

# BMO Financial Group

June 14, 2021

Darryl White, CEO

Morgan Stanley

U.S. Financials, Payments & CRE Conference



# 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 in this document may include, but are not limited to, statements with respect to our objectives and priorities for fiscal 2021 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, the regulatory environment in which we operate and the results of our outlook for our operations or for the Canadian, U.S. and international economies, the expected impact of the COVID-19 pandemic on our business, operations, earnings, results, and financial performance and condition, as well as its impact on our customers, competitors, reputation and trading exposures, and include statements of our management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "target", "may" and "could."

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. 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. The uncertainty created by the COVID-19 pandemic has heightened this risk given the increased challenge in making assumptions, 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 – many of which are beyond our control and the effects of which can be difficult to predict – 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: the severity, duration and spread of the COVID-19 pandemic, its impact on local, national or international economies, and its heightening of certain risks that may affect our future results; the possible impact on our business and operations of outbreaks of disease or illness that affect local, national or international economies; general economic and market conditions in the countries in which we operate; information, privacy and cyber security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; changes in monetary, fiscal, or economic policy, and tax legislation and interpretation; interest rate and currency value fluctuations, as well as benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to or affecting economic or trade matters; the Canadian housing market and consumer leverage; climate change and other environmental and social risks; weak, volatile or illiquid capital or credit markets; the level 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, and the effect of such changes on funding costs; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans and to complete proposed acquisitions or dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; changes to our credit ratings; global capital markets activities; the possible effects on our business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and our ability to anticipate and effectively manage risks arising from all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that starts on page 73 of BMO's 2020 Annual Report, and the Risk Management section that starts on page 31 of our Second Quarter 2021 Report to Shareholders, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. We do 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.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the Economic Developments and Outlook section on page 18 of BMO's 2020 Annual Report and updated in the Economic Review and Outlook section set forth in our Second Quarter 2021 Report to Shareholders, as well as in the Allowance for Credit Losses section on page 114 of BMO's 2020 Annual Report and the Allowance for Credit Losses section set forth in our Second Quarter 2021 Report to Shareholders. 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, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy. Please refer to the Economic Review and Outlook and Allowance for Credit Losses sections in our Second Quarter 2021 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, the rationale for their use, as well as the effects of changes in exchange rates on BMO's U.S. segment reported and adjusted results can be found on pages 7 and 8 of BMO's Second Quarter 2021 Report to Shareholders and on pages 17 and 23 of BMO's 2020 Annual Report, 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; results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements (i.e. constant currency basis or CCY), adjusted net income, revenues, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio, pre-provision pre-tax earnings, and other adjusted measures which exclude the impact of certain items such as, acquisition integration costs, amortization of acquisition-related intangible assets, impact of divestitures, reinsurance adjustment and restructuring costs. Bank of Montreal provides supplemental information on combined business segments to facilitate comparisons to peers.

# BMO Financial Group

A highly diversified financial services provider based in North America

8<sup>th</sup> largest bank in  
North America

by assets<sup>1</sup>

\$950 billion

in total assets<sup>2</sup>

12+ million

customers globally

## Our Purpose

Boldly Grow the Good  
*in business and life*

- For a thriving economy
- For a sustainable Future
- For an inclusive society

## Our Strategic Priorities

- **World-class** client loyalty and growth
- **Winning culture** driven by alignment, empowerment and recognition
- **Digital first** for speed, efficiency and scale
- **Simplify** work and **eliminate complexity**
- **Superior management** of **risk** and **capital** performance

## Medium Term Objectives<sup>3</sup>

- EPS growth 7% – 10%
- ROE >15%
- Operating leverage > 2%
- Maintain strong capital ratios
- Top tier shareholder returns

## Our Values

Integrity

Empathy

Diversity

Responsibility

<sup>1</sup> Source: Bloomberg GICS screen of largest North American banks by total assets

