

# Fixed Income Investor Presentation

For the Quarter Ended - January 31, 2015

March 6, 2015



BMO  Financial Group  
We're here to help.™

# Q1|15

# 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 2015 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian, U.S. and international economies.

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, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; 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 and risks could adversely affect our results. For more information, please see the Enterprise-Wide Risk Management section on pages 77 to 105 of BMO's 2014 Annual MD&A, which outlines in detail certain key factors and risks 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 and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this 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.

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 would be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the risk of future credit losses in our credit protection vehicle and risk of loss to Bank of Montreal included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges into which Bank of Montreal has entered.

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 Review and Outlook section of our First Quarter 2015 Report to Shareholders.

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## 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 First Quarter 2015 Report to Shareholders and BMO's 2014 Annual Report, all of which are available on our website at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations).

Examples of non-GAAP amounts or measures include: efficiency and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes; adjusted net income, revenues, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio and other adjusted measures which exclude the impact of certain items such as, acquisition integration costs, amortization of acquisition-related intangibles assets and decrease (increase) in collective allowance for credit losses.

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

# BMO Financial Group

8<sup>th</sup> largest bank in North America<sup>1</sup> with an attractive and diversified business mix

## Who we are

- Established in 1817, Canada's first bank
- In Canada: a full service, universal bank across all of the major product lines - banking, wealth and capital markets
- In the U.S.: banking and wealth management largely in the Midwest, with a mid-cap focused strategy in Capital Markets
- In International markets: select presence, including Europe and Asia
- Key numbers (as at January 31, 2015):
  - Assets: \$672 billion
  - Deposits: \$430 billion
  - Employees: over 47,000
  - Branches: 1,538
  - ABMs: 4,341

Q1'15 Results <sup>*</sup>	Adjusted <sup>2,3</sup>	Reported
Revenue (\$B)	5.1	5.1
Net Income (\$B)	1.0	1.0
EPS (\$)	1.53	1.46
ROE (%)	12.3	11.8
Basel III Common Equity Tier 1 Ratio (%)		10.1

Other Information (as at February 25, 2015)	
Annual Dividend Declared (per share) <sup>4</sup>	\$3.20
Dividend Yield	4.16%
Market Capitalization	\$49.9 billion
Exchange Listings	TSX, NYSE (Ticker: BMO)
Share Price:	
TSX	C\$77.01
NYSE	US\$62.00

\* All amounts in this presentation in Canadian dollars unless otherwise noted

<sup>1</sup> As measured by assets as at January 31, 2015; ranking published by Bloomberg

<sup>2</sup> Adjusted measures are non-GAAP measures. See slide 2 of this document, page 32 of BMO's 2014 Annual

Report and page 5 of BMO's First Quarter 2015 Report to Shareholders. See slide 26 for adjustments to reported results.

<sup>3</sup> Commencing Q1'15, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue.

Prior period amounts and ratios have been reclassified

<sup>4</sup> Based on Q2'15 declared dividend



# Clear and Consistent Strategy

1

Achieve industry-leading customer loyalty by delivering on our brand promise.

2

Enhance productivity to drive performance and shareholder value.

3

Leverage our consolidated North American platform to deliver quality earnings growth.

4

Expand strategically in select global markets to create future growth.

5

Ensure our strength in risk management underpins everything we do for our customers.

# Operating Group Overview

## Canadian Personal & Commercial Banking

- Provides a full range of financial products and services to more than seven million customers
- Over 900 branches and 3,000 ABMs
- 2nd in Canadian business banking loan market share for business loans of \$25 million and less
- Strong organic volume growth in Q1 2015 with loans up 4% and deposits up 7% Y/Y

## U.S. Personal & Commercial Banking

- ~600 branches and over 1,300 ABMs
- U.S. Midwest footprint includes: Illinois, Wisconsin, Indiana, Minnesota, Missouri and Kansas
- Strong deposit market share positions; #2 in Chicago area (12.1%) and Wisconsin (13.6%) in 2014
- Good volume growth with loans up 10% Y/Y; strong double-digit growth in the C&I portfolio

## Wealth Management

- Broad offering of wealth management products and services including insurance
- Full range of client segments from mainstream to ultra-high net worth, and institutional
- Global business with an active presence in markets across Canada, the United States, Europe and Asia
- Client Assets (AUM/AUA): \$852B up 43% Y/Y or 18% excluding F&C

## BMO Capital Markets

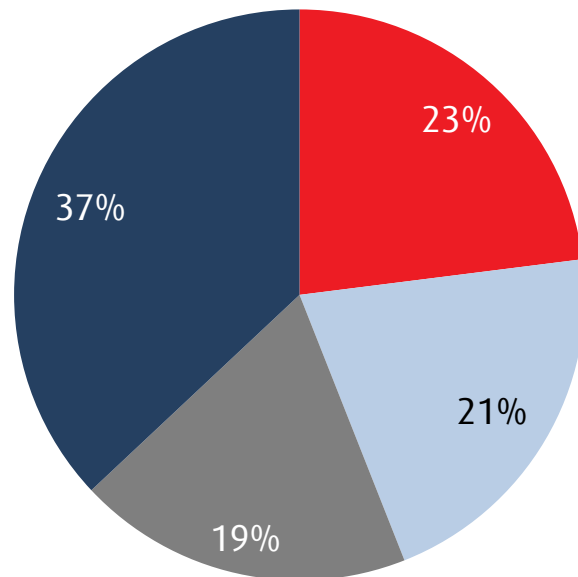
- Offers full service investment banking and sales & trading in Canada
- #1 ranking in Canadian announced M&A<sup>1</sup>, and #2 ranking in Canadian Equity Underwriting<sup>1</sup>
- U.S. Mid-cap strategy focused in select strategic sectors where we have expertise and experience
- Unified client coverage approach and integrated distribution across North American platform

<sup>1</sup> January 31, 2015 (Source: Bloomberg)

# Advantaged business mix

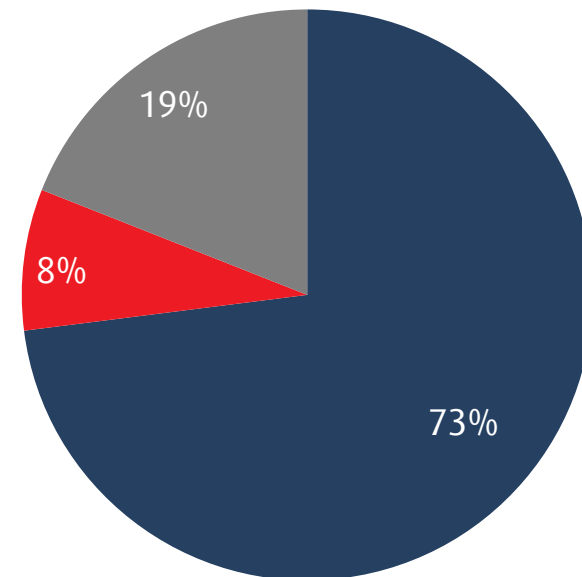
Diversified by both customer segment and geography

