



## Canadians: 2 Bank Stocks to Buy After Earnings

### Description

The Big Six Canadian banks have released their third-quarter 2020 earnings in late August. Overall, this quarter showed some promise after a brutal Q2 2020. However, the leaders at Canada's top financial institutions are warning of a potential economic reckoning in the months ahead. Today, I want to look at two of my top bank stocks after this earnings season.

### Why I'm snagging this bank stock after a rough quarter

**Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)) is often referred to as "the international bank" due to its large global footprint, particularly in Latin America. The bank expected to draw more on its domestic operations ahead of this fiscal year. Instead, like its peers, it is facing momentous challenges from all ends. Its stock has dropped 18% in 2020 as of close on August 28.

The bank released its third-quarter 2020 results on August 25. In late May, I'd discussed why Scotiabank stock [gained momentum](#) after a difficult second quarter. Profit in Q3 2020 fell to \$1.30 billion compared to \$1.98 billion in the prior year. Meanwhile, its provisions for credit losses ballooned to \$2.18 billion. Management projects that this will be the high-water mark for this year.

Latin America was late to experience the effects of the COVID-19 pandemic. This resulted in a brutal quarter for its global operations. Scotiabank's International Banking operations lost \$28 million in Q3 2020 — down from an \$844 million profit in the previous year. The bank stock last had a price-to-earnings (P/E) ratio of 10 and a price-to-book (P/B) value of 1.1. This puts Scotiabank in favourable value territory. Meanwhile, it still offers a quarterly dividend of \$0.90 per share. This represents a tasty 6.3% yield.

Scotiabank has a tough road ahead. Fortunately, it boasts a flawless balance sheet that can help it weather an economy in crisis.

### This Quebec-based bank is still stellar

**National Bank** ([TSX:NA](#)) is a major player in the province of Quebec, but it is the smallest of the Big Six bank stocks. Quebec has been more aggressive in its reopening efforts, which is good for National Bank's results on the ground. Its shares have increased 6.7% month over month. The bank released its third-quarter 2020 results on August 26. In late July, I'd suggested that investors [scoop up this bank stock](#) at a discount.

Quebec's top bank posted net income of \$602 million, or \$1.66 per diluted share in Q3 2020 — down from \$608 million, or \$1.66 per share, in the prior year. Still, this marginal drop was encouraging considering the conditions National Bank is contending with in 2020. Provisions for credit losses rose \$86 million year over year to \$143 million.

Like its peers, National Bank drew strength from its Financial Markets segment. Net income rose 7% from the prior year to \$188 million. Meanwhile, its Wealth Management segment increased 2% to \$128 million.

Shares of National Bank last possessed a P/E ratio of 11 and a P/B value of 1.8. This puts the bank stock in solid value territory relative to industry peers. It last declared a quarterly dividend of \$0.71 per share, representing a 3.9% yield.

## CATEGORY

1. Bank Stocks
2. Investing

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## Date

2025/09/10

## Date Created

2020/08/31

## Author

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