

# Scotiabank GBM Financials Summit

Investor Presentation

# 2012

September 5 • 2012

**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 2012 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 and U.S. 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 on pages 30 and 31 of BMO's 2011 annual MD&A, 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.

In calculating the pro-forma impact of Basel III on our regulatory capital, risk-weighted assets (including Counterparty Credit Risk and Market Risk) and regulatory capital ratios, we have assumed that our interpretation of the proposed rules and proposals announced by the Basel Committee on Banking Supervision (BCBS) as of this date, and our models used to assess those requirements, are consistent with the final requirements that will be promulgated by the Office of the Superintendent of Financial Institutions Canada (OSFI). We have also assumed that the proposed changes affecting capital deductions, risk-weighted assets, the regulatory capital treatment for non-common share capital instruments (i.e. grandfathered capital instruments) and the minimum regulatory capital ratios are adopted by OSFI as proposed by BCBS, unless OSFI has expressly advised otherwise. We have also assumed that existing capital instruments that are non-Basel III compliant but are Basel II compliant can be fully included in the July 31, 2012, pro-forma calculations. The full impact of the Basel III proposals has been quantified based on our financial and risk positions at quarter end or as close to quarter end as was practical. In setting out the expectation that we will be able to refinance certain capital instruments in the future, as and when necessary to meet regulatory capital requirements, we have assumed that factors beyond our control, including the state of the economic and capital markets environment, will not impair our ability to do so.

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 Outlook and Review section of the MD&A in BMO's Third Quarter 2012 report to shareholders.

## Non-GAAP Measures

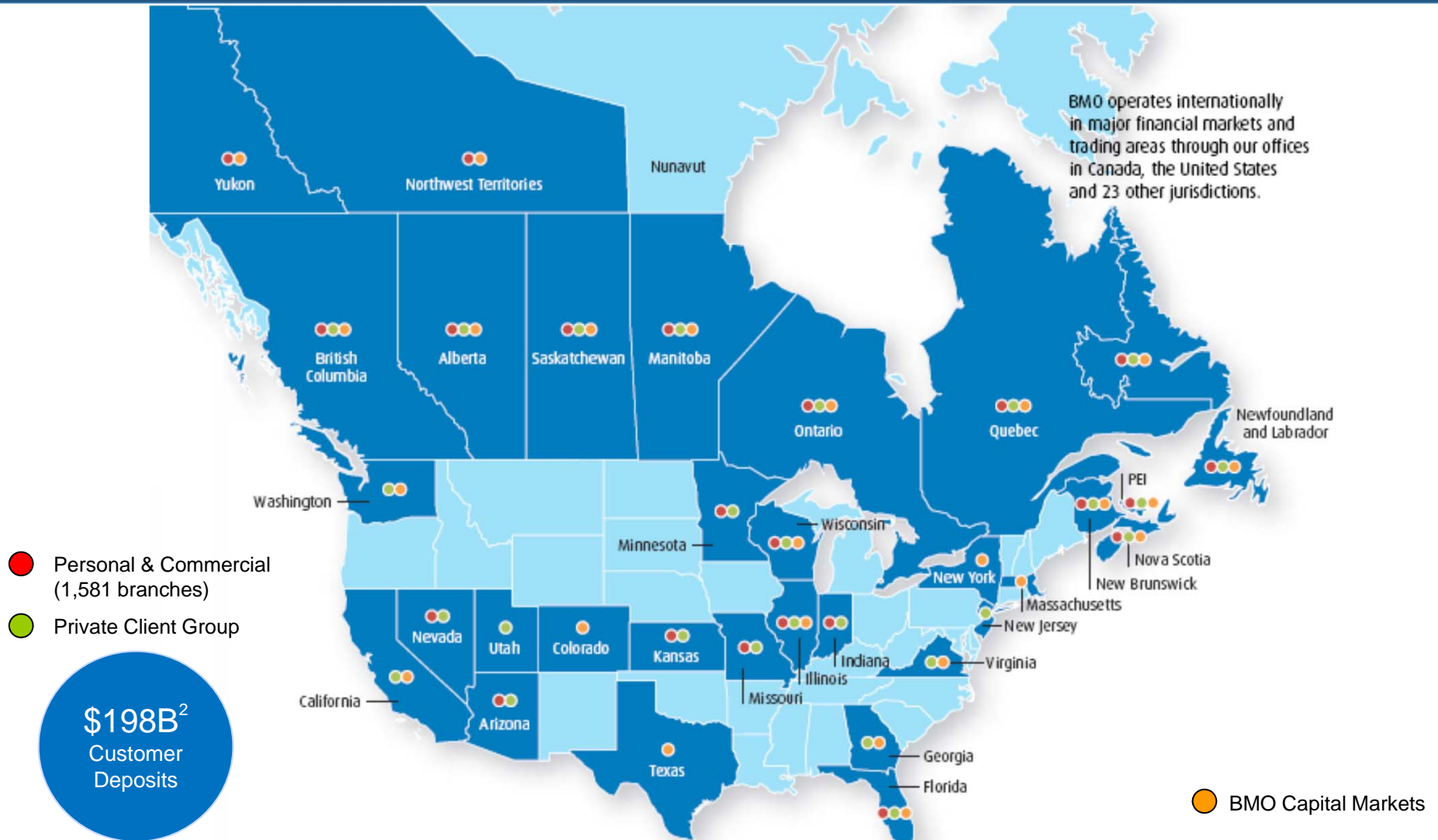
Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Third Quarter 2012 Report to Shareholders and Bank of Montreal's 2011 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: productivity 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, expenses, earnings per share, ROE, productivity 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, hedge costs related to foreign currency risk on purchase of M&I, M&I integration costs, M&I acquisition-related 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.

