

# Scotiabank GBM Financials Summit

Investor Presentation

# 2013

September 4 • 2013

**Bill Downe**

President & Chief Executive Officer



# Forward Looking Statements & Non-GAAP Measures

## Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2013 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian, U.S. and international economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion below, which outlines in detail certain key factors that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Effective the first quarter of 2013, our regulatory capital, risk-weighted assets and regulatory capital ratios have been calculated pursuant to the Capital Adequacy Requirement (CAR) Guideline released by the Office of the Superintendent of Financial Institutions (OSFI) in December 2012 to implement the Basel III Accord in Canada. When calculating the pro-forma impact of Basel III on our regulatory capital (including capital deductions and qualifying and grandfathered ineligible capital), risk-weighted assets and regulatory capital ratios in prior periods, we assumed that our interpretation of OSFI's draft implementation guideline of rules and amendments announced by the Basel Committee on Banking Supervision (BCBS), and our models used to assess those requirements, were consistent with the final requirements that would be promulgated by OSFI. We have not recalculated our pro-forma Basel III regulatory capital, risk-weighted assets or capital ratios based on the CAR Guideline and references to Basel III pro-forma items refer to these items as previously estimated.

Assumptions about the level of default and losses on default were material factors we considered when establishing our expectations regarding the future performance of the transactions into which our credit protection vehicle has entered. Among the key assumptions were that the level of default and losses on default will be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the future risk of credit losses in our credit protection vehicle and risk of loss to Bank of Montreal included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges into which Bank of Montreal has entered.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Review and Outlook section of Bank of Montreal's Third Quarter 2013 Report to Shareholders.

## Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Third Quarter 2013 Report to Shareholders and Bank of Montreal's 2012 Management's Discussion and Analysis, all of which are available on our website at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations).

Examples of non-GAAP amounts or measures include: efficiency and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes; adjusted net income, revenues, provision for credit losses, specific provision for credit losses, expenses, earnings per share, effective tax rate, ROE, efficiency ratio and other adjusted measures which exclude the impact of certain items such as credit-related items on the acquired M&I performing loans, run-off structured credit activities, M&I integration costs, amortization of acquisition-related intangibles, decrease (increase) in collective allowance for credit losses and restructuring costs.

Bank of Montreal provides supplemental information on combined business segments to facilitate comparisons to peers.

# Today's Agenda: Growth

- 1. The North American context**
- 2. The BMO perspective**
- 3. Measuring progress**

# North American Markets

North America increasingly seen as a brighter spot in the global economy

	Canada			US
	Western	Central	Atlantic	IL, WI, MN, KS, MO, IN
<b>GDP (\$B)</b>	<b>643.7</b>	<b>1,000.4</b>	<b>108.2</b>	<b>1,947.9</b>
<b>Population (millions)</b>	<b>11.0</b>	<b>21.7</b>	<b>2.4</b>	<b>39.4</b>
<b>Unemployment Rate (%)</b>	<b>5.5</b>	<b>7.8</b>	<b>10.0</b>	<b>7.6</b>
<b>Avg. Annual Earnings (\$)</b>	<b>49,100</b>	<b>46,000</b>	<b>43,400</b>	<b>46,900</b>



- In Canada, exports are expected to rise in response to higher U.S. demand and business investment should strengthen



- U.S. GDP growth currently forecasted to show meaningful growth in 2014 with improvement in unemployment

Source: BMO Economics, August 29, 2013

# Strategic Footprint

2<sup>nd</sup> largest Canadian bank as measured by retail network in Canada and the U.S.



~1,600<sup>1</sup>  
Branches

\$214B<sup>2</sup>  
Customer Deposits

<sup>1</sup> Branches in Canada and the U.S., excluding Other, 1,571  
<sup>2</sup> Q3'13 customer deposits: core deposits plus larger fixed-date deposits excluding wholesale customer deposits

# Wealth Management at BMO

Strong wealth franchise contributes ~20% of the Bank's total revenues

## BMO Nesbitt Burns (Full-service brokerage)

- Second-largest investment advisor network in Canada

## BMO InvestorLine (Self-directed investing)

- Rated the best bank-owned online brokerage by *The Globe and Mail* for three years running

