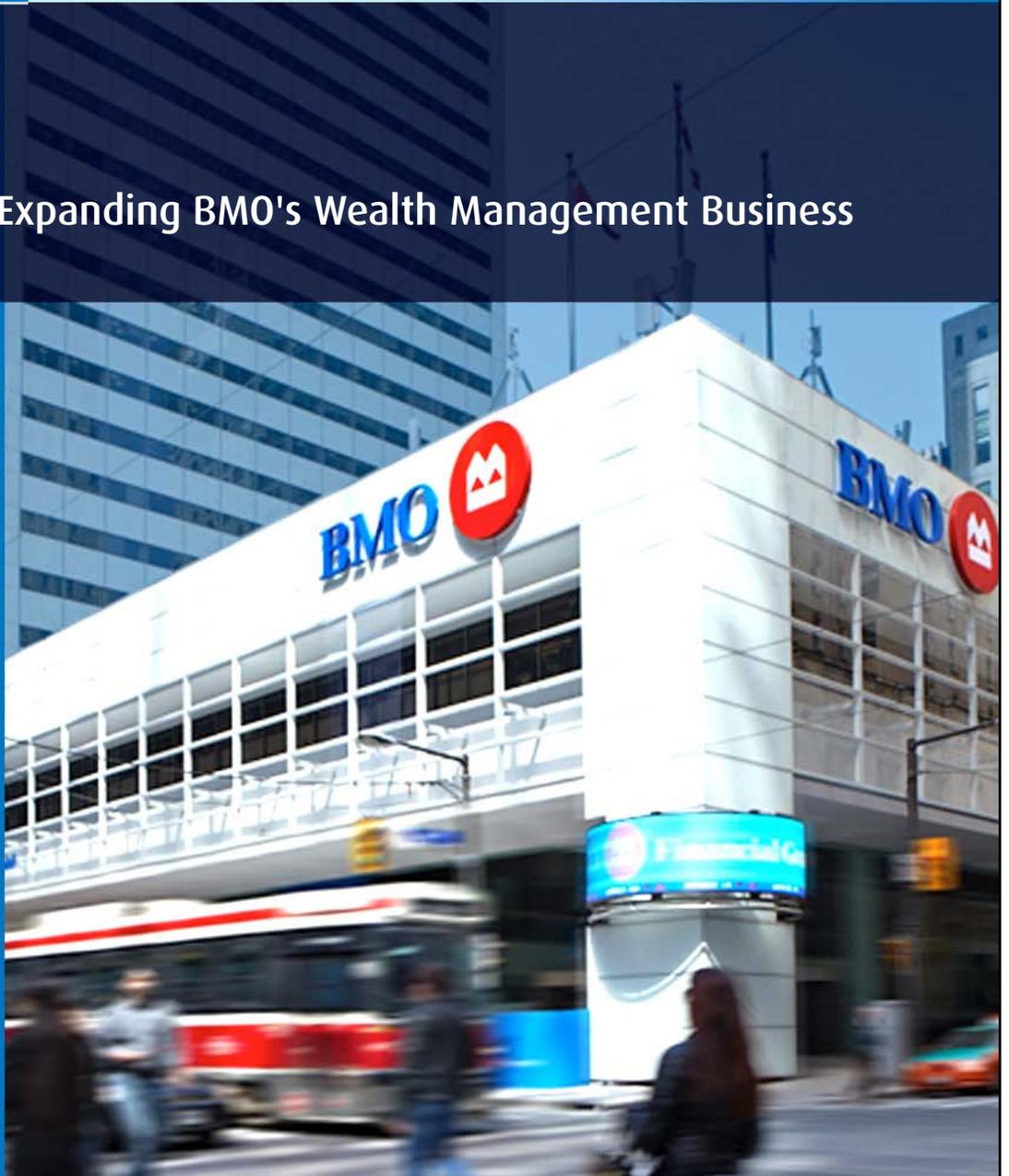


# Investor Presentation

Acquisition of F&C Asset Management: Expanding BMO's Wealth Management Business

January 28, 2014



# Forward Looking Statements and Non-GAAP Measures

## Caution Regarding Forward-Looking Statements

This document contains statements which are, or may be deemed to be, "forward-looking statements", including for the purposes of Canadian securities law and the US Private Securities Litigation Reform Act of 1995. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Bank of Montreal ("BMO") and F&C Asset Management plc ("F&C") about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this document include statements relating to the expected effects of the Acquisition on BMO and F&C, the expected timing and scope of the Acquisition and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although BMO believes that the expectations reflected in such forward-looking statements are reasonable, BMO can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

