

# 2010

Investor Presentation

Barclays Capital  
Global Financial Services Conference

The BMO logo is rendered in large, white, 3D block letters with black shadows, set against a blue grid background that recedes into the distance under a blue sky with light clouds.

**Tom Flynn**

Executive Vice President & Chief Risk Officer

BMO Financial Group

September 13 • 2010

# 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 harbour 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 2010 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition in the geographic and business areas in which we operate; changes in laws; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; global capital market activities; the possible effects on our business of war or terrorist activities; disease or illness that impacts on local, national or international economies; disruptions to public infrastructure, such as transportation, communications, power or water supply; and technological changes.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 32 and 33 of BMO's 2009 Annual Report, which outlines in detail certain key factors that may affect BMO's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statement, 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 and our strategic priorities and objectives, and may not be appropriate for other purposes.

In concluding that we will complete the conversion of the operations acquired through the second quarter Rockford, Illinois-based bank transaction, we have assumed that no competing priorities emerge that take a priority claim to the needed staffing and technical resources and that no serious systems problems arise on the conversion.

Assumptions about the performance of the Canadian and U.S. economies as well as overall market conditions and their combined effect on the bank's business, including those described under the heading Economic Outlook and Review in our Third Quarter 2010 Report to Shareholders, 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.

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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 Third Quarter 2010 Report to Shareholders and 2009 Annual Report to Shareholders 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: cash earnings per share, cash operating leverage and cash expense-to-revenue ratio; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes.

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

# Financial and Capital Strength

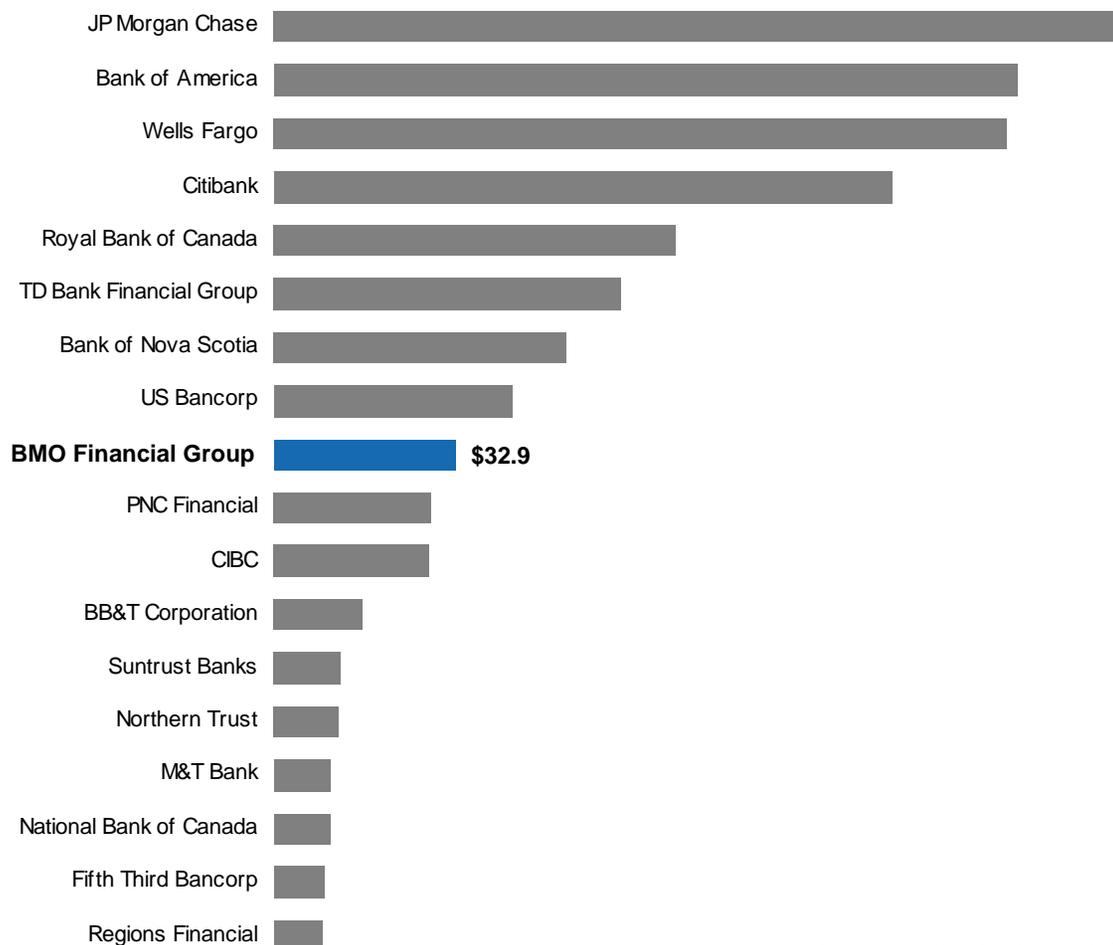
BMO's strong financial position and clear business strategy provide a unique opportunity to grow

