



3 Reasons Investors Should Buy Bank of Nova Scotia

Description

Bank stocks make people nervous, but I believe that if you choose the right ones you can easily come out on top. In my opinion, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is one stock that you might really want to consider owning. Here are three reasons to support my argument.

1. International exposure

One of the reasons investors are worried about banks is because of oil. However, Bank of Nova Scotia is not focused as much on Canada as it is on other parts of the world; specifically, Latin America. All told, the bank has operations in over 30 countries and has 21 million customers outside of Canada.

Last year, Bank of Nova Scotia bought 51% of **Cencosud SA**, Chile's largest retail bank. When it comes to economies in South America, Chile's is by far the most advanced. I believe that Bank of Nova Scotia will reap the benefits from this investment for years to come.

But another reason that this international exposure is so great is because of how many people Bank of Nova Scotia can work with.

In Canada, there are only 35.2 million total residents with four people per square kilometre. In Colombia, where Bank of Nova Scotia is the fifth-largest bank, there are 48.3 million people with 43 people per square kilometre. In Mexico, where Bank of Nova Scotia is the seventh-largest bank, there are 59.79 million people with 65 people per square kilometre. This increased density allows Bank of Nova Scotia to get more customers to each its branches.

2. Strong earnings

According to the bank's fourth-quarter reports, its net income saw an 8% increase in that same quarter year over year. There are two reasons for this.

The first has to do with the international markets. Year over year, its net income rose 33%. This increase to \$504 million was driven by a 17% increase in loans and a 19% increase in deposits. But there's another reason why income rose so much. Bank of Nova Scotia had a fourth-quarter net

interest margin of 4.7%. Compared to its Canadian contemporaries, Bank of Nova Scotia is getting double the interest.

On the Canadian side, business is also proving to be very efficient. Adjusted net income rose by 10% to \$837 million due to a 3% increase in loans and a 5% increase in deposits. While the growth is not as extreme as the international markets, it's still more than 50% of the bank's earnings.

3. Dividends

I view Bank of Nova Scotia as a growth/dividend stock because it is able to continue expanding its operations while still paying a tremendously handsome dividend to its investors. Most companies try to do one or the other, so when I find these growth/dividend stocks, I get excited.

Based on present-day valuations, Bank of Nova Scotia is paying a yield of 5.25%, which I believe is incredibly secure and well financed due to the 48% payout ratio. Further, the bank has been increasing the dividend. In 2015 the dividend rose by 6% to the current quarterly distribution of \$0.70.

All told, I believe investors should consider buying shares of Bank of Nova Scotia. Its international exposure and strong earnings allow it to pay a lucrative dividend, which I expect to continue for many years to come.

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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