These factors include the satisfaction of the Conditions, as well as additional factors, such as: the anticipated benefits from the proposed transaction, for example the Acquisition being accretive to earnings, the estimated internal rate of return, and BMO's capital position are not realized as a result of changes in general economic and market conditions in the countries in which BMO operates; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; the degree of competition in the geographic and business areas in which BMO operates; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; and those other factors set out on pages 30 and 31 of BMO's 2013 Annual Report. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Assumptions about current and expected capital requirements, F&C's assets under management, revenues and expenses, potential for assets under management and earnings growth as well as costs associated with the Acquisition, and expected revenue and cost synergies were material factors BMO considered in estimating the internal rate of return to BMO and the estimate of the acquired business being accretive to BMO's earnings.

Assumptions about current and expected capital requirements and BMO's models used to assess those requirements under the Canadian Capital Adequacy Requirement Guideline, F&C's assets under management, revenues and expenses, potential for assets under management and earnings growth as well as costs associated with the Acquisition were material factors BMO considered in estimating the impact on its Basel III Common Equity Tier 1 ratio.

Neither BMO, nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

This document contains summary information only and does not provide an exhaustive description of the terms and conditions of the Acquisition. All information contained in this document is subject to and qualified by reference to the information, terms and conditions contained in the Rule 2.7 Announcement dated January 28, 2014 (including the bases and sources and terms upon which such information is provided).

You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with our legal or regulatory obligations (including under the U.K. Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), BMO is not under any obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Non-GAAP Measures

BMO 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 BMO's 2013 Management's Discussion and Analysis, which is available on our website at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations).

Examples of non-GAAP amounts or measures include: adjusted earnings, earnings attributable to common equity holders, revenues, expenses, earnings per share, cash based measures and other adjusted or cash based measures which exclude the impact of certain items such as one-time acquisition and integration costs and amortization of intangible assets.

BMO provides supplemental information on combined business segments to facilitate comparisons to peers.

# Executing on BMO's Wealth Management Strategy

## Strategically Compelling

- Consistent with stated intention to grow wealth management business and demonstrates commitment to asset management
- Enhances BMO Global Asset Management's scale, product set and distribution capabilities (pro forma combined AUM of ~US\$269 billion<sup>(1)</sup>)
- Complementary distribution and limited product overlap expected to drive future revenue growth
- Strengthens BMO Global Asset Management's position as a significant global money manager

## Sound Transaction Economics

- Modestly accretive to EPS<sup>(2)</sup> in first year; IRR of ~15%
- Capital ratios continue to be strong
- Further diversifies earnings by adding fee-based income with opportunities for revenue growth

## Cultural Fit

- Combination of two institutions with distinctive and engaging brands
- Common focus on meeting clients' evolving investment management needs
- Experienced and talented management teams with a common desire to grow the business

Note: This slide contains forward-looking statements and non-GAAP measures. Please see the Cautionary Notes on Slide 1.

