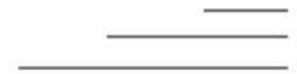


# Investor Day

OCTOBER 24<sup>TH</sup>, 2018



# 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 presentation, 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 fiscal 2018 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. Forward-looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "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. 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: 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 and tax legislation and interpretation; 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; our ability to execute our strategic plans and to complete and integrate acquisitions, 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; changes to our credit ratings; political conditions, including changes relating to or affecting economic or trade matters; global capital markets activities; the possible effects on our business of war or terrorist activities; outbreaks of disease or illness that affect local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; information and cyber security, including the threat of 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; 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 see the discussion in the Risks That May Affect Future Results section on page 79 of BMO's 2017 Annual MD&A, the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, model, legal and regulatory, business, strategic, environmental and social, and reputation risk and risk management, which begin on page 78 of BMO's 2017 Annual MD&A and the discussion in the Critical Accounting Estimates – Income Taxes and Deferred Tax Assets section on page 114 of BMO's 2017 Annual MD&A, all of which outline certain key factors and risks that may affect Bank of Montreal's 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. 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 presentation 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, objectives and targets, and may not be appropriate for other purposes.

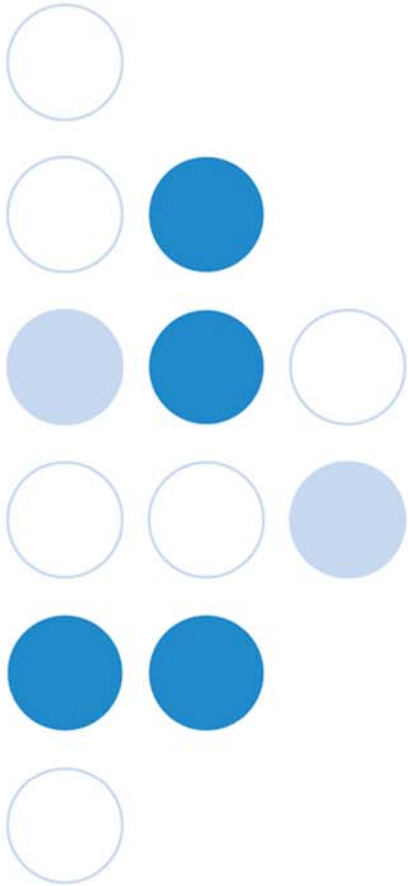
Material economic assumptions underlying the forward-looking statements contained in this presentation are set out in the 2017 Annual MD&A under the heading "Economic Developments and Outlook", as updated by the Economic Review and Outlook section set out in our Third Quarter Report to Shareholders. 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, targets 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 governments, historical relationships between economic and financial variables, and the risks to the domestic and global economy.

## 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 on slide 111 of this presentation, page 5 of BMO's Third Quarter 2018 Report to Shareholders and on page 29 of BMO's 2017 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, 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, decrease (increase) in collective allowance for credit losses, restructuring costs and revaluation of U.S. net deferred tax asset as a result of U.S. tax reform.

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



# Darryl White

Chief Executive Officer



## Today's themes

1 Strong Foundation

2 Differentiating Strengths

3 Accelerating Growth & Performance

4 One Bank, One Team, One Strategy

# Executing on a consistent strategy

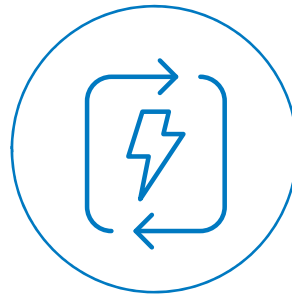
## Strategic Priorities



**Customer Experience and Loyalty**



**Digital Innovation**



**Efficiency**



**Growth across North American Platform**



**Risk Management**

## Strong foundation built for growth

8th Largest Bank in North America

Leading Share in Strategically Chosen Markets

Respected Brand

Diversified and Attractive Earnings Mix

Strong Capital Position

Consistent, Effective Risk Management

Proven Track Record of Financial Performance

# Differentiating strengths driving competitive advantage

## Integrated North American Platform

### Well-established U.S. Presence

Strategically invested over time

### Core Strengths in Commercial and Wealth Management

Deep customer relationships

### Unique Approach to Cross-border Banking

Dedicated teams with integrated approach to meeting customer needs

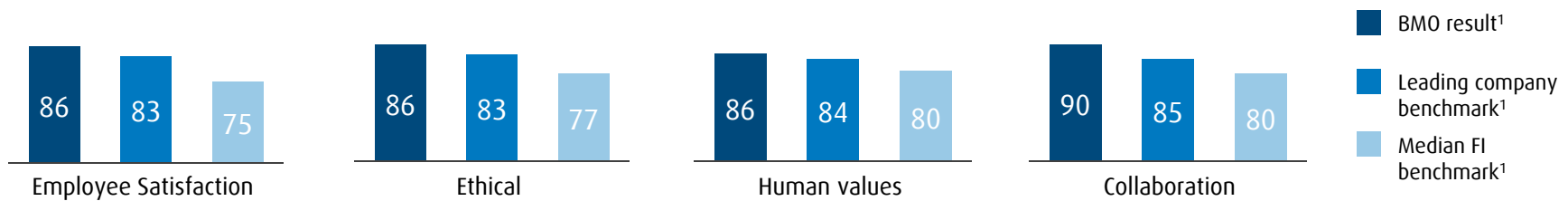
### Creating Sustainable Efficiency

E13 driving bank-wide productivity benefits and reinvestment capacity

### Digital Investment and Innovation

Advantaged technology architecture and data capabilities; a leader in digital sales

# Leading employee engagement, award-winning culture



**2 Time Catalyst Award winner** for accelerating diversity and inclusion

Named one of the **World's Most Ethical Companies** by the Ethisphere Institute (one of only four banks worldwide)

BMO Volunteer Day contributed **14,000 volunteer hours** with 215 organizations globally

Recognized **Leader in Gender Equality** by inclusion in the Bloomberg Gender-Equality Index 3 years running

**Leader in Diversity and Inclusion**, among the top 25 in Thomson Reuters Diversity & Inclusion Index (only Canadian bank)

**Supporting Women Entrepreneurs** by extending \$3B in new capital to women-owned businesses



# Accelerating growth and performance

	Delivered	Outlook
Operating Leverage	2% adjusted <sup>1</sup> net operating leverage <sup>2</sup> F2016 & F2017	Target remains 2% or better over time
Efficiency Ratio	340 bps adjusted <sup>1</sup> efficiency ratio <sup>3</sup> improvement since F2015	Expect to achieve 58% or better by F2021
Technology Investment	>\$2B spend on technology	Continued double digit growth in technology spend
U.S. Growth	U.S. Segment grown to 28% of the bank's YTD adjusted <sup>1</sup> earnings <sup>4</sup>	Increasing to 1/3 over 5 years
Sustainable EPS Growth	8% adjusted <sup>1</sup> EPS growth <sup>5</sup> (F2015 to F2017)	Mid-term target remains 7-10%

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

<sup>2</sup> Reported Net Operating Leverage: F2016 1%; F2017 4%

<sup>3</sup> Efficiency ratio based on net revenue. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB); Reported efficiency ratio improvement since F2015: 320 bps

<sup>4</sup> Reported U.S. Segment YTD contribution: 19%

<sup>5</sup> Compound Annual Growth Rate. Reported EPS growth: 10% (F2015 - F2017)

Across geographies and businesses...

**One Bank, One Team, One Strategy**

... a seamless and consistent customer experience



## Key takeaways





# Driving Value From Digital and Technology



**Brett Pitts**  
**Steve Tennyson**

Chief Digital Officer  
Chief Technology & Operations Officer



# Driving customer and business value through digital technology



Great, digitally-enabled experiences for our customers and team

---



Capitalizing on opportunities presented by open banking

---



Unique assets for competitive advantage (e.g., brand, data, distribution)

---



Growing investment in differentiated technology for scaled digital transformation

---



Efficiency and value-capture to self-fund accelerated investment growth

# Digital strategy: Accelerate growth, engagement, and self-service

**Drive leading customer growth and cross-sell**

Digital sales penetration<sup>1</sup>

**Accelerate and build digital engagement**

Digital adoption<sup>2</sup>

**Self-service for everyday transactions**

Assisted service transactions<sup>3</sup>



**F2021**  
aspiration

**50%**

**70%**

**<10%**



**F2023**  
aspiration

**30%**

**70%**

**<15%**

Partner to accelerate and grow

Continue investing in foundational enablers to scale

<sup>1</sup> Percent of retail sales where the full product application was submitted in digital channel. Includes chequing, savings, credit card, mortgages and personal loans

<sup>2</sup> Percent of retail chequing / savings customers that have logged into online and/or mobile banking at least once in the last 90 days

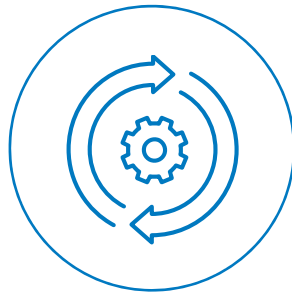
<sup>3</sup> Percent of retail transactions that take place with a person in the branch or with a live agent over the phone

# A modern technology foundation built for change



## **World-Class Architecture**

SmartCore enabling re-use and enterprise scale



## **Accelerated Automation**

Speed-to-market and quality



## **Advanced Data & Analytics**

AI platform enabling business decisions and insights



## **Secure Cloud**

Shared computing resources available on demand

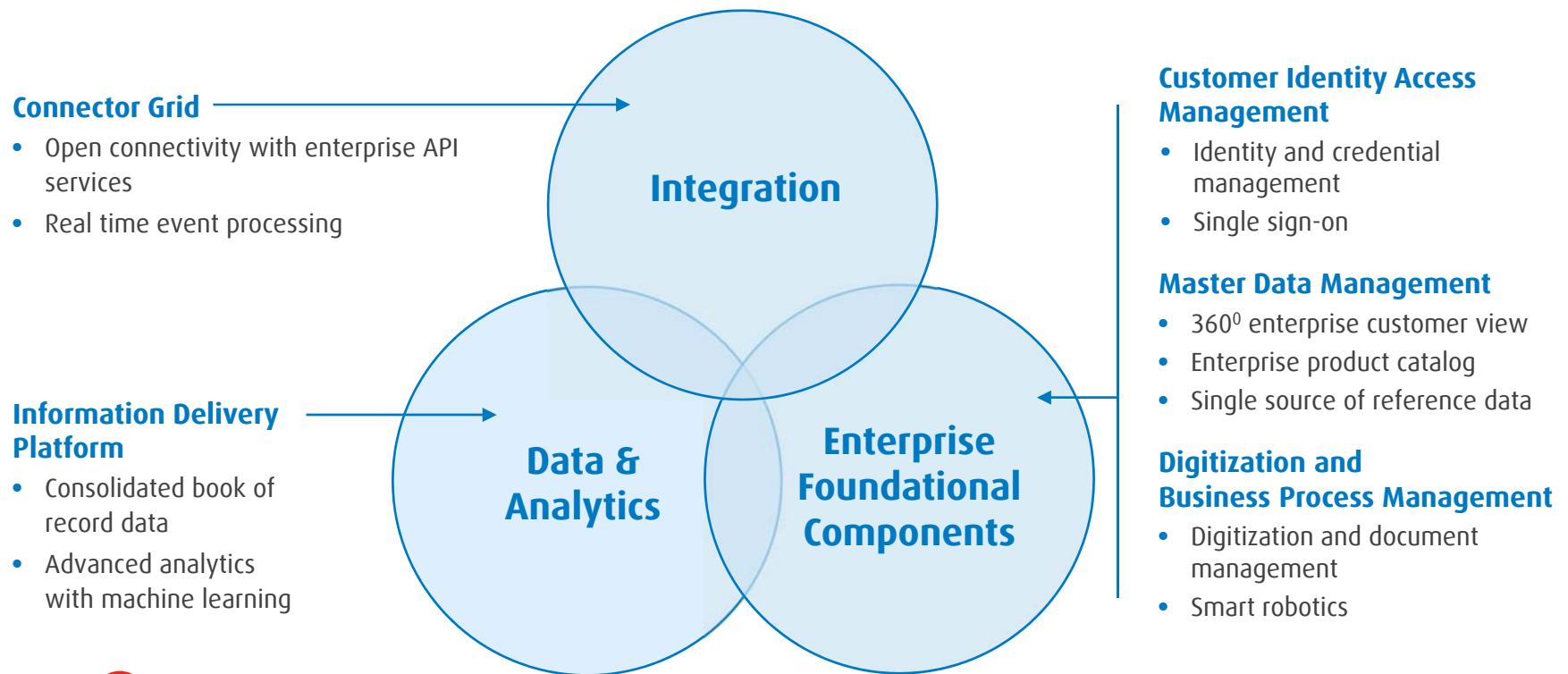


## **Channels**

Upgraded customer and employee-facing channel experiences

**BMO Technology Delivery Platform**

# SmartCore: the heart of our technology architecture





# Investment yielding tangible business benefits...

## Speed

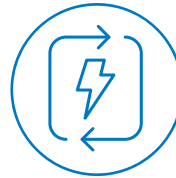


Up to

**30-40%**

improvement in software  
release cycle-time<sup>1</sup>

## Efficiency



**1,600**

services designed  
for re-use

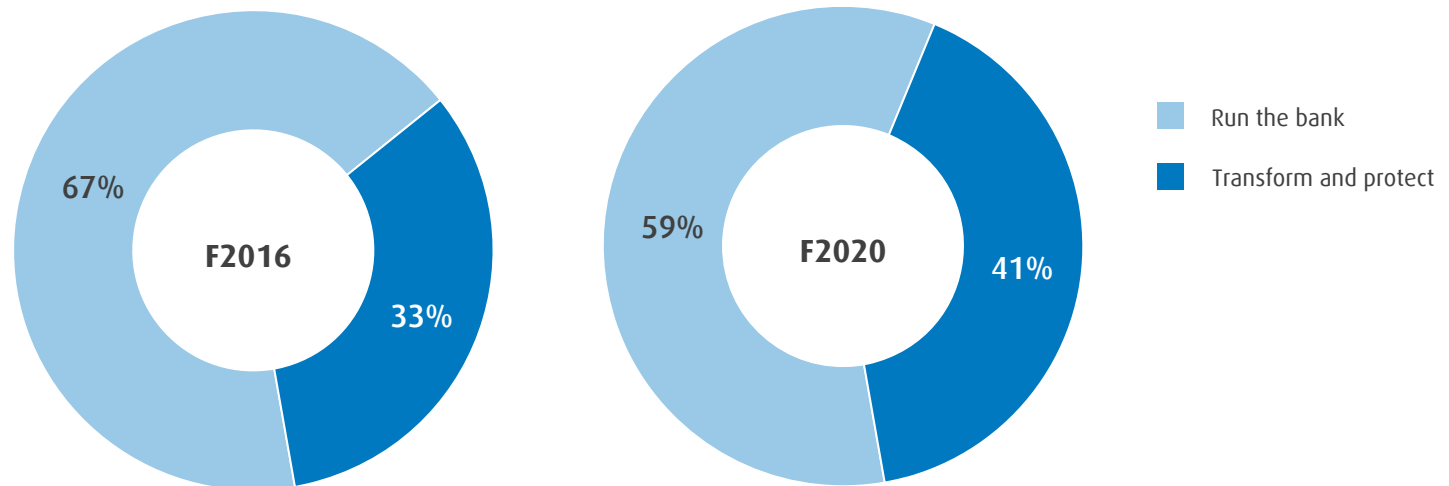
## Quality



**70,000**

technology changes  
successfully executed  
annually

## ... and enabling a lift in transformational investment

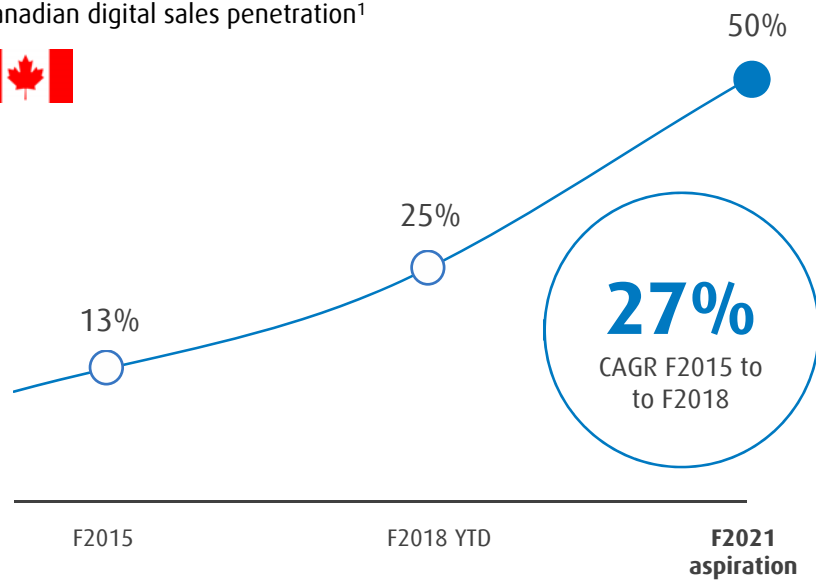


Accelerating strategic spend towards customer growth and security while driving structural cost efficiencies

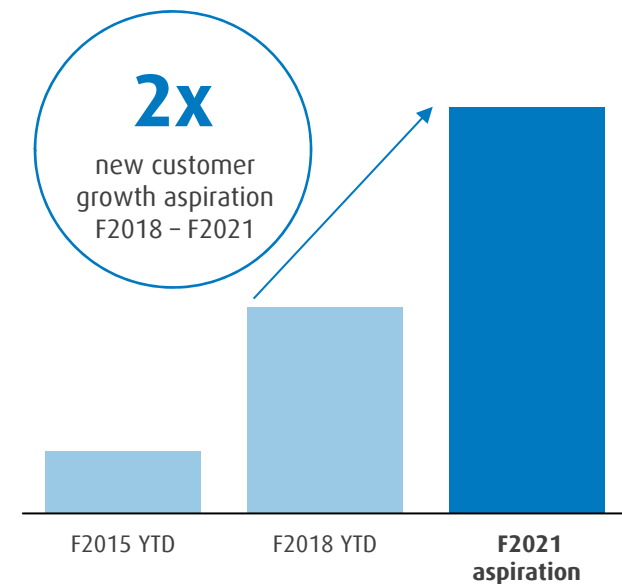
# Market-leading sales in digital...

## Drive accelerated digital account opening...

Canadian digital sales penetration<sup>1</sup>

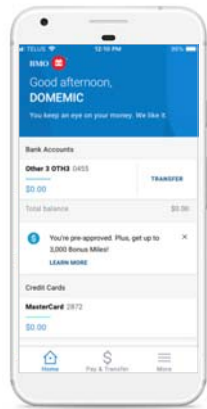


## ...and new customer acquisition<sup>2</sup>

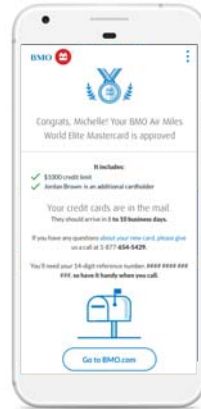


<sup>1</sup> Percent of retail sales where the full product application was submitted in digital channel. Includes chequing, savings, credit card, mortgages and personal loans  
<sup>2</sup> New chequing customers acquired where it was their first deposit relationship with BMO and the full product application was submitted in digital

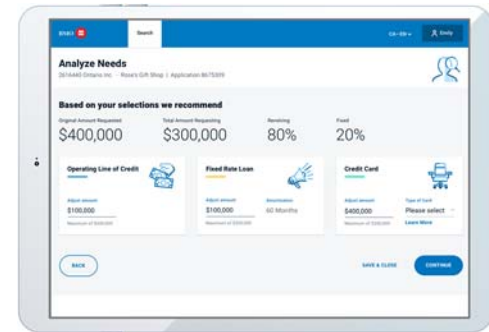
# ... supporting customer acquisition and deeper relationships



Pre-approved "in-line" credit card offers on mobile



Market-first mobile account open



**250K+ credit cards sales** generated by leads management across all channels<sup>1</sup>

**Current application complete rate at >50%** for new-to-BMO card customers<sup>2</sup>

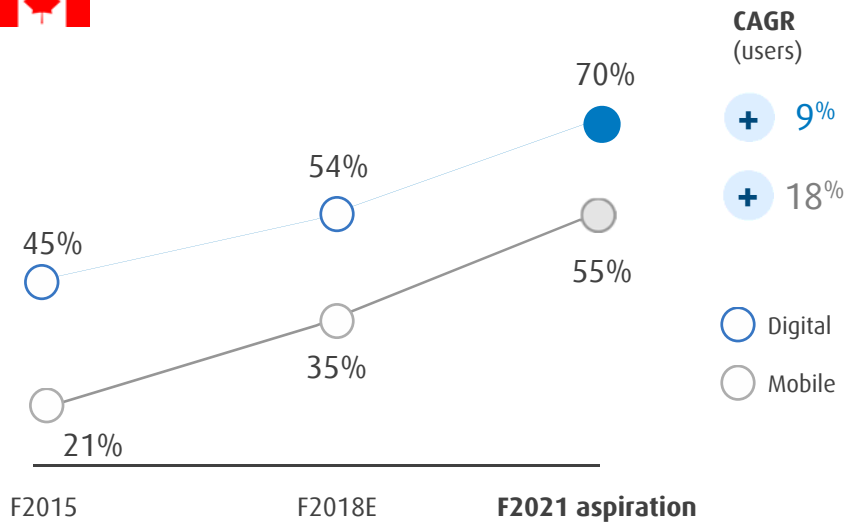
**Business Xpress: 95% faster time to approval** for Small Business<sup>3</sup> lending



<sup>1</sup> F2018 forecast. Sales are attributed to leads management  
<sup>2</sup> Percent of applications started in the digital channel that were completed for August 2018  
<sup>3</sup> Average time savings for "new money" loans

# Accelerating growth in digital engagement...

Drive growth in digital adoption<sup>1</sup>...



