BMO Financial Group

# Investor Presentation

For the Quarter Ended January 31, 2020

February 25, 2020

## Q1 | 20

# Forward looking statements & non-GAAP measures

### Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States *Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. Forward-looking statements in this document may include, but are not limited to, statements with respect to our objectives and priorities for fiscal 2020 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, the regulatory environment in which we operate and the results of or outlook for our operations or for the Canadian, U.S. and international economies, and include statements of our management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "target", "may" and "could."

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, conclusions or projections. 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; the Canadian housing market and consumer leverage; 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; failure of third parties to comply with their obligations to us; 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, including with respect to reliance on third parties; 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, privacy and cyber security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; and our ability to anticipate and effectively manage risks arising from all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, business, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that begins on page 68 of BMO's 2019 Annual Report, and the Risk Management section in BMO's First Quarter 2020 Report to Shareholders, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the Economic Developments and Outlook section on page 18 of BMO's 2019 Annual Report and updated in the Economic Review and Outlook section set forth in BMO's First Quarter 2020 Report to Shareholders. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy. Please refer to the Economic Review and Outlook section of BMO's First Quarter 2020 Report to Shareholders.

### Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures, the rationale for their use, as well as the effects of changes in exchange rates on BMO's U.S. segment reported and adjusted results can be found on pages 6 and 7 of BMO's First Quarter 2020 Report to Shareholders and on pages 17 and 23 of BMO's 2019 Annual Report, all of which are available on our website at [www.bmo.com/investorrelations](www.bmo.com/investorrelations).

Examples of non-GAAP amounts or measures include: efficiency and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes; results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements (i.e. constant currency basis or CCY), adjusted net income, revenues, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio, pre-provision pre-tax earnings, and other adjusted measures which exclude the impact of certain items such as, acquisition integration costs, amortization of acquisition-related intangible assets, reinsurance adjustment, restructuring costs, revaluation of U.S. net deferred tax asset as a result of U.S. tax reform and the remeasurement of an employee benefit liability as a result of an amendment to the benefits plan.

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

# Darryl White

Chief Executive Officer

Q1 | 20

BMO

# Financial Highlights

| | Q1'20 | |
|---|---|---|
| **Net Income[1]** | **$1,617MM** | • Adjusted[1] net income growth of 5% Y/Y<br>• All businesses contributed; good progress on strategic and financial objectives |
| Reported | $1,592MM | |
| **EPS[1]** | **$2.41** | • Strength of overall performance earned through elevated provisions |
| Reported | $2.37 | |
| **PPPT[1,2] Growth** | **16%** | • Strong performance across all businesses<br>• Revenue growth[3] 8%; expense growth[1] 3% |
| Reported | 16% | |
| **Operating Leverage[1,3]** | **4.6%** | • Above 2% operating leverage in all operating Groups<br>• Adjusted[1,3] efficiency ratio 60.3%; Improvement of 270 bps Y/Y |
| Reported | 4.7% | |
| **Capital** | **CET1 11.4%** | • Strong capital position<br>• Absorbed impact of accounting and regulatory changes |

1 See slide 25 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information
On a reported basis: Q1'20 net income growth: 5%; Q1'20 expense growth 3%; Q1'20 efficiency ratio 60.8%, 280bps improvement Y/Y
2 Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses
3 Based on net revenue; net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Operating leverage and efficiency ratio based on net revenue

# Strong and Consistent Delivery Across Businesses

## Canadian Personal & Commercial

- Strong quarter; net income up 8%
- Robust loan and deposit growth; revenue up 7%
- BMO Business Xpress on track to surpass $1B in authorizations
- Top overall score in JD Power's 2020 Canadian Retail Banking Advice Study

## U.S. Personal & Commercial

- Revenue up 3%, absorbing full impact of recent rate decreases
- New low efficiency ratio[1] of 55.2%
- Double-digit loan and deposit growth in Commercial; opened office in L.A.
- Continued personal deposit growth momentum

## BMO Wealth Management

- Strong, balanced performance; net income[1] up 21%, operating leverage[1] of 5.9%
- Deposit growth of 12%; loan growth of 14%
- Industry leading ETF net inflows; launched suite of ESG ETFs
- Opened new Private Wealth offices in Dallas and Atlanta

## BMO Capital Markets

- Strong quarter with net income[1] of $362MM; good contributions across businesses and geographies
- Performing in-line with earnings potential; U.S. business net income above US$100MM
- Acquiring Clearpool, electronic trading platform with customizable algorithmic strategies

1 On an adjusted basis. Adjusted measures are non-GAAP measures, see slide 2 for more information. See slide 25 for adjustments to reported results.
On a reported basis: U.S. P&C efficiency ratio 56.1%; BMO Wealth Management net income growth 22%, operating leverage based on net revenue, reported operating leverage, net of CCPB 6.1%; BMO Capital Markets net income $356MM

# Consistency of Strategy, Performance and Purpose

**Our Purpose**: Boldly Grow the Good *in business and life*

**Sustainable Finance**

- Launched inaugural sustainability bond in late 2019
- Led the first Canadian sustainability-linked corporate credit facility
- Mobilizing $400 billion for sustainable finance by 2025

**Diversity & Inclusion**

- *Ethisphere Institute*: named one of the World's Most Ethical Companies for 2020, third year in a row
- *Forbes Magazine*: BMO Harris Bank recognized as one of America's best Employers for Diversity
- Research partnership with the Centre for Addiction and Mental Health

Continue to drive long-term sustainable value and **strong relative financial performance**

# Financial Results

For the Quarter Ended January 31, 2020

Tom Flynn
Chief Financial Officer

Q1 | 20

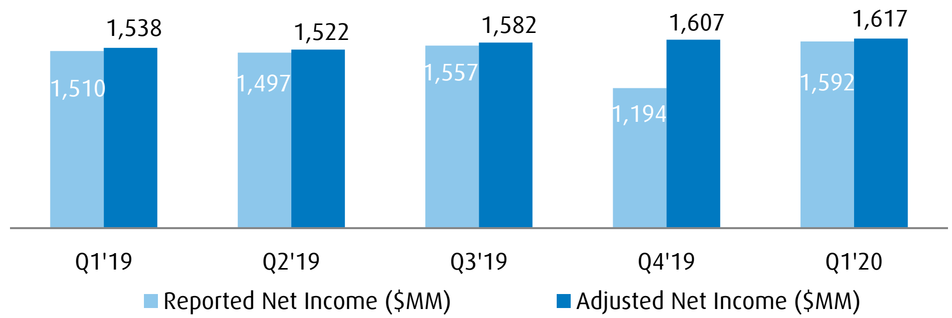
# Q1 F2020 - Financial Highlights

## Net income up 5% Y/Y; PPPT[5] up 16% Y/Y; adjusted[1] operating leverage[2] 4.6% with all Groups above 2.0%

- Adjusted[1] EPS $2.41, up 4% Y/Y, 5% CCY[6] (reported $2.37, up 4%)
- Adjusted[1] and reported net income up 5% Y/Y
- Adjusted[1] and reported PPPT[5] up 16% Y/Y
- Net revenue[2] up 8% Y/Y
- Adjusted[1] and reported expenses up 3% Y/Y
- Adjusted[1] efficiency ratio[2] 60.3% (reported 60.8%)
- Adjusted[1] operating leverage[2] 4.6% (reported 4.7%)
- Total PCL $349MM, up Y/Y from a low level (in part due to a recovery); up Q/Q
  - PCL on impaired loans $324MM; PCL on performing loans $25MM
  - Total PCL to average net loans and acceptances 31 bps
- Adjusted[1] ROE 13.5% (reported 13.3%)

