



# Bank of Montreal (BMO)

Updated March 10<sup>th</sup>, 2026 by Kay Ng

## Key Metrics

<b>Current Price:</b>	\$143	<b>5 Year Annual Expected Total Return:</b>	8.7%	<b>Market Cap:</b>	\$101B
<b>Fair Value Price:</b>	\$124	<b>5 Year Growth Estimate:</b>	8.5%	<b>Ex-Dividend Date:</b>	04/29/26
<b>% Fair Value:</b>	116%	<b>5 Year Valuation Multiple Estimate:</b>	-2.9%	<b>Dividend Payment Date:</b>	05/26/26
<b>Dividend Yield:</b>	3.4%	<b>5 Year Price Target</b>	\$186	<b>Years Of Dividend Growth:</b>	13
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Financials	<b>Rating:</b>	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 Q1 2026 financial results on 02/25/26. For the quarter, compared to a year ago, revenue rose 6.0% to C\$9.8 billion, while net income rose 16% to C\$2.5 billion and diluted earnings per share ("EPS") rose 20% to C\$3.39. Provision for credit losses ("PCL") fell 26% to C\$746 million, while non-interest expense rose 6.0% to C\$5.8 billion. The PCL on impaired loans to average net loans and acceptances was 0.50% for the quarter, up from 0.29% a year ago. Adjusted EPS rose 14% to C\$3.48. The bank's common equity tier 1 ratio remained solid at 13.1%, down from 13.6% a year ago. Bank of Montreal's adjusted return on equity was 12.4%, up from 11.3% in the prior year period. We update our fiscal 2026 EPS estimate to \$9.88.

In the last 12 months, BMO had 60% of adjusted net income from Canada and others and 40% from the U.S. Segment-wise, it was 34% from Canadian Personal & Commercial Banking, 30% from U.S. Banking, 21% from Capital Markets, and 15% from Wealth Management.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$5.66	\$6.27	\$6.81	\$7.09	\$5.95	\$10.13	\$9.85	\$8.68	\$6.96	\$8.67	<b>\$9.88</b>	<b>\$14.86</b>
<b>DPS</b>	\$2.56	\$2.72	\$2.94	\$3.06	\$3.15	\$3.37	\$4.03	\$5.32	\$4.46	\$4.60	<b>\$4.88</b>	<b>\$7.34</b>
<b>Shares<sup>1</sup></b>	646	648	639	640	646	650	677	721	730	723	<b>706</b>	<b>735</b>

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\$.

The Trump administration's approach to financial deregulation creates a pro-business environment with lower compliance costs and higher potential for profitability, which is expected to benefit Canadian banks with meaningful U.S. operations, such as BMO. Through 2031, we use an 8.5% EPS growth and 8.5% DPS growth rate. 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.

<sup>1</sup> 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	14.5	12.5
Avg. Yld.	3.6%	3.4%	4.5%	4.0%	5.3%	3.5%	3.9%	4.5%	4.9%	4.3%	3.4%	4.0%

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 ~12.5 would make sense as BMO is expected to achieve higher EPS, potentially ~8.5% through 2031. The current P/E of 14.5 still makes the stock a tad expensive. 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