... to capture tangible customer growth, loyalty and efficiency benefits

**40%** Lower annual attrition rate<sup>2</sup>

**6%** Higher revenue growth<sup>3</sup>

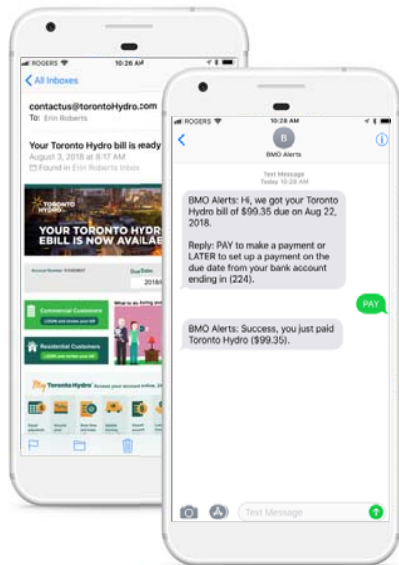
**30%** Reduction in assisted-serve transactions<sup>4</sup>



1 90-day active retail deposit customers  
 2 Percent difference in the annual attrition rate for digital customers vs. non-digital customers  
 3 Based on internal analysis. Revenue growth measure 6 months post digital registration  
 4 Reduction from YTD Q3 F2015 to YTD Q3 F2018 in cash withdrawals, deposits, internal funds transfers and bill payments conducted with person inside branch or on the phone with a live agent

# ... and making digital part of every customer conversation

Compelling experiences built with constant customer collaboration



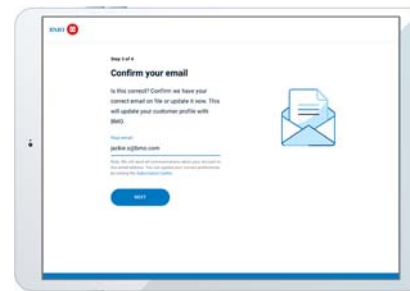
## BMO Quick Bill Pay

Makes payments easier with an entirely new way to pay bills (2019 launch)

2018 Winner  
Gartner Eye on Innovation Award – Americas region<sup>3</sup>



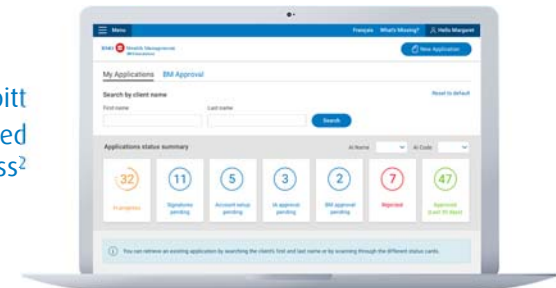
Digital part of every conversation, across all points of contact



**73%** of branch sales are coupled with a digital conversation<sup>1</sup>

Enhanced in-branch digital enrollment experience

**60%** of BMO Nesbitt Burns accounts opened via assisted digital process<sup>2</sup>



<sup>1</sup> Based on customer survey post-sale; YTD Q3 F2018

<sup>2</sup> YTD Q3 F2018

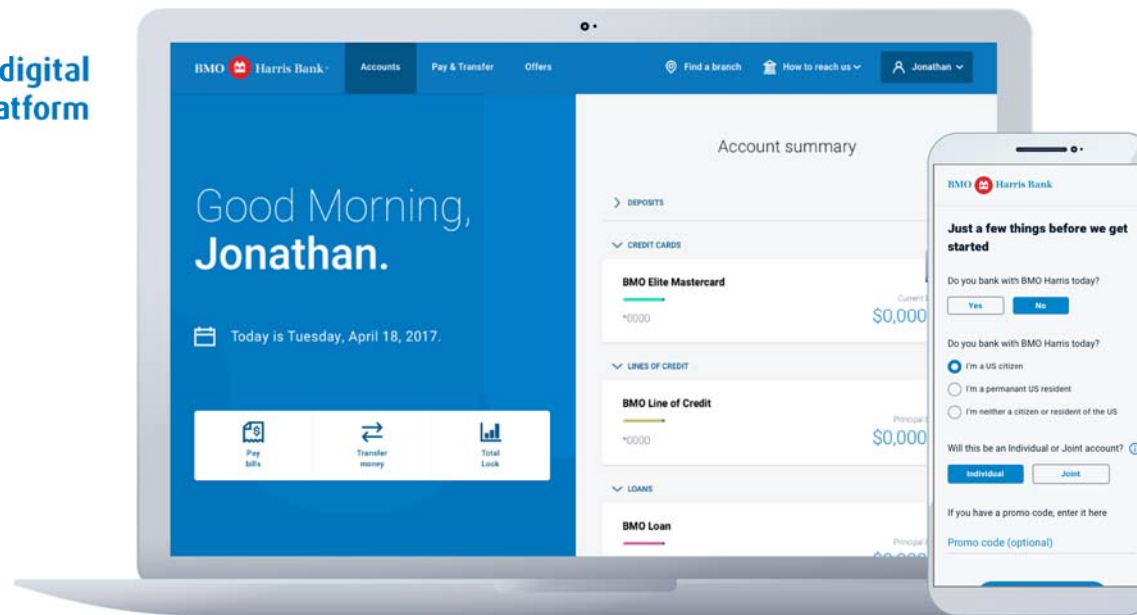
<sup>3</sup> The identification of a Gartner award winner or finalist is not an endorsement by Gartner of any company, vendor, product or service

<https://www.gartner.com/en/newsroom/press-releases/2018-10-14-gartner-announces-winners-of-the-2018-gartner-eye-on-innovation-award-americas>

# Platform for digital acceleration is in place in U.S. Personal

Transformed, low cost digital sales and service experiences enabling U.S. Personal growth strategy; built for North American scale

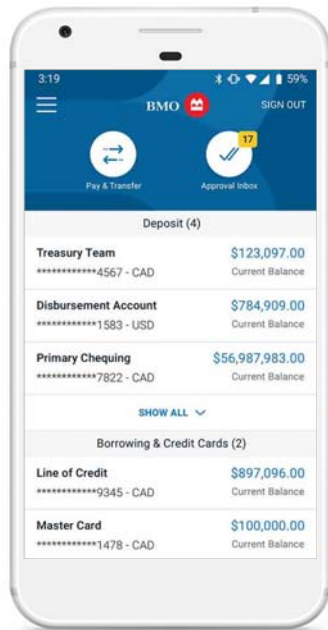
New digital service platform



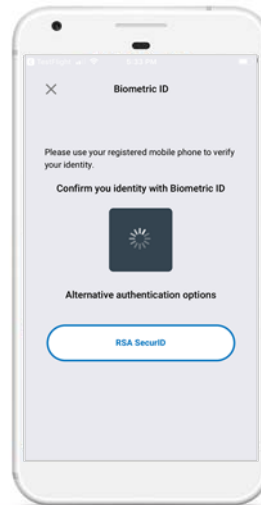
New digital sales platform

# Elevated mobile experience for Commercial

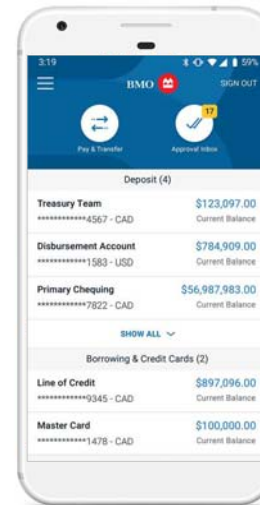
## Redesigned Online Banking for Business



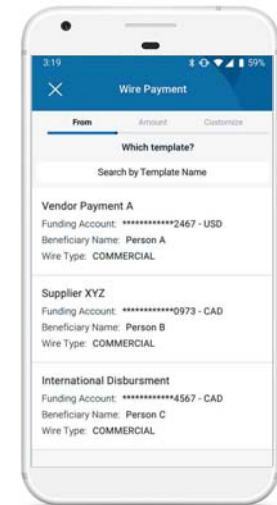
Biometric authentication



Real-time account balances



International wire payments

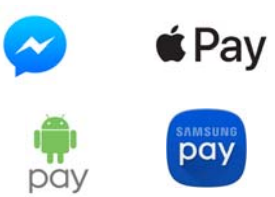





“Bio Authentication” allowing for confirmation of payments with voice, eyes and face



# Extending our partnership strategy

## Established partnership ecosystem

<p><b>BIGTECH</b></p> 	<p><b>FINTECHS</b></p> 
<p><b>CONSORTIA</b></p> 	<p><b>ACCELERATORS / RESEARCH</b></p> 

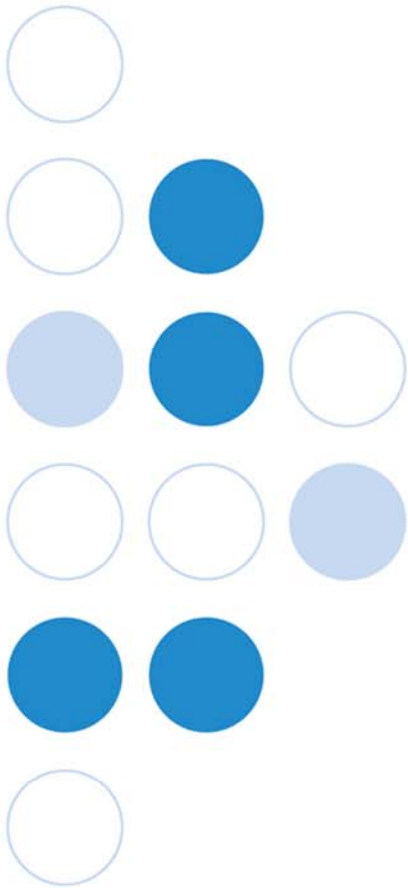
## Investing in partnerships to accelerate value



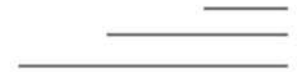
- Open banking partnership
- Enables mutual customers to more easily and securely exchange data
- API portal to transfer information more safely without having to share banking credentials
- Customers control consent and data to share through secure API

## Key takeaways

- 1 Delivering customer and business value
- 2 Technology foundation a source of competitive advantage
- 3 Digital core to BMO's enterprise strategy to accelerate growth across businesses
- 4 Embracing open banking and meeting our customers where they are



# Optimize and Innovate



**Luke Seabrook**

Global Head, Enterprise  
Initiatives, Infrastructure and  
Innovation



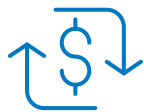
## Continuous optimization of costs, process & resources



Realization of  
**\$1B+ in  
productivity  
benefits** by F2021

Driving bottom-line improvement and creating capacity for investment in strategic revenue growth and innovation

# Optimize enterprise infrastructure



## Procurement

\$200-250 million expected run rate cost savings

- Optimize supplier spend through effective sourcing and demand management strategies that leverage our size and scale, while managing third-party risk
- Straight through automation of our supplier lifecycle
- Partner with suppliers to drive innovation that enhances and transforms BMO's business



## Real Estate

~10%-15% reduction in overall footprint

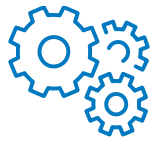
- Transform retail branches and create the workplace of the future to focus on agility, collaboration and responsiveness to customer and employee needs
- Improve efficiency through multiple strategies: consolidations, re-designs, renovations, workplace strategies, sale / leaseback
- Maintain strong focus on environmental sustainability

# Deliver and enable



## Deliver Strategic Initiatives

- Optimize core internal operations, infrastructure and other resources
- Seize opportunities to leverage our IT investments and emerging technologies in innovative ways



## Enable Simplification and Automation

- Streamline end-to-end processes and resources across the organization
- Bring “like work” together to eliminate duplication and create organizational synergies

## Data and AI strategies



- Leverage prior foundational investments in data architecture and infrastructure to enable strategic revenue growth
- Accelerate deployment of capabilities to:
  - Streamline, integrate, simplify and accelerate work
  - Enhance customer and digital experience
  - Augment and enhance our employee experience

## Talent strategies



- Launching employee-led Innovation Fund program
- Align learning streams in Data Science, AI, Cybersecurity and Digi-tech with strategic talent initiatives for recruitment, onboarding, career and rotational programs
- Reskill employees in targeted roles and move them into new, future-focused work
- Develop strategic partnerships with industry leaders, top academic institutions and internal experts, staying ahead of the curve



# BMO Innovation Fund program

## Recent Challenge:

- 3,000+ North American employees
- 2,000+ employee interactions over a one week submission period

The screenshot displays the BMO Innovation Fund program interface. At the top, the BMO logo is visible on the left, and navigation options like 'Go to', 'Inbox', and 'Search' are on the right. Below the navigation bar, there are tabs for 'Home' and 'View Ideas'. The main content area features a large red circular graphic with the text 'Introducing the BMO Innovation Fund' overlaid on a background image of four diverse employees in a meeting. Below the graphic, engagement statistics are shown: 265 IDEAS, 1507 LIKES, 304 COMMENTS, and 2113 VIEWS. A 'View Ideas' button is located to the right of these statistics.

Metric	Value
IDEAS	265
LIKES	1507
COMMENTS	304
VIEWS	2113

## Key takeaways: Optimize & innovate

- 1** Productivity benefits \$1B+ productivity benefits by F2021
- 2** Creating capacity Investment in strategic revenue growth and practical innovation
- 3** Future proofing BMO Create a Bank that is more integrated, more innovative, and adaptable to future trends



# BMO U.S.: Strategic Growth Driver for BMO

**Dave Casper**

CEO – BMO Financial Corp.  
Group Head – North American Commercial Banking

**Steve Taylor**

U.S. Chief Financial Officer

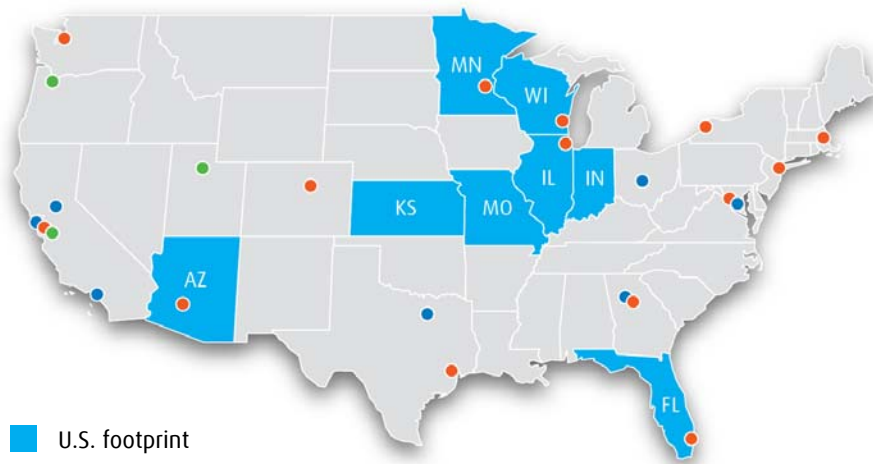
**Ernie Johansson**

Group Head - U.S. Personal & Business Banking



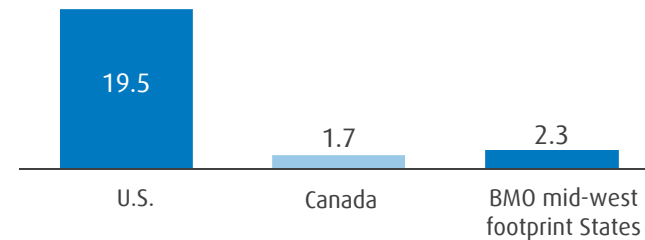
# U.S. Segment: Strategically important for BMO

Core U.S. footprint with an economy the size of Canada



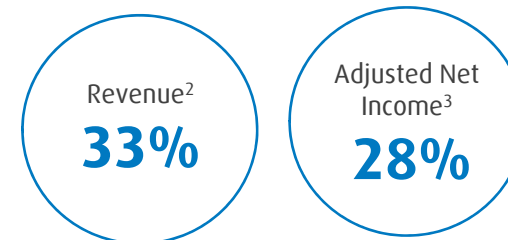
- U.S. footprint
- Commercial Banking offices
- Wealth Management offices
- Capital Markets offices

2017 Nominal GDP<sup>1</sup>  
(US\$ Trillions)



**BMO U.S. contribution significant to total Bank**

YTD Q3 F2018



<sup>1</sup> Source: BMO Economics  
<sup>2</sup> Contribution based on total bank net revenue. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)  
<sup>3</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported net income contribution to BMO is 19%

# Strong growth over last several years

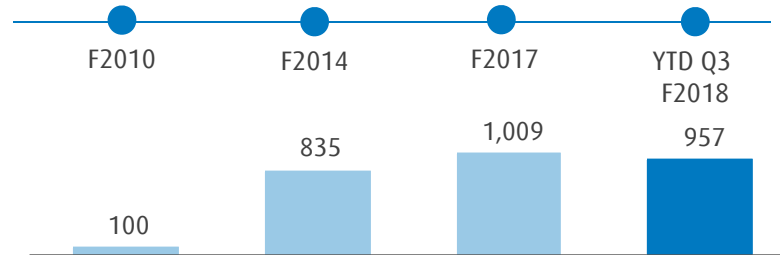
**BMO U.S.**  
In US\$



Transportation Finance  
Greene Holcomb Fisher

Acquisitions have complemented organic growth

**Adjusted Net Income<sup>1</sup>**  
(\$MM)



Net Income contribution to BMO<sup>1</sup> (%)

3%      20%      24%      28%

Revenue (\$B)

2.5      4.7      5.4      4.2

Retail branch coverage

3 States      8 States      8 States      8 States

Assets (\$B)

110      184      202      212

## Strong momentum

Y/Y growth

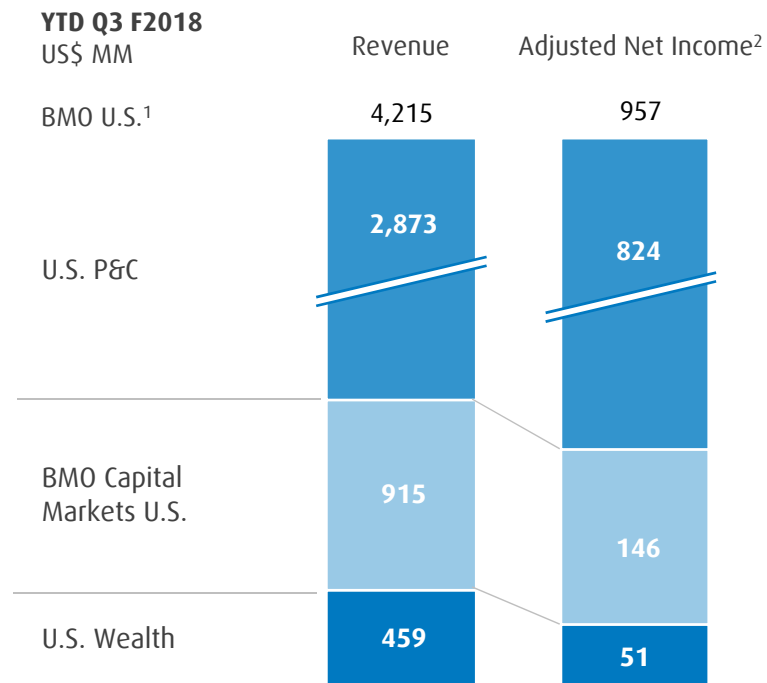
	F2017	YTD Q3 F2018
Revenue	6%	5%
Adjusted PPPT <sup>1,2</sup>	9%	14%
Adjusted Net Income <sup>1</sup>	9%	29%



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported net income (\$78MM, \$766MM, \$927MM, \$546MM) and reported net income contribution to BMO are (3%, 19%, 23%, 19%) for F2010, F2014, F2017 and YTD Q3 F2018 respectively. Reported PPPT growth (13%, 15%) and net income growth (12%, -22%) for F2017 and YTD Q3 F2018 respectively

<sup>2</sup> PPPT refers to Pre-Provision, Pre-Tax earnings; defined as the difference between revenue and expenses

# Diverse portfolio with strong linkages



Strong core capability supported by our One Bank approach

## Referrals

Partner and refer across businesses to deliver clients the right value proposition

## Cross-sell

Deepen relationships and address full spectrum of client needs

## Cross-border

Deliver a seamless North – South experience



<sup>1</sup> Total for BMO U.S. includes Corporate Services

<sup>2</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported net income is \$546MM, \$798MM, \$145MM and \$44MM for BMO U.S., U.S. P&C, BMO Capital Markets U.S., and U.S. Wealth respectively

