This Is the #1 Bank for Your Buck

Description

If you are a Canadian investor, owning one or all of the Canadian banks is a must. If you look over the decades of performance, these companies have rewarded investors greatly. They cruised through the financial crisis better than pretty much any other banks in the world. They have paid out and raised their dividends for years. Their capital appreciation makes them almost seem to be growth stocks in nature. These are stocks you should have in your RRSPs or TFSAs as long-term holds.

If you are looking to buy a bank for your dividend portfolio, there is one choice that stands out above the rest: **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). Out of all the banks, this high-yielding, internationally diversified lender gives investors opportunities that the other banks simply can't replicate as of yet.

Whereas most of the other Canadian banks are expanding into the United States, BNS is unique in its push to expand much farther south of the Canadian border. The bank has a Latin American focus, with significant retail and commercial banking business in countries like Mexico, Peru, Chile, and Columbia. In fact, the international banking segment is the fastest-growing portion of its business, growing 19% year over year as compared to the first quarter of 2018.

The international focus also has another benefit. Since so much of its growth and earnings come from outside Canada, over time BNS should become less exposed to the over-leveraged Canadian consumer. Hopefully, this diversification will shield the bank from a Canadian economic downturn should one occur.

Although the latest numbers posted by BNS were less than expected, with profit missing estimates, it is the bank's long-term record investors should be interested in. Over the past decade, BNS's annual diluted earnings-per-share growth have increased at a compound annual growth rate of 9%.

This stock is an income generator that all dividend-focused investors should hold. Currently, BNS has one of the highest yields of the Canadian banks. At the present share price, the stock is yielding around 4.5%. This is a yield that you can count on for stability and future growth. In the latest quarter, BNS raised its payout by 2.3%, continuing its trend of steady increases.

But even with all the positive attributes, the bank still has risks that potential investors have to take into account. It is, for example, heavily exposed to the expensive real estate markets of Ontario and B.C. Those two markets make up around 60% of the bank's residential portfolio, with Ontario alone accounting for around half. If those housing markets were to run into problems, it would negatively impact the bank's performance.

There is also some concern that the bank has overextended itself with all the acquisitions it has made in Latin America in recent years. This is a genuine concern, and investors should monitor BNS's performance frequently to ensure that its debt does not get too far out of hand. But these acquisitions play into the company's long-term strategy and should be accretive. Also, the bank has been selling non-core assets to keep its debt in check.

BNS is one of the best banks — indeed, one of the best dividend companies — that Canada has to offer. Even though there are risks to consider, its international exposure is diversified and positioned for future growth. If you don't have any Canadian bank holdings, take advantage of this pullback in the stock to begin adding it to your Canadian dividend portfolio.

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krisknutson