# Investor Presentation

# Q2 | 12

May 23 • 2012

# Forward Looking Statements & Non-GAAP Measures

### Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2012 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 30 and 31 of BMO's 2011 annual MD&A, which outlines in detail certain key factors that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

In calculating the pro-forma impact of Basel III on our regulatory capital, risk-weighted assets (including Counterparty Credit Risk and Market Risk) and regulatory capital ratios, we have assumed that our interpretation of the proposed rules and proposals announced by the Basel Committee on Banking Supervision (BCBS) as of this date, and our models used to assess those requirements, are consistent with the final requirements that will be promulgated by BCBS and the Office of the Superintendent of Financial Institutions Canada (OSFI). We have also assumed that the proposed changes affecting capital deductions, risk-weighted assets, the regulatory capital treatment for non-common share capital instruments (i.e. grandfathered capital instruments) and the minimum regulatory capital ratios are adopted by OSFI as proposed by BCBS. We have also assumed that existing capital instruments that are non-Basel III compliant but are Basel II compliant can be fully included in the April 30, 2012, pro-forma calculations. The full impact of the Basel III proposals has been quantified based on our financial and risk positions at quarter end or as close to quarter end as was practical. In setting out the expectation that we will be able to refinance certain capital instruments in the future, as and when necessary to meet regulatory capital requirements, we have assumed that factors beyond our control, including the state of the economic and capital markets environment, will not impair our ability to do so.

Assumptions about the level of asset sales, expected asset sale prices, net funding cost, credit quality, risk of default and losses on default of the underlying assets of the structured investment vehicle were material factors we considered when establishing our expectations regarding the structured investment vehicle discussed in this interim MD&A, including the adequacy of first-loss protection. Key assumptions included that assets will continue to be sold with a view to reducing the size of the structured investment vehicle, under various asset price scenarios, and that the level of default and losses will be consistent with the credit quality of the underlying assets and our current expectations regarding continuing difficult market conditions.

Assumptions about the level of default and losses on default were material factors we considered when establishing our expectations regarding the future performance of the transactions into which our credit protection vehicle has entered. Among the key assumptions were that the level of default and losses on default will be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the future risk of credit losses in our credit protection vehicle and risk of loss to BMO included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges that BMO has entered.

In determining the impact of reductions to interchange fees in the U.S. Legislative and Regulatory Developments section, we have assumed that business volumes remain consistent with our expectations and that certain management actions are implemented that will modestly reduce the impact of the rules on our revenues.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Outlook and Review section of this interim MD&A.

### Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Second Quarter 2012 Report to Shareholders and Bank of Montreal's 2011 Management's Discussion and Analysis, all of which are available on our website at www.bmo.com/investorrelations.

Examples of non-GAAP amounts or measures include: productivity and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes; adjusted net income, revenues, provision for credit losses, expenses, earnings per share, ROE, productivity ratio and other adjusted measures which exclude the impact of certain items such as credit-related items on the acquired M&I performing loans, run-off structured credit activities, M&I integration costs, amortization of acquisition-related intangibles, decrease (increase) in collective allowance for credit losses and restructuring costs.

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

# Strategic Highlights

# Q2 | 12

**Bill Downe**
President & Chief Executive Officer
BMO Financial Group

May 23 • 2012

# Financial Results

## Another quarter of strong results; $2 billion of net income in first half of year

| C$ millions unless otherwise indicated | Q2 11 | Q1 12 | Q2 12 |
|---|---|---|---|
| Revenue | 3,333 | 4,117 | 3,959 |
| PCL | 297 | 141 | 195 |
| Expense | 2,030 | 2,554 | 2,499 |
| Net Income | 813 | 1,109 | 1,028 |
| EPS ($) | 1.32 | 1.63 | 1.51 |
| ROE (%) | 17.5 | 17.2 | 16.2 |
| **Adjusted[1]** | | | |
| Revenue | 3,244 | 3,743 | 3,727 |
| Net Income | 770 | 972 | 982 |
| EPS ($) | 1.25 | 1.42 | 1.44 |
| Productivity Ratio (%) | 61.5 | 63.5 | 63.2 |

- Adjusted[1] net income up 28% and Adjusted[1] EPS up 15%
- Adjusted[1] revenue growth 15%
- Adjusted[1] ROE 15.4%
- Strong capital position; pro forma Basel III common equity ratio of 7.6%[2]

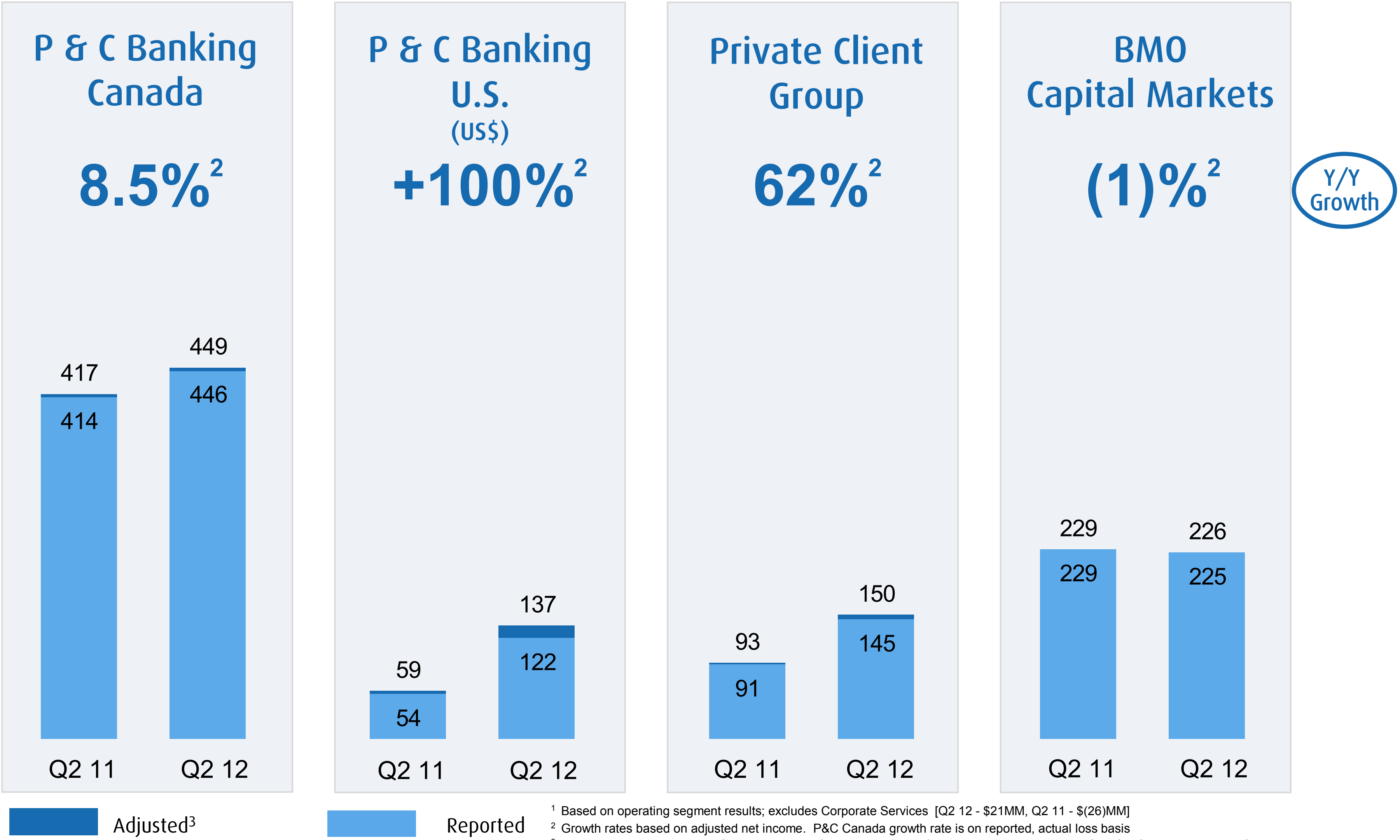
[1] Items excluded from second quarter 2012 results in the determination of adjusted results totalled $46 million after tax, comprised of a $55 million after tax net benefit of credit-related items in respect of the acquired Marshall & Ilsley Corporation (M&I) performing loan portfolio; costs of $74 million ($47 million after tax) for the integration of the acquired business; a $33 million ($24 million after tax) charge for amortization of acquisition-related intangible assets on all acquisitions; the benefit of run-off structured credit activities of $76 million ($73 million after tax); restructuring charge of $31 million ($23 million after tax) to align cost structure with the current and future business environment; and a decrease in the collective allowance for credit losses of $18 million ($12 million after tax). For further details on adjusted results and Non-GAAP measures, see slide 2 of this presentation, pages 33-34 of BMO's Q2 2012 Report to Shareholders and pages 34, 94-95 of BMO's 2011 Annual Report.