<sup>2</sup> As at April 30, 2021, in \$CAD

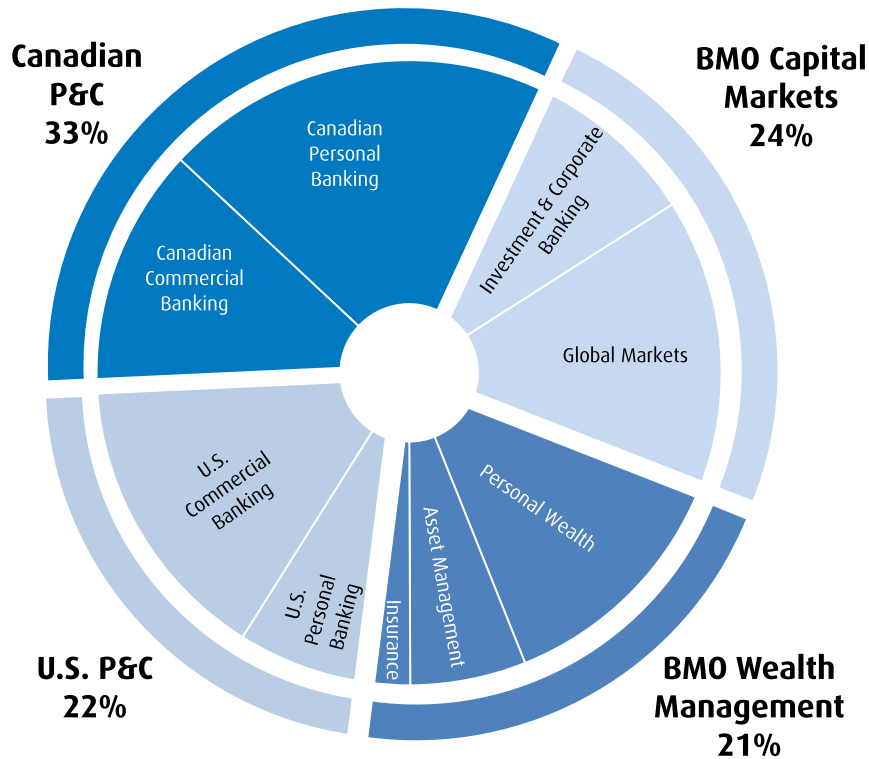
<sup>3</sup> Medium term financial objectives (adjusted basis). Adjusted measures are non-GAAP measures, see slide 2 for more information



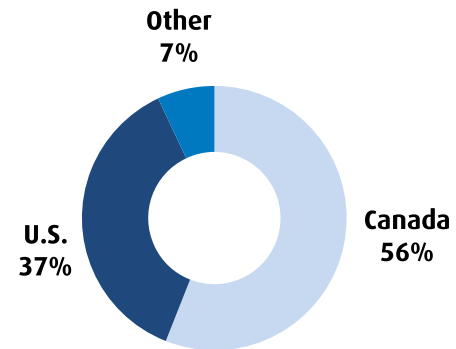
# Advantaged, diversified business mix with strong, resilient revenue

## Diversified by business

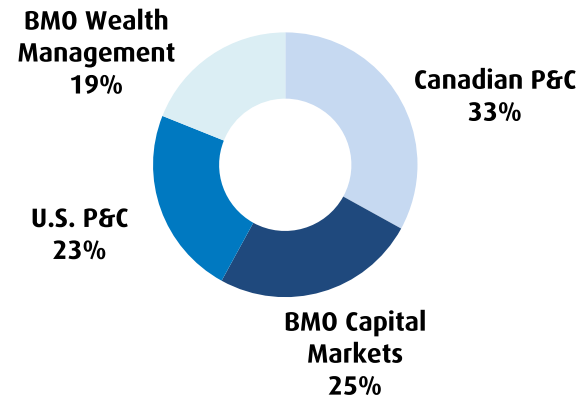
% of Operating Groups Net Revenue – LTM<sup>1</sup>