1. As at December 31, 2013.

2. Cash Earnings, excluding one-time costs and the amortization of intangible assets.

# Transaction Summary

## Transaction

- BMO to acquire 100% of the outstanding shares of F&C

## Consideration

- Cash price of 120 pence per F&C share (excluding the F&C ordinary dividend of 2 pence)
  - Premium of 28% to F&C's closing share price as at January 24, 2014 and 33% to F&C's one month volume weighted average share price
- Acquisition values the issued share capital of F&C at £708 million (C\$1.3 billion)

## Capital and Financing

- ~75 bps impact on Basel III Common Equity Tier 1 Ratio
- No common equity offering required given strong capital position
- F&C net indebtedness of £87 million<sup>(1)</sup> expected to remain outstanding post closing

## Transaction Economics

- Modestly accretive to EPS<sup>(2)</sup> in first year; IRR of ~15%
- Implied EV / LTM EBITDA of ~9.4x<sup>(3)</sup>
- Opportunities for revenue growth given complementary distribution and product capabilities; modest cost savings

## Closing

- Subject to F&C shareholder approval and the satisfaction of all regulatory and other conditions
- Shareholders will be entitled to receive a normal course dividend of 2 pence per share for the year ended December 31, 2013
- After May 1, 2014

Note: This slide contains forward-looking statements and non-GAAP measures. Please see the Cautionary Notes on Slide 1.

1. As at June 30, 2013.

2. Cash Earnings, excluding one-time costs and the amortization of intangible assets.

3. Based on F&C's EBITDA of £90 million for the twelve months ended June 30, 2013.

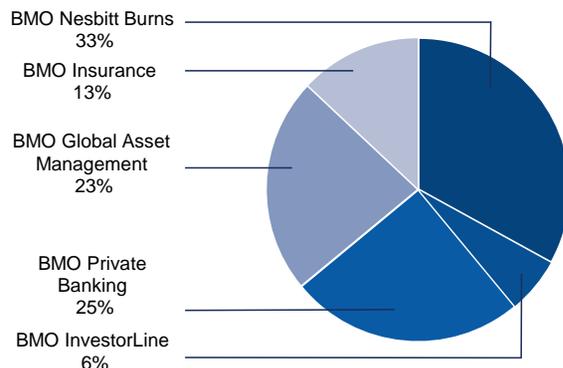
# Overview of Wealth Management

Strong Wealth Management Franchise Contributing Over 20% of F2013 Revenue

## Client Base and Footprint

- Servicing a full range of client segments, from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions including insurance products
- Operations in Canada, the U.S., and select global markets including Europe and Asia
- History of expanding successfully through acquisitions

## F2013 Revenue by Line of Business



## Lines of Business

### BMO Global Asset Management

- Manufactures and distributes mutual funds, ETFs, pooled funds, segregated institutional accounts and other products and strategies

### BMO Harris Private Banking®      BMO Private Bank

- Comprehensive range of financial services and solutions; planning and advice-based value proposition to high net worth and ultra-high net worth clients

### BMO Nesbitt Burns

- Full-service brokerage in Canada with over 1,300 investment advisors
- Comprehensive full service wealth offering

### BMO InvestorLine®

- Online investing business in Canada
- Direct investing offer and newer adviceDirect offering

### BMO Insurance

- Offers life, annuity and creditor insurance products

# BMO Global Asset Management

Award Winning Asset Management Business Offering a Broad Range of Investment Solutions

## Overview of BMO Global Asset Management

- Over 150 investment strategies and products across the risk-reward spectrum
- Fundamental and quantitative equity strategies on a regional (Canada, U.S.), international and global basis covering multiple styles
- 30 fixed income strategies that span the duration spectrum and include taxable, tax-exempt and high-yield strategies
- Risk-based, balanced and target-date asset allocation strategies to financial intermediaries and institutional investors
- A number of specialist equity and fixed income strategies from four investment boutiques
- Retirement Services solutions in the U.S. and Canada and trust and custody services to U.S. institutional plan sponsors and financial institutions

## Assets Under Management (US\$ billion)<sup>(2)</sup>



1. Refer to disclosures on slide 12.

2. As at October 31<sup>st</sup>.

## Awards and Recognition<sup>(1)</sup>



BMO Global Asset Management recognized as one of the Top 100 Largest Money Managers by *Pensions & Investments* based on assets as of December 31, 2012



BMO Funds named one of Barron's "Best Fund Families of 2012"



BMO Funds identified by Strategic Insight as the 11<sup>th</sup> fastest-growing manager of actively-managed stock and bond funds in the U.S. for 2012. For the year, the Funds' AUM grew by 28%