[2] Estimates based on announced Basel III 2019 rules and the impact of adoption of IFRS. For further details regarding assumptions and factors used in our calculations refer to pages 7 and 17 of Bank of Montreal's Second Quarter 2012 Report to Shareholders and the Enterprise-Wide Capital Management section on pages 61-65 in our 2011 Annual Report

# Over 75% of adjusted[3] net income from retail businesses[1]

C$ millions unless otherwise indicated

## Operating Group Net Income




[1] Based on operating segment results; excludes Corporate Services [Q2 12 - $21MM, Q2 11 - $(26)MM]
[2] Growth rates based on adjusted net income. P&C Canada growth rate is on reported, actual loss basis
[3] Adjusted measures are non-GAAP measures. See slides 2 & 11 of this document; pg.'s 33-34 of BMO's Q2 2012 Report to Shareholders

# Financial Results

# Q2|12

**Tom Flynn**
Executive Vice President & Chief Financial Officer
BMO Financial Group

May 23 • 2012

# Q2 2012 - Financial Highlights

## Another Strong Quarter, Second Quarter Results of $1.03B, up 27% Y/Y

| | Revenue | Net Income | EPS | ROE | Productivity | Specific PCL | Common Equity Ratio (Basel II) |
|---|---|---|---|---|---|---|---|
| **Reported Results** | **$3,959MM** | **$1,028MM** | **$1.51** | **16.2%** | **63.1%** | **$195MM** | **9.9%** |
| **Adjusted Results** | **$3,727MM** | **$982MM** | **$1.44** | **15.4%** | **63.2%** | **$151MM** | **9.9%** |

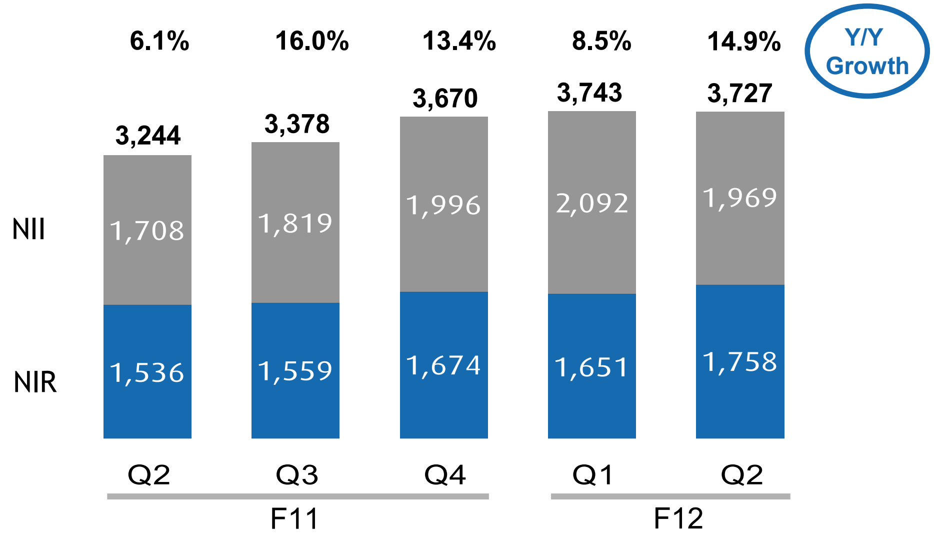
- Adjusted EPS up 15.2% Y/Y and 1.4% Q/Q
- Adjusted net income up 28% Y/Y with good business performance
  - Adjusted revenue increased 14.9%
  - P&C Canada results up 8%
  - P&C U.S. results reflect strong growth due to acquisition
  - PCG up 62% driven in particular by improved insurance results
  - BMO CM good results and consistent to prior year reflecting the benefit of diversified business mix
  - Specific PCL of $151MM, down $114MM
  - M&I added $181MM to adjusted net income
- Adjusted net income up 1% Q/Q
  - Adjusted revenue relatively unchanged Q/Q despite fewer days
  - Disciplined expense management is contributing to improved operating leverage in P&C Canada and PCG
  - Specific PCL up $60MM in quarter
- See slide 11 for adjustments to reported results

Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders

# Revenue

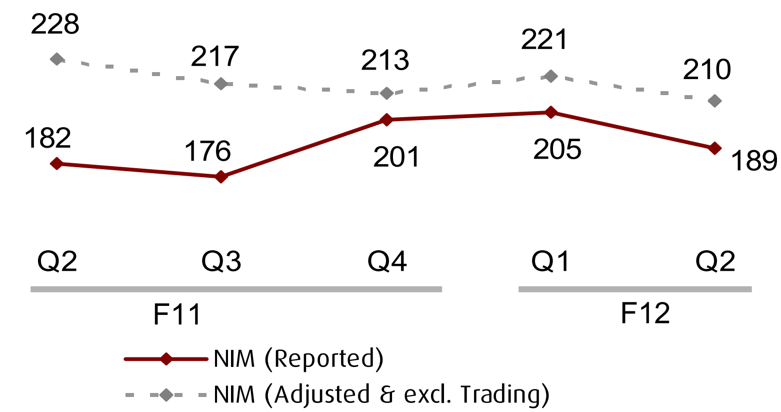
## Y/Y revenue growth in all retail businesses

### Total Bank Adjusted Revenue (C$MM)




- Q2 adjusted revenue up 14.9% Y/Y
  - P&C Canada revenue up reflecting volume growth partly offset by lower net interest margin
  - P&C US growth strong given acquisition
  - PCG good growth across businesses
  - BMO CM modest revenue decline reflects lower investment banking revenues compared to stronger levels a year ago
- Q2 adjusted revenue relatively unchanged Q/Q
  - NII decline due to fewer days and lower NIM
  - PCG revenue growth due to higher insurance revenue

### Net Interest Margin
(bps)




**NIM Adjusted and excl. Trading**

- Q/Q decreased as expected from higher levels and consistent with Q4'11
- Q/Q change due to PCG Q1'12 being unusually high and declines in P&C businesses. BMO CM up Q/Q
- Y/Y change due mainly to lower spreads in BMO CM

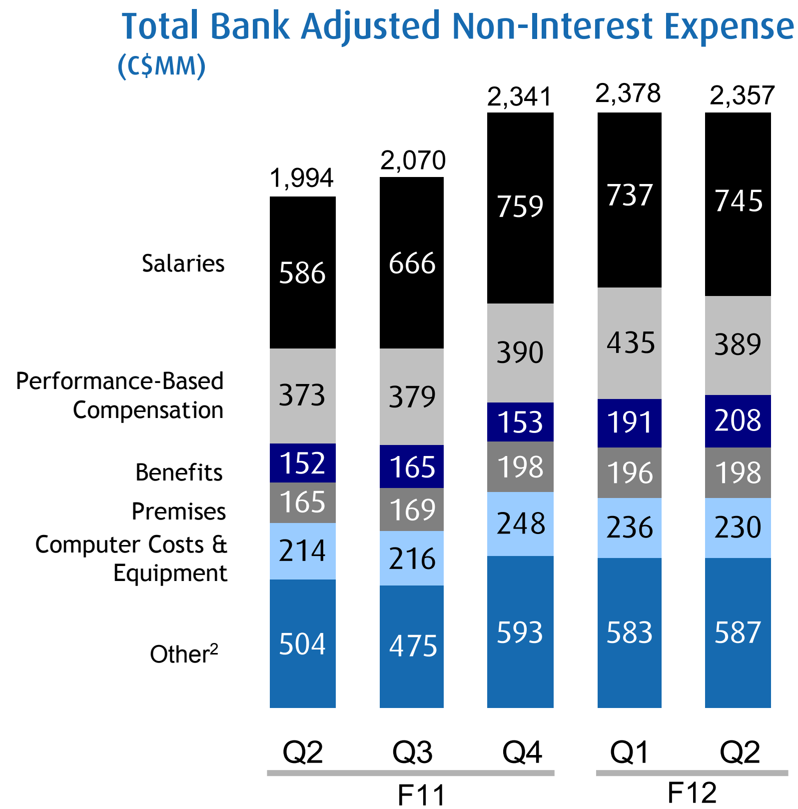
Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders
For details on adjustments refer to slide 11