| | Reported | | | Adjusted[1] | | |
|---|---|---|---|---|---|---|
| ($MM) | Q1 20 | Q4 19 | Q1 19 | Q1 20 | Q4 19 | Q1 19 |
| Net Revenue[2] | **6,031** | 5,752 | 5,591 | **6,031** | 5,777 | 5,591 |
| Expenses[3] | **3,669** | 3,987 | 3,557 | **3,637** | 3,463 | 3,520 |
| PPPT[5] | **2,362** | 1,765 | 2,034 | **2,394** | 2,314 | 2,071 |
| Total PCL | **349** | 253 | 137 | **349** | 253 | 137 |
| **Net Income** | **1,592** | **1,194** | **1,510** | **1,617** | **1,607** | **1,538** |
| Diluted EPS ($) | **2.37** | 1.78 | 2.28 | **2.41** | 2.43 | 2.32 |
| ROE (%) | **13.3** | 9.9 | 13.6 | **13.5** | 13.5 | 13.9 |
| ROTCE[4] (%) | **15.7** | 11.9 | 16.5 | **15.8** | 15.7 | 16.6 |
| CET1 Ratio (%) | **11.4** | 11.4 | 11.4 | | | |

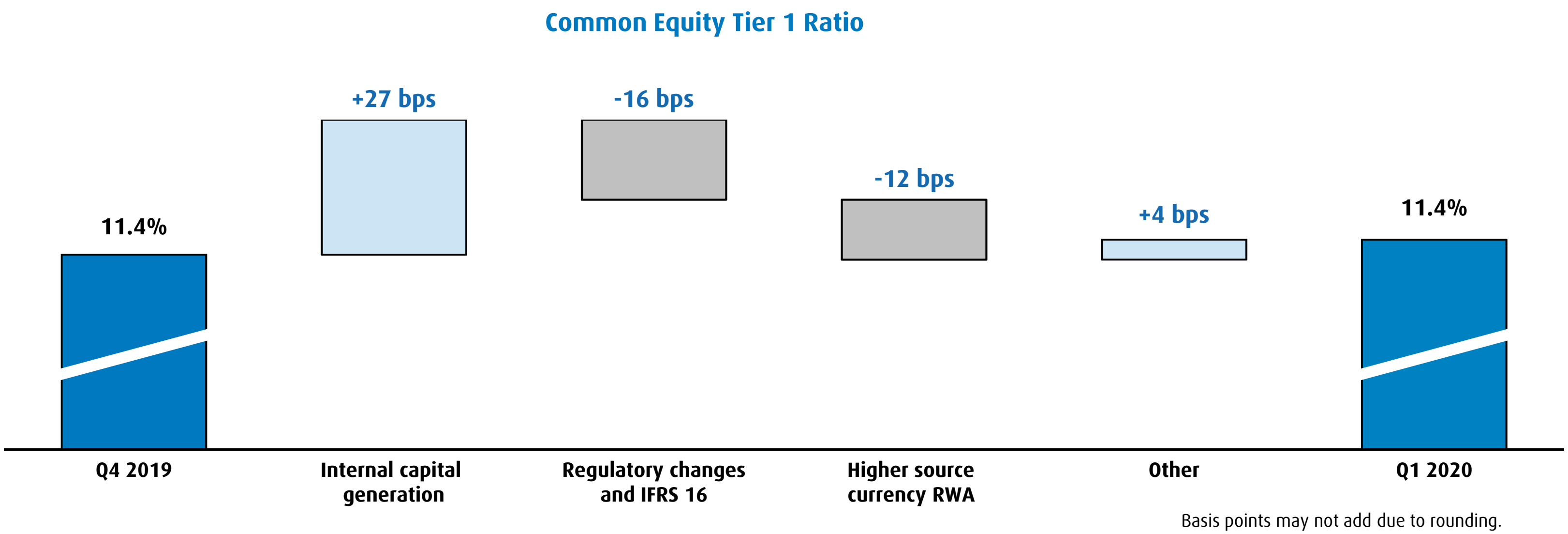
### Net Income[1] Trends




1 See slide 25 for adjustments to reported results. 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). Operating leverage and efficiency ratio based on net revenue. Reported gross revenue: Q1'20 $6,747MM; Q4'19 $6,087MM; Q1'19 $6,517MM. Reported net revenue in Q4'19 includes $25MM reinsurance adjustment in CCPB for the net impact of major reinsurance claims from Japanese typhoons that were incurred after our announced decision to wind down our reinsurance business
3 Q4'19 reported expenses include $484MM restructuring charge
4 Return on Tangible Common Equity (ROTCE)
5 Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses
6 Constant currency (CCY) refers to the impact of CAD/US exchange rate movements on the U.S. segment only. Measures presented on a CCY basis are non-GAAP measures, see slide 2 for more information

# Strong Capital Position

## Capital position strong with CET1 Ratio at 11.4%




- CET1 Ratio of 11.4% at Q1 2020, consistent with Q4 2019
  - Internal capital generation from retained earnings growth was offset by:
  - Regulatory changes and the adoption of IFRS 16 Leases
  - Higher source currency RWA from business growth
- Attractive dividend yield of ~4%[1]; dividend increased ~6% from a year ago
- The Clearpool acquisition is expected to close in Q2'20. The impact to the CET1 ratio is estimated to be under 10 bps

1 Dividend yield based on closing share price as of January 31, 2020

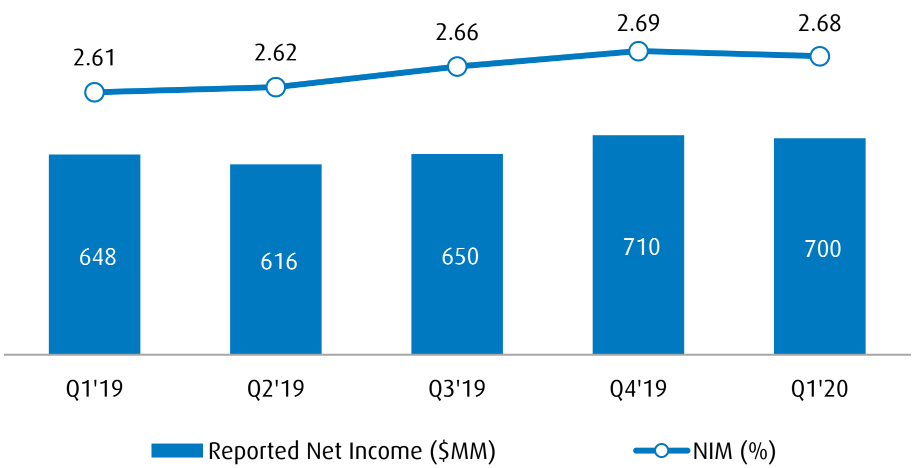
# Canadian Personal & Commercial Banking

