



## Bank of Nova Scotia (TSX:BNS): Is This Canada's Best Bank for Growth?

### Description

Canada's most international bank, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) continues to go from strength to strength, reporting a solid second quarter 2018. The bank's bottom line strengthened during the quarter with diluted earnings per share (EPS) rising by 5% year over year, while credit quality and margins remain high. There is every sign that Bank of Nova Scotia will be able to maintain this growth momentum for the foreseeable future. Its latest pullback, which sees it down by 9% since the start of 2018, has created an attractive opportunity for investors.

### Now what?

Key to Bank of Nova Scotia's growth has been its ability to make accretive acquisitions in Latin America, with it now possessing a solid operational footprint across Mexico, Colombia, Peru, and Chile. It recently expanded that footprint by completing the acquisition of Citibank's consumer and small to medium enterprise (SME) business in Colombia. That deal boosted Bank of Nova Scotia's business in the country, adding 500,000 new customers to its existing Colombian business. There is every sign that this will give earnings from its international division a solid lift.

You see, Colombia's economy is [returning to growth](#) because of higher oil, which is responsible for generating up to a fifth of fiscal revenues and over half of the Andean nation's export earnings. According to the Organisation for Economic Cooperation and Development (OECD), Colombia's gross domestic product (GDP) will expand by 3% year over year during 2018. That growth will be supported by lower interest rates, significant infrastructure spending, and firmer oil.

As the economy picks up, private consumption will expand, driving greater demand for credit in an emerging economy where banking penetration is low compared to developed economies. That creates considerable opportunity for Bank of Nova Scotia to expand its presence in Colombia.

Other acquisitions that are underway in Chile, Peru, and Canada, which management expects to be completed during the second half of 2018, will further bolster Bank of Nova Scotia's growth.

Importantly, key measures of profitability and operational performance for Bank of Nova Scotia's international business remain strong. The division reported a second-quarter return on equity of 16.2%,

which was 1.5% greater than a year earlier and higher than Bank of Nova Scotia's overall return on equity of 14.9%, highlighting the profitability of its international business.

That was further emphasized by the international division's productivity ratio, which was an impressive 52.2%, or 0.6% lower than the bank's overall ratio.

Credit quality also remains firm with the value of net impaired loans in Bank of Nova Scotia's international business at the end of the quarter amounting to 3% of the value of total loans. The bank's overall credit quality remains impressive with the value of net impaired loans bank-wide only representing 0.63% of total loans and acceptances.

Bank of Nova Scotia also remains well capitalized with a common equity tier one capital ratio of 12% and a total capital ratio of just over 15%.

### So what?

Bank of Nova Scotia will continue to report solid results over the remainder of 2018 and into 2019. While issues such as an [emerging trade war](#) between the U.S., European Union, and China will weigh on its outlook, the overall impact will be minimal. A particularly appealing attribute of Bank of Nova Scotia is its history of regular sustainable dividend increases, which sees it rewarding loyal investors with a yield of just over 4%.

### CATEGORY

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

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### Date

2025/08/24

### Date Created

2018/07/05

### Author

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