



Bank of Montreal (BMO)

Updated December 11th, 2025 by Kay Ng

Key Metrics

Current Price:	\$132	5 Year Annual Expected Total Return:	6.2%	Market Cap:	\$92.9B
Fair Value Price:	\$107	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	01/30/26
% Fair Value:	124%	5 Year Valuation Multiple Estimate:	-4.2%	Dividend Payment Date:	02/26/26
Dividend Yield:	3.6%	5 Year Price Target	\$150	Years Of Dividend Growth:	13
Dividend Risk Score:	C	Sector:	Financials	Rating:	Hold

Overview & Current Events

Bank of Montreal was formed in 1817 and became Canada's first bank. The past two centuries have seen Bank of Montreal grow into a global powerhouse of financial services and today, it has about 2,000 branches (including Bank of the West branches) in North America. It generates about 45% of earnings from the U.S. (including Bank of the West) and the rest primarily from Canada. The bank is cross listed in both New York and Toronto; we use U.S. Dollars throughout the report unless otherwise noted.

Bank of Montreal reported its fiscal Q4 2025 financial results on 12/04/25. For the quarter, compared to a year ago, revenue rose 4.3% to C\$9.3 billion, while net income fell 0.4% to C\$2.3 billion and diluted earnings per share ("EPS") rose 1.0% to C\$2.97. Provision for credit losses ("PCL") fell 50% to C\$755 million, while non-interest expense rose 26% to C\$5.6 billion. The PCL on impaired loans to average net loans and acceptances was 0.44% for the quarter, down from 0.66% a year ago. The bank's common equity tier 1 ratio remained solid at 13.3%, down from 13.6% a year ago.

The bank raised its quarterly dividend by 2.5% to C\$1.67 per share, which is up 5.0% year-over-year.

The full fiscal year results provide a bigger picture. Revenue rose 11% to C\$36.3 billion, PCL fell 3.8% to C\$3.6 billion, and non-interest expense rose 8.2% to C\$21.1 billion. Net income rose 19% to C\$8.7 billion with diluted EPS rising 20% to C\$11.44. Adjusted net income climbed 24% to C\$9.2 billion and the adjusted EPS climbed 26% to C\$12.16.

Bank of Montreal's adjusted return on equity was 11.3%, up from 9.8% in the prior year period. We initiate our fiscal 2026 EPS estimate at \$9.53.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$5.66	\$6.27	\$6.81	\$7.09	\$5.95	\$10.13	\$9.85	\$8.68	\$6.96	\$8.67	\$9.53	\$13.37
DPS	\$2.56	\$2.72	\$2.94	\$3.06	\$3.15	\$3.37	\$4.03	\$5.32	\$4.46	\$4.60	\$4.79	\$6.41
Shares¹	646	648	639	640	646	650	677	721	730	723	709	738

From 2016 to 2025, the bank increased EPS by 5.5% in C\$ but when translated to US\$, the growth rate dipped to 4.9% per year. The company estimates medium-term EPS growth of 7-10% per year. However, results will be affected by economic conditions, management execution, and forex fluctuations between the C\$ and US\$. Assuming a return to more normal trends, the stock could deliver better results through 2031. For this period, we use a 7% EPS growth and 6% DPS growth rate.

Although in fiscal Q4 2025, BMO only raised its dividend by 2.5%, notably, it typically increases its dividend twice a year. So, the trailing-12-month increase was 5.2%. We set our 2026 dividend estimate based on the forex rate at writing. Keep in mind that the fluctuations in the forex between U.S. dollars and Canadian dollars will affect the effective yield for U.S. shareholders.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	11.0	11.7	12.0	10.6	10.0	11.2	10.4	9.8	11.7	13.6	13.9	11.2
Avg. Yld.	3.6%	3.4%	4.5%	4.0%	5.3%	3.5%	3.9%	4.5%	4.9%	4.3%	3.6%	4.3%

BMO stock currently trades at a relatively high P/E from its historical levels because of the recent strong performance. However, from 2016-2025, BMO's average price-to-earnings ratio was 11.2. From 2021 to 2025, it was 10.3. We think a P/E of ~11.2 would make sense if BMO achieved a higher EPS growth rate of ~7% through 2030. The current P/E of 13.9 makes the stock expensive compared to the historical average. BMO's yield normally falls around the 4-5% yield range. As a Canadian stock, BMO's dividends may be subject to a 15% dividend withholding tax for U.S. investors. This tax can potentially be avoided by investing in BMO through a retirement account.

