



Bank Earnings Preview: Scotiabank (TSX:BNS)

Description

To start the final two-month stretch of 2020, I've decided to [take a snapshot](#) of each of the top Canadian bank stocks. Most recently, I've looked at **Toronto-Dominion Bank**. Today, I want to take a detailed snapshot of **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)). This bank is often referred to as “the international bank” due to its large global footprint. This has historically provided a boost. Unfortunately, this has not been the case in 2020.

Why Scotiabank stock took a delayed hit in Q3 2020

Shares of Scotiabank have dropped 17% in 2020 as of close on November 3. The COVID-19 pandemic has wreaked havoc on the Canadian economy and its North American peers. Latin America, where Scotiabank has a huge presence, has arguably been the hardest hit. Last year, I'd explained why Scotia's exposure to Latin America was one of its [strongest points](#) for those looking to invest.

In the third quarter of 2020, Scotiabank delivered adjusted net income of \$1.30 billion — down 47% from the previous year. Adjusted earnings per share fell 45% to \$1.04. Loan-loss provisions surged to \$2.18 billion, which dramatically impacted its Q3 2020 earnings. Adjusted net income in Canadian banking dropped 53% to \$433 million. Meanwhile, its International Banking segment plunged 93% to \$53 million.

How does Scotiabank look ahead of its fourth-quarter and full-year 2020 results?

How earnings could improve in the final quarter

Latin America was one of the last regions to wrestle with the devastating first wave of COVID-19. Brazil, the most populous country in South America, has arguably been hit hardest by the pandemic. Roughly two weeks ago, Colombia became the second Latin American country to diagnose over one million COVID-19 cases. Fortunately, there have been signs of a decline overall.

Scotiabank shareholders will hope that the situation stabilizes soon. However, the bank came into this

year leaning into its domestic operations. Investors can expect to see the bank's Q4 2020 earnings on the early morning of December 1.

Canada's economy is wrestling with the pandemic, but there have been some positives to glean from some of its largest sectors. The most impressive performance has come from Canadian real estate. Home sales roared back to record levels in the summer and in the fall, while prices have continued to increase. This is good news for top mortgage lenders like Scotiabank.

Should you buy Scotiabank before its earnings release?

There are good reasons to snatch up Scotiabank ahead of its fourth-quarter earnings release. The bank stock last possessed a price-to-earnings ratio of 10 and a price-to-book value of 1.1. This puts Scotiabank in attractive value territory at the time of this writing. Better yet, Scotia also offers a quarterly dividend of \$0.90 per share. That represents a tasty 6.3% yield. Like some of its top peers, this bank also has a flawless balance sheet.

To sum up, Scotiabank has an immaculate balance sheet and leads its banking peers when it comes to value and its dividend yield. It is one of my favourite bank stock picks right now.

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Author

aocallaghan

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