# Non-Interest Expense

## Expenses being managed closely and focused on longer term productivity improvements

| Non-Interest Expense ($MM) | Q2 11 | Q1 12 | Q2 12 | Q/Q B/(W) | Y/Y B/(W) |
|---|---|---|---|---|---|
| **Reported** | 2,030 | 2,554 | **2,499** | 2% | (23)% |
| **Adjusted** | 1,994 | 2,378 | **2,357** | 1% | (18)% |

- Closely managing costs, impact both near term and long term
- Y/Y adjusted non-interest expense increase of $363MM or 18%, largely due to acquisitions
  - Expense related to acquired businesses was $321MM
  - P&C Canada consistent with prior year reflecting strong expense management
- Q/Q adjusted non-interest expenses down 0.9%
  - Good expense management
  - P&C Canada adjusted operating leverage 2.4% Q/Q
  - Performance-based compensation in Q1'12 included costs for employees eligible to retire
- Adjusted productivity ratio[1] of 63.2% down from 63.5% in Q1'12




[1] Reported productivity of 63.1% in Q2'12 and 62.0% in Q1'12
[2] Consists of communications, business and capital taxes, professional fees, travel and business development and other
Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders
For details on adjustments refer to slide 11

# Capital & Risk Weighted Assets

## Capital position strong

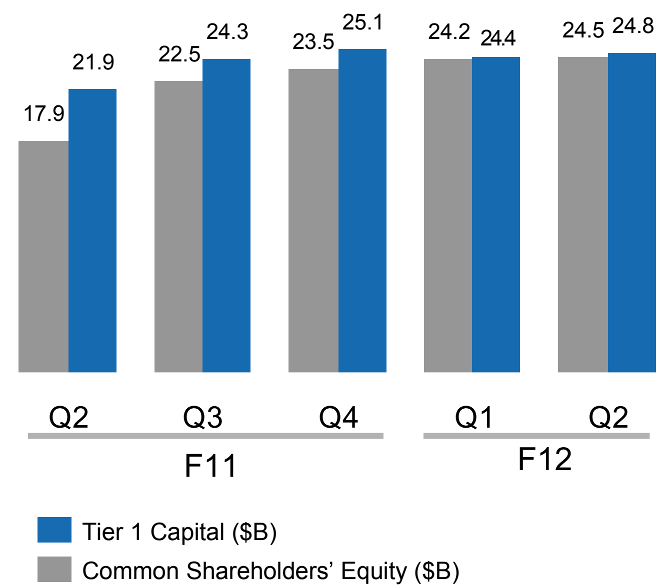
| Basel II | Q2 11 | Q1 12 | Q2 12 |
|---|---|---|---|
| **Common Equity Ratio (%)[1]** | 10.7 | 9.6 | 9.9 |
| **Tier 1 Capital Ratio (%)** | 13.8 | 11.7 | 12.0 |
| **Total Capital Ratio (%)** | 17.0 | 14.6 | 14.9 |
| **RWA ($B)** | 159 | 209 | 207 |
| **Assets to Capital Multiple** | 13.7 | 15.4 | 15.1 |

- Ratios remain strong
- Q/Q higher capital and lower RWA in part due to the impact of a weaker US dollar
- IFRS impact on Tier 1 Capital Ratio is approximately -19 bps to the end of Q2 and will be approximately -60 bps when fully phased in, in Q1'13

| Basel III [2] (pro forma as at April 30, 2012) | |
|---|---|
| **Common Equity Ratio (%)** | 7.6 |
| **Tier 1 Capital Ratio (%)** | 9.5 |

- Well positioned for Basel III capital requirements
- Pro forma ratios reflect estimated full impact of Basel III and IFRS with no phase-in

### Common Shareholders' Equity & Basel II Tier 1 Capital




[1] Common equity ratio equals shareholders' common equity less Basel II capital deductions divided by RWA. This ratio is also referred to as the Tier 1 common ratio

[2] Estimates based on announced Basel III 2019 rules and the impact of adoption of IFRS

# Adjusting Items[1]

| Adjusting items – Pre-tax ($MM) | Q2 11 | Q1 12 | Q2 12 |
|---|---|---|---|
| Credit-related items on the acquired M&I performing loan portfolio | - | 184 | **90** |
| Run-off structured credit activities | 100 | 136 | **76** |
| Hedge costs related to foreign currency risk on purchase of M&I | (11) | - | **-** |
| M&I integration costs | (25) | (70) | **(74)** |
| Amortization of acquisition-related intangible assets | (10) | (34) | **(33)** |
| Decrease (increase) in the collective allowance for credit losses | (32) | - | **18** |
| Restructuring costs | - | (68) | **(31)** |
| **Adjusting items included in reported pre-tax income** | 22 | 148 | **46** |

| Adjusting items – After-tax ($MM) | Q2 11 | Q1 12 | Q2 12 |
|---|---|---|---|
| Credit-related items on the acquired M&I performing loan portfolio | - | 114 | **55** |
| Run-off structured credit activities | 100 | 136 | **73** |
| Hedge costs related to foreign currency risk on purchase of M&I | (8) | - | **-** |
| M&I integration costs | (17) | (43) | **(47)** |
| Amortization of acquisition-related intangible assets | (9) | (24) | **(24)** |
| Decrease (increase) in the collective allowance for credit losses | (23) | - | **12** |
| Restructuring costs | - | (46) | **(23)** |
| **Adjusting items included in reported after-tax net income** | 43 | 137 | **46** |
| **EPS ($)** | 0.07 | 0.21 | **0.07** |

[1] All adjusting items are reflected in Corporate Services with the exception of the amortization of acquisition-related intangible assets, which is reflected across the Groups

Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders

# Operating Groups – Q2'12 Quick Facts

## Over 75% of adjusted revenue and net income from retail businesses[1]

### P&C Canada

- Revenue up **2%** Y/Y
- Net income up **9%** Y/Y on an actual loss basis, **8%** using expected losses
- Volume growth across most products and higher fee revenue
- Net interest margin **281 bps** – down **12 bps** Y/Y driven by competitive pressures and lower deposit spreads
- Productivity ratio **51.0%**; operating leverage **2.3%**

### P&C U.S.

- Revenue up **US$383MM** Y/Y, reflecting benefit of the acquisition
- Adjusted net income of **US$137MM,** up **$78MM** Y/Y
- Adjusted Productivity ratio **60.9%**
- Good volume growth trends in core C&I

### Private Client Group

- Revenue up **27%** Y/Y; ex Insurance, up **18%** Y/Y
- Adjusted net income up **62%** Y/Y to **$150MM**
- Prior year insurance results were negatively affected by unusually high earthquake-related claims
- AUA / AUM **$445B** up **$159B** Y/Y, primarily due to acquisitions

### BMO Capital Markets

- Revenue down **4%** Y/Y driven by lower investment banking activity partially offset by improved trading revenues
- Net income of **$225MM**, in line with previous year
- ROE **18.6%**
- Productivity **59.7%**

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For details on adjustments refer to slide 11

[1] Based on operating segment results; excludes Corporate Services results

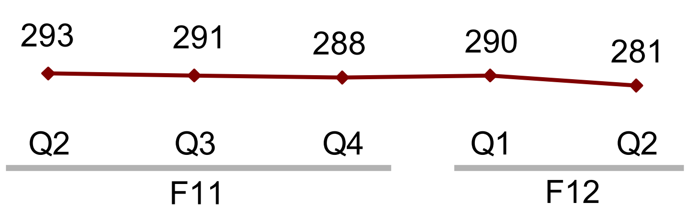
* BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the operating groups quarterly based on their share of expected credit losses. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses, as well as changes in the collective allowance are charged (or credited) to Corporate Services

