BMO Financial Group

BMO Financial Corp (BFC)
Update on BFC DFAST process
June 25, 2020

- The Federal Reserve Board (FRB) released the results of its Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) on June 25, 2020
- BMO Financial Corp. (BFC), a U.S. Intermediate Holding Company (IHC) and wholly-owned subsidiary of Bank of Montreal (BMO), is classified as a Category IV institution and is subject to supervisory stress testing on a biennial basis. Under this categorization, BFC is required to prepare an annual capital plan, which was submitted on April 6th, 2020, and is not required to execute supervisory (i.e., company-run) scenarios
- BFC is well capitalized with a CET1 capital ratio at March 31, 2020 of 11.2%. This level of capital is significantly in excess of the CET1 ratios of U.S. regional bank peers, currently in the range of 9.0% to 9.5%
- In the results released today, projected provisions for loan and lease losses were in line with previous DFAST results (6.4% in 2020 compared to 6.5% in 2018). BFC does not agree with the FRB's projections for both noninterest income and noninterest expenses, as they differ significantly from previous DFAST results and BFC's actual 2019 financial results
- The decrease in noninterest income and increase in noninterest expenses results in pre-provision net revenue (PPNR) moving from 1.9% of average assets in the 2018 DFAST results (nine quarter cumulative result of $2.6 billion) to negative 0.4% in the 2020 results (nine quarter cumulative results of negative $700 million). During that time period, BFC's actual PPNR increased from $1.1 billion in 2017 to $1.7 billion in 2019
- BFC expects to request the FRB to reconsider the Stressed Capital Buffer (SCB) that results from the FRB's stress testing results