



Another Big Bank Is Expanding Further Into the U.S.

Description

Canada's big banks are among the best long-term investments to have in your portfolio. There's a good reason for that belief. In short, the big banks are very well-run businesses. Apart from boasting an enviable, if not defensive domestic market, they also have a growing presence outside of Canada. That international presence just got a little bigger, as one of the big banks is expanding further into the U.S. market.

What big bank just expanded into the U.S. market?

That would be **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). BMO is already well known for its presence in the U.S. market, primarily through its BMO Harris operation in the Chicago area. This latest move by the bank provides just as much, if not more long-term potential.

That move was to acquire the assets of French bank BNP Paribas's subsidiary, Bank of the West. The US\$16.3 billion deal for the San Francisco-based bank is being funded through existing capital.

More importantly, this deal will open up the lucrative California market to BMO. In total, this move will add 1.8 million customers across 514 branch locations to BMO's sprawling network.

Why this is big news for investors

Any of the big banks expanding into the U.S. market is big news. The fact that it's BMO, and that the market is California is what makes this a huge update. The U.S. market has been a goldmine for Canada's big banks over the years. This is due to the combined growth and opportunity of the U.S. market coupled with Canada's well-regulated financial segment.

In the case of this latest acquisition, BMO will also gain US\$89 billion in deposits and US\$56 billion in loans thanks to expanding further into the U.S.

For investors, that long-term potential is huge and adds to the already impressive performance of the

stock in 2021. Year to date, the stock is up over 35%. Those gains aren't only traced back to the post-COVID rally. Looking back over a longer two-year period, those gains still register a handsome 28% gain.

If that weren't reason enough to consider investing, there's still more to come in the form of income generation.

BMO provides investors with a juicy 3.97% yield, making it one of the [better-paying](#) and stable returns on the market. Further to this, BMO has an established history of providing annual or better upticks to that dividend going back decades. The pandemic-era moratorium on dividend hikes and share buybacks was lifted last month.

Since those restrictions ended, BMO followed up with providing investors with a whopping 25% dividend hike. The bank also announced it would buy back 3.5% of outstanding shares.

Final thoughts

There's no such thing as an investment without risk. Fortunately, in the case of BMO, that risk is minimal. The bank operates an outstanding domestic segment at home. Furthermore, the annual dividend hike is like an [end-of-year bonus](#) that never fails to impress.

And I'm not saying that because BMO is expanding further into the United States. If anything, the recent move only enhances what was already a great buy.

In other words, BMO is a perfect buy-and-forget investment for any well-diversified portfolio.

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