## Strong performance and continued balance momentum

- Adjusted[1] and reported net income up 8% Y/Y
- Adjusted[1] and reported PPPT[2] growth of 10% Y/Y
- Revenue up 7% Y/Y
  - Average loans up 7% Y/Y. Commercial[3] up 15%; proprietary mortgages (including amortizing HELOC) up 6%
  - Average deposits up 14% Y/Y. Personal up 14%; Commercial up 14%
  - NIM down 1 bp Q/Q; up 7 bps Y/Y
- Expenses[4] up 3% Y/Y
- Efficiency ratio[4] 47.3%
- Operating leverage[4] 3.6%
- Total PCL $152MM, up $32MM Y/Y; up $7MM Q/Q
  - PCL on impaired loans $138MM; PCL on performing loans $14MM

| | Reported | | | Adjusted[1] | | |
|---|---|---|---|---|---|---|
| ($MM) | Q1 20 | Q4 19 | Q1 19 | Q1 20 | Q4 19 | Q1 19 |
| Revenue (teb) | **2,082** | 2,078 | 1,950 | **2,082** | 2,078 | 1,950 |
| Expenses | **986** | 976 | 956 | **986** | 976 | 955 |
| PPPT[2] | **1,096** | 1,102 | 994 | **1,096** | 1,102 | 995 |
| Total PCL | **152** | 145 | 120 | **152** | 145 | 120 |
| **Net Income** | **700** | **710** | **648** | **700** | **710** | **649** |

**Net Income and NIM Trends**




1 See slide 25 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information
2 Pre-Provision Pre-Tax earnings (PPPT) is the difference between revenue and expenses
3 Commercial loan growth excludes corporate and small business credit cards
4 Expense growth, efficiency ratio and operating leverage shown are on an adjusted and reported basis

# U.S. Personal & Commercial Banking

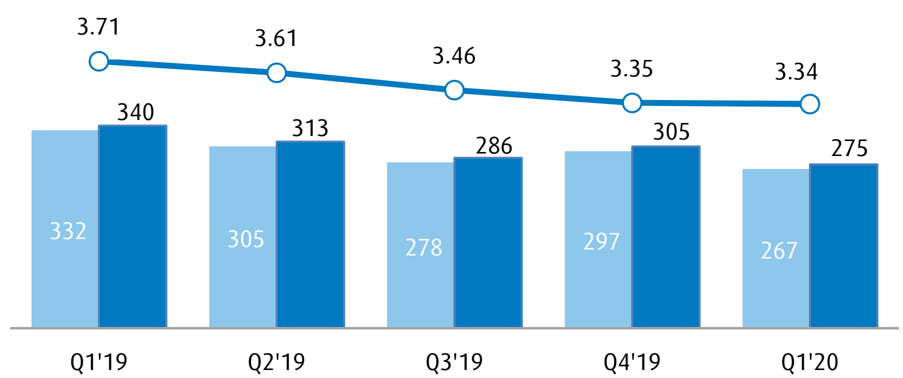
## Continued PPPT[3] growth and positive operating leverage

Figures that follow are in U.S. dollars

- Adjusted[1] PPPT[3] up 5% Y/Y (reported up 6%)
- Adjusted[1] net income down 19% Y/Y (reported down 20%) driven by higher credit provisions from a low level last year (in part due to a recovery), partially offset by higher revenue
- Revenue up 3% Y/Y
  - Average loans[2] up 12% Y/Y. Commercial up 13% and Personal up 9%
  - Average deposits up 11% Y/Y. Commercial up 13% and Personal up 9%
  - NIM down 1 bp Q/Q; down 37 bps Y/Y
- Adjusted[1] and reported expenses up less than 1% Y/Y
- Adjusted[1] efficiency ratio 55.2% (reported 56.1%)
- Adjusted[1] operating leverage 2.1% (reported 2.2%)
- Total PCL $113MM, up $108MM Y/Y from a low level (in part due to recovery); up $59MM Q/Q
  - PCL on impaired loans $100MM; PCL on performing loans $13MM

| | Reported | | | Adjusted[1] | | |
|---|---|---|---|---|---|---|
| (US$MM) | Q1 20 | Q4 19 | Q1 19 | Q1 20 | Q4 19 | Q1 19 |
| Revenue (teb) | **1,030** | 1,028 | 1,002 | **1,030** | 1,028 | 1,002 |
| Expenses | **578** | 597 | 575 | **568** | 586 | 565 |
| PPPT[3] | **452** | 431 | 427 | **462** | 442 | 437 |
| Total PCL | **113** | 54 | 5 | **113** | 54 | 5 |
| **Net Income** | **267** | **297** | **332** | **275** | **305** | **340** |
| **Net Income (CDE$)** | **351** | **393** | **444** | **361** | **404** | **454** |

### Net Income[1] and NIM Trends




1 See slide 25 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information
2 Average loan growth rate referenced above excludes Wealth Management mortgage; average loans up 12% including these balances
3 Pre-Provision Pre-Tax earnings (PPPT) is the difference between revenue and expenses

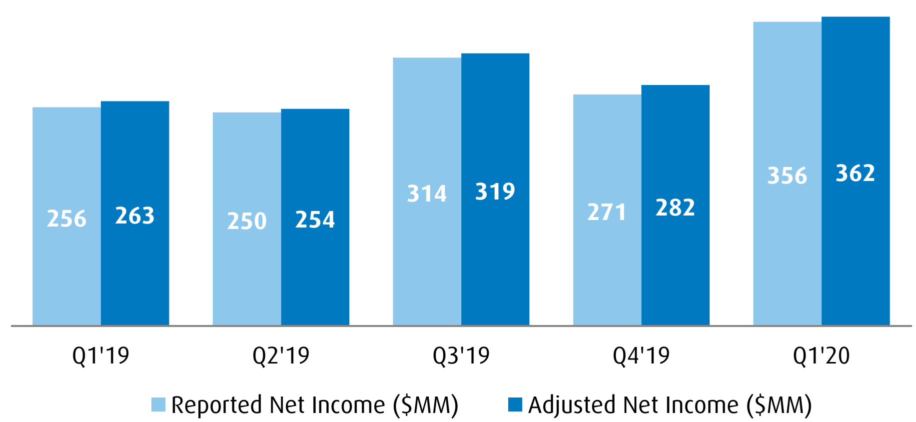
# BMO Capital Markets

## Strong performance across all businesses; adjusted[1] net income up 38% Y/Y

- Adjusted[1] net income up 38% Y/Y (reported up 39%)
- Adjusted[1] PPPT[2] up 50% Y/Y (reported up 52%)
- Revenue up 20% Y/Y
  - Global Markets up 30% Y/Y
  - Investment and Corporate Banking up 8% Y/Y
- Adjusted[1] and reported expenses up 7% Y/Y given strong revenue
- Adjusted[1] operating leverage 13.1% (reported 13.4%)
- Total PCL $50MM, up $35MM Y/Y; up $10MM Q/Q
  - PCL on impaired loans $53MM; recovery on performing loans $3MM
- Continued strong U.S. performance; adjusted[1] net income of US$110MM up 53% Y/Y (reported US$106MM, up 60%)
- Entered into agreement to acquire Clearpool Group Inc.; provider of electronic trading solutions operating in the U.S. and Canada

| | Reported | | | Adjusted[1] | | |
|---|---|---|---|---|---|---|
| ($MM) | Q1 20 | Q4 19 | Q1 19 | Q1 20 | Q4 19 | Q1 19 |
| Global Markets | **823** | 686 | 631 | **823** | 686 | 631 |
| I&CB | **546** | 493 | 506 | **546** | 493 | 506 |
| Revenue (teb) | **1,369** | 1,179 | 1,137 | **1,369** | 1,179 | 1,137 |
| Expenses | **852** | 792 | 796 | **844** | 778 | 787 |
| PPPT[2] | **517** | 387 | 341 | **525** | 401 | 350 |
| Total PCL | **50** | 40 | 15 | **50** | 40 | 15 |
| **Net Income** | **356** | **271** | **256** | **362** | **282** | **263** |

