



Bank of Nova Scotia: Improved Results and More International Expansion

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is, without a doubt, Canada's most international bank. The bank has expanded over the past few years into Pacific Alliance member nations, and that venture has proven wildly successful for the bank.

In the Q4 update reported this week, Bank of Nova Scotia not only continued to report higher profits, but it also submitted an offer to purchase a Chilean bank that would see the bank become further intertwined with the Pacific Alliance.

Q4 results

Bank of Nova Scotia announced fourth-quarter results this week that once again showcased the brilliance in the bank's move to expand into Pacific Alliance nations. Bank of Nova Scotia reported net income of \$2.07 billion and diluted earnings per share of \$1.64 in the most recent quarter, up from the \$2.01 billion and \$1.57 per share, respectively, reported in the same quarter last year.

The international segment once again provided a strong boost to earnings. Net income attributable to shareholders surged by 11% to \$605 million in the quarter.

Bank of Nova Scotia's expansion

Bank of Nova Scotia announced a binding offer for Banco Bilbao Vizcaya Argentaria S.A. The Chilean bank, known as BBVA Chile, and its subsidiaries would be part of the deal, which is pegged at \$2.9 billion. BBVA has a 69.19% ownership over BBVA Chile, which has a whopping \$29 billion in assets spread across the 127 branches it operates.

The deal is still subject to the minority partner to BBVA, which has a right of first refusal as per the shareholder agreement, but if the minority partner agrees, BBVA will be willing to accept as well.

If the deal is completed, Bank of Nova Scotia will become the third-largest bank in Chile that isn't state-owned, with a market share of about 14% in the country.

The deal is expected to settle within the first quarter of 2018 with a close for the deal coming during the summer.

Chile is one of four current full members of the Pacific Alliance, the others being Mexico, Columbia, and Peru. The alliance is a set of agreements that aims, among other things, to reduce tariffs and encourage trade between member states.

Since implementation, trade between the member states has increased considerably, and the treaty has drawn interest from a number of other nations that are exploring full membership. Canada is one of those nations exploring a greater role in membership within the trade bloc, particularly as [NAFTA negotiations](#) with the Trump administration continue to produce limited results or compromise.

Bank of Nova Scotia's presence in all of the member states provides a familiar and consistent route for businesses to expand into new markets and do their banking. Bank of Nova Scotia's international segment has grown by double digits thanks to the decision to expand there.

Is Bank of Nova Scotia a good investment?

Bank of Nova Scotia's play into the Pacific Alliance remains one of the best decisions in recent memory that any bank has completed, and it continues to improve with each passing day. On a trade level, with talks on a potential NAFTA upgrade becoming more uncertain, having another agreement such as the Pacific Alliance for Canada to explore could prove incredibly lucrative, especially considering the limited investment opportunity made by Canadian companies to those markets at present.

Irrespective of the NAFTA negotiation outcome, if Canada does pursue the option to join the Pacific Alliance, Bank of Nova Scotia will emerge the real winner of the trade deal and reap even more rewards over the long term.

In my opinion, Bank of Nova Scotia remains an excellent [investment opportunity](#) for those investors looking to diversify their portfolios with a financial institution that has strong growth and income prospects that aren't solely focused on the increasingly protectionist U.S. market.

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Author

dafxentiou

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