Award winning Retirement Services business, recognized for the 7<sup>th</sup> year in a row as the leading Retirement Plan Provider in the U.S., according to Plan Sponsor magazines 2013 Defined Contribution survey

# Overview of F&C

Diversified U.K.-based Investment Manager with a Strong Brand and Footprint

## Business Overview

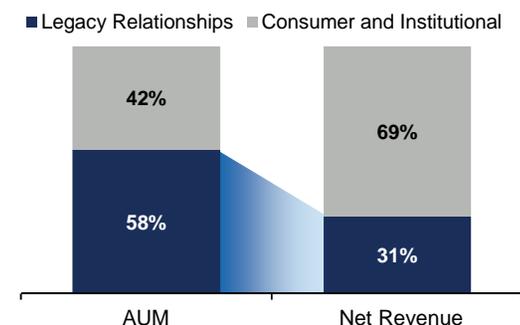
- Broad reaching European asset management platform with AUM of ~£82 billion (~US\$136 billion)
  - 658 employees, including 251 investment professionals
  - Offices in London, Edinburgh, Amsterdam, Dublin, Frankfurt, Lisbon, Munich, Zurich, Hong Kong and Mumbai
  - Majority of clients in the U.K., the Netherlands, Portugal, Germany and Ireland
- Diversified range of products and strategies across equities, fixed income, real estate and alternatives
  - #4 Liability Driven Investment (LDI) player in the U.K.
  - One of the largest Investment Trust managers (closed-end vehicles)
  - Market leader in the Socially Responsible investment market with close to 30 years of experience
  - Specialist real estate manager focused in the U.K. and Europe
  - Legacy relationships<sup>(1)</sup> diversified across four relationships and number of investment strategies
- Strong fund performance: Overall 80%, 80% and 83% of AUM outperformed benchmarks over 1, 3 and 5 years, respectively<sup>(2)</sup>
  - Selected awards received in 2013: LDI Manager of the Year (European Pension Awards), Property Investment Trust of the Year (Investment Week), Best Global Investment Trust (What Investment) and Best Socially Responsible U.K. Equity Fund (Money Observer)
- Attractive distribution capabilities through a network of regional client coverage hubs
- Positive momentum in growing Consumer and Institutional business with AUM of £40 billion
  - Net inflows in Consumer and Institutional of £1.3 billion in 2013
- Continued focus on extending legacy relationships

1. Legacy relationships referred to as Strategic Partners in F&C public disclosure.  
2. As of December 31, 2013.

## Key P&L Items

	YTD June 2013	LTM June 2013
	(£ mm)	(£ mm)
Net Revenue	126	249
Total Opex (Pre-D&A and One-time) <sup>(1)</sup>	(77)	(159)
<b>EBITDA<sup>(1)</sup></b>	<b>50</b>	<b>90</b>
<b>Adjusted Cash Earnings<sup>(1,2)</sup></b>	<b>28</b>	<b>62</b>