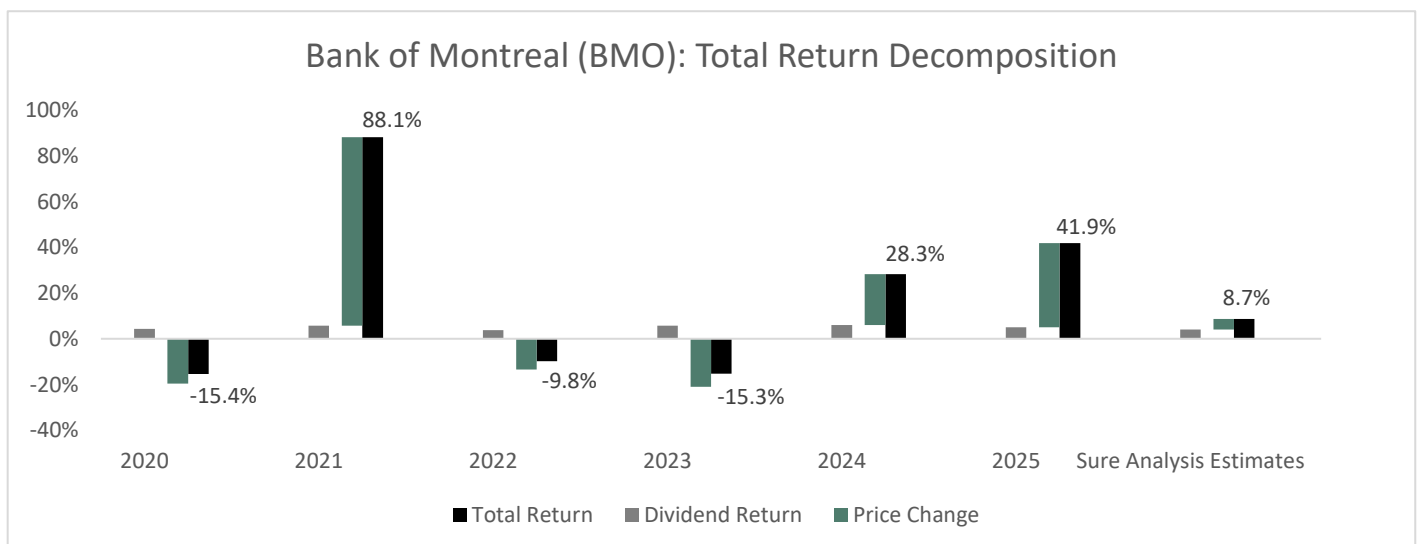
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	45%	43%	43%	43%	53%	33%	41%	61%	65%	53%	49%	49%

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 8.7% in total annualized returns over the next five years for an investment in BMO at current prices, consisting of a yield of 3.4%, 8.5% earnings-per-share growth, and a 2.9% 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	15798	16608	17673	19060	18615	21388	19996	24490	23540	25807
<b>SG&amp;A Exp.</b>	6731	6886	6850	8376	7180	8042	6702	10570	8511	9168
<b>D&amp;A Exp.</b>	624	670	702	744	1057	1133	1075	1555	1555	1558
<b>Net Profit</b>	3486	4081	4238	4332	3791	6163	10514	3235	5337	6226
<b>Net Margin</b>	22.1%	24.6%	24.0%	22.7%	20.4%	28.8%	52.6%	13.2%	22.7%	24.1%
<b>Free Cash Flow</b>	-2518	1619	13233	21199	37047	34230	2726	5865	20180	6085
<b>Income Tax</b>	830	988	1524	1139	931	1990	3378	1101	1622	2020

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets (B)</b>	512.8	553.1	589.4	647.2	712.5	797.4	837.1	935.1	1013	1060
<b>Cash &amp; Equivalents</b>	26910	30469	38451	43130	49873	81953	68482	59340	49420	50273
<b>Accounts Receivable</b>	6732	6036	3413	3518	3520	4121	4903	7054	28910	37323
<b>Goodwill &amp; Int.</b>	6380	6550	6589	6656	6738	6168	5495	15870	15600	15410
<b>Total Liabilities (B)</b>	481.2	518.5	554.6	608.4	670.1	751.0	784.9	879.4	952.9	992.8
<b>Accounts Payable</b>	8249	8658	8716	9501	9410	11149	12441	14260	37520	48591
<b>Long-Term Debt</b>	116458	132181	124845	148195	138567	150945	161511	177320	186290	200335
<b>Shareholder's Equity</b>	28671	31268	31541	35229	38959	43471	50251	53300	59100	62948
<b>D/E Ratio</b>	3.69	3.82	3.58	3.82	3.26	3.25	3.09	3.18	3.08	3.18

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	0.7%	0.8%	0.7%	0.7%	0.6%	0.8%	1.3%	0.4%	0.5%	0.6%
<b>Return on Equity</b>	12.4%	13.6%	13.5%	13.0%	10.2%	15.0%	22.4%	6.2%	9.3%	7.0%
<b>ROIC</b>	3.5%	2.6%	2.6%	2.5%	2.1%	3.3%	5.1%	1.4%	2.2%	
<b>Shares Out.</b>	646	652	645	640	642	649	666	711	729	723
<b>Revenue/Share</b>	24.45	25.47	27.40	29.76	28.99	32.97	30.04	34.47	32.31	35.69
<b>FCF/Share</b>	-3.90	2.48	20.52	33.10	57.69	52.77	4.09	8.25	27.70	8.42

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

### Disclaimer

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