## Tangible Common Equity / Risk-Weighted Assets<sup>1</sup> (%)

Northern Trust	12.46
Citibank	12.14
TD Bank Financial Group	11.27
<b>BMO Financial Group</b>	<b>10.39</b>
JP Morgan Chase	9.86
Royal Bank of Canada	9.11
CIBC	9.10
National Bank of Canada	9.03
Bank of Nova Scotia	9.01
Suntrust Banks	8.73
BB&T Corporation	8.65
PNC Financial	8.51
Regions Financial	8.21
Bank of America	8.16
Wells Fargo	7.75
Fifth Third Bancorp	7.68
US Bancorp	6.63
M&T Bank	5.87

## Market Capitalization

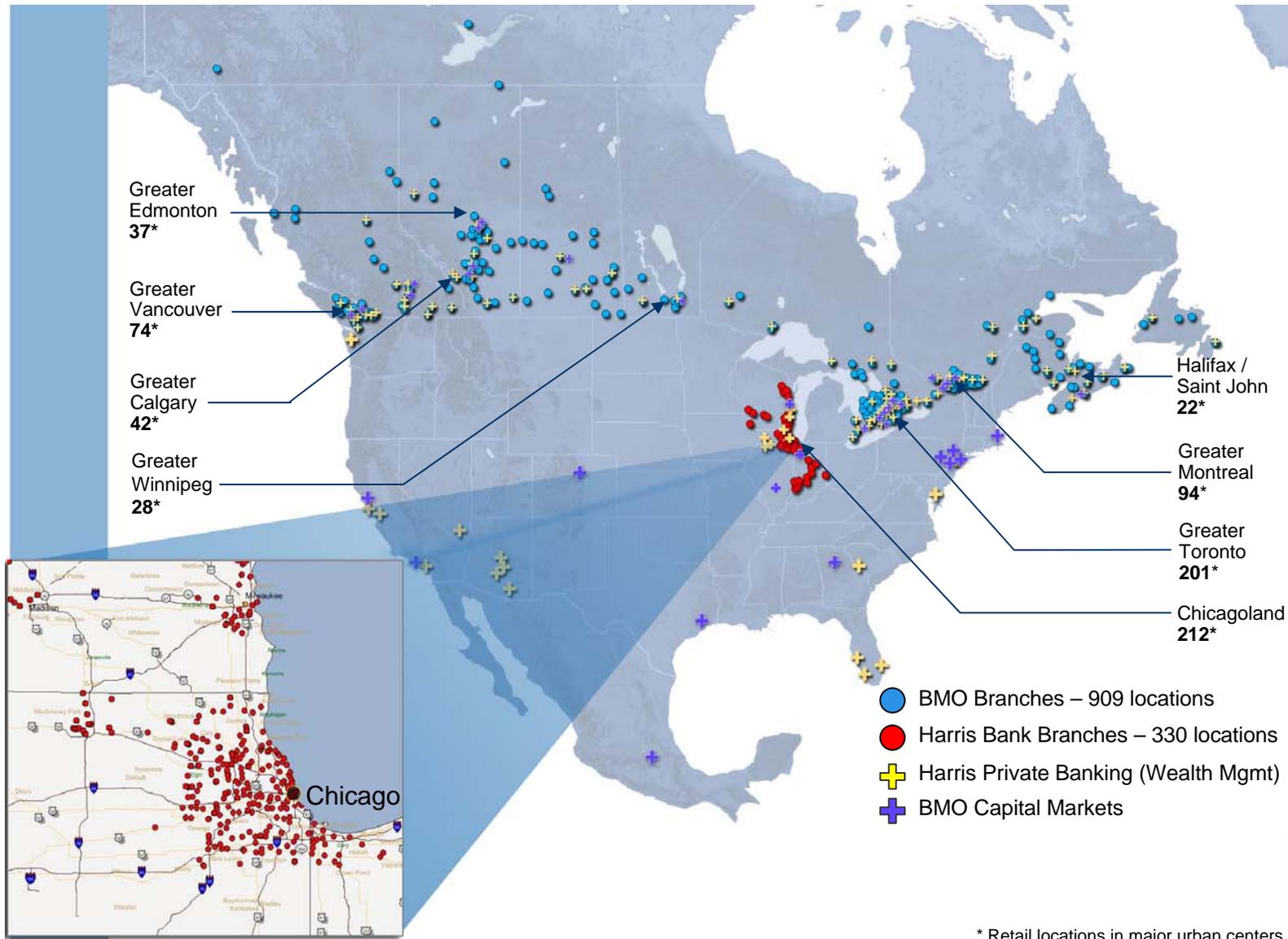
(\$US billions)



