



Dividends vs. Growth: This Stock Offers Both

Description

Canada's banks are often mentioned as being great investments. There's good reason for that endorsement, as the big banks have outperformed year after year and offer great dividends, too.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is an intriguing investment option, and the untapped potential of the bank to grow is a well-kept secret among investors.

Want growth? Look outside Canada

Over the past few years, banks have looked for new opportunities for growth. Most of the big banks have opted to move south of the border and invade the U.S. market, which, while profitable, is becoming an increasing concern, as the country pivots towards a more protectionist trade agenda.

Bank of Nova Scotia went another route and opted to expand into Chile, Columbia, Mexico, and Peru. Those four countries, which border the Pacific, are members of what is known as the Pacific Alliance.

The alliance is charged with increasing trade between member states, reducing tariffs and barriers, and even offering shared consular services in foreign nations. It's an ambitious project that, in just five years, has reaped significant growth for the four member states and has led to several other nations taking a closer look at becoming full members.

Bank of Nova Scotia realized the opportunity the alliance would present and expanded into all four of the member states; Bank of Nova Scotia has become a common feature for businesses looking to expand into any of the Pacific Alliance states.

Early this summer, four nations announced their intent to become associate members of the trading bloc, as a first step towards becoming full members. The new entrants include Australia, New Zealand, Singapore, and Canada.

How has the Pacific Alliance investment fared?

In a word, impressive. In the most recent quarter, Bank of Nova Scotia realized loan growth of 13%

stemming from the region, and, as a result, the international segment reported a net income improvement of 14% year over year.

Overall, in the most recent quarter, Bank of Nova Scotia reported net income of \$2,103 million, up from \$1,959 million reported in the same quarter last year. Diluted earnings topped \$1.66 per share in the quarter compared with \$1.54 per share in the same quarter last year.

Is Bank of Nova Scotia a good investment?

As far as dividend-paying investments in the financial sector, Bank of Nova Scotia ranks near the top of the list. The bank has raised the dividend in each of the past six years, and, based on the performance of the past few quarters, it's likely to continue that trend.

The current quarterly dividend amounts to \$0.79, translating into an impressive 3.85% yield.

From a growth perspective, the stock has appreciated over 15% in the past year, and nearly 10% year to date. Given Bank of Nova Scotia's diversification into Pacific Alliance member states, it is also well shielded from any potential shifts in the Canadian mortgage market.

In short, Bank of Nova Scotia is just as attractive as a growth stock as it is a dividend stock.

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