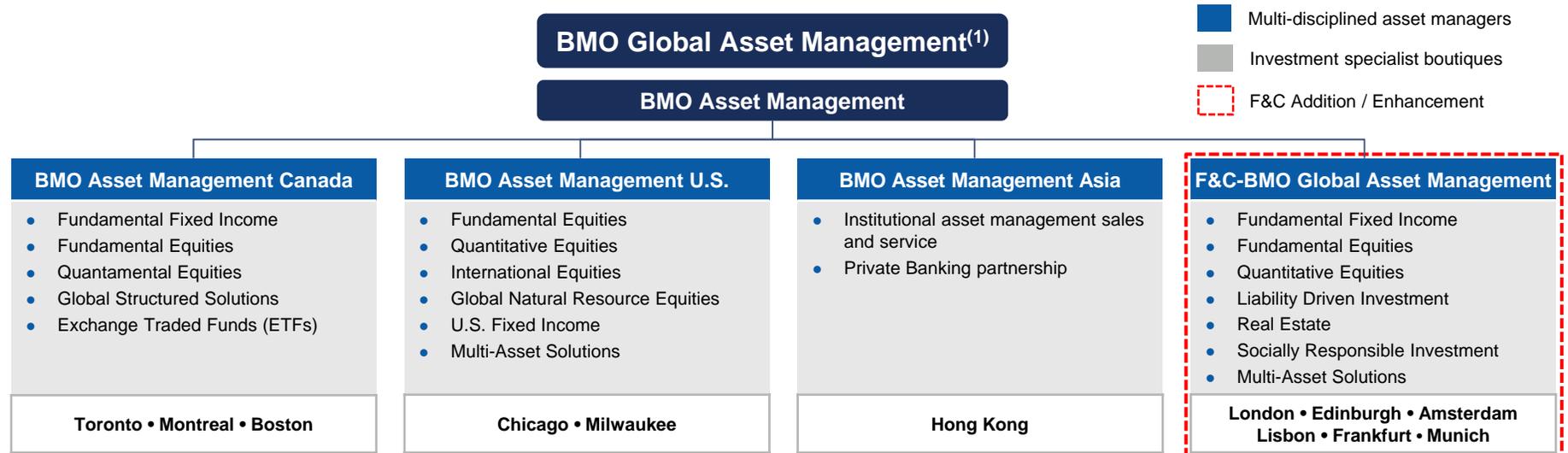
## AUM and Revenue Contribution<sup>(3)</sup>



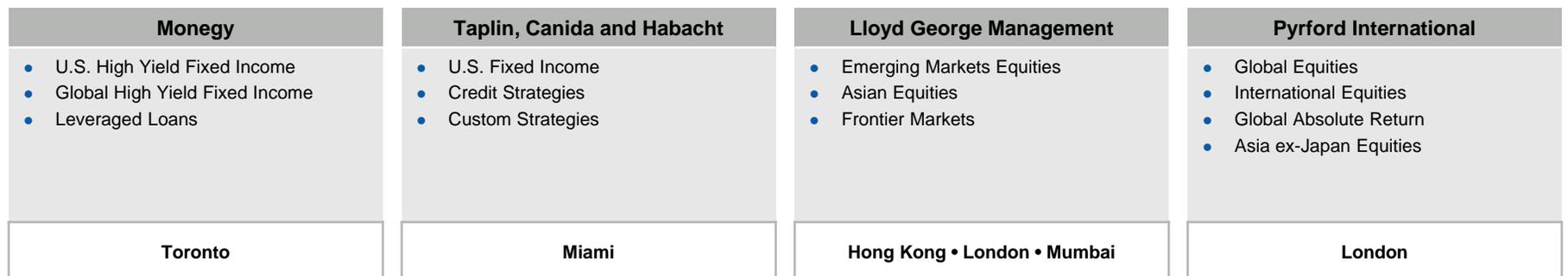
Source: H1 2013 F&C Presentation. Includes non-GAAP measures.  
1. Excludes one-time items of £5 mm in YTD June 30, 2013 and £21 mm in LTM June 30, 2013.  
2. Earnings attributable to common equity holders adjusted for amortization of intangibles.  
3. AUM as at June 30, 2013; Net Revenue for YTD June 30, 2013.