# Personal & Commercial Banking - Canada

## Good net income performance, up 8% Y/Y

| As Reported ($MM) | Q2 11 | Q1 12 | Q2 12 | Q/Q B/(W) | Y/Y B/(W) |
|---|---|---|---|---|---|
| **Personal Revenue** | 929 | 963 | **961** | 0% | 4% |
| **Commercial Revenue** | 559 | 593 | **562** | (5)% | 1% |
| **Revenue** | 1,488 | 1,556 | **1,523** | (2)% | 2% |
| **PCL** | 136 | 138 | **141** | (1)% | (2)% |
| **Expenses** | 776 | 813 | **776** | 4% | 0% |
| **Net Income** | 414 | 446 | **446** | 0% | 8% |
| **Net Income (actual PCL)** | 398 | 438 | **432** | (1)% | 9% |
| **Productivity (%)** | 52.2 | 52.2 | **51.0** | 1.2 | 1.2 |

### Net Interest Margin
(bps)




### Highlights

- Net income up 8% Y/Y
- Y/Y revenue growth reflected higher volumes across most products and higher fee revenues partially offset by lower NIM
- Operating leverage of 2.3% with expenses being well managed
- Net Income consistent Q/Q despite fewer days
- NIM down 9bps Q/Q primarily due to lower deposit spreads and small items impacting the quarter not expected to recur; loan spreads were relatively stable
- Loan balances increased $6.2B or 4.1% Y/Y and $1.6B or 1.0% Q/Q
- Commercial lending pipeline is strong and improving
- Deposit balances increased $4.3B or 4.2% Y/Y and declined $0.9B or 0.8% Q/Q

* BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the operating groups quarterly based on their share of expected credit losses. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses, as well as changes in the collective allowance are charged (or credited) to Corporate Services

# Personal & Commercial Banking - U.S.

## Y/Y growth reflects benefit of acquisition

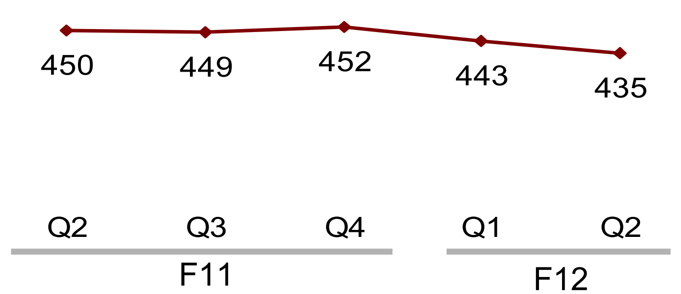
(Amounts in US$MM)

| As Reported (US$MM) | Q2 11 | Q1 12 | Q2 12 | Q/Q B/(W) | Y/Y B/(W) |
|---|---|---|---|---|---|
| **Revenue** | 355 | 771 | **738** | (4)% | +100% |
| **PCL** | 36 | 85 | **84** | 1% | (+100)% |
| **Expenses** | 234 | 487 | **473** | 3% | (+100)% |
| **Adjusted Net Income**[1] | 59 | 152 | **137** | (9)% | +100% |
| **Adjusted Productivity (%)** | 64.1 | 60.1 | **60.9** | (0.8) | 3.2 |

### Highlights

- Strong growth Y/Y due to acquisition
- Y/Y revenue and income up by over 100%
- Q/Q revenue reflects lower NIM and expected decline in securities gains
- Good volume growth trends in core C&I
- Q/Q expense decline largely due to litigation expenses booked in Q1'12
- Q/Q NIM decline primarily due to lower loan spreads
- M&I contributed US$83MM to Q2'12 adjusted net income (US$89MM Q1'12)

### Net Interest Margin
(bps)

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For details on adjustments refer to slide 11

[1] Net income adjusted for costs related to amortization of acquisition-related intangibles

# Private Client Group

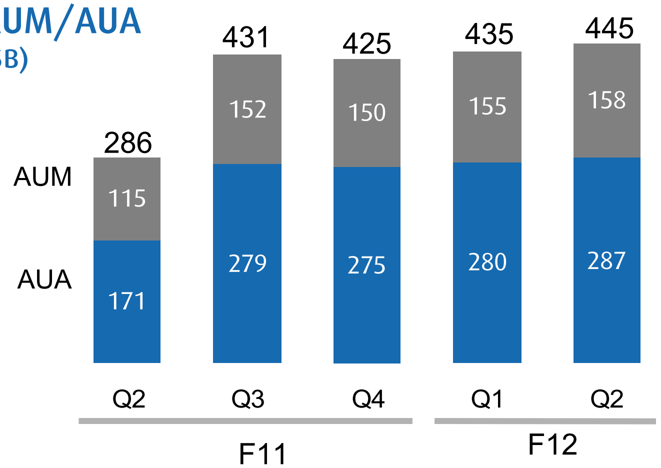
## Good growth in underlying PCG ex insurance business

| As Reported ($MM) | Q2 11 | Q1 12 | Q2 12 | Q/Q B/(W) | Y/Y B/(W) |
|---|---|---|---|---|---|
| **Revenue** | 588 | 695 | **743** | 7% | 27% |
| **Expenses** | 455 | 557 | **553** | 1% | (21%) |
| **Net Income** | 91 | 105 | **145** | 39% | 59% |
| **Adjusted Net Income[1]** | 93 | 110 | **150** | 37% | 62% |
| **Insurance Net Income** | - | 12 | **52** | +100% | +100% |
| **PCG ex Insurance Net Income** | 93 | 98 | **98** | 2% | 7% |
| **Adjusted Productivity (%)** | 77.2 | 79.2 | **73.4** | 5.8 | 3.8 |

Highlights

- Strong adjusted net income growth Y/Y and Q/Q
- Ex. insurance revenue up 18% Y/Y from acquisitions and organic growth
- Insurance revenue increased as results a year ago were negatively affected by unusually high earthquake-related claims
- Assets continue to grow reflecting improved equity market conditions Q/Q. We continue to attract net new client assets

AUM/AUA ($B)

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Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders
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[1] Adjusted net income adjusts for the amortization of acquisition-related intangible assets

# BMO Capital Markets

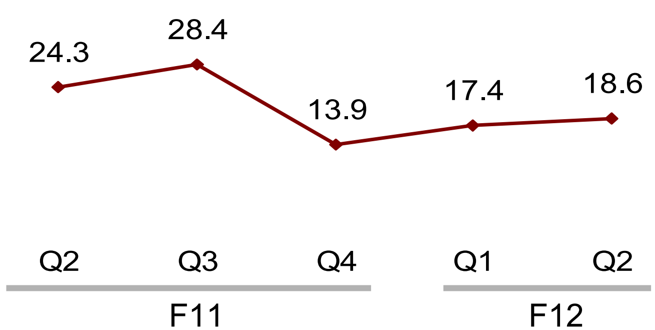
## Q/Q good results reflect focus on execution and benefit of diversified business mix

| As Reported ($MM) | Q2 11 | Q1 12 | Q2 12 | Q/Q B/(W) | Y/Y B/(W) |
|---|---|---|---|---|---|
| Trading Products Revenue | 481 | 513 | **473** | (8)% | (2)% |
| Investment & Corp Banking Revenue | 344 | 259 | **316** | 22% | (8)% |
| **Revenue** | 825 | 772 | **789** | 2% | (4)% |
| **PCL** | 30 | 24 | **24** | 0% | 19% |
| **Expenses** | 466 | 483 | **471** | 2% | (1)% |
| **Net Income** | 229 | 198 | **225** | 14% | (1)% |
| **Productivity Ratio (%)** | 56.5 | 62.6 | **59.7** | 2.9 | (3.2) |

### Highlights

- Y/Y net income consistent with prior year
- Y/Y revenue driven by lower investment banking revenue compared to stronger levels a year ago
- Q/Q net income and revenue up from Q1 as investment banking improves
- Q/Q expenses down due to stock-based compensation costs for employees eligible to retire recognized in Q1'12 and ongoing focus on productivity