## U.S. P&C: Strong performance year-to-date

US\$ MM	U.S. P&C YTD Q3 F2018	U.S. P&C Y/Y change <sup>1</sup>	U.S. regional peer group average Y/Y change <sup>1</sup>
Revenue	2,873	8% ↑	5%
Adjusted PPPT <sup>2,3</sup>	1,172	15% ↑	10%
Adjusted Net Income <sup>2,4</sup>	824	31% ↑	28%
Loans (\$B)	75	9% ↑	2%
Deposits (\$B)	69	5% ↑	1%

<sup>1</sup> Calendar YTD Q2 2018 for peers. Peer group: PNC, Key, Fifth Third, Huntington, Citizens, Comerica, SunTrust and Regions. Source: SNL; Y/Y growth for peer group and U.S. P&C adjusted for securities gains and other significant non-recurring items

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

<sup>3</sup> Reported PPPT for U.S. P&C is \$1,137MM and 16% Y/Y change. PPPT refers to Pre-Provision, Pre-Tax earnings; defined as the difference between revenue and expenses

<sup>4</sup> Reported net income for U.S. P&C is \$798MM and 32% Y/Y change

## U.S. P&C profitability metrics: progress and outlook

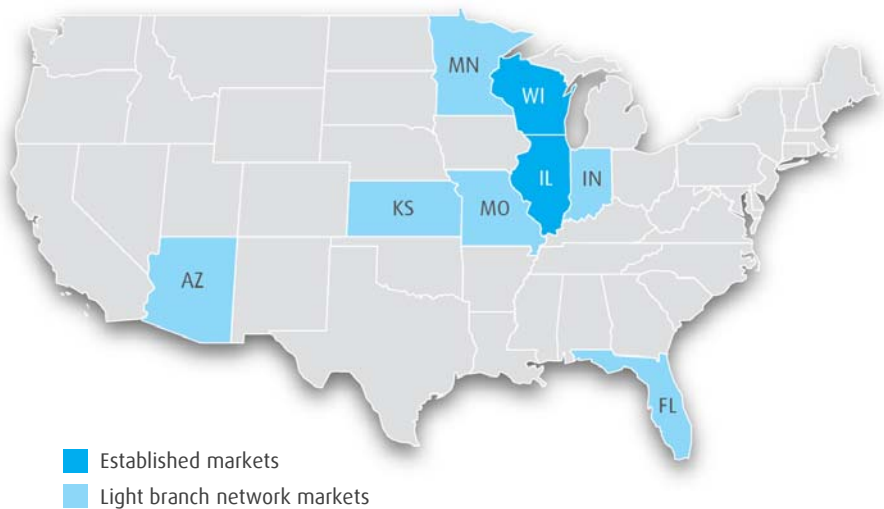
Adjusted financials <sup>1,2</sup>	F2015	YTD Q3 F2018	3-year target
Efficiency ratio	64.8%	59.2%	Mid 50s
ROE	7.7%	11.0%	12% - 13%
ROTE	11.5%	15.7%	16% - 17%

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

<sup>2</sup> Reported efficiency ratio (66.8%, 60.4%), reported ROE (7.2%, 10.7%) and reported ROTe (11.5%, 15.7%) for F2015 and YTD Q3 F2018 respectively



# U.S. P&BB: Serving over 2 million customers across 8 states



**~570**  
Branches

**~60%**  
of U.S. P&C  
deposits<sup>1</sup>

**>40%**  
contribution to  
customer growth  
in U.S. Wealth<sup>1</sup>

**#2**  
Reputation rank  
among U.S.  
banks<sup>2</sup>

Strong deposit contribution, large customer base, valuable brand presence

<sup>1</sup> In F2017

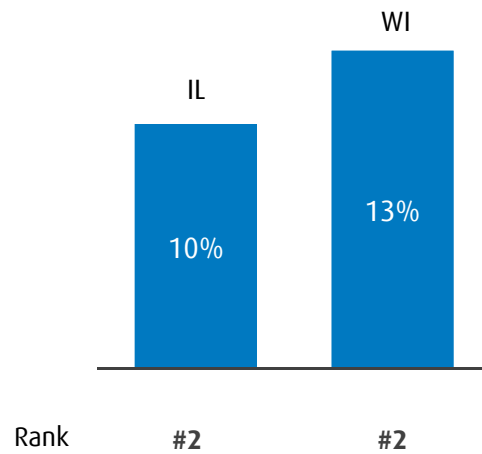
<sup>2</sup> Among customers; source: 'America's most reputable banks 2018' - Reputation Institute survey

# Strong foundational capabilities built over time

## U.S. P&BB

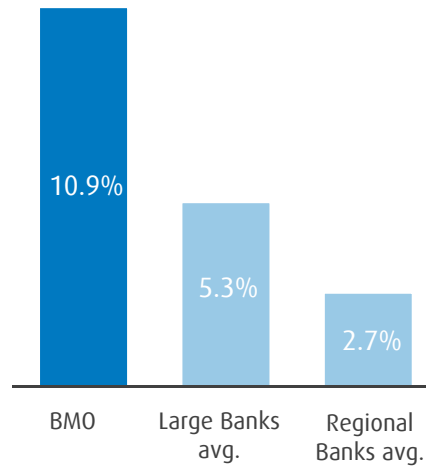
### Leading share

Deposit market share<sup>1</sup> %



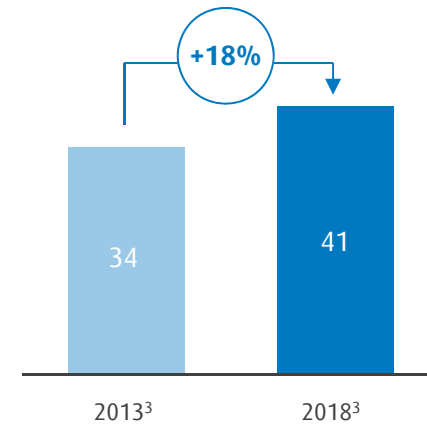
### Continued momentum

Deposit growth<sup>2</sup> Y/Y %



### Attractive customer base

Average deposit balances per HH, \$K

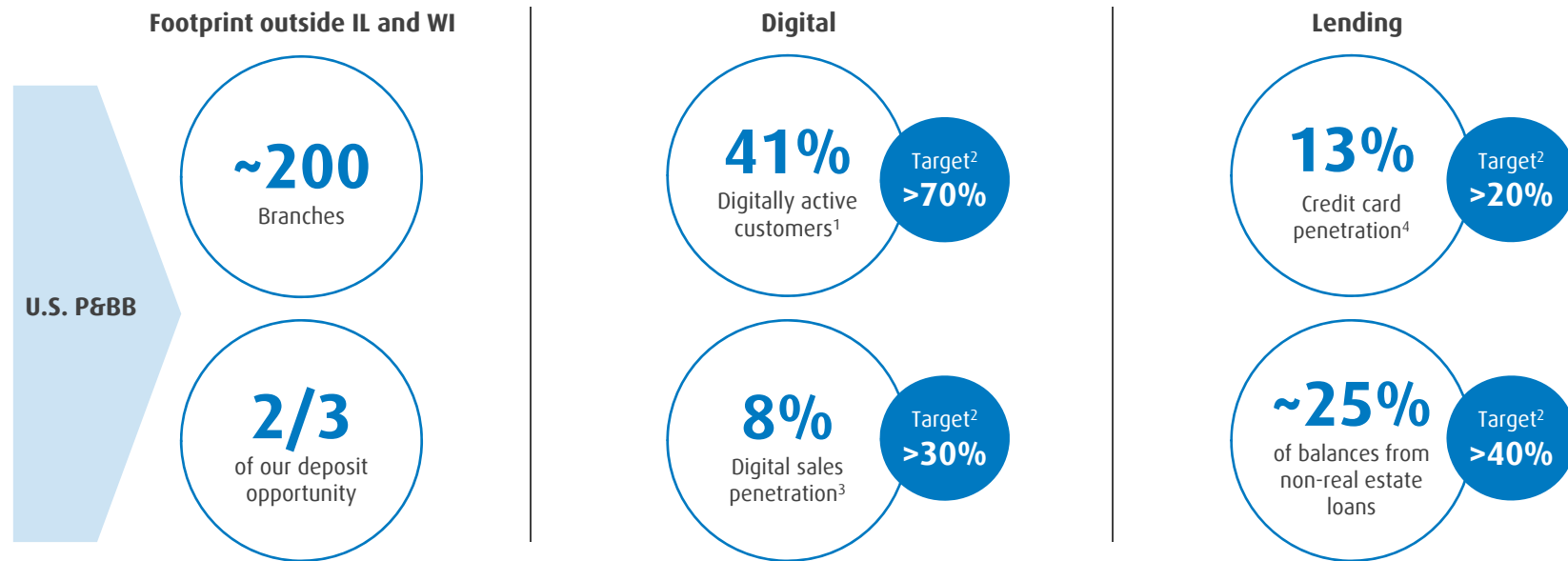


<sup>1</sup> Based on FDIC data for deposit balances as of June 30, 2018

<sup>2</sup> Q3 F2018 for BMO and Q2 2018 for competitors for comparable lines of business. Large Banks include Chase and Bank of America; Regional Banks include US Bank, PNC, Key, Fifth Third and Huntington; source: 10Q reports

<sup>3</sup> As of May 2013 and May 2018

# Targeting highest-value growth opportunities



Build on existing momentum to capture these opportunities

1 Retail deposit customers logging into digital banking at least once in the last 90 days  
2 Targets shown are 5 year targets  
3 Retail accounts opened digitally; for products sold in the digital channel: checking, savings, money market, CD, credit card, mortgage and home equity  
4 Among Personal banking customers

## U.S. P&BB: Strategic pillars

**Deposits:**  
On the offense

In IL and WI, leverage footprint and accelerate digital enablement

In all other footprint markets, a “digital first - branch lite” deposit gathering model

**Business Banking:**  
A market  
leading franchise

Digitization and simplification to accelerate growth

Full personal and business share of wallet through strength of branch and specialized teams

**Consumer  
lending:**  
Increase profitability

In mortgages, a customer responsive approach

In Home Equity / Cards / Unsecured, deepen penetration and broaden portfolio mix

Accelerate digitization shift and enhanced guidance delivery

## Key takeaways: U.S. P&BB 3 year outlook

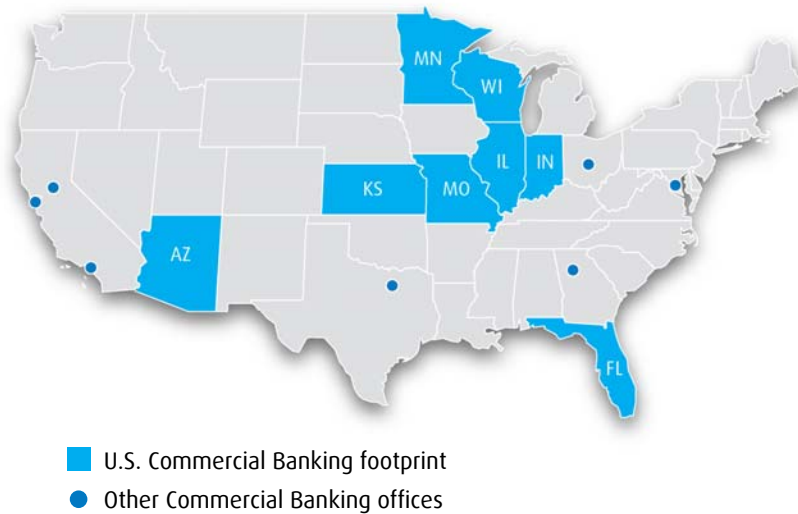
- 1** Revenue growth 6-8% CAGR
- 2** Deposit growth Top-tier deposit growth, with ~50% coming from markets outside IL and WI
- 3** Loan growth 3-4% CAGR, and shift in mix to non-real estate lending
- 4** Digital engagement Strong digital engagement of 50% (and 70% in 5 years)

# U.S. Commercial: Strong performance, diversified presence

## Profile

- 10,000+ clients
- Leading presence in WI and Chicagoland
- One of the largest Transportation Finance (TF) providers
- Top 3 in Mid-Market Sponsor Finance (SF)<sup>1</sup>
- Leading customer loyalty
- Strong cross-border capabilities

## Geographical footprint



## Specialty businesses

- Financial Institutions
- Asset Based Lending
- Food, Consumer & Agriculture
- Dealer Finance
- Institutional Markets
- Commercial Real Estate
- Sponsor Finance
- Equipment Finance
- Sponsor Fund Lending
- Franchise Finance
- Healthcare
- Transportation Finance
- Engineering & Construction

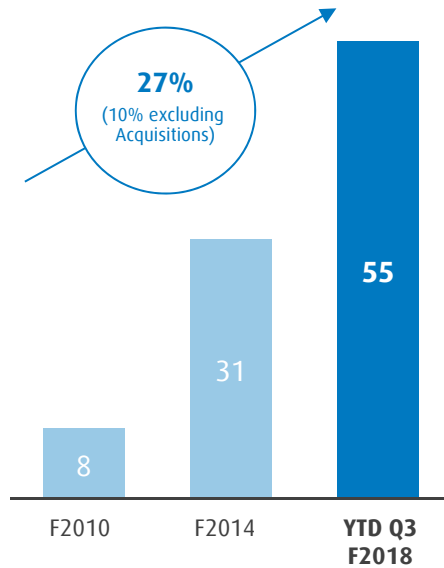
No business represents more than 10% of U.S. P&C loan portfolio

<sup>1</sup> Source: Thompson Reuters – Admin-Agent only, sponsored transactions <\$250MM; Includes acquisitions, dividend recapitalizations, leveraged buyouts, recapitalizations, and takeovers

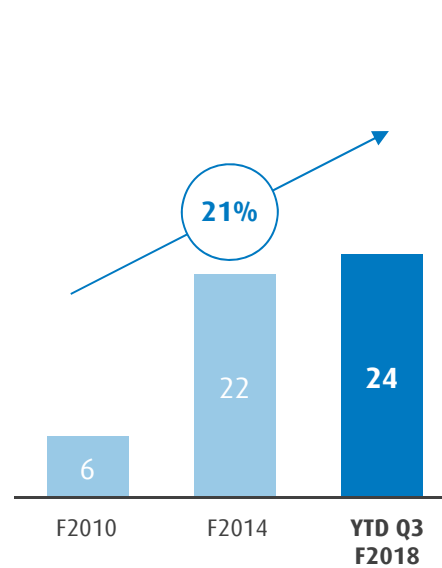
# A leading commercial franchise in the U.S.

## Strong loan and deposit growth...

Average Loan balances, \$B

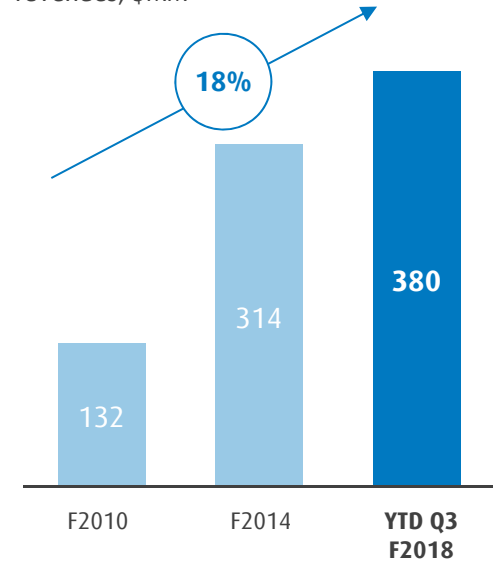


Average Deposit balances, \$B



## ...and deep relationships

Treasury & Payment Services (TPS) - revenues, \$MM

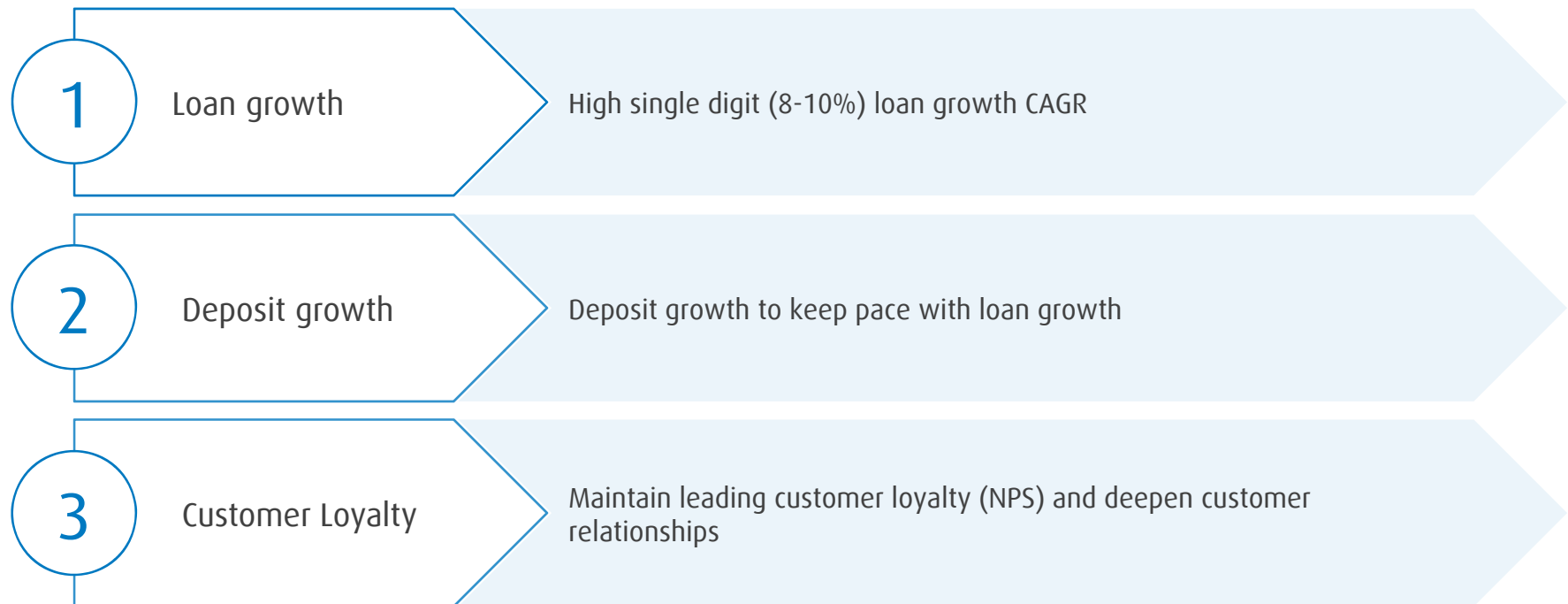


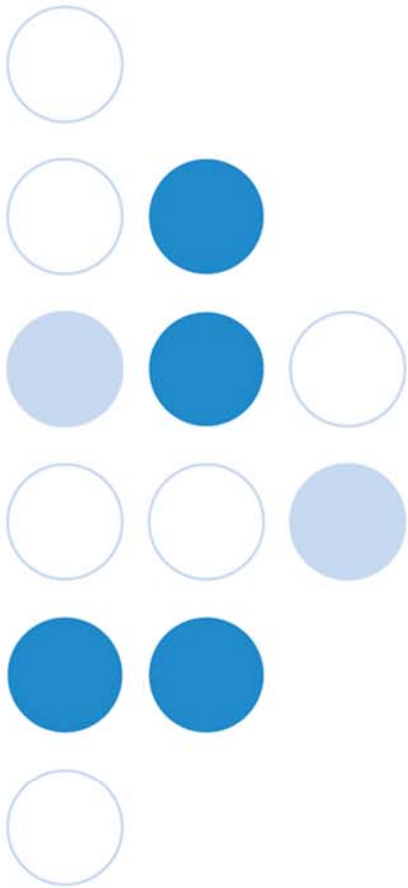
## U.S. Commercial: Strategic pillars

<b>Geographical expansion</b>	High growth geographies	Leverage existing footprint to grow expansion markets (e.g., Minneapolis, Dallas) Selectively expand into new MSAs nationally
	Core market presence	Defend leading market position and deepen relationships in WI and IL
<b>Specialty growth</b>	High growth sectors	Accelerate growth in existing high growth sectors (e.g., Asset Based Lending, Equipment Finance) Selectively expand into new high growth verticals
	Established sector presence	Build on leading market shares (e.g., Transportation Finance, Sponsor Finance, and Financial Institutions)
<b>Deepen relationships</b>	Deposits and TPS	Continue to invest in Treasury and Payment capabilities; target deposit-rich industries
	Collaborate	Deliver BMO's full value proposition to commercial clients through collaboration with Capital Markets and Wealth

