



## Bank of Nova Scotia's (TSX:BNS) Stock Price Dips on FYQ4 Earnings

### Description

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) just reported strong fiscal Q4 and full-year 2021 results and raised the dividend by 11%.

### Bank of Nova Scotia's share price slips, despite 11% dividend hike

- The adjusted net income rose 40% to \$2.7 billion compared to Q4 2020.
- The adjusted return on equity increased to 15.6% from 11.3%.
- The quarterly dividend increased by 10 cents to \$1.00 per share.

### What happened in Q4 2021 for Bank of Nova Scotia?

Bank of Nova Scotia saw strong performances in the quarter from all of its divisions compared to the same period last year.

Canadian Banking adjusted net income rose 59%; Global Wealth Management adjusted net income increased 18%; Global Banking and Market net income increased 9%; and International Banking delivered a 103% gain.

The economic rebound in Canada supported the gains. Bank of Nova Scotia reversed \$96 million in provisions for credit losses (PCLs) in the Canadian Banking group during the quarter. The International Banking division is also feeling less pandemic pain. PCLs came in at \$314 million in the quarter, down 53% from Q4 last year and 6% lower than Q3 2021.

The quiet market reaction to the strong Q4 results might be due to disappointment on the size of the [dividend](#) increase. Investors could have been looking for a hike of 15-20%, which is in line with what has come from some of the insurance companies.

## What did Bank of Nova Scotia's management say?

In the Q4 earnings press release the CEO said the company "ended the fiscal year with strong fourth-quarter earnings and exceeded medium-term financial targets in fiscal 2021."

## What's next for Bank of Nova Scotia?

Looking ahead, 2022 should see the bank continue to generate strong results, as the Canadian economy extends its recovery.

Interest rates are expected to start moving higher by the middle of next year. Rising interest rates can put pressure on borrowers, but increased rates also enable the banks to generate better net interest margins.

Bank of Nova Scotia finished Q4 with excess capital. Part of this is going to support the dividend increase. The CEO has also previously stated that the company might look for [acquisitions](#) in the United States.

The new Omicron COVID-19 variant poses a potential threat to the Canadian and global economic recovery. Bank of Nova Scotia's international operations are primarily located in Mexico, Peru, Chile, and Colombia. The pandemic hit these countries hard, and the new variant could delay their economic rebound.

Bank of Nova Scotia stock is up 20% in 2021. That is less than its Canadian peers who have seen gains of 23-40%.

At the current share price, the new dividend will provide an annualized yield of close to 5%.

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aswalker

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