## BMO Insurance

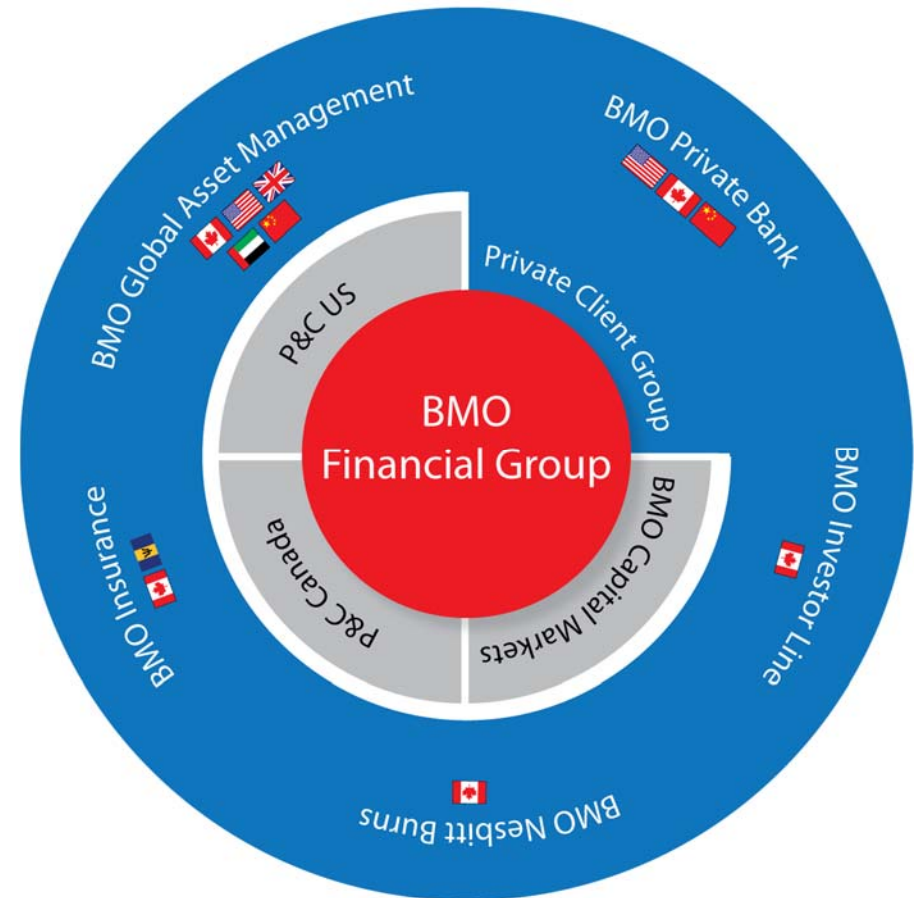
- Offers life, annuity and creditor insurance products

## BMO Global Asset Management

- Manufactures and distributes mutual funds, ETFs and other products; ETF business has built a #2 share in Canada at 20%

## BMO Private Bank

- Named best private bank in Canada by *Global Banking and Finance Review*



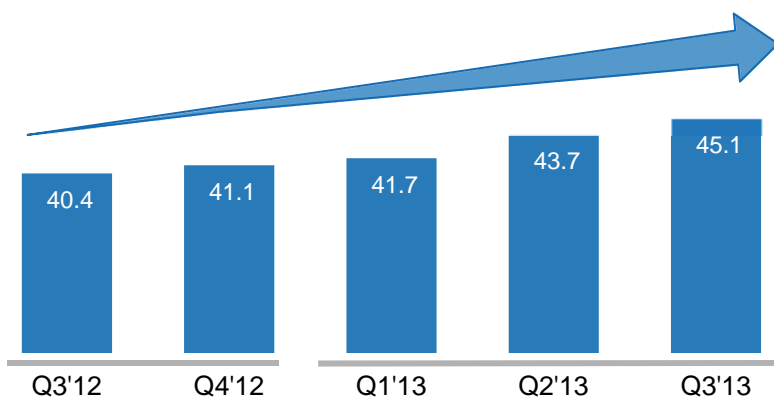
# Proven Strength in Commercial Banking

Our large North American platform is a key differentiator and positions us well

## P&C Canada

- Commercial loan<sup>1</sup> balances up 12% Y/Y and 3% Q/Q
- #2 market share position in small and medium sized loans
- Commercial deposit strategy continuing to pay off with growth of 15% Y/Y and 5% Q/Q; fourth straight quarter of increasing growth

