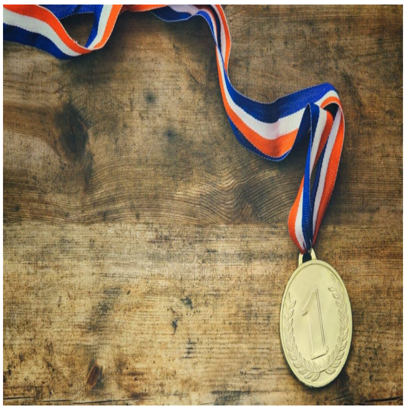

Why Bank of Nova Scotia (TSX:BNS) Is a Great Pick for Your TFSA

Description

Some investors still have reservations about investing in bank stocks, especially considering what happened during the late 2000s. However, these reservations are hardly warranted at this point. Not only has the banking industry generally performed splendidly since the early 2010s, but various measures were also taken to make sure that such a meltdown in the financial services industry never happens again.

Some of these measures include standard minimum scores, which banks are expected to maintain when it comes to various financial ratios. This (among other things) ensures that banks have the required financial health to handle severe market downturns. Thus, large financial institutions are arguably better equipped than ever to tackle economic uncertainties. There will, of course, be ups and downs along the way, but it is a good bet that many of the largest Canadian banks will post notable gains in a few years' time.

Why you should consider buying this bank's stock

While the Canadian banking landscape is home to several good investments, allow me to highlight one in particular: **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). The Toronto-based financial institution is arguably the most international among its peers, deriving only half of its earnings from its domestic operations with most of the rest coming from secondary markets (including Latin America). BNS's U.S. operations are much weaker than those of many of its competitors, accounting for less than 10% of its earnings.

Though the firm has less exposure to the Canadian market, it has been making headway in its Latin America operations. Late last year, BNS aggressively sold various assets it holds in smaller Latin American countries to focus its business where it is most profitable. This move came as Scotiabank bank reported faster earnings growth in its international operations compared to its domestic ones. With more room for growth in this area, BNS looks poised to continue betting big in Latin America.

Scotiabank has much going its way. First, the company is attractively priced. Currently trading at just about 10.54 times past and 9.75 times future earnings, BNS looks like a bargain. Second, it is an excellent dividend stock. The company's dividend payouts have increased by 35% over the past five years, or by an average of about 7% every year since 2014. Its current dividend yield, which stands at 5.08% (at writing), is very attractive. Further, with a payout ratio at just 50% of earnings, BNS seems to be capable of sustaining dividend increases.

The bottom line

Another perk Scotiabank bank boasts that might be of interest to conservative investors is its low beta, currently standing at 0.97. In other words, the firm's stock tends to be less volatile than the market and should fare relatively well, even during economic downturns. Given Scotiabank's attractive valuation, strong dividends, and low volatility, TFSA investors have several good reasons to seriously consider purchasing its shares.

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