Why Bank of Montreal Is a Great Investment

Description

Banks, particularly the big banks, are some of the best investments you can add to your portfolio. Each of the big banks tend to have a preferred focus, such as a particular geographic region to expand into, or specific industries to invest in.

Despite these differences, all of the big banks have, for the most part, provided strong growth, increasing dividends, and a fairly diversified portfolio of investments to investors.

When considering which of the banks to invest in, one bank that is often overlooked in lieu of some of the larger banks is **Bank of Montreal** (TSX:BMO)(NYSE:BMO).

Here's a look at why Bank of Montreal is a great investment option for your portfolio.

Bank of Montreal's 150-year-old dividend

One of the first reasons to consider investing in Bank of Montreal is the great dividend. As the oldest bank in the country, Bank of Montreal has been proudly paying out dividends to shareholders for over 150 years; or to put it another way, it's paid dividends since 1829, predating Canada itself by nearly 40 years.

If there was ever a long-term buy-and-forget bank stock to consider, Bank of Montreal would easily be crowned a winner.

The current quarterly dividend pays $0.86 per share, which currently amounts to a yield of 4.03% given the current stock price of just over $85.

Even better is that Bank of Montreal has also steadily increased that dividend over the years, keeping it at a competitive rate with the other banks and in line with payout levels.

Bank of Montreal's impressive growth

In the most recent quarter, Bank of Montreal reported adjusted earnings per share of $1.94–a 4%

improvement over the $1.81 that was forecasted. This also translated into an increase of 5% for adjusted net income for the quarter, which came in at $1.3 billion.

In terms of revenue, the bank posted a very impressive $5.63 billion for the quarter; analysts expected just $5.10 billion. Bank of Montreal shattered last year's $4.83 billion in revenue for the same quarter by an impressive 16.7%. Much of that growth can be attributed to cost-cutting efforts in the retail bank operations segment.

Bank of Montreal also set aside a larger amount for credit losses. Bank of Montreal increased the amount set aside to $257 million–up from $201 million in the previous quarter.

New and existing opportunities

During the recent quarterly results meeting, CEO Bill Downe noted to investors, "We maintain an active dialogue across a wide range of opportunities at all times when our capital is building and when it's in the area where we have the most flexibility."

In other words, Bank of Montreal is looking for further acquisitions.

Bank of Montreal already acquired the **General Electric Co**.**'s** transportation finance business, which provides leases for the trucking industry in both Canada and the U.S. Considering the potential market share of the trucking industry and that the transportation finance business is one of the largest in the industry, this is an investment that will continue to provide revenue to the bank for years.

Another more recent acquisition is Greene Holcomb Fisher–an advisory firm–this past June. The Minneapolis-based firm of 30 investment bankers is responsible for over 100 deals over the past five years. The purchase is slated to be completed later next month, at which time the firm will be rolled into BMO Capital Markets.

In my opinion, Bank of Montreal is a long-term investment option that would make a great part of almost any portfolio. The dividend rate and stock growth over the past decade demonstrate why Bank of Montreal remains an industry-favourite, buy-and-forget stock.

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