# BMO Financial Group

9<sup>th</sup> largest bank in North America<sup>1</sup>; 2<sup>nd</sup> largest Canadian bank by retail branches in Canada and the U.S.

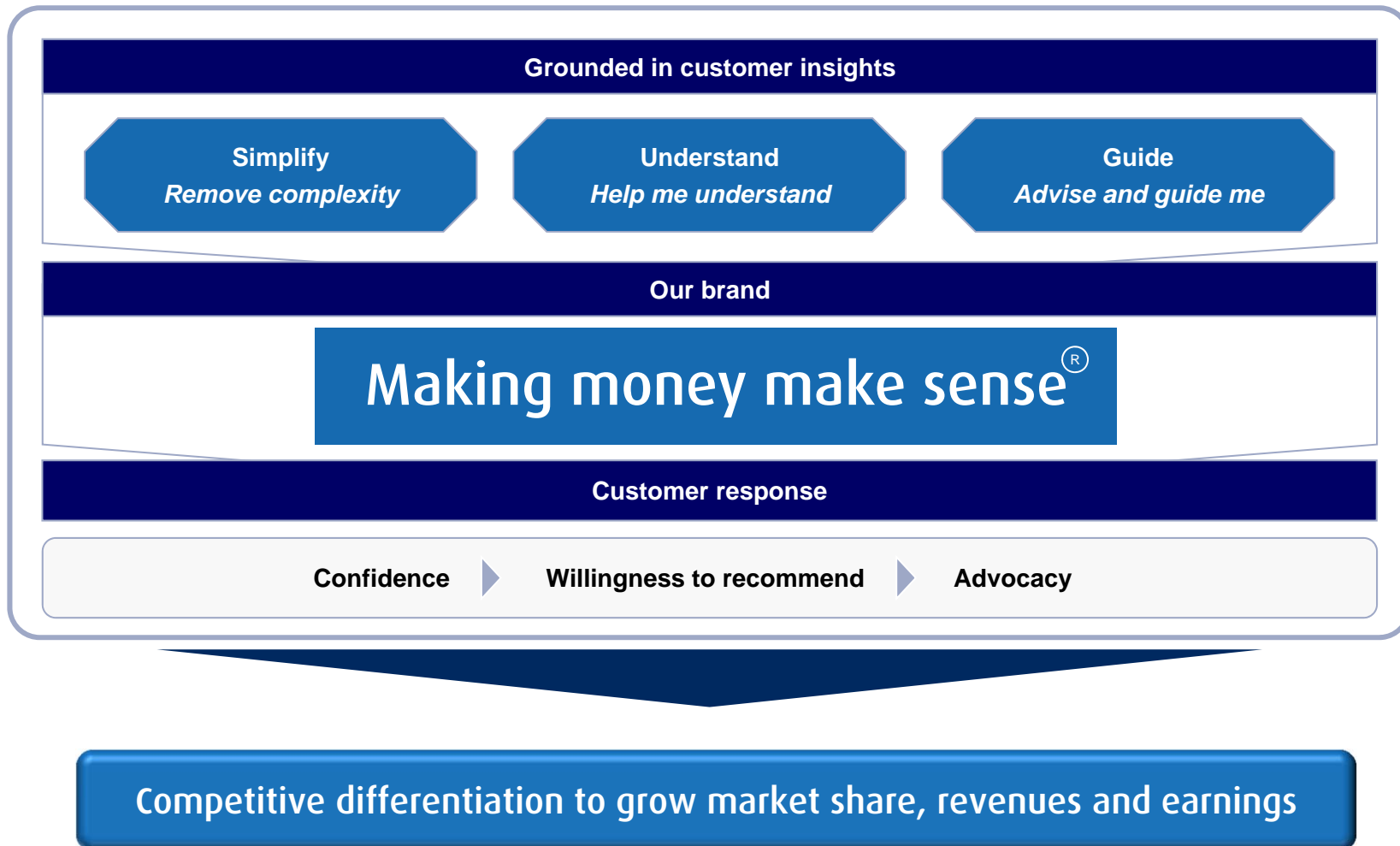


<sup>1</sup> As measured by market capitalization as at August 31, 2012; ranking published by Bloomberg