### Net Income[1] Trends




1 See slide 25 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information
2 Pre-Provision Pre-Tax earnings (PPPT) is the difference between revenue and expenses

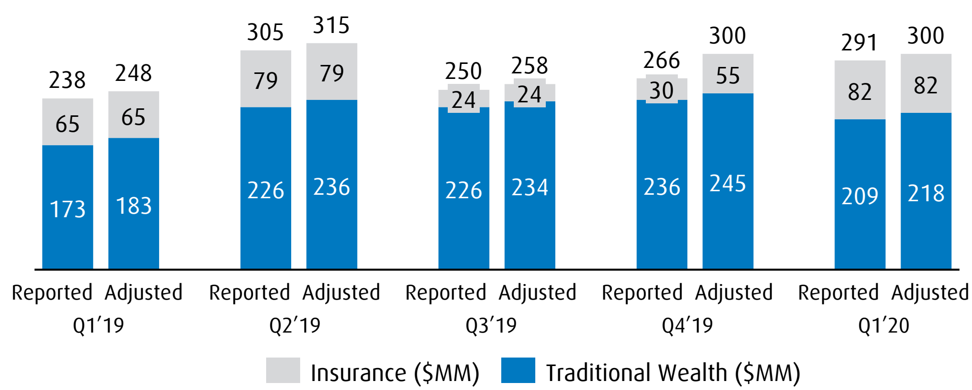
# BMO Wealth Management

## Strong Y/Y adjusted[1] net income growth of 21%

- Adjusted[1] net income up 21% Y/Y (reported up 22%)
- Adjusted[1] Traditional Wealth net income up 19% Y/Y (reported up 21%)
  - Strong growth in client assets with good expense discipline
  - Deposit growth of 12% and loan growth of 14%
- Insurance net income up 26% Y/Y primarily due to benefit from market movements
- Net revenue[2] up 8% Y/Y; Traditional Wealth up 5%
- Adjusted[1] and reported expenses up 2% Y/Y mainly due to revenue-based costs
- Adjusted[1] operating leverage, net of CCPB 5.9% (reported 6.1%)
- Adjusted[1] efficiency ratio, net of CCPB 68.8%, improved 4.0% Y/Y (reported 69.7%, improved 4.1%)
- Adjusted[1] PPPT[3] up 24% Y/Y (reported up 25%)
- AUM up 10% Y/Y; AUA up 9% Y/Y

| | Reported | | | Adjusted[1] | | |
|---|---|---|---|---|---|---|
| **($MM)** | **Q1 20** | **Q4 19** | **Q1 19** | **Q1 20** | **Q4 19** | **Q1 19** |
| Net Revenue[2] | **1,309** | 1,232 | 1,214 | **1,309** | 1,257 | 1,214 |
| Expenses | **912** | 860 | 896 | **901** | 849 | 883 |
| PPPT[3] | **397** | 372 | 318 | **408** | 408 | 331 |
| Total PCL (recovery) | **3** | (0) | 2 | **3** | (0) | 2 |
| **Net Income** | **291** | **266** | **238** | **300** | **300** | **248** |
| Traditional Wealth NI | **209** | 236 | 173 | **218** | 245 | 183 |
| Insurance NI[4] | **82** | 30 | 65 | **82** | 55 | 65 |
| AUM/AUA ($B) | **893** | 865 | 816 | **893** | 865 | 816 |

### Net Income[1] Trends




1 See slide 25 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information
2 For purposes of this slide revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Reported gross revenue: Q1'20 $2,025MM, Q4'19 $1,567MM, Q1'19 $2,140MM
3 Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses
4 Q4'19 reported Insurance results include $25MM (pre-tax and after-tax) reinsurance adjustment in CCPB for the net impact of major reinsurance claims from Japanese typhoons that were incurred after our announced decision to wind down our reinsurance business

# Corporate Services

- Adjusted[1] and reported net loss of $106MM compared with a net loss of $76MM in the prior year, mainly due to lower revenue excluding teb and higher expenses

| ($MM) | Reported[2] | | | Adjusted[1,2] | | |
|---|---|---|---|---|---|---|
| | **Q1 20** | **Q4 19** | **Q1 19** | **Q1 20** | **Q4 19** | **Q1 19** |
| Revenue | **(7)** | (20) | 19 | **(7)** | (20) | 19 |
| Group teb offset[2] | **(78)** | (77) | (67) | **(78)** | (77) | (67) |
| Total Revenue (teb)[2] | **(85)** | (97) | (48) | **(85)** | (97) | (48) |
| Total PCL (recovery) | **(5)** | (2) | (6) | **(5)** | (2) | (6) |
| Expenses[3] | **158** | 569 | 142 | **158** | 85 | 142 |
| **Net Loss** | **(106)** | **(446)** | **(76)** | **(106)** | **(89)** | **(76)** |

1 See slide 25 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information
2 Operating group revenue, income taxes and net interest margin are stated on a taxable equivalent basis (teb). This teb adjustment is offset in Corporate Services, and total BMO revenue, income taxes and net interest margin are stated on a GAAP basis
3 Q4'19 reported expenses include $484MM restructuring charge

