

# BMO Financial (BMO CN)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 14 Feb 2024

- BMO Financial Group is rated Aa2/A+/AA-, but bail-in senior debt for BMO is rated A2 by Moody's and A- by S&P.
- BMO is geographically diversified within Canada & via its commercial banking business in the U.S. BMO has improved its revenue mix by building wealth & capital markets, though the latter has been pressured across the industry over the past year.

## RISKS & CATALYSTS

As of 14 Feb 2024

- BMO has a strong core deposit base in Canada and in the U.S., which mitigates the potential for a liquidity event.
- BMO closed the acquisition of Bank of the West from BNP Paribas in February 2023, significantly expanding its footprint in the U.S. We don't expect deal integration to have much impact on the credit profile. Capital remains well above requirements following deal closing, with CET1 at 12.5% at F4Q23.
- We view real estate-related risk in Canada as manageable for BMO given low LTV of exposures in vulnerable markets and conservative underwriting. Commercial real estate accounts for ~10% of total loans, and office is quite manageable at ~1% of total.

## CREDIT QUALITY SCORE (CQS) <sup>2</sup>

As of 22 Apr 2024

### CURRENT CQS

60

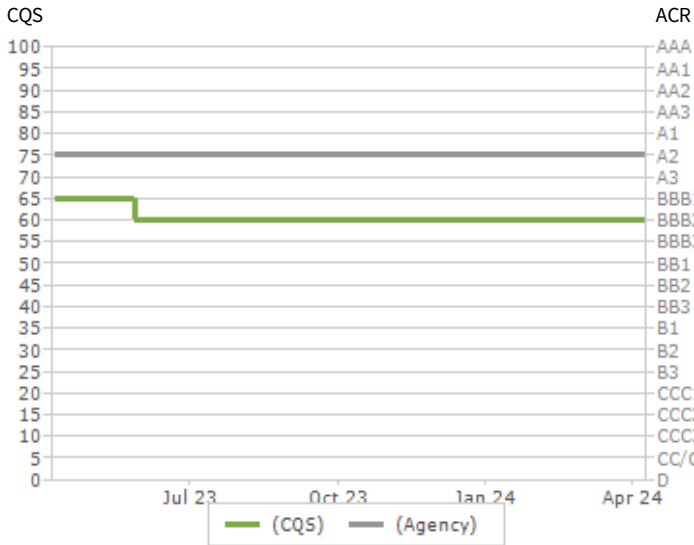
### CQS OUTLOOK <sup>3</sup>

NEGATIVE

STABLE

POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) <sup>4</sup> VS CQS



## KEY METRICS

As of 14 Feb 2024

\$ MN	FY19	FY20	FY21	FY22	LTM 4Q23
Revenue	17,137	17,461	20,509	26,727	21,694
Net Income	4,333	3,790	6,167	10,519	3,246
ROAE	1.18%	0.94%	0.59%	0.59%	0.59%
NIM	1.65%	1.58%	1.59%	1.59%	1.59%
Net Charge-offs / Loans	0.14%	0.25%	0.14%	0.08%	0.14%
Total Assets	647,624	713,376	797,018	835,374	931,165
Unsecured LT Funding	62,002	51,916	51,915	64,886	63,418
CET1 Ratio (Fully-Phased-In)	11.4%	11.9%	13.7%	16.7%	12.5%

## BUSINESS DESCRIPTION

As of 14 Feb 2024

- BMO Financial Group is the fourth largest depository institution in Canada with C\$1,293 bn in assets as of F4Q23, with a market capitalization of C\$70 bn. Total deposits were C\$910 bn at F4Q23.
- BMO operates 1,892 branches in Canada and the United States as of fiscal 4Q23.
- As of F4Q23, BMO had 1,022 branches within the United States, mostly in the Midwest. BMO ranked 11th in deposit market share in the U.S. (SNL), with a top-2 share in Illinois.

## GLOSSARY

- <sup>1</sup> The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
  - <sup>2</sup> The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
  - <sup>3</sup> The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
  - <sup>4</sup> The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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