Largest banks by market capitalization in North America, as at September 8<sup>th</sup>, 2010 as published by Bloomberg.

<sup>1</sup> As at July 31, 2010 for Canadian Banks, as at June 30, 2010 for US banks as published in quarterly reports and using a consistent methodology.

# BMO Financial Group – North American Footprint



# BMO's Strategic Priorities

1

Maximize earnings growth across all North American **personal and commercial banking businesses**, focusing on industry-leading customer experience and sales force productivity.

2

Accelerate the growth in our **wealth management business** by providing our clients with exceptional advice, emphasizing retirement and financial planning.

3

Deliver strong, stable returns in our **capital markets business** by providing highly targeted solutions to our core clients, everywhere we compete, from a single integrated platform.

4

Grow our business in **select global markets** to meet our customers' expanding needs.

5

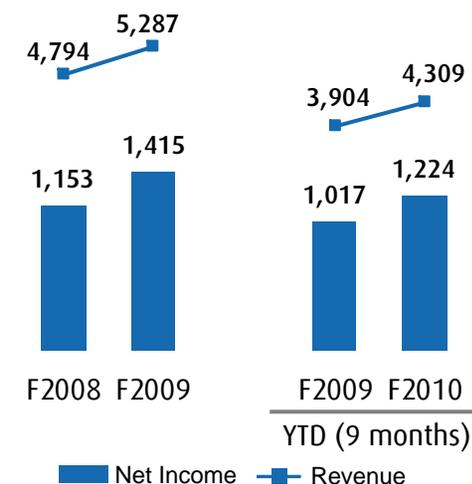
Sustain a **culture** that focuses on customers, high performance and our people.

# Personal & Commercial Banking - Canada

BMO's largest business and biggest generator of revenue and net income

- Over 16,000 employees serving 7 million customers
- National footprint of over 900 branches and more than 2,000 bank machines
- Powerhouse commercial banking business with 20% market share
- Year-to-date revenue growth of 10% and net income growth of 20%

Revenue and Net Income\*  
(C\$MM)



\* BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the operating groups quarterly based on their share of expected credit losses. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses, as well as changes in the general allowance are charged (or credited) to Corporate Services. See note 27 on page 154 of the 2009 Annual report

# Personal & Commercial Banking – U.S.

- Serving more than 1.2 million customers in the U.S. Midwest
- Based in Chicago, by far our largest market
- Integrated distribution network with over 300 branches, more than 900 bank machines
- Ranked top 3 for retail deposit market share<sup>1</sup> in most markets where we compete



HELPING MAKE MONEY MAKE SENSE.<sup>SM</sup>



<sup>1</sup> Source: FDIC Data as of June 30, 2009

# P&C U.S. – Positioned for Growth

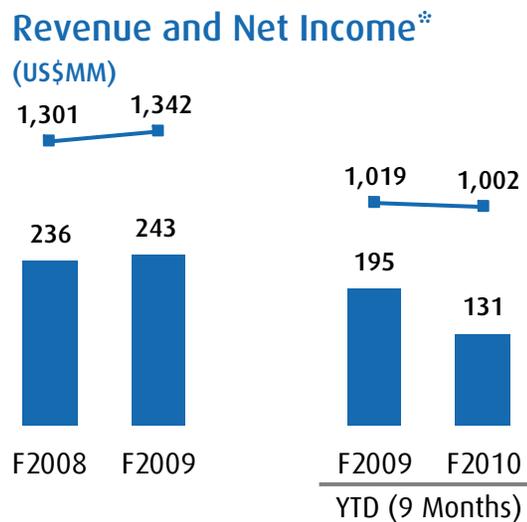
Earnings capacity will become evident as the economy recovers