## Q1 2015 Operating Group Revenue<sup>1,2</sup>



- Canadian P&C
- U.S. P&C
- Wealth Management
- BMO Capital Markets

## Q1 2015 Reported Net Income by Geography



- Canada
- U.S.
- Other

<sup>1</sup> Excludes Corporate Services

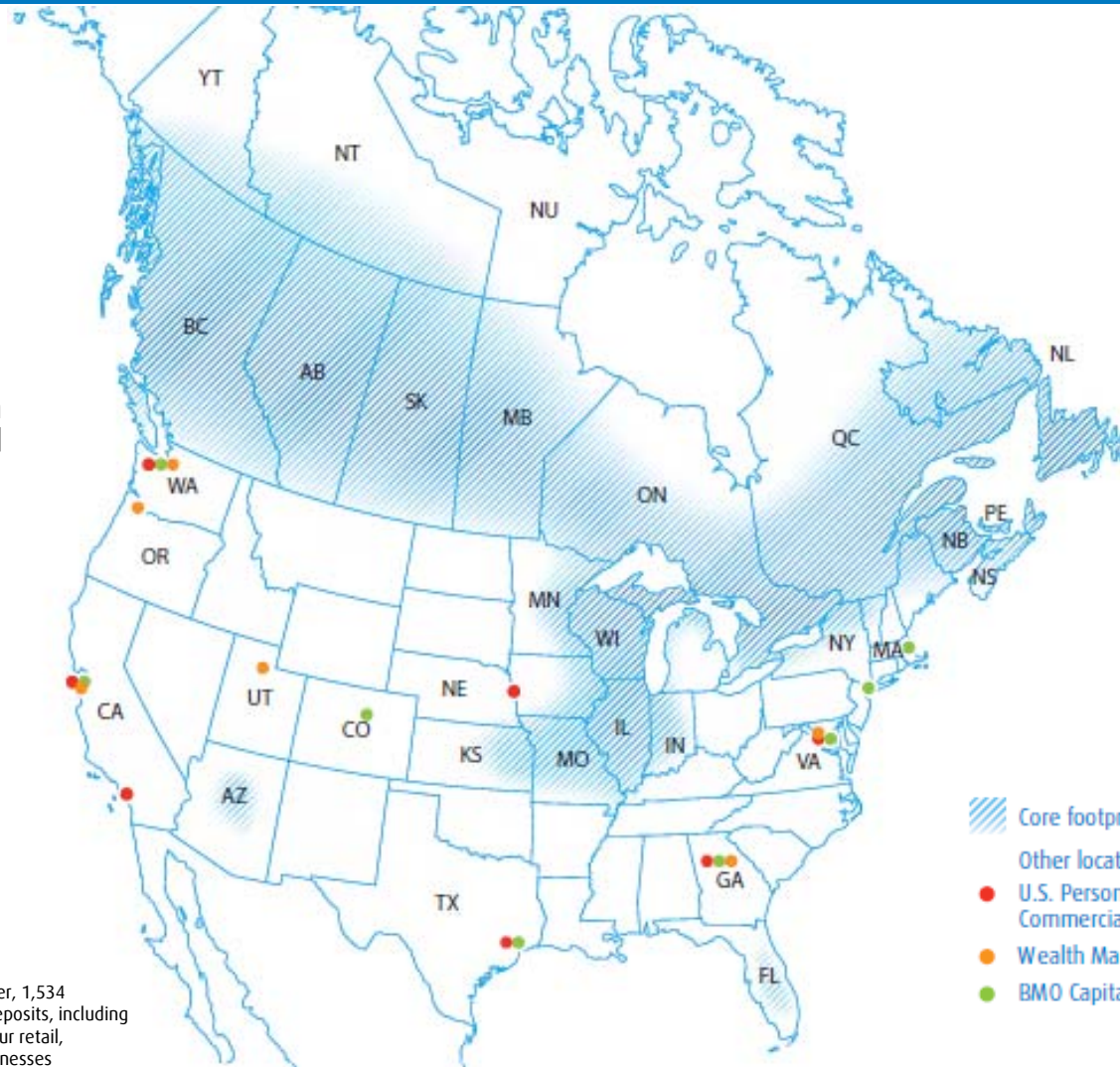
<sup>2</sup> Commencing in Q1-2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction of insurance revenue in non-interest revenue; For the purposes of this slide revenues have been presented net of CCPB. For gross revenue amounts please see: slide 20 for Canadian P&C, slide 21 for U.S. P&C, slide 22 for Wealth Management, slide 23 for BMO Capital Markets



# BMO's strategic footprint

Combined population and GDP of BMO's U.S. Midwest States is greater than Canada

BMO's strategic footprint spans strong regional economies. Our three operating groups serve individuals, businesses, governments and corporate customers right across Canada and in six U.S. Midwest states – Illinois, Indiana, Wisconsin, Minnesota, Missouri and Kansas – as well as in other select locations in the United States. Our significant presence in North America is bolstered by operations in select global markets, including Europe and Asia, allowing us to provide our customers in North America with access to economies and markets around the world, and our customers in other countries with access to North America.



1,538<sup>1</sup>  
Branches

\$254B<sup>2</sup>  
Customer Deposits

- Core footprint
- Other locations:
- U.S. Personal and Commercial Banking
- Wealth Management
- BMO Capital Markets

<sup>1</sup> Branches in Canada and the U.S., excluding Other, 1,534  
<sup>2</sup> Customer deposits are operating and savings deposits, including term investment certificates, sourced through our retail, commercial, wealth and corporate banking businesses

# Reasons to Invest in BMO

- Clear opportunities for growth across a diversified North American footprint
  - Large North American commercial banking business with advantaged market share
  - Highly profitable Canadian Personal & Commercial Banking business
  - Award-winning wealth franchise with strong growth opportunities in North America and select global markets
  - Operating leverage growth across our U.S. businesses
- Strong capital position with sound underlying bank credit ratings
- Focus on efficiency through core operations and technology integration
- Industry-leading customer loyalty and a focus on customer experience to increase market share and drive revenue growth
- Committed to the highest standards of business ethics and corporate governance



