My Top Canadian Bank Stock to Buy for Dividend Growth

Description

One of the Big Five banks, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), is a top choice for TSX investors due to its reliable dividend and high yield. It is a Canadian Dividend Aristocrat, having raised its dividend for more than a decade. Additionally, the immense dividend-growth potential of this top Canadian bank stock interests me greatly.

Let's look at why Scotiabank should be on every investor's watch list right now.

Scotiabank: Dividend hike and share buybacks in the cards

Among the top Canadian banks, Scotiabank's current dividend yield is already among the most attractive. This lender provides investors with a yield of 4.4%, much higher than its blue-chip counterparts. What's more, Scotiabank's dividend-growth track record has been impressive. During the company's recent earnings report, Scotiabank announced that it would increase its quarterly dividend by 11% to a valuation of $1.00 per share. This announcement included a share-buyback program to repurchase up to 24 million of its shares.

In totality, this is a massive return of capital to shareholders. Thus, for long-term conservative investors, Scotiabank's management style is one that may jive with investors' long-term income needs. Additionally, these share buybacks support the company's share price, providing capital-preservation upside. For those entering or nearing retirement, Scotiabank stock is one that stands out as a no-brainer, with these fundamentals.

A rising interest rate environment further boosts the outlook for Scotiabank. As rates rise, Scotiabank's net interest margins improve. This increases the ability for this lender to continue to increase its dividend and share buyback payouts over time. For long-term investors, that's a great thing.

"The International Bank": More positives worth looking at

Due to its significant global presence, Scotiabank is sometimes called "The International Bank." This lender has extensive exposure to the Pacific Alliance — a region that includes Peru, Columbia, Mexico, and Chile. Though Scotiabank's international exposure comes with geopolitical risk, investors must note that the potential benefits majorly outweigh these risks.

The Pacific Alliance is estimated to grow quicker than the United States and Canada due to the rapid growth of the middle class. If this continues over the upcoming years, Scotiabank could witness enormous gains.

Over the last year, BNS stock has gained roughly 34%, excluding dividends, beating the performance of several top TSX stocks again.

Bottom line

Scotiabank managed to outperform the broader equity markets in 2021 because of its solid performance. I believe this uptrend will continue amidst credit growth owing to the improvement in economic activities. Also, the organization has invested in strengthening its geographical expansion and digital capabilities. This can further drive its financials in the forthcoming quarters.

Indeed, those looking for dividend growth as well as capital preservation, ought to like how Scotiabank is positioned. This remains one of my top picks for long-term investors for many reasons.

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