## Commercial Banking Strategy

- Designed to capitalize on a business-led recovery
- Enhanced business model with specialized sector focus

## Expanding Midwest Footprint and Presence

- FDIC-assisted transaction closed in Rockford, Illinois
- Continued discipline in our strategic growth agenda



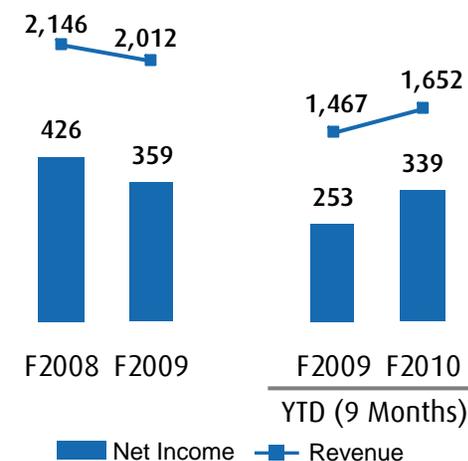
\* Operating segment results reported on an Expected Loss (EL) basis; see Note 27 on page 154 of the 2009 Annual Report

# Private Client Group

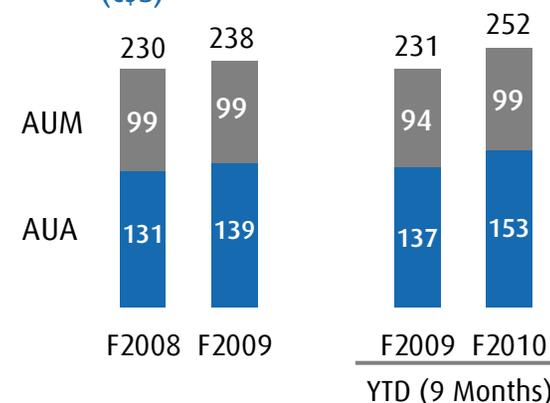
Providing clients with exceptional retirement and financial planning advice

- Planning and advice-based approach that integrates investments, insurance, specialized wealth management and core banking solutions
- Multiple client segments – from mainstream to ultra-high net worth and select institutional markets
- Expanded product offering through acquisition and being a pioneer in the market for Exchange Traded Funds (ETFs)
- Year-to-date revenue up 13% and net income ahead 34%

Revenue and Net Income\*  
(C\$MM)



AUA/AUM  
(C\$B)



BMO Nesbitt Burns®

BMO Mutual Funds®

BMO InvestorLine®

BMO Insurance

BMO Harris Private Banking®  
Making money make sense™

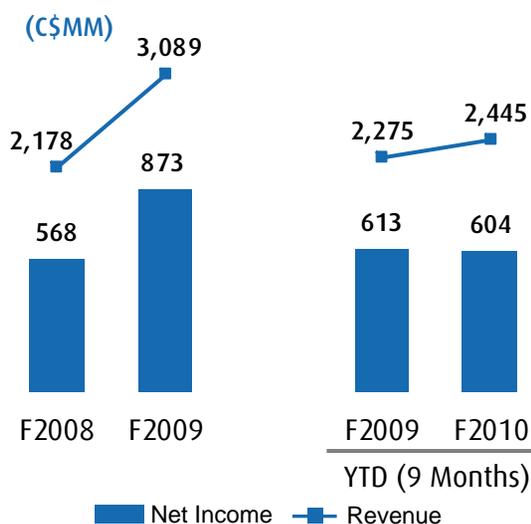
\* Operating segment results reported on an Expected Loss (EL) basis; see Note 27 on page 154 of the 2009 Annual Report

# BMO Capital Markets

Comprehensive strategy designed to produce an attractive, sustainable risk-return profile

- Operate from 26 offices on five continents including 14 in North America
- Full service offering: Investment & Corporate Banking services and full suite of Trading Products
- Bulge bracket focus in Canada; mid-market focus in the U.S.
- Globally recognized research and financing expertise in target sectors including energy, food and agriculture, infrastructure and mining
- Year-to-date revenue growth 7% with a strong ROE of 18.4%

## Revenue and Net Income\*



**Street Wise**

Institutional investors can rely on the insights of our 80 analysts who collectively cover 900 companies. Their expertise has helped us become one of North America's best\* in equity research.

