

Investor Presentation

July 2016



BMO  Financial Group
We're here to help.™

Q2 | 16

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 2016 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, tax or economic policy; 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; 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; 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; 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 86 to 117 of BMO's 2015 Annual MD&A, which outlines

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 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 Second Quarter 2016 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 as well as the rationale for their use can be found on page 5 of Bank of Montreal's Second Quarter 2016 Report to Shareholders and on page 33 of BMO's 2015 Annual Report all of which are available on our website at www.bmo.com/investorrelations.

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

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

BMO Financial Group

8th largest bank in North America¹ 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 management 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 April 30, 2016):
 - Assets: \$681 billion
 - Deposits: \$445 billion
 - Employees: ~46,000
 - Branches: 1,538
 - ABMs: 4,746

Q2 2016 Results *	Adjusted ²	Reported
Net Revenue (\$B) ³	4.7	4.7
Net Income (\$B)	1.2	1.0
EPS (\$)	1.73	1.45
ROE (%)	12.1	10.1
Basel III Common Equity Tier 1 Ratio (%)		10.0

Other Information (as at June 30, 2016)	
Annual Dividend Declared (per share) ⁴	\$3.44
Dividend Yield ⁴	4.20%
Market Capitalization	\$52.8 billion
Exchange Listings	TSX, NYSE (Ticker: BMO)
Share Price:	
TSX	C\$81.95
NYSE	US\$63.39

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

¹ As measured by assets as at April 30, 2016; ranking published by Bloomberg

² Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to slide 38

³ For purposes of this slide net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Reported gross revenue: Q2'16: \$5,101MM; Q1'16 \$5,075MM, Q2'15 \$4,526MM

⁴ Based on Q3'16 declared dividend of \$0.86 per share

Reasons to Invest

Clear opportunities for growth across a **diversified North American footprint:**

- Large North American commercial banking business with advantaged market share
- Well-established, highly profitable core banking business in Canada
- Fast-growing, award-winning wealth franchise, representing ~20%¹ of operating group net income
- Leading Canadian and growing mid-cap focused U.S. capital markets business
- U.S. operations well-positioned to capture benefit of improving economic conditions

- **Strong capital** position with an attractive **dividend yield**
- Focus on **efficiency** through technology innovation, simplifying and automating processes, and extending the digital experience across our channels
- **Customer-centric** operating model guided by disciplined loyalty measurement program
- Adherence to the highest standards of **business ethics** and corporate governance

¹ On an adjusted basis; see slide 38 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

Our strategic priorities

1

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

2

Enhance **productivity** to drive performance and shareholder value

3

Accelerate deployment of **digital technology** to transform our business

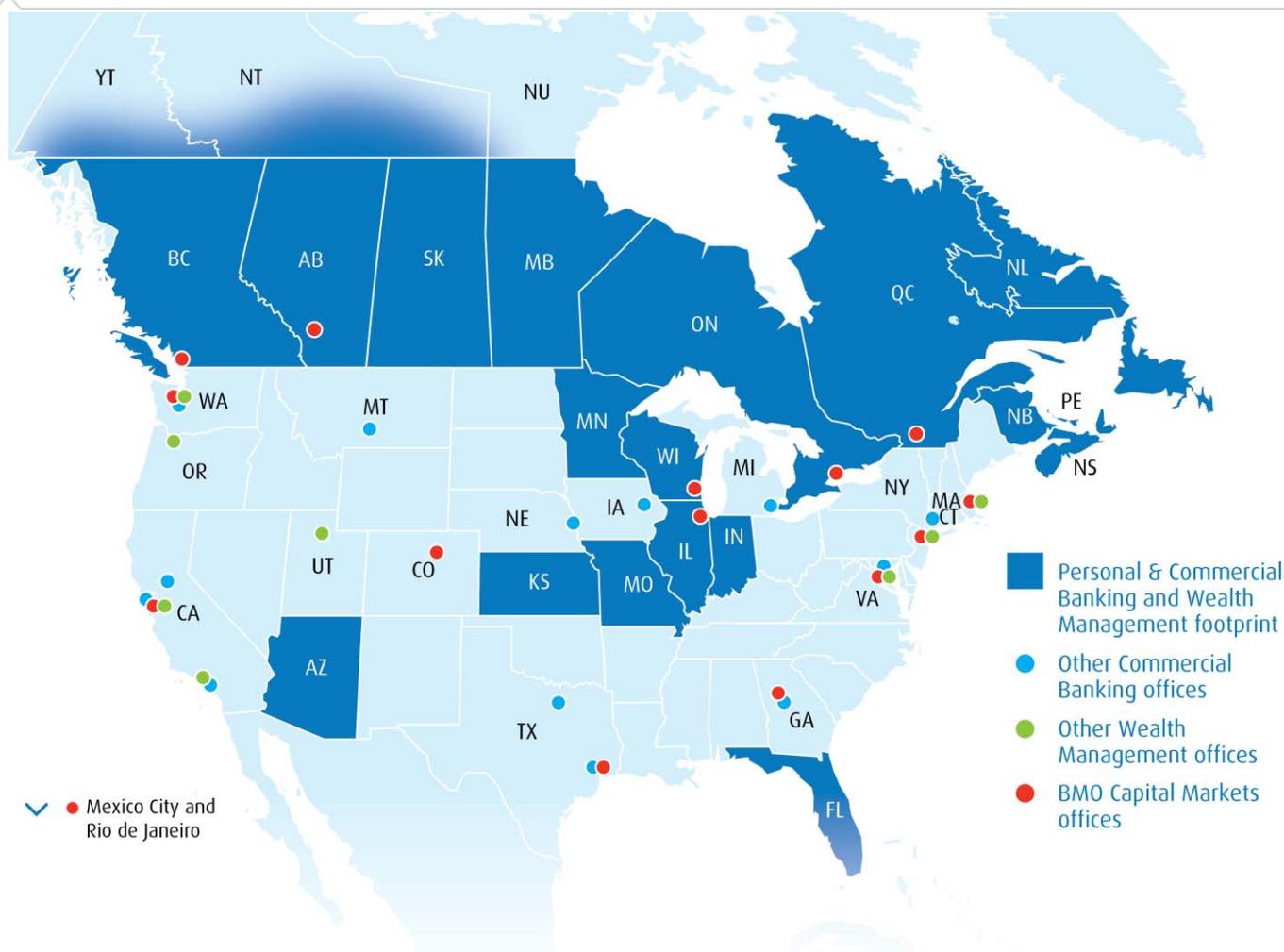
4

Leverage our consolidated **North American platform** and expand strategically in select global markets to deliver growth

5

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

BMO's Strategic Footprint



Our European and Middle Eastern presence



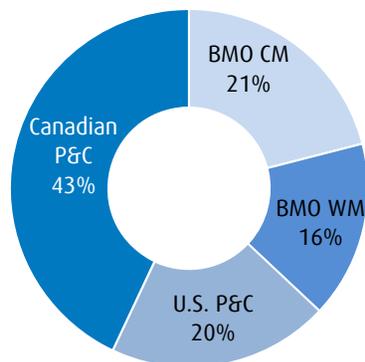
Our Asia-Pacific presence



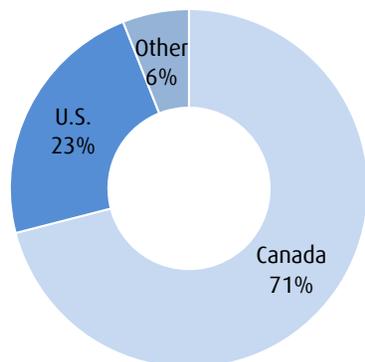
Our three operating groups serve individuals, businesses, governments and corporate customers across Canada and the United States with a focus in six U.S. Midwest states – Illinois, Indiana, Wisconsin, Minnesota, Missouri and Kansas. Our significant presence in North America is bolstered by operations in select global markets in Europe, Asia and the Middle East, allowing us to provide our customers with access to economies and markets around the world

A diversified business mix with ~80% of earnings from retail businesses

Adjusted Net Income by Operating Group – LTM^{1,2}



Adjusted Net Income by Geography – LTM^{1,2}



Canadian P&C

- Full range of financial products and services to 8 million customers
- Over 900 branches and 3,400 ABMs
- Strong commercial banking business, reflected in our number two ranking in Canadian market share for business loans of \$25 million or less

U.S. P&C

- Helping more than two million customers feel confident in their financial decisions by providing a banking experience with a human touch
- ~600 branches and over 1,300 ABMs
- Attractive branch footprint and top-tier deposit market share in key U.S. Midwest markets (including Illinois, Wisconsin, Indiana, Minnesota, Missouri and Kansas)

BMO Wealth Management

- Global business with an active presence in Canada, the United States, Europe and Asia
- Full service and direct brokerage, mutual funds, institutional asset management, private banking and insurance
- Full range of client segments from mainstream to ultra-high net worth, and institutional

BMO Capital Markets

- North American-based provider offering a complete range of products and services to corporate, institutional and government clients
- ~2,200 professionals in 29 global locations, including 16 offices in North America
- U.S. Mid-cap strategy focused in select strategic sectors where we have expertise and experience

¹ Adjusted measures are non-GAAP measures, see slide 2 for more information

² Reported net income by operating group (excludes Corporate Services): Canadian P&C 44%, U.S. P&C 19%, BMO WM 15%, BMO CM 22%; by geography last twelve months (LTM): Canada 72%, U.S. 23%, Other 5%. For details on adjustments refer to slide 38