# Risk Review

For the Quarter Ended January 31, 2020

Patrick Cronin
Chief Risk Officer

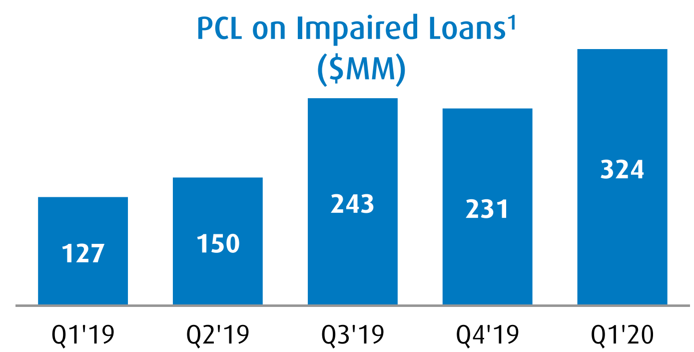
Q1 | 20

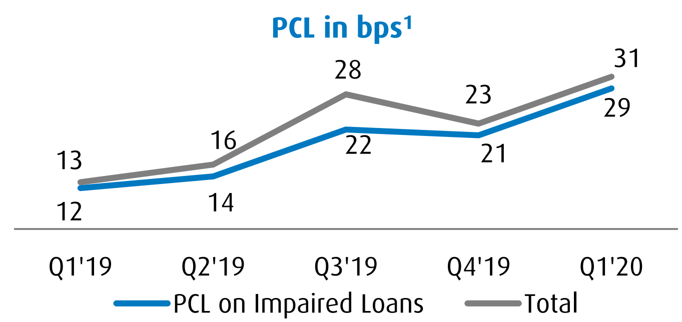
BMO

# Provision for Credit Losses (PCL)

| PCL By Operating Group ($MM) | Q1 20 | Q4 19 | Q1 19 |
|---|---|---|---|
| Consumer – Canadian P&C | 103 | 110 | 104 |
| Commercial – Canadian P&C | 35 | 24 | 10 |
| **Total Canadian P&C** | **138** | **134** | **114** |
| Consumer – U.S. P&C | 16 | 17 | (20) |
| Commercial – U.S. P&C | 116 | 49 | 35 |
| **Total U.S. P&C** | **132** | **66** | **15** |
| **BMO Wealth Management** | **0** | **1** | **2** |
| **BMO Capital Markets** | **53** | **32** | **1** |
| **Corporate Services** | **1** | **(2)** | **(5)** |
| **PCL on Impaired Loans[1]** | **324** | **231** | **127** |
| **PCL on Performing Loans** | **25** | **22** | **10** |
| **Total PCL** | **349** | **253** | **137** |

- Q1’20 PCL ratio on Impaired Loans at 29 bps, up 8 bps Q/Q
- Allowance for Credit Losses on Performing Loans increased PCL by $25 million

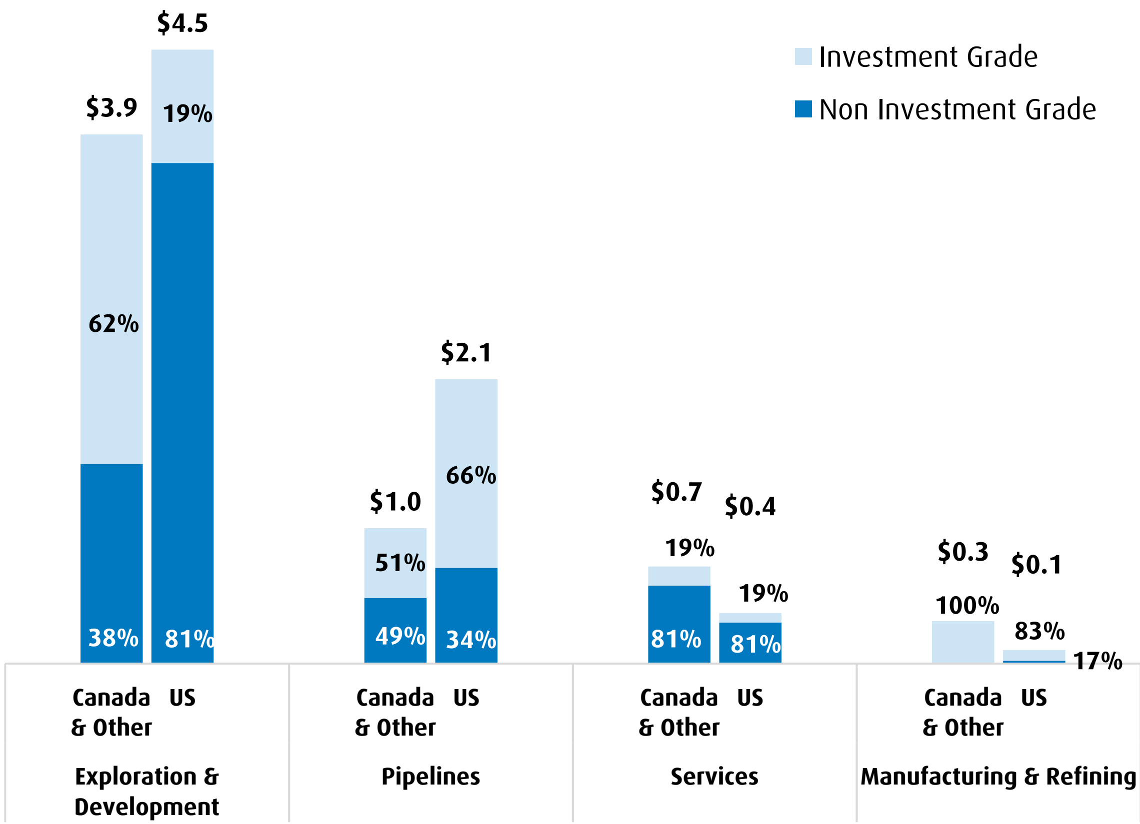



1 Q1’19 and Q2’19 PCL on Impaired Loans included large recoveries

# Oil & Gas Portfolio Overview

## Q1'20 Outstanding by Sector ($12.9B total)




- $12.9B in total outstandings, of which just over half are in the U.S.
- Of the $8.4B in Exploration and Development (E&D) outstandings, approximately three-quarters is borrowing base lending
  - Nearly all (99%) of U.S. E&D loans are borrowing-base and over 60% of Canadian E&D loans are investment grade
- Oil & Gas Gross Impaired Loans at $373MM, the large majority of which are in the U.S. E&D sector

# Gross Impaired Loans (GIL) and Formations

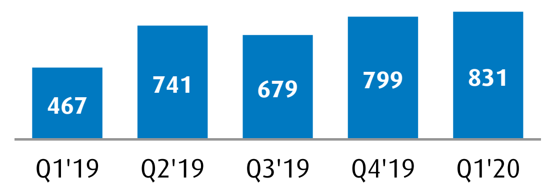
| By Industry ($MM, as at Q1 20) | Formations | | | Gross Impaired Loans | | |
|---|---|---|---|---|---|---|
| | Canada & Other | U.S. | Total | Canada & Other[1] | U.S. | Total |
| **Consumer** | **205** | **54** | **259** | **479** | **383** | **862** |
| Service Industries | 10 | 77 | 87 | 113 | 264 | 377 |
| Oil & Gas | 49 | 93 | 142 | 59 | 314 | 373 |
| Manufacturing | 95 | 40 | 135 | 155 | 174 | 329 |
| Agriculture | 9 | 25 | 34 | 58 | 254 | 312 |
| Transportation | 3 | 49 | 52 | 8 | 156 | 164 |
| Wholesale Trade | 1 | 2 | 3 | 28 | 78 | 106 |
| Retail Trade | 29 | 3 | 32 | 46 | 41 | 87 |
| Construction (non-real estate) | 1 | 52 | 53 | 9 | 71 | 80 |
| Commercial Real Estate | 9 | 2 | 11 | 48 | 12 | 60 |
| Financial | 13 | 0 | 13 | 19 | 20 | 39 |
| Other Business and Government[2] | 10 | 0 | 10 | 17 | 16 | 33 |
| **Total Business and Government** | **229** | **343** | **572** | **560** | **1,400** | **1,960** |
| **Total Bank** | **434** | **397** | **831** | **1,039** | **1,783** | **2,822** |

1 Total Business and Government includes $60MM GIL from Other Countries

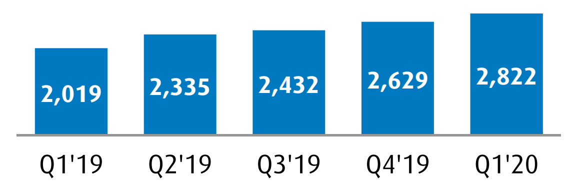
2 Other Business and Government includes industry segments that are each <1% of total GIL

