



Bank of Nova Scotia Is a Bargain at Under \$60 Per Share

Description

The past 12 months have not been fun for shareholders of the Big Five banks. But **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) has been particularly hard-hit, with its stock price falling by more than 20%. After nearly reaching \$75 per share at the end of July last year, the shares now trade below \$60.

That's provided investors with a tremendous opportunity.

Some legitimate concerns

The headwinds facing the Canadian banks are well known by now. Consumer debt is at record levels. The housing market is due for a correction. Low oil prices have dragged Canada into a recession. And low interest rates are putting a squeeze on margins. As a result, all of the Big Five banks stocks have fallen by at least 10% in the last year.

As Canada's most international bank, you would think Bank of Nova Scotia is less exposed to these kinds of issues. But the bank has plenty of problems of its own. Its businesses in the Caribbean continue to struggle. Some of its biggest markets in Latin America are struggling with low commodity prices. Worst of all, Bank of Nova Scotia has \$15 billion of oil and gas loans outstanding, representing 3.4% of its total loan book.

Here's what makes this particularly worrying: the bank hasn't had to deal with any major crises for over a decade. So, there could easily be a sense of complacency at Bank of Nova Scotia, making today's problems even worse.

Sailing right through

So far, at least, these concerns appear to be way overblown. Just last quarter, Bank of Nova Scotia posted nearly \$2 billion in net income and grew adjusted earnings per share by 3.6% year over year. Meanwhile, credit metrics—especially in Canada—remain strong. And to top it all off, the bank raised its quarterly dividend to \$0.70 per share.

Some analysts think that results will worsen, especially as low oil prices continue to squeeze energy

producers. But so far, Bank of Nova Scotia is proving the doubters wrong.

A bargain price

Thanks to the share price drop, Bank of Nova Scotia shares are now trading at only 11 times earnings, up from 14 times in July 2014. The company's dividend yield has grown from 3.4% to 4.8% over this same time period.

These are very favourable numbers, especially for a company that's still growing earnings. Despite the risks, Bank of Nova Scotia deserves a place in most portfolios.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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