A large North American commercial banking business with advantaged market share

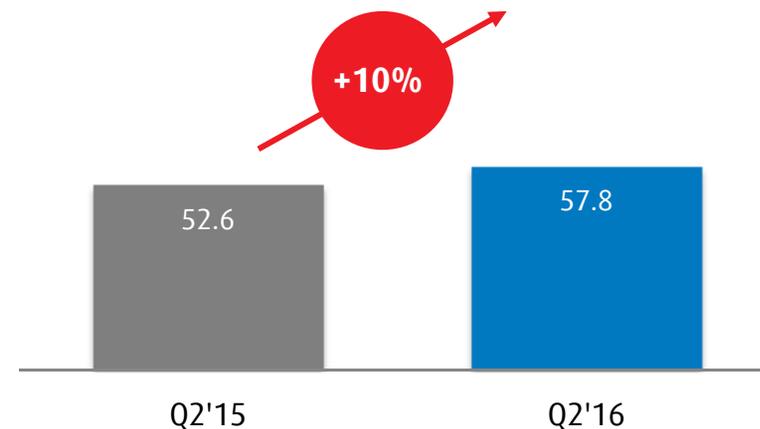
Canadian P&C

- Good commercial lending growth¹, up 10% Y/Y with growth across a number of industry sectors
- Strong competitive position, ranked 2nd in Canadian market share for business loans of \$25 million or less
- Commercial deposit growth was broad-based, with balances growing 6%
- Commercial revenue represents ~35% of Canadian banking total revenue
- Canadian personal lending revenue represents less than 20% of total bank adjusted net revenue

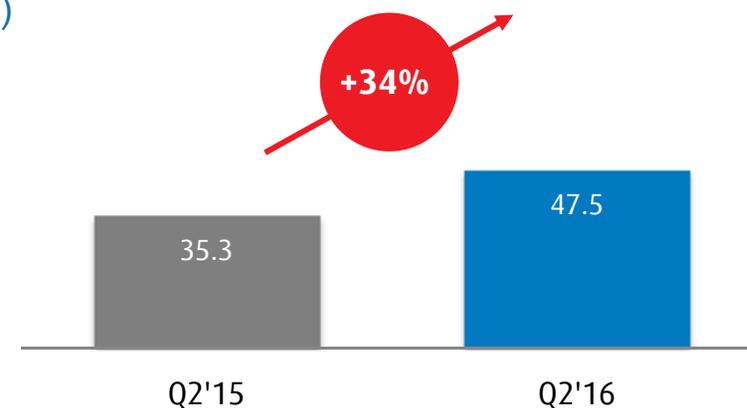
U.S. P&C

- Large-scale, relationship-based commercial banking business continues to deliver strong commercial loan growth up 34% Y/Y, or 13% excluding BMO Transportation Finance
- Commercial deposit balances up 6% Y/Y

Commercial Loans and Acceptances – Canadian P&C (\$B)



Commercial Loans and Acceptances – U.S. P&C (US\$B)



¹ Commercial lending growth excludes commercial cards. Commercial cards balances approximately 8% of total credit card portfolio in Q2'16, and approximately 7% in Q1'16 and Q2'15

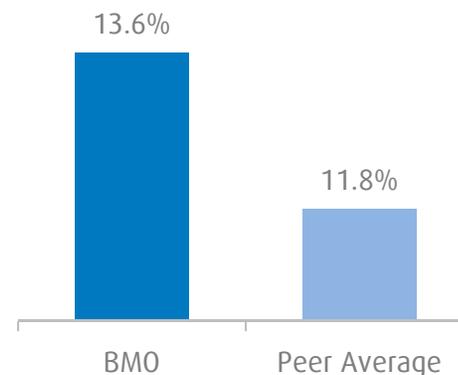
Strong financial performance and shareholder returns

Dividends Declared (\$ per share)



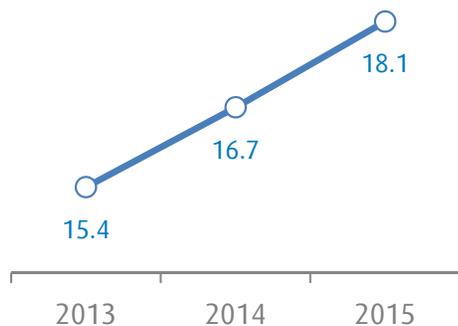
- Annual common dividend of \$3.44¹ per share, up 5% Y/Y
- Dividend yield: 4.18%²
- BMO has the longest running dividend payout record of any company in Canada, at 187 years
- Target dividend payout 40-50%
 - Adjusted payout of 46.2%³ in F2015

Three-Year Average Annual Total Shareholder Return²(%)



- BMO's average annual return of 13.6% over the past 3 years has outperformed our Canadian bank peer group average and was above the 7.0% return for the S&P/TSX

Adjusted Net Revenue (C\$B)³



Adjusted Net Income (C\$B)³



¹ Based on Q3'16 declared dividend of \$0.86 per share

² As of June 1, 2016

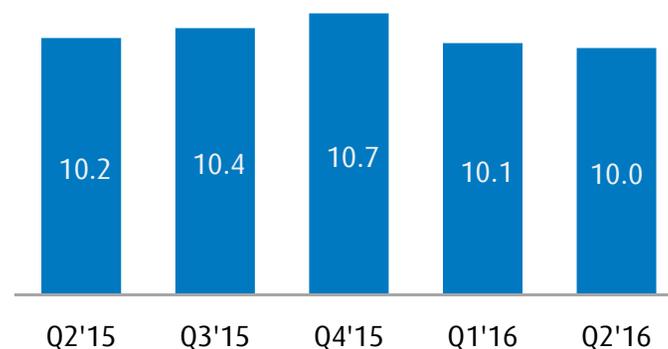
³ On a reported basis: dividend payout ratio of 49.2% in F2015, net revenue F2015: \$18.1B; F2014: \$16.7B; F2013: \$16.1B, Net income: F2015: \$4.4B; F2014: \$4.3B; F2013: \$4.2B

Capital & Risk Weighted Assets

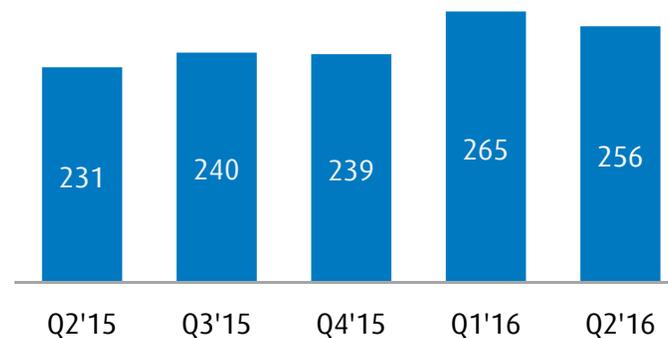
CET1 Ratio strong at 10.0%

- Common Equity Tier 1 Ratio of 10.0%, ~10 bps lower than Q1'16
 - Lower CET1 capital from AOCI, partially offset by lower capital deductions and retained earnings growth, which was lower than normal given the restructuring charge
 - Lower RWA of ~\$9B primarily due to FX movement (\$15B), which is largely offset through AOCI, and model changes (\$1B), partially offset by business growth (\$5B) and changes in book quality (\$2B)
- Q1 reduction in CET1 Ratio reflects impact of BMO Transportation Finance acquisition
- Common dividend increased 2 cents to \$0.86 per share. Attractive dividend yield of ~4%

Common Equity Tier 1 Ratio (%)



Risk Weighted Assets (\$B)



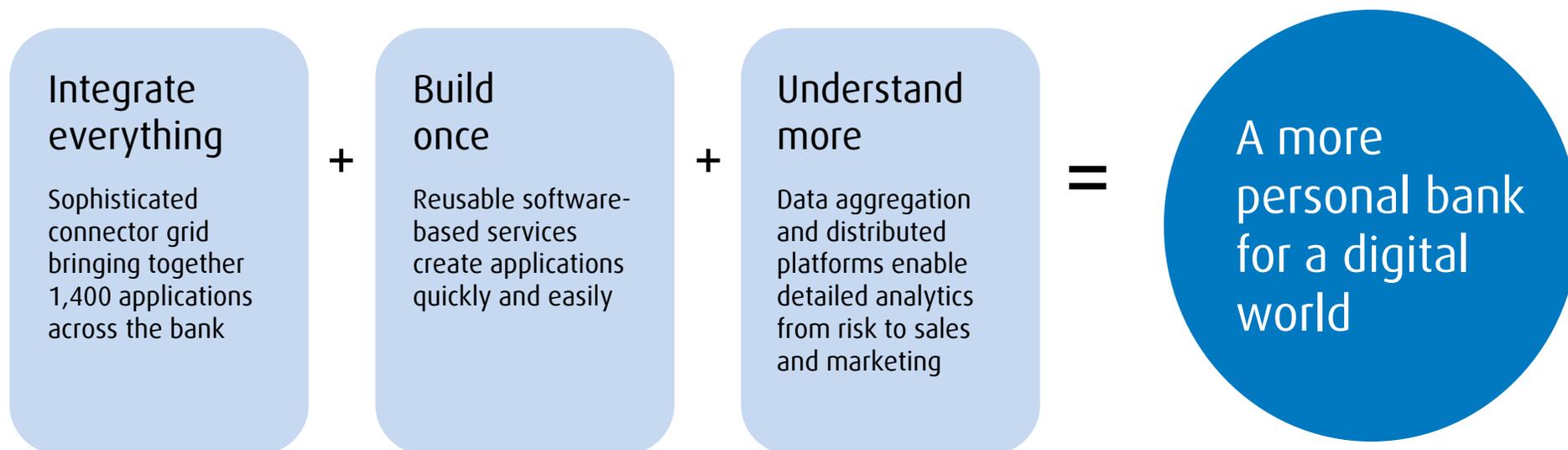
AOCI: accumulated other comprehensive income; RWA: risk weighted assets

Digital technology is transforming our business

Extended technology capabilities delivering against a clear set of goals:

- More personalized, intuitive applications
- A more unified customer experience across channels and geographies
- Faster delivery to market
- Enhanced risk management
- Digitization of business processes to boost productivity

In-the-moment IT architecture:



Q2 2016 - Financial Highlights

Good operating results with adjusted net income of \$1.2B and EPS of \$1.73

- Adjusted EPS up 1% Y/Y, or 8% excluding a \$0.12 (\$79MM after-tax) write-down of an investment
- Net revenue up 4% Y/Y, or 5% Y/Y in CCY¹, excluding the write-down
- Adjusted expenses up 5% Y/Y or 3% in CCY¹
- Adjusted² net operating leverage positive 1.7% for Q2 and 2.4% YTD, both in CCY¹ and excluding the write-down
- PCL of \$201MM, up \$40MM Y/Y
- ROE of 12.1%, with book value per share up 8% Y/Y. ROTCE⁴ of 14.8%
- Reported results include a \$132MM after-tax restructuring charge as we accelerate the use of technology to enhance customer experience and focus on driving operational efficiencies

Adjusted (\$MM) ²	Q2 15	Q1 16	Q2 16
Net Revenue³	4,502	4,793	4,694
PCL	161	183	201
Expense	2,912	3,204	3,060
Net Income	1,146	1,178	1,152
Reported Net Income	999	1,068	973
Diluted EPS (\$)	1.71	1.75	1.73
ROE (%)	13.2	12.1	12.1
Common Equity Tier 1 (CET1) Ratio (%)	10.2	10.1	10.0

1 Constant currency (CCY) refers to impact of CAD/US exchange rate movements on the U.S. segment only and is a non-GAAP measure. For more information see the Foreign Exchange section on page 7 of Bank of Montreal's Second Quarter 2016 Report to Shareholders

2 See slide 38 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported results: Net revenue - Q2'16 \$4,694MM, Q1'16 \$4,709MM, Q2'15 \$4,502MM; Expenses - Q2'16 \$3,312MM, Q1'16 \$3,270MM, Q2'15 \$3,112MM; EPS - diluted: Q2'16 \$1.45, Q1'16 \$1.58, Q2'15 \$1.49; ROE - Q2'16 10.1%, Q1'16 10.9%, Q2'15 11.4%; reported PCL same as adjusted amounts. Reported net operating leverage of (2.2)% for Q2 and (0.9)% YTD

3 Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Reported gross revenue: Q2'16 \$5,101MM; Q1'16 \$5,075MM, Q2'15 \$4,526MM

4 Return on tangible common equity (ROTCE) = (Annualized Net Income available to Common Shareholders) / (Average Common shareholders equity less Goodwill and acquisition-related intangibles net of associated deferred tax liabilities)

Operating Groups

BMO  Financial Group

We're here to help.™

Canadian Personal & Commercial Banking

Strengths and Value Drivers

- Strong commercial banking business, reflected by BMO's number two ranking in Canadian market share for business loans of \$25 million or less
- Largest MasterCard® issuer in Canada, and one of the top commercial card issuers in North America
- Leading issuer of AIR MILES®, Canada's premier coalition loyalty program
- Proud to be the official bank of the Canadian defence community, serving the unique needs of the Canadian military
- Consistently applied credit risk management practices that provide customers with reliable access to appropriate financing solutions in all economic conditions

Our Strategic Priorities

Our strategy is focused on capturing key growth and loyalty opportunities while capitalizing on the shift to digital to improve efficiency

- Focus on improving customer loyalty to deepen relationships. In personal banking, increase personal share of wallet and in commercial banking, target opportunities across geography, segment and industry
- Focus on continuing to accelerate our channel strategy and increase our digital capabilities
- Continue to focus on our strength in productivity and risk management

Recent Accomplishments



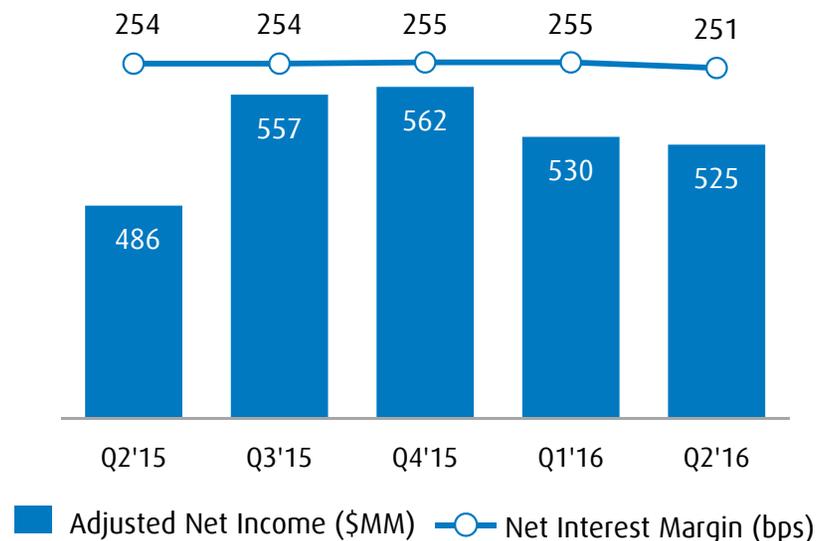
- Introducing 'biometric' security enhancements to some corporate card customers with Mastercard® Identity Check
- Best Commercial Bank in Canada by World Finance Magazine
- Recognized for the third consecutive year by the global financial services research firm Celent with a 2015 Model Bank Award for excellence in the digital banking category

Canadian Personal & Commercial Banking

Good net income growth of 8% Y/Y with continued positive operating leverage

- Adjusted net income of \$525MM, up 8% Y/Y
- Revenue up 4% Y/Y reflecting higher balances and non-interest revenue partially offset by lower NIM
 - Loans up 5% and deposits up 7% Y/Y
 - NIM down 3 bps Y/Y and 4 bps Q/Q primarily due to the low interest rate environment and narrower spreads on variable rate lending products
- PCL of \$127MM, down Y/Y due to lower consumer and commercial provisions
- Expense growth of 3.5% Y/Y reflecting continued investment in the business, net of focus on expense management
- 3rd consecutive quarter of positive operating leverage, Q2 at 0.6%
- Efficiency ratio of 50.3%

Adjusted (\$MM) ¹	Q2 15	Q1 16	Q2 16
Revenue (teb)	1,605	1,725	1,672
PCL	143	140	127
Expenses	811	871	841
Net Income	486	530	525
Reported Net Income	485	529	525



¹ See slide 38 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported results: Revenue, PCL and efficiency ratio same as adjusted amounts; Expenses Q2'16 \$841MM, Q1'16 \$872MM, Q2'15 \$812MM

U.S. Personal & Commercial Banking

Strengths and Value Drivers

- Rich heritage of more than 160 years in the U.S. Midwest, with a deep commitment to our communities and helping our customers succeed
- Strong, experienced leadership team that knows how to compete and excel in our markets
- Unique, differentiated platform for profitable growth provided by our attractive branch footprint and top-tier deposit market share in key U.S. Midwest markets
- Large-scale, relationship-based national commercial banking business centred in the U.S. Midwest, complemented by in-depth industry knowledge in select sectors
- Comprehensive and integrated control structure that allows us to actively manage risks and regulatory compliance



Recent Accomplishments

- Most Innovative Financial Institution at the ATM & Mobile Innovation Summit
- Launched a new suite of consumer and small business MasterCard® products
- Closed and rebranded the acquisition of BMO Transportation Finance on December 1st, 2015

Our Strategic Priorities

We aim to grow our business and be a leader in our markets by creating a differentiated, intuitive customer experience and advising our customers on a wide range of financial topics, leveraging our brand reputation, local presence and high-performance teams

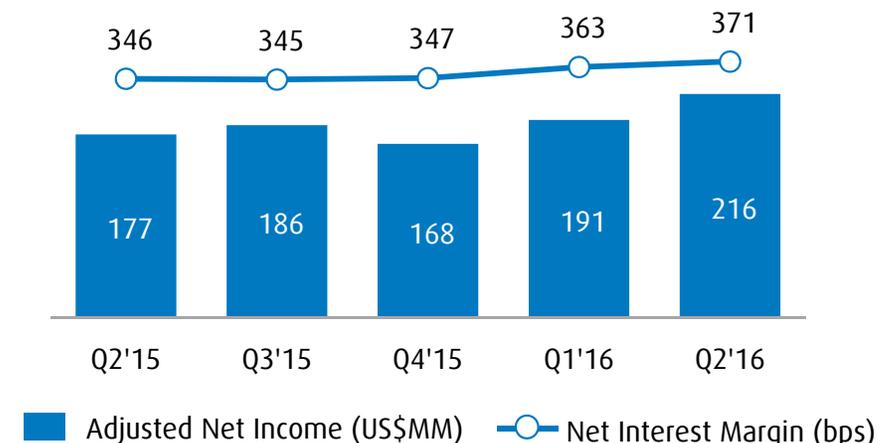
- Maintain strong customer loyalty and increase brand awareness, while growing our customer base in high-opportunity segments, including mass affluent customers
- Build on our mobile and online channel capabilities as we continue to enhance our customer experience
- Continue to focus on profitable growth by deepening existing client relationships and acquiring new customers, while managing costs
- Continue to leverage our North American commercial franchise and partnerships to deliver a “One Bank” customer experience and successfully integrate the BMO Transportation Finance business
- Focus on productivity and risk management

U.S. Personal & Commercial Banking

Strong growth with adjusted net income up 27% Y/Y or 21% in USD

- Adjusted¹ net income of \$279MM, up 27% Y/Y. Figures that follow are in U.S. dollars
- Adjusted net income up 21% Y/Y
- BMO TF represented ~15% of Q2'16 revenue and adjusted expenses
- Revenue up 24% Y/Y driven by BMO TF, higher loan and deposit volumes and higher NIM
- Average loans up 16% and deposits up 6% Y/Y
 - NIM up 8 bps Q/Q driven by increased deposit spreads and the full quarter impact of BMO TF
- PCL up from prior year due to lower recoveries and BMO TF
- Expenses up 20% Y/Y primarily due to the addition of the BMO TF business
- Efficiency ratio of 62.0%¹ improved 190 bps Y/Y
- Operating leverage of 3.7%

