3 Ways Bank of Montreal Will Provide You With Growth

Description

Bank of Montreal (TSX:BMO)(NYSE:BMO) may not be the biggest or best-known of Canada's big banks, but Bank of Montreal has several compelling reasons for prospective investors to contemplate, many of which are not necessarily known to the average investor.

Here are the top three reasons investors should consider Bank of Montreal.

Interest rate hikes mean higher margins

Interest rate hikes are a mixed blessing that will ultimately bode well for banks. A higher interest rate permits banks to demand higher rates from loans, resulting in greater revenue.

The flip-side of interest rates is that as lending becomes more expensive, fewer consumers will be able to seek out mortgages and loans, and the increase may push some existing customers over the edge of affordability.

This last point is particularly alarming, considering the growing sentiment across the market that Canada's real estate market is overheated and well overdue for a correction.

Bank of Montreal's dividends keep rising

Bank of Montreal is one of a few companies on the market that has been paying dividends to shareholders for a very long time. Bank of Montreal first started issuing dividends in 1829 — well before any other Canadian corporation did.

That's an incredible history, and over +150 years Bank of Montreal only decreased its dividend once in 1942. Investors looking for an investment that pays a stable dividend with virtually no chance of being reduced would do well in considering Bank of Montreal.

Bank of Montreal's current quarterly dividend amounts to $0.90 per share, translating into a very impressive 3.92% yield at the current stock price. Bank of Montreal has also raised the dividend twice in the past 12-month period, and given the impressive results that the bank continues to provide with each passing quarter, there's little reason to doubt that further hikes will follow over the course of the next year.

Bank of Montreal has international growth

Across all the big banks, Bank of Montreal is hardly renowned for being the most international bank or even having a large footprint outside Canada.

In truth, Bank of Montreal has a sizable footprint in the U.S., offering personal and commercial banking services in eight states and commercial banking and wealth management offices in over a dozen states. It also has operations in major European, Asian, and Australian markets.

Much of that U.S. growth came thanks to the 2010 acquisition of Marshall & Ilsley, which effectively doubled deposits and branches for the bank.

In terms of total revenue breakdown, approximately one-third of revenue now stems from the U.S. market, and over 6% of revenue can be attributed to international markets.

This not only translates into Bank of Montreal being a well-diversified bank, but also plots a course for future expansion.

Final thoughts

Bank of Montreal is, without a doubt, a great investment, irrespective of whether your goal is dividends or growth. Dividend-minded investors will love the history of the stock as well as the growth prospects it provides, while growth-seeking investors can take solace in the respectable 7% growth over the course of the past 12 months, which balloons to an impressive 57% over the past five years.

In other words, Bank of Montreal is a key stock to build your portfolio. Buy it, forget it, and let it grow.

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