

Bank of Montreal

2021 Annual Meeting of Shareholders

Address delivered by

Darryl White

Chief Executive Officer, BMO Financial Group

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“A strong bank builds a strong economy.”

CHECK AGAINST DELIVERY

April 7, 2021 | Toronto, Ontario

Thank you, Chairman, and good morning, everyone.
Bonjour à tous.

When the bank’s shareholders met a year ago, we were just coming to grips with the coronavirus pandemic. This was a challenge unlike any we’d faced before – a threat both to public health and to economic wellbeing. In the months that followed, as COVID-19 took its toll, we faced a lot of uncertainty. But we also saw people’s ability to set aside doubt and push forward, as they adapted in extraordinary ways.

To find examples at BMO of that resilient spirit in action, we didn’t have to look far. On behalf of all shareholders, I want to thank our employees for the incredible strength and resolve you’ve shown throughout the pandemic: all of you who’ve adjusted to working from home, and the 16,000 who never stopped coming to the office or branch every day, supporting our customers and communities with the core banking services they rely on. You’ve found innovative ways around obstacles. You’ve made significant sacrifices and, in some cases, experienced tragic loss.

Still, you pressed forward, supporting your loved ones, your colleagues and BMO’s customers. And as you’ve inspired their confidence and trust, I know they’ve inspired you. Because our bank gains strength from the people and communities we’re in business to serve. And we can count on that shared strength to propel all of us forward.

The pandemic also underlined the central role of banks at the heart of our communities and throughout society. This crisis created opportunities for BMO to support millions

of customers in new ways. We acted quickly, facilitating government relief to over 100,000 small businesses, with a total value of over \$10 billion in Canada and the United States. We also deferred payments for more than 250,000 individuals and businesses. We’ve shown BMO customers they can count on us to help them through – and that work continues.

The human cost of COVID-19 has been staggering. We’ll be dealing with the impacts for some time to come. But as we transition to recovery, there are more hopeful signs every day. And that’s what I want to focus on this morning: the opportunities ahead as we help people, businesses and communities not only recover, but make real financial progress toward their long-term goals.

I’ll spend a couple of minutes on some key dimensions of this **new path forward**. Next, I’ll look at BMO’s continued strong performance and how being **a stronger bank** benefits our customers and the recovery. And lastly, I’ll highlight key aspects of the **strategy we’re putting into action** as a bank that’s driven by purpose, ready for the future and committed to growing the good for all of our stakeholders.

Because this is how we deliver value to BMO’s shareholders.

The new path forward

The path forward from the pandemic, as we know, begins with getting vaccines distributed and administered. BMO stepped up early, helping promote a science-based understanding of how vaccination protects our families,

protects our friends and protects our neighbours. We're leading by example, providing paid time-off to every bank employee who gets vaccinated when their turn comes. And it's heartening to know that just a few kilometres from where I'm speaking, a public vaccination site has been set up in the BMO Education and Conference Centre – part of a multi-year major gift to the University Health Network, among other Toronto hospitals.

The ultimate goal is a return to normal life... reuniting with family and friends... children back at school... reopening small businesses... the freedom to travel again... or to simply go out for dinner. But recovery doesn't just mean restoring what was. We need to take all that we've learned – the countless ways we've adapted, the new solutions we've invented – and move forward from what used to be, to something better.

And here technology plays a critical role. Our bank has been driving digital transformation for more than a decade. And in the last 12 months, the pace has accelerated as we've offered customers better ways to manage everything from electronic payments to borrowing – with more to come.

As key areas of the economy reopen, we expect a release of pent-up demand, sparking real growth. In the U.S. we're forecasting GDP growth of 6.5% this year, the strongest advance since the mid-1980s, and we're projecting the same rate for Canada.

However, we also know the recovery will be uneven. Some businesses and individuals will recover quickly, while others face a steeper climb. And the most vulnerable will need targeted attention. That's why we're tailoring BMO's products and services to help every customer regain momentum and resume progress. Because our bank is only as strong as the customers and communities we serve.

But progress is not just measured in economic terms. Last spring, we saw a dramatic awakening – initially in the U.S., then worldwide – as people came together to demand racial justice and greater social equity. It was long overdue. And that awareness keeps on growing, as we continue to better understand the impact of racism and intolerance on so many communities.

This awakening has also inspired the next step in BMO's own equity journey: a landmark initiative we call Zero Barriers to Inclusion, which sets out concrete actions

to address racial inequality and create a more inclusive economy. We've once again strengthened diversity targets for our own workforce. And we're advancing community-focused programs like BMO EMpower in Chicago, pledging to invest \$5 billion over five years in racialized businesses and families.

Removing the barriers that have held so many people back is part of BMO's broader commitment to ensuring an inclusive and sustainable recovery. Our bank has long believed in sharing the gains of social and economic well-being, and that belief has only intensified during the pandemic.