## Adjusted Net Income by geography – LTM<sup>1</sup>



## Adjusted Net Income by Operating Group – LTM<sup>1</sup>

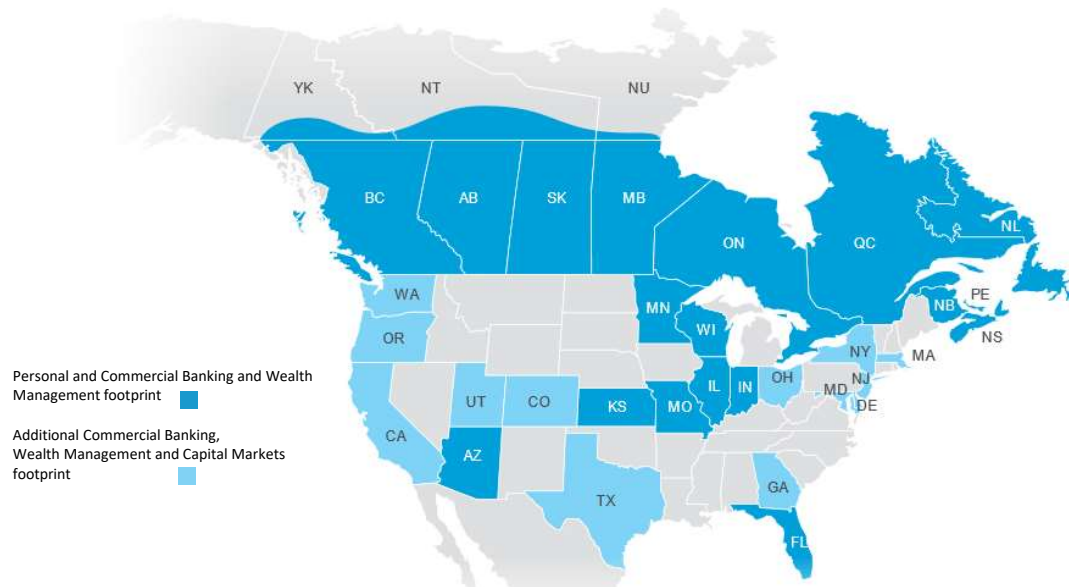


<sup>1</sup> Adjusted measures are non-GAAP measures. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB); LTM is last twelve months; LTM reported net revenue by operating group: Canadian P&C 33%, Capital Markets 24%, Wealth Management 21% and U.S. P&C 22%; LTM reported net income by geography: Canada 64%, U.S. 40% and Other (4)%; LTM reported net income by operating group: Canadian P&C 33%, Capital Markets 25%, U.S. P&C 23% and Wealth Management 19%.

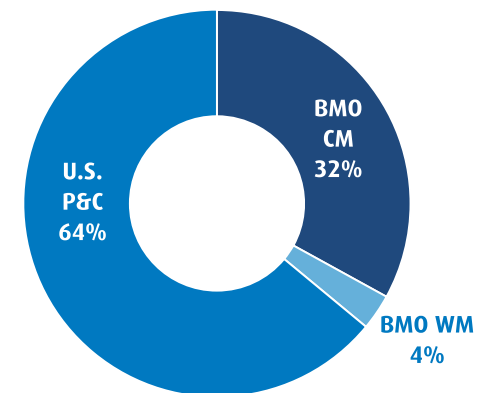
# U.S. segment continuing to deliver strong results

Figures that follow are on a U.S. dollar basis

- U.S. segment adjusted<sup>1</sup> PPPT<sup>1</sup> up 46% YTD; contributed 40% of total bank adjusted<sup>1</sup> earnings YTD
- Adjusted<sup>1</sup> efficiency of 55.0%, operating leverage of 16.1% YTD
- #12<sup>2</sup> in U.S. commercial lending; top-tier market position in flagship U.S. markets
- #3 deposit market share<sup>3</sup> in our core footprint<sup>3</sup>; #2 in Chicago and Milwaukee
- Over 50% of revenue comes from outside of core footprint states
- Leveraging strong integration and collaboration across businesses to provide integrated client offering



U.S. Segment Adjusted<sup>1</sup> Net Income by Operating Group – YTD



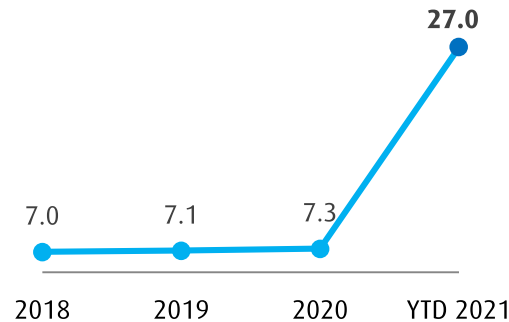
<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses. On a reported basis YTD: U.S. Segment PPPT growth 46%, contributed 48% of total bank earnings, efficiency 56.5%, operating leverage 15.1%; Total bank reported net income by geography YTD: Canada 55%, U.S. 39%, Other 6%; U.S. Segment reported net income by operating group for YTD: U.S. P&C 65%, BMO CM 31%, BMO WM 4%, excludes Corporate Services

<sup>2</sup> Based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis

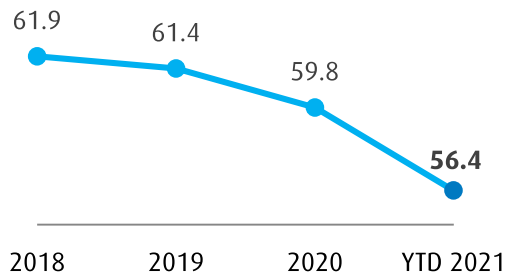
<sup>3</sup> Based on FDIC deposit share data; core footprint includes Illinois, Kansas, Wisconsin, Missouri, Indiana and Minnesota