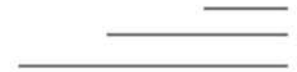


## Key takeaways: U.S. Commercial 3 year outlook





# North American Commercial Banking: A Differentiating Strength



**Sharon Haward-Laird**

Head, North American Treasury and Payment Solutions

**Ray Whitacre**

Co-Head, U.S. Commercial Banking

**Dan Marszalek**

Co-Head, U.S. Commercial Banking

**Christine Cooper**

Co-Head, Canadian Commercial Banking

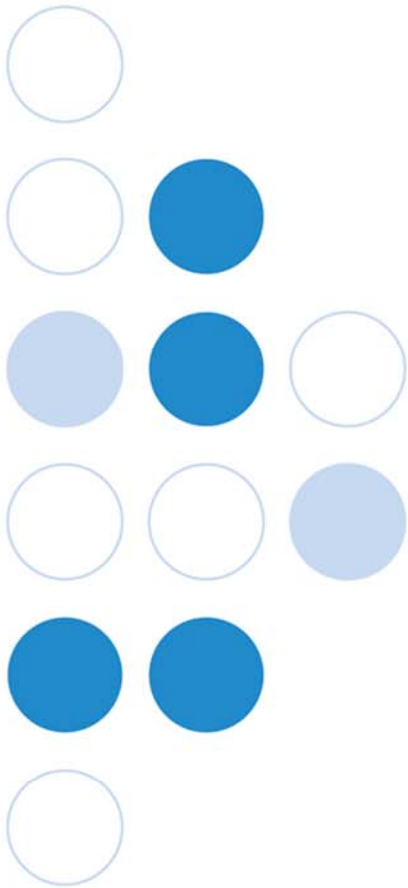
**Nadim Hirji**

Co-Head, Canadian Commercial Banking

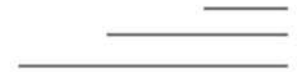


# North American Commercial Banking





# BMO Capital Markets: Advantaged North American Platform



**Pat Cronin**  
**Dan Barclay**

Group Head, BMO CM<sup>\*</sup>  
Co-Head, Global I&CB<sup>\*</sup>

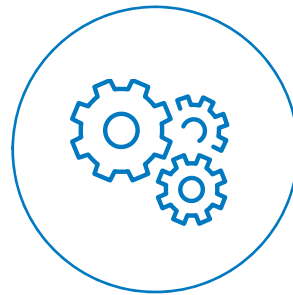
\* Effective as of November 1, 2018, Pat Cronin will assume the role of CRO, BMO Financial Group and Dan Barclay will assume the role of Group Head, BMO CM



## Capital Markets: Strong foundation built for growth



**Franchise Strength**



**Unique Capabilities**



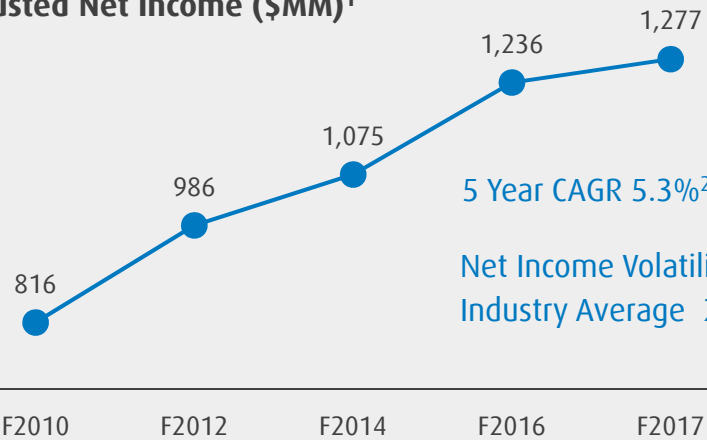
**Accelerating  
U.S. growth**

Delivers steady net income growth

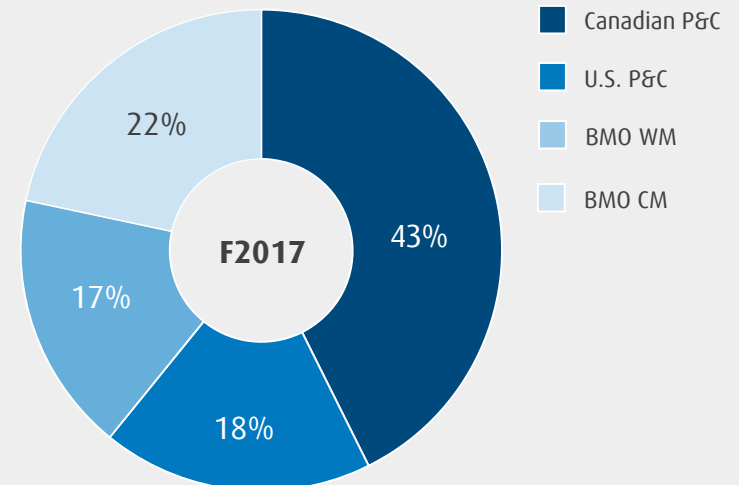
# Steady net income contributor

## Capital Markets

### Adjusted Net Income (\$MM)<sup>1</sup>



## Contribution to BMO<sup>1,5</sup>



1 Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported net income for F2010: \$816MM; F2012: \$985MM; F2014: \$1,074MM; F2016: \$1,235MM; F2017: \$1,275MM. Contribution to BMO (reported) in F2017 for Canadian P&C: 43%; U.S. P&C: 18%; BMO WM: 17%; BMO CM: 22%

2 5-year Compound Annual Growth Rate from F2012 to F2017

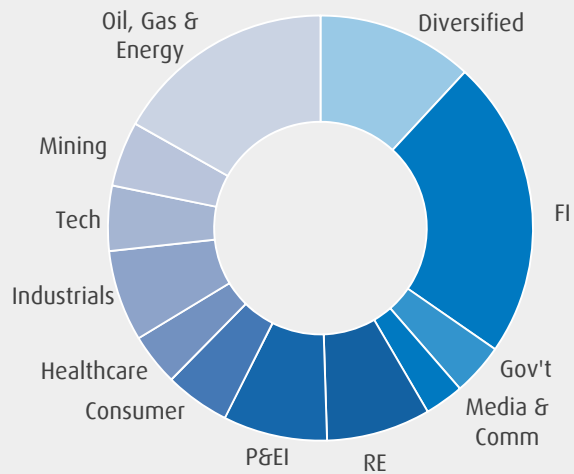
3 Net Income Volatility 17% is calculated as quarterly volatility for the period Q1'13 - Q3'18

4 Industry Average includes: BNS, CIBC, NBF, RBC and TD for the period Q1'13 - Q3'18

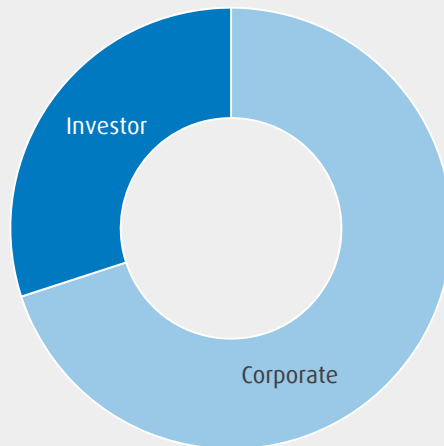
5 Operating Net Income excludes Corporate Segment

# Well diversified business

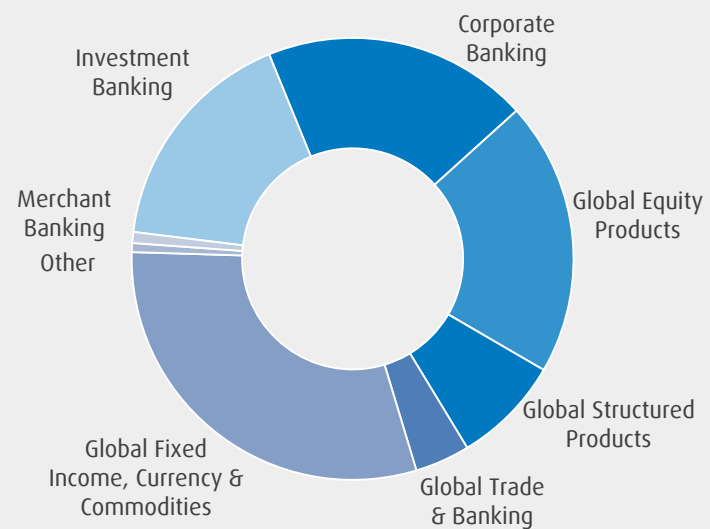
Sectors<sup>1</sup>



Client Type<sup>1</sup>



Product Type<sup>2</sup>



<sup>1</sup> As a % of F2018 YTD revenue, excluding non-client revenues  
<sup>2</sup> As a % of F2017 revenue

# Strong Canadian franchise with unique capabilities

**GLOBAL FINANCE**

World's Best Metals & Mining Investment Bank (2010-2018)

**#2**

M&A (2012-2017)

**CB NPS**  
**66**  
(2018)



**Structured Retail Products**

Best House in Canada 2018

**#1**

Equity Research Franchise Canada (2018)

**82%**

Employee Engagement

**#1**

Equity & Fixed Income Futures Clearing

**FX-Week**

Best Bank for the Canadian Dollar (2011-2018)

**#2**

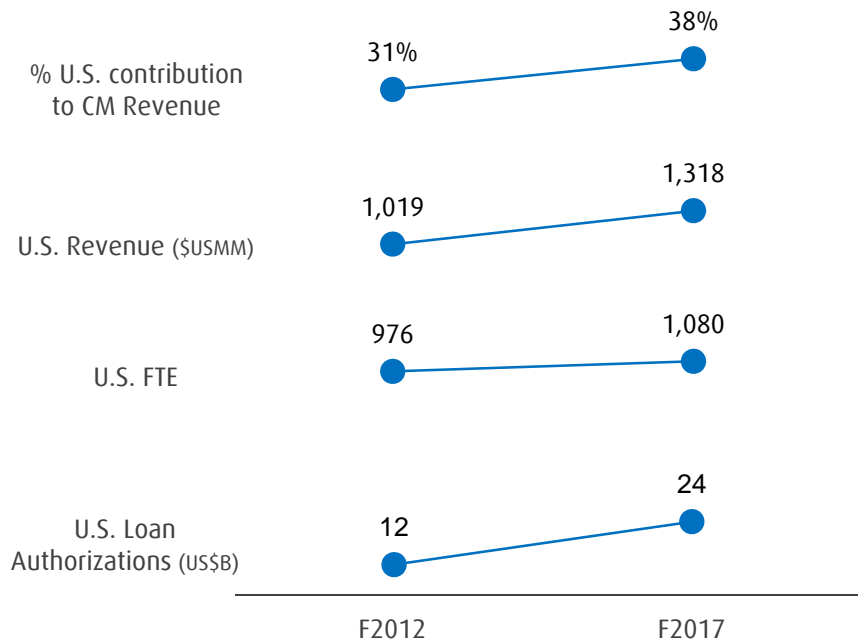
ECM (2012-2017)



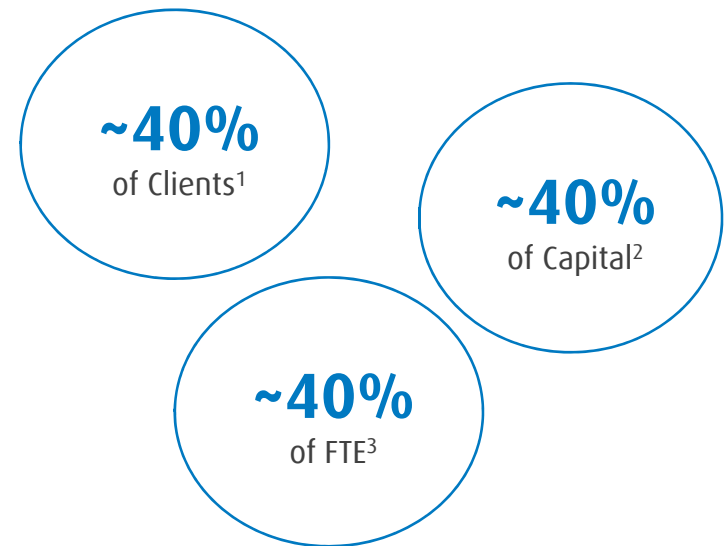
World's Best Greenwich Quality & Share Leaders in Institutional Equities (2018)



# Established scalable U.S. platform



## U.S. Commitment

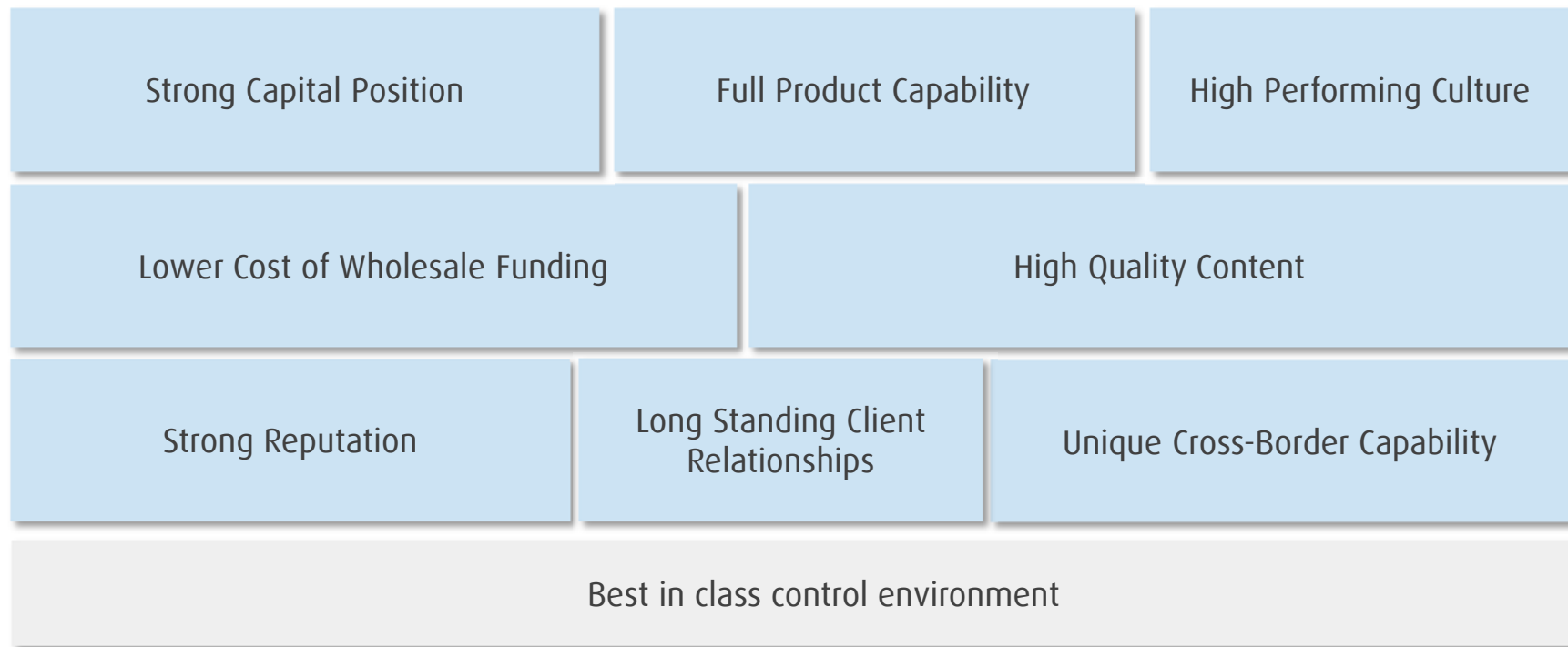


<sup>1</sup> % of revenue generating entities domiciled in the U.S. (as of August 31, 2018)

<sup>2</sup> U.S. Capital as a % of Total (as of July 31, 2018)

<sup>3</sup> U.S. FTE as a % of Total (as of July 31, 2018)

## Differentiating strengths driving competitive advantage



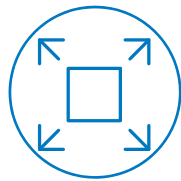
# Accelerating U.S. growth and performance



**Increase  
Client  
Footprint**



**Expand  
Balance  
Sheet**



**Broaden  
Product  
Capabilities**



**Need to  
Lead  
Strategy**



**Hire Strong  
Talent**



**One Bank  
Alignment**

Build & strengthen client relationships

## Key takeaways: 5 year aspirations

- 1 U.S. Market Share Double
- 2 U.S. Revenue Contribution 45 – 50%
- 3 U.S. Revenue Growth ~10% CAGR
- 4 Total CM Efficiency <60%

**Goal: Top 10 North American Investment Bank**



# BMO Wealth Management: Accelerating Our Growth Trajectory



**Joanna Rotenberg**

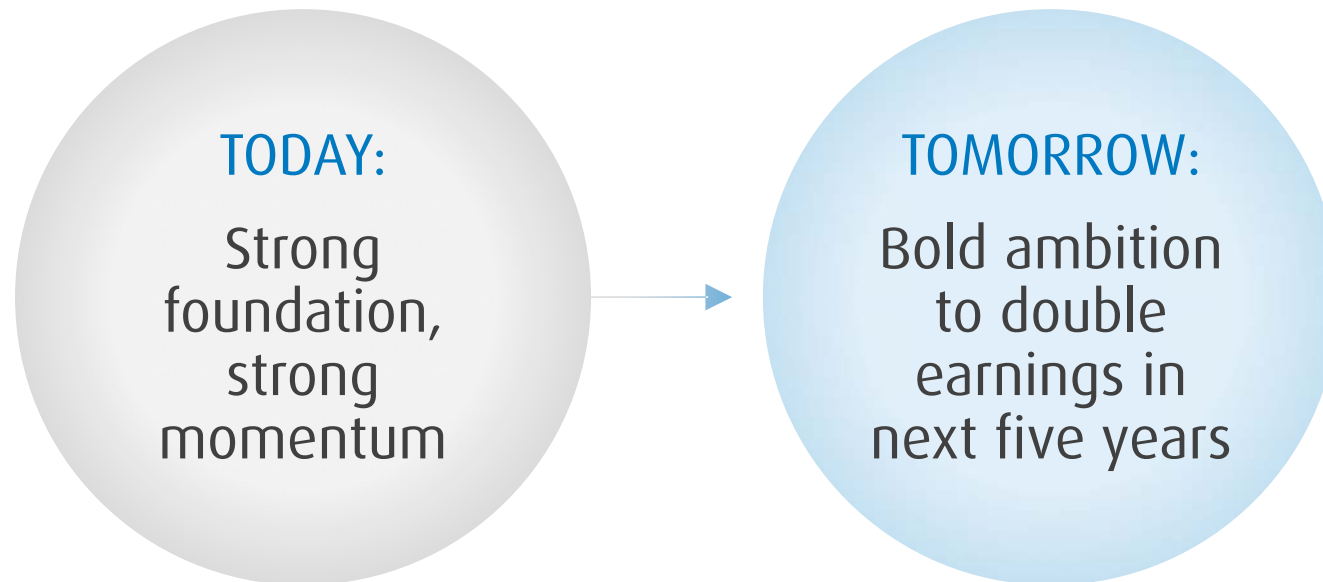
Group Head, Wealth Management

**Gilles Ouellette**

Group Head, BMO Asset Management

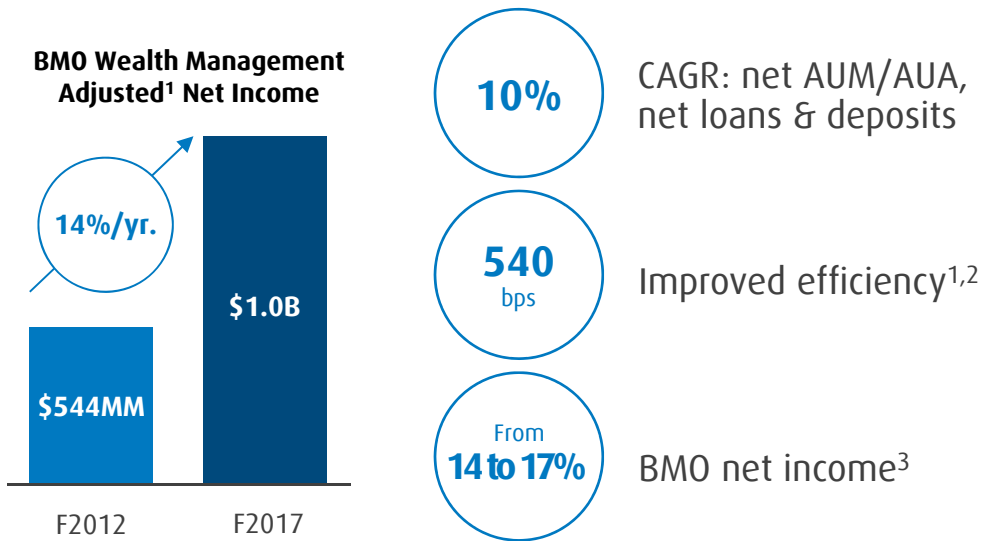


## BMO Wealth Management: Key takeaways

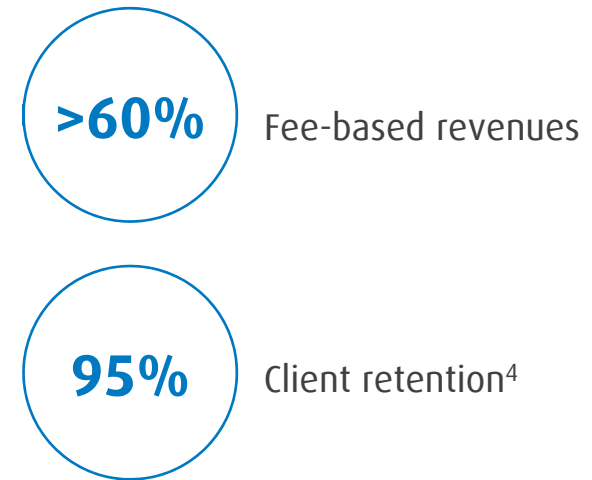


# Wealth Management: Strong and stable growth engine

Strong momentum...



