

Canadian and U.S. Banks

A Tactical Time to Add Bank ETFs to Your Portfolio and Potentially Take Advantage of Tax Loss Harvesting of Individual Securities

As 2023 draws to a close, Canadian and U.S. Banks have become increasingly attractive. Investors may want to consider increasing their positions to the sector not only for their sustainable yields but, for the upside potential as well. Alternatively, if you already own individual Canadian or U.S. Banks and are in a loss position, you can consider implementing a tax loss strategy by selling the individual securities, and then maintain your exposure by simply replacing your positions with a BMO ETF. Lastly, you can also work directly with BMO ETF's trading desk to convert individual shares of banks for shares in a corresponding ETF.

Overview

- Exchanging individual bank shares to bank ETFs
- Trade opportunities with Canadian U.S. Bank ETFs
- Tax-Loss harvesting examples
- Important Dates to Remember

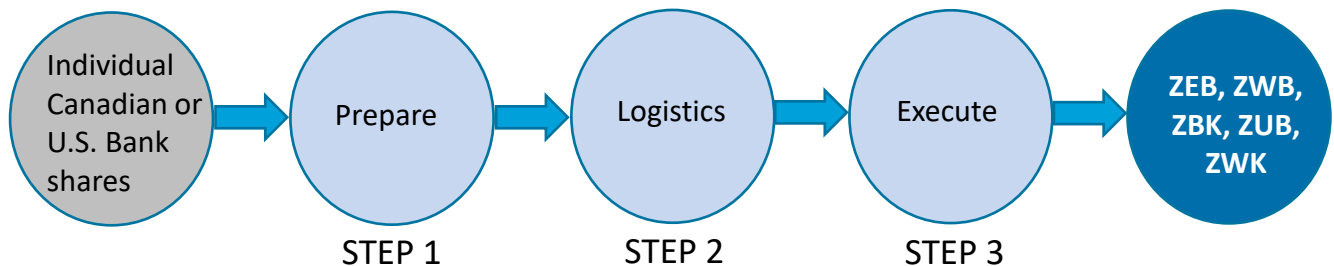
Featured ETFs

- [ZEB - BMO Equal Weight Banks Index ETF](#)
- [ZWB - BMO Covered Call Canadian Banks ETF](#)
- [ZBK - BMO Equal Weight US Banks Index ETF](#)
- [ZUB - BMO Equal Weight US Banks Hedged to CAD Index ETF](#)
- [ZWK - BMO Covered Call US Banks ETF](#)

Example of Converting Individual Bank Shares to BMO's Bank ETFs

As 2023 was a tough year for stocks and bonds, investors may be looking to crystallize losses on individual Canadian or U.S. bank shares to take advantage of tax-loss harvesting. BMO Exchange Traded Funds has introduced a process in which an investor can convert their individual bank shares for units in a corresponding ETF. For example, a Canadian bank such as Royal Bank can easily be converted directly into units of ZEB-BMO Equal Weight Banks Index ETF.

Our process enables an investor to utilize the benefits of ETFs, while providing standardization, transparency, and diversification, across client accounts. ETFs can provide significant benefits to investors such a diversification and liquidity.



Send your list of your individual shares to: BMOETFIndexEquity@bmo.com

Be sure to include the ticker, SEDOL or CUSIP and the number of shares you are holding.

Minimum list size for conversion is a combined \$1,000,000 CDN.

BMO ETFs will determine which ones can be purchased and the amount. BMO ETFs will contact you to confirm.

Logistics will be worked out between the ETF market maker and your retail trading desk. Confirm logistics with your trading desk.

BMO ETFs will buy individual bank shares at the closing price and deliver units of BMO bank ETF of your choice plus transaction costs (approximately \$0.005 to \$0.01 to the market maker). All regular commissions apply.



Canadian Banks

BMO Equal Weight Banks Index ETF: [ZEB](#)

BMO Covered Call Canadian Banks ETF: [ZWB](#)

ZEB

*5.8%

Annualized
Distribution Yield

ZWB

*8.6%

Annualized
Distribution Yield

- Currently analyst consensus is strong looking 12 months out; The average upside median price target is ~ 20.6% higher for individual holdings of [ZEB](#) ¹ This not only represents an attractive entry point but a good reason to stay invested while a potential rebound can play out in the future
- Canadian Banks are currently trading at a forward Price to earnings ratio of 9.4 which is well below historical long-term average of 11.8 (since 2004) ²
- Canadian banks have a reliable dividend payment; [ZEB](#) and [ZWB](#) have an annualized distribution yield of 5.8% and 8.6%.* [ZWB](#) strikes a balance between generating income and participating in rising markets
- The Bank of Canada (BoC) appears to have stopped raising rates for the time being and have signaled that inflation is coming down. The BoC believes that existing rates may be restrictive enough to bring inflation down further, which may prove as a tailwind for Canadian banks

If you already own Canadian Banks, you can implement a tax-loss strategy:

Tax Loss Harvesting is a trade that is utilized near year end in non-registered taxable accounts to allow investors to crystallize losses, in order to offset gains in their portfolios. Investors can sell a security or securities at a loss, then use the proceeds to invest in a different security, such as a BMO Exchange Traded Fund (ETF) to maintain the same exposure as the security that has just been sold.

