



Why Bank of Nova Scotia Is a Great Investment

Description

Banks, particularly the Big Five, as they're referred to, are traditionally seen as great investments. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is the third-largest bank in the country and a great candidate for any portfolio.

Here are a few reasons why you should add Bank of Nova Scotia to your portfolio if you haven't already.

Diversified assets

Diversified isn't exactly a term you would expect to hear when considering a bank. Financial institutions are pretty much predictable in terms of business operations and growth prospects, tending to stay within a narrow lane of operations. Acquire, expand, repeat. This is where Bank of Nova Scotia differentiates itself in a nearly genius fashion.

The Pacific Alliance is a group of several countries in North, Central, and South America that have forged strong trade agreements and partnerships. The alliance has as an ultimate goal of slashing tariffs and trade barriers between member states and removing or even joining visas across member states, which currently include Mexico, Columbia, Peru, and Chile.

Banking can be challenging when crossing multiple borders, and this is where Bank of Nova Scotia has stepped up to the challenge by offering services in all of the member countries of the Pacific Alliance. This has and continues to be a source of lucrative revenue and growth for the bank that will only continue as the member states become more integrated.

Strong results and shareholder value

In the most recent quarter Bank of Nova Scotia posted better than expected earnings thanks in part to strong performance and growth across all three of its business segments.

The Canadian banking segment was up by 8% when compared with the same quarter last year; earnings came in at \$930 million. The International segment saw an increase of 9% over the same

quarter last year as earnings hit \$527 million; growth in Pacific Alliance nations primarily fed growth.

Bank of Nova Scotia's Global Banking and Markets segment also showed signs of improvement, posting earnings of \$421 million. The bank attributes that improvement to better performance across a number of business units, including corporate banking and investment banking.

Provision for credit losses, which are funds that banks have set up to account for losses that typically surface during downturns in the economy, peaked earlier in the year as weakness in the Albertan energy market weighed heavily on the banks. In the most recent quarter, Bank of Nova Scotia reduced that provision by \$181 million when compared with the previous quarter.

In all, Bank of Nova Scotia reported net income of \$1,959 million in the third quarter—an increase over the \$1,847 million posted in the same quarter last year.

Bank of Nova Scotia's dividend also saw a hike in the most recent quarter, increasing to \$0.74 per share, which gives the stock an impressive yield of 4.20% given the current price of just over \$70.

Focus on growing markets and scaling back on others

The real estate market is currently at the highest point it has ever reached with housing prices in the metro areas of both Toronto and Vancouver shattering records over the past few years. In some cases, prices have increased year over year by double digits.

A host of organizations, ranging from credit-rating agencies to the International Monetary Fund, have all voiced concerns about the pace of increases in Canadian home prices, which could spell an upcoming correction in the market.

Bank of Nova Scotia shares this perspective and noted during the most recent earnings conference call that the bank would be scaling back mortgage lending in what the bank referred to as a "prudent business decision."

In my opinion, Bank of Nova Scotia remains a great option for investors looking for a financial company with strong growth prospects, a growing dividend income, and a well-diversified portfolio.

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1. Bank Stocks
2. Investing

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1. Editor's Choice

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

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