



An Exciting Week for Investors in Bank of Nova Scotia: Here's What You Need to Know

Description

It's been a busy week to close out the month of May for **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)). Not only did the company [post its Q2 results on Tuesday](#), but [the fate of CI Financial](#) was released, and a few other nuggets fell through the cracks. So let's take a quick look at the week that was for Bank of Nova Scotia.

Second-quarter results

Net income rose by 14% in the quarter, depositing \$1.8 billion (\$1.39 per share) into the bank's vault, up from \$1.58 billion (\$1.22 per share) in Q2 2013. Revenue also took a step up, coming in at \$5.8 billion compared to \$5.6 billion last year. Strong performance in Canadian operations and the growth of its global wealth and insurance division continues to push revenue higher. The recently acquired Tangerine (formerly ING Direct Canada) also made an appearance on the bank's books.

CI Financial Sale

After weeks of speculation, Bank of Nova Scotia finally announced its plans concerning a portion of its stake in **CI Financial** ([TSX: CIX](#)). Rather than seeking a single buyer, the bank will be offloading its shares of CI Financial directly to the public through a bought deal. Seventy-two million shares are up for grabs at a price of \$31.60 each, just below Thursday's closing price of \$34.00. When the offering is complete, Bank of Nova Scotia is expected to bring in \$2.3 billion as it goes from a 37% stake in CI Financial to 11.4%.

"We do have a pipeline of acquisitions that we are looking at periodically."

With all these earnings flowing into the company, the question is what the bank will do with its war chest. A representative from the bank has already declared that a small share repurchase program wasn't on the table as the money would be better spent on acquisitions. Where is the bank looking to expand? Countries such as Chile, Peru, Colombia, and Mexico have been rumored for expansion. The allure of these countries is the growing market for wealth management and private pensions. Unlike

Canada, these countries do not have state-run pension programs and must pay into defined contribution accounts. Bank of Nova Scotia has been advertising itself as “Canada’s Most International Bank”, and the proof is in the numbers, as 43% of revenue comes from outside our borders.

Rogers and the NHL

Once the 12-year deal between the NHL and **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)) was announced, companies began to circle the new hockey wagon for sponsorship agreements. This first deal is set for six years, and will give the bank presenting sponsor status for “Sunday Night Hockey on City”, plus title sponsor status for “Hockey Day in Canada” and “Wednesday Night Hockey on Sportsnet”. The sponsorship agreement also contains several grassroots initiatives between the two companies, such as sponsoring minor league teams, providing fan initiatives, and community programs. Bank of Nova Scotia has a long history of putting its banner before the eyes of hockey fans and this new agreement keeps them front and center until 2020.

Rolling the dice on mortgage rates

Not to be outdone by the **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)), Bank of Nova Scotia announced that it will be offering a five-year fixed rate of 2.97%. Earlier this year the former bank dropped its rate below the “forbidden” 3.00% threshold to 2.99%, raising eyebrows of many in the Ministry of Finance. But now we have a new Finance Minister who appears to be less hands-on when it comes to the mortgage market, allowing Bank of Nova Scotia to cross the 3% line. This new rate is especially important now for the bank marketing-wise, as real estate signs are sprouting up alongside spring flowers.

Between the second-quarter report and all this other news, the stock hit a new 52-week high on Thursday, cresting at \$69.17. This has led analysts to boost their price targets for the bank, with an average price target of \$71.80 and a top-end threshold of \$74.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CIX (CI Financial)
6. TSX:RCI.B (Rogers Communications Inc.)

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