



1 Top Canadian Banking Stock to Buy and Hold for Decades

Description

If you are a new investor and are [just starting to invest](#), the prospect of investing in high-growth stocks might seem attractive. While I would recommend allocating some of your investment capital to growth stocks, you should also balance it with blue-chip stocks that can provide you with a degree of safety and reliability to your portfolio.

Many seasoned Canadian investors with a long investment horizon have enjoyed significant returns by allocating a significant chunk of their portfolios to the top financial stocks trading on the **TSX**. The Canadian Big Six Banks have dominated the financial sector for over a century, providing their shareholders with substantial long-term returns through [capital appreciation](#) and reliable dividend payouts.

Today, I will discuss the **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) stock to help you see why this banking stock might be an interesting pick for your investment portfolio for years to come.

Scotiabank earnings

The \$94.14 billion market capitalization bank is the third-largest Canadian bank. Scotiabank stock has appreciated by 14.4% year to date amid the recovery, but its gains are around half of what its peers have exhibited during the same time.

The bank's third-quarter earnings for fiscal 2021 have been excellent. The bank raked in an adjusted net income of \$2.56 billion in the quarter, and the bank is sitting on a significant amount of cash due to lowered provisions for credit losses (PCLs) this year. The bank's CET1 ratio stood at 12.1%, much higher than the required 9% for the ratio.

With the worst of the pandemic hopefully over, the bank can consider using the extra cash from lowered PCLs elsewhere. It is possible that some of it could go to increasing shareholder dividends as soon as Canadian banks get permission to resume payout hikes.

Possible risks of investing in the bank

Scotiabank stock's lower gains relative to its peers despite terrific earnings in its previous quarter could be attributed to its international banking segment. Its peers have focused on expanding operations south of the border in the U.S. The bank's management has said that it is considering acquisitions there, but it has currently established a strong presence in another market: Latin America.

The bank has operations in the Latin American countries that make up the trade bloc called the Pacific Alliance. The alliance's constituent countries include Mexico, Peru, Columbia, and Chile. The trade bloc set up between the countries is anticipated to fuel the growth of the respective economies at a faster rate than G7 countries in the coming years.

COVID-19 struck the region hard, and political volatility in the region has kept many investors nervous. It is possible to see more short-term pain due to the current environment. However, the four countries possess a relatively untapped potential that could provide Scotiabank an edge over its peers as the economies in these countries begin to grow.

Foolish takeaway

Scotiabank stock is no longer trading at the massive discount that it was a year ago. At writing, Scotiabank stock is trading for \$77.47 per share and is up by 38.84% year over year. The Canadian banking stock pays shareholders their payouts at a juicy 4.65% dividend yield at its current price.

The Canadian bank stock traded for just over \$82 per share earlier this year. It means that buying shares of the bank could set you up for short-term upside for [buying on the dip](#). The stock can also provide you with long-term wealth growth through significant capital gains as its international banking operations become increasingly profitable in the coming years.

If you are looking for buy-and-hold assets that could be a part of your investment portfolio for decades, Scotiabank stock might be the perfect place to begin.

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