...and stable business



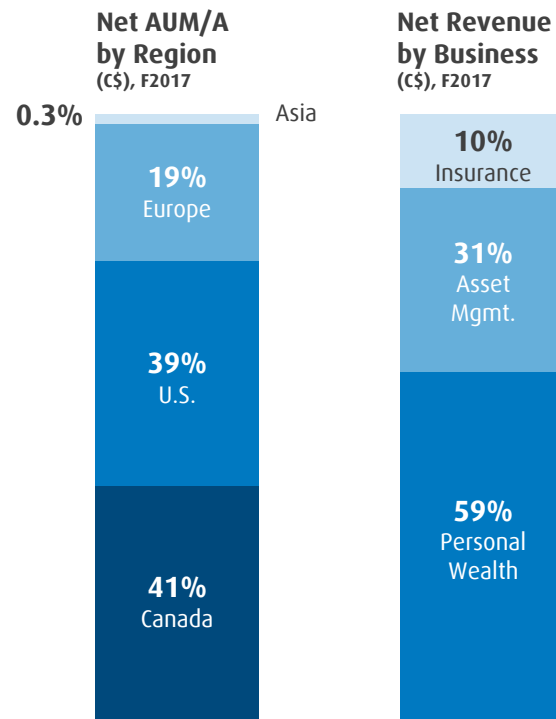
<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. F2012 Reported net income \$527MM; reported efficiency ratio 76.4%. F2017 reported net income \$967MM; adjusted net efficiency ratio 71.7%

<sup>2</sup> Efficiency ratio based on net revenue. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

<sup>3</sup> Total bank adjusted net income; excludes Corporate Services

<sup>4</sup> Personal Wealth and Assurance only (ex. Creditor and Travel Insurance, Asset Management), F2017 vs. F2016

## Well diversified...



## ...and well positioned

### Strong market position

- Private Banking<sup>1</sup>: Leading AUM, #2 in banking share
- ETFs<sup>2</sup>: #2 share in Canadian market
- BMO Nesbitt Burns<sup>3</sup>: Top 2 revenue, top 3 assets
- BMO InvestorLine<sup>4</sup>: Top 3
- U.S. Private Client<sup>5</sup>: Top 25

### Winning with clients

- InvestorLine #1 in investor satisfaction, 2018
- BMO Nesbitt Burns recognized for client satisfaction, 2018
- Best Private Bank Canada, 8 consecutive years



### Engaged teams

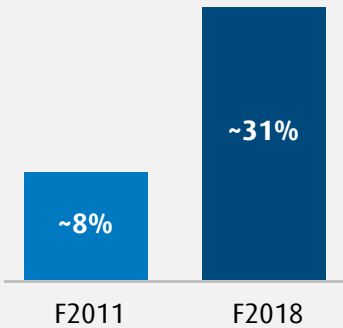
- 82% employee engagement<sup>6</sup>



# Culture of client-focused innovation

First Canadian Bank to launch ETFs

BMO ETF Market Share<sup>1</sup>



19 Funds & ETFs awarded for outstanding performance

Early adopter - unique digital advice platforms



Only Canadian platform of its kind



First bank-owned firm to launch

Projected \$40B+ assets in Canadian online advice market by 2023<sup>2</sup>

Innovator in Responsible Investing

Europe's 1<sup>st</sup> ethically screened strategy

Founder Signatory: UN Principles for Responsible Investment

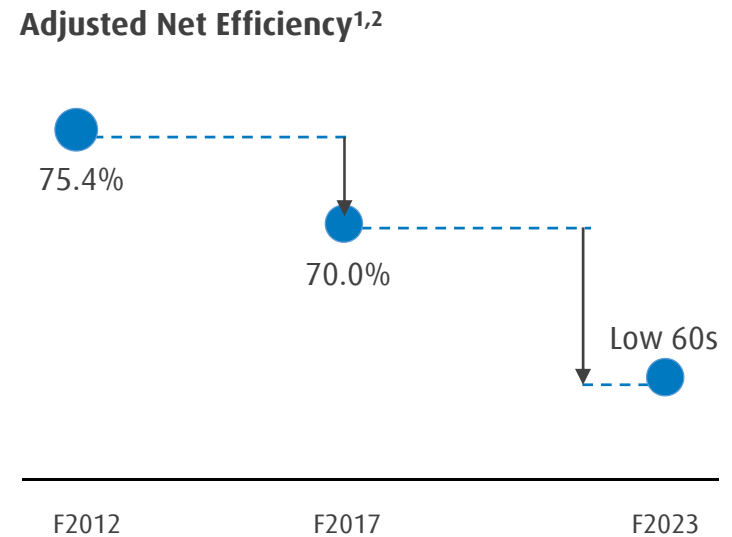
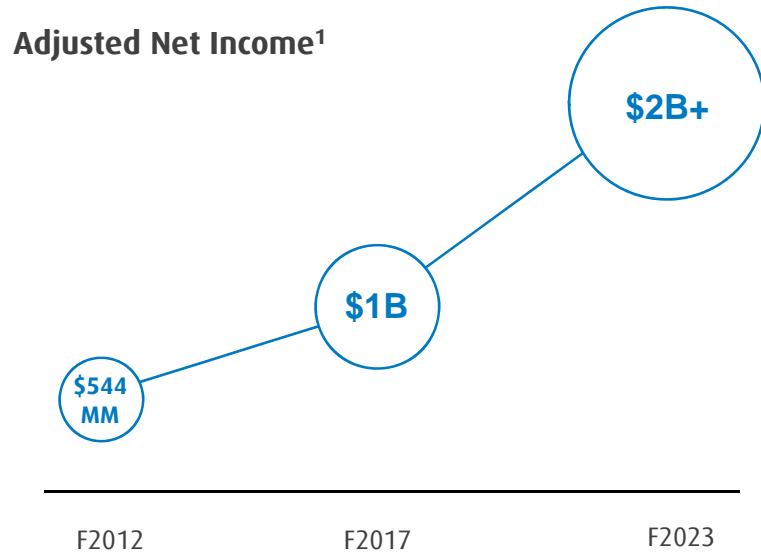
A+ Rating by UN Principles for Responsible Investment

<sup>1</sup> Morningstar Direct; as of July 2018  
<sup>2</sup> Investor Economics 2017 Household Balance Sheet Report

# Bold ambition moving forward

Accelerating earnings growth

Driving scale benefits



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. F2012 reported net income \$527MM; reported efficiency ratio 76.4%. F2017 reported net income \$967MM; reported efficiency ratio 71.7%

<sup>2</sup> Efficiency ratio based on net revenue. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

# Personal Wealth: Clear 5 year strategic roadmap to win

## Value Proposition:

Make a meaningful difference in the lives of our clients, by working together to grow, protect and transition their wealth with confidence

1 Differentiate with top growth segments

2 Build 'One Team' to bring the best of BMO to all clients

3 Make it Easy for our clients and teams

5 Grow responsibly by managing efficiency and risk

4 Accelerate growth of our U.S. Wealth business



# 1 Differentiating with top growth segments



## Business owners



## Ultra HNW



## Women



## Cross-border



## Next Generation

	Business owners	Ultra HNW	Women	Cross-border	Next Generation
<b>Our competitive advantage</b>	<ul style="list-style-type: none"> <li>• Top 2 loan share in Canadian Business Banking<sup>1</sup></li> <li>• Leading U.S. Commercial franchise</li> <li>• Best Private Bank for Entrepreneurs in North America<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Leading Canadian Private Bank AUM<sup>3</sup></li> <li>• Strength in BMO Nesbitt Burns</li> <li>• U.S. / Asian Private Bank</li> <li>• Strong global Capital Markets platform</li> </ul>	<ul style="list-style-type: none"> <li>• Two time Catalyst award winner</li> <li>• Strong thought leadership and partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Strong North American platform</li> <li>• Cross-border banking solutions for HNW clients</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative digital investing platforms</li> </ul>
<b>Our next act</b>	<ul style="list-style-type: none"> <li>• World-class partnership with Commercial Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Build out our differentiated Ultra HNW platform</li> </ul>	<ul style="list-style-type: none"> <li>• Entrench brand leadership position and grow our base</li> </ul>	<ul style="list-style-type: none"> <li>• Scale up operating model</li> <li>• Extend capabilities &amp; market coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Extend digital advice</li> <li>• Deepen inter-generational relationships</li> </ul>

## 2 Strong track record of collaboration

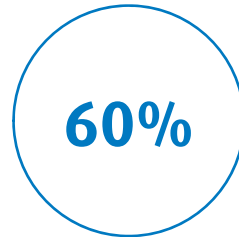
### Across Businesses



Closed referrals<sup>1</sup>  
between Canadian  
Wealth and Canadian  
Personal & Business  
Banking

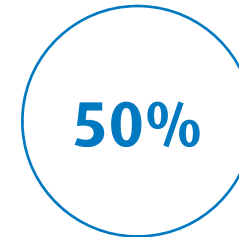


Wealth branches  
co-located with  
Business Banking

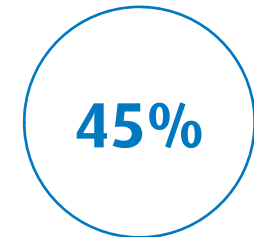


BMO Nesbitt Burns  
branches with  
dedicated Banker  
in place

### Across Borders



Increase in BMO  
Canadian client  
investments with  
U.S. Wealth<sup>2</sup>



Increase in cross-  
border home lending<sup>2</sup>

## 2 Building One Team to Win

Strong collaboration today...with great opportunity ahead

Building a world-class partnership with Commercial

400M+

North American commercial client base<sup>1</sup>...

<40M

...that are BMO Wealth Management clients today

Helping our HNW clients



~16,000

HNW Nesbitt households without a BMO banking relationship



~25,000

HNW U.S. Personal clients without a BMO Wealth relationship

One team

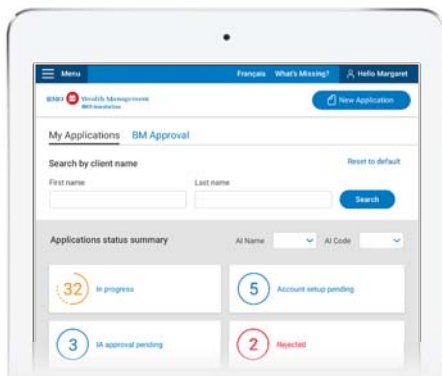
Specialized offers

Relationship pricing

Co-location

### 3 Making it Easy through continued technology investment

#### Simplified, digitized processes Client on-boarding



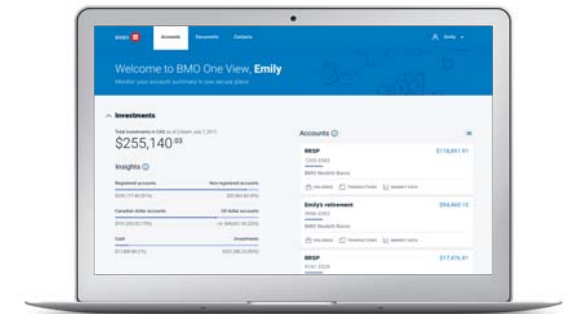
- Reduced number of forms by 90%
- Funding accounts 4 days faster<sup>1</sup>
- ~50% of new accounts e-signed<sup>2</sup>

#### Digitally-enabled client experiences WealthPath financial planning



- Dynamic, goals-based platform
- Easily explores multiple scenarios
- Clients can explore their plan online

#### Using data to deepen relationships Customer 360



- 360 degree client view
- Personalized recommendation capabilities

## 4 Accelerating growth in U.S. Personal Wealth

Well positioned for growth

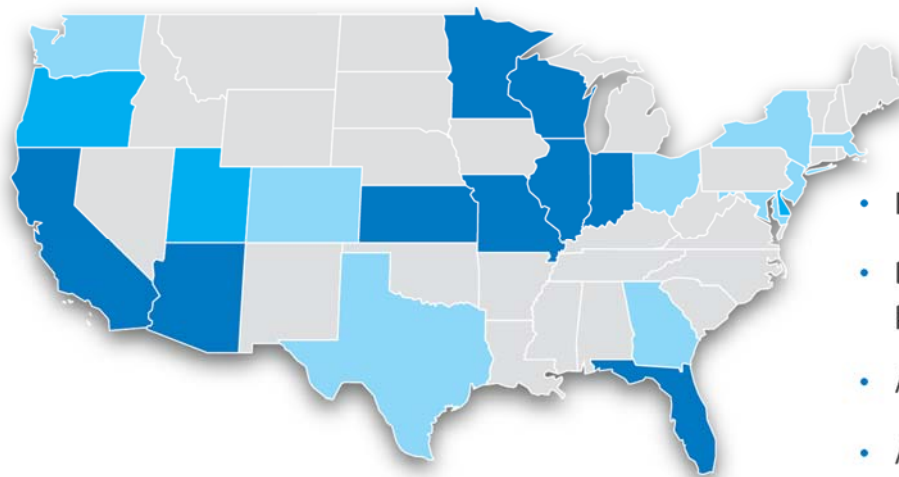
**12%**

Adjusted<sup>1</sup> Net  
Income CAGR  
(F2015-F2017)

**400+ bps**

Adjusted efficiency<sup>1,2</sup>  
improvement  
(F2015-F2017)

Clear strategic priorities



- Expand market presence
- Deepen Commercial/Wealth partnership
- Advance digital agenda
- Accelerate banking growth

■ Wealth + U.S. Commercial or BMO CM Presence ■ Wealth Presence ■ U.S. Commercial or BMO CM Presence



## BMO GAM: A globally significant asset manager



Globally organized around product, distribution, operations, and technology

11 consultant-credible investment specializations

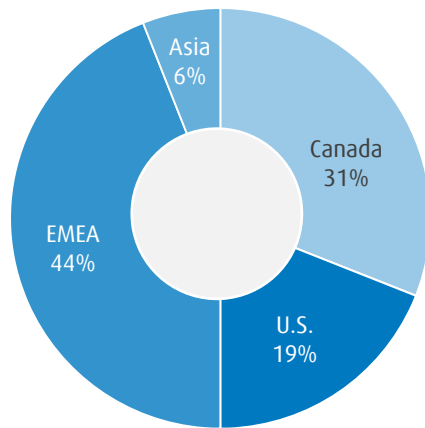
Manufacturing concentrated in 4 global centres

Distribution in 20+ offices

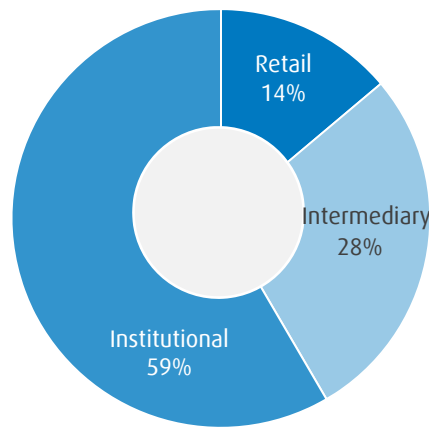
# Well diversified across geographies, channels, and asset types

**BMO GAM AUM, YTD Q3 F2018**  
(% of total)<sup>1</sup>

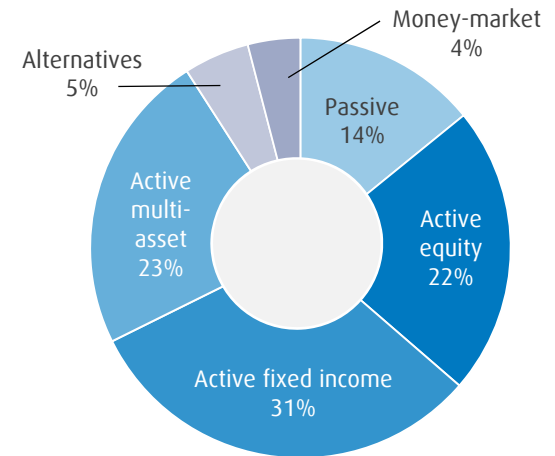
**Client location**



**Channel segment**



**Investment type**



<sup>1</sup> Client location as of August 2018; Channel segment as of August 2018; Investment type as of December 2017

# Award-winning global products for clients around the world

## Leading European Liability Driven Investments Manager

- \$160B liabilities managed
- 70+ consultant buy ratings
- 485+ client mandates



**\$700B**

Opportunity in Canada<sup>1</sup>

## Globally recognized Environmental, Social and Governance Offering

- 15** Professionals dedicated to responsible investing
- A+** Rating by UN Principles for Responsible Investment



**\$10T USD**

ESG AUM in North America<sup>2</sup>

## First Canadian bank to launch Exchange Traded Funds

- #2 in Canadian market share at 31%<sup>3</sup>
- #1 in sales for the past 5 years<sup>3</sup>
- Tested ETF programs in Asia and Europe; plan to export globally



**\$4.6T USD**

ETF AUM globally<sup>4</sup>

<sup>1</sup> Source: Bank of Canada, "Large Canadian Public Pension Funds: A Financial System Perspective"

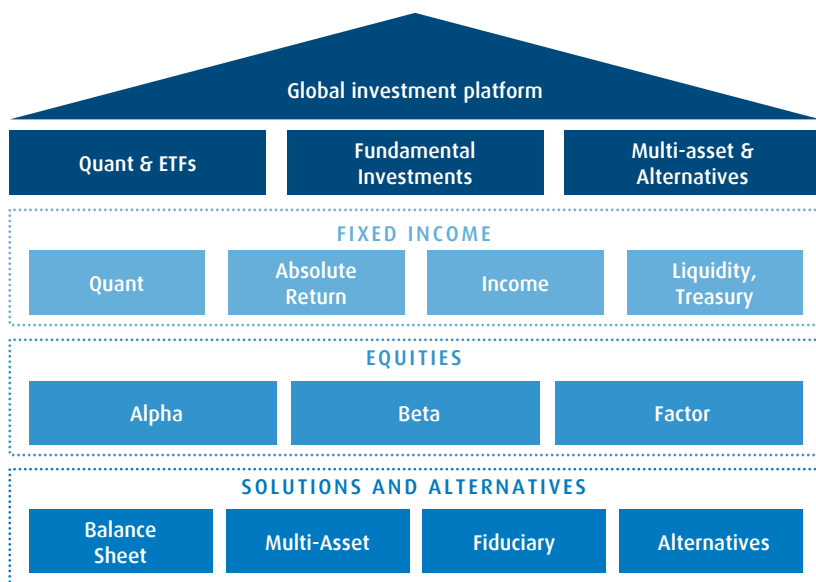
<sup>2</sup> Source: Global Sustainable Investment Alliance

<sup>3</sup> Morningstar Direct, as of July 2018

<sup>4</sup> BMO ETF Outlook 2018

# Investments aligned to growth areas; consistently strong performance

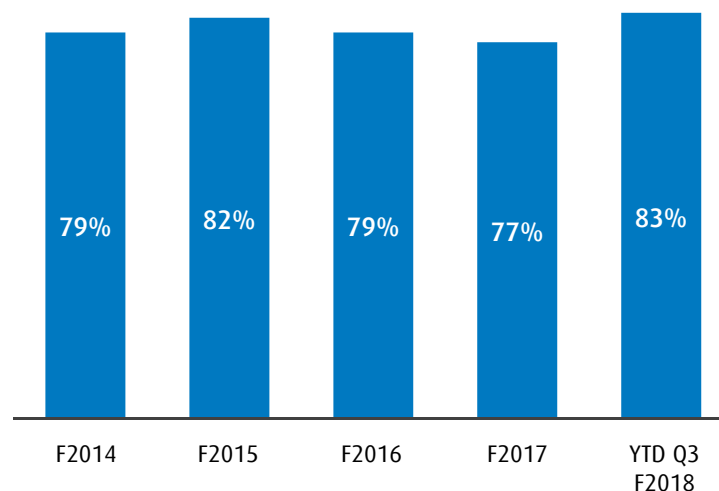
## Investments Platform



## Excellent Performance

### BMO GAM performance<sup>1</sup>

(% of funds meeting or beating the 5 year benchmark)



<sup>1</sup> Represents average performance of BMO GAM funds and individually managed Institutional accounts in our global regions as at Q3 2018, including Canadian ETF funds, weighted by AUM. Each benchmark is established by the investment manager and is consistent with client disclosures. Excludes funds that do not have a pre-determined benchmark or a track record of 5 years of performance. Source: BMO GAM

