



## Here's My Top Bank Stock to Buy After Earnings

### Description

Canadian banks just passed through the final earnings season for the 2021 fiscal year. In November, I'd looked at Canada's [top financial institution](#) ahead of its [earnings release](#). Today, I want to discuss why **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is my top bank stock to snatch up after its fourth-quarter and 2021 earnings. Let's dive in.

### Why this bank stock looked great heading into December

Shares of this bank stock have climbed 44% in 2021 as of close on December 7. However, it suffered a sharp drop in late November in the face of a broader market correction. Indeed, this bank stock has dropped 0.5% in the month-over-month period.

Last month, I'd [discussed](#) why investors should target Quebec-based bank stocks like BMO and its peers before the final batch of earnings were unveiled. BMO looked like it offered very solid value before it released its fourth-quarter and full-year 2021 results. The bank stock continues to look strong as we approach the middle of December.

### How did the bank perform in 2021?

BMO released its fourth-quarter and full-year 2021 earnings on December 3. In Q4 2021, adjusted net income increased 38% year over year to \$2.22 billion. Meanwhile, adjusted earnings per share also jumped 38% to \$3.33. Like its peers, it was powered by a sharp dip in provisions set aside for credit losses.

For the full year, BMO posted adjusted net income of \$8.65 billion, or \$12.96 per share — up 66% and 68%, respectively, from 2020. Provisions for credit losses plunged to \$20 million over \$2.95 billion in the previous year. The bank stock is worth getting excited about after exceeding analyst expectations to close out the year.

BMO's Canadian Personal and Commercial Banking segment delivered adjusted net income growth of

42% to \$921 million. Its results were fueled by revenue growth of 13%. Moreover, adjusted net income in United States Personal and Commercial Banking jumped 55% year over year to \$518 million. The BMO Wealth Management segment posted adjusted net income growth of 14% to \$373 million. It benefited from growth in client assets and strong global markets. The bank's Capital Markets segment delivered adjusted earnings growth of 40% to \$541 million.

The bank anticipates strong growth for 2022. Canada is set to hike interest rates which may contribute to market volatility but will also improve profit margins for BMO and its peers. The Canadian economy has largely been able to bounce back to pre-pandemic levels of growth and employment by the end of 2021.

## Here's why I'm looking to snag this bank stock today

Shares of this bank stock currently possess a favourable price-to-earnings ratio of 12. That puts BMO in very solid value territory in comparison to its industry peers. BMO announced a 25% quarterly dividend increase to \$1.33 per common share. That represents a 3.8% yield. This is a good time to snatch up the bank stock on the dip, as markets are already on the comeback trail following the Omicron-inspired pullback.

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