



## Will Bank of Montreal (TSX:BMO) Improve Its U.S. Operations in 2019?

### Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is one of the [largest banks](#) in Canada. The company does not have as strong a presence in the U.S. as some of its competitors, however, which is something BMO has been trying to change over the past few years.

This past year saw the company make solid progress in this area. Most of BMO's major U.S. financial statements figures were up compared to last year, be it interest and non-interest revenue, net income, earnings per share, etc.

It is worth pointing out that the economic climate south of the border was helpful. Most corporations benefited from a massive tax cut, among other things. Is BMO successfully expanding its U.S. operations, or was the company's financial performance simply a result of the favorable economic climate?

### BMO's personal and commercial segment

BMO's personal and commercial (P&C) segment is the largest in terms of revenue. This segment, as its name suggests, offers various products and services to individuals and businesses, including deposits, mortgage loans, business lending, and more.

In 2018, BMO's P&C segment increased by 9%, and the bank reported that this increase was mainly due to higher deposits and loans volumes. While 9% may not seem like much, this growth happened in a very competitive and almost entirely saturated U.S. market.

This year's growth rate is higher than last year's when BMO reported a growth of 2% in its U.S. P&C revenue from 2016. The company's net interest income also increased by 12% over the past two years. Again, this growth seems average, but given the highly competitive market, it's certainly notable.

### BMO's acquisitions

Making strategic acquisitions is one of the best ways for a large corporation to increase its market share. Acquisitions allow the acquiring company to widen its revenue base by a margin that would

normally take years to accomplish.

BMO has not been very aggressive with its acquisitions, but the company has notably purchased firms in various regions in the U.S. In 2016, BMO acquired **Greene Holcomb Fisher**, an investment bank headquartered in Minneapolis.

Last May, BMO made an even bigger splash by acquiring **KGS Alpha Capital markets**, a New York based fixed-income broker-dealer. This acquisition was significant because it allowed BMO to extend its reach in one of the largest and most lucrative U.S banking markets.

KGS had originally been founded in 2010 and had rapidly become a recognized name in the field of market backed securities (MBS), a field in which BMO's U.S. operations were not firmly established. Thus, this strategic acquisition promises to provide important strategic advantages to BMO.

### **The bottom line**

The full impact of BMO's latest acquisitions has probably not been felt yet. The company is making solid strides, however, and while progress seems a bit slow, it's rarely easy to quickly expand into a new market, let alone one as competitive as the U.S. banking market.

BMO's U.S. profit is projected to increase even more in 2019. While that will still be due in part to the favourable economic climate, BMO has managed to strengthen its U.S. operations enough that the company will likely keep increasing revenues and profits even under less favourable conditions.

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