[bmocm.com/streetwise](http://bmocm.com/streetwise)

BMO  Capital Markets\*  
Your ambition achieved.\*

\*2008 The Wall Street Journal "Best on the Street" rankings. 2009 Standard Wood Institutional Equity Research, Sales and Trading Report.

**High Energy**

To lead in energy, you need an experienced partner. Whether it's advisory services, capital raising, research or investing, we have the skills to fuel your ambitions.

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Your ambition achieved.\*

**World Class**

To score big, our clients can draw on an equity research team that analyzes over 150 metals and mining companies; more than any other financial institution in the world.

[bmocm.com/worldclass](http://bmocm.com/worldclass)

BMO  Capital Markets\*  
Your ambition achieved.\*

\*Includes fertilizer, excludes exploration companies with market caps under \$100 million, and steel companies.

\* Operating segment results reported on an Expected Loss (EL) basis; see Note 27 on page 154 of the 2009 Annual Report

# Financial Highlights

## Solid third quarter results

	Revenue	Net Income	Cash EPS	ROE	Cash Expense-to-Revenue Ratio	Cash Operating Leverage	Total PCL	Tier 1 Capital Ratio (Basel II)
<b>Q3 10</b>	<b>\$2,907MM</b>	<b>\$669MM</b>	<b>\$1.14</b>	<b>13.7%</b>	<b>65.0%</b>	<b>(3.9)%</b>	<b>\$214MM</b>	<b>13.55%</b>
<b>YTD</b>	<b>\$8,981MM</b>	<b>\$2,071MM</b>	<b>\$3.55</b>	<b>14.8%</b>	<b>61.7%</b>	<b>11.7%</b>	<b>\$796MM</b>	<b>13.55%</b>

- P&C Canada continues to deliver strong performance with good revenue growth
- PCG results show solid revenue growth in most businesses
- BMO Capital Markets results reflect a more challenging capital markets environment
- Provisions for credit losses continue to improve
- ROE continues to improve Y/Y
- Tier 1 Capital Ratio remains strong

# Capital and Regulatory Changes

## We're planning for growth

- A strong financial position, strong balance sheet and clear business strategy with good risk management provides unique growth opportunities
- Dodd-Frank Act complex and broad in scope, with many aspects subject to rulemaking and implementation over several years; BMO not expected to be impacted in a significant way
- Well positioned to adopt new Basel capital rules
- Strong Tier 1 Capital Ratio 13.55% and TCE / RWA Ratio 10.39%
- Carefully monitoring all capital and regulatory changes that impact strategic expansion of US footprint

# BMO Risk Management

## VISION

To be a leader in integrated risk management

## STRATEGY

- Promote a three lines of defence approach to risk management with operating businesses 'owning' the risk in their operations, Risk Management together with other corporate groups providing a second line of defence and corporate audit a third
- Work with the businesses on optimizing risk return, ensuring risk transparency and embedding a strong risk culture, while maintaining independent risk judgement
- Proactively and with pace seek out attractive customer centric solutions, while working within our oversight structure and the limits of our risk appetite
- Ensure strength in risk management is seen as one of the defining characteristics of BMO, both internally and externally
- Provide leadership to the enterprise on risk and risk related industry trends

## F2010 STRATEGIC PRIORITIES

**Managing Risk in Current Environment**

**Working with the Business for Growth**

**Building our Capabilities for the Future**

# BMO Risk Management Framework Principles

Our Integrated Risk Management Framework Guides Risk-Taking Activities...