- GIL ratio 62 bps, up 4 bps Q/Q

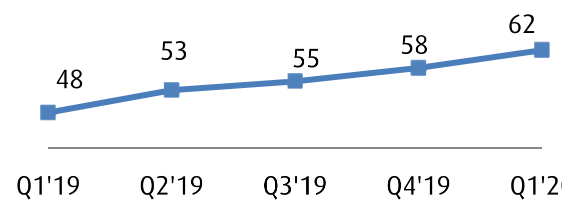
**Formations ($MM)**




**Gross Impaired Loans ($MM)**




**GIL bps**

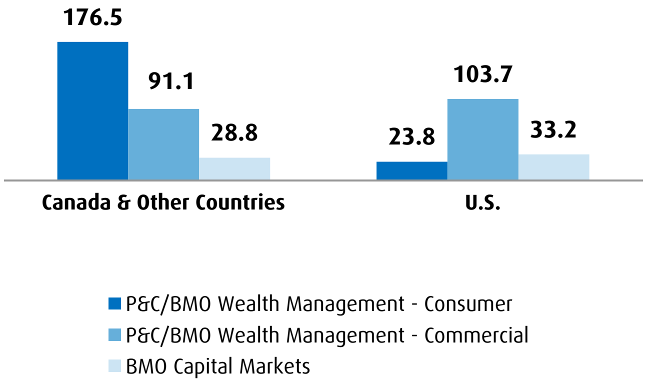


# Loan Portfolio Overview

| Gross Loans & Acceptances By Industry ($B, as at Q1 20) | Canada & Other[1] | U.S. | Total | % of Total |
|---|---|---|---|---|
| Residential Mortgages | 113.4 | 11.0 | 124.4 | 27% |
| Consumer Instalment and Other Personal | 56.4 | 12.2 | 68.6 | 15% |
| Cards | 8.2 | 0.6 | 8.8 | 2% |
| **Total Consumer** | **178.0** | **23.8** | **201.8** | **44%** |
| Service Industries | 22.4 | 24.4 | 46.8 | 10% |
| Financial | 14.2 | 27.9 | 42.1 | 9% |
| Commercial Real Estate | 22.7 | 14.6 | 37.3 | 8% |
| Manufacturing | 8.1 | 20.5 | 28.6 | 6% |
| Retail Trade | 13.8 | 9.4 | 23.2 | 5% |
| Wholesale Trade | 5.6 | 11.5 | 17.1 | 4% |
| Agriculture | 11.4 | 2.1 | 13.5 | 3% |
| Oil & Gas | 5.9 | 7.0 | 12.9 | 3% |
| Transportation | 3.0 | 9.2 | 12.2 | 3% |
| Other Business and Government[2] | 11.3 | 10.3 | 21.6 | 5% |
| **Total Business and Government** | **118.4** | **136.9** | **255.3** | **56%** |
| **Total Gross Loans & Acceptances** | **296.4** | **160.7** | **457.1** | **100%** |

- Loans are well diversified by geography and industry

**Loans by Geography and Operating Group ($B)**

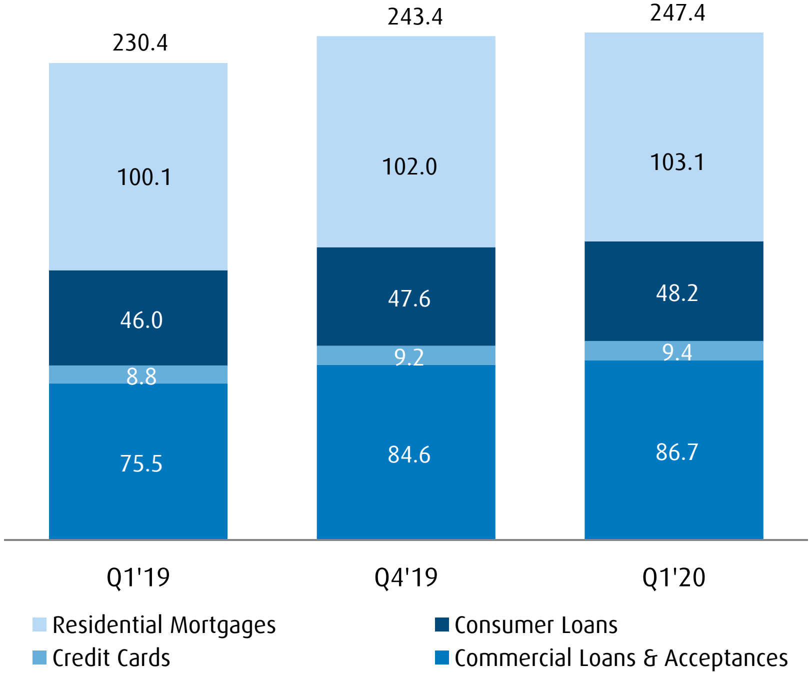



1 Includes ~$11.2B from Other Countries
2 Other Business and Government includes all industry segments that are each <2% of total loans

