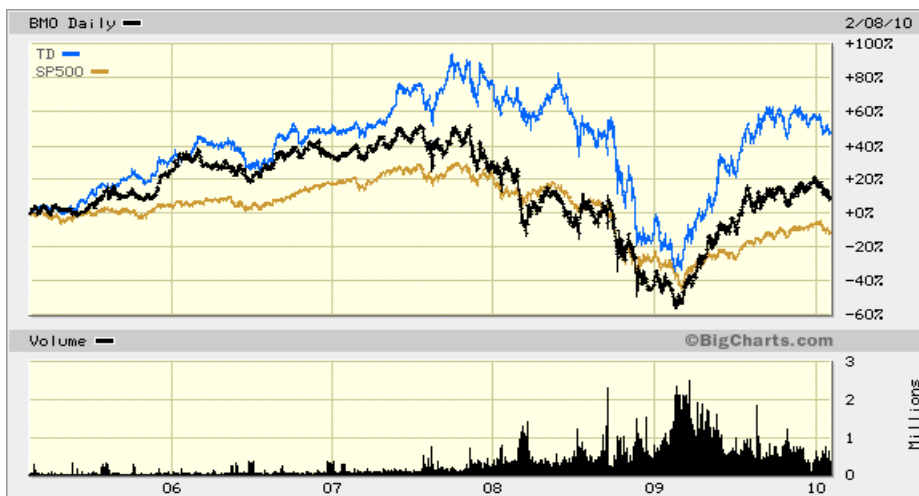


## Bank of Montreal (BMO) 2/8/10

BMO operates as a large foreign bank, the fifth largest Canadian bank by market capitalization. BMO operates in the following business segments; Personal and Commercial Banking, Private Client Group (wealth management), BMO Capital Markets (proprietary trading), and Corporate Services. The company operates around 900 branch offices. BMO was founded in 1817 and is headquartered in Toronto, Canada.

Current Price	\$48.10
52 Week High	\$54.16
52 Week Low	\$19.32
One Yr Target	n/a
Market Cap (in billions)	\$26.55
P/E (Trailing)	16.81
P/E(1 Yr Forward)	9.08
P/E/G	1.20
ROA	0.46%
ROE	9.38%
EPS	\$2.86
Beta	0.97
Annualized Dividend	\$2.64
Dividend Yield	5.49%
Analyst Consensus	2.00
Debt to Equity	18.23



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**Annual EPS**

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2006	\$5.20	
2007	\$4.24	-18.49%
2008	\$3.70	-12.73%
2009	\$3.46	-6.63%
ttm	\$2.86	-17.22%

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**Annual Revenue (in millions)**

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2006	n/a	
2007	n/a	n/a
2008	n/a	n/a
2009	n/a	n/a

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**Annual Net Income (in millions)**

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2006	\$2,606.00	
2007	\$2,115.00	-18.84%
2008	\$1,868.00	-11.68%
2009	\$1,907.00	2.09%

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**Free Cash Flows (in millions)**

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2006	-\$1,461.00	
2007	-\$21,962.00	-1403.22%
2008	\$3,797.00	117.29%
2009	\$12,414.00	226.94%

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**Required Rate of Return**

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10.34%

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**Dividend Growth Model**

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Present Value of 2015 Price	\$26.19
Holding Period Return (5 years)	5.03%

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**Expected Annualized Return Model**

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Present Value of 2015 Price	\$43.00
Holding Period Return (5 years)	-1.89%

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**Residual Income Model**

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Intrinsic Stock Price	\$10.38
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# Analysis

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## Positives

Solid financial ratios, not really weak in any area but not outstanding either

## Negatives

## Financial Statements

Income Statement is thin on information but Net Income was slightly hit by past recession

Balance Sheet is ok, Debt levels are being reduced and not bad for a big bank

Cash Flows have been trading Debt for Equity lately, has considerable Foreign Exchange risk

## Industry Analysis

Financials have been hit hard recently but foreign banks should rebound quicker

BMO has average financial ratios compared to industry competitors

## Summary

BMO is a good bank and one that has good exposure to foreign markets that could add some diversification. Its financial ratios are solid but nothing really great, same with their financial statements. All three valuation ratios show the current stock price as being overvalued, a poor sign. Canadian banks escaped much of the asset write-offs that hit major U.S. banks, but they were not totally immune. BMO has a Tier 1 ratio of around 12%, pretty nice depending on your risk profile. The outlook for the Financial sector is weaker than most but foreign banks may fare better than their U.S. counterparts. BMO could offer someone nice global diversity to their portfolio, but there are probably better Canadian banks out there and BMO not worth a buy, i.e. **hold**.