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This is the heart of BMO's purpose: to Boldly Grow the Good *in business and life*. And to continue delivering on our purpose, we need to maintain consistent strong performance... my second theme this morning.

A stronger bank

We entered 2020 with strong momentum. We adapted quickly to the changing environment and continued making progress through the year. And we've come out of it even stronger. That strength enabled us to support our customers and communities as they navigated the disruption and uncertainty of the pandemic. And for those who still need help, we're well positioned to provide it, as you've seen from our adjusted year-end results.

Pre-provision, pre-tax earnings increased by 7% in each of the last three years.

Earnings per share in 2020 declined to \$7.71, reflecting an appropriate increase in provisions for future loan losses, given the uncertainty of the environment.

We've also made further progress against our efficiency commitments, achieving net operating leverage of 2.7%, which was above target.

While our performance has been strong in absolute terms, it's been even stronger on a relative basis. We're delivering on our commitment to strengthen BMO's competitive position. And we're proving that a strong, inclusive company can act more decisively to meet market expectations around higher business value.

This was underlined as well in the first quarter of the current year. Pre-provision, pre-tax earnings grew by 16% compared to the same quarter last year, and return on equity was 15.8%. The bank's overall efficiency ratio was 56.3% and operating leverage was above 7%.

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Capital strength remains a cornerstone of BMO's resilience. Our Common Equity Tier 1 Ratio is currently 12.4%, up 100 basis points from a year ago. We're building capabilities and allocating resources to areas that will deliver strong results today and into the future.

You've seen that reflected in a range of recent decisions, such as the sale of our Private Banking business in Hong Kong and Singapore, and our decision to wind down our non-Canadian investment and corporate banking in the oil and gas sector. We focus capital investment in areas where we have strong market positions, strong returns and the advantage of scale.

All of BMO's diverse businesses have been performing well. Together, their combined performance underscores the value of deliberate action and strategic investments over the past decade.

In commercial banking, we rank among North America's Top 10 lenders. We're delivering innovative products and services to our Canadian retail customers that help them make real financial progress. For example, our new BMO Eclipse Visa credit cards offer rewards geared to customers' lifestyles.

In the U.S., we've significantly extended our retail footprint beyond the Midwest, establishing a national banking platform and accepting digital deposits in all 50 states. We are a leader in Canadian ETFs, with the largest flows in the market for the last decade. And when it comes to investment advice, BMO's platform serves our customers across a wide spectrum of needs from our award-winning full-service investing and financial planning services straight through to our growing digital advice solutions. We're also materially expanding our capital markets expertise in areas like fixed income and electronic trading – in the U.S. and Canada.

And the list goes on...

These strengths have earned BMO global recognition. We're among the leaders in our industry for innovation, for customer experience, and for advancing equity and sustainability. And we've just been recognized by the Ethisphere Institute for the fourth year in a row as one of the world's most ethical companies.

These top rankings and awards confirm the effectiveness of our strategy. But for BMO, what's most gratifying is that we continue to earn and retain customer loyalty, where we're seeing higher scores than at any point in our history. Knowing that people value what we do and recommend us to others – that's why we come to work every day. And it's what sustains and accelerates our strength, which helps drive the overall recovery. Because a strong bank builds a strong economy.

Ambition in action

A strong bank also knows exactly where it wants to go and how to get there – which is the final point I'll highlight this morning.

BMO has a clear, consistent strategy, concrete business imperatives and a purpose-driven plan to succeed – which for us means winning together with our customers, our communities, our employees and our shareholders. We’ve mapped out a bold ambition for the future. And we’ve identified the specific actions we’ll take to achieve our priorities. It’s a comprehensive plan with many dimensions designed to build world-class customer loyalty and long-term growth. I’ll highlight just a few.

First, a foundational point: BMO’s operating model – how we create value – is **digital**. This is where the transformation of the past decade has been leading, and you see it in our strategic priorities: *Digital first for speed, efficiency and scale*.

And when we say *digital first*, it’s really about what happens *next* – how we deploy technology to do things we couldn’t do before. Like using AI in BMO Insights and CashTrack to help customers manage their cash flow better. Or enabling small businesses to get financing more conveniently with BMO Business Banking Express, which saves tens of thousands of hours annually, so our teams can focus on providing higher-value services and advice.

This is the power of a digital operating model. It isn’t about automating everything. It’s about scaling up to serve more customers in more personalized ways and creating

business value in the process. We’ve proven our ability to deliver innovative, customer-centric digital services. That’s why BMO is one of just a handful of banks chosen to offer chequing accounts through Google Pay. The mobile-first Plex accounts will be rolling out later this year.

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Digital insights are also crucial to BMO’s industry-leading risk management capability, which is truly differentiating. Our success in managing loss provisions throughout the pandemic is built on a decades-long record of excellence in addressing all aspects of risk while supporting our customers. And we continue to improve here, too, using AI-based systems to consider more and richer data – and to model more lending scenarios – than was ever possible

Our Renewed Strategic Priorities

The fundamentals of BMO’s strategy remain consistent. We have renewed the bank’s priorities for 2021 to reflect our strong momentum and the changing environment.

