



Is This Canada's Top Bank Stock?

Description

Once again, bank-reporting season has drawn to a close, and the unstoppable earnings juggernauts that are Canada's banks gained further momentum. One of the notable performances was from the most international of the Big Six, **Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)). Canada's third-largest lender surprised the market by not only posting a third-quarter 2017 profit of \$1.66 per share, which beat the consensus analyst forecast, but was also an impressive 8% higher than a year earlier. There are signs that Bank of Nova Scotia will continue to perform and unlock value for investors.

Now what?

A key driver of the bank's strong performance was its international operations, which experienced an 11% lift in loans and 13% increase in deposits. In conjunction with improved credit quality, which saw provisions for credit losses fall by 10 basis points (bps) year over year, that gave the profitability of Bank of Nova Scotia's international business a decent bump.

Net income shot up by a remarkable 14%, despite a marginally weaker net interest margin, and this strong growth should continue.

You see, higher commodity prices — especially for coal, copper, zinc, silver, and gold — have boosted economic growth in the Latin American nations (Chile, Colombia, Peru and Mexico), where it has established a solid operational presence. Stronger economies also mean better credit quality and stronger regional currencies, which will further boost earnings.

Bank of Nova Scotia's Canadian business also performed well, and this was despite claims by some pundits that extreme levels of household debt combined with a rapidly cooling housing market would impact bank earnings.

Net income was up by 12% year over year on the back of strong loan growth and wider margins. Total loans grew by 5%, and the net interest margin for Canadian banking expanded by three bps compared to a year earlier. Because of Bank of Canada's decision to hike the overnight rate to 0.75% in July, Bank of Nova Scotia's net interest margin should expand further over the remainder of the year.

Notably, credit quality across the bank's loan portfolio improved significantly with net impaired loans dropping by seven bps to 0.44%. Along with a bank-wide two-bps year-over-year decrease in provisions for credit losses, this bodes well for further earnings growth.

While the 5% growth in expenses across the bank is viewed by some pundits as a negative, this can be attributed to Bank of Nova Scotia increasing its investment in technology and digital banking to future-proof its business. Along with Bank of Nova Scotia's focus on controlling costs and implementing efficiencies, this will also help to boost margins and, ultimately, profitability.

So what?

Such strong results underscore why Bank of Nova Scotia remains a top stock for growth-oriented investors. Even more so when it is considered that its international strategy focused on Latin America is now delivering solid returns for the bank. Those impressive results have also allowed the bank to reward investors with yet another dividend hike, increasing its quarterly dividend by \$0.03 per share, giving it a juicy 4% yield.

Bank of Nova Scotia is an attractive investment for income-hungry investors.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/10/01

Date Created

2017/09/04

Author

mattdsmith

default watermark