1

**Accountability**

2

**Transparency**

3

**Process**

4

**Governance**

5

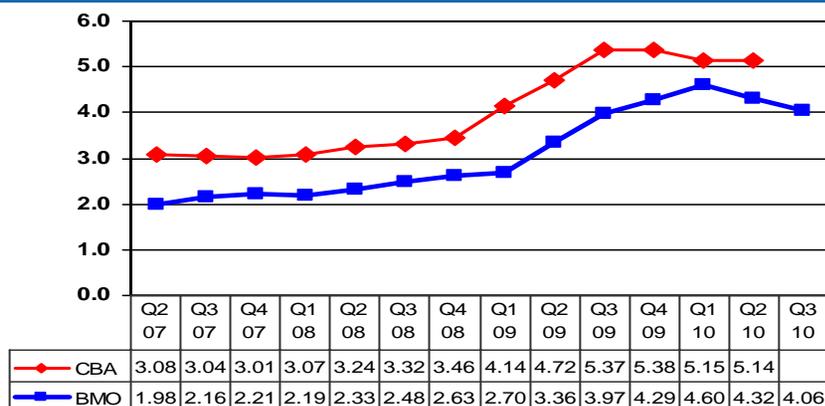
**Culture**

# Credit Performance – Strong Relative to Peers

## Canadian Credit Performance

- Performing at or better than peer in personal loans and cards portfolio.
- Credit Card losses Q2'10 were 432 bps and better than other credit card issuers who averaged 514 bps<sup>1</sup>.

### CBA/BMO Card Loan Loss Comparisons (%)



<sup>1</sup> Including securitized assets, excluding losses due to fraud-consistent with industry comparative reporting practices. Peer group includes all Canadian Credit Card issuers as well as BMO.

- #1 performance in loan loss rates for Personal Loans.

Personal Loans <sup>2</sup>	Q3 '10 PCL (bps)	Q2 '10 PCL (bps)	Q1 '10 PCL (bps)	F09 PCL (bps)
BMO	48	64	64	59
<b>Peer Average</b>	<b>77</b>	<b>81</b>	<b>82</b>	<b>93</b>

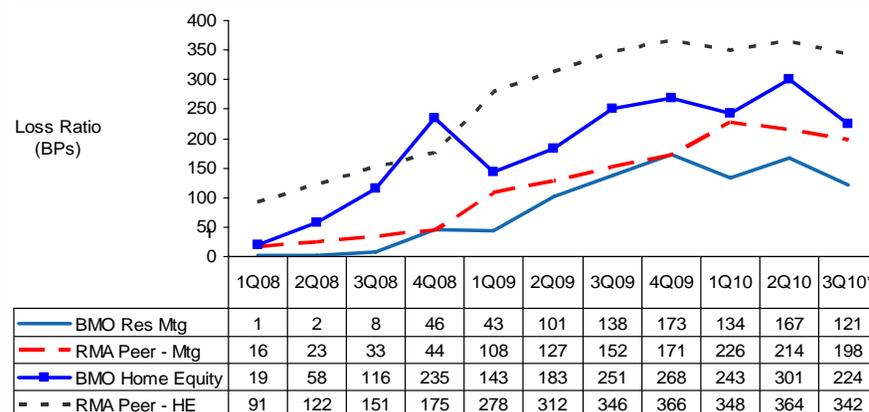
<sup>2</sup> Loss rates obtained from public disclosures (Supp Packs & Analyst presentations) of the four major Canadian peer banks.

- Mortgage LLE trending down since Q1'10 [Q3'10 \$2.5MM (1 bps) vs. Q2'10 \$3.6MM (2 bps) vs. Q1'10 \$5.2MM (3 bps)].

## US Credit Performance

- US Commercial loan loss rate is stabilizing. Non-performing loans are higher than regional peer, but loss rate are better than peers by ~100 bps.
- US Retail portfolio loss rates are high given environment, but outperforming Risk Management Association (RMA) peers.
  - Residential Mortgage continues to perform well in comparison to RMA peer due to the conservative risk profile of the portfolio.
  - Home Equity performance has stabilized. Although at a high loss rate, it remains better than RMA peer overall.
  - Indirect Auto performance has been strong with most recent Q3'10 24 bps vs. RMA peer 119 bps. The portfolio is stable and losses have been better by 75 bps or more than RMA peer over the last 11 quarters.

