This Underperforming Bank Boasts Massive Growth Potential

Description

Canada's big banks remain some of the best investments on the market, thanks to their high-flying dividends, record-breaking quarterly results, and what seems to be an insatiable appetite to continue expanding into other markets.

One bank that has continued to garner a massive amount of interest recently is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). Year to date, the bank is trading down over 6%, which is incredible considering the growth and income prospects the bank offers to investors.

Let's take a look at several reasons investors may want to finally consider an investment in Bank of Nova Scotia.

An unusual expansion focus leads to incredible growth

While most of those big banks have opted to expand into the lucrative U.S. market, Bank of Nova Scotia opted to expand into an even more lucrative market — the Latin American nations of Mexico, Peru, Columbia, and Chile.

Those four nations comprise the Pacific Alliance, which is a trade bloc that is charged with reducing tariffs and other barriers between member states to encourage greater trade. Collectively, the four nations comprise an impressive 218 million people and a combined GDP in excess of US$2 trillion.

Over the past few years, Bank of Nova Scotia has set up operations in all member states of the Pacific Alliance, and in doing so it has become a familiar face for businesses looking to branch out across the Alliance. This, in turn, had led the bank to report double-digit growth numbers from the region, largely thanks to strong growth in both loans and deposits throughout the region.

In terms of results, in the most recent quarter, the international segment reported net income of $675 million, representing an increase of $80 million, or 14% over the same period last year.

Bank of Nova Scotia continues to expand

The better-than-expected growth in the Latin American markets has led the bank to announce a series of impressive deals that will strengthen the bank's footing within the Pacific Alliance as well as here in Canada.

Earlier this summer, Bank of Nova Scotia announced the $2.6 billion deal for MD Financial — a wealth management firm that provides financial products and services to 45,000 doctors from its network of 350 advisors located across Canada.

That deal followed another one announced earlier this year for investment firm Jarislowsky Fraser, which was completed this past spring.

Both deals added nearly $80 billion in assets under management to Bank of Nova Scotia, propelling the total assets under management to over $230 billion.

Amazingly, that's not the only expansion path that Bank of Nova Scotia is taking.

Worth noting is also the multi-billion-dollar deal to acquire a majority stake in Chilean lender Banco Bilbao Vizcaya Argentaria SA (BBVA). The $2.9 billion deal will, upon closing, establish Bank of Nova Scotia as one of the largest lenders in Chile, where growth prospects abound.

Income-seeking investors will love Bank of Nova Scotia

One final point worthy of consideration is Bank of Nova Scotia's dividend. The bank offers a quarterly distribution that currently pays an impressive 4.36% yield, which has seen annual or better increases looking back nearly a decade.

Even better is the fact that with solid results and a flurry of growth and acquisitions, those dividend hikes are unlikely to end any time soon, which is reason enough for both income- and growth-seeking investors to jump on and buy the stock while it still trades at a discounted level.

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