# Q1 2015 - Financial Highlights

Adjusted net income of \$1.0B reflects benefits of diversification

Adjusted (\$MM) <sup>1</sup>	Q1 14	Q4 14	Q1 15
<b>Revenue</b>	4,479	4,640	<b>5,055</b>
<b>Insurance claims and related expenses<sup>2</sup></b>	357	300	<b>747</b>
<b>Net Revenue</b>	4,122	4,340	<b>4,308</b>
<b>Expense</b>	2,653	2,834	<b>2,953</b>
<b>Net Income</b>	1,083	1,111	<b>1,041</b>
<b>Diluted EPS (\$)</b>	1.61	1.63	<b>1.53</b>
<b>ROE (%)</b>	14.5	13.7	<b>12.3</b>
<b>Common Equity Tier 1 (CET1) Ratio (%)</b>	9.3	10.1	<b>10.1</b>

- Adjusted EPS of \$1.53
  - Stock based compensation for employees eligible to retire recognized in the first quarter each year lowered EPS by \$0.09
  - Impact of long-term rates on Insurance lowered EPS by \$0.06
- Adjusted net income down 4% Y/Y
  - Up 5% Y/Y excluding the impact of long term rates and loan accounting
  - Good U.S. P&C and Traditional Wealth results
  - Lower growth in Canadian P&C, BMO CM (in part due to credit and funding valuation adjustment of \$31MM after tax) and Insurance
  - PCL<sup>3</sup> up \$64MM Y/Y due to lower recoveries
- Net revenue up 5% Y/Y driven by Wealth Management and Canadian P&C and the impact of a stronger U.S. dollar
- Expenses up 11% or 4% Y/Y excluding the impact of the stronger U.S. dollar and the addition of F&C, reflecting higher technology, regulatory and employee costs
- Adjusted effective tax rate<sup>4</sup> of 12.6% or 24.7% on teb basis
- ROE of 12.3%, with book value per share up 10% in the quarter

<sup>1</sup> See slide 26 for adjustments to reported results. Reported revenue same as adjusted amounts; Reported Expenses: Q1'15 \$3,006MM; Q4'14 \$2,887MM; Q1'14 \$2,684MM;

Reported net income: Q1'15 \$1,000MM; Q4'14 \$1,070MM; Q1'14 \$1,061MM; Reported EPS – diluted: Q1'15 \$1.46; Q4'14 \$1.56; Q1'14 \$1.58; Reported ROE: Q1'15 11.8%; Q4'14 13.1%; Q1'14 14.2%

<sup>2</sup> Commencing Q1'15, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue.

Prior period amounts and ratios have been reclassified

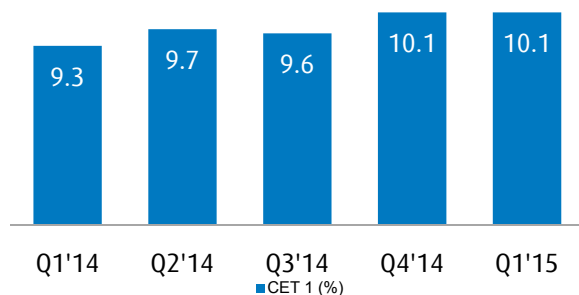
<sup>3</sup> Reported PCL same as adjusted amounts

<sup>4</sup> Reported effective tax rate: Q1'15 12.2%

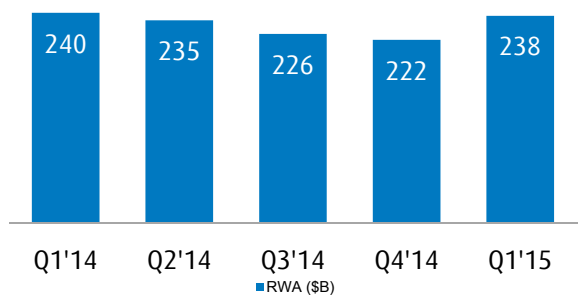
Adjusted measures are non-GAAP measures. See slide 2 of this document, page 32 of BMO's 2014 Annual Report and page 5 of BMO's First Quarter 2015 Report to Shareholders

# Balanced and disciplined approach to capital management

## Common Equity Tier 1 Ratio (%)



## Risk Weighted Assets (\$B)



- Common Equity Tier 1 Ratio of 10.1% was unchanged from Q4'14 with increase in CET1 capital offset by higher RWA
  - Impact of retained earnings growth (+20 bps), partially offset by share repurchases (-10 bps)
  - Source currency RWA up ~\$2 billion due to:
    - business growth (+\$5B)
    - higher market risk (+\$2B)
    - partially offset by changes in methodology (-\$4B) and
    - changes in book quality (-\$1B)
  - FX movement increased RWA by ~\$14B, with this offset by higher accumulated other comprehensive income
- Book value per share up 10% and 3 million shares repurchased in the quarter

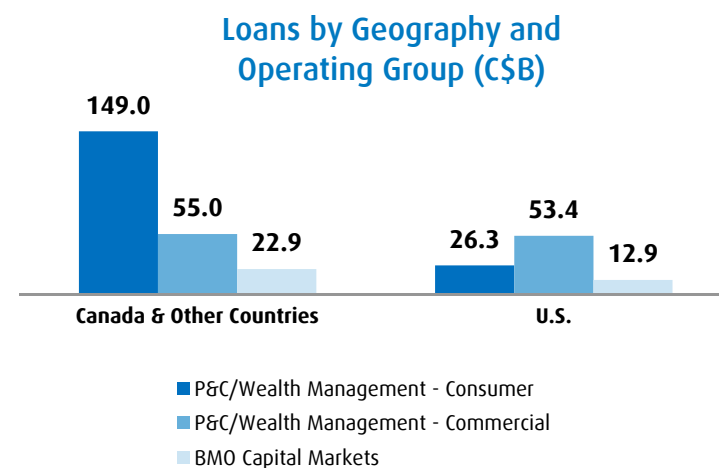
# Loan Portfolio Overview

Gross Loans & Acceptances By Industry (C\$B)	Canada & Other <sup>1</sup>	U.S.	Total	% of Total
Residential Mortgages	93.1	9.0	102.1	32%
Personal Lending	48.6	16.7	65.3	20%
Cards	7.3	0.6	7.9	3%
<b>Total Consumer</b>	<b>149.0</b>	<b>26.3</b>	<b>175.3</b>	<b>55%</b>
Financial Institutions	14.4	13.7	28.1	9%
Service Industries	11.7	13.0	24.7	8%
Commercial Real Estate	11.6	6.7	18.3	6%
Manufacturing	5.2	10.3	15.5	5%
Retail Trade	8.0	5.3	13.3	4%
Agriculture	7.6	2.2	9.8	3%
Wholesale Trade	3.9	5.2	9.1	3%
Oil & Gas	4.6	2.5	7.1	2%
Other Commercial & Corporate <sup>2</sup>	10.9	7.4	18.3	5%
<b>Total Commercial &amp; Corporate</b>	<b>77.9</b>	<b>66.3</b>	<b>144.2</b>	<b>45%</b>
<b>Total Loans</b>	<b>226.9</b>	<b>92.6</b>	<b>319.5</b>	<b>100%</b>

