



## Which Stock Is a Better Bet for Dividend Investors: Bank of Montreal or Bank of Nova Scotia?

### Description

It's one of the most boring industries around, but that's exactly why it's so lucrative for investors.

In short, there's nothing sexy about the banking business. Here in Canada, we have big banks and we have little banks. But there's something each one has in common—they're all incredibly boring.

Here's the thing: if you want to own exciting tech stocks to impress friends at cocktail parties, then the banks aren't for you. But if you prefer owning good, old fashioned businesses that produce reliable dividends, then you'll like these companies just fine.

Of course, that leaves the obvious question: Which banking giant is a better bet for income investors?

So, today we're tackling two of the most popular—the **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and the **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). Let's see how the two companies stack up on a range of measures.

**1. Yield:** This was close. Today, the Bank of Nova Scotia pays out 4.1%, slightly beating out old BMO's 4% dividend yield. So, if you're looking for current income, Bank of Nova Scotia is your first choice. *Winner: Bank of Nova Scotia*

**2. Dividend growth:** Of course, we have to dig a little deeper than that to measure the quality of a distribution. Dividend growth is also important because we want to ensure our income can keep up with rising prices over time. That said, BMO and Bank of Nova Scotia have both managed to grow their dividends by 6.2% and 7.8% per year, respectively, over the past decade. *Winner: Bank of Nova Scotia*

**3. Earnings growth:** In the long haul, dividend hikes can only come out of growing profits. That's why earnings growth is the best predictor of how fast a company will be able to raise its distribution in the future. In total, BMO and Bank of Nova Scotia are expected to grow earnings per share by 7.5% and 9.5%, respectively, over the next five years. *Winner: Bank of Nova Scotia*

**4. Dividend history:** As dividend investors, reliability is also important. After all, we don't want to see our income stream suddenly dry up without warning. Thankfully, both banks have some of the longest

dividend track records in the country. BMO and Bank of Nova Scotia have paid distributions to investors every year since 1829 and 1832, respectively. *Winner: BMO*

**5. Safety:** Can we expect those traditions to continue? Definitely, given that Bank of Nova Scotia and BMO are paying out as dividends only 60% and 64% of their earnings, respectively. That gives both firms plenty of wiggle room if business sours. *Winner: Bank of Nova Scotia*

**6. Diversification:** For most folks, it's hard to tell the difference between each bank. However, financial institutions in Canada have diversified substantially over the past few years. Bank of Nova Scotia, for example, now generates most of its earnings from emerging markets, where fast growing economies are fueling demand for more mortgages, more car loans, and more credit cards. BMO, in contrast, is still mostly focused on Canadian retail banking. *Winner: Bank of Nova Scotia*

**7. Valuation:** In the banking business, we can use a company's price-to-book ratio as a quick and dirty measure of value. This simply divides a firm's total market capitalization by its book value—an accounting number that totals all of the company's assets, less all senior claims to common equity (such as the company's debt). Today BMO and Bank of Nova Scotia trade at 1.9 times and 2.1 times book, respectively. *Winner: BMO*

**And the results are in...**

As I said, both of these banks are blue-chip stocks and you really couldn't go wrong buying either. That's why I have recommended both companies here on the Motley Fool previously.

However, Bank of Nova Scotia's higher yield and faster growth gives it a slight edge from my point of view. If you only have room for one bank in your portfolio, this is the stock to hold.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BNS (Bank Of Nova Scotia)

## Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

## Tags

1. Editor's Choice

### Date

2025/07/03

### Date Created

2015/04/27

### Author

rbailieul

default watermark

default watermark