REFILE-UPDATE 2-Bank of Montreal offering C$1.1 bln in stock

Published: Monday December 18, 2008

(Refiles to fix company name in paragraph 9 to ***Veritas Investment Research*** from ***Veritas Investment Management***) (Adds analyst comments, details on dividend yield)

TORONTO, Dec 15 (Reuters) - Bank of Montreal (BMO.TO: Quote, Profile, Research, Stock Buzz) said on Monday that it would raise up to C$1.1 billion ($894 million) by selling common shares, the latest Canadian bank to shore up its capital levels this way.

BMO said it would sell 33.3 million common shares at C$30.00 each to a syndicate of underwriters, for proceeds of about C$1 billion. The bank's dividend yield will rise to more than 9 percent at a C$30 share price.

The issue is being done at a 7.9 percent discount to Bank of Montreal's closing share price of C$32.57 on the Toronto Stock Exchange on Monday.

The offering is expected to close Dec. 24.

Underwriters, led by BMO Capital Markets, also have an over-allotment option to buy a further 3.3 million common shares, which would take the proceeds up to C$1.1 billion.

With this and other recent financings, the bank's Tier 1 capital ratio will rise to 10.4 percent from 9.77 percent on Oct. 31, BMO said.

On Friday, the bank, Canada's fourth largest by assets, said it would issue C$450 million of capital trust notes, which also qualify as Tier 1 capital.

Analysts noted that BMO will pay a hefty 10.22 percent rate on the the trust notes, a type of issue known as innovative capital.

"I was really surprised on Friday at the cost of the innovative (capital), that was over 10 percent, and now with these shares going out, the common dividend yield is going to be 9.3 percent, that's not cheap either," said ***Ohad Lederer***, an analyst at ***Veritas Investment Research.***

"They're not the first ones to market, so they're probably not going to get the best terms, and they've had a difficult year in terms of their capital-markets exposures, so it's not surprising that the market would demand better terms."

The largest Canadian financial institutions have taken steps recently to raise their capital levels because investors want to see large cushions in times of financial turmoil.

In the past three weeks, Toronto-Dominion Bank (TD.TO: Quote, Profile, Research, Stock Buzz) and Royal Bank of Canada (RY.TO: Quote, Profile, Research, Stock Buzz) have done or announced common share issues, as have life insurers Manulife Financial (MFC.TO: Quote, Profile, Research, Stock Buzz) and Great-West Lifeco (GWO.TO: Quote, Profile, Research, Stock Buzz). ($1=$1.23 Canadian) (Reporting by Lynne Olver; editing by Rob Wilson)