1 Commercial & Corporate includes ~\$12.5B from Other Countries

2 Other Commercial & Corporate includes industry segments that are each <2% of total loans

- Loans are well diversified by geography and industry
- Exposure to Oil & Gas represents 2% of the loan portfolio
- Alberta exposure:
  - 12% of Canadian commercial and corporate loans excluding oil and gas
  - 15% of Canadian consumer loans



# Economic Outlook and Indicators



	Canada			United States			Eurozone		
Economic Indicators (%) <sup>1</sup>	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E
GDP Growth	2.4	2.0	2.2	2.4	3.1	2.6	0.9	1.0	1.2
Inflation	1.9	1.3	2.2	1.6	0.6	2.2	0.4	(0.2)	1.1
Interest Rate (3mth Tbills)	0.91	0.40	0.70	0.03	0.12	0.92	0.20	0.00	0.10
Unemployment Rate	6.9	6.7	6.5	6.2	5.3	4.7	11.6	11.4	11.3
Current Account Balance / GDP <sup>**</sup>	(2.1)	(3.4)	(2.4)	(2.4)	(2.3)	(2.4)	3.0	3.1	3.2
Budget Surplus / GDP <sup>**</sup>	(0.1)	0.3	0.4	(2.8)	(2.6)	(2.5)	(2.6)	(2.3)	(1.9)

<sup>1</sup>Annual average

<sup>\*\*</sup>Estimates as of February 26, 2015; Eurozone estimates provided by OECD

## Canada

- The economy is growing at a moderate pace, supported by low interest rates, a weaker currency and stronger U.S. demand
- More modest GDP growth of 2.0% is expected in 2015 due to declining investment in the energy sector, though exports should continue to strengthen
- The Bank of Canada is expected to reduce interest rates again in March
- The Canadian dollar should weaken moderately further against the greenback in response to lower interest rates in Canada than in the U.S.

## United States

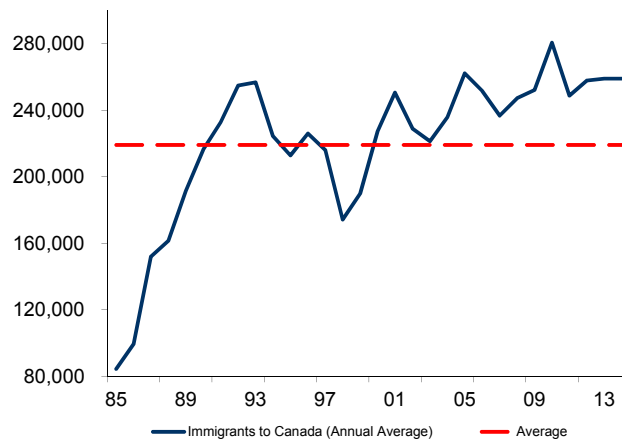
- After growing strongly in Q3, the economy likely slowed recently due to a decline in energy investment and a rising currency
- A healthier consumer will help economic growth strengthen to 3.1% in 2015, with additional support from the recovery in housing markets
- The unemployment rate is expected to fall below 5% this year
- The Federal Reserve will likely begin raising interest rates in September
- The U.S. dollar is expected to strengthen further in 2015 as the Federal Reserve shifts toward tighter policy



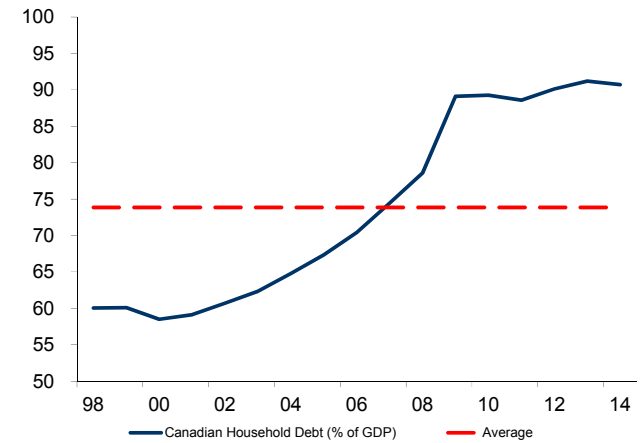
# Canada's Housing Market Has Slowed But Remains Healthy

- Consistent immigration flows into Canada continue to drive household demand
  - The prime-home buying age group (30 to 34 year olds) is growing about twice as fast as the general population
- Elevated household debt and slower economic growth should restrain sales in 2015, notably in oil-rich Alberta
- Most regions are expected to see steadier prices, sales and homebuilding in 2015, though Alberta faces weaker activity
- Canadian home prices are rising modestly in most regions
- Mortgage delinquencies and the unemployment rate have improved post financial crisis

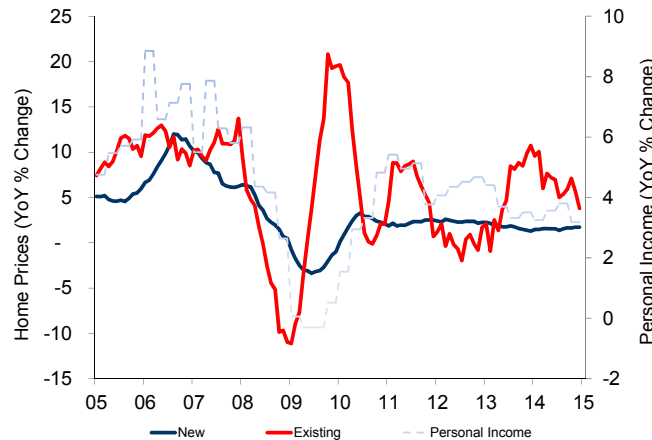
### Immigration to Canada



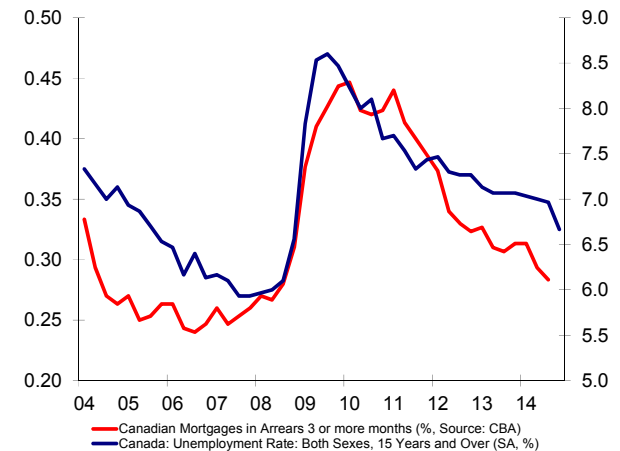
### Canadian Household Debt to GDP



### CAD Home Prices vs Personal Income



### Mortgage Delinquencies/Unemp. Rate



## Housing Scorecard

+	-
Job Growth	Tighter Mortgage Rules
Immigration	Elevated Valuations
Echo Boomers	High Household Debt
Low Mortgage Rates	

Source: BMO CM Economics and Canadian Bankers' Association as of February 27, 2015  
This slide contains forward looking statements. See caution on slide 2.