# Strong financial performance

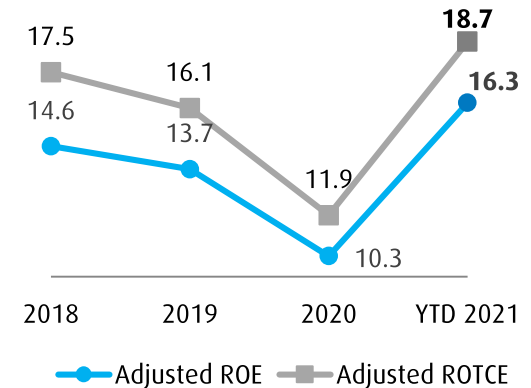
Adjusted Pre-provision, pre-tax earnings<sup>1,2</sup> growth (%)



Adjusted Efficiency ratio<sup>1,3</sup> (%)



Adjusted ROE<sup>1</sup> and ROTCE (%)



- Continuous path to building a strong, more competitive bank
- Specific actions to allocate capital and resources to areas expected to generate strong returns
- Continuing to make progress against our efficiency commitments through automating processes, digitizing activities and simplifying the way we do business
- Above target ROE with increases in all businesses

<sup>1</sup> Adjusted measures are non-GAAP measures see slide 2 for more information.

On a reported basis: PPPT growth F2018 9.5%, F2019 0.9%, F2020 14.2%, YTD 2021 9.4%; efficiency ratio F2018 62.5%, F2019 64.2%, F2020 60.4%, YTD 2021 63.0%; ROE F2018 13.3%, F2019 12.6%, F2020 10.1%, YTD 2021 13.0%; ROTCE F2018 16.2%, F2019 15.1%, F2020 11.9%, YTD F2021 15.0%

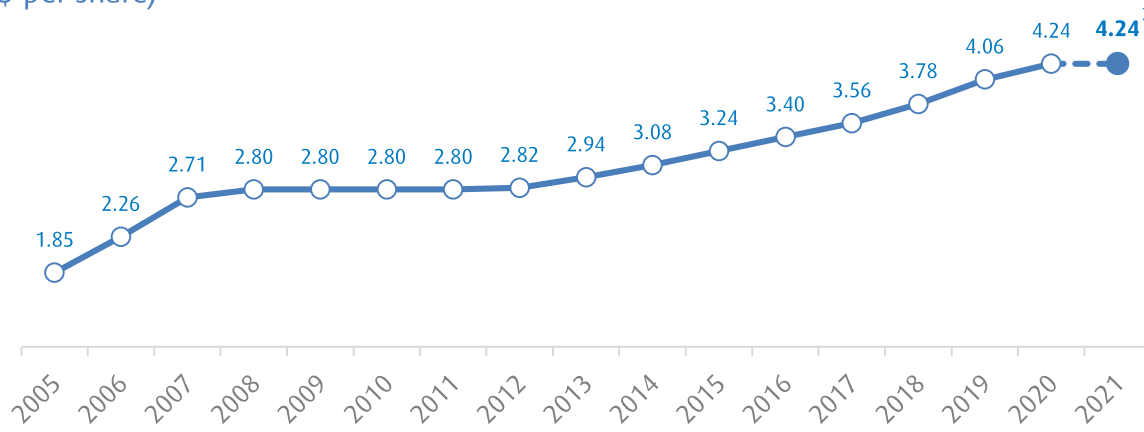
<sup>2</sup> Pre-provision, pre-tax earnings (PPPT) is the difference between net revenue and expenses

<sup>3</sup> Efficiency ratio based on net revenue

# Delivering strong shareholder returns

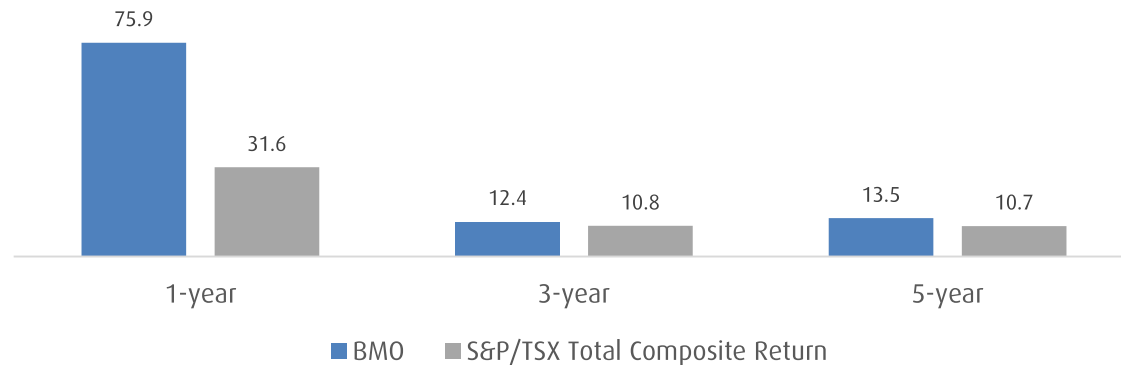
192 year dividend track record  
(\$ per share)<sup>1</sup>

