



1 Big Bank Stock I'd Buy Before it Jumps to \$100

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)), or Scotiabank, was the last among the [big banks](#) to present Q2 fiscal 2021 quarterly earnings. Like its industry peers, Canada's third-largest lender did not disappoint investors. The financial results were equally eye-popping.

Brian Porter, Scotiabank's president and CEO, said, "We delivered another quarter of strong results reflecting the strength of our diversified business platform and the solid economic recovery underway in our core markets." Because of the [glowing numbers](#), market analysts recommend a buy rating. Income investors shouldn't waste time including Scotiabank in their stock portfolios while the share price is below \$100.

Financial highlights

In Q2 fiscal 2021 (quarter ended April 30, 2021), Scotiabank reported a net income of \$2.45 billion — 85.5% higher than Q2 fiscal 2020. For the first half of fiscal 2021, the net income growth was 33% from \$3.65 billion in the same period last year to \$4.85 billion.

Regarding provisions for credit losses, Scotiabank had \$1.26 billion in Q2 fiscal 2021 as against \$2.77 billion — a significant 54.5% drop. Industry analysts note the bank's gains in mortgage and business loans. In addition, management's investments in the Canadian banking unit are bearing fruits, as evidenced by the 94% growth in the three months through April 2021.

The country's robust housing market also fueled a 1.6% gain in Scotiabank's residential mortgages. Meanwhile, the bank's investments in technology and its employees helped its Canadian commercial lending business post a 3.5% increase in government and business and government loan balances from Q1 fiscal 2021.

Even Gabriel Dechaine, an analyst at the **National Bank of Canada**, said in his note to clients that Scotiabank had a good domestic performance and impressive commercial loan growth in Q2 fiscal 2021.

Strong global presence

Canada, Chile, Colombia, Mexico, Peru, and the United States form Scotiabank's core markets. While the bank generates almost 90% of its earnings from them, it is present in 30 countries overall. The International Banking segment contributed \$429 million, as economic recovery is underway across the Pacific Alliance.

Scotiabank focuses on countries with young and dynamic populations with substantial untapped potential. It should grow organically through strategic acquisitions and business integrations. Management targets a 7% or more EPS growth of 7%+ over the medium term.

Stock performance

Thus far, in 2021, the financial services sector is the second-best performing sector after energy with its 21.77% year-to-date gain. It also outperforms the TSX (+14.89%). BNS investors are up 20.98%. If you invest today, the share price is \$81.21, while the dividend offer is 4.43%.

The \$98.58 billion bank pays the highest dividend among the Big Five banks, with **CIBC** at second (4.06% dividend). Scotiabank's dividends should be safe and sustainable given the less than 50% payout ratio. Note that the bank stock's 188-year dividend track record is mighty impressive. It confirms its reliability as a stable income provider.

Growth is still on the horizon

Some market analysts list the Bank of Nova Scotia as one of the top momentum stocks on the TSX. Future growth is on the horizon because of the bank's strong capital market offerings, sharp and client-dedicated focus, and an ever-expanding footprint in the Americas. Buy this bank stock now, and you'll never have to sell.

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