# Canadian Residential Mortgages – A Snapshot of Key Features

- Structure of Canadian residential mortgage market lower risk compared to U.S. due to:
  - No lending with loan to value above 80% without government-backed insurance
  - Shorter terms (i.e., 1-10 years)
  - Prepayment charges borne by the borrower
  - No mortgage interest deductibility for income tax purposes (no incentive to take on higher levels of debt)
  - Recourse back to the borrower in most provinces
- The Federal government has made a number of adjustments in recent years to support the stability of the housing market and the financial system
  - All borrowers must meet the minimum standards for a five-year fixed rate mortgage, regardless of the mortgage chosen
  - Minimum 20% down payment required for rental / investment properties
  - Maximum amortization period on insured mortgages lowered from 30 to 25 years, effective July 9, 2012
  - Maximum amount Canadians can withdraw when refinancing their mortgages lowered to 80 percent of the value of their homes, effective July 9, 2012
  - Withdrawal of government backed insurance for home equity secured lines of credit (HELOCs), effective April 18, 2011
  - Maximum loan-to-value (LTV) on HELOCs dropped to 65% from 80%, effective October 31, 2012

# Canadian Residential Mortgages

- Total Canadian residential mortgage portfolio at \$93.1B (Q4 \$93.0B) represents 43% of Canadian gross loans and acceptances
  - 62% of the portfolio is insured
  - Loan-to-value (LTV)<sup>1</sup> on the uninsured portfolio is 58%<sup>2</sup>
  - 69% of the portfolio has an effective remaining amortization of 25 years or less
  - Loss Rates for the trailing 4 quarter period were less than 1 bps
  - 90 day delinquency rate 30 bps
  - Condo Mortgage portfolio is \$13.3B with 53% insured

Residential Mortgages by Region (C\$B)	Insured	Uninsured	Total	% of Total
Atlantic	3.7	1.6	5.3	6%
Quebec	8.9	5.0	13.9	15%
Ontario	24.0	14.1	38.1	41%
Alberta	10.9	4.2	15.1	16%
British Columbia	7.8	9.3	17.1	18%
All Other Canada	2.3	1.3	3.6	4%
<b>Total Canada</b>	<b>57.6</b>	<b>35.5</b>	<b>93.1</b>	<b>100%</b>

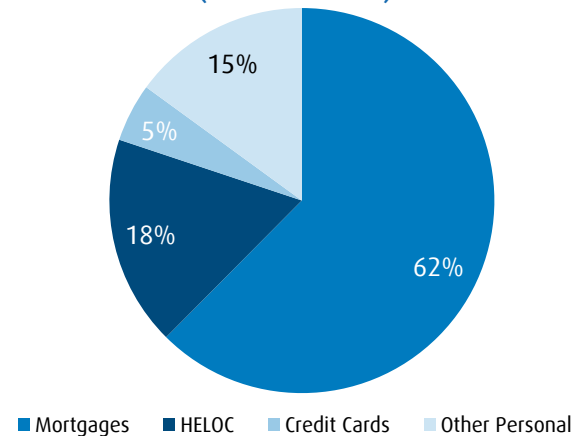
<sup>1</sup> LTV is the ratio of outstanding mortgage balance to the original property value indexed using Teranet data. Portfolio LTV is the combination of each individual mortgage LTV weighted by the mortgage balance

<sup>2</sup> To facilitate comparisons, the equivalent simple average LTV on uninsured mortgages in Q1'15 was 52%

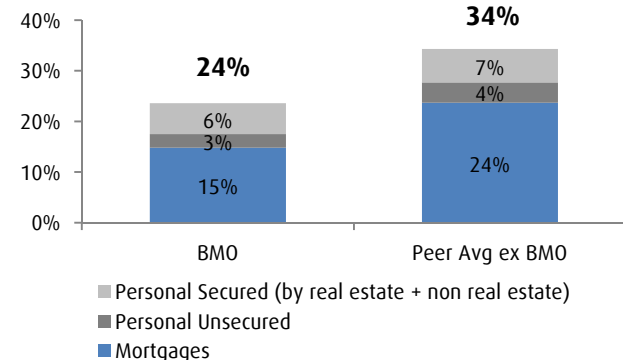
# BMO's Canadian Consumer Loan Portfolio

- BMO's Canadian consumer loan portfolio is well diversified and supported by prudent adjudication practices
  - Consumer loans as a percentage of total Bank loans is the lowest of peer banks
  - 88% of the consumer loan portfolio is secured
  - Unsecured loan portfolio is the smallest of the big five banks on an absolute basis; retail credit card portfolio is smaller than peer average
  - Unsecured and non-real estate secured loans are prime only (not sub prime)
  - HELOC portfolio is of high quality; 80% max LTV (65% on revolving). Over 90% of the portfolio is in priority position
  - Consumer lending products (cards, LOCs, auto loans, Indirect & Other Instalment) loss rates lower than peer average over time

Total Canadian Consumer Loans: Q1'15 \$149B  
(88% is secured)



Canadian Consumer Loans<sup>1</sup>  
(% of Total Assets)

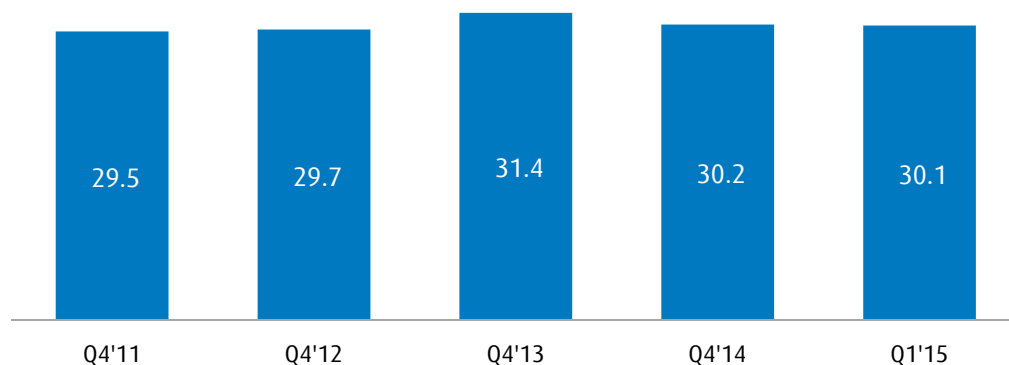


<sup>1</sup> Based on OSFI data as of December 2014; personal refers to non-mortgage loans to individuals for non-business purposes per OSFI filings; total currency less foreign currency denominated



