



Foolish Take: Scotiabank (TSX:BNS) Is My Top Bank Stock This Year

Description

Canadian bank stocks were predictably pummeled during the March market pullback in 2020. However, Canada's largest financial institutions managed to come all the way back into the black by the end of the previous year. I'd looked at [my top bank stocks](#) when this month kicked off. Today, I want to switch up my top two and delve deeper into **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)), my favourite Canadian bank stock for 2021. Let's dive in.

Why Scotiabank slipped in 2020

Scotiabank is the third-largest bank in Canada, behind **Royal Bank** and **Toronto-Dominion Bank**. It is often called "The International Bank" due to its large global footprint. Scotiabank boasts its largest international presence in Latin America. Growth in this region has bolstered the bank over the past decade. However, events in 2020 saw this boon become a hindrance for Scotia.

Economies all around the world were hit hard by the COVID-19 pandemic and the restrictions and lockdowns that were born out of it. No region has been hit harder than Latin America. According to the United Nations Economic Commission, South American GDP per capita sank to the same level as 2010 by the end of 2020. Argentina, the third most populous country in South America, had the longest lockdown in the world from March 20 to November 8.

With the onset of vaccines, there are hopes for an economic recovery across Latin America in 2021. This region still offers a lot of potential. Scotiabank took a hit due to its performance in 2020, but its turnaround will bolster this top Canadian bank going forward.

How its earnings shook out last year

Scotiabank released its fourth-quarter and full-year 2020 results on December 1. Before earnings were released, I'd warned investors that Latin America's [struggles could weigh](#) on its overall performance. Interestingly, Scotiabank managed to beat expectations in Q4 2020.

The bank was still forced to earmark \$1.1 billion in provisions for loan losses in the quarter. This has been a drag on earnings for Canada's top banks in the face of this historic crisis. Adjusted earnings for Scotiabank came in at \$1.45 per share. This was down from the previous year, but still ahead of analyst expectations. Like its peers, Scotiabank drew strength from its Capital Markets and Wealth Management segment.

Scotiabank CEO Brian Porter praised the economic recovery underway in Mexico, Chile, Peru, and Colombia. Because of this, he said that the bank is well positioned to return to its full potential in 2021.

Here's how Scotiabank measures up to its competitors

The bank maintained its quarterly dividend of \$0.90 per share in its Q4 2020 report. That represents a 5.3% yield. At the time of this writing, Scotiabank boasts the strongest yield of its peers.

Like its peers, Scotiabank also possesses a phenomenal balance sheet. The stock last had a price-to-earnings ratio of 12 and a price-to-book value of 1.3. That puts Scotiabank in favourable value territory. This bank stock offers up attractive income, good value, and a chance to hop on the comeback trail with its Latin American partners.

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