Adjusted (US\$MM) ¹	Q2 15	Q1 16	Q2 16
Revenue (teb)	708	828	879
PCL	14	47	39
Expenses	453	518	545
Net Income	177	191	216
Reported Net Income	167	182	206



¹ See slide 38 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported results: revenue and PCL same as adjusted amounts; Expenses (US\$): Q2'16 \$558MM, Q1'16 \$531MM, Q2'15 \$467MM; Efficiency ratio: Q2'16 63.5%, Q1'16 64.1%, Q2'15 65.9%; net income C\$267MM, up 29%. Beginning in the first quarter of 2016, the reduction in the credit mark that is reflected in net interest income and the provision for credit losses on the purchased performing portfolio are being recognized in U.S. P&C, consistent with the accounting for the acquisition of BMO TF. Results for prior periods have not been reclassified

BMO Wealth Management

Strengths and Value Drivers

- Planning and advice-based approach that integrates investment, insurance, specialized wealth management and core banking solutions
- Team of highly skilled wealth professionals who are committed to providing an exceptional client experience
- Prestigious brand that is broadly recognized and trusted
- Strong presence in North America, and globally in asset management and private banking in select markets, including Europe and Asia
- Diversified portfolio of digital investment solution platforms, ranging from self-directed investing to professional money management
- Access to BMO's broad client base and distribution networks
- Transparent and effective risk management framework

Recent Accomplishments



- Launched BMO SmartFolio™, our new online portfolio management service
- Best Wealth Management Bank Canada, 2015 by *International Finance Magazine*
- Best Overall Discount Brokerage by *MoneySense Magazine*
- Top 50 Asset Manager Worldwide in the "personal investments" category by *Pensions & Investments*
- In 2015, named Best Wealth Management in Canada, Best Private Bank in Canada, Best Full-Service Investment Advisory in Canada and Best Integrated Investment Advisor Digital Platform by *Global Banking & Finance Review*

Our Strategic Priorities

Our aim is to be the wealth management solutions provider that defines great client experience. Our strategy is to deliver on our clients' wealth management needs now and in the future by enhancing the client experience, while focusing on productivity and investing for future growth.

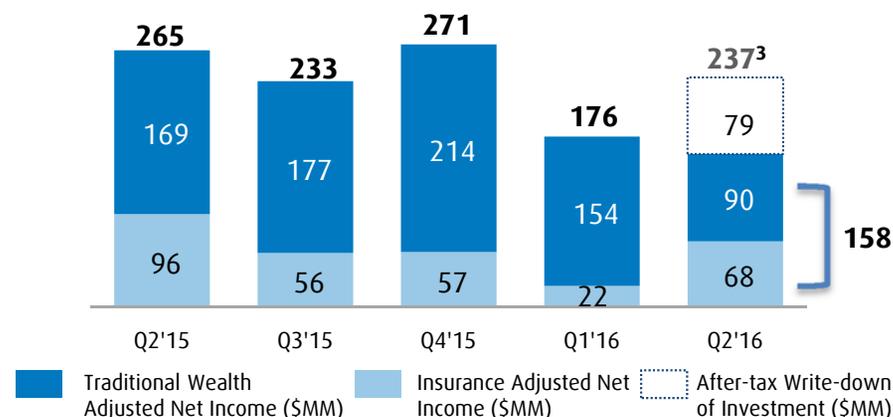
- Attract new clients and focus on delivering a great client experience
- Continue to improve productivity, while managing our risks with an emphasis on increasing revenue per employee
- Selectively invest in our sales force and continue to enhance technology to drive revenue growth

BMO Wealth Management

Solid underlying performance with impacts from write-down and lower Y/Y equity markets

- Adjusted net income of \$158MM impacted by a \$79MM after-tax write-down of an investment
- Figures that follow exclude the write-down:
 - Traditional Wealth underlying results of \$169MM were unchanged Y/Y, as business growth was offset by the impact of equity markets; Q/Q up due to lower expenses
 - Insurance earnings down Y/Y as Q2'15 was above trend
 - Net revenue down Y/Y driven by equity markets and divestitures including the sale of our U.S. Retirement Services business in the prior year, partially offset by business growth
- Expenses down Y/Y mainly due to the sale of the business and lower revenue-based costs
- AUM/AUA down Y/Y mainly due to market depreciation partially offset by favourable FX movements

Adjusted ¹ (\$MM)	Q2 15	Q1 16	Q2 16
Net Revenue²	1,164	1,071	990
PCL	1	2	2
Expenses	803	841	787
Net Income	265	176	158
Reported Net Income	238	148	134
AUM/AUA (\$B)	833	864	817



1 See slide 38 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported results: Revenue and PCL same as adjusted amounts; Expenses: Q2'16 \$816MM, Q1'16 \$877MM, Q2'15 \$836MM; Traditional wealth net income Q2'16 \$66MM, Q1'16 \$126MM, Q4'15 \$186MM, Q3'15 \$154MM, Q2'15 \$142MM; Insurance reported net income same as adjusted.

2 For purposes of this slide net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Gross revenue: Q2'16 \$1,397MM; Q1'16 \$1,437MM, Q2'15 \$1,188MM

3 Excludes \$79MM after-tax impact of write-down of an investment. Reported net income of \$213MM excluding the write-down

BMO Capital Markets

Strengths and Value Drivers

- Unified coverage approach and integrated distribution creates an exceptional client experience across our North American platform, together with a complementary international presence in select industry sectors
- Innovative ideas and expertise delivered through our top-tier coverage team, dedicated to understanding and meeting our core clients' needs
- Top-ranked economic, equity and fixed income research, sales and trading capabilities with deep expertise in core sectors
- Focus on first-line-of-defence risk management capabilities, enabling effective decision-making in support of our strategy and client experience

Recent Accomplishments



- In 2015, Ranked #1 (tied) as a 2015 Greenwich Share Leader for Overall Canadian Fixed Income Market Share by Greenwich Associates, ranked #2 as a 2015 Greenwich Share Leader for Canadian Equity Trading and #2 (tied) for Canadian Foreign Exchange Market Share by Greenwich Associates and ranked #3 as a 2015 Greenwich Share Leader for Canadian Equity Research/Advisory Vote Share by Greenwich Associates
- World's Best Metals & Mining Investment Bank for seven consecutive years by *Global Finance*
- Best Supply Chain Finance Bank in North America for two consecutive years by *Trade Finance*
- Best Bank in Canadian Dollar Foreign Exchange for five consecutive years by *FX Week*

Our Strategic Priorities

BMO Capital Markets' aim is to be the lead investment bank that enables our clients to achieve their ambitions. We offer an integrated platform that is differentiated by leading ideas and unified coverage

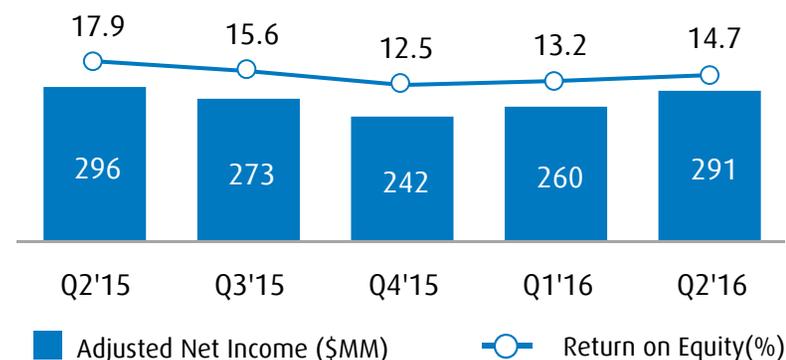
- Continue to earn leading market share in Canada by delivering leading ideas through our top-tier coverage team
- Leverage our strong North American capabilities and presence in select international markets
- Continue to drive performance in our U.S. platform with a focused strategy and selectively grow our corporate bank where we are competitively advantaged
- Continue to enhance our first-line-of-defence risk management, regulatory and compliance practices

BMO Capital Markets

Good results in an improving market environment; positive operating leverage of 3.0%

- Adjusted net income down 2% Y/Y reflecting higher PCLs; PPPT¹ up 10% Y/Y
- Revenue up 6% Y/Y or 4% in CCY²:
 - Trading Products benefited from higher client activity
 - Investment and Corporate Banking decreased primarily from lower net securities gains, partially offset by higher corporate banking related revenue
- Expenses up 3% or 1% Y/Y in CCY²
- PCL up Y/Y largely due to higher resource-related provisions
- Efficiency ratio of 59.2% improved 170 bps Y/Y
- 3rd consecutive quarter of positive operating leverage, Q2 at 3.0%

Adjusted (\$MM) ³	Q2 15	Q1 16	Q2 16
Trading Products Revenue	660	589	730
I&CB Revenue	351	431	340
Revenue (teb)	1,011	1,020	1,070
PCL	5	8	44
Expenses	616	661	633
Net Income	296	260	291
Reported Net Income	296	260	291



¹ PPPT refers to pre-provision, pre-tax profit contribution, and is the difference between adjusted revenue and adjusted expenses

² CCY/Constant Currency refers to impact of CAD/US exchange rate movements on the U.S. segment only and is a non-GAAP measure. For more information see the Foreign Exchange section on page 7 of Bank of Montreal's Second Quarter 2016 Report to Shareholders

³ See slide 38 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported results: Revenue, PCL and efficiency ratio same as adjusted amounts; Expenses: Q2'16 \$633MM, Q1'16 \$661MM, Q2'15 \$616MM

