
This Canadian Bank Is Buying Back 3% of its Stock!

### Description

It’s not that often you see a company buy back a full 3% of its stock. But this year, one Canadian bank is doing just that.

With its profits rising, this bank has decided to up its ongoing buyback program to $1.1 billion. That brings the total value of the program to $3 billion — a full 3% of the bank’s market cap. You may have heard of companies doing some big buybacks in recent months. For example, **Amazon** announced a $10 billion buyback a few weeks ago. That’s big in raw dollars, but the buyback happening right here in Canada is much larger as a percentage of the company’s market cap.



So, what is this big bank, and why is it buying up so much of its own stock?

## Bank of Nova Scotia

**Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is Canada’s third-biggest bank by market cap. It is well known for its high level of geographic diversification, having many branches in Latin America and Asia.

Bank of Nova Scotia had a great run in 2021. That year, it delivered the following:

- $9.95 billion in earnings, up 45%
- $7.70 in adjusted EPS, up 45%
- A 14.7% return on equity, improved from 10.4%

Those are pretty good results. In 2021, Canadian banks recovered from the COVID-19-related damage they took in 2020, and the strong growth they delivered was partially a result of the easy comparisons. Nevertheless, it was a strong showing from one of Canada’s biggest banks.

## Bank of Nova Scotia: A globally diversified bank

One interesting thing that BNS has going for it is a high level of international diversification. It has operations all over the world, most notably in Asia and Latin America. In the most recent quarter, Bank of Nova Scotia's international banking and wealth management businesses delivered $995 million in net income — $2.55 billion in total net income. So, about 39% of BNS's net income comes from foreign countries. That's an even higher percentage than **TD Bank** can boast, and TD is considered a major international player in its own right, thanks to its vast and growing U.S. retail business.

## Why the buyback?

Having reviewed BNS's business, we can now turn to the question of why it is buying back stock. Certainly, banks have many ways to pass value on to investors, such as dividends and re-investment in growth initiatives. Why such a big buyback right now?

One possible reason is that such buybacks were banned for over a year. When the COVID-19 pandemic hit in 2020, the Office of the Superintendent of Financial Institutions banned buybacks and dividend hikes, and didn't lift the ban for a year. When it was lifted, banks immediately hiked their dividends. Perhaps BNS is buying back shares along with hiking its dividend just to make up for lost time.

Another possible explanation is simply the fact that it can afford it. With nearly $10 billion in annual profit, Bank of Nova Scotia is one of Canada's biggest financial institutions. It has plenty of money to spend, rewarding shareholders via buybacks, dividends, and other such measures, and it seems that is what it has chosen to do. So, pat yourself on the bank, BNS shareholders — your patience has paid off.



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**Date**
2025/07/21
**Date Created**
2022/04/26
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