F2020 15-year CAGR **6%**



- BMO has the longest-running dividend payout record of any company in Canada
- Dividend Yield<sup>4</sup>: 3.3%

Total Shareholder Return<sup>3</sup> (CAD, %)



<sup>1</sup> in \$CAD

<sup>2</sup> Based on Q2'21 dividend of \$1.06 annualized

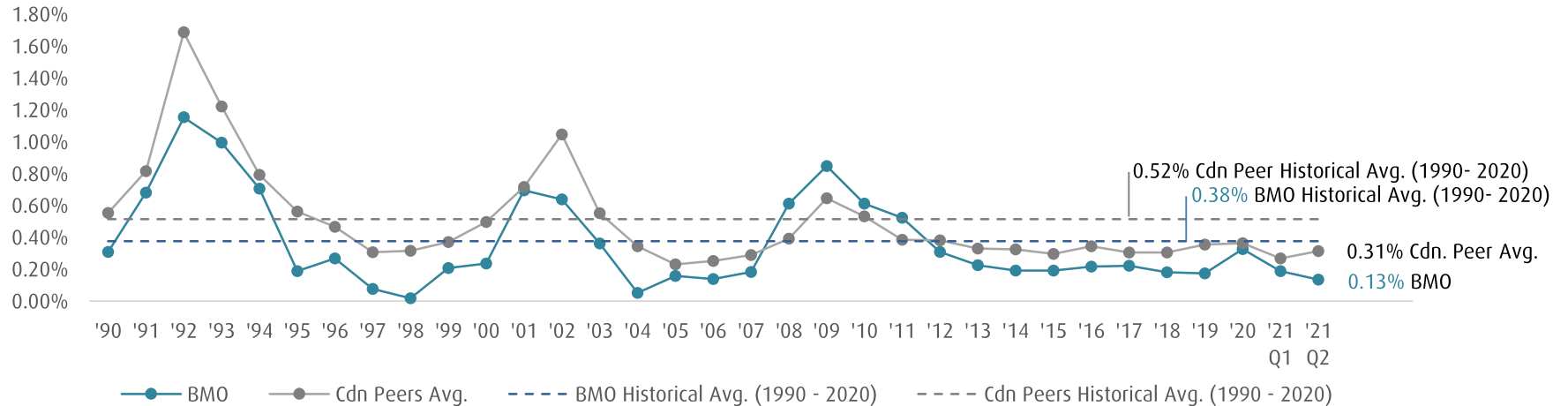
<sup>3</sup> As at June 10, 2021

<sup>4</sup> As at June 1, 2021

# Leading track record in risk management

- Long track record of outperforming peers on credit, with 20-year historical average loss rates well below peer banks
- Adjusted PPPT earnings would cover PCL rate of ~240bps<sup>1</sup>, over six times the historical average
- Prudent underwriting, consistent approach, deep expertise and industry knowledge across risk and business teams, effectiveness of work-out process
- Credit risk discipline will serve us well through stress period
- Credit allowances appropriately reflect diversification and underlying strength of portfolios