Risk Overview

Risk Management

We have a disciplined and integrated approach to risk

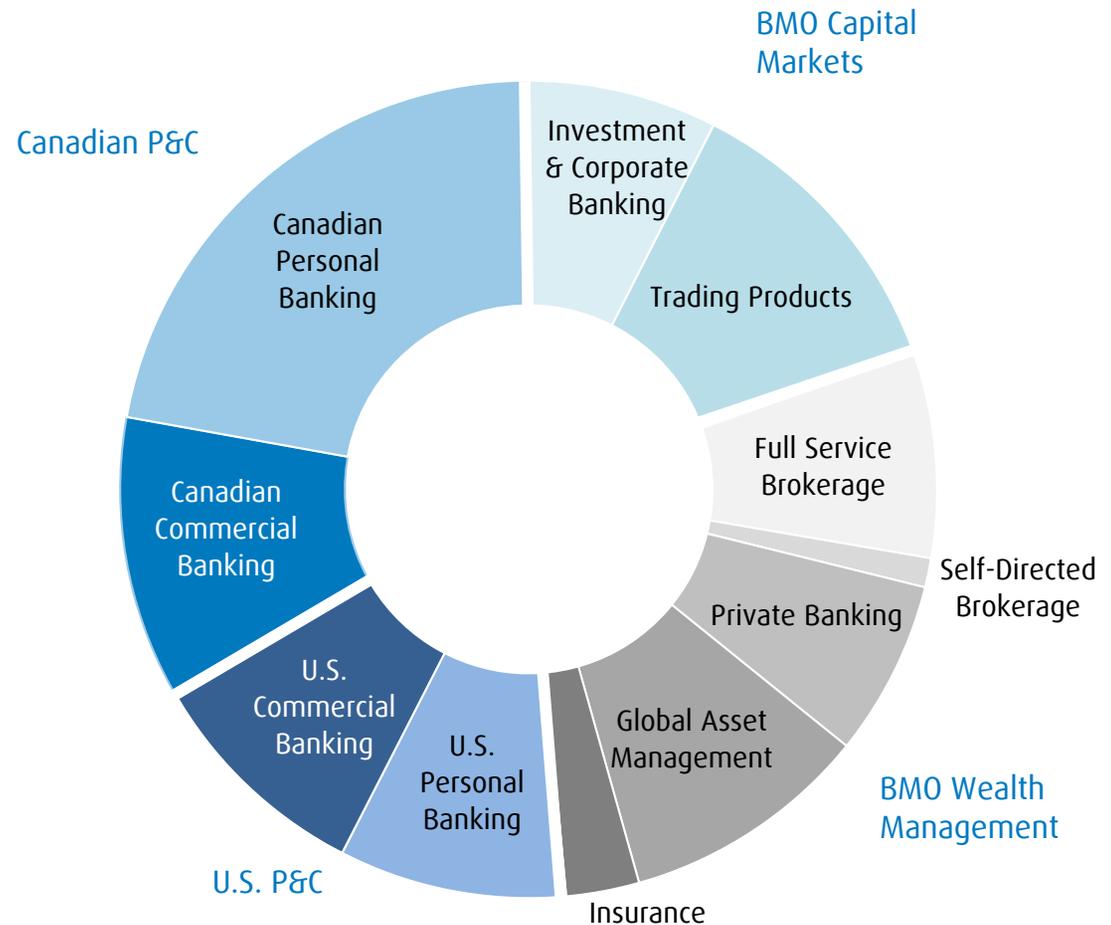
Our Approach to Risk Management

- Understand and manage
- Protect our reputation
- Diversify. Limit tail risk
- Maintain strong capital and liquidity
- Optimize risk return

Strengths and Value Drivers

- Disciplined approach to risk-taking
- Comprehensive and consistent risk frameworks that address all risk types
- Risk appetite and metrics that are clearly articulated and integrated into strategic planning and the ongoing management of businesses and risk
- Sustained mindset of continuous improvement that drives consistency and efficiency in the management of risk

Diversified Sources of Revenue¹



¹ Based on F2015 adjusted revenue

Our loans are well diversified by geography and industry

Gross Loans & Acceptances By Industry (\$B)	Canada & Other ¹	U.S.	Total	% of Total
Residential Mortgages	98.3	8.3	106.6	30%
Personal Lending	49.9	14.0	63.9	18%
Cards	7.4	0.5	7.9	2%
Total Consumer	155.6	22.8	178.4	50%
Financial Institutions	14.1	20.3	34.4	10%
Service Industries	14.0	18.2	32.2	9%
Commercial Real Estate	14.3	8.7	23.0	6%
Manufacturing	6.0	11.4	17.4	5%
Retail Trade	9.2	7.6	16.8	5%
Wholesale Trade	4.1	6.7	10.8	3%
Agriculture	8.3	2.2	10.5	3%
Transportation	1.8	8.1	9.9	3%
Oil & Gas	4.5	2.8	7.3	2%
Mining	1.2	0.4	1.6	0%
Other Commercial & Corporate ²	8.9	4.5	13.4	4%
Total Commercial & Corporate	86.4	90.9	177.3	50%
Total Loans	242.0	113.7	355.7	100%

1 Commercial & Corporate includes ~\$10.9B from Other Countries

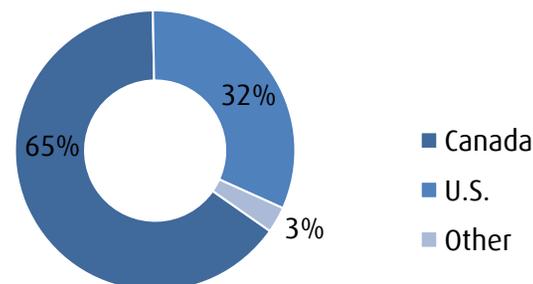
2 Except for Mining, Other Commercial & Corporate includes industry segments that are each <2% of total loans

3 Gross loans and acceptances as of April 30, 2016

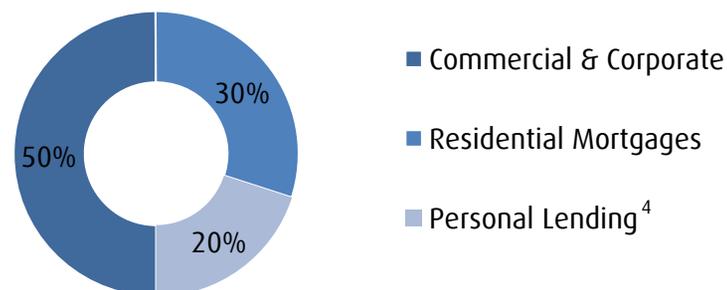
4 Including cards

5 Average net loans and acceptances as of April 30, 2016

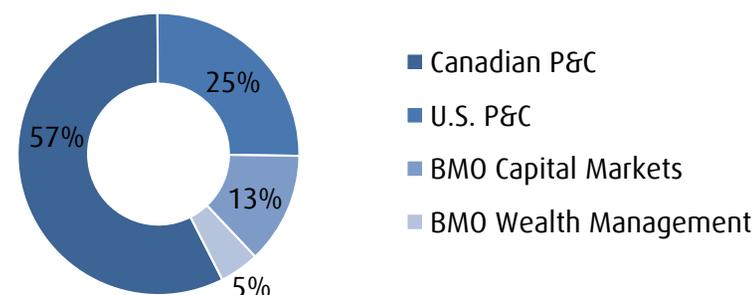
Loans by Geography³



Loans by Product³



Loans by Operating Group⁵

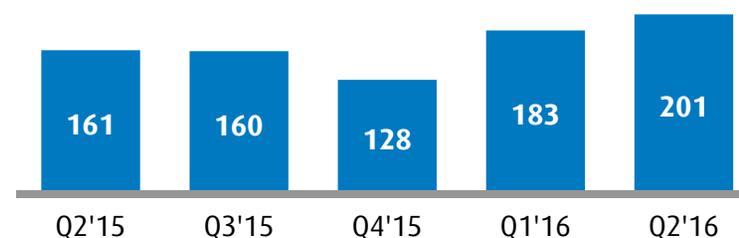


Provision for Credit Losses (PCL)

PCL By Operating Group (\$MM)	Q2 15	Q1 16 ¹	Q2 16 ¹
Consumer – Canadian P&C	114	113	105
Commercial – Canadian P&C	29	27	22
Total Canadian P&C	143	140	127
Consumer – U.S. P&C ¹	24	48	35
Commercial – U.S. P&C ¹	(6)	17	16
Total U.S. P&C	18	65	51
Wealth Management	1	2	2
Capital Markets	5	8	44
Corporate Services¹	(6)	(32)	(23)
Specific PCL	161	183	201
Change in Collective Allowance	-	-	-
Total PCL	161	183	201
PCL in bps	20	21	23

- PCL ratio at 23 bps, up 2 bps from prior quarter due to higher resource-related provisions in BMO Capital Markets
- Collective allowance more than 2 times the last twelve months' provisions

Quarterly Specific PCL (\$MM)



For illustrative² purposes:

- If the annualized PCL rate increased by 50% from Q2'16 levels, the impact to annual net income would be ~5% after-tax
- If the PCL rate moved to 40 bps, our long term average, the impact to annual net income would be ~10% after-tax

¹ Beginning in the first quarter of 2016 the provision for credit losses on the purchased performing portfolio is being recognized in U.S. P&C, consistent with the accounting for the acquisition of BMO TF. Results for prior periods have not been reclassified. Recoveries or provisions on the 2011 purchased credit impaired portfolio continue to be recognized in Corporate Services. Purchased loan accounting impacts related to BMO TF are recognized in U.S. P&C

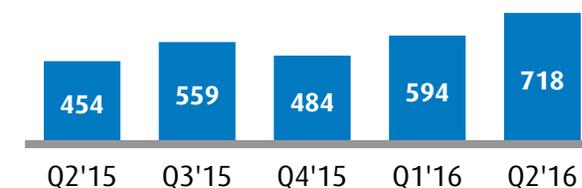
² Based on annualized on Q2'16 adjusted net income and a combined tax rate of 30% (for illustrative purposes)