### Return on Equity
(%)

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# Corporate Services

## Adjusted net income up Y/Y and down Q/Q

| Adjusted ($MM) | Q2 11 | Q1 12 | Q2 12 |
|---|---|---|---|
| **Revenue (teb)** | 2 | (60) | **(60)** |
| **PCL – Specific** | 62 | (161) | **(100)** |
| **– Collective** | -- | -- | **--** |
| **Expenses** | 83 | 66 | **121** |
| **Net Income** | (26) | 62 | **21** |

| As Reported ($MM) | Q2 11 | Q1 12 | Q2 12 |
|---|---|---|---|
| **Revenue (teb)** | 90 | 313 | **172** |
| **PCL – Specific** | 62 | (130) | **(56)** |
| **– Collective** | 33 | 19 | **--** |
| **Expenses** | 108 | 208 | **230** |
| **Net Income** | 26 | 223 | **91** |

- Y/Y adjusted net income higher by $47MM
  - Adjusted revenues declined $62MM mainly due to interest on the settlement of certain tax matters in the prior year
  - Expenses increased $38MM primarily due to M&I
  - Adjusted PCL improved $162MM consisting of a $117MM recovery on the acquired M&I impaired loan portfolio and $45MM lower provisions charged to Corporate Services under BMO's EL provisioning methodology
- Q/Q adjusted net income lower by $41MM
  - Adjusted PCL increased $61MM due to $36MM higher provisions charged to Corporate Services under BMO's EL provisioning methodology and $25MM lower recovery on the acquired M&I impaired loan portfolio
  - Expenses increased $55MM mainly as a result of timing of benefit costs and technology investment spending
- See slide 11 for adjustments to reported results. All adjustments impact Corporate Services with the exception of amortization of acquisition-related intangible assets

* BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the operating groups quarterly based on their share of expected credit losses. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses, as well as changes in the collective allowance are charged (or credited) to Corporate Services

Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders

# Group Net Income

| Net Income, Adjusted ($MM) | Q2 11 | Q1 12 | Q2 12 | B/(W) | |
|---|---|---|---|---|---|
| | | | | Q/Q | Y/Y |
| P&C Canada | 417 | 448 | 449 | 0% | 8% |
| P&C U.S. | 57 | 154 | 136 | (11)% | +100% |
| Total P&C | 474 | 602 | 585 | (3)% | 24% |
| PCG | 93 | 110 | 150 | 37% | 62% |
| BMO Capital Markets | 229 | 198 | 226 | 14% | (1)% |
| Corporate Services | (26) | 62 | 21 | (68)% | +100% |
| Total Bank | 770 | 972 | 982 | 1% | 28% |

| Net Income, Reported ($MM) | Q2 11 | Q1 12 | Q2 12 | B/(W) | |
|---|---|---|---|---|---|
| | | | | Q/Q | Y/Y |
| P&C Canada | 414 | 446 | 446 | 0% | 8% |
| P&C U.S. | 53 | 137 | 121 | (12)% | +100% |
| Total P&C | 467 | 583 | 567 | (3)% | 22% |
| PCG | 91 | 105 | 145 | 39% | 59% |
| BMO Capital Markets | 229 | 198 | 225 | 14% | (1)% |
| Corporate Services | 26 | 223 | 91 | (59)% | +100% |
| Total Bank | 813 | 1,109 | 1,028 | (7)% | 27% |

Adjusted measures are non-GAAP measures. See slide 2 of this document, page 94-95 of BMO's 2011 Annual Report and page 33-34 of BMO's Second Quarter Report to Shareholders
For details on adjustments refer to slide 11

# Personal & Commercial Banking Canada – Product Balances & Market Share

### Personal

- Y/Y total personal lending balances up 4.8% and personal deposit balances up 3.8%

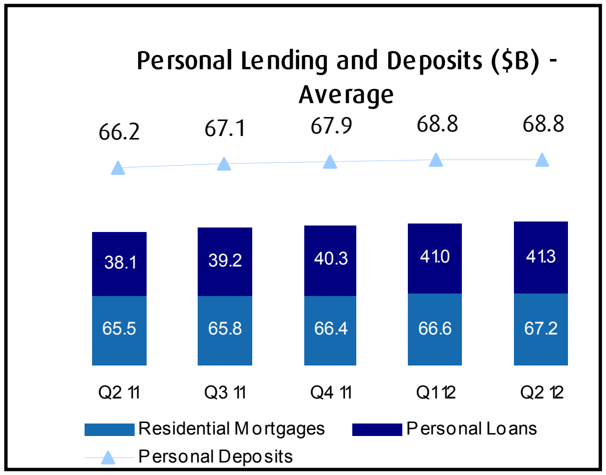
### Commercial

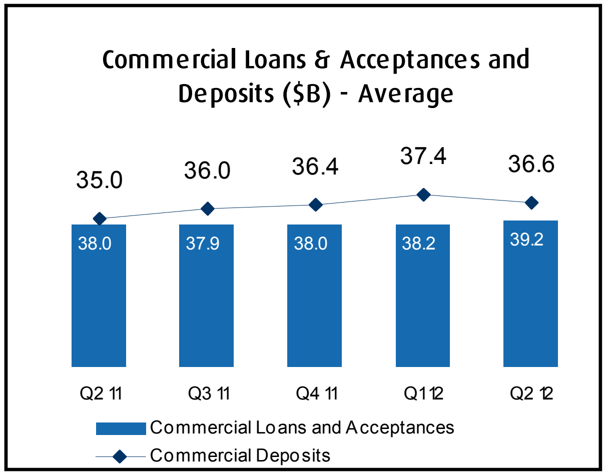
- Y/Y total commercial loan and acceptance balances up $1.2B or 3.2%
- Commercial lending pipeline is strong and improving
- Maintained #2 market share position in commercial loans
- Commercial deposit balances increasing over the past 12 quarters, up $1.7B or 4.8% Y/Y

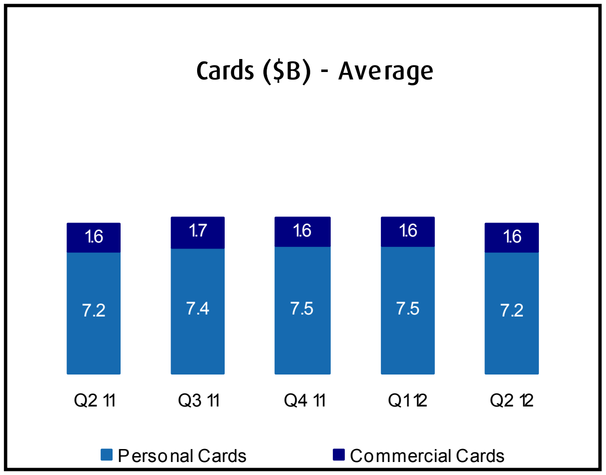
### Cards

- Cards market share was stable Q/Q and up 12bps Y/Y

| Market Share (%) [1] | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 |
|---|---|---|---|---|---|
| Total Personal Lending[1] | 11.0 | 10.9 | 10.9 | 10.8 | 10.7 |
| Personal Deposits[1] | 11.6 | 11.7 | 11.7 | 11.3 | 11.2 |
| Mutual Funds[2] | 13.5 | 13.4 | 13.3 | 13.4 | 13.2 |
| Commercial Loans $0 - $5MM[3] | 20.2 | 20.2 | 19.5 | 20.0 | 19.9 |
| Cards (Balance) [4] | 9.6 | 9.7 | 9.8 | 9.7 | 9.7 |



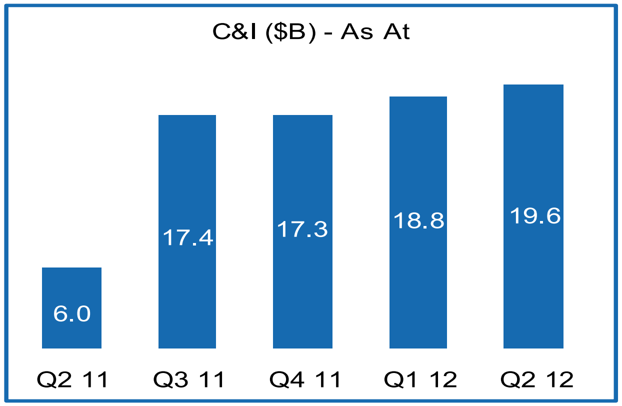

Sources: Mutual Funds – IFIC; Consumer Loans, Residential Mortgages & Personal Deposits – OSFI (changed from previous source Bank of Canada)