If you hold any individual Canadian banks stocks right now, you can sell these to crystalize a loss. For Canadian bank stocks, replace with either the [BMO Equal Weight Banks Index ETF \(ZEB\)](#) or for enhanced income buy the [BMO Covered Call Canadian Banks ETF \(ZWB\)](#) to maintain the exposure.

Ticker	Canadian Banks	YTD Return as of Oct 25, 2023	BMO ETF	Ticker
CM	CIBC	-7.29	BMO Equal Weight Banks Index ETF / BMO Covered Call Canadian Banks ETF	ZEB / ZWB
TD	Toronto-Dominion Bank	-7.88	BMO Equal Weight Banks Index ETF / BMO Covered Call Canadian Banks ETF	ZEB / ZWB
RY	Royal Bank of Canada	-10.09	BMO Equal Weight Banks Index ETF / BMO Covered Call Canadian Banks ETF	ZEB / ZWB
NA	National Bank of Canada	-3.27	BMO Equal Weight Banks Index ETF / BMO Covered Call Canadian Banks ETF	ZEB / ZWB
BMO	Bank of Montreal	-11.05	BMO Equal Weight Banks Index ETF / BMO Covered Call Canadian Banks ETF	ZEB / ZWB
BNS	Bank of Nova Scotia	-9.33	BMO Equal Weight Banks Index ETF / BMO Covered Call Canadian Banks ETF	ZEB / ZWB

YTD Return Source: Bloomberg as of October 25 2023

U.S. Banks

BMO Equal Weight US Banks Index ETF: [ZBK](#)

BMO Equal Weight US Banks Hedged to CAD index ETF: [ZUB](#)

BMO Covered Call US Banks ETF: [ZWK](#)

ZBK
*3.7%
Annualized
Distribution Yield

ZUB
*3.9%
Annualized
Distribution Yield

ZWK
*12.3%
Annualized
Distribution Yield

- Currently analyst consensus is strong looking 12 months out; The average upside median price target is ~ 28% higher for individual holdings of [ZBK](#)¹. This not only represents an attractive entry point but a good reason to stay invested while a potential rebound can play out in the future.
- As the U.S. Federal Reserve Bank may look to begin pausing interest rate increases, this could serve as a good entry point to U.S. Banks as this may set up a positive environment for U.S. bank share performance as U.S. Banks have mainly sold off due to stronger than expected policy tightening
- U.S. banks have more volatility than Canadian banks but are also more growth-oriented. Because of this, we see them as a good portfolio satellite position, especially if you have a longer-term horizon[^]
- For yield oriented investors that are less confident in portfolio recovery, [ZWK](#) has an annualized distribution yield of 12.3% as of October 27th, 2023*. [ZWK](#) strikes a balance between generating income and participating in rising markets

[^]Bloomberg October 27th, 2023

If you already own U.S. Banks, you can implement a tax-loss strategy:

Tax Loss Harvesting is a trade that is utilized near year end in non-registered taxable accounts to allow investors to crystallize losses, in order to offset gains in their portfolios. Investors can sell a security or securities at a loss, then use the proceeds to invest in a different security, such as a BMO Exchange Traded Fund (ETF) to maintain the same exposure as the security that has just been sold.

If you hold any U.S. bank stocks right now, you can sell these to crystallize a loss. You can maintain exposure by replacing with [ZBK - BMO Equal Weight US Banks Index ETF](#), [ZUB - BMO Equal Weight US Banks Hedged to CAD Index ETF](#) or for enhanced income buy [ZWK - BMO Covered Call US Banks ETF](#).

Ticker	U.S. Banks	YTD Return as of Oct 25, 2023	BMO ETF	Ticker
KEY	Keycorp	-40.15	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
CFG	Citizens Financial Group	-37.19	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
RF	Regions Financial Corp	-31.82	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
FITB	Fifth Third Bancorp	-26.73	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
PNC	PNC Financial Services Group	-25.67	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
USB	US Bancorp	-24.95	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
BAC	Bank of America Corp	-20.80	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
GS	Goldman Sachs Group	-11.32	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB
C	CITIGROUP INC	-11.21	BMO Covered Call US Banks ETF / BMO Equal Weight US Banks Index ETF / BMO Equal Weight US Banks Hedged to CAD Index ETF	ZWK / ZBK / ZUB

Important dates to remember for tax loss selling:

- **December 27, 2023** – Last day for Canadian and U.S. tax-loss selling (with T+2 settle). Please note the tables above are used for illustrative purposes only, where losses are calculated based on year-to-date. For tax purposes, capital losses are based on the difference between price sold and book value.
- For more on this topic see [BMO ETFs Tax Loss Harvesting Guide 2023](#) and [What to Expect During Tax Season: FAQs](#)

Visit bmo.com/etfs or contact Client Services at 1-800-361-1392.



¹ Median price target percentages are calculated using market closing prices of securities. Bloomberg October 27th, 2023

² Source for P/E ratios for ZEB – BMO Equal Weight Banks ZBK - BMO Equal Weight US Banks Index ETF
Bloomberg October 26th 2023

*Annualized Distribution Yield as of October 27th, 2023: The most recent regular distribution, or expected distribution, (excluding additional year-end distributions) annualized for frequency, divided by current NAV. Source: BMO Global Asset Management.

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