Gross Impaired Loans (GIL) and Formations

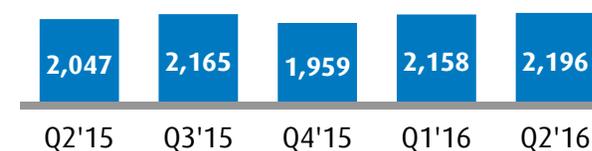
By Industry (\$MM)	Formations			Gross Impaired Loans		
	Canada & Other	U.S.	Total	Canada & Other ¹	U.S.	Total
Consumer	155	104	259	358	555	913
Oil & Gas	41	245	286	87	323	410
Agriculture	16	9	25	72	93	165
Manufacturing	2	68	70	19	131	150
Service Industries	5	4	9	38	73	111
Commercial Real Estate	16	2	18	66	32	98
Transportation	1	24	25	6	58	64
Construction (non-real estate)	1	1	2	15	44	59
Financial Institutions	5	0	5	8	49	57
Wholesale Trade	1	0	1	6	35	41
Mining	0	0	0	4	36	40
Retail Trade	8	3	11	19	11	30
Other Commercial & Corporate ²	2	5	7	21	37	58
Commercial & Corporate	98	361	459	361	922	1,283
Total Bank	253	465	718	719	1,477	2,196

- GIL and impaired formations increased this quarter mainly due to Oil & Gas

Formations (\$MM)



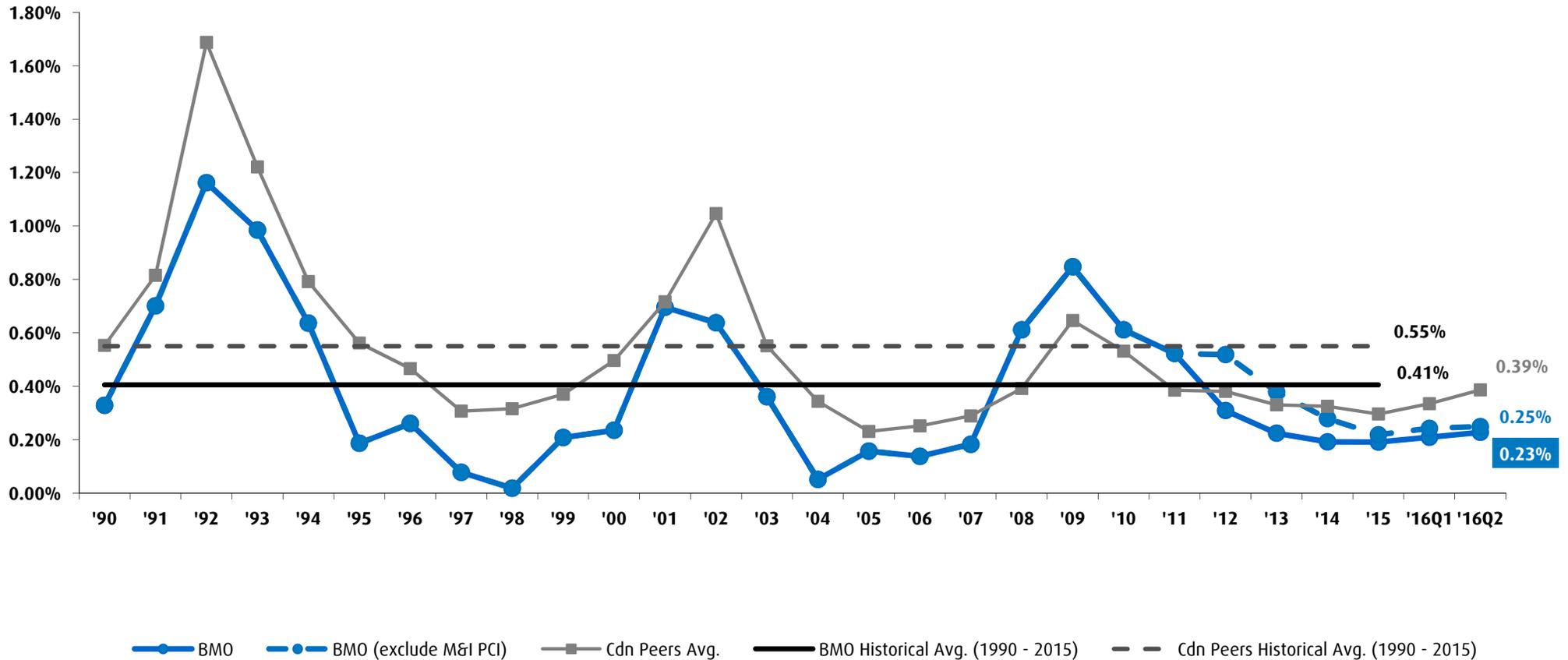
Gross Impaired Loans (\$MM)



¹ Commercial & Corporate includes ~\$1MM GIL from Other Countries

² Other Commercial & Corporate includes industry segments that are each <1% of total GIL

Historical specific PCL as a percentage of average net loans and acceptances



Specific provisions excludes changes to the collective allowance

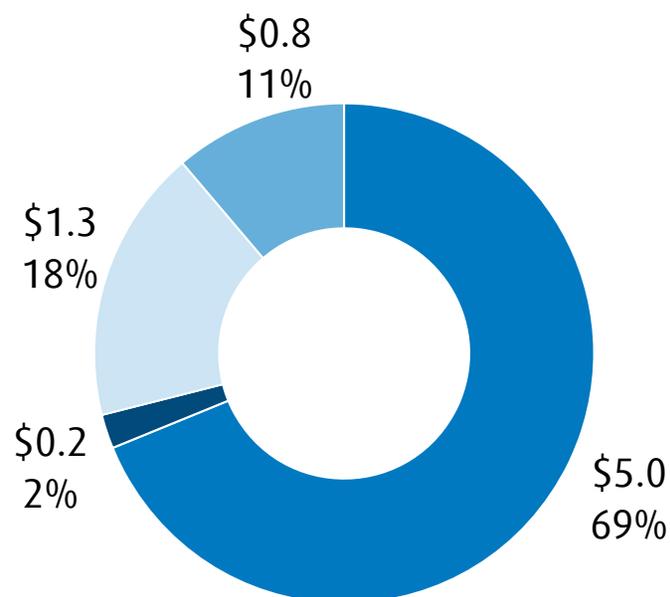
Effective Q1'12 PCL include the impact of IFRS accounting treatment and F2011 comparatives have been restated accordingly

Peer ratios calculated using publicly disclosed provisions and average net loans & acceptances, and may differ slightly from their reported ratios. Canadian peers weighted average excludes BMO

BMO and Scotia F2012 average net loans & acceptances have been restated to conform with the current period's presentation

Oil and Gas and Alberta Portfolios

Oil and Gas Balances – By Sector (C\$B)



- Exploration & Development
- Manufacturing & Refining
- Pipelines
- Services

- Oil and Gas loans of \$7.3B; 2% of total bank loans with close to half investment grade
- \$7.9B in undrawn exposure¹, of which more than half is investment grade

Consumer Exposure in Alberta

- Alberta consumer loans represent 6% of total bank loans of which over 80% are Real Estate Secured (RESL)
 - ~60% of Alberta RESL is insured
 - 57% LTV on uninsured RESL
- Alberta consumer represents ~15% of total Canadian consumer loans
- Alberta commercial, excluding Oil and Gas, represents ~5% of total Canada loans and ~3% of total bank loans

¹ Credit exposures on committed undrawn amounts of loans. See Credit Risk Exposure by Industry table on page 43 of Supplementary Financial Information

Canadian Residential Mortgages

- Total Canadian residential mortgage portfolio at \$98.3B or 43% of Canadian gross loans and acceptances
 - 59% of the portfolio is insured
 - Loan-to-value (LTV)¹ on the uninsured portfolio is 57%²
 - 71% 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 bp
 - 90 day delinquency rate remains good at 24 bps
 - Condo Mortgage portfolio is \$14.2B with 51% insured

Residential Mortgages by Region (\$B)	Insured	Uninsured	Total	% of Total
Atlantic	3.7	1.7	5.4	5%
Quebec	9.1	5.3	14.4	15%
Ontario	24.2	16.5	40.7	41%
Alberta	11.3	4.5	15.8	16%
British Columbia	7.6	10.7	18.3	19%
All Other Canada	2.4	1.3	3.7	4%
Total Canada	58.3	40.0	98.3	100%

¹ 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

² To facilitate comparisons, the equivalent simple average LTV on uninsured mortgages in Q2'16 was 52%

Appendix

Economic Outlook and Indicators

Economic Indicators (%) ¹	Canada			United States			Eurozone		
	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E
GDP Growth	1.1	1.2	2.1	2.4	1.9	2.3	1.6	1.5	1.4
Inflation	1.1	1.6	2.0	0.1	1.3	2.4	0.0	0.0	0.3
Interest Rate (3mth Tbilis)	0.53	0.48	0.54	0.05	0.30	0.68	(0.02)	(0.26)	(0.20)
Unemployment Rate	6.9	7.0	6.9	5.3	4.9	4.7	10.9	10.3	10.0
Current Account Balance / GDP ²	(3.2)	(3.3)	(2.4)	(2.6)	(2.8)	(2.8)	3.8	3.8	3.6
Budget Surplus / GDP ²	(0.3)	(1.5)	(1.4)	(2.5)	(2.9)	(2.8)	(2.1)	(1.8)	(1.4)

Canada

- Economic growth is expected to improve to 1.2% in 2016 and to 2.1% in 2017, as the downturn in the oil industry subsides and as exports continue to increase in response to the low-valued Canadian dollar and firm U.S. demand
- Alberta's wildfire will have a modest dampening effect on growth this year
- The Bank of Canada is expected to keep policy steady, before raising rates in mid-2017
- The Canadian dollar will likely weaken against the greenback in the near term amid higher U.S. interest rates, but should subsequently firm as oil prices recover