Safety, Quality, Competitive Advantage, & Recession Resiliency

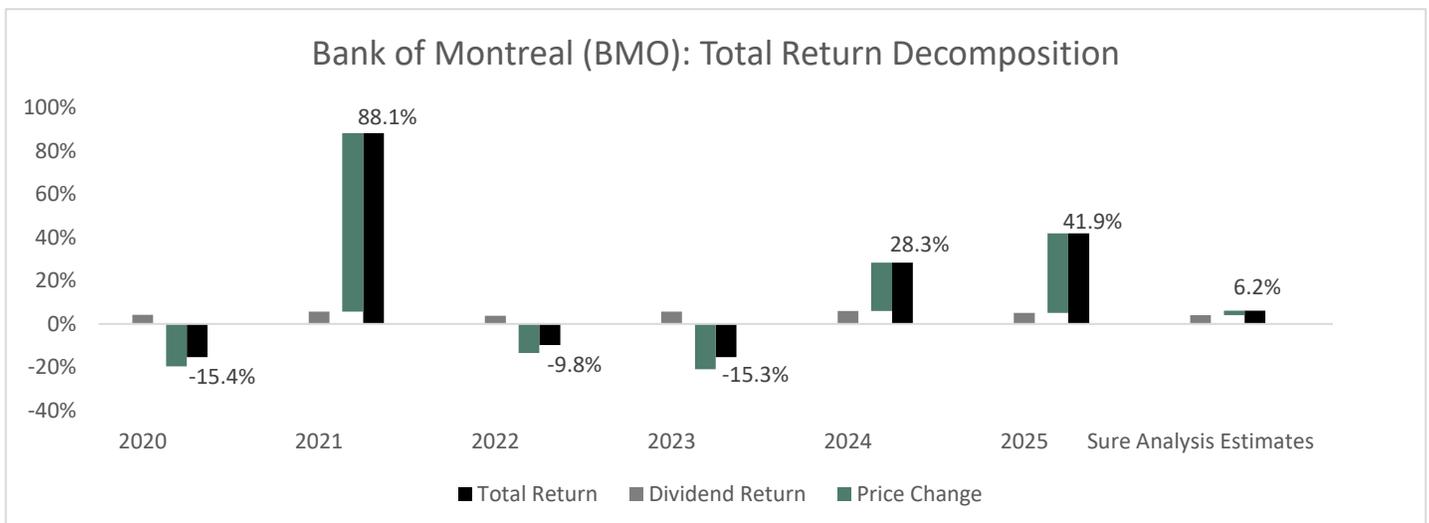
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	45%	43%	43%	43%	53%	33%	41%	61%	65%	53%	50%	48%

During the Great Recession, BMO maintained the same dividend from fiscal 2009 to 2011 before resuming dividend growth afterwards. Similarly, the regulator restriction led to a dividend freeze of eight quarters during the COVID-19 pandemic. BMO came out with a dividend increase as soon as the ban was lifted. BMO's dividend policy is for a payout ratio of 40%-50%. Its payout ratio was higher than normal in 2020 and 2023 due to higher provision for credit losses from a more negative macroeconomic outlook. We expect BMO's payout ratio to stay within its target range in most years. The bank's competitive advantage is in the long history and reputation of its brand, its large size. It's a top 10 U.S. bank by assets with a footprint in 32 states, a top five commercial lender in North America, and one of Canada's Big Six banks. Recessions are tough for banks, but BMO performed admirably during the last two (including the one during the pandemic) by maintaining its dividend in the Canadian currency.

Final Thoughts & Recommendation

We forecast 6.2% in total annualized returns over the next five years for an investment in BMO at current prices, consisting of a yield of 3.6%, 7.0% earnings-per-share growth, and a 4.2% headwind from price-to-earnings ratio compression. Currently, we rate Bank of Montreal as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	15457	15798	16608	17673	19060	18615	21388	19996	24490	23540
SG&A Exp.	6716	6731	6886	6850	8376	7180	8042	6702	10570	
D&A Exp.	635	624	670	702	744	1057	1133	1075	1555	1555
Net Profit	3521	3486	4081	4238	4332	3791	6163	10514	3235	5337
Net Margin	22.8%	22.1%	24.6%	24.0%	22.7%	20.4%	28.8%	52.6%	13.2%	22.7%
Free Cash Flow	1391	-2518	1619	13233	21199	37047	34230	2726	5865	20180
Income Tax	754	830	988	1524	1139	931	1990	3378	1101	1622

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (B)	487.6	512.8	553.1	589.4	647.2	712.5	797.4	837.1	935.1	1013
Cash & Equivalents	36219	26910	30469	38451	43130	49873	81953	68482	59340	49420
Accounts Receivable	5844	6732	6036	3413	3518	3520	4121	4903	7054	28910
Goodwill & Int.	6288	6380	6550	6589	6656	6738	6168	5495	15870	15600
Total Liabilities (B)	457.3	481.2	518.5	554.6	608.4	670.1	751.0	784.9	879.4	952.9
Accounts Payable	7381	8249	8658	8716	9501	9410	11149	12441	14260	37520
Long-Term Debt	19819	116458	132181	124845	148195	138567	150945	161511	177320	186290
Shareholder's Equity	27487	28671	31268	31541	35229	38959	43471	50251	53300	59100
D/E Ratio	0.66	3.69	3.82	3.58	3.82	3.26	3.25	3.09	3.18	3.08

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.7%	0.8%	0.7%	0.7%	0.6%	0.8%	1.3%	0.4%	0.5%
Return on Equity	12.7%	12.4%	13.6%	13.5%	13.0%	10.2%	15.0%	22.4%	6.2%	9.3%
ROIC	6.6%	3.5%	2.6%	2.6%	2.5%	2.1%	3.3%	5.1%	1.4%	2.2%
Shares Out.	647	646	652	645	640	642	649	666	711	729
Revenue/Share	23.88	24.45	25.47	27.40	29.76	28.99	32.97	30.04	34.47	32.31
FCF/Share	2.15	-3.90	2.48	20.52	33.10	57.69	52.77	4.09	8.25	27.70

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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