



Forget About the Best GIC Rates: Buy This Top Bank Stock Instead!

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) stock is absolutely attractive right now.

The best GIC rate is 3%. If investors are willing to lend money to a financial institution for a 3% return, it makes even more sense to invest (i.e., own a stake) in a top financial institution like Scotiabank for a safe 5% yield. The dividend alone will give you 66% more in returns *without* accounting for any dividend growth or price gains in the stock.

Yes, GICs and BNS stock have different risk profiles, but investors can do so much better over the long run if they're willing to take on more risk with the stock. Although GICs guarantee the safety of your principal, BNS stock offers much better returns at current levels and is worth the extra [risk](#).

Scotiabank

In the Americas, Scotiabank is the seventh-largest bank by assets, and in Canada, it's the third-largest bank. In the trailing 12 months, the bank generated revenues of nearly \$27 billion and net income of almost \$8.5 billion.

In the first half of the year, BNS had a return on equity (ROE) of 13.7%, which was below its five-year ROE of 14.7%. In particular, its ROE was higher at 18.5% for its Canadian Banking operations and lower at 14.8% and 13.3%, respectively, for its International Banking and Global Banking and Markets segments.

That's the trade-off Scotiabank makes — it gains exposure to higher growth in the foreign geographies, which tend to have lower ROE against the stable and more mature Canadian business.

Attractive valuation and yield

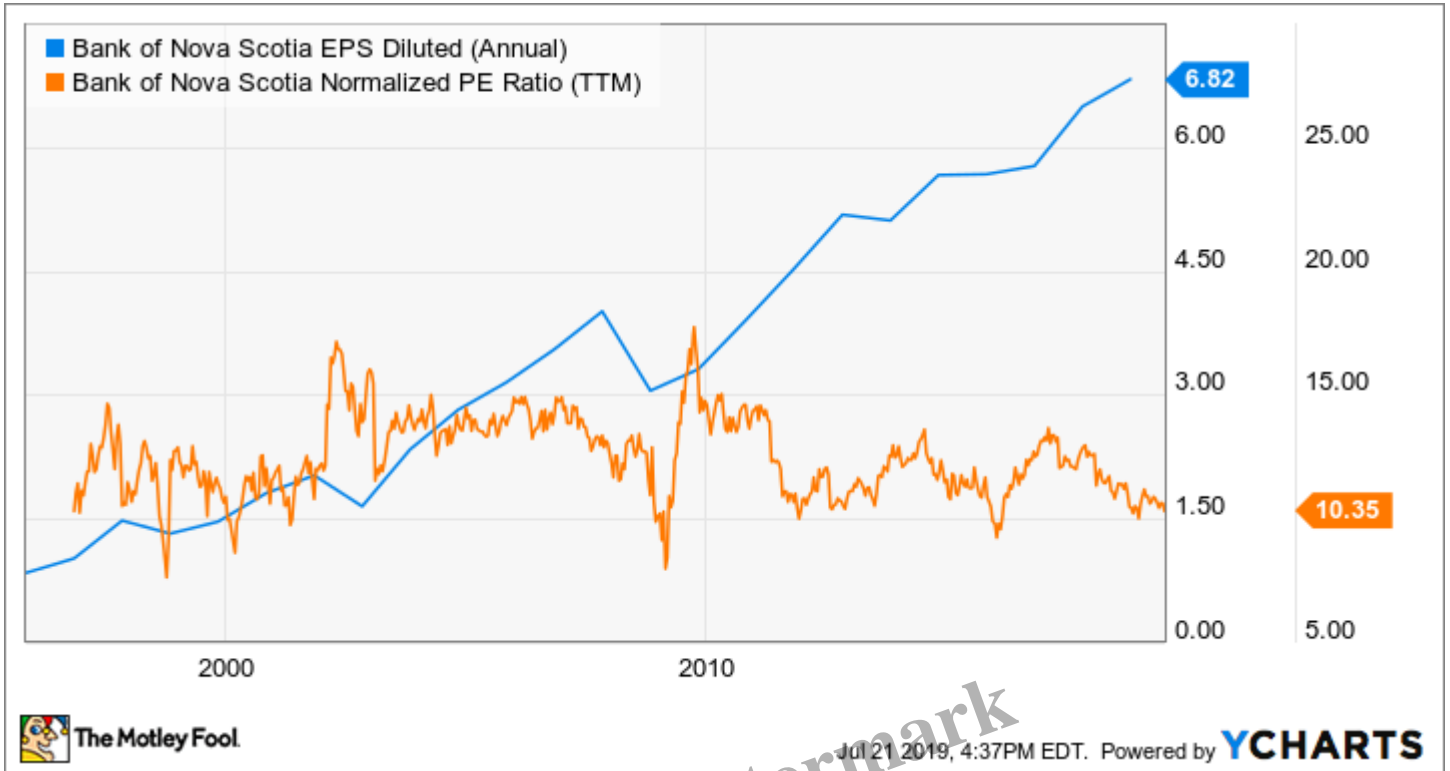
BNS currently trades at a historically cheap valuation last seen in 2016 from a price-to-book (P/B) perspective, while its book value per share has been rising. From a more normal P/B of 1.6, the stock

should trade at \$83.22, which represents 20% upside.