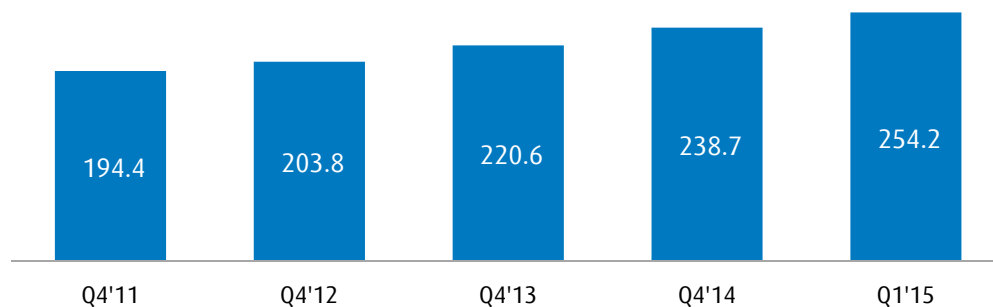
# Liquidity and Funding Strategy

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



- BMO's Cash and Securities to Total Assets Ratio reflects a strong liquidity position

## Customer Deposits\* (\$B)



- BMO's large base of customer deposits, along with our strong capital base, reduces reliance on wholesale funding

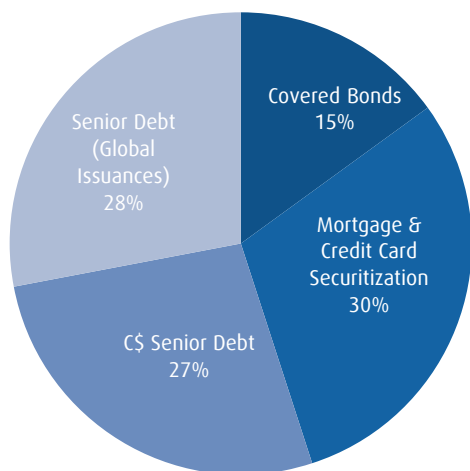
\* Customer deposits are core deposits plus large fixed-date deposits, excluding wholesale customer deposits

# Diversified Wholesale Term Funding Mix

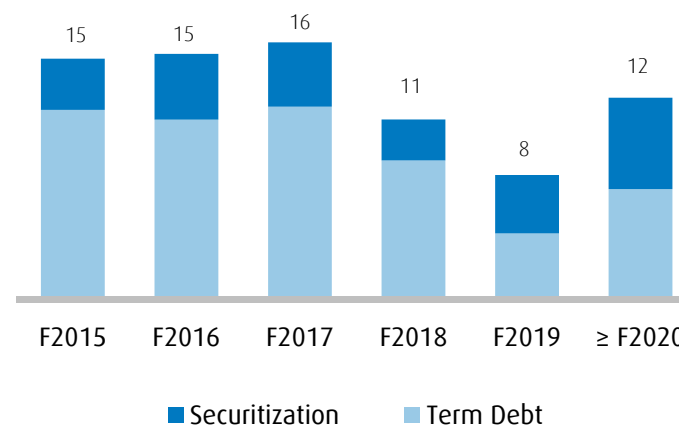
- BMO's wholesale funding principles seek to match the term of assets with the term of funding. Loans, for example, are funded with customer deposits and capital, with any difference provided by longer-term wholesale funding
- BMO has a well diversified wholesale funding platform across markets, products, terms, currencies and maturities

Senior Note Credit Ratings			
Moody's <sup>1</sup>	S&P <sup>2</sup>	Fitch	DBRS
Aa3	A+	AA-	AA

**Wholesale Capital Market  
Term Funding Composition<sup>3</sup>**  
\$77.3B as at January 31, 2015



**Wholesale Capital Market  
Term Funding Maturity Profile<sup>3,4</sup>**  
\$77.3B as at January 31, 2015



<sup>1</sup> On June 11, 2014 Moody's affirmed the long-term ratings of the seven largest Canadian banks, including BMO, and changed the outlook to negative from stable.

<sup>2</sup> On August 8, 2014 S&P affirmed the long-term ratings on six of the largest Canadian banks, including BMO, and changed the outlook to negative from stable.

<sup>3</sup> Wholesale capital market term funding primarily includes non-structured funding for terms greater than or equal to two years. Excludes Extendible Notes and Capital issuances.

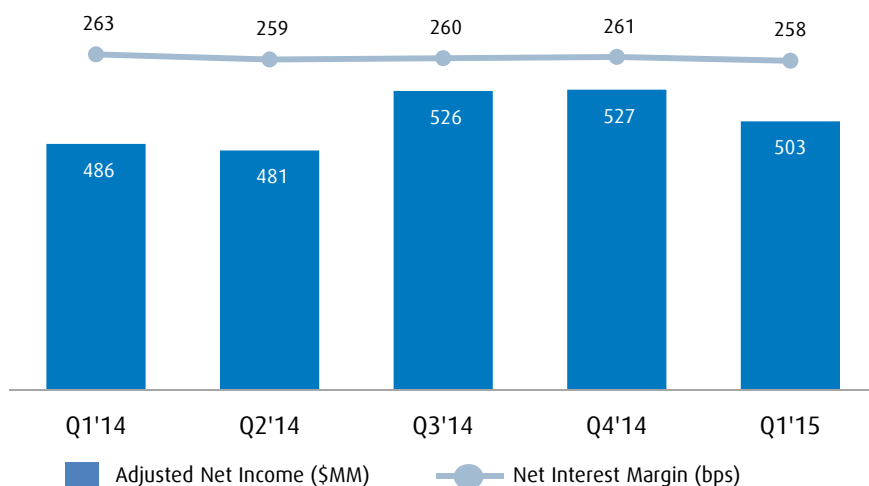
<sup>4</sup> BMO term debt maturities includes term unsecured and Covered Bonds.

