3 Reasons Why You Should Buy Bank of Nova Scotia (TSX:BNS) Today

Description

I love the Canadian banks. I have held several — pretty much all — of the banks over the years, and they have done nothing but provide me with excellent dividend income and decent capital growth. In my mind, though, there is one Canadian bank that ranks above the rest. That bank is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

The reasons I have for owning this company aren't even related to its financial position, which, of course, is solid. Sure, it has one of the lowest P/E's in the group at just over 10. Its 6% year-over-year net income growth and 7% revenue growth aren't even the main reasons I have for owning this company. After all, each of the Canadian banks has decent financial results.

Reason #1: BNS's international exposure

I can remember living in Mexico over a decade ago and being astounded by all the BNS branches around the country. Its focus in the Latin American region has only grown. Recently, BNS has been acquiring numerous businesses to solidify its position there, particularly in Peru, Chile, and Argentina to further develop its geographic footprint.

The strategy has already begun to contribute a significant amount of growth to BNS. Its Pacific Alliance segment's income grew 15% as of Q2, and revenue grew 7%. If Latin America starts to pick up steam again, the segment could be a significant driver for future growth.

Reason #2: It pays a fantastic dividend

At current prices, BNS has a yield of over 4%. The bank's yield has been growing quite rapidly, especially considering the company has raised the dividend twice a year for the past several years. With the financial picture continuing to look quite bright, dividend investors can most likely expect this trend to continue into the foreseeable future. And at a payout ratio of only 50%, the yield should be quite safe.

Reason #3: It isn't completely reliant on the ridiculous Canadian housing market

The Canadian banks have been famously shorted by American investors, as our housing market has shot up into the stratosphere. While many argue that the market has cooled and is more balanced, I can't help but observe the sheer number of people who are struggling to pay off their massive loans. With rates creeping up, I am concerned that housing could negatively affect the banks.

While BNS is not the least exposed to Canadian housing — that title belongs to **Toronto-Dominion Bank** and **Bank of Montreal** — Bank of Nova Scotia is certainly not the most exposed. As it continues to expand into Latin America, it seems that diversification by region could possibly lessen the potentially negative impact of a Canadian housing market downturn.

There are several reasons, I believe, that make BNS an excellent dividend stock. Certainly, the enormous debt levels Canadians hold, especially in real estate, raise some red flags. But the bank's diverse foreign exposure and rich dividend growth are great reasons to put this bank in your portfolio as a long-term hold.

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