Buy Bank of Nova Scotia (TSX:BNS) Today and Lock In a Juicy 5% Yield

Description

Looking to boost income and growth? Then look no further than Canada's third-largest lender **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). While its peers, including **Royal Bank of Canada**, which is up by 12% since the start of 2019, have made solid gains, Scotiabank stock has failed to perform, rising by a mere 2%. This has created an opportunity for investors seeking to accelerate wealth creation buy acquiring a high-quality Canadian bank that is poised to unlock value for investors.

Growing Latin American presence

Unlike its peers, which have chosen to expand their businesses by investing in the U.S., Scotiabank has, through a series of acquisitions over the last decade, built a sizable business in rapidly growing Latin America. It is now ranked as a top-10 bank in Mexico, the fifth biggest in Colombia, and the third largest in Peru as well as Chile. That positions Scotiabank to take full advantage of the considerable growth opportunities that exist in the region, including the fact that many nations are underbanked, experiencing swift economic growth, and possess a young, rapidly expanding middle class.

The bounce in commodities coupled with news that a trade war between the world's two largest economies, the U.S. and China, has been averted will give the region's economies a solid boost. This has seen 2019 GDP growth forecasts for Colombia, Peru, and Chile in excess of 3%, or more than double the 1.5% expected for Canada. That provides Scotiabank with a wealth of growth opportunities, as business and consumer activity expands. There is a recognized correlation between economic growth and demand for credit. As those economies expand at a solid clip, Scotiabank's loan books will grow, giving earnings a solid boost.

By the end of the second quarter 2019, Scotiabank's international division was responsible for around 40% of its net income, and that figure will rise further. Towards the end of 2018, Scotiabank acquired Banco Dominicano del Progreso in the Dominican Republic; it became the island nation's fourth-largest bank, further bolstering its presence in Latin America.

On a positive note, Scotiabank recently announced that it had exited economically troubled Puerto Rico and the U.S. Virgin Islands, which will see it take up to a $400 million loss. The sale of those businesses will boost Scotiabank's credit quality by reducing the volume of impaired loans on its books and increasing its capital strength.

Lower impaired loans will also allow the bank to release lending loss provisions and deploy that capital into revenue-generating activities, giving earnings a lift. This deal, according to Scotiabank, represents the end of its strategy of divesting non-core international assets, as it focuses on reducing its risk profile and boosting earnings quality.

Scotiabank's credit quality remains high. It reported a second-quarter net impaired loan ratio of 0.61%, which was two basis points lower than the equivalent period in 2018. It is anticipated that credit losses as well as provisions will start to fall over the second half of 2019, as the credit cycle improves because of better-than-expected economic growth.

Foolish takeaway

The strength of Scotiabank's operations has allowed it to reward shareholders by hiking its dividend for the last eight years straight to yield a juicy 5%. Importantly, a combination of growing earnings and a low payout ratio of 51% not only means that the dividend is sustainable but further increases are likely. Those characteristics make now the time to acquire Scotiabank and lock in that very appealing 5% yield.

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