# APPENDIX

# Canadian Personal & Commercial Banking

Solid net income growth of 4% in a shifting economic environment

Adjusted (\$MM) <sup>1</sup>	Q1 14	Q4 14	Q1 15
<b>Revenue (teb)</b>	1,578	1,651	<b>1,628</b>
<b>PCL</b>	139	129	<b>132</b>
<b>Expenses</b>	789	818	<b>834</b>
<b>Net Income</b>	486	527	<b>503</b>
<b>Reported Net Income</b>	485	526	<b>502</b>
<b>Efficiency Ratio<sup>2</sup> (%)</b>	50.0	49.5	<b>51.2</b>



- Adjusted net income up 4% Y/Y largely due to higher revenues. Down 4% Q/Q from a strong Q4
- Revenue up 3% Y/Y reflecting higher balances and fees; down modestly Q/Q
  - Loans up 4% and deposits up 7% Y/Y
  - NIM down 3 bps Q/Q
- PCL down \$7MM Y/Y and up \$3MM Q/Q
- Expenses up 6% Y/Y and 2% Q/Q reflecting continued investment in the business
  - Q1 includes \$6MM impact of stock-based compensation for employees eligible to retire
- Efficiency ratio of 51.2%

<sup>1</sup> Reported revenue and PCL same as adjusted amounts; Reported Expenses: Q1'15 \$835MM; Q4'14 \$819MM; Q1'14 \$790MM

<sup>2</sup> Reported efficiency ratio: Q1'15 51.3%; Q4'14 49.6%; Q1'14 50.1%

See slide 26 for adjustments to reported results. Adjusted measures are non-GAAP measures. See slide 2 of this document, page 32 of BMO's 2014 Annual Report and page 5 of BMO's First Quarter 2015 Report to Shareholders

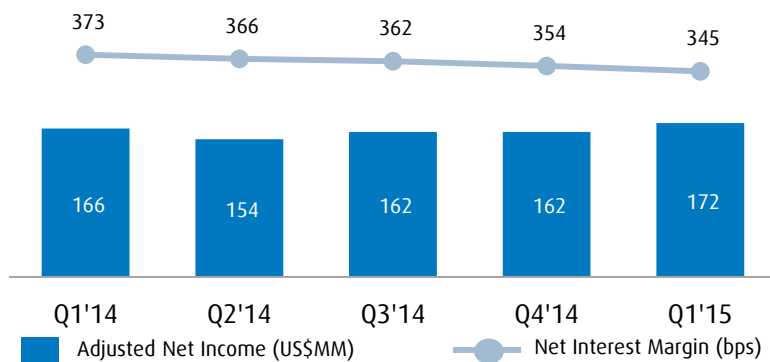


# U.S. Personal & Commercial Banking

Good performance with adjusted pre-provision, pre-tax earnings up 6% Y/Y

Adjusted (US\$MM) <sup>1</sup>	Q1 14	Q4 14	Q1 15
<b>Revenue (teb)</b>	714	724	<b>720</b>
<b>PCL</b>	20	42	<b>33</b>
<b>Expenses</b>	465	460	<b>456</b>
<b>Net Income</b>	166	162	<b>172</b>
<b>Reported Net Income</b>	154	151	<b>161</b>
<b>Efficiency Ratio<sup>2</sup> (%)</b>	65.1	63.6	<b>63.2</b>

- Adjusted net income of \$205MM up 14% in Canadian dollar terms. Figures that follow are in U.S. dollars
- Adjusted net income up 3% Y/Y and 5% Q/Q
- Revenue up 1% Y/Y reflecting higher volume growth, partially offset by lower NIM and fee revenue; down modestly Q/Q
  - Good volume growth with loans<sup>3</sup> up 10% Y/Y, including strong growth in C&I balances
  - NIM down 9 bps Q/Q reflecting competitive pressure on loan spreads and changes in mix including loans growing faster than deposits
- PCL up \$13MM Y/Y as Q1'14 was below trend and down \$9MM Q/Q
- Expenses continue to be well managed; down 2% Y/Y
- Operating leverage of 2.9%<sup>4</sup>
- Efficiency ratio of 63.2%, better by 190 bps Y/Y



<sup>1</sup> Reported revenue and PCL same as adjusted amounts; Reported Expenses: Q1'15 \$470MM; Q4'14 \$476MM; Q1'14 \$483MM

<sup>2</sup> Reported efficiency ratio: Q1'15 65.2%; Q4'14 65.8%; Q1'14 67.6%

<sup>3</sup> Average current loans and acceptances excludes impaired loans

<sup>4</sup> Reported operating leverage 3.6%

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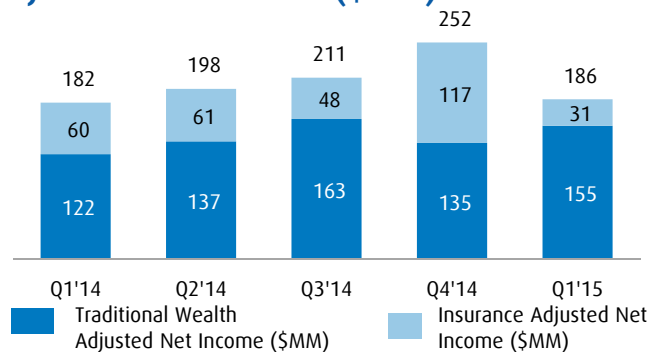
# Wealth Management

Traditional wealth earnings up 28% Y/Y; Insurance impacted by lower interest rates

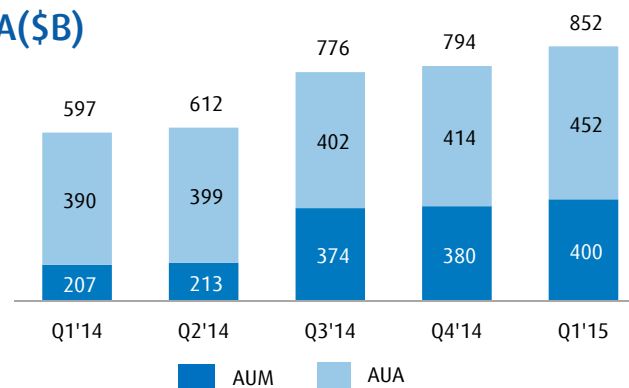
Adjusted <sup>1</sup> (\$MM)	Q1 14	Q4 14	Q1 15
<b>Revenue</b>	1,223	1,400	<b>1,782</b>
<b>Insurance claims and related expenses<sup>2</sup></b>	357	300	<b>747</b>
<b>Net Revenue<sup>2</sup></b>	866	1,100	<b>1,035</b>
<b>PCL</b>	(1)	(1)	<b>2</b>
<b>Expenses<sup>3</sup></b>	635	783	<b>793</b>
<b>Net Income</b>	182	252	<b>186</b>
<b>Reported Net Income</b>	174	225	<b>159</b>
<b>Efficiency Ratio<sup>4</sup> (%)</b>	51.9	55.9	<b>44.5</b>

- Traditional wealth earnings up 28% Y/Y driven by strong growth in client assets and the acquired F&C business. Q/Q up 16%
- Insurance earnings of \$31MM or \$72MM excluding a \$41MM after-tax charge from movement in interest rates
- Net revenue up 19% Y/Y; down 6% Q/Q
- Expenses up Y/Y primarily due to F&C, higher revenue-based costs and a stronger U.S. dollar. Q/Q relatively flat as prior quarter legal settlement offset by stock-based compensation for employees eligible to retire of \$27MM recognized in Q1
- AUM/AUA up 43% Y/Y or 18% excluding F&C driven by the stronger U.S. dollar, market appreciation and growth in new client assets

