



## Why Bank of Nova Scotia Is Down Over 1%

### Description

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), Canada's third-largest bank, announced its third-quarter earnings results and a dividend increase this morning, and its stock has responded by falling over 1% in early trading. Let's take a closer look at the quarterly results, the dividend increase, and the fundamentals of its stock to determine if we should consider using this weakness as a long-term buying opportunity.

### Breaking down the Q3 performance

Here's a quick breakdown of 12 of the most notable financial statistics from Bank of Nova Scotia's three-month period ended on July 31, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Net interest income	\$3,833 million	\$3,602 million	6.4%
Non-interest income	\$3,061 million	\$3,038 million	0.8%
Total revenue	\$6,894 million	\$6,640 million	3.8%
Adjusted net income attributable to common shareholders	\$2,042 million	\$1,897 million	7.6%
Adjusted diluted earnings per share (EPS)	\$1.68	\$1.55	8.4%
Return on equity (ROE)	14.8%	14.8%	unchanged
Total assets	\$906.33 billion	\$906.84 billion	(0.06%)
Deposits	\$618.14 billion	\$631.34 billion	(2.1%)
Loans	\$498.56 billion	\$472.80 billion	5.4%
Assets under administration	\$481.08 billion	\$464.93 billion	3.5%

Assets under management	\$201.27 billion	\$187.86 billion	7.1%
Book value per common share	\$44.54	\$42.14	5.7%

### **Dividend hike? Yes, please!**

In the press release, Bank of Nova Scotia announced a 3.9% increase to its quarterly dividend to \$0.79 per share, and the first payment at the increased rate will come on October 27 to shareholders of record at the close of business on October 3.

### **What should you do with the stock now?**

It was a great quarter overall for Bank of Nova Scotia, and it posted a very strong performance in the first nine months of 2017, with its revenue up 3.8% to \$20.34 billion, its adjusted net income up 9.2% to \$5.99 billion, and its adjusted diluted EPS up 9.4% to \$4.89. However, the second-quarter results came in mixed compared with analysts' expectations, which called for adjusted EPS of \$1.64 on revenue of \$6.98 billion, so that is the likely cause of the weakness in the stock today.

With all of this being said, I think the decline in Bank of Nova Scotia's stock represents an attractive entry point for long-term investors for two fundamental reasons.

First, it's very inexpensive. Bank of Nova Scotia's stock now trades at just 11.7 times fiscal 2017's estimated EPS of \$6.50 and only 11 times fiscal 2018's estimated EPS of \$6.93, both of which are very inexpensive given its current earnings-growth rate and its estimated 9.7% long-term earnings-growth rate.

Second, it has a fantastic dividend. Bank of Nova Scotia now pays an annual dividend of \$3.16 per share, which gives its stock a yield of about 4.1%. Investors must also note that its recent dividend hikes, including the one it just announced, have it on pace for 2017 to mark the seventh consecutive year in which it has raised its annual dividend payment, and it has a target dividend-payout range of 40-50% of its net income attributable to common shareholders, so I think its consistently strong growth will allow this streak to continue for decades.

With all of the information provided above in mind, I think all Foolish investors who lack exposure to the banking industry should strongly consider initiating long-term positions in Bank of Nova Scotia today.

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1. Bank Stocks
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1. Editor's Choice

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