When Bank of Nova Scotia bought the Canadian banking business of ING Bank in 2012, it promised that nothing would change for its customers. And it's something that Bank of Nova Scotia has repeated over and over; besides a necessary name change to Tangerine, the services and fees are staying just the way they were.

Interestingly, Tangerine's profitability is just as strong as Bank of Nova Scotia's Canadian banking business. Without branches to run, Tangerine operates on a much lower cost base, allowing for strong profitability even while giving its customers a major break on fees. So there's no pressure on Tangerine to do anything differently.

Foolish bottom line

Even after its investor day, Bank of Nova Scotia is still not famous for its Canadian banking business. But the bank is making great strides in Canada, and if it just stays the course, then shareholders should be satisfied.

CATEGORY

1. Investing

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bensinclair