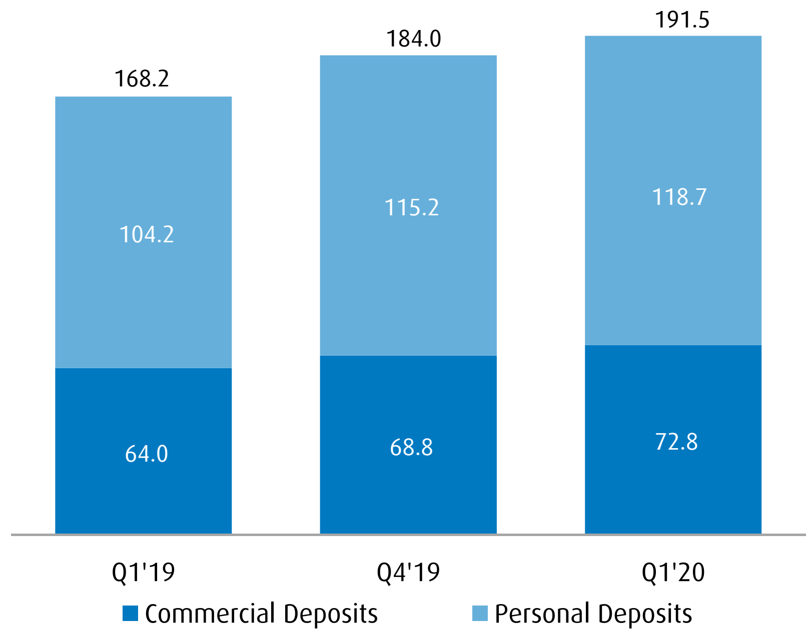
# Appendix

# Canadian Personal & Commercial Banking - Balances

## Average Gross Loans & Acceptances ($B)




## Average Deposits ($B)



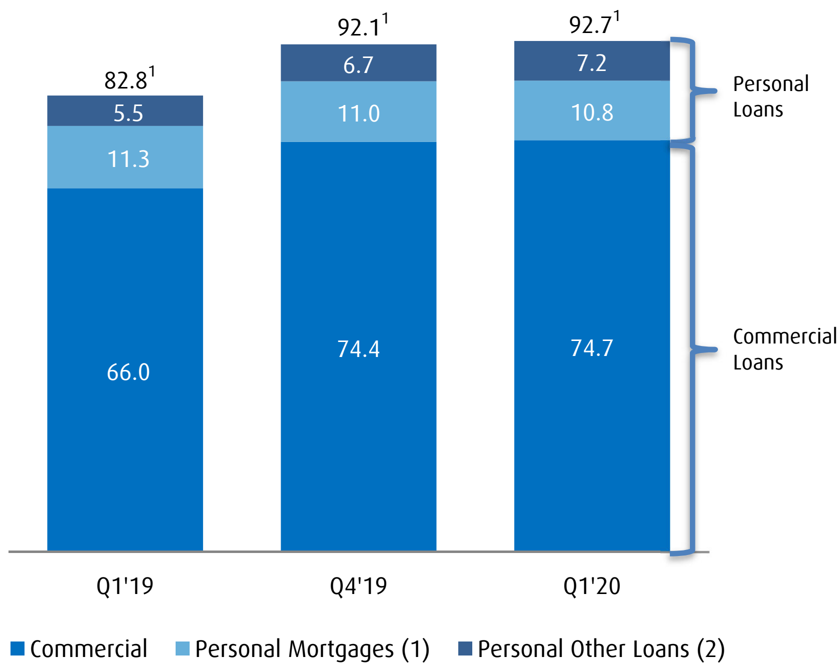

- Loans up 7% Y/Y
  - Proprietary channel residential mortgages and amortizing HELOC loans up 6%
  - Commercial loans[1] up 15%

- Deposits up 14% Y/Y
  - Personal deposits up 14%
  - Commercial deposits up 14%

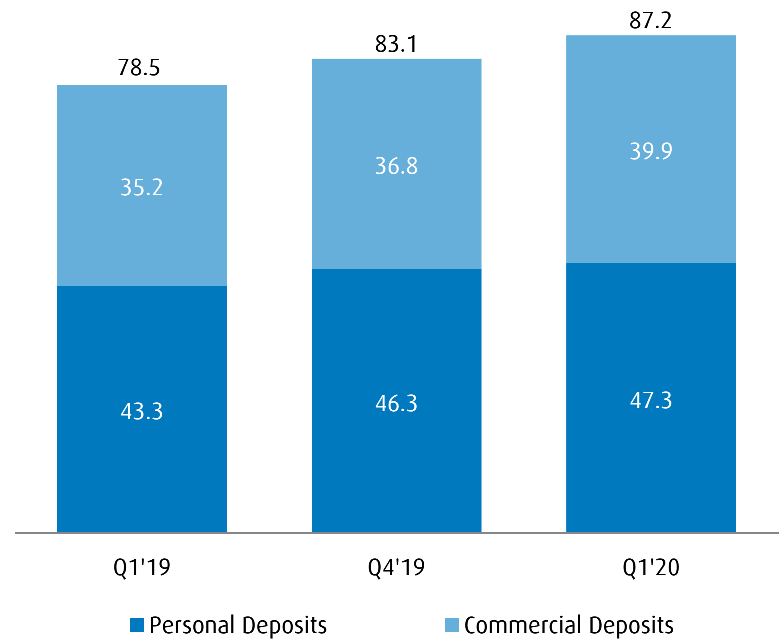
1 Commercial lending excludes commercial and small business cards. Commercial and small business cards balances represented ~11% of total credit card portfolio in Q1'19 and Q4'19, ~12% in Q1'20

# U.S. Personal & Commercial Banking – Balances

## Average Gross Loans & Acceptances (US$B)




## Average Deposits (US$B)



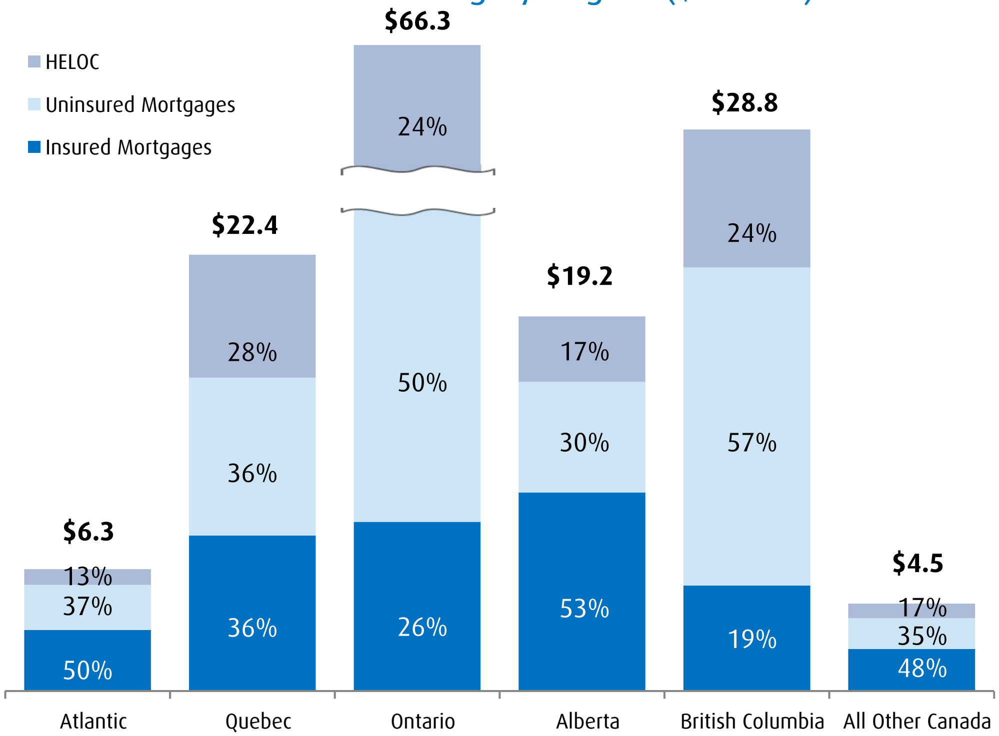

- Loans up 12% Y/Y
  - Commercial loans up 13% Y/Y
  - Personal loans[1,2] up 7% Y/Y

- Deposits up 11% Y/Y
  - Commercial deposits up 13% Y/Y
  - Personal deposits up 9% Y/Y

1 Includes BMO Wealth Management Mortgages (Q1'20 $2.1B, Q4'19 $2.1B, Q1'19 $2.1B) and Home Equity loans (Q1'20 $2.5B, Q4'19 $2.5B, Q1'19 $2.7B)
2 Personal Other Loans includes Business Banking, Indirect Auto, Credit Cards, Non-Strategic and other personal loans

# Canadian Residential-Secured Lending

## Residential-Secured Lending by Region ($147.5B)




| Avg. LTV[1] Uninsured | Atlantic | Quebec | Ontario | Alberta | British Columbia | All Other Canada | Total Canada |
|---|---|---|---|---|---|---|---|
| Mortgage | | | | | | | |
| - Portfolio | 59% | 59% | 55% | 61% | 50% | 56% | 55% |
| - Origination | 74% | 73% | 68% | 73% | 66% | 73% | 68% |
| HELOC | | | | | | | |
| - Portfolio | 49% | 54% | 44% | 55% | 42% | 49% | 47% |
| - Origination | 68% | 70% | 60% | 64% | 58% | 66% | 61% |