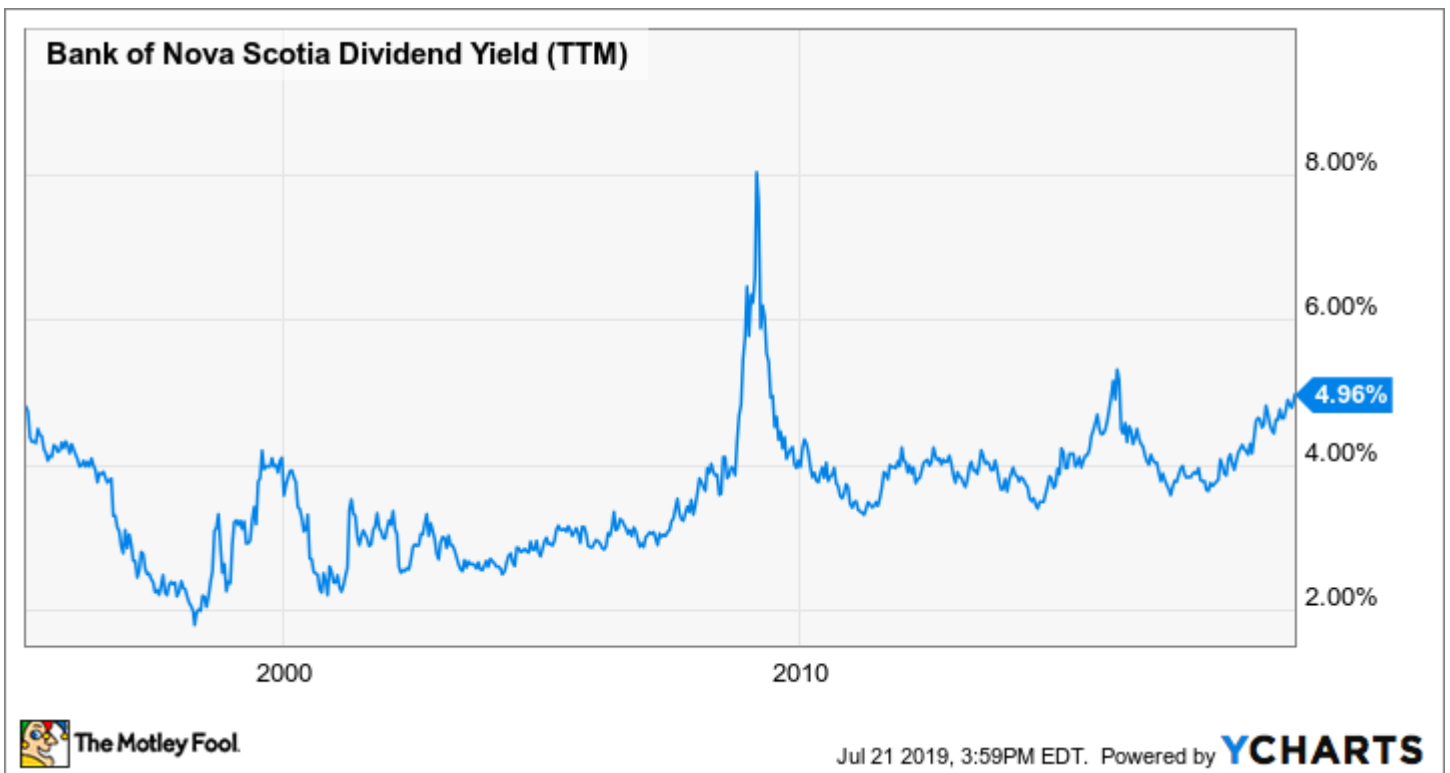
BNS Price to Book Value data by YCharts.

BNS's earnings history paints a similar picture as its book value. The stock trades at a historically cheap valuation. From a more normal normalized price-to-earnings ratio of 12.5, the stock should trade at \$85.25, which represents 23% upside.



BNS EPS Diluted (Annual) data by YCharts.

The fact that the company trades at a discount has helped push its yield to an incredibly compelling 5%! The safe dividend is covered by a payout ratio of less than 50%.



BNS Dividend Yield (TTM) data by YCharts.

Foolish takeaway

Scotiabank stock is an absolute steal at current valuations. It offers a safe 5% yield and upside potential of 20-23% over the next 12 months for total returns of 25-28%. There's no competition between investing in Scotiabank and a GIC that offers a meager 3% return.

Instead of expecting to sell Scotiabank within a year, a better way is to view BNS stock as [a solid income-growth investment that can be held for years to come!](#)

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date

2025/08/18

Date Created

2019/07/22

Author

kayng

default watermark

default watermark