PCL on Impaired Loans as a % of Avg. Net Loans & Acceptances



<sup>1</sup> Based on Q2'21 adjusted pre-provision, pre-tax earnings annualized



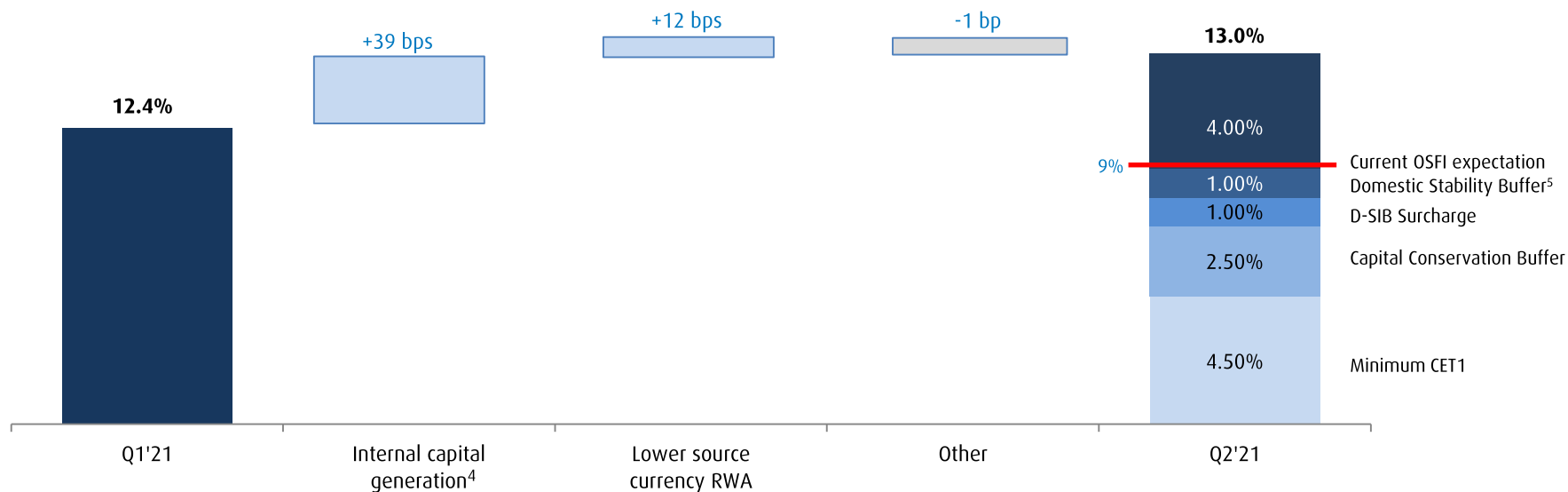
# Strong balance sheet and capital position

- Q2'21 CET1 Ratio of 13.0%, up 60bps Q/Q; Total Capital Ratio of 16.7%
- Sound Q2'21 leverage and liquidity ratios
  - Leverage Ratio 5.1%
  - Liquidity Coverage Ratio 129%

## Credit Ratings

	Moody's	S&P	DBRS	Fitch
Long term deposits / legacy senior debt <sup>1</sup>	Aa2	A+	AA	AA
Senior debt <sup>2</sup>	A2	A-	AA (low)	AA-
Outlook	Stable	Stable	Stable	Negative

## CET1 Ratio<sup>3</sup>



<sup>1</sup> Long term deposits / legacy senior debt includes: (a) Senior debt issued prior to September 23, 2018; and (b) Senior debt issued on or after September 23, 2018 which is excluded from the Bank Recapitalization (Bail-In) Regime

<sup>2</sup> Subject to conversion under the Bank Recapitalization (Bail-In) Regime

<sup>3</sup> Chart is not to scale

<sup>4</sup> Internal capital generation excludes goodwill write-down related to the announced sale of our EMEA Asset Management business

<sup>5</sup> On December 8, 2020, OSFI announced that the Domestic Stability Buffer will remain at 1.0%, unchanged from the level set on March 13, 2020

# Investing for growth across our businesses

## Canadian Personal & Commercial

- PPPT<sup>1</sup> growth of 11% and adjusted ROE<sup>2</sup> of 26.8% YTD, with revenue growth momentum and disciplined focus on expenses
- Top tier<sup>3</sup> financial performance and growing market share in key areas of focus
- Investing in strategic priorities including digital capabilities and customer-facing employees

## BMO Wealth Management

- Adjusted PPPT<sup>1,2</sup> growth of 53% and adjusted ROE<sup>2</sup> of 23.2% YTD, with strong growth in client assets and higher online brokerage revenue
- Double digit growth in AUM, AUA and deposits
- Refocusing on our core North American footprint and investing in key areas of competitive strength

## U.S. Personal & Commercial

- Adjusted PPPT<sup>1,2</sup> growth of 22% and adjusted ROE<sup>2</sup> of 16.4% YTD, with good revenue growth and expense management
- Very strong commercial credit performance with deep customer relationships
- Continuing to support customers through the economic recovery

## BMO Capital Markets

- Adjusted PPPT<sup>1,2</sup> growth of 72% and adjusted ROE<sup>2</sup> of 18.9% YTD, with strong revenue in Global Markets and I&CB
- Strong efficiency improvements and diversified earnings from U.S. business
- Investments driving sustained performance

