



This Bank Stock Has Soared Over 50% in a Year

Description

Canada's big banks are some [exceptional options to consider](#) for nearly any portfolio. They all boast a reliable revenue stream, a stable domestic network, and super income-earning potential. Adding to that appeal is a growing emphasis on expansion outside of Canada to fuel growth. But among all of Canada's big banks, there is one big bank stock that has quietly soared over 60% in the trailing 12-month period.

That bank, which should be a serious contender for a place in your portfolio, is **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)).

A big bank stock is a profitable bank

As to *why* investors should consider BMO, let's start by looking at the most recent quarterly update. That update, for the third fiscal, came just a few weeks ago.

In that most recent quarter, BMO reported earnings of \$2,275 million, reflecting a whopping 85% gain over the same period last year. On a per-share basis, BMO saw an 89% improvement over the same period last year, with earnings coming in at \$3.41 per share.

Recall that many businesses, including banks, were operating at a greatly reduced capacity during that prior period. Recovery of credit losses came in at \$70 million during the quarter. This is a stark reversal from the \$1,054 provision for credit losses reported in the same period last year.

The impressive results are only part of the reason why BMO is a great investment. BMO's impressive earnings are actually derived from several different segments, which collectively add a defensive appeal to the big bank stock.

This includes BMO's P&C segments on both sides of the Canada-U.S. border, as well its wealth management and capital markets segments. The Canadian P&C segment in particular recently received accolades, when *World Finance* magazine named it the Best Commercial Bank in Canada. The segment contributed \$815 to the bank's quarterly earnings.

Turning to BMO's U.S. segment, this is where there are significant growth opportunities. The segment reported \$553 million in earnings during the quarter — a noted improvement over the \$263 million reported in the same period last year.

What about income?

When it comes to income generation, the Bank of Montreal is unique among its peers. This big bank stock has been paying out [dividends](#) longer than any other bank in Canada, since 1829. This is an incredible feat and one that is likely to continue for the foreseeable future.

The current yield on offer works out to a respectable 3.31%. While that's not the highest yield among its peers, it is a decent return that can quickly compound into a healthy income stream. For example, a \$35,000 position in BMO within your Tax-Free Savings Account (TFSA) will provide just shy of \$1,160 in income during the first year. Dividend reinvestments, growth, and payout hikes can see that figure grow considerably higher.

Speaking of dividend hikes, there's another point worth mentioning. Canada's banks, which normally provide investors with annual or better dividend hikes, haven't done so in over a year. Thanks to the pandemic, restrictions on dividend hikes have left BMO and its peers flush with cash. With the pandemic possibly coming to a close, those restrictions could soon end.

That would allow banks to resume those hikes, which could be significant given its historical payout ratio of near 40%.

Should you buy a big bank stock right now?

Bank of Montreal does make a compelling case for investors. Strong results and an appetizing dividend income to mind as prime examples of that rationale.

In my opinion, every portfolio should have a big bank stock. BMO is an excellent candidate to consider adding to any [well-diversified portfolio](#).

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