<sup>2</sup> Q3'12 customer deposits: core deposits plus larger fixed-date deposits excluding wholesale customer deposits

# Differentiating BMO in the eyes of customers

Vision: To be the bank that defines great customer experience



# Productivity focus directly connected to our customer experience agenda

- Sharpening productivity in both parts of the equation – revenue and expense
- BMO's drive for greater sustainable efficiency is inseparable from commitment to do a better job for customers
- Systematically evaluating every aspect of business – function, process and policy
- Already seeing results:
  - Q3'12 adjusted expenses down sequentially for 2<sup>nd</sup> straight quarter
  - Q3'12 YTD adjusted expenses up a modest 0.9%, excluding acquisitions and stronger U.S. dollar
- Goal is to drive down cost of generating the next dollar of revenue:
  - Maintain strategy of differentiating BMO as a leader in customer experience
  - Consistently competitive within peer group



# Getting the job done simply, efficiently and effectively

## ○ Customer Service Enhancements

- Tailored branch formats
- Mobile PayPass
- Online booking of branch appointments
- Complete refresh of Canadian online banking platform
- BMO Harris Bank remote cheque capture



## The best online customer experience.

Check us out and see what #1 looks like.

bmo.com has been ranked the highest for best online customer experience in the Keynote Canadian Banking Prospects 2011 study\*. This designation reflects our commitment to customer satisfaction, the ease of opening an account, and our Privacy and Security measures.

It's just another example of how BMO® is making banking a better experience.

Check out [bmo.com](http://bmo.com)

BMO  Bank of Montreal  
Making money make sense®

## ○ Reinventing Our Core Processes

- Mortgage application and approval
- Leads management engine
- Leverage technology architecture

## ○ North / South Integration

- Develop more cost efficient products and services
- Customer call centers managed on North American basis
- Extend best proven ideas from Canada and US across our total North American market

## Introducing real-time Online Appointment Booking.

Another banking first, only from BMO®.

BMO just made it easier to meet with one of our financial experts to discuss your banking needs. In fact, we are the very first bank to offer real-time Online Appointment Booking. Simply visit us online to book a date and time that works for you. It's easy, and it's available 24 hours a day, 7 days a week.

It's just another example of how BMO is making banking a better experience.

Visit [bmo.com/appointment](http://bmo.com/appointment) to make an appointment today.

BMO  Bank of Montreal  
Making money make sense®

# Year-to-date Financial Results

Strong overall performance with businesses delivering against a high standard of customer experience

C\$ Billions unless otherwise indicated

Adjusted <sup>1</sup>	2012 YTD	2011 YTD
Revenue	11.1	10.1
Net Income	3.0	2.4
EPS (\$)	4.35	3.91
Productivity Ratio (%)	63.5	60.7
<b>Reported</b>		
Revenue	12.0	10.1
PCL	0.57	0.85
Expense	7.5	6.3
Net Income	3.1	2.3
EPS (\$)	4.56	3.74
ROE (%)	15.9	16.1

- Strong adjusted<sup>1</sup> results with net income up 21%
  - EPS up 11%
  - Revenue growth 11%
  - ROE 15.2%
  - PCLs down 57%
- Strong capital position; pro forma Basel III common equity ratio of 8.3%<sup>2</sup>
- Quarterly declared dividend increased by 3% to \$0.72 per share in Q3
- Good operating group performance in a highly competitive environment
- Strong contribution from M&I acquisition

<sup>1</sup> Adjusted measures are non-GAAP measures. See slide 2 of this document, pages 34, 94-95 of BMO's 2011 Annual Report and pages 32-33 of BMO's Q3 2012 Report to Shareholders

<sup>2</sup> Estimates based on announced Basel III 2019 rules and the impact of adoption of IFRS. For further details regarding assumptions and factors used in our calculations refer to pages 6 and 16 of BMO's Q3 2012 Report to Shareholders and the Enterprise-Wide Capital Management section on pages 61-65 in BMO's 2011 Annual Report

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# Q&A

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