1 Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses

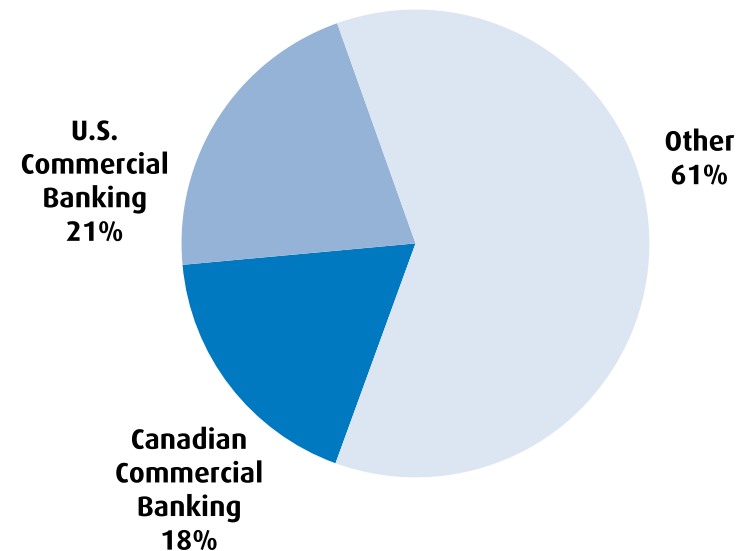
2 On an adjusted basis. Adjusted measures are non-GAAP measures, see slide 2 for more information. On a reported basis: U.S. P&C PPPT growth 23%; BMO Wealth Management PPPT growth 56%; BMO Capital Markets PPPT growth 73%. U.S. P&C ROE 16.2%, BMO Wealth Management ROE 22.7%, BMO Capital Markets ROE 18.7%

3 Peers: BNS, CIBC, NBF, RBC, TD; based on Q2'21 performance for growth in revenue, expenses, adjusted PPPT, efficiency improvement

# Proven strength in Commercial Banking with advantaged market share

- A relationship-based commercial bank; top 10 commercial lender<sup>1</sup> in North America
  - In Canada: Top-tier commercial banking business, #2 market share for business loans up to \$25 million<sup>2</sup>
  - In the U.S.: Large, diversified national business, supported by industry knowledge, best-in-class customer experience, and top-tier share in flagship markets; #12 in U.S. commercial lending<sup>3</sup>
- Sole or lead position on ~90% of relationships
- Diversified growth, consistent risk appetite and underwriting
  - Quality and reputation of the business; deep industry expertise
  - In Canada: new sectors and capacity creation through technology
  - In the U.S.: focused expansion of national specialty lending sectors; strength in traditional footprint
- Commercial portfolio ~84% secured

**Commercial Banking Revenue as % of Total Bank Revenue - LTM**



<sup>1</sup> Based on internal analysis

<sup>2</sup> Canadian Bankers Association; loan market share \$0-\$25MM, as at December 2020

<sup>3</sup> Based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis

# Advancing our digital experience in-line with customer preferences

## Strong digital foundation in place

### Top Tier Capabilities

- Leading advice and guidance through digital
- Digital sales volumes driving customer acquisition, up over 20% Y/Y in Canada
- U.S. digital deposits across all 50 States
- Integrated Treasury and Payments cash management solutions
- myWealth digital client onboarding
- Electronic trading technology platform through Clearpool

### External recognition



BMO CashTrack

INSIDER INTELLIGENCE

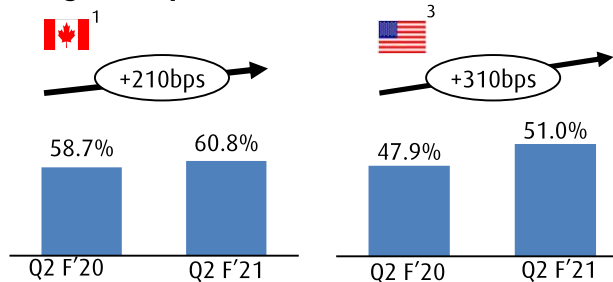
ranked #1 for digital money management, security and alerts



