



Better Investment: Toronto-Dominion Bank (TSX:TD) or Bank of Nova Scotia (TSX:BNS)?

Description

Canada's big banks are often cited as being some of the best investments on the market. **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) in particular are, without a doubt, two of the most intriguing investment opportunities.

But which of these two behemoths is better for your portfolio? Let's review the case for investing in both.

The case for Toronto-Dominion Bank

One of the key differences between the big banks is their approach to expansion. In the case of TD, the bank has [expanded greatly over the past decade](#), growing from having a small footprint of branches in the northeast known as TD BankNorth to becoming the behemoth it is today, with branches in 15 states and Washington, D.C.

The bulk of that expansion came as a result of acquiring three failed U.S. banks in the years following the Great Recession, leading TD to its current state of having more branches and deposits in the U.S. market.

One of the differentiating factors that TD has over its peers is the bank's near obsession with providing the highest quality of service wherever possible. As outrageous as it sounds, it is a policy that has helped the bank grow its market share and become a valuable contributor to the local communities. That policy also includes keeping branches open seven days a week with longer hours, and TD has appropriately dubbed itself as "America's most convenient bank."

This is in stark contrast to many of TD's competitors that are offloading customers to online bots and services, while closing traditional banks and eliminating direct contact with clients.

That policy, as well as shifts in U.S. tax law, helped propel TD's results to new levels. In the most recent quarter, TD reported adjusted net income of \$3.06 billion, handily beating the \$2.56 billion in the same quarter last year. Both the Canadian as well as U.S. segments performed well, registering 17%

and 24% growth over the same quarter, respectively.

TD also offers a quarterly dividend that provides an impressive 3.54% yield.

The case for Bank of Nova Scotia

[Bank of Nova Scotia](#) took a different approach to expansion, opting to look at markets outside the U.S. Specifically, Bank of Nova Scotia expanded the Latin American nations of Mexico, Peru, Columbia, and Chile. Collectively, those nations comprise the Pacific Alliance, which is a trading bloc charged with reducing tariffs and increasing trade between member states.

By expanding into all four nations of the Alliance, Bank of Nova Scotia has become a familiar face for investors and entrepreneurs throughout the bloc, which has helped the bank in reporting double-digit growth in the sector.

Bank of Nova Scotia is also in the process of acquiring a majority stake in BBVA Chile, which will make it one of the largest banks in Chile. There is also the recently announced deal to purchase a majority stake in Peru-based Banco Cencosud.

In the most recent quarter, Bank of Nova Scotia reported net income of \$2.34 billion, which was an impressive 16% increase over the same quarter last year. The bank also more than doubled its earnings-per-share target of 7% by coming in at \$.186 per diluted share, registering an 18% increase over the same quarter last year.

The incredible growth of Bank of Nova Scotia's international segment now accounts for nearly one-third of the company's net income, which well diversifies the bank from potential weakness in the Canadian and U.S. markets.

In terms of a dividend, Bank of Nova Scotia provides a quarterly dividend that pays an impressive 4.08% yield.

Which is the better investment?

Both banks are excellent investment options, but, ultimately, the decision as to which of the two is better depends on each investor's individual goals.

Investors that are primarily interested in obtaining a higher yield and benefiting from a more diversified investment would be better served by investing in Bank of Nova Scotia. If, however, your preference is to invest in the growing U.S. economy, Toronto-Dominion may be the better option.

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