### Residential Mortgage Loss Comparison to Peer

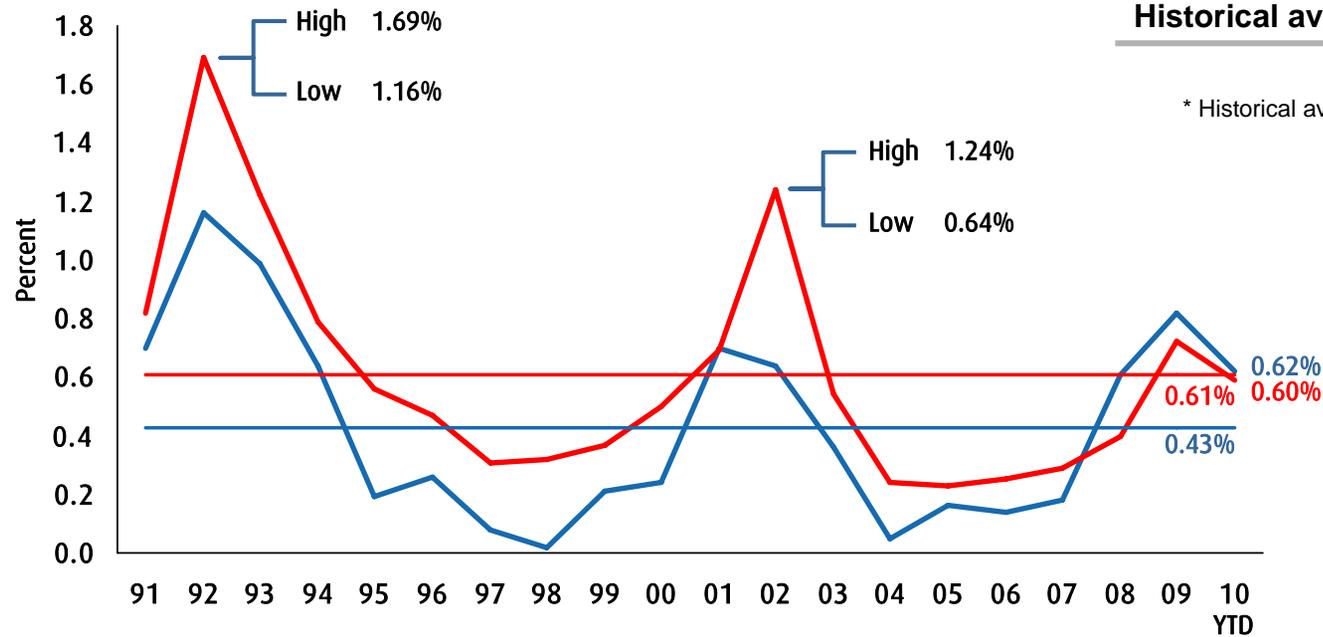


\* RMA Peer FY annualized as of May 2010. Harris QTD annualized as of June 2010. Wisconsin losses included since Q4'08. AMCORE included as of April 2010.

# Credit Performance Measure

Strong credit performance history

Specific PCL as a % of Average Net Loans and Acceptances  
(excluding Reverse Repos)



	BMO	Canadian Competitors
<b>F2010 YTD</b>	<b>0.62</b>	<b>0.60</b>
<b>F2009</b>	<b>0.82</b>	<b>0.72</b>
<b>Historical avg.*</b>	<b>0.43</b>	<b>0.61</b>

\* Historical avg.: 1991 to 2009

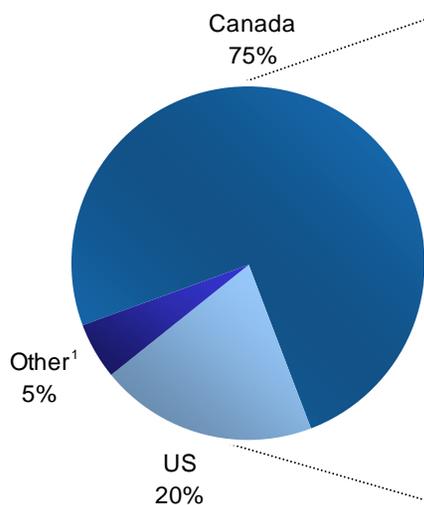
— BMO  
— Historical Average (BMO)\*  
— Cdn Competitors Weighted Average  
— Historical Cdn Competitors' Average

- BMO's Canadian competitors include: BNS, CM, NA, RY, TD
- Competitor average excludes the impact of TD's sectoral provisions

