

# BMO Financial (BMO CN)

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

As of 26 Aug 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 26 Aug 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 13.1% at F2Q24.
- 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 Oct 2024

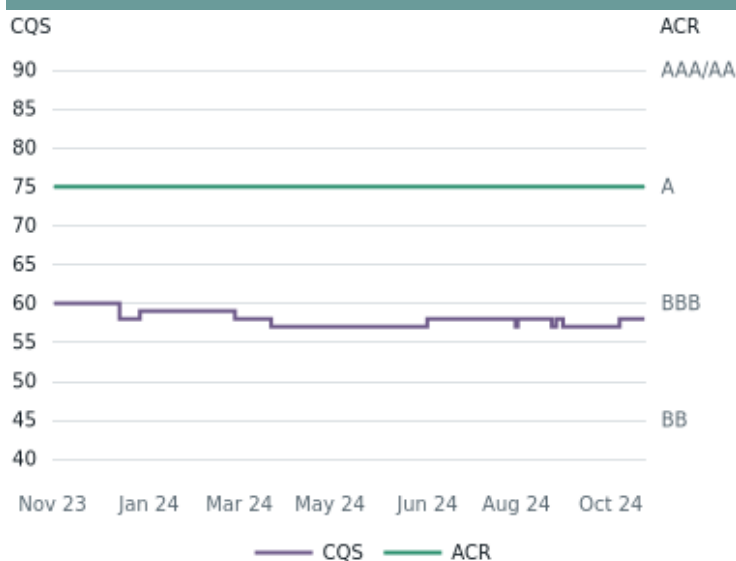
### CURRENT CQS

58

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



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



## KEY METRICS

As of 26 Aug 2024

\$ MN	FY20	FY21	FY22	FY23	LTM 2Q24
Revenue	17,461	20,509	26,727	21,694	23,717
Net Income	3,790	6,167	10,519	3,291	4,764
ROAE	0.94%	0.85%	0.85%	0.85%	0.85%
NIM	1.58%	1.75%	1.75%	1.75%	1.75%
Net Charge-offs / Loans	0.25%	0.14%	0.08%	0.14%	0.21%
Total Assets	713,376	797,018	860,451	969,851	999,748
Unsecured LT Funding	51,916	51,915	64,886	63,418	62,954
CET1 Ratio (Fully-Phased-In)	11.9%	13.7%	16.7%	12.5%	13.1%

## BUSINESS DESCRIPTION

As of 26 Aug 2024

- BMO Financial Group is the fourth largest depository institution in Canada with C\$1,374 bn in assets as of F2Q24 and a market capitalization of US\$61 bn. Total deposits were C\$938 bn at F2Q24.
- BMO operates 1,890 branches in Canada and the United States in 2024.
- As of YE23, BMO had 1,015 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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