World-class
client loyalty
and growth

Winning
culture driven
by alignment,
empowerment
and recognition

Digital first for
speed, efficiency
and scale

Simplify work
and **eliminate**
complexity

Superior
management
of **risk** and
capital
performance

before. The result is not just faster decisions, but better ones, based on more sophisticated and reliable analytics.

Lastly, I want to highlight one major area of risk that has become a defining element of our strategic roadmap: the urgent need to address **climate change**. In more and more company boardrooms, climate action is no longer seen as a sustainability pledge; it's a business imperative.

BMO has been engaged in this conversation for a long time. We're a globally recognized leader in sustainable finance. And we were one of the first North American banks to endorse the United Nations principles for responsible banking.

Our 2020 Sustainability Report includes an industry-leading Climate Report aligned with the recommendations of the TCFD – the Task Force on Climate Related Financial Disclosures – developed by the Financial Stability Board. Our Climate Report includes detailed information on various aspects of risk exposure, including transition risks, as well as in-depth carbon emissions data. In addition, we've recently joined the Partnership for Carbon Accounting Financials and are adopting its rigorous disclosure practices.

And now we've taken the next major step, announcing BMO's Net Zero Ambition. We've committed to being our clients' lead partner in the transition to a net zero world – a world in which greenhouse gas emissions are reduced to the 2050 targets set out in the Paris Agreement.

Our net zero commitment includes setting measurable performance targets with our customers, growing our range of lending and investment products, and expanding our advisory services to help customers advance their climate adaptation strategies.

Together, we'll focus on emissions reduction where it counts – not just on paper, through divestment or buying offsets, but in the real economy. And supporting all these efforts will be the recently announced BMO Climate Institute, our new hub for thought leadership and innovation on climate transition.

We'll be sharing more in the weeks ahead, but the top-line message to our clients is this:

Our bank is with you in the race to net zero. We're ready to meet you where you are on that journey, as a trusted

advisor and advocate, creating long-term value together. And we ground our support in a very practical point of view: If you want to make a difference, you need to be invested. You need to be at the table to make your voice heard and influence change.

“Together, we'll focus on emissions reduction where it counts – not just on paper, through divestment or buying offsets, but in the real economy.”

Ready for the future

The challenges of the past year are not entirely behind us. And as I've underlined this morning, the post-COVID story will not be a return to the past. Because the world has changed forever, bringing new paradigms, new ways of thinking – and new opportunities.

As we chart the best path forward, BMO has a clear plan, strong momentum and a bold ambition for the future. Our superior risk management sets us apart, as does our deployment of capital. We have the right people with the right advice, supported by the right digital tools and capabilities, to help our customers make real financial progress. And our results prove the value of all the actions we're taking to achieve our strategic priorities.

As I say to our employees: we're building a digitally enabled, future-ready bank, with leading efficiency, customer loyalty, profitability and return on equity, all powered by a winning culture – and driven by our Purpose.

The fact is, strong businesses drive social and economic change. We see every day that what's good for our bank is good for our customers, our employees and our communities. Inspired by their resilience, BMO is stronger and more competitive than ever.

Thank you. *Merci*.

BMO's Net Zero Ambition

Be our Clients' Lead Partner in the Transition to a Net Zero World

Commitment

Building on our Purpose commitment to a sustainable future, BMO makes a new, focused commitment to drive economic transition toward a net zero world.

- > Align greenhouse gas emissions from our operations and our financing with the ambition of a net zero world by 2050
- > Set intermediate (2030) and long term (2050) targets with our clients
- > Commit to transparency in emissions measurement and performance

Capabilities

BMO Climate Institute provides thought leadership at the intersection of climate adaptation and finance, allowing us to be the premier advisor to clients and partners on climate risk and opportunity.

- > Leverage BMO's sophisticated capabilities to analyze climate change
- > Provide climate insights for our business, clients and partners to enhance climate resilience
- > Provide thought leadership informed by data-driven research and expertise

Client Partnership

We are committed to helping our clients adapt to climate change impacts and contribute to the transition to a net zero global economy with tailored products and services.

- > Engage with customers to advance climate adaptation strategies
- > Enable our clients' net zero transitions with a tailored suite of green advisory, investment and lending products
- > Be a 'One-stop-shop' for clients to meet full range of ESG needs

Convening for Climate Action

As a global leader, BMO will drive insights and bring together industry, government, academia and investors to unlock solutions that advance climate transition and enhance resilience.

- > Unite individuals and equip them with information to encourage meaningful climate policy and business decisions
- > Focus on climate solutions for climate sensitive sectors in North America
- > Explore the synergies between climate and social justice goals

BOLDLY GROW THE GOOD

IN BUSINESS AND LIFE