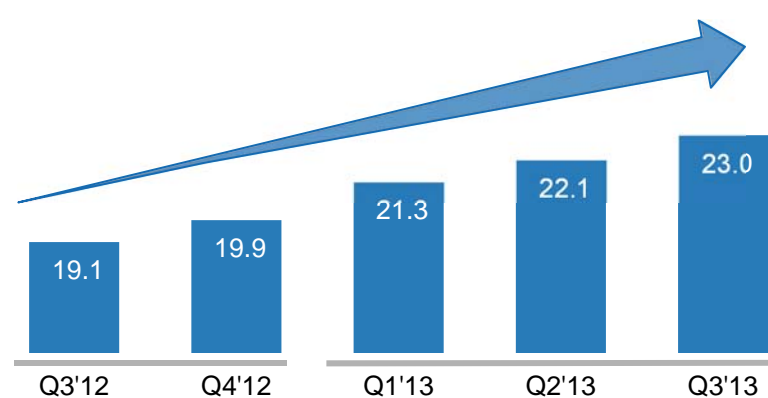
### Commercial Loans and Acceptances (C\$B)



## P&C U.S.

- Strong core C&I loan growth, up 4% Q/Q; 7th straight sequential quarter of growth
- Commercial deposits up 10% Y/Y

### Core C&I Loans (US\$B)



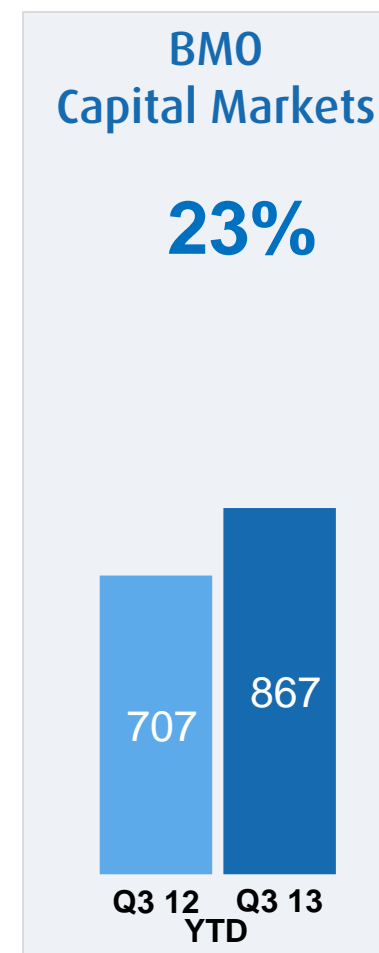
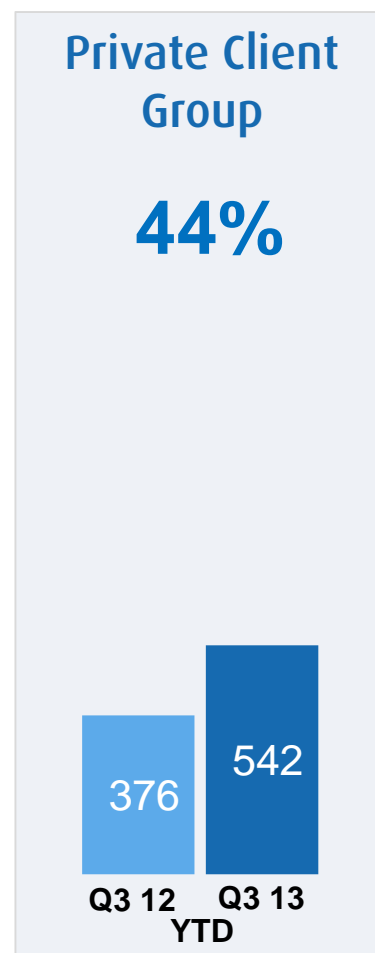
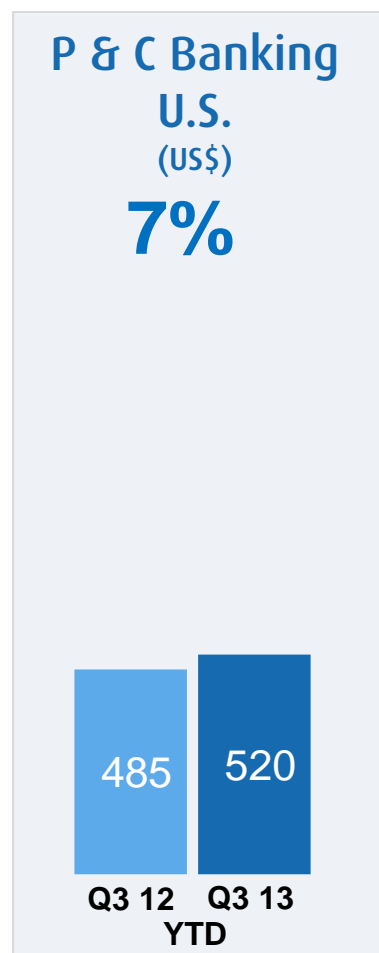
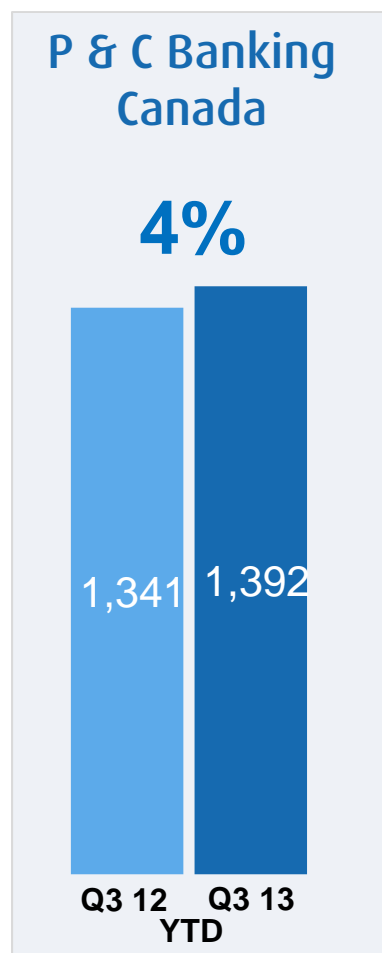
<sup>1</sup> Commercial lending growth excludes commercial credit cards