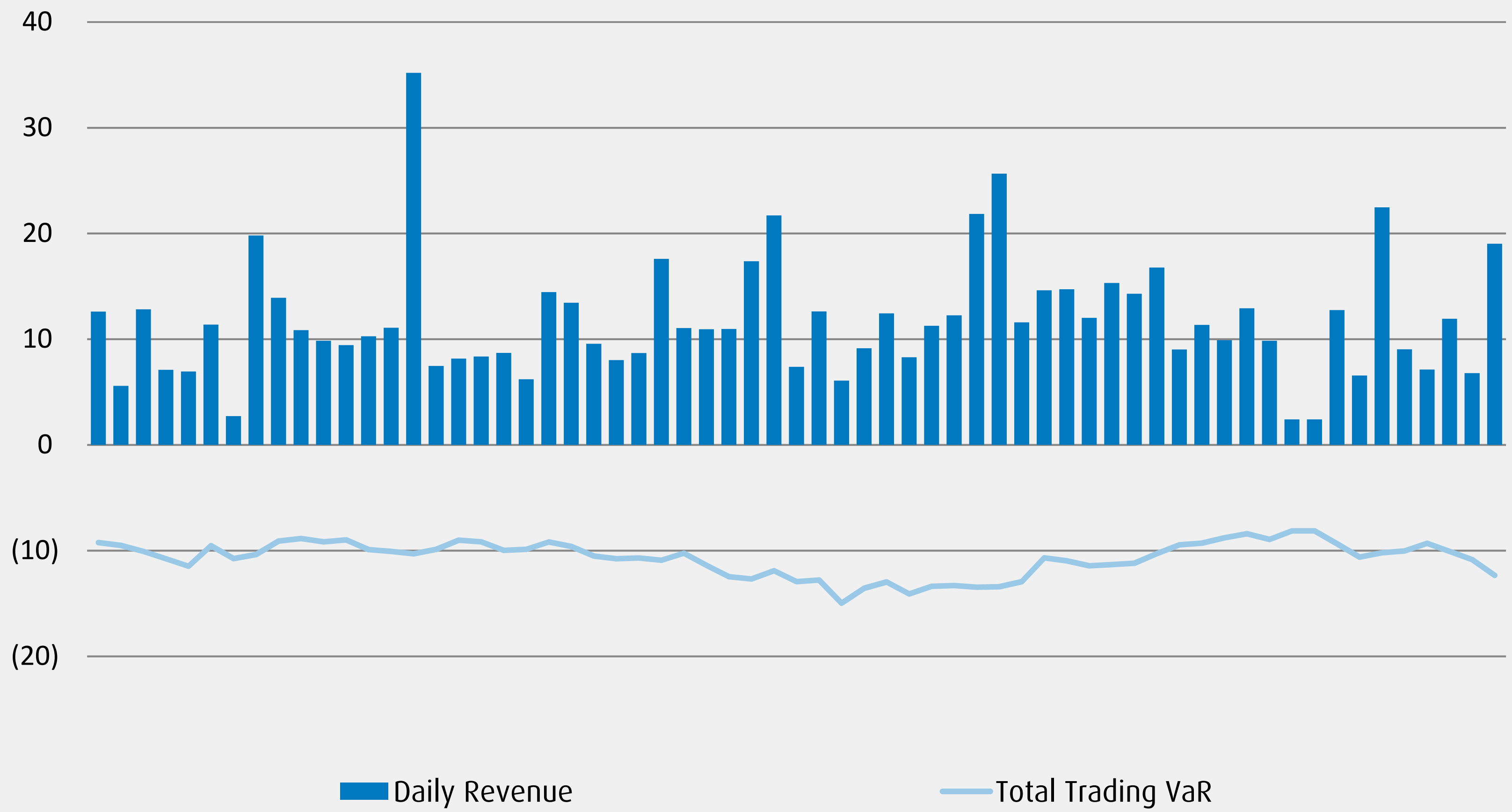
- Total Canadian residential-secured lending portfolio at $147.5B, representing 32% of total loans
  - LTV[1] on uninsured of 51%
  - 90 day delinquency rate for RESL remains good at 21 bps; loss rates for the trailing 4 quarter period were 1 bp
- Residential mortgage portfolio of $113.4B
  - 41% of portfolio insured
  - LTV[1] on uninsured of 55%
  - 73% of the mortgage portfolio has an effective remaining amortization of 25 years or less
- HELOC portfolio of $34.1B outstanding of which 60% is amortizing
- GTA and GVA portfolios demonstrate better LTV[1], delinquency rates and bureau scores compared to the national average

1 LTV is the ratio of outstanding mortgage balance or HELOC authorization to the original property value indexed using Teranet data. Portfolio LTV is the combination of each individual LTV weighted by the associated mortgage balance or HELOC authorization

# Trading-related Net Revenues and Value at Risk

## November 1, 2019 to January 31, 2020[1]

(pre-tax basis and in millions of Canadian dollars)




1 Presentation of Trading VaR updated subsequent to February 25, 2020

# Adjusting Items

| Adjusting items[1] - Pre-tax ($MM) | Q1 20 | Q4 19 | Q1 19 |
|---|---|---|---|
| Acquisition integration costs[2] | **(3)** | (2) | (6) |
| Amortization of acquisition-related intangible assets[3] | **(29)** | (38) | (31) |
| Restructuring costs[4] | **-** | (484) | - |
| Reinsurance adjustment[5] | **-** | (25) | - |
| **Adjusting items included in reported pre-tax income** | **(32)** | **(549)** | **(37)** |

| Adjusting items[1] - After-tax ($MM) | Q1 20 | Q4 19 | Q1 19 |
|---|---|---|---|
| Acquisition integration costs[2] | **(2)** | (2) | (4) |
| Amortization of acquisition-related intangible assets[3] | **(23)** | (29) | (24) |
| Restructuring costs[4] | **-** | (357) | - |
| Reinsurance adjustment[5] | **-** | (25) | - |
| **Adjusting items included in reported net income after tax** | **(25)** | **(413)** | **(28)** |
| **Impact on diluted EPS ($)** | **(0.04)** | (0.65) | (0.04) |

1 Adjusted measures are non-GAAP measures, see slide 2 for more information
2 KGS-Alpha and Clearpool acquisition integration costs are reported in BMO Capital Markets. Acquisition integration costs are recorded in non-interest expense
3 These amounts were charged to the non-interest expense of the operating groups
4 Q4'19 reported net income included a restructuring charge of $357 million after-tax ($484 million pre-tax), related to severance and a small amount of real estate-related costs, to continue to improve efficiency, including accelerating delivery against key bank-wide initiatives focused on digitization, organizational redesign and simplification of the way we do business. Restructuring costs are included in non-interest expense in Corporate Services
5 Q4'19 reported net income included a reinsurance adjustment of $25 million (pre-tax and after-tax) in commissions and changes in policy benefit liabilities for the net impact of major reinsurance claims from Japanese typhoons that were incurred after our announced decision to wind down our reinsurance business. This reinsurance adjustment is included in BMO Wealth Management

BMO Financial Group

# Investor Relations

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