# BMO Global Asset Management's Pro Forma Capabilities

## Complementary Distribution and Limited Product Overlap



### Investment Specialist Boutiques

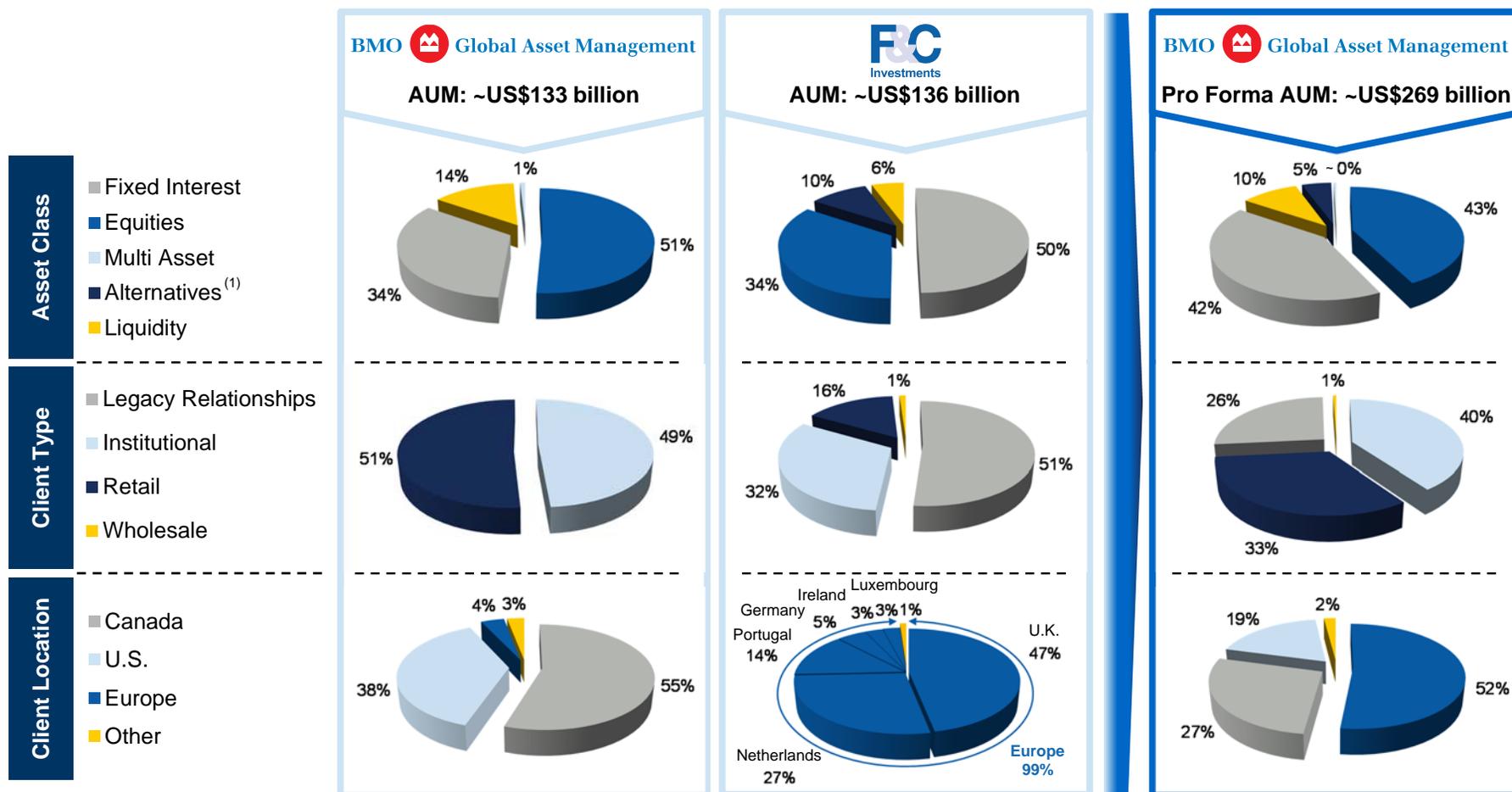


Note: This slide contains forward-looking statements. Please see the Cautionary Notes on Slide 1.

1. BMO Global Asset Management is comprised of BMO Asset Management, BMO Retirement Services and BMO Trust and Custody Services.

# Overview of Pro Forma Assets Under Management

Attractive Diversification of AUM and Client Base



Note: AUM as at December 31, 2013, converted at December 31, 2013 exchange rate.  
 Note: This slide contains forward-looking statements. Please see the Cautionary Notes on Slide 1.  
 1. Alternatives include Alternative Investments and Real Estate.

# Significant Revenue Growth Opportunities

Attractive Cross-sell Potential Given Complementary Nature of BMO and F&C Platforms

## Complementary Distribution Channels

- F&C can leverage BMO's distribution network in