



## Toronto Dominion Bank vs. Bank of Montreal: Which Should You Buy?

### Description

Over the past five years, the situation in the United States has gotten much better. Unemployment is down, the housing market is recovering, and the economy is growing very steadily. Yet many observers believe the best is yet to come.

If these observers are correct, two of Canada's big five banks would benefit in particular: **Toronto Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) and **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)), both of which have sizable operations in the United States.

Which bank would make a better addition to your portfolio? Below we take a closer look.

### Toronto Dominion Bank

TD Bank has been in the United States for about 10 years now, and its results have been mixed so far. On one hand, the bank has developed a sterling reputation for convenience and customer service, which should pay big dividends down the road. It also famously sidestepped the U.S. subprime market, allowing the bank to sail through the financial crisis relatively unscathed.

On the other hand, the United States has always been a struggle for this bank, and that should come as no surprise. Banking in the U.S. is far more competitive than it is in Canada, and as a result returns are lower. To illustrate, last year it reported a return on equity of 46.8% for its Canadian banking operations, but only 8.1% in the United States.

That being said, U.S. banking should become more profitable as the economy improves and interest rates eventually rise. TD Bank has plenty of exposure south of the border; the bank actually has more branches in the United States than in Canada. As a result, investors should enjoy a very long tailwind.

### Bank of Montreal

While TD Bank is more concentrated in the east coast of the U.S., Bank of Montreal is more focused on the Midwest. However, there's one thing the two banks have in common: a big gap in profitability between the two countries. To paint a clearer picture, Bank of Montreal had about twice as many

employees in Canadian banking as U.S. banking last year, but had nearly three times as much net income north of the border.

There are significant differences between the two banks. For one, it did not sail through the financial crisis as easily as TD Bank did. Secondly, its U.S. banking division is not as significant as TD Bank's.

If you're interested on making a United States bet, TD Bank is the better option. Even though it's a more expensive stock, you get more exposure and a better track record. Otherwise, your best bet is to buy a U.S. bank stock, as long as you're willing to overlook what happened during the crisis.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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## Author

bensinclair

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