¹ Annual average

² Estimates as of June 30, 2016; Eurozone estimates provided by OECD

This slide contains forward looking statements. See caution on slide 2

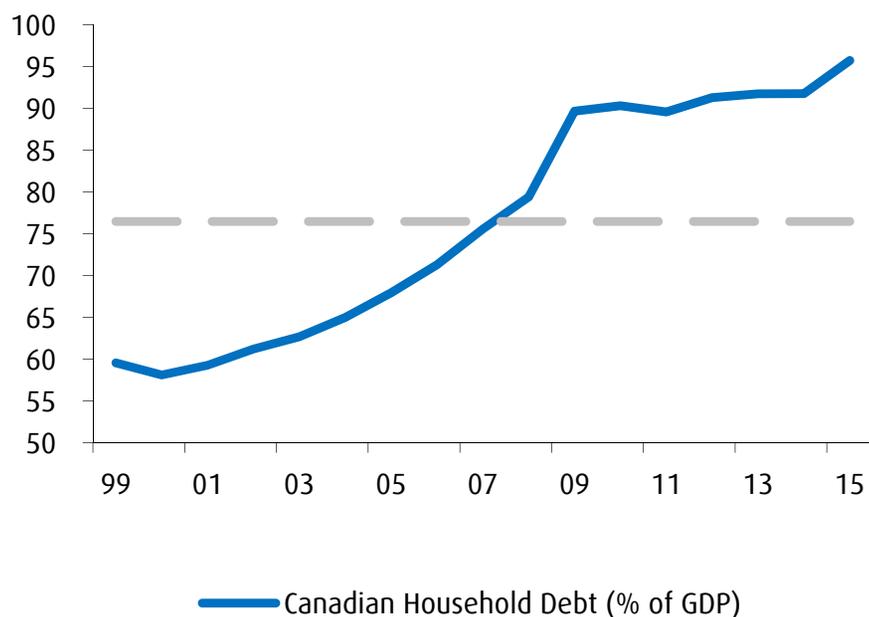
United States

- We expect economic growth to moderate to 1.9% in 2016 and 2.3% in 2017 due to the strong dollar, though consumer spending remains well supported by low interest rates and steady job growth
- Presidential election uncertainty could delay some business spending
- The unemployment rate is expected to fall to 4.7% by year-end 2016
- The Federal Reserve will likely raise interest rates twice in 2016
- The U.S. dollar is expected to strengthen moderately as the Federal Reserve tightens policy

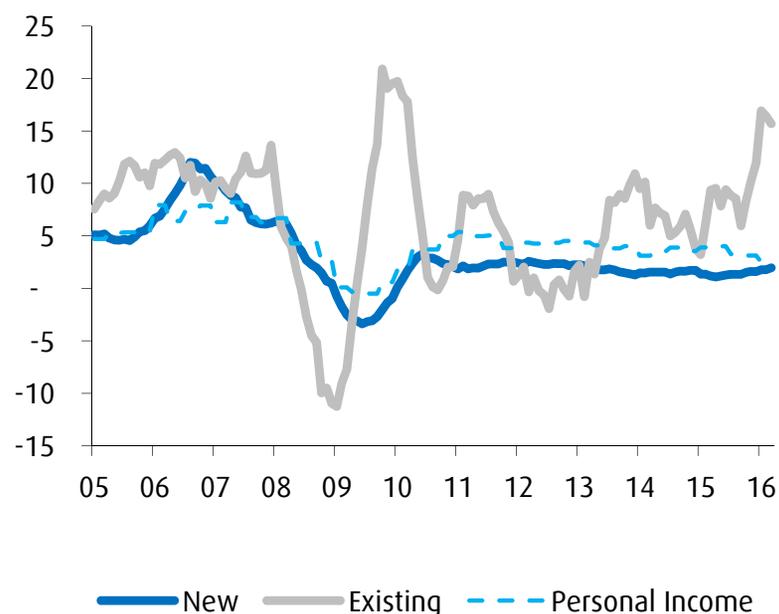
Canada's Housing Market

- Sales remain steady across most regions, but low oil prices have impacted sales in energy-producing provinces
- Most regions are expected to see modestly rising prices, while the oil-producing provinces face further moderate declines
- Accelerating prices in Toronto and Vancouver are putting further pressure on affordability

Canadian Household Debt to GDP



Year over Year Growth in Home Prices vs Personal Income (%)

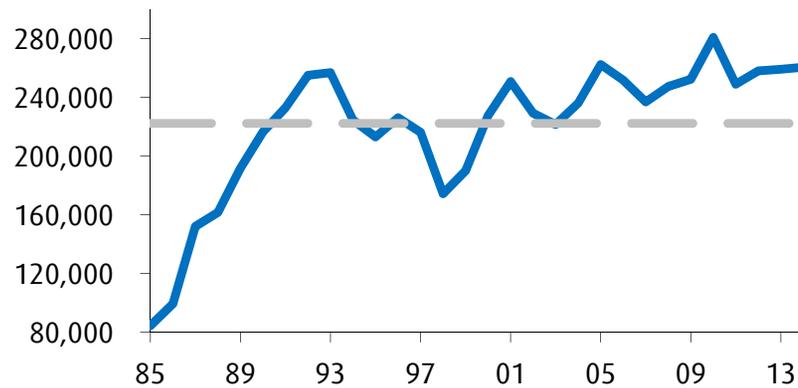


Source: BMO CM Economics and Canadian Bankers' Association as of July 8, 2016
 This slide contains forward looking statements. See caution on slide 2

Canada's housing market remains resilient

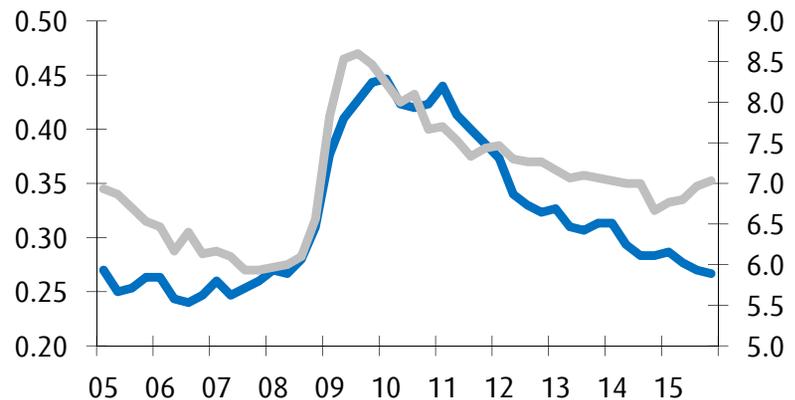
- Steady immigration, young buyers, low mortgage rates and foreign wealth continue to drive home sales
- Mortgage delinquencies remain near record lows, though have turned up in Alberta

Immigration to Canada



— Immigrants to Canada (Annual Average)

Mortgage Delinquencies/Unemployment



— Canadian Mortgages in Arrears 3 or more months (%), Source: CBA

— Canada: Unemployment Rate

Positive Factors

- Immigration and echo boomers
- Low mortgage rates
- Positive job growth
- Foreign wealth

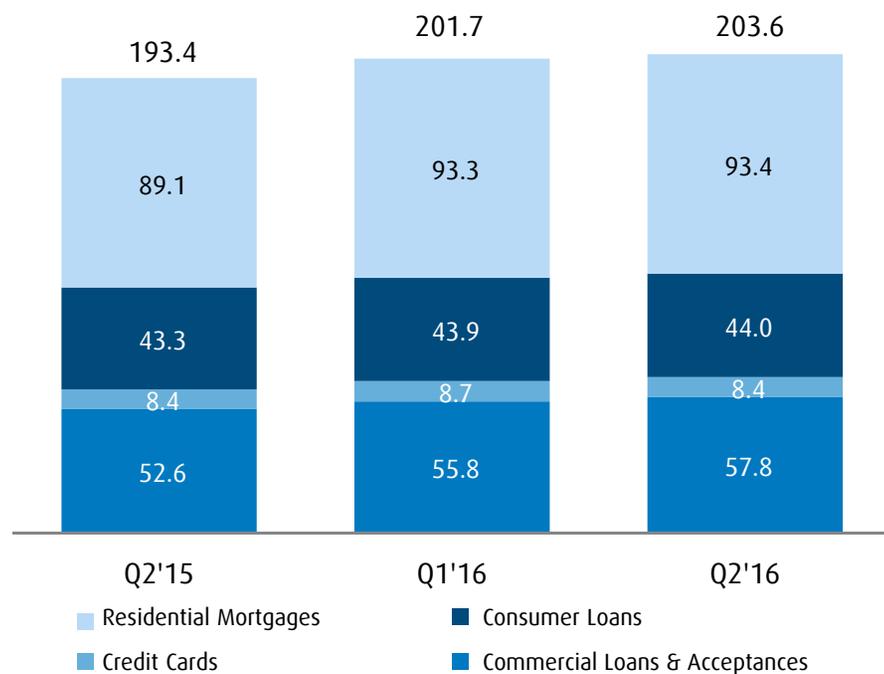
Areas of Concern

- High household debt
- Tighter mortgage rules
- Elevated valuations in GVA and GTA

