



5 Reasons to Invest in Bank of Nova Scotia

Description

Canadian banks traditionally provide consistent returns to investors. **Bank of Nova Scotia's** ([TSX: BNS](#))([NYSE: BNS](#)) history and its Q2 2014 financial results provide ample proof. Here are five reasons to consider investing in Bank of Nova Scotia.

1. Its extensive network and overall diversified business model

The bank has a network of 1,190 branches and offices and 3,869 automated banking machines in Canada.

Regarding its business model, it has exposure to diverse geographies and customer segments. Its predominant focus is personal and commercial operations. It targets these operations to produce roughly 70% of its earnings, with the wholesale segment producing the remaining 30%. Bank of Nova Scotia has retail and commercial banking operations in 43 of the 55-plus countries outside of Canada in which it operates. It has important exposure to the faster-growing regions of Asia and Latin America.

2. Strategic partnership

In May, the bank announced that it is purchasing a 20% interest in **Canadian Tire's** financial services division for \$500 million in cash. The bank has become the exclusive partner for new financial products for Canadian Tire customers. It has agreed to provide up to \$2.25 billion in credit card receivables financing for the financial services business.

Bank of Nova Scotia's President and CEO, Brian Porter, said the deal is part of its continuing strategy to increase its high-margin credit card business and obtain new customers. He stated, "We're in the business of acquiring new customers every day and that's where we think the value of this transaction is."

3. Acquisition strategy

In Q1 2013, the bank acquired ING Direct, now rebranded as Tangerine. ING was the eighth-largest Canadian bank. Bank of Nova Scotia offers an alternative self-directed banking service to Tangerine's

1.9 million customers. It also acquired Credito Familiar in Mexico. Credito's focus is on the consumer and microfinance sector and has 243 branches. In addition, Bank of Nova Scotia completed the 51% acquisition of Colfondos AFP. Colfondos is Colombia's fourth-largest pension fund company.

Brian Porter said recently, "... we do have a pipeline of acquisitions that we are looking at periodically." He also said, "I think that we could grow the international piece over time in a thoughtful and deliberate way to 50/50." At present, 43% of Bank of Nova Scotia's earnings come from international operations.

This past January, **Canadian Imperial Bank of Commerce** ([TSX: CM](#))([NYSE: CM](#)) announced that it completed its purchase of Atlantic Trust Private Wealth Management. It said that the former Invesco unit will assist the bank in building its wealth management business in North America. This is a U.S.\$210 million deal. The bank previously bought **Citigroup's** ([NYSE: C](#)) Canadian MasterCard business.

4. Considerable assets and growth platforms

As at April 30, 2014, Bank of Nova Scotia had assets of \$792 billion. The bank has four diversified platforms to foster growth. These are Canadian banking, international banking, global wealth and insurance, and global banking and markets. In the last 10 years, the bank has more than doubled its customer base, net income, and revenue.

It earned \$6.7 billion in 2013, a record. Its Canadian banking net income for Q2 2014 was \$565 million, a 12% increase. Its international banking net income was \$416 million, an increase of \$1 million, in Q2. Its global wealth and insurance and global banking and markets net incomes for Q2 were \$345 million, an 11% increase, and \$385 million, a 9% increase, respectively. Overall, the bank reported Q2 net income of \$1.8 billion, versus \$1.58 billion in the same period in 2013.

5. Consistent dividend payer

Last week, Bank of Nova Scotia announced a dividend on its outstanding common shares of \$0.64 per share for the quarter ending July 31, 2014, or \$2.56 annualized. This is in comparison to \$2.39 in 2013 and represents significant growth from 2004's \$1.10.

In contrast, last week, Canadian Imperial Bank of Commerce announced a dividend of \$1.00 per share on common shares for the quarter ending July 31, 2014. Moreover, last week, **National Bank of Canada** ([TSX: NA](#)) announced an increase of the dividend on its common shares from \$0.46 to \$0.48 per common share for the quarter ending July 31, 2014.

For a solid income investment, you don't have to look beyond Canada's major banks. Bank of Nova Scotia has growth plans in place to satisfy its corporate objectives and investors' pocketbooks. It is worthy of consideration as a Canadian top-grade stock.

CATEGORY

1. Investing

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3. TSX:BNS (Bank Of Nova Scotia)
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