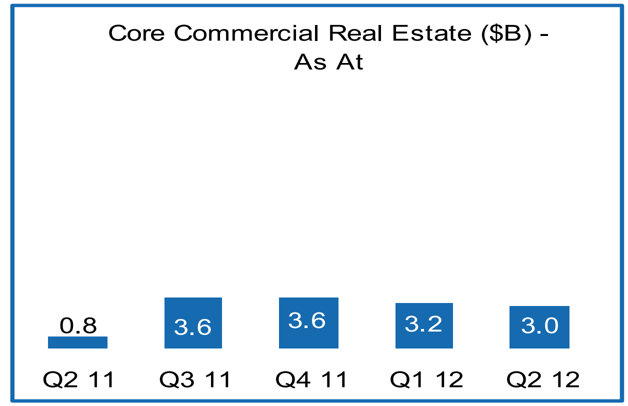
1. Personal share issued by OSFI (two months lag basis (Q2 F12: Feb 2012); IFRS balance sheet changes reflected
2. Mutual Funds share issued by IFIC (5 Bank, one month lag basis (Q2 F12: Mar 2012)). IFRS balance sheet changes reflected
3. Business loan share (Banks) issued by CBA (one calendar quarter lag basis (Q2 F12: Dec 2011))
4. Cards market share issued by CBA and does not include Diners (3 months lag basis (Q2 F12: Jan 2012))

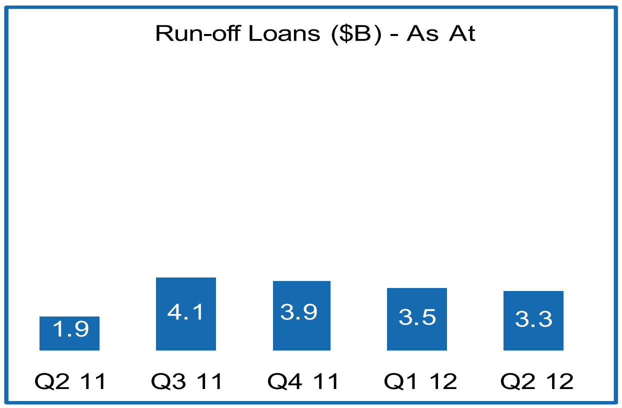
# Personal & Commercial Banking U.S. – Commercial Balances

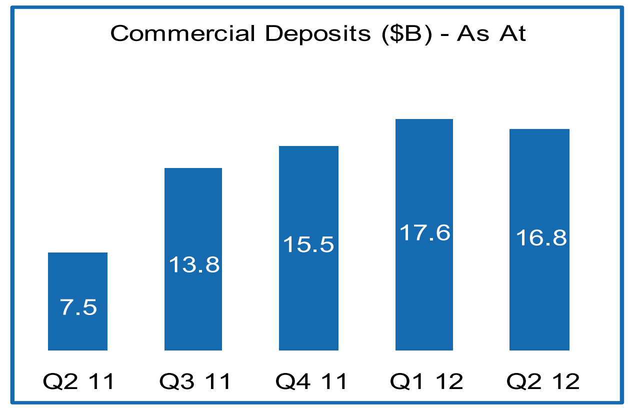
All amounts in U.S. $B

- Second straight quarter of C&I loan growth post-acquisition. Growth of $0.8B Q/Q or 4.1%
  - Continued strong growth, representing a 16% annualized rate, in Corporate Finance and Financial Institutions segments, with strong pipelines
  - Modest improvement in Loan utilization Q/Q
  - Continued strong competitive market pricing pressure
- Y/Y Commercial growth excluding acquired business over 20%
- Strong Y/Y loan and deposit growth driven by both M&I acquisition and organic growth
- Commercial Real Estate and Run-off portfolio continue to decline as expected
- Commercial deposits continue to be at high levels



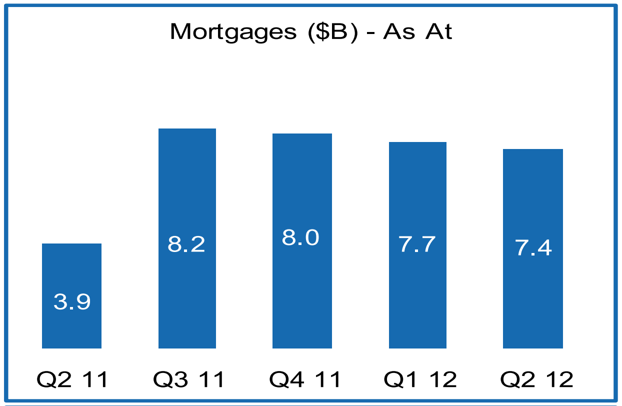



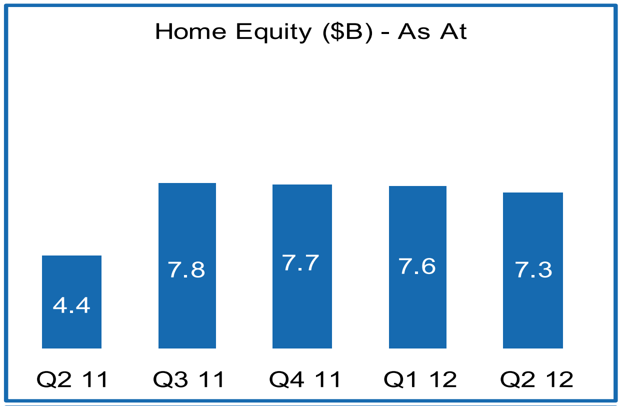

**Note: Commercial Real Estate -** The product balances are presented on a line of business basis, consistent with how the loans are managed. Risk slide 23 discloses a balance of C$9.2B and is presented on a consolidated product basis and includes $1.7B managed by Corporate

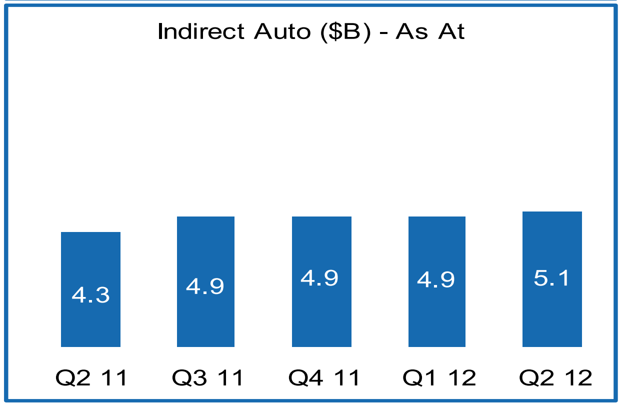
# Personal & Commercial Banking U.S. – Personal Balances

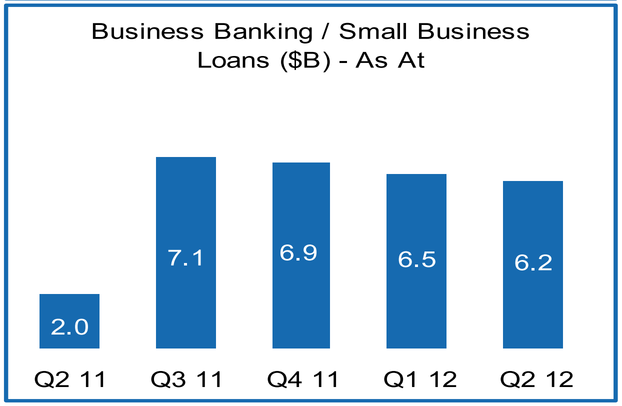
All amounts in U.S. $B

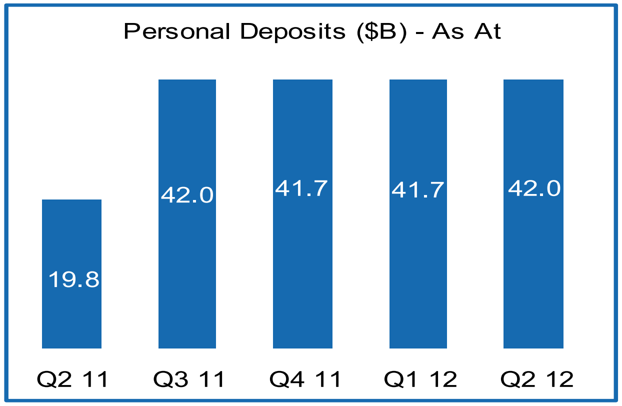
- Y/Y product balances up significantly driven by the acquired business
- Mortgage portfolio continues to reflect practice of selling originations in the secondary market and some deleveraging
- Home Equity portfolio reflects continued consumer deleveraging
- Indirect Auto portfolio is building momentum
- Business Banking environment remains cautious for new borrowings
- Q/Q personal deposits have increased primarily due to growth in core deposits




