



## Bank of Nova Scotia Is a Solid Buy

### Description

The past few weeks have been lucrative for investors of **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). The company announced very strong Q1 earnings, which makes this company worth considering for your portfolio.

Bank of Nova Scotia's net income increased 5.1% to \$1.81 billion, which led to a 5.9% increase to \$1.43 in earnings per share. Part of the reason the stock reacted so positively is because it beat analyst expectations by a penny. Further, its total assets increased to \$916.6 billion, an improvement of 7.9%.

As I had been hoping, its international business really led the way for its strong results.

In particular, Bank of Nova Scotia's Latin American operations are really starting to provide dividends for the company. Its total international banking operations generated \$505 million in income, which is up 21% year over year. Loans increased by 19% and deposits increased by 27%.

Bank of Nova Scotia has gained significant exposure to Chile, which is one of South America's most developed economies. Last year Bank of Nova Scotia bought 51% of **Cencosud SA**, which is the country's biggest retail bank.

The populations in South America are huge and the economies are still developing. Consider that Canada only has 35.2 million people. Colombia has 48.3 million people and Mexico has 59.79 million people. These are millions more customers that will allow Bank of Nova Scotia to generate more income.

And as the economies of these regions continue to develop, I expect that Bank of Nova Scotia will continue to generate outsized returns. Analysts are predicting that these economies will see growth of anywhere from 10% to 13% over the next five years.

But that doesn't mean that Bank of Nova Scotia's operations in Canada aren't also important. It saw a 7% increase in profits in its Canadian operations. What has me very impressed is that its provision for credit losses has only increased by three basis points. This is significant because the oil markets have

seriously damaged the economy. The bank's ability to keep losses so low is one reason why I'm bullish on the banks going forward.

Further, Bank of Nova Scotia's credit card operations are improving significantly. In the past, only 20% of its customers carried a bank credit card. That number has improved to 30%, and the bank is pushing to get that to 40%.

All of this leads me to one of the most important reasons why I like Bank of Nova Scotia: its dividend.

Based on current valuations, the stock pays a 4.40% yield, which is \$2.80 per year split into a quarterly distribution. However, the company announced a small increase to its quarterly dividend from \$0.70 to \$0.72.

All told, the bank stocks are holding up pretty well to the oil market. Bank of Nova Scotia in particular is experiencing tremendous growth due to its international markets, which I expect to continue over the next few years. Therefore, I recommend that investors consider starting a position in this stock.

## 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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