# Utilize our strengths to continue to grow the business

## Strengths



Distributing global products to clients worldwide



Investment excellence

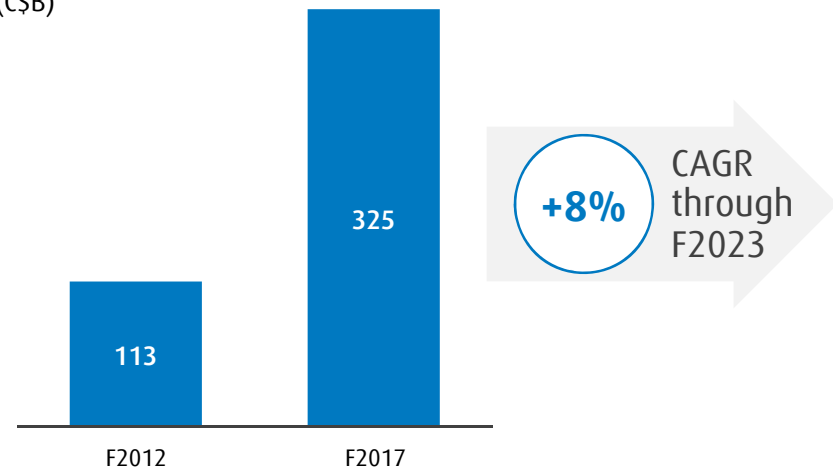


Global platform



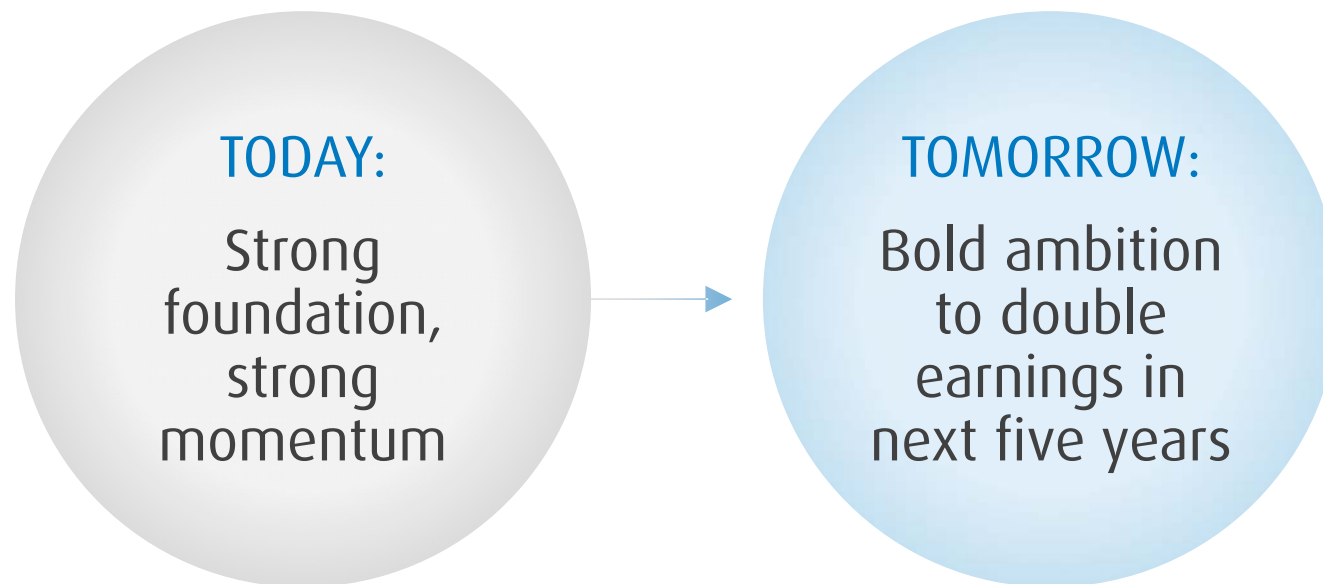
## Growth Trajectory

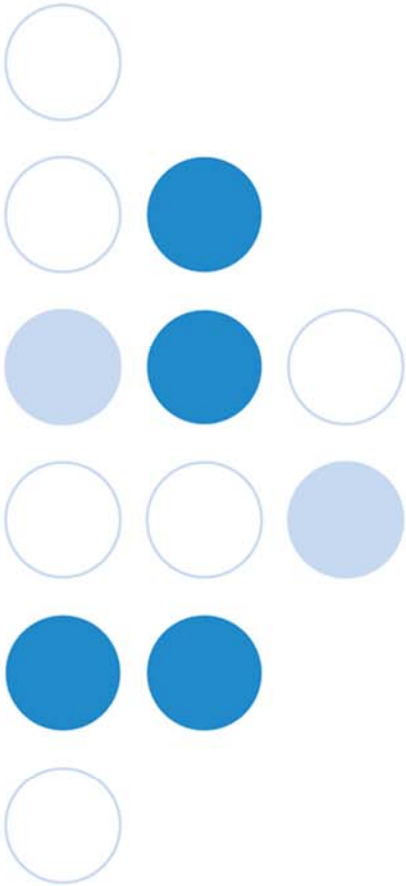
**BMO GAM AUM**  
(C\$B)



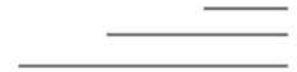
Net new assets grew by 107% Y/Y (July 2018)

## BMO Wealth Management: Key takeaways





# Canadian P&C: BMO's Flagship Business



**Cameron Fowler**

President, North American  
Personal & Business Banking

**Andrew Irvine**

Head, Customer Solutions,  
Canadian Personal & Business Banking

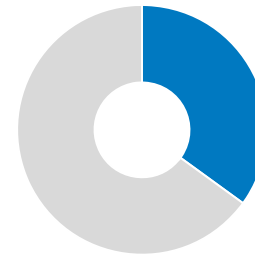


# Canadian P&C: Flagship business for BMO

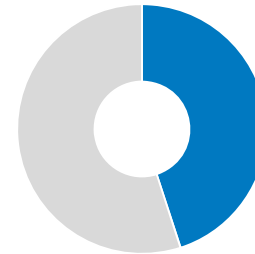
Highly attractive

Important driver of total bank performance

	F2017
Customers	8MM
Revenue	\$7.4B
Net Income	\$2.5B
ROE	29.9%



**35%**  
of total operating group revenue<sup>1</sup>



**43%**  
of total operating group net income<sup>2</sup>

**Positive operating leverage in 10 of the past 11 quarters<sup>3</sup>**

<sup>1</sup> F2017 percentage on an adjusted and reported basis, based on net revenue excluding Corporate Services. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

<sup>2</sup> F2017 on an adjusted and reported basis. Excludes Corporate Services

<sup>3</sup> Excludes Moneris gain in Q1 F2017



## Bold aspirations for our business over five years

Top-tier net income growth

**7-8% Net Income CAGR**

Market-leading efficiency ratio improvement

**Efficiency ratio <45%**

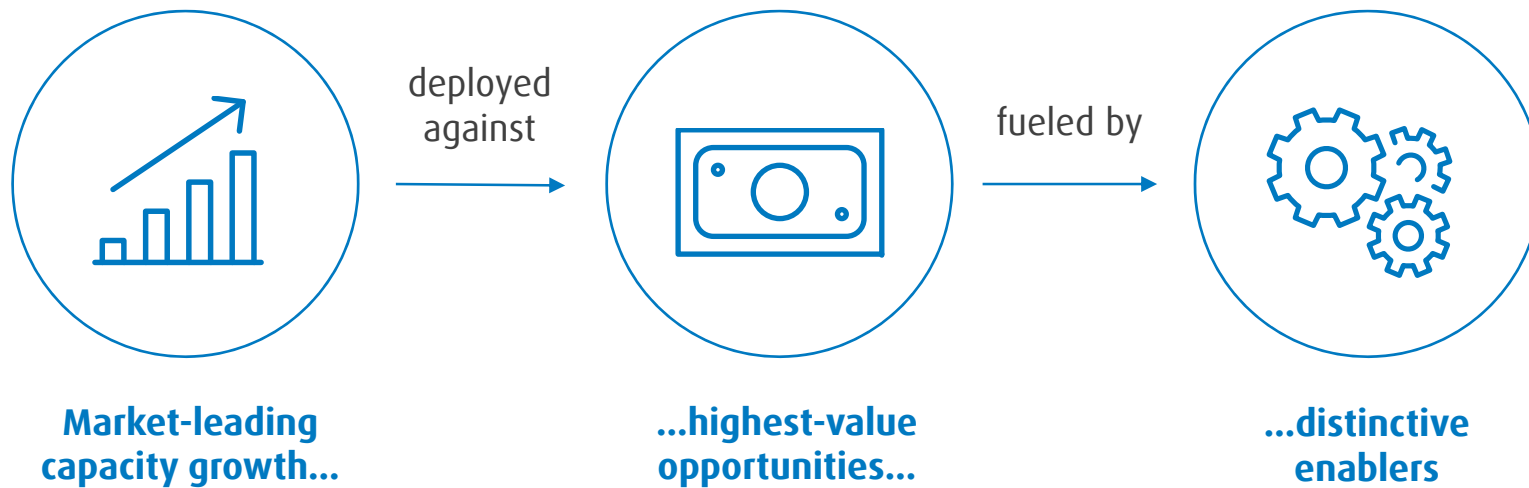
Top-tier customer franchise growth in Personal

**1 million net new customers**

Double-digit growth in Commercial

**10% Net Income CAGR**

## Consistent formula to drive our strategy



## Personal: Strong foundation for growth

- **7+ million** customers and **900+** branches
- **Largest** Mastercard® and AIR MILES® issuer in Canada
- **Top-tier** premium travel rewards card
- **Top-tier** digital sales performance
- **Official** bank of the Canadian Defence Community
- **Official** bank of Toronto FC and Montreal Impact



# Well-positioned to lead in a more digital future

Undergoing a customer-led shift from physical to digital...



BMO's service transactions via digital, self-service



BMO's growth in digital sales mix since F2015

...and have built distinctive capabilities in the areas critical to win

## Digital and Partnerships

- Top-tier digital sales (25% of total)
- #1 rated mobile banking app in App Store<sup>1</sup>

## Offers and Marketing

- Innovative offer portfolio and pipeline
- Robust digital marketing (cost per acquisition ~1/3<sup>rd</sup> better over 3 years)

## Data and Analytics

- Single view of full customer relationship ("Customer 360")
- Leads Engine driving value from offers

# Clear strategy in Personal to add 1MM customers over five years

**Market-leading capacity growth...**

deployed against



**...highest-value opportunities...**

fueled by



**...distinctive enablers**



## **Grow salesforce capacity by 50%**

- Aggressively hire specialist roles (~150 in F2019)
- Drive productivity improvements via digital enablement



## **Drive leading growth focused on primary relationships**

- “Anchor” products: Deposits, Payments (including Unsecured Lending)
- Customer segments: Defence Community, New Canadians, Bank at Work



## **Leverage critical enablers needed to win in the future**

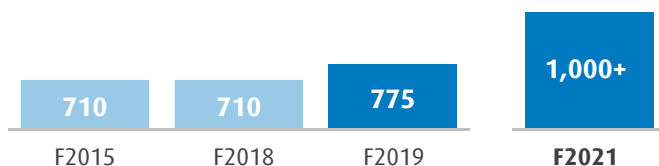
- Digital and Partnerships: 50% sales, 70% adoption
- Offers and Marketing: 50% increase in marketing investment, 70% digital
- Data and Analytics: Double revenue from data-driven offers



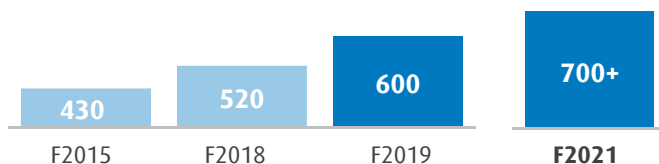
# Growing Personal capacity by 50%

Aggressively hiring specialist sales roles...

**Financial Planners + Associates**  
# FTE



**Mortgage Specialists**  
# FTE



...and driving individual productivity via digital enablement

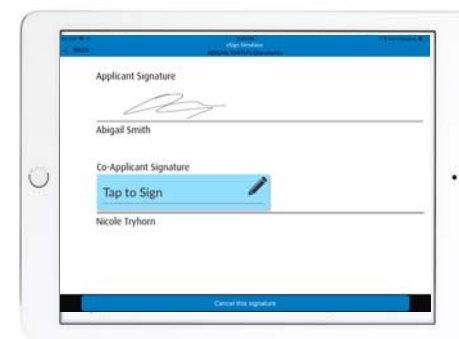
## Onboarding platform

Tailored customer conversations



## E-Signature

Straight-through processing



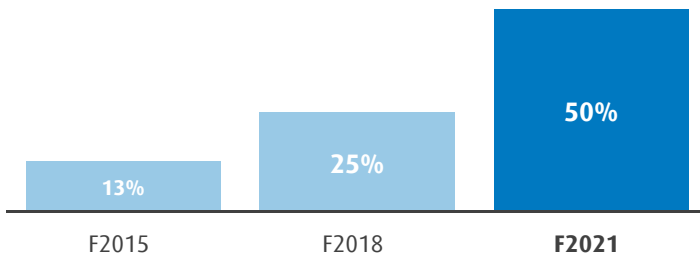
14%

Branch salesforce appointments up Y/Y in F2018

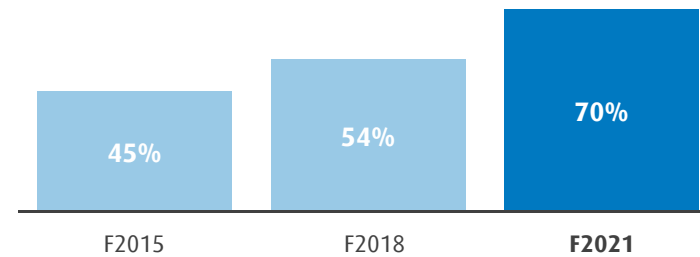
# Accelerating top-tier digital sales, driving engagement



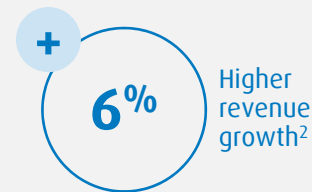
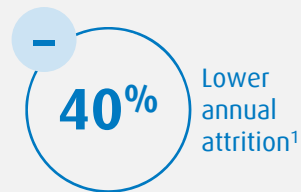
**Digital sales penetration**  
% of total units



**Digital adoption**  
% of customers



Our most valuable customers are digital



<sup>1</sup> Percent difference in the annual attrition rate for digital customers vs. non-digital customers

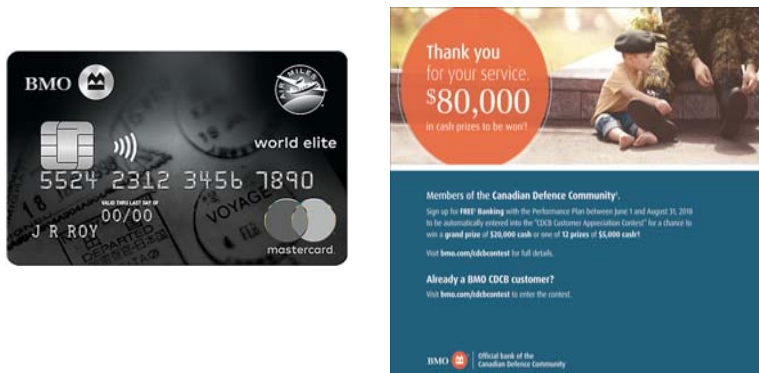
<sup>2</sup> Based on internal analysis. Revenue growth measure 6 months post digital registration

<sup>3</sup> Reduction from YTD Q3 F2015 to YTD Q3 F2018 in cash withdrawals, deposits, funds transfers and bill payments conducted with person inside branch or on the phone with a live agent

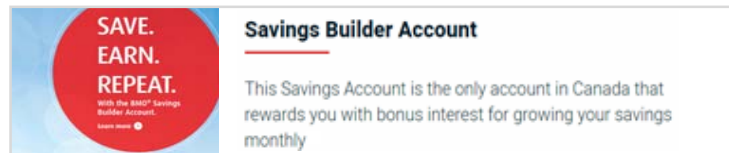
# Developing leading offers and investing more in marketing



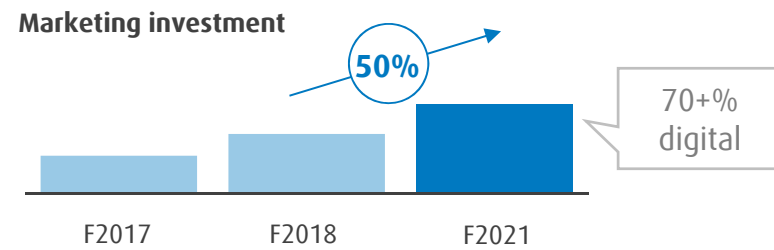
Track record of innovative products and offers...



**BMO**  Official bank of the Canadian Defence Community



...and growing marketing



## Positive momentum



Deposit market share growth Q/Q<sup>1</sup>



Cards spend market share Q/Q<sup>2</sup>



Primary customer acquisition Y/Y as at YTD Q3 F2018



Higher per account cards profitability vs benchmark

**BMO**  Financial Group

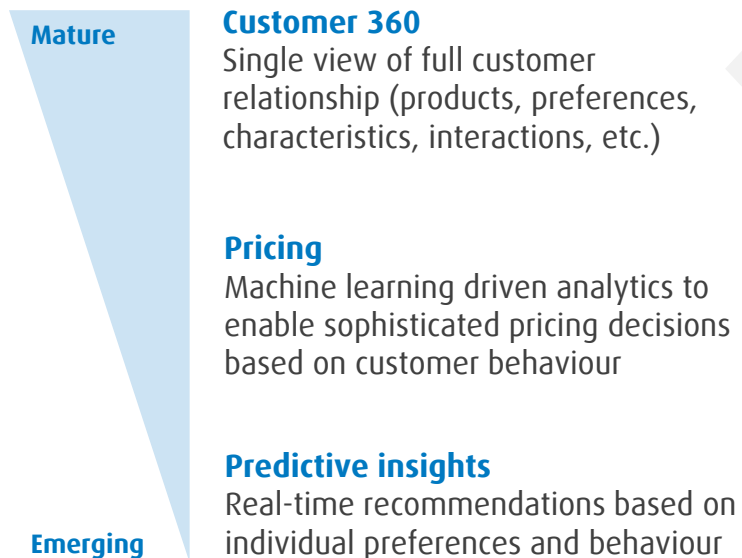
1 OSFI; deposit market share, as of July 2018  
2 Canadian Bankers Association; net retail sales share, as of March 2018



# Building leading data and analytics capabilities



Key capabilities



## Leads Engine

Using data to grow relationships with data-driven offers

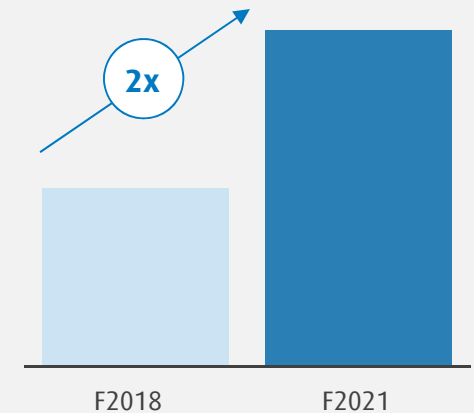
**40+MM**

Offers presented in digital (all products)<sup>1</sup>

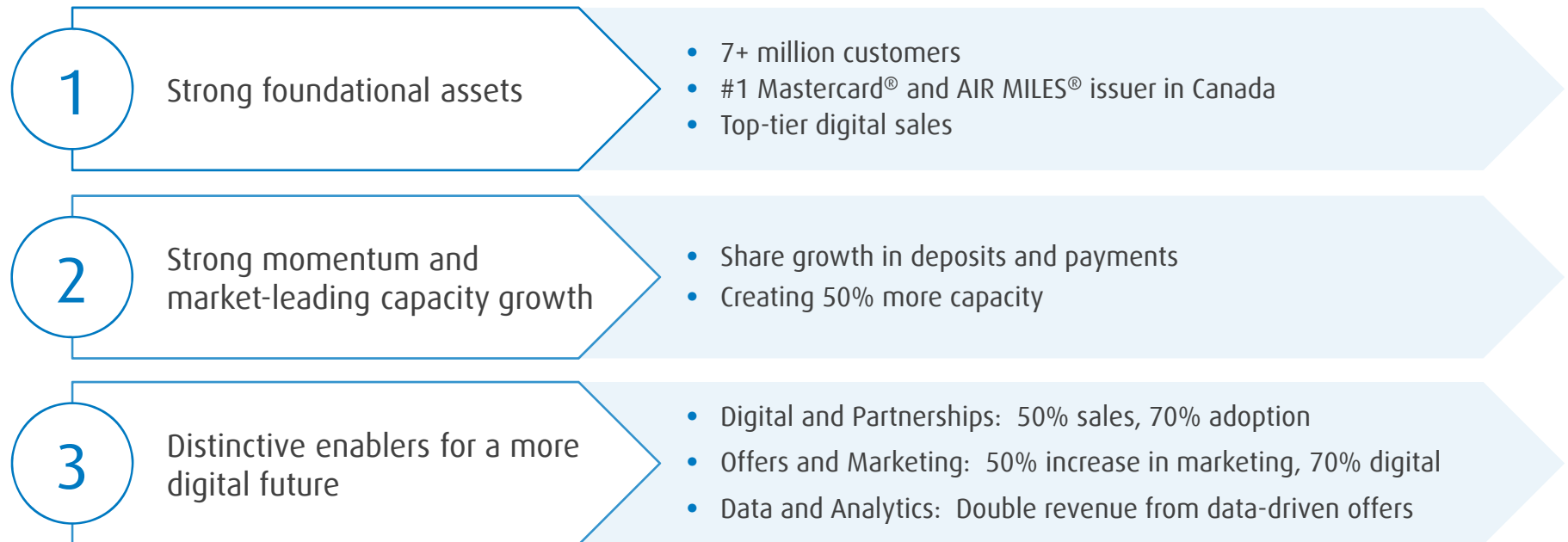
**+250M**

Card sales generated via leads engine<sup>1</sup>

## Revenue from data-driven offers



## Personal: Top-tier customer franchise growth



## Commercial: Proven strength

- **400,000** commercial clients
- **#2** market share in business lending<sup>1</sup>
- **#1** in upper mid-market<sup>2</sup>
- **#1** in agriculture<sup>1</sup>
- **Leader** in indigenous banking
- **Strong** cross-border business

**Best Commercial Bank in Canada 2015, 2016, 2017, 2018**



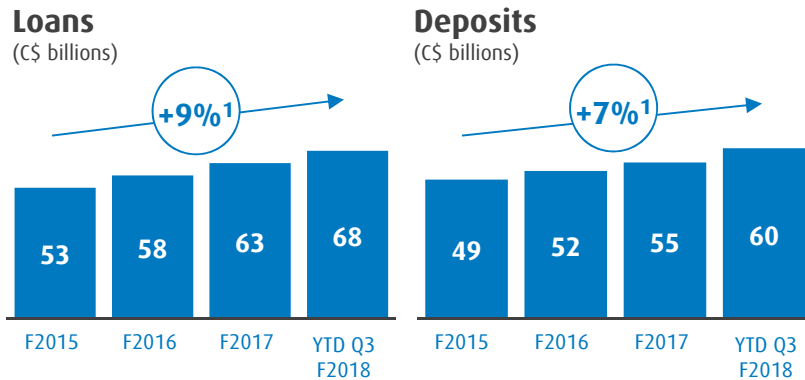
<sup>1</sup> Canadian Bankers Association; loan market share \$0-\$25MM, as of March 2018

<sup>2</sup> Canadian Bankers Association; loan market share \$25-\$100MM, as of March 2018

# Commercial: Opportunities to diversify for continued growth

Strong momentum in loans and deposits...