## Adjusted Net Income (\$MM)



## AUM/AUA(\$B)



1 Reported revenue and PCL same as adjusted amounts; Reported expenses: Q1'15 \$828MM; Q4'14 \$816MM; Q1'14 \$645MM

2 Commencing Q1'15, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue.

Prior period amounts and ratios have been reclassified

3 Adjusted expenses in Q1'15 exclude \$13MM pre-tax for acquisition integration costs and \$22MM of amortization of intangible assets

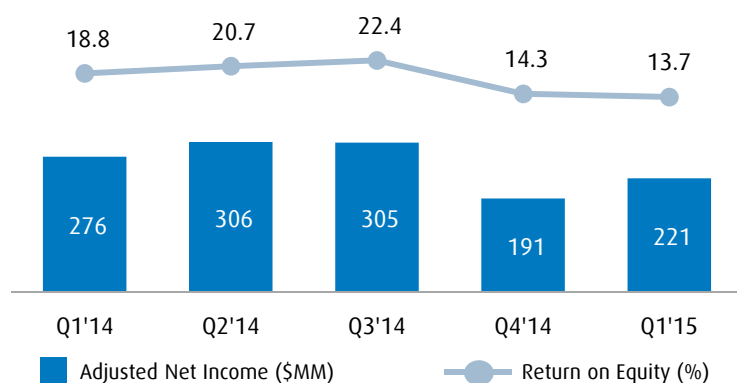
4 Reported efficiency ratio: Q1'15 46.5%; Q4'14 58.3%; Q1'14 52.7%

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# BMO Capital Markets

Results up from Q4 and reflect market conditions, valuation adjustments and slower investment banking

Adjusted (\$MM) <sup>1</sup>	Q1 14	Q4 14	Q1 15
<b>Trading Products Revenue</b>	591	470	<b>569</b>
<b>I&amp;CB Revenue</b>	382	341	<b>352</b>
<b>Revenue (teb)</b>	973	811	<b>921</b>
<b>PCL</b>	(1)	(7)	<b>9</b>
<b>Expenses</b>	607	572	<b>623</b>
<b>Net Income</b>	276	191	<b>221</b>
<b>Reported Net Income</b>	276	191	<b>221</b>
<b>Efficiency Ratio (%)</b>	62.5	70.8	<b>67.6</b>



- Adjusted net income down 20% Y/Y; up 15% Q/Q
- Revenue down 5% Y/Y and up 14% Q/Q
  - Y/Y revenue down as good trading revenue was more than offset by credit and funding valuation adjustments and lower Investment and Corporate Banking revenue, in part due to lower securities gains
  - Q/Q revenue up due to higher trading revenue
- Expenses up 2% Y/Y and up 9% Q/Q
  - Excluding the impact of the stronger U.S. dollar, expenses were down 2% Y/Y due to lower employee-related expenses
  - Q/Q expenses up largely due to stock-based compensation for employees eligible to retire recognized in Q1 (\$23MM), increased support costs driven by changing business and regulatory environment and the stronger U.S. dollar
- Higher allocated capital given F2015 methodology change reduced return on equity in Q1

<sup>1</sup> Reported revenue and PCL same as adjusted amounts; reported expenses Q1'15 \$623MM; Q4'14 \$573MM; Q1'14 \$608MM

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# Provision for Credit Losses (PCL)

PCL By Operating Group (C\$MM)	Q1 14 <sup>1</sup>	Q4 14 <sup>1</sup>	Q1 15
Consumer – Canadian P&C	91	111	104
Commercial – Canadian P&C	48	18	28
<b>Total Canadian P&amp;C</b>	<b>139</b>	<b>129</b>	<b>132</b>
Consumer – U.S. P&C	20	35	30
Commercial – U.S. P&C	1	12	10
<b>Total U.S. P&amp;C</b>	<b>21</b>	<b>47</b>	<b>40</b>
<b>Wealth Management</b>	<b>(1)</b>	<b>(1)</b>	<b>2</b>
<b>Capital Markets</b>	<b>(1)</b>	<b>(7)</b>	<b>9</b>
<b>Corporate Services<sup>2</sup></b>	<b>(59)</b>	<b>2</b>	<b>(20)</b>
<b>Specific PCL</b>	<b>99</b>	<b>170</b>	<b>163</b>
Change in Collective Allowance	-	-	-
<b>Total PCL</b>	<b>99</b>	<b>170</b>	<b>163</b>

- PCL decreased Q/Q largely due to lower provisions in Corporate Services

Quarterly Specific PCL (C\$MM)



<sup>1</sup> Prior period balances were reclassified to conform with the current period's presentation

<sup>2</sup> Corporate Services results include purchased credit impaired loan recoveries of \$29MM in Q1'15, \$33MM in Q4'14 and \$117MM in Q1'14



# Corporate Governance

- Comprehensive code of business conduct and ethics, FirstPrinciples, guides conduct and ethical decision-making by our directors, officers and employees
- Governance practices reflect emerging best practices and BMO meets or exceeds legal, regulatory, TSX and NYSE requirements
- We have share ownership requirements to ensure directors' and executives' compensation is aligned with shareholder interests
- The Globe and Mail's Board Games 2014 annual review of corporate governance practices in Canada ranked BMO 1<sup>st</sup> overall among 247 companies and income trusts in the S&P/TSX composite index as of September 1, 2014

# Adjusting Items

Adjusting <sup>1</sup> items – Pre-tax (\$MM)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
Acquisition integration costs	-	-	(9)	(11)	<b>(13)</b>
Amortization of acquisition-related intangible assets	(31)	(28)	(39)	(42)	<b>(40)</b>
<b>Adjusting items included in reported pre-tax income</b>	<b>(31)</b>	<b>(28)</b>	<b>(48)</b>	<b>(53)</b>	<b>(53)</b>

Adjusting <sup>1</sup> items – After-tax (\$MM)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
Acquisition integration costs	-	-	(7)	(9)	<b>(10)</b>
Amortization of acquisition-related intangible assets	(22)	(21)	(29)	(32)	<b>(31)</b>
<b>Adjusting items included in reported net income after tax</b>	<b>(22)</b>	<b>(21)</b>	<b>(36)</b>	<b>(41)</b>	<b>(41)</b>
<b>Impact on EPS (\$)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.06)</b>	<b>(0.07)</b>	<b>(0.07)</b>

<sup>1</sup> Amortization of acquisition-related intangible assets reflected across the Operating Groups, F&C acquisition integration costs reflected in Wealth Management  
Adjusted measures are non-GAAP measures. See slide 2 of this document, page 32 of BMO's 2014 Annual Report and page 5 of BMO's First Quarter 2015 Report to Shareholders

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