



Why Bank of Nova Scotia (TSX:BNS) Stock Soared 30% in 2021

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) delivered strong returns for investors in 2021, and more gains should be on the way in 2022.

Earnings

Bank of Nova Scotia generated fiscal Q4 2021 results that beat expectations and solid full-year 2021 earnings that showed the company is rebounding from the initial pandemic hit.

The bank reported adjusted net income of \$10.17 billion for the year ended November 30, 2021. This was 46% higher than fiscal 2020 mainly due to lower provisions for credit losses (PCL). When you strip out taxes and PCL, adjusted profit was \$14.9 billion, up 2% from the previous year.

Canadian Banking generated \$4.17 billion in adjusted earnings in fiscal 2021, representing a 60% increase over 2020. Lower PCL and strong loan growth supported the rebound. The robust Canadian housing market helped all the Canadian banks in 2021, as low mortgage rates and a desire for more space drove strong sales in suburban communities and smaller cities across the country.

Global Wealth Management saw adjusted earnings rise 23% in 2021. Global Banking and Markets, which includes the investment banking operations, delivered earnings of \$2.01 billion.

Bank of Nova Scotia's International Banking business, which is primarily located in the Pacific Alliance countries of Mexico, Colombia, Peru, and Chile, saw adjusted earnings improve 62% to \$1.86 billion.

Overall, Bank of Nova Scotia delivered a strong 2021.

In the Q4 results news release the CEO said, "As we look forward to 2022, we expect to deliver strong growth across all our business lines, with optionality and multiple avenues to grow."

Bank of Nova Scotia finished the year with a CET1 ratio of 12.3%. The strong capital position gives management the flexibility to buy back shares and look for potential acquisitions to boost future growth.

Dividends

The board also announced an 11% dividend increase when the Q4 results came out, raising the quarterly payout from \$0.90 to \$1.00 per share. Based on the current share price near \$89.50, the new payout provides an annualized yield of 4.5%.

The bottom line on Bank of Nova Scotia stock

Investors pushed the stock up more than 12% in December after the company reported the Q4 results and raised the dividend. While the easy money has likely been made on the stock, more gains should be on the way in 2022.

Rising interest rates in the back half of the year should support better net interest margins, and investors could potentially see another double-digit dividend increase before the end of the year. The stock isn't [undervalued](#), but it still looks reasonable at 11.6 times trailing 12-month earnings, and you get a generous dividend yield.

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