



3 Major Takeaways From Bank of Montreal's Latest Results

Description

The good times for the Canadian banks are still going strong. On Wednesday morning, **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)) reported a profit of \$1.60 per share (\$1.63 on an adjusted basis), up 12% year over year, beating analysts' estimates of \$1.52 per share. Bank of Montreal is the fourth of Canada's big five banks to report Q2 earnings, and also the fourth to beat estimates.

Below are the three biggest takeaways from the earnings release.

1. Strength in Canadian banking

I must be starting to sound like a broken record. Because just like **Royal Bank of Canada** ([TSX: RY](#))([NYSE: RY](#)), **TD Bank** ([TSX: TD](#))([NYSE: TD](#)), and **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)), Bank of Montreal's Canadian banking division continued to benefit from a strong real estate market in Canada. But these kinds of results may be too good to be true, and should not be expected to continue indefinitely.

For now, shareholders can enjoy some impressive numbers. Adjusted net income increased 14% year over year, with strong growth in both in loans (up 9%) and deposits (up 10%). The bank also managed to shrink provisions for credit losses by 13%, and the operating expense ratio decreased by 1.6 percentage points as well.

2. Weakness in the United States

When TD Bank reported its earnings last week, its showing in the United States was quite strong, with net income in the U.S. increasing 13%. But the operating environment still was not ideal, with both interest rates and demand for loans remaining low.

Those same problems have been affecting Bank of Montreal, even though the bank operates in a different region than TD Bank (while TD Bank focuses on the Maine-Florida corridor, Bank of Montreal is concentrated in the Midwest). And there was little good news from the U.S. in Q2 for it, as net income decreased 6% year over year, driven by lower mortgage revenue and lower margins.

While it seems like the news can only get worse in Canada, it can only get better in the United States.

3. Use of capital

Overall, the bank still had strong results, and as a result has managed to increase its capital position — at the end of the second quarter, the bank's Basel III Common Equity Tier 1 (CET1) ratio stood at 9.7%, a very healthy number. In response, it's raising its quarterly dividend by 3% to \$0.78 per share. Based on this new payout, the shares now yield over 4.0%. For a company that hasn't cut its dividend in over a century, that isn't a bad yield.

CATEGORY

1. Investing

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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