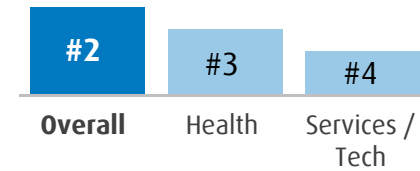
...clear opportunity areas going forward



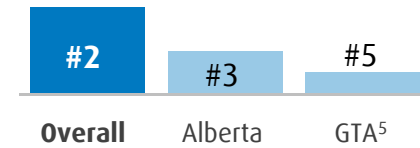
Ranked growth  
 #1 / 5<sup>2</sup> in Q2'18 Q/Q  
 #2 / 5<sup>2</sup> in Q3'18 Q/Q

+68 bps market share Y/Y<sup>3</sup>

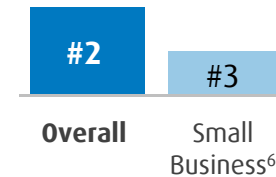
Loan share by sector<sup>4</sup>



Loan share by market<sup>4</sup>



Loan share by segment<sup>4</sup>



1 Compound annual growth rate for YTD Q3 F2018 vs YTD Q3 F2015  
 2 Ranking includes BMO, BNS, CIBC, RBC, TD  
 3 Canadian Bankers Association; deposit market share as of March 2018  
 4 Canadian Bankers Association; loan market share \$0-\$25MM as of March 2018  
 5 Canadian Bankers Association; loan market share \$0-\$5MM as of March 2018  
 6 Canadian Bankers Association, loan market share \$0-1MM as of March 2018

# Clear strategy for double-digit Commercial growth over five years

**Market-leading capacity growth...**

deployed against



**...highest-value opportunities...**

fueled by



**...distinctive enablers**



## **Grow Commercial capacity by 50%**

- Accelerate hiring (~125 RMs in F2019)
- Drive individual productivity via digital enablement



## **Maintain strengths while diversifying for growth**

- Sectors: Healthcare, Services / Tech
- Markets: GTA, Alberta
- Customer segments: Small Business



## **Enhance enablers, starting in Small Business, and scaling up across portfolio**

- Digital / Partnership: Build leading digital lending platform, integrate Partnerships
- Products / Marketing: Create compelling products and value propositions
- Data / Analytics: Leverage real-time data to automate portfolio monitoring

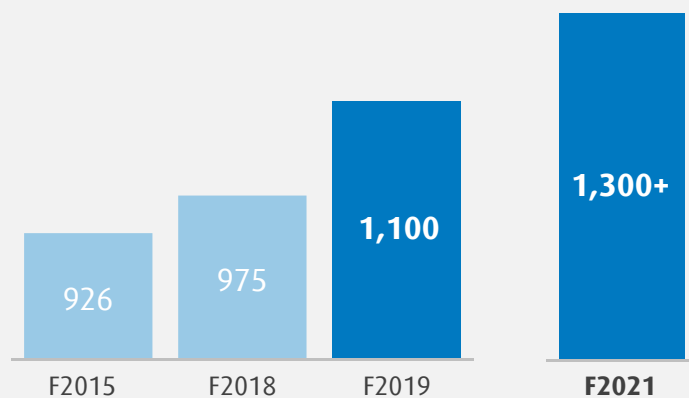
## Growing Commercial capacity by 50%



Accelerating salesforce hiring...

### Relationship Managers

# FTE



...and driving digital enablement

- Modernizing platforms to improve user experience, enable straight-through processing
- Leveraging data and analytics to improve client risk monitoring, eliminating manual intervention required for annual reviews by 50%
- Using robotics and AI to automate routine work
- Transforming policies and procedures to simplify work



# Diversifying beyond core sectors

	Sector	% Book	Share <sup>1</sup>
Strengths	Real Estate	22%	#4
	Agriculture	17%	#1
Focus Areas	Healthcare	5%	#3
	Services / Tech	3%	#4

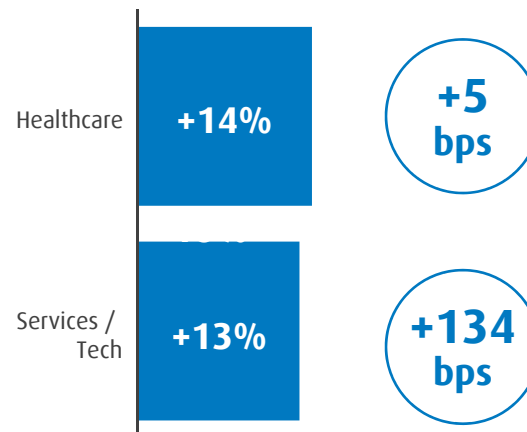
## Actions:

- Adding bankers with sector expertise (e.g., added 20 sector specialists in past 4 quarters)
- Developing market-leading sector solutions
- Building sector-specific credit, risk management, and pricing capabilities

## Good momentum

Y/Y loan growth<sup>1</sup>

Y/Y Market share  $\Delta$ <sup>1</sup>





## Growing in key markets

Region	Share <sup>1</sup>
BC	#1
Prairies	#2
Atlantic	#2
Quebec	#3
Ontario	#3
<b>Alberta</b>	<b>#3</b>
<b>GTA</b>	<b>#5<sup>3</sup></b>

### Actions:

- Hiring aggressively to drive growth in key markets
- Developing dedicated coverage teams to focus on most valuable opportunities in key urban centers (e.g., Tech sector coverage team in GTA)
- Maintaining dedicated relationship coverage through all phases of the cycle

### Good progress

**+83  
bps**

#### Alberta

Loan market share<sup>1</sup>  
growth Y/Y

**+87  
bps**

#### GTA

Deposit market share<sup>2</sup>  
growth Y/Y

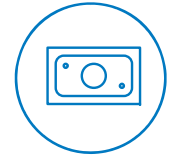
<sup>1</sup> Canadian Bankers Association; loan market share \$0-\$25MM as of March 2018

<sup>2</sup> Canadian Bankers Association; deposit market share as of March 2018

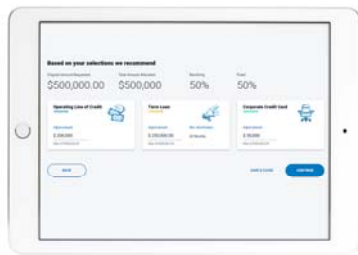
<sup>3</sup> Canadian Bankers Association; loan market share \$0-5MM as of March 2018



# Profitably growing Small Business



## Digital platform



### Business Xpress

95% faster time to approval

## Partnerships



### Cloud Accounting Software

Integrating for Small Business clients

## Products and marketing



### Small Business Cards

Launched suite of market-leading cards

## Data and analytics



### Automated loan monitoring

Freed-up time from annual reviews

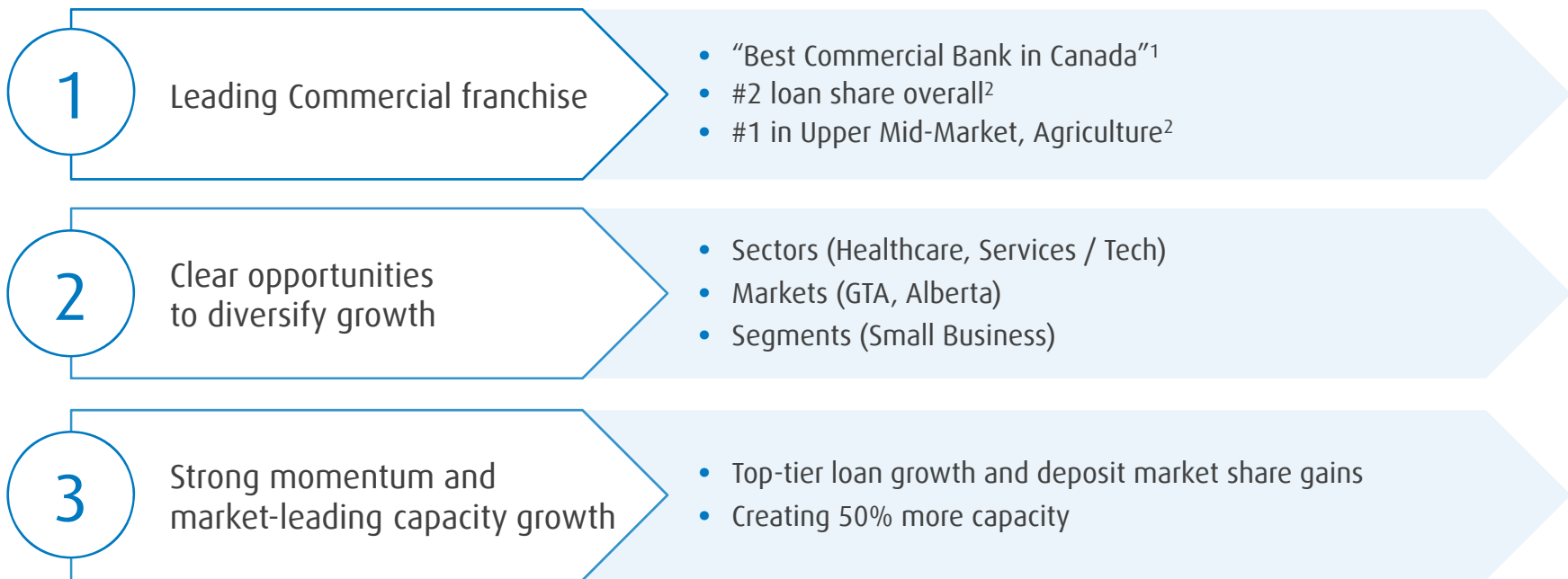
**+40%**

New Small Business Cards client growth Y/Y Q3 YTD

**+82 bps**

Deposit market share growth Y/Y<sup>1</sup>

# Commercial: Double-digit earnings growth



## Bold aspirations for our business over five years

Top-tier net income growth

**7-8% Net Income CAGR**

Market-leading efficiency ratio improvement

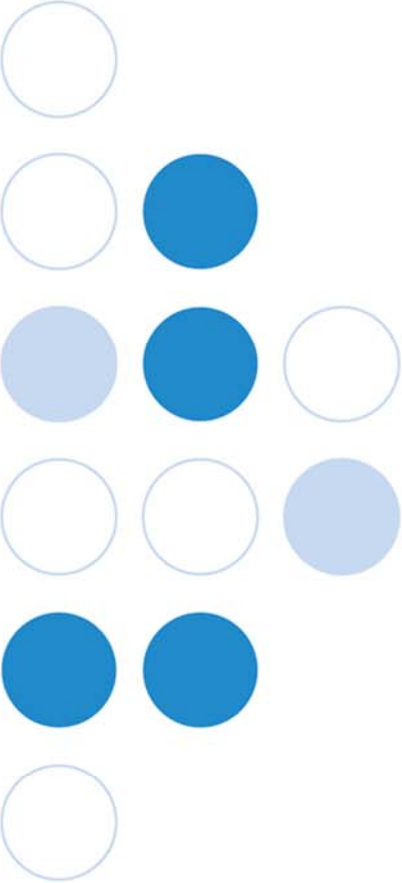
**Efficiency ratio <45%**

Top-tier customer franchise growth in Personal

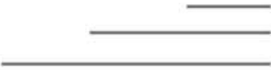
**1 million net new customers**

Double-digit growth in Commercial

**10% Net Income CAGR**



# Strong Financial Performance, Foundation for Growth

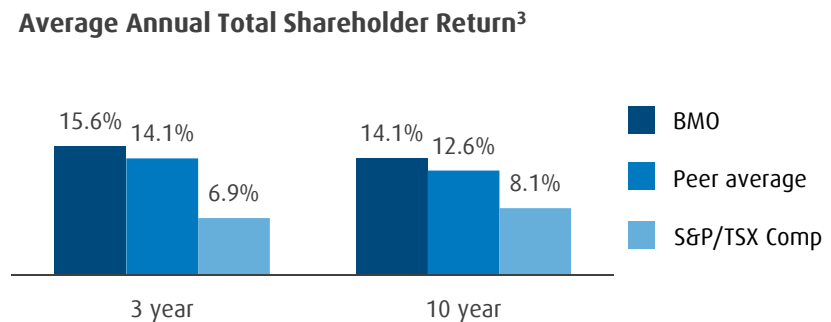
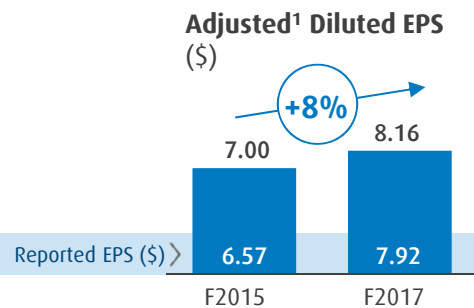
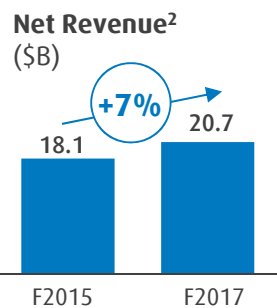
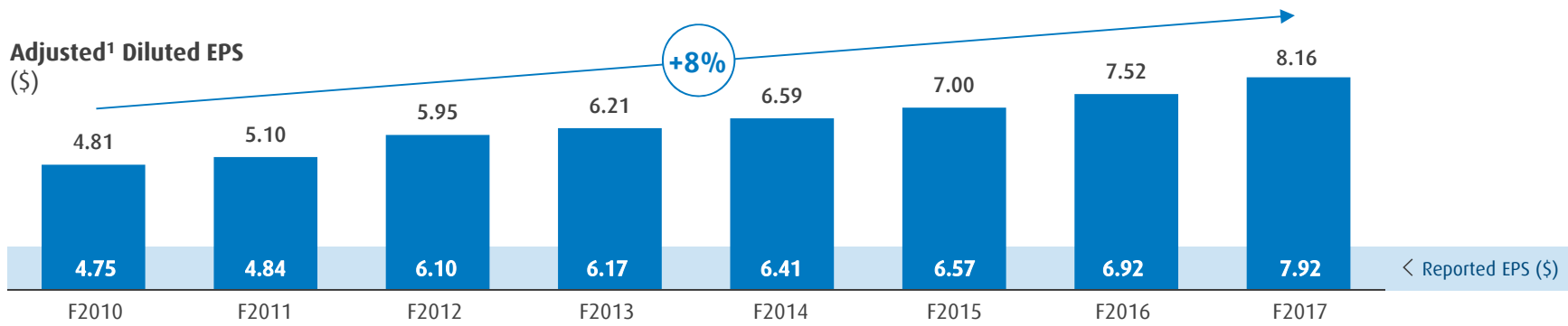


**Tom Flynn**

Chief Financial Officer



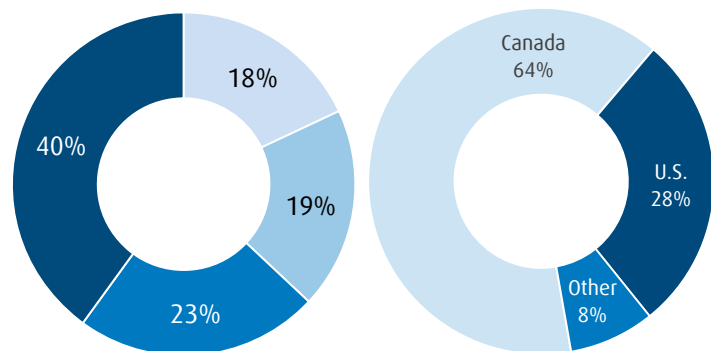
# Strong financial performance



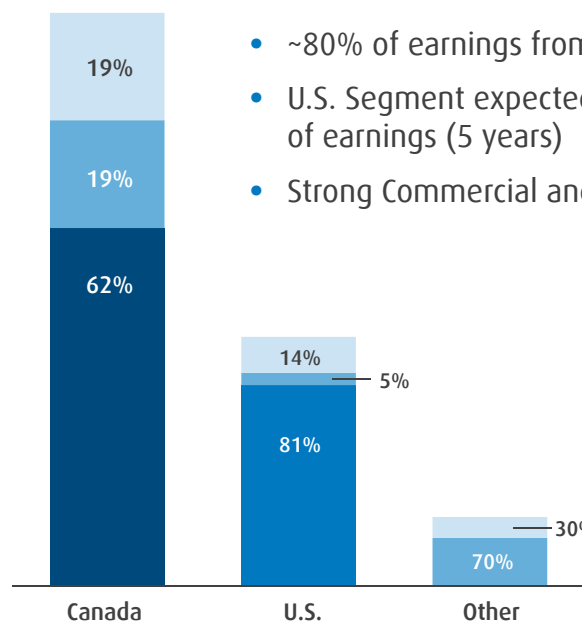
1 Adjusted measures are non-GAAP measures, see slide 2 for more information  
 2 Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)  
 3 The average annual total shareholder return (TSR) represents the average annual total return earned on an investment in BMO common shares made at the beginning of a fixed period. The return includes the change in share price and assumes dividends received were reinvested in additional common shares. As of October 19, 2018. Peers include: BNS, CIBC, NA, RY, TD

# Diversified and attractive mix by business and geography

Adjusted<sup>1</sup> Net Income – YTD Q3 F2018<sup>2</sup>



BMO CM
  U.S. P&C  
 BMO WM
  Canadian P&C



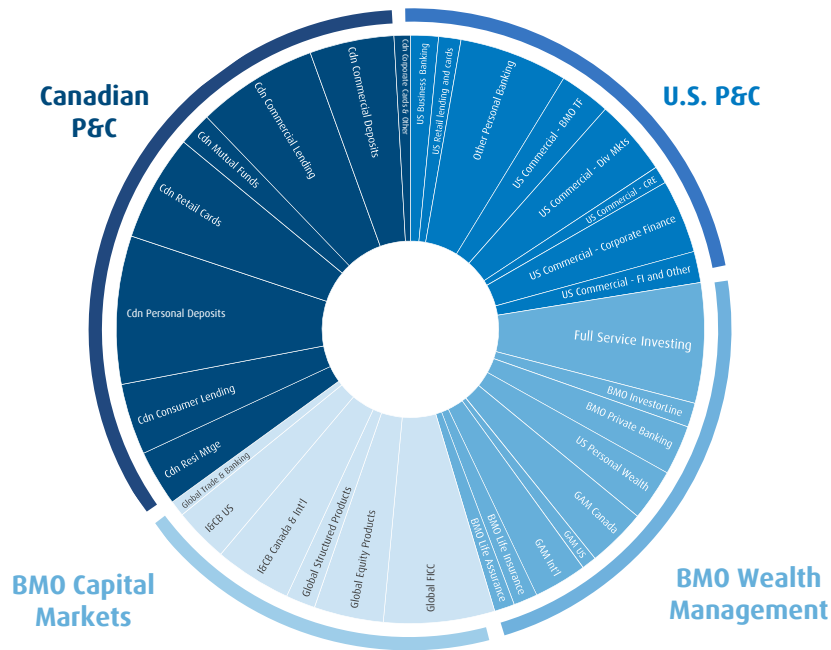
- ~80% of earnings from retail businesses<sup>3</sup>
- U.S. Segment expected to represent ~1/3 of earnings (5 years)
- Strong Commercial and Wealth



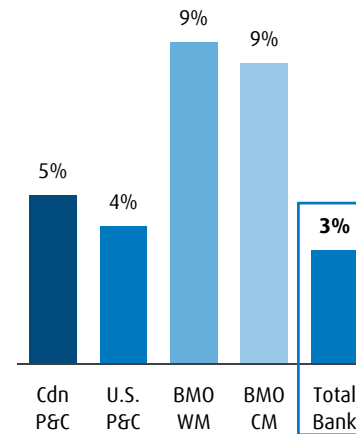
<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information  
<sup>2</sup> Adjusted net income by operating group and by geography excludes Corporate Services. Reported mix by operating group: Canadian P&C 41%, U.S. P&C 22%, BMO WM 18%, BMO CM 19%; by geography (excluding Corporate Services): Canada 65% (Canadian P&C 62%, BMO CM 19%, BMO WM 19%), U.S. 27% (U.S. P&C 81%, BMO CM 15%, BMO WM 4%); Other 8% (BMO CM 32%, BMO WM 68%)  
<sup>3</sup> Retail businesses comprised of Canadian P&C, U.S. P&C and BMO Wealth Management