# Operating Group Performance

Good operating group performance driven by diversified business mix

## Adjusted<sup>1</sup> Net Income

C\$ millions unless otherwise indicated



Y/Y  
Growth

<sup>1</sup> Adjusted measures are non-GAAP measures. See slide 1 of this document, pages 32, 98-99 of BMO's 2012 Annual Report and pages 34-35 of BMO's Third Quarter 2013 Report to Shareholders.  
Reported Net Income (YTD \$MM): P&C Banking Canada Q3'12 \$1,333, Q3'13 \$1,385; P&C Banking U.S. Q3'12 US\$437, Q3'13 US\$482; PCG Q3'12 \$360, Q3'13 \$522; BMO CM Q3'12 \$707, Q3'13 \$865



# Year-to-date Financial Results

Results reflect successful execution of well-entrenched strategies across all of our businesses

C\$ Billions unless otherwise indicated

Adjusted <sup>1</sup>	2013 YTD	2012 YTD
Revenue	11.5	11.1
Net Income	3.2	3.0
EPS (\$)	4.65	4.35
Efficiency Ratio (%) <sup>2</sup>	63.6	63.5
<b>Reported</b>		
Revenue	12.1	12.0
Net Income	3.2	3.1
EPS (\$)	4.63	4.56
ROE (%)	14.9	15.9

- Adjusted net income of \$3.2B, up 7%
- Very good credit performance in both legacy and acquired portfolios
- Strong capital position with Basel III Common Equity Tier 1 ratio of 9.6%
- Repurchased 8 million shares in Q2'13 and Q3'13

<sup>1</sup> Adjusted measures are non-GAAP measures. See slide 1 of this document, pages 32, 98-99 of BMO's 2012 Annual Report and pages 34-35 of BMO's Third Quarter 2013 Report to Shareholders.

<sup>2</sup> Reported efficiency ratio 2012 YTD 63.1%; 2013 YTD 63.8%

# Strategic Priorities

A clear vision: To be the bank that defines great customer experience



## Strategic priorities

- 1** Achieve industry-leading customer loyalty by delivering on our brand promise.
- 2** Enhance productivity to drive performance and shareholder value.
- 3** Leverage our consolidated North American platform to deliver quality earnings growth.
- 4** Expand strategically in select global markets to create future growth.
- 5** Ensure our strength in risk management underpins everything we do for our customers.

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# Q&A

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