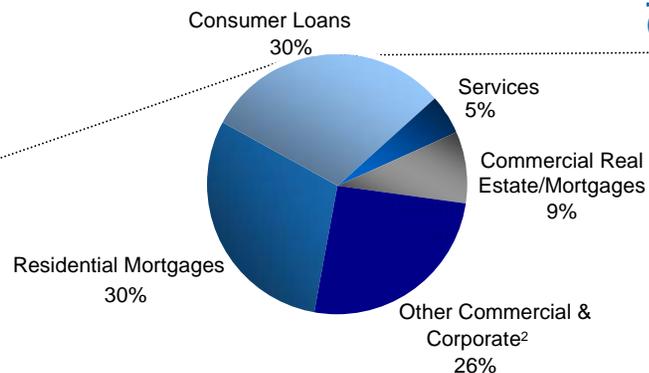
# Loan Portfolio – Well Diversified by Segment and Business

- Canadian and US portfolios well diversified. Canadian portfolio 75% of loans, US portfolio 20% loans.
- P&C banking business represents the majority of loans.
  - ▶ Retail portfolios are predominantly secured – 86% in Canada and 99% in the US.

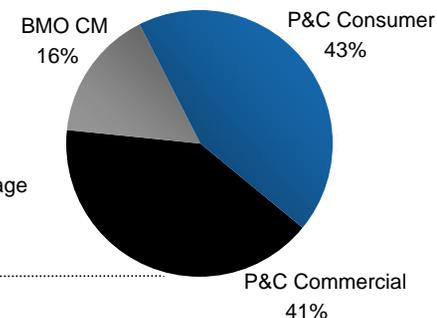
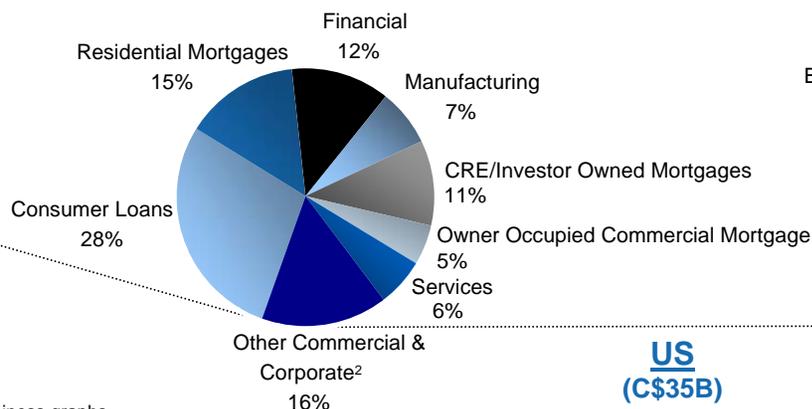
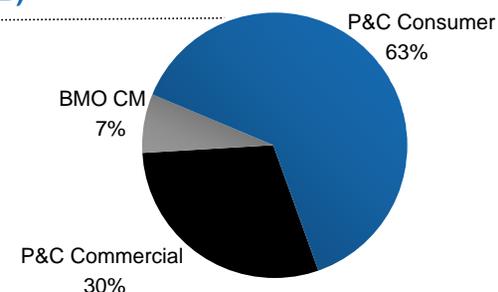
**By Geography (C\$175B)**



**By Segment**



**By Line of Business**



<sup>1</sup> Other (C\$9B) not shown in Portfolio Segmentation & Line of Business graphs.

<sup>2</sup> Other Commercial & Corporate includes Portfolio Segments that are each <5% of the total, also our US portfolio includes ~C\$1.4B related to the portfolio acquired in Q2 which contains both Consumer & Commercial loans.

# Economic & Credit Outlook

## Canada

- The economy rebounded strongly into 2010
- Expansion is expected to continue in 2011, but at a more moderate pace
- Credit performance better than the U.S. as there were no excesses in the system and fiscal and monetary policy has been effective

## U.S.

- The economy is grinding through “unusually uncertain times”
- Recent slowdown more pronounced than expected
- Full-fledged double dip recession unlikely
- Prudent lending practices and strong track record in performance relative to peers will drive credit performance

# Looking Ahead...

## Well positioned to increase our pace of growth

- Clear North American growth strategy supported by a strong customer base
- Growing global presence to support existing and new customers
- Financial position very strong, providing significant flexibility
- Regulatory environment is manageable
- Risk management is proactive, independent and disciplined
- Strong commitment to all stakeholders including customers, shareholders and employees

Q & A

**BNI**



# Investor Relations Contact Information

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