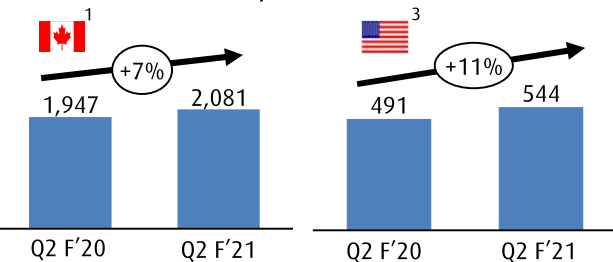
BMO Quick Pay

## Accelerated Digital Engagement

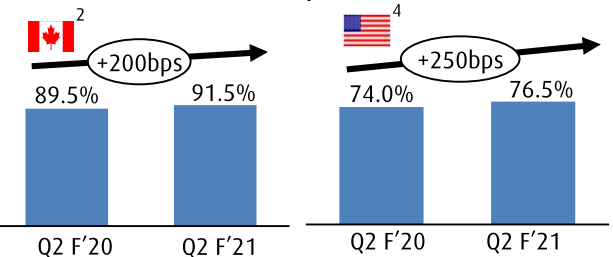
### Digital adoption, %



### Active Mobile Users, K



### Self-Serve Transactions, %



## Delivering speed, efficiency and scale

- Personalized, data-driven experiences, e.g. BMO CashTrack, AI powered tool to manage cash flows
- BMO Business Express reduced small business account opening from days to minutes
- Treasury Payment Solutions wire payments processed on a single North American platform
- Google Pay partnership to drive scale and innovation
- Accelerating cloud transformation with AWS to modernize operations and introduce new digital applications

### Partnerships



1 Digital adoption is percent of deposit customers that logged on in last 90 days. Active mobile users is number of deposit customers that logged into mobile in the last 90 days  
 2 Self-Serve Transactions includes deposits, bill payments, internal funds transfers, withdrawals and e-transfers sent across ATM and Digital channels  
 3 Digital adoption is percent of retail deposit customers that logged on in last 90 days. Active mobile users is number of retail deposit customers that logged into mobile in the last 90 days  
 4 Self-Serve Transactions includes deposits, bill payments, internal funds transfers, withdrawals and Zelle payments (P2P) sent across ATM and Digital channels

# Our Purpose

## BOLDLY GROW THE GOOD

### IN BUSINESS AND LIFE

#### For a sustainable future

- Declared Climate Ambition, a focused commitment to drive economic transformation toward a net zero world
- Ranked top bank in North America on Corporate Knights' 2021 Global 100
- Among first Canadian banks to sign UN Principles for Responsible Banking
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Acted as Joint Bookrunner and Green Structuring Agent on the first labelled Green Loan in Canada

#### For a thriving economy

- Deployed ~US\$1.5B in loans and investments against BMO EMpower, a 5-year, US\$5B commitment to address key barriers faced by minority businesses, communities and families in the U.S.
- Committed \$1.2MM to SheEO Programs Helping Women-Led Venture Companies funding ventures that address sustainability issues faced worldwide
- Continuing to support customers with access to government relief programs helping them bridge to financial recovery, including the CEBA, PPP, HASCAP and TELP programs

#### For an inclusive society

- Recognized as one of the World's Most Ethical Companies for the 4th consecutive year by the Ethisphere Institute
- Recognized for the 6<sup>th</sup> consecutive year on the Bloomberg Gender-Equality Index
- Issued \$750MM Women in Business Bond In Support of Women-Owned Businesses
- Announced US\$10MM donation to create the Rush BMO Institute for Health Equity in Chicago

CEBA: Canadian Emergency Business Assistance, PPP: U.S. Paycheck Protection Program, HASCAP: Highly Affected Sectors Credit Availability Program, TELP: Trade Expansion Lending Program



# Reasons to Invest in BMO

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- Diversified businesses that continue to deliver resilient and robust earnings growth and long-term value for shareholders
- Strong foundation built for growth and differentiating strengths that drive competitive advantage:
  - Top 10 commercial lender in North America with advantaged market share in Canada and the U.S.
  - Well-established, highly profitable flagship banking business in Canada
  - Strong U.S. deposit market share, top 3 in our core footprint with a digital banking platform that extends nationally
  - Diversified, high-return wealth franchise with a strong client focus and competitive position
  - Competitively advantaged Canadian capital markets franchise with an integrated North American platform
- Well-capitalized with an attractive dividend yield
- Leading momentum in operating leverage and efficiency improvement through resource optimization, simplification and digitization
- Leading employee engagement and winning culture
- Digital first operating model where business and technology are completely integrated, driving efficiency, speed and scale
- Purpose-driven commitment to sustainability, applying industry-leading approaches to seize opportunities and manage risks in key areas such as sustainable finance, climate change, human rights, and diversity and inclusion

# Investor Relations

## Contact Information

<http://www.bmo.com/investorrelations>  
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Award winner  

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Canada 2021

