2 Great Banks, 1 Investment, Your Portfolio

Description

Canada's big banks are often cited as being some of the best investment options available. Part of that reasoning stems from the impressive market share the big banks command within Canada, and part of that can be attributed to the growing international footprint that the banks have expanded into over the past few years.

Two of the often-mentioned international banks are **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). Both offer strong domestic and international exposure for investors, but which of these two is the better investment?

Let's take a look at both.

The case for TD Bank

In the years following the Great Recession, TD Bank was able to identify several acquisition targets within the U.S. market that the bank bought, re-branded, and then stitched together to form a massive network within the U.S. along the east coast that stretches from Maine to Florida that now boasts more branches than TD's domestic network in Canada.

To say that the strategy worked would be an understatement. TD is now considered one of the biggest banks within the U.S. market, and all of those loan deposits, higher interest rates, and the widespread banking network have provided a boost to TD's earnings.

By way of example, in the most recent quarter, TD reported adjusted net income of $3,048 million, or $1.63 per adjusted diluted share, compared with $2,603 million, or $1.36 per adjusted diluted share, in the same quarter last year.

The U.S. retail segment led the charge in the quarter, reporting net income of $1,139 million, representing an incredible 44% improvement over the same quarter last year.

In terms of a dividend, TD offers a quarterly distribution that currently pays out a yield of 3.84%, and the bank currently trades at below $70 with a P/E of 11.54.

The case for Bank of Nova Scotia

Unlike TD, Bank of Nova Scotia turned to other markets outside the U.S. for international expansion, specifically the markets of Mexico, Columbia, Peru, and Chile. The four countries are members of trade bloc known as the Pacific Alliance, which is tasked with fostering better trade between members, eliminating tariffs between members, and leveraging shared consular services that could lead to better investment opportunities.

As Bank of Nova Scotia expanded into all four of those markets, the bank has become a familiar point of reference for business travelers and investors in those regions, leading to unprecedented growth for the bank in the region.

In terms of results, in the most recent quarter Bank of Nova Scotia reported net income of $2,271 million, or $1.71 per share, representing an increase over the $2,070 million, or $1.64 per share.

The international banking segment, which contains earning from the Pacific Alliance trade bloc nations realized annual earnings growth of 18%. The bank also noted that the region provided double-digit loan and deposit growth in the most recent quarter.

Bank of Nova Scotia's venture into the region was so successful that the bank sought out an additional acquisition last year for one of the largest banks in Chile, effectively solidifying Bank of Nova Scotia's presence in the region.

Turning to wealth management, Bank of Nova Scotia also completed several other strategic acquisitions over the past year, including deals for investment firms Jarislowsky Fraser and MD Financial Management.

From a dividend standpoint, Bank of Nova Scotia provides an appetizing yield of 4.75%, and the bank trades at just below $72 with a P/E of 10.55

Which is the better investment?

Both banks offer incredible opportunities for investors, and most would be happy and profitable from a position in either.

That being said, if there was only one of the two to choose from, at this point in time I would prefer the [more diversified, higher-yielding](), and generally more attractive Bank of Nova Scotia.

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