



This Forever Stock Now Yields 4.1%

## Description

During a day marked by gloomy economic headlines and a brutal morning equity sell-off, financial giant **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)) delivered one piece of good news.

On Wednesday, the country's fourth-largest bank announced a 3% dividend hike, citing its "strong performance" and "momentum across operating groups".

Surprised? You shouldn't be. Since paying its first dividend in 1829, Bank of Montreal has demonstrated an outstanding commitment to rewarding shareholders.

Think of everything that has happened since that time: depressions, wars, financial crises, and stock market bubbles. Yet through it all, the bank has continued to mail out cheques to loyal shareholders. This year marks 185 consecutive years of dividend payments — the longest streak of any publicly traded company in the country.

Unfortunately, the past few years in particular haven't been rosy for Bank of Montreal's income-hungry investors. After an 18-quarter hiatus thanks to the financial crisis, management only started resuming regular dividend hikes in late 2012.

However, since that time that payout has grown 11%. Now shareholders can expect the pace of those payout bumps to ramp up as the company expands its reach in Canada and pushes deeper into the United States.

At home, Canada's banks continue to benefit from strength in personal and commercial lending. Last week, **Royal Bank of Canada** ([TSX: RY](#))([NYSE: RY](#)) reported that domestic profits rose 7% to \$1.12 billion from a year earlier on lower credit defaults and higher mutual fund sales. While some may have issues with the contribution of lower loan loss provisions, it is hard to deny that it has continued to perform admirably.

**Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) showed similar results. Canadian retail banking profits, which include wealth management and insurance, rose 12% to \$1.35 billion from \$1.2 billion last year. Earnings were bolstered by the company's purchase of **Canadian Imperial Bank of Commerce's**

Aeroplan Visa card portfolio for \$3.3 billion in December.

Given the strong performance from its peers, it was no surprise to see Bank of Montreal report strong results at well. Profits at the company's Canadian personal and commercial banking division climbed 14% year over year to \$480 million. The company is also snapping up market share from its rivals, going so far in March as to relaunch its 2.99% mortgage program.

The bank's other divisions are doing even better. Its capital markets arm announced a strong profit of \$305 billion, with core earnings of up 17% year over year. This was aided by a mix of better corporate banking, investment banking, and trading results.

It's also expanding its reach in wealth management, following a deal earlier this year to buy London's F&C Asset Management for \$1.3 billion. With the company firing on all cylinders, investors can count on double-digit returns on equity and high single-digit dividend growth for the foreseeable future.

Is the Bank of Montreal bull thesis bulletproof? Nope. The company's U.S. expansion has hit a wall in the face of lower loan margins and weaker mortgage revenues. Provisions for credit losses also climbed higher again this quarter.

Another concern is Canada's frothy real estate market. However, it's important to note that most of the absurd valuations are restricted to cities like Toronto and Vancouver; the rest of the country is much more reasonable.

It's also the least exposed of the big five banks to a possible real estate crash. That's because most of its lending is to businesses and not over-leveraged consumers.

All that said, Bank of Montreal — which now pays out 4.1% — offers a powerful combination of high yield, a strong track record, and potential for growth. That's why it belongs as a core holding in any dividend portfolio.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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## Date

2025/07/05

## Date Created

2014/05/29

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