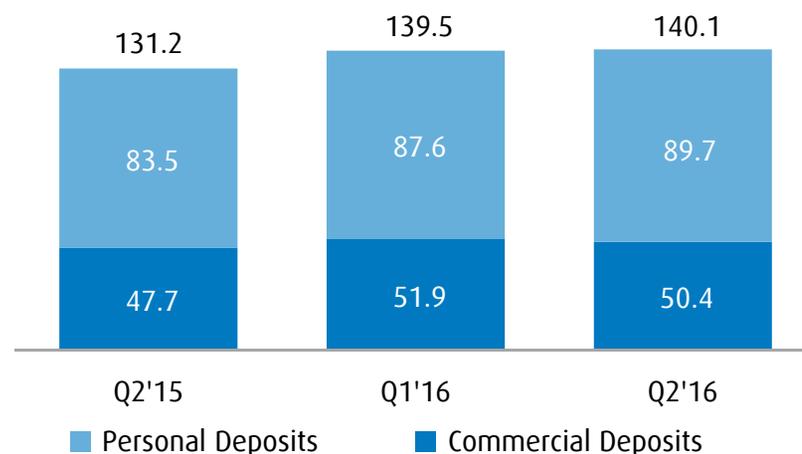
Source: BMO CM Economics and Canadian Bankers' Association as of July 8, 2016
This slide contains forward looking statements. See caution on slide 2

Canadian Personal and Commercial Banking - Balances

Average Loans & Acceptances (\$B)



Average Deposits (\$B)



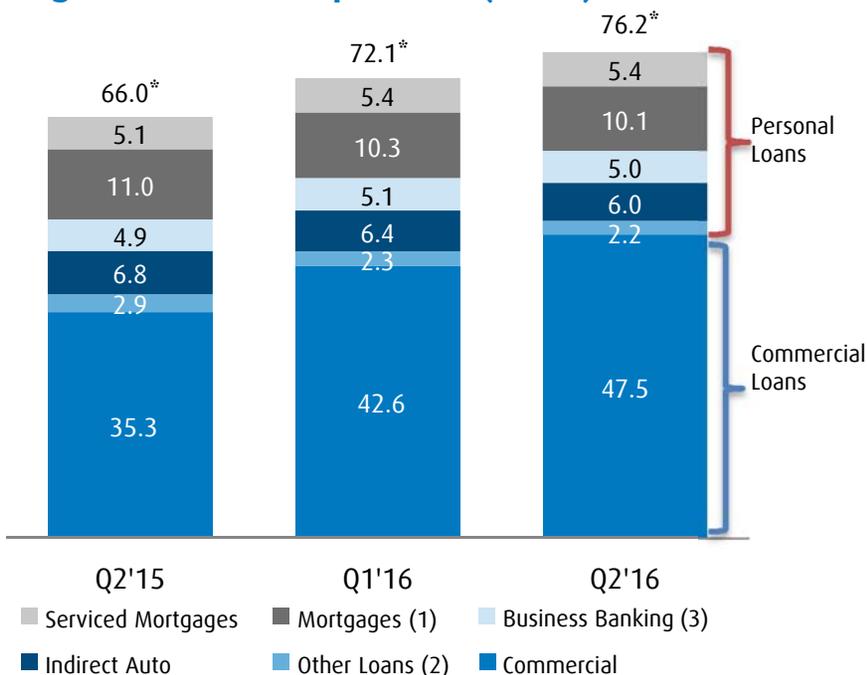
- Loan growth of 5% Y/Y
 - Mortgages up 5%
 - Consumer loan balances up 2%
 - Commercial loan balances¹ up 10%

- Deposit growth of 7% Y/Y
 - Personal deposit balances up 7% reflecting strong chequing account growth
 - Commercial deposit balances up 6%

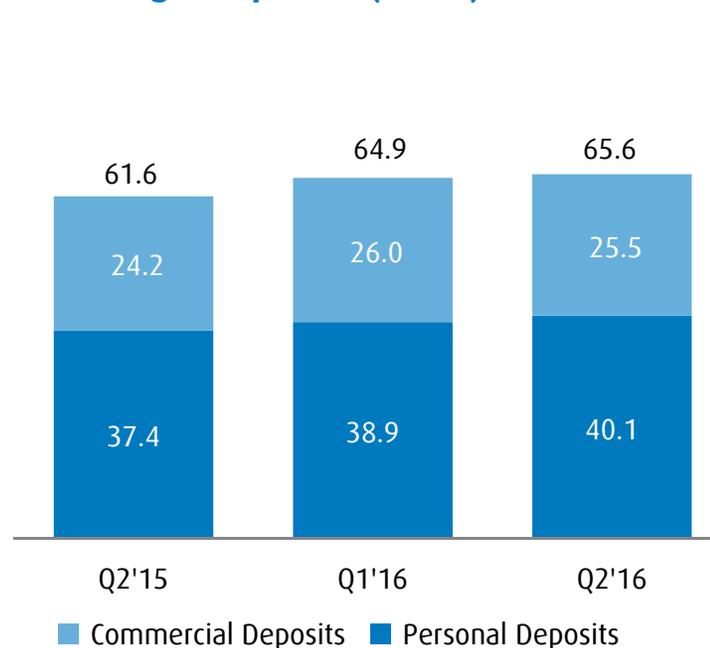
¹ Commercial lending growth excludes commercial cards. Commercial cards balances approximately 8% of total credit card portfolio in Q2'16, and approximately 7% in Q1'16 and Q2'15

U.S. Personal & Commercial Banking – Balances

Average Loans & Acceptances (US\$B)



Average Deposits (US\$B)



- Commercial loans up 13% Y/Y excluding BMO TF
- Serviced mortgage portfolio up 6% Y/Y; mortgage portfolio down 8% Y/Y
- Business Banking up 2% Y/Y
- Indirect Auto down 12% Y/Y due to strategic decision to reduce portfolio originations, which will further reduce the portfolio by 25%
- BMO TF added \$7.5B of average loans in Q2'16 (\$4.9B in Q1'16)

- Commercial deposit balances up 6% Y/Y
- Personal Deposit balances up 7% Y/Y
 - Chequing balance growth of 6% Y/Y

* Total includes Serviced Mortgages which are off-balance sheet

1 Mortgages include Wealth Management Mortgages (Q2'16 \$1.8B, Q1'16 \$1.8B, Q2'15 \$1.6B) and Home Equity (Q2'16 \$3.8B, Q1'16 \$3.9B, Q2'15 \$4.3B)

2 Other loans include non-strategic portfolios such as wholesale mortgages, purchased home equity, and certain small business CRE, as well as credit card balances, other personal loans and credit mark on certain purchased performing loans

3 Business Banking includes Small Business

Corporate Governance

- Code of Conduct based on BMO's values, provides ethical guidance and expectations of behaviour for all directors, officers and employees
- Governance practices reflect emerging best practices and BMO meets or exceeds legal, regulatory, TSX and NYSE requirements
- Director independence standards in place incorporating definitions from the Bank Act (Canada), the Canadian Securities Administrators and the New York Stock Exchange
- Share ownership requirements ensure directors' and executives' compensation is aligned with shareholder interests
- Board Diversity Policy in place; 36.4% of independent directors are women
- Ranked 2nd place overall in Globe and Mail's Board Games 2015 which looks at over 50 different corporate governance practices in four broad subcategories related to board composition, compensation, shareholder rights and disclosure

Sustainability at BMO

Operating our business responsibly and considering the social and environmental impacts of our activities

Sustainability Initiatives

- Attained and maintained Carbon Neutrality across the enterprise since 2010
- Achieved ISO 14001 certification for Environmental Management System at four locations
- Signatory to the United Nations Principles for Responsible Investing – a framework for incorporating environmental, social and corporate governance issues into investment portfolios
- Signatory to the Equator Principles – a credit risk management framework for project financing
- Member of the United Nations Global Compact Canada Network

Positive Social and Environmental Impact

- Contributed \$56.9MM to non-profit organizations across North America
- Nearly 6,200 employees donated 19,000 hours to their communities through bank programs
- Helped raise approximately \$2.9B of equity and debt in the capital markets for North American renewable energy mandates
- Provided more than US\$947.3MM in loans to support community development in the U.S.
- 36.4% of BMO's independent Board members are women

Note: Based on 2015 data

Recognized as a Leader

- Global 100: Most Sustainable Corporations in the World (2016)
- Dow Jones Sustainability North America Index for 2015/16
- Canada's Best 50 Corporate Citizens by Corporate Knights
- 2016 Bloomberg Financial Services Gender-Equality Index
- Listed on FTSE4Good Index Series, Jantzi Social Index and Ethibel Sustainability Index Excellence Global
- 2015 Canada 200 Climate Disclosure Leadership Index by the Carbon Disclosure Project
- Canadian Council for Aboriginal Business, Gold certification in Progressive Aboriginal Relations

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

 **BEST 50**
CORPORATE CITIZENS


FTSE4Good

Newsweek
GREEN
RANKINGS


DRIVING SUSTAINABLE ECONOMIES

Progressive Aboriginal RELATIONS
Canadian Council for
Aboriginal Business 

Adjusting Items

Adjusting ^{1,2,3} items – Pre-tax (\$MM)	Q2 15	Q1 16	Q2 16
Amortization of acquisition-related intangible assets	(40)	(43)	(40)
Acquisition integration costs	(11)	(22)	(24)
Cumulative accounting adjustment	-	(85)	-
Restructuring cost	(149)	-	(188)
Adjusting items included in reported pre-tax income	(200)	(150)	(252)

Adjusting ^{1,2,3} items – After-tax (\$MM)	Q2 15	Q1 16	Q2 16
Amortization of acquisition-related intangible assets	(31)	(33)	(31)
Acquisition integration costs	(10)	(15)	(16)
Cumulative accounting adjustment	-	(62)	-
Restructuring cost	(106)	-	(132)
Adjusting items included in reported net income after tax	(147)	(110)	(179)
Impact on EPS (\$)	(0.22)	(0.17)	(0.28)

1 Adjusted measures are non-GAAP measures, see slide 2 for more information

2 Amortization of acquisition-related intangible assets reflected across the Operating Groups. Acquisition integration costs related to F&C are charged to Wealth Management. Acquisition integration costs related to BMO TF are charged to Corporate Services since the acquisition impacts both Canadian and U.S. P&C businesses. Acquisition integration costs are primarily recorded in non-interest expense

3 Cumulative accounting adjustment recognized in other non-interest revenue, related to foreign currency translation, largely impacting prior periods

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