# Diversified revenue provides opportunity for growth, stability and resilience

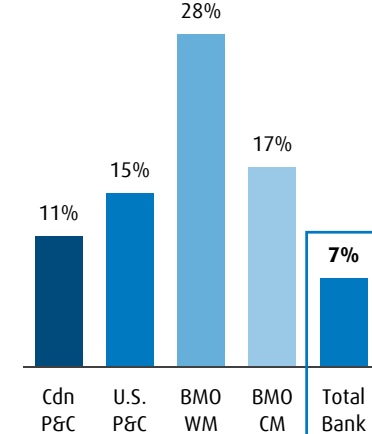
Net Revenue<sup>1,2</sup>



Net Revenue Growth Volatility<sup>1,4</sup>



Adjusted Net Income Growth Volatility<sup>3,4</sup>



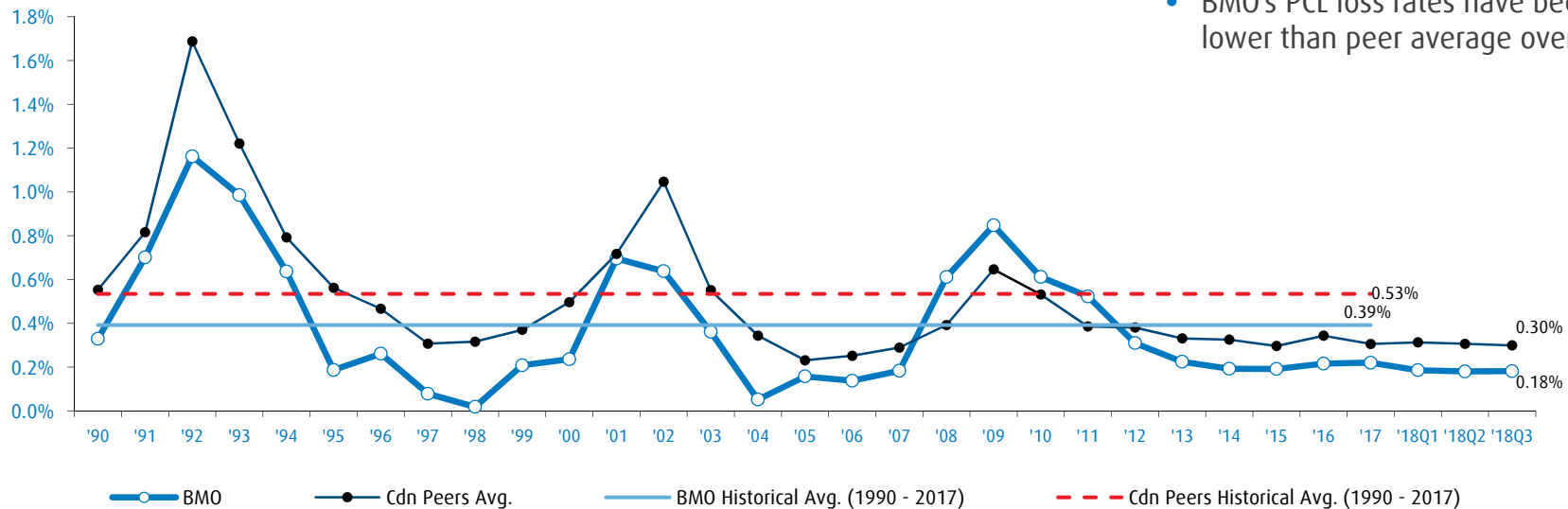
Retail focused business mix; diverse range of fee-based revenues; strength in commercial



1 Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)  
 2 Based on YTD Q3 F2018 net revenue; excludes Corporate Services  
 3 Adjusted measures are non-GAAP measures, see slide 2 for more information  
 4 Measured as the volatility in quarterly net revenue and adjusted net income growth (Q1 F2013 - Q3 F2018). U.S. P&C volatility based on US\$

# Disciplined and integrated approach to risk management

**PCL on Impaired Loans as a % of Average Net Loans & Acceptances**



1 BMO F2016 and F2017 PCL on impaired loans and average net loans & acceptances have been restated to conform with the current period's presentation  
 2 Effective Q1'12 PCL include the impact of IFRS accounting treatment and F2011 comparatives have been restated accordingly  
 3 Peer ratios calculated using publicly disclosed provisions and average net loans & acceptances, and may differ slightly from their reported ratios. Canadian Competitors Weighted Average excludes BMO  
 4 BMO and peer F2012 average net loans & acceptances have been restated to conform with the current period's presentation  
 5 Effective in the first quarter of 2018, the bank prospectively adopted IFRS 9. Under IFRS 9, we refer to the provision for credit losses on impaired loans and the provision for credit losses on performing loans. Prior periods have not been restated

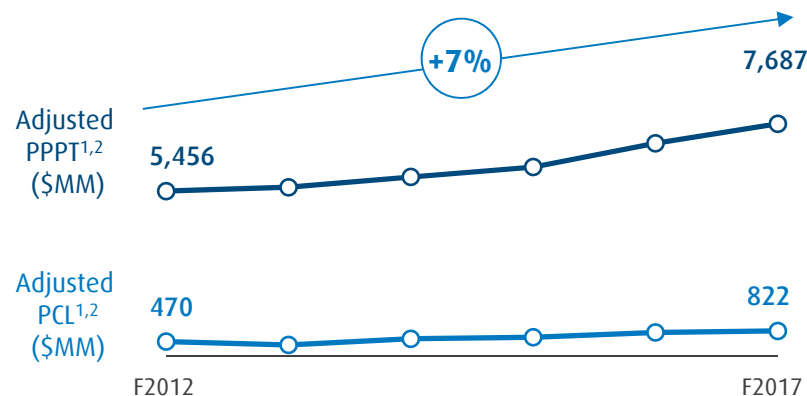
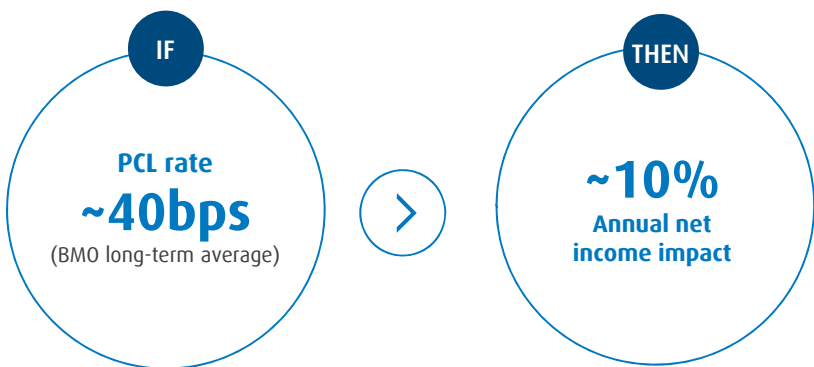




# Strong pre-provision, pre-tax earnings

If PCL moved to ~40 bps, long term average and ~2x current level, impact to income ~10%<sup>1,3</sup>

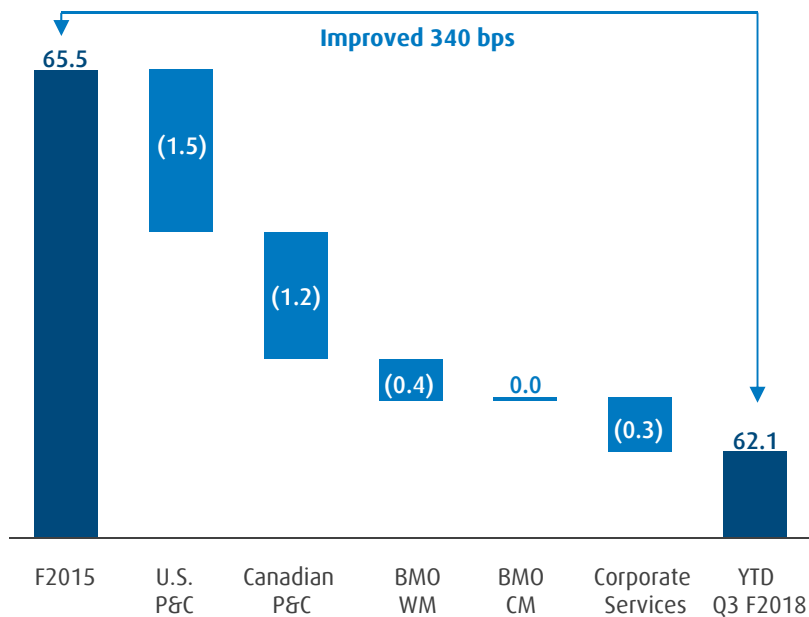
Current PPPT would cover PCL rate in excess of 220 bps, higher than any time in at least 30 years, over five times average



1 Adjusted measures are non-GAAP measures, see slide 2 for more information  
 2 PPPT: Pre-provision, pre-tax earnings; defined as the difference between revenue and expenses. Reported PPPT: F2012 \$5,794MM; F2017 \$7,392MM. Reported PCL: F2012 \$764MM; F2017 \$746MM  
 3 Based on annualized Q3 F2018 adjusted net income and a combined tax rate of 30% (for illustrative purposes)

# Ongoing commitment to improving efficiency

Total Bank Adjusted Efficiency (%)<sup>1,2</sup>



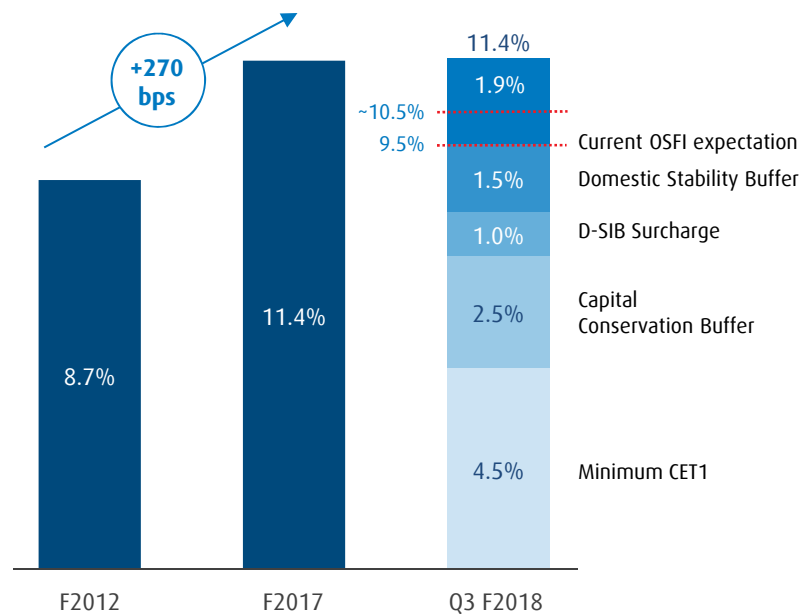
- Investing in areas of opportunity (e.g. U.S., Wealth, technology)
- Efficiency improved 340 bps since F2015
- Focused on innovation, simplification and digitization



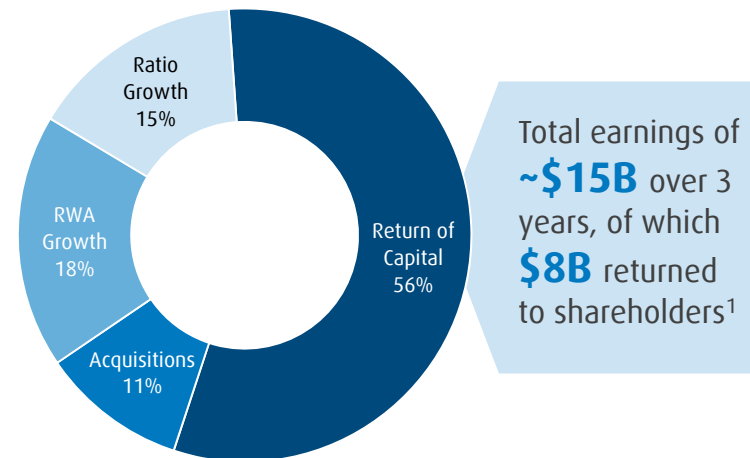
1 Adjusted measures are non-GAAP measures, see slide 2 for more information  
 2 Reported efficiency F2015 67.5%; YTD Q3 F2018 64.3%

# Strong capital position provides flexibility

## Strong CET1 Capital



## Good Record of Capital Deployment

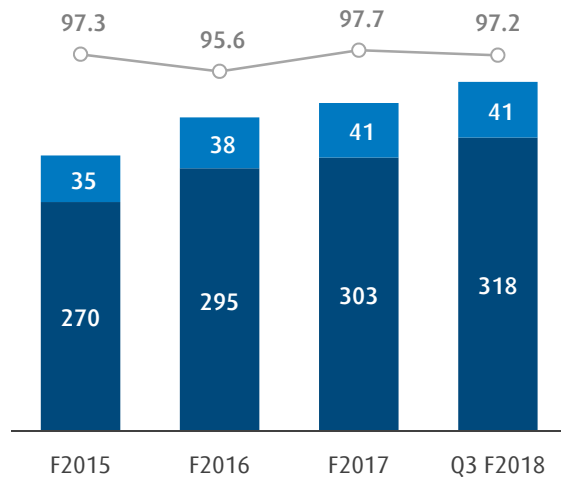


- Share buybacks used to moderate CET1 ratio growth when above ~11%
- Repurchased 5 million shares in F2017 and 9 million shares YTD Q3 F2018, ~2.2% of outstanding shares

<sup>1</sup> Return of capital through dividends and share buybacks over a 3 year period from Q4 F2015 to Q3 F2018

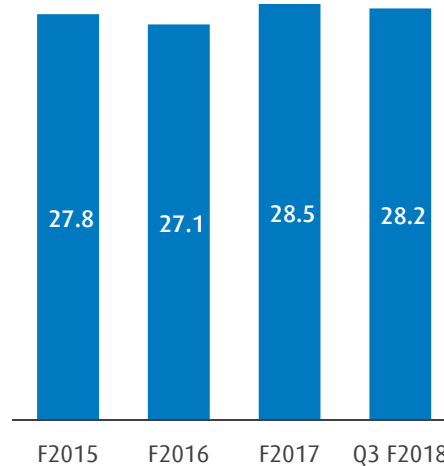
# Strong balance sheet, disciplined approach to liquidity and funding

**Customer Deposits and Capital to Customer Loans Ratio (%)**



■ Total Capital (\$B)   
 ■ Customer Deposits<sup>1</sup> (\$B)   
 —○— Customer Deposits & Capital to Customer Loans Ratio (%)

**Cash and Securities to Total Assets Ratio (%)**



- Strong and sound liquidity and funding position
- Deep customer deposit base along with capital growth
- Customer deposits have grown 6% per annum over last 3 years

<sup>1</sup> Customer deposits are operating and savings deposits, including term investment certificates and retail structured deposits, primarily sourced through our retail, commercial, wealth and corporate banking businesses

# Committed to meeting medium-term financial objectives

Total Bank	Medium-term Objective <sup>1</sup>
EPS growth	7 - 10%
Net operating leverage	2% or more
ROE	15% or more
Capital Ratios	exceed regulatory requirements

## Key takeaways



# Appendix: Adjusting Items

## Adjusting Items (Pre-tax)

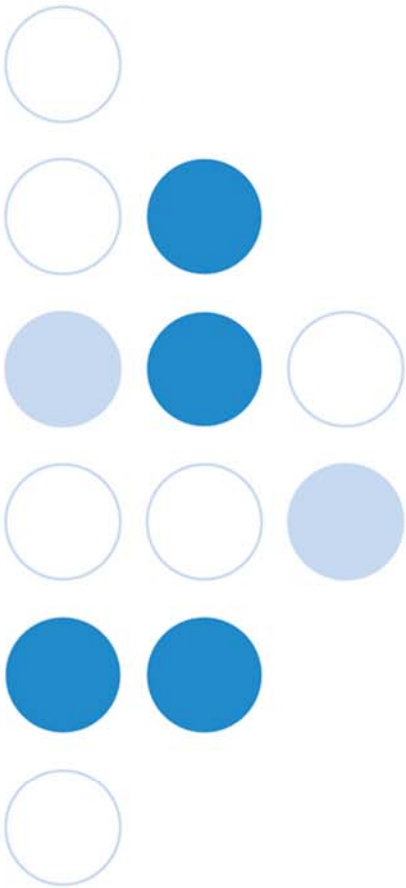
(Canadian \$ in millions)	YTD Q3 F2018	F2017	F2016	F2015	F2014	F2013	F2012	F2011	F2010
Amortization of acquisition-related intangible assets <sup>2</sup>	(85)	(149)	(160)	(163)	(140)	(125)	(134)	(70)	(36)
Acquisition integration costs <sup>3</sup>	(16)	(87)	(104)	(53)	(20)	(251)	(402)	(238)	-
Cumulative accounting adjustment <sup>4</sup>	-	-	(85)	-	-	-	-	-	-
Restructuring costs <sup>5</sup>	(260)	(59)	(188)	(149)	-	(82)	(173)	-	-
(Increase) / decrease in collective allowance <sup>6</sup>	-	76	-	-	-	2	82	(6)	-
Credit-related items on the purchased performing loan portfolio <sup>8</sup>	-	-	-	-	-	406	407	173	-
Run-off structured credit activities <sup>9</sup>	-	-	-	-	-	40	264	(50)	-
<b>TOTAL</b>	<b>(361)</b>	<b>(219)</b>	<b>(537)</b>	<b>(365)</b>	<b>(160)</b>	<b>(10)</b>	<b>44</b>	<b>(191)</b>	<b>(36)</b>

## Adjusting Items (After-tax)

(Canadian \$ in millions)	YTD Q3 F2018	F2017	F2016	F2015	F2014	F2013	F2012	F2011	F2010
Amortization of acquisition-related intangible assets <sup>2</sup>	(66)	(116)	(124)	(127)	(104)	(89)	(96)	(54)	(32)
Acquisition integration costs <sup>3</sup>	(12)	(55)	(71)	(43)	(16)	(155)	(250)	(160)	-
Cumulative accounting adjustment <sup>4</sup>	-	-	(62)	-	-	-	-	-	-
Restructuring costs <sup>5</sup>	(192)	(41)	(132)	(106)	-	(59)	(122)	-	-
(Increase) / decrease in collective allowance <sup>6</sup>	-	54	-	-	-	(9)	53	(4)	-
U.S. net deferred tax asset revaluation <sup>7</sup>	(425)	-	-	-	-	-	-	-	-
Credit-related items on the purchased performing loan portfolio <sup>8</sup>	-	-	-	-	-	250	251	107	-
Run-off structured credit activities <sup>9</sup>	-	-	-	-	-	34	261	(50)	-
<b>TOTAL</b>	<b>(695)</b>	<b>(158)</b>	<b>(389)</b>	<b>(276)</b>	<b>(120)</b>	<b>(28)</b>	<b>97</b>	<b>(161)</b>	<b>(32)</b>
<b>Impact on EPS (\$)</b>	<b>(1.08)</b>	<b>(0.24)</b>	<b>(0.60)</b>	<b>(0.43)</b>	<b>(0.18)</b>	<b>(0.04)</b>	<b>0.15</b>	<b>(0.26)</b>	<b>(0.35)</b>

1 Adjusted measures are non-GAAP measures, see slide 2 for more information. Adjusting items are included in Corporate Services, with the exception of the amortization of acquisition-related intangible assets and certain acquisition integration costs, which are charged to the operating groups  
2 These expenses were charged to the non-interest expense of the operating groups  
3 Acquisition integration costs are primarily recorded in non-interest expense  
4 Cumulative accounting adjustment recognized in other non-interest revenue related to foreign currency translation, largely impacting prior periods  
5 Restructuring costs are recorded in non-interest expense  
6 Adjustments to the collective allowance for credit losses are recorded in Corporate Services provision for credit losses

7 Charge due to the revaluation of our U.S. net deferred tax asset as a result of the enactment of the U.S. Tax Cuts and Jobs Act  
8 Credit-related items on the purchased performing portfolio in 2013 were comprised of revenue of \$638 million, provisions for credit losses of \$232 million and provisions for income taxes of \$156 million, resulting in an increase in reported net income after tax of \$250 million. Effective the first quarter of 2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio, including \$103 million of revenue and \$5 million of specific provisions for credit losses in 2015 (\$238 million and \$82 million in 2014, respectively)  
9 Primarily comprised of valuation changes associated with these activities that are mainly included in trading revenues in non-interest revenue



# Investor Relations

## Contact Information

[bmo.com/investorrelations](http://bmo.com/investorrelations)

E-mail: [investor.relations@bmo.com](mailto:investor.relations@bmo.com)

**JILL HOMENUK**  
Head, Investor Relations  
416.867.4770  
[jill.homenuk@bmo.com](mailto:jill.homenuk@bmo.com)

**CHRISTINE VIAU**  
Director, Investor Relations  
416.867.6956  
[christine.viau@bmo.com](mailto:christine.viau@bmo.com)