Not included in the graph are ~$0.6B of credit card balances and other personal loans

# Risk Review

# Q2|12

**Surjit Rajpal**
Executive Vice President & Chief Risk Officer
BMO Financial Group

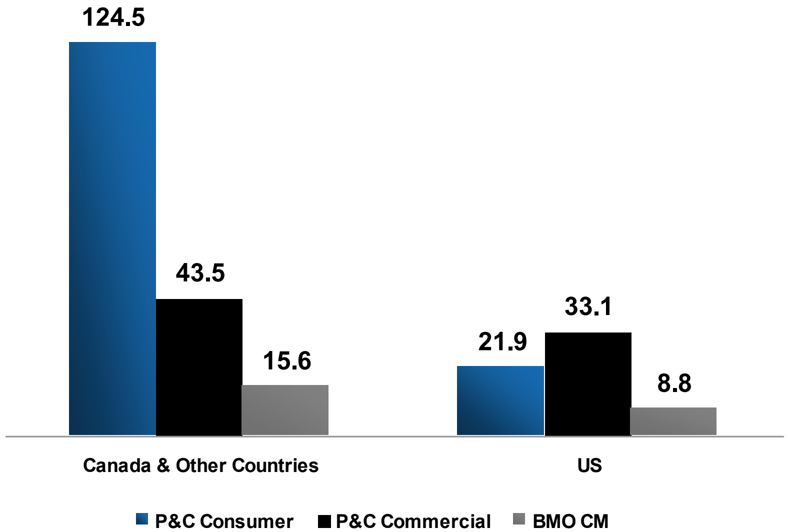
May 23 • 2012

# Loan Portfolio Overview

- Canadian and US portfolios are well diversified
- P&C business represents the majority of loans
  - Retail portfolios are predominantly secured – 88% in Canada and 97% in the US

| By Segment (C$B) | Canada & Other Countries[1] | US[2] | Total | % of total |
|---|---|---|---|---|
| Residential Mortgages | 70.5 | 8.0 | 78.5 | 32% |
| Personal Lending | 46.6 | 13.4 | 60.0 | 24% |
| Cards | 7.4 | 0.5 | 7.9 | 3% |
| **Total Consumer** | **124.5** | **21.9** | **146.4** | **59%** |
| CRE/Investor Owned Mortgages | 9.6 | 9.2 | 18.8 | 8% |
| Financial Institutions | 11.1 | 7.3 | 18.4 | 7% |
| Services | 7.7 | 4.8 | 12.5 | 5% |
| Manufacturing | 4.2 | 5.3 | 9.5 | 4% |
| Retail | 6.3 | 2.2 | 8.5 | 3% |
| Owner Occupied Commercial Mortgages | 2.0 | 4.8 | 6.8 | 3% |
| Other Commercial & Corporate[3] | 18.2 | 8.3 | 26.4 | 11% |
| **Total Commercial & Corporate** | **59.1** | **41.9** | **100.9** | **41%** |
| **Total Loans** | **183.6** | **63.8** | **247.3** | **100%** |

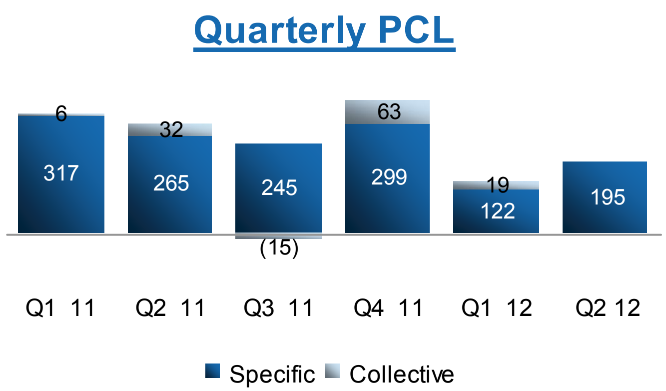
## Line of Business




1 Includes ~$5B from Other Countries
2 Includes ~$27B from the acquired M&I loan portfolio
3 Other Commercial & Corporate includes Portfolio Segments that are each <3% of total loans

# Provision for Credit Losses

- Q2 '12 Adjusted specific provisions are $151MM (Q1 '12: $91MM)
  - Lower recovery related to the Purchased Credit Impaired Loans at $(117)MM vs. $(142)MM




| Business Segment (By Business Line Segment) (C$ MM) | Q2 '11 | Q1 '12 | Q2 '12 |
|---|---|---|---|
| Consumer – P&C Canada | 138 | 125 | 129 |
| Commercial – P&C Canada | 21 | 24 | 32 |
| **Total P&C Canada** | **159** | **149** | **161** |
| Consumer – P&C US | 44 | 43 | 53 |
| Commercial – P&C US | 36 | 13 | 2 |
| **Total P&C US** | **80** | **56** | **55** |
| PCG | 5 | 4 | 1 |
| Capital Markets | 3 | (11) | 17 |
| Corporate Services[1] | 18 | 35 | 34 |
| **Sub-Total** | **265** | **233** | **268** |
| Purchased Credit Impaired Loans | - | (142) | (117) |
| **Adjusted Specific Provisions** | **265** | **91** | **151** |
| Purchased Performing Loans[2] | - | 31 | 44 |
| **Specific Provisions** | **265** | **122** | **195** |
| Change in Collective Allowance | 32 | 19 | - |
| **Total PCL** | **297** | **141** | **195** |

1 Includes: Real estate secured assets transferred out of P&C US Commercial as of Q3'11 (prior periods not restated) and IFRS impact related to interest on impaired loans

2 Q2 '12 amount of $44MM includes $5MM from PCG. Q1 '12 amount of $31MM includes $2MM from PCG and $5MM from Corporate lines of business

# Specific Provision Segmentation – Legacy Portfolio

- Canadian provisions are $177MM (Q1 '12: $153MM)
- US legacy provisions are $91MM (Q1 '12 $80MM)
- Consumer portfolio accounts for ~70% of legacy provisions in both the US and Canada

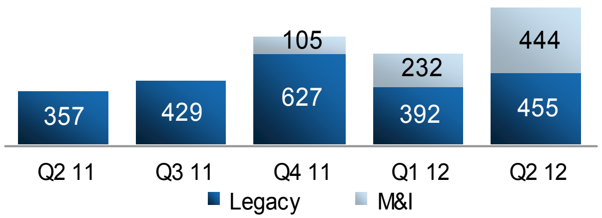
| (C$MM) | Canada | US (Legacy) | Total |
|---|---|---|---|
| Cards | 85 | 2 | 87 |
| Personal Lending | 41 | 38 | 79 |
| Residential mortgages | 3 | 20 | 23 |
| **Consumer** | **129** | **60** | **189** |
| Manufacturing | 20 | (1) | 19 |
| CRE/Investor Owned Mortgages | 4 | 8 | 12 |
| Services | 7 | 5 | 12 |
| Construction | 12 | (1) | 11 |
| Owner Occupied Commercial Mortgages | 2 | 5 | 7 |
| Forest products | 7 | - | 7 |
| Retail | 2 | (1) | 1 |
| Wholesale | 1 | - | 1 |
| Communications | 1 | - | 1 |
| Financial Institutions | - | 1 | 1 |
| Agriculture | 1 | (2) | (1) |
| Transportation | (3) | - | (3) |
| Other | (6) | 17 | 11 |
| **Commercial and Corporate** | **48** | **31** | **79** |
| **Specific PCL** | **177** | **91** | **268** |

