



Why Bank of Nova Scotia's Q1 Results Show Significant Potential

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) reported its Q1 results on Tuesday, and the company showed strong growth, as it was able to beat analyst expectations.

Investors reacted positively, although the stock price rose just 1% on news of the results. The company's [Q4 performance](#) didn't inspire much excitement either.

Let's take a close look at the quarter and assess just how well Bank of Nova Scotia did in its first reporting period of the year.

Strong growth in top and bottom lines

The bank saw revenues hit over \$7 billion and increase more than 3% from last year, while profits of \$2.3 billion rose as much as 16%.

Although the company saw a big increase in its profitability, a big reason for that was due to a \$150 million adjustment to its employee benefit liability. However, even without the adjustment, the bank would still have seen strong growth in its net income thanks in large part to a big increase in net interest income, which was up 8% as a result of strong asset growth and higher margins.

A look at the different segments

In Bank of Nova Scotia's Canadian banking segment, revenues were up 4%, and profits increased by 12%. In its international banking segment, sales rose 5%, and the bottom line was up 14%, as the company credited the results due to strong growth in Latin America.

In its global banking and markets segment, sales were down 2% and were weighed down mainly by non-interest income, which declined by 10% as fixed income and commodities saw less activity in the quarter. Overall profitability for the segment decreased by 3%.

Does Bank of Nova Scotia offer the best diversification?

What makes Bank of Nova Scotia unique among the Big Five is its broad diversification and heavy presence in Latin America. Although Canada makes up more than half of the bank's net income, the U.S. segment contributed less than 7% this past quarter.

Most of the big banks in Canada have a heavy presence in the U.S., and that helps minimize their exposure to the Canadian market, but it does nothing to limit the risk related to the two biggest markets in North America.

Bank of Nova Scotia, however, saw Mexico and Peru each contribute more to the bank's bottom line in Q1 than our neighbour to the south did. Combined with Chile, the three Latin American markets made up nearly 20% of the bank's net income this past quarter.

Dividend raised by three cents

Bank of Nova Scotia also announced in its earnings report that it would be raising its quarterly payouts from \$0.79 to \$0.82. The bank's 4% yield is one of the higher-paying dividends you'll find among the Big Five.

Is the stock a buy today?

Bank of Nova Scotia had a solid quarter, and its broad diversification should give investors some comfort in knowing that the bank is not overly exposed to North America, specifically Canada and the U.S.

While it may not have produced the most significant returns for investors over the past few years, the stock should provide you with some good stability while offering balanced returns in the long term.

It's [hard to go wrong with bank stocks](#) in general, but if you're looking for something a bit different, then Bank of Nova Scotia gives you a great way to diversify your portfolio without having to compromise dividends or capital appreciation.

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