



## Is Bank of Nova Scotia or Bank of Montreal the Better Buy Today?

### Description

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) are the third- and fourth-largest banks in Canada in terms of total assets, and both of their stocks represent very attractive investment opportunities today.

However, in order to keep our portfolios diversified, we must only choose one, so let's compare their earnings results in the first quarter of fiscal 2016, their stocks' valuations, and their dividends to determine which is the better long-term buy today.

### Bank of Nova Scotia

Bank of Nova Scotia is the third-largest bank in Canada. Its stock has risen over 13% year-to-date, including a rally of more than 15% since it released its first-quarter earnings results on March 1. Here's a breakdown of eight of the most notable statistics from its first quarter of fiscal 2016 compared with the same period in fiscal 2015:

1. Net income increased 5.1% to \$1.81 billion
2. Earnings per share increased 5.9% to \$1.43
3. Total revenue on a taxable equivalent basis increased 9.4% to \$6.51 billion
4. Total assets increased 7.9% to \$919.6 billion
5. Deposits increased 7.9% to \$630.9 billion
6. Customer loans and acceptances increased 7.8% to \$486.9 billion
7. Common shareholders' equity increased 8.5% to \$50.9 billion
8. Book value per share increased 9.2% to \$42.32

At today's levels, Bank of Nova Scotia's stock trades at 10.8 times fiscal 2016's estimated earnings per share of \$5.86 and 10.2 times fiscal 2017's estimated earnings per share of \$6.19, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.6 and the industry average multiple of 13.3. It also trades at 1.5 times its book value per share of \$42.32, which is inexpensive compared with its five-year average market-to-book value of 1.89.

In addition, Bank of Nova Scotia pays a quarterly dividend of \$0.72 per share, or \$2.88 per share

annually, which gives its stock a yield of about 4.55%. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its recent increases, including its 2.9% hike on March 1, has it on pace for 2016 to mark the sixth consecutive year with an increase.

## Bank of Montreal

Bank of Montreal is the fourth-largest bank in Canada. Its stock has risen a little under 1% year-to-date, including a rally of more than 6% since it released its first-quarter earnings results on February 23. Here's a breakdown of eight of the most notable statistics from its first quarter of fiscal 2016 compared with the same period in fiscal 2015:

1. Adjusted net income increased 13.2% to \$1.18 billion
2. Adjusted earnings per share increased 14.4% to \$1.75
3. Adjusted revenue increased 2.1% to \$5.16 billion
4. Total assets increased 4% to \$699.29 billion
5. Deposits increased 9.6% to \$470.84 billion
6. Net loans increased 12.5% to \$345 billion
7. Common shareholders' equity increased 11.7% to \$41.59 billion
8. Book value per share increased 12.5% to \$59.61

At today's levels, Bank of Montreal's stock trades at 11.1 times fiscal 2016's estimated earnings per share of \$7.11 and 10.6 times fiscal 2017's estimated earnings per share of \$7.45, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 13.3. It also trades at 1.32 times its book value per share of \$59.61, which is inexpensive compared with its five-year average market-to-book value of 1.52.

In addition, Bank of Montreal pays a quarterly dividend of \$0.84 per share, or \$3.36 per share annually, which gives its stock a yield of about 4.3%. Investors must also note that it has raised its annual dividend payment for four consecutive years, and its recent increases, including its 2.4% hike in December 2015, has it on pace for 2016 to mark the fifth consecutive year with an increase.

## Which bank is the better buy today?

Here's how each company ranks when comparing their earnings results in the first quarter of fiscal 2016, their stocks' valuations, and their dividends:

Metric	Bank of Nova Scotia	Bank of Montreal
Q1 Earnings Strength	2	1
Forward P/E Valuation – 2016	1	2
Forward P/E Valuation – 2017	1	2
Market-to-Book Value	2	1
Dividend Yield	1	2

Dividend Growth	1	2
Average Ranking	1.33	1.67

As the chart above depicts, Bank of Montreal reported stronger earnings results in the first quarter, and its stock trades at a more attractive market-to-book value, but Bank of Nova Scotia’s stock trades at more attractive forward price-to-earnings valuations, has a higher dividend yield, and has a longer active streak of annual dividend increases, giving it the edge in this match up.

With all of this being said, I think both banks represent great long-term investment opportunities today, so all Foolish investors should strongly consider making one of them a core holding.

CATEGORY

- 1. Bank Stocks
- 2. Dividend Stocks
- 3. Investing

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)

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