# Impaired Loans and Formations

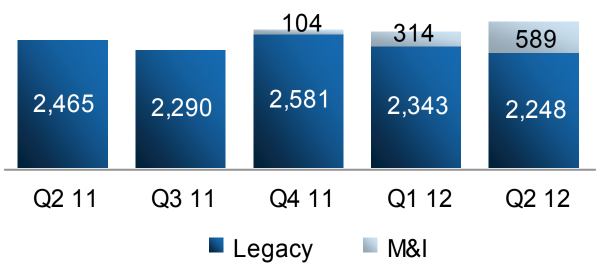
- Legacy portfolio formations (excluding M&I purchased performing portfolio) are higher for the quarter at $455MM (Q1 '12: $392MM)
- M&I purchased performing loan formations are $444MM (Q1 ’12: $232MM). The potential for impairment and losses in this portfolio was adequately provided for in the credit mark
- GIL balances are $2,837MM of which legacy portfolio is $2,248MM and M&I is $589MM (Q1 ’12: $2,657MM)

| (C$MM) | Formations | | | Gross Impaired Loans | | |
|---|---|---|---|---|---|---|
| | Canada | US | Total | Canada & Other Countries[2] | US | Total |
| **Consumer** | **127** | **103** | **230** | **331** | **326** | **657** |
| CRE/Investor Owned Mortgages | 2 | 60 | 62 | 132 | 485 | 617 |
| Owner Occupied Commercial Mortgages | 3 | 13 | 16 | 19 | 190 | 209 |
| Manufacturing | 70 | 2 | 72 | 155 | 44 | 199 |
| Agriculture | 11 | - | 11 | 100 | 3 | 103 |
| Services | 13 | 15 | 28 | 48 | 55 | 103 |
| Financial Institutions | - | - | - | 14 | 69 | 83 |
| Retail | 4 | - | 4 | 55 | 6 | 61 |
| Construction | 17 | - | 17 | 50 | 9 | 59 |
| Forest Products | - | - | - | 45 | - | 45 |
| Wholesale Trade | 6 | 2 | 8 | 12 | 11 | 23 |
| Other Commercial & Corporate[1] | 6 | 1 | 7 | 43 | 46 | 89 |
| **Commercial and Corporate** | **132** | **93** | **225** | **673** | **918** | **1,591** |
| **Total Legacy** | **259** | **196** | **455** | **1,004** | **1,244** | **2,248** |
| M&I Purchased Performing | n.a. | 444 | 444 | n.a. | 589 | 589 |

## Formations

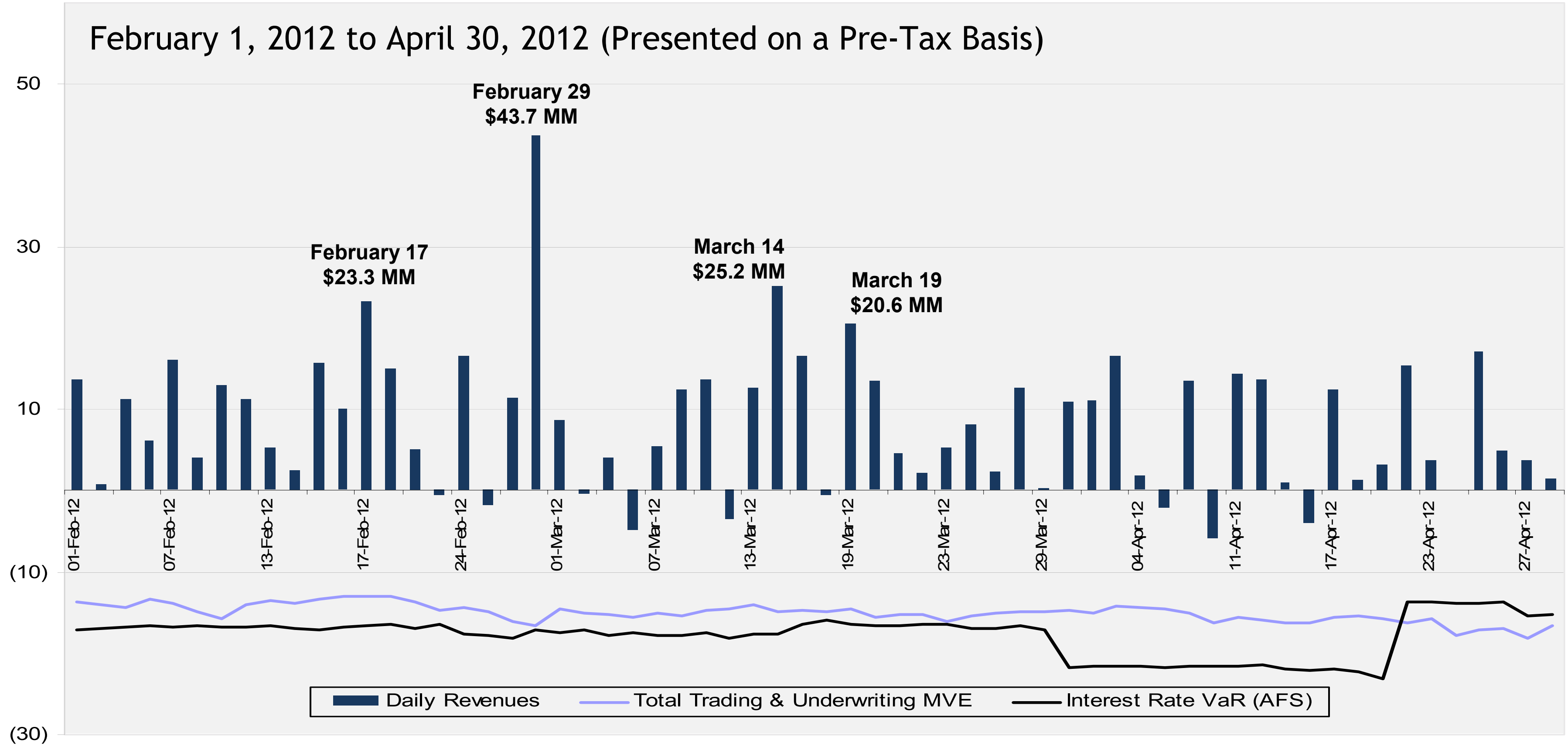



## Gross Impaired Loans




1 Other Commercial & Corporate includes Portfolio Segments that are each <2% of total GIL
2 Includes ~$11MM from Other Countries

# Trading & Underwriting Net Revenues vs. Market Value Exposure




The largest daily P&L gains for the quarter are as follows:

- **February 17 – C$23.3 MM** which primarily reflects normal trading and credit valuation adjustments
- **February 29 – C$43.7MM** which reflects normal trading, valuation adjustments including credit and underwriting
- **March 14 – C$25.2MM** which primarily reflects normal trading, credit valuation adjustments and underwriting
- **March 19 – C$20.6MM** which primarily reflects normal trading and credit valuation adjustments

No significant loss days in the quarter

# Canadian Residential Mortgages

| Residential Mortgages by Province (C$B) | Insured | Uninsured | Total | % of Total |
|---|---|---|---|---|
| **Atlantic** | 3.2 | 1.0 | 4.2 | **6%** |
| **Quebec** | 7.4 | 2.9 | 10.3 | **15%** |
| **Ontario** | 20.8 | 7.8 | 28.6 | **40%** |
| **Alberta** | 8.3 | 2.9 | 11.2 | **16%** |
| **British Columbia** | 7.5 | 6.3 | 13.8 | **20%** |
| **All Other** | 1.7 | 0.7 | 2.4 | **3%** |
| **Total Portfolio** | **48.9** | **21.6** | **70.5** | **100%** |

**Residential Mortgages[1]:**

- Total portfolio $70.5 billion
- ~70% of the portfolio is insured
- Average LTV:
  - Insured portfolio 65%
  - Uninsured portfolio 56%

1 Loan to Value (LTV) adjusted for property values using the Housing Price Index

# Investor Relations Contact Information


www.bmo.com/investorrelations

E-mail: investor.relations@bmo.com

Fax: 416.867.3367

**SHARON HAWARD-LAIRD**
Head, Investor Relations
416.867.6656
sharon.hawardlaird@bmo.com

**MICHAEL CHASE**
Director
416.867.5452
michael.chase@bmo.com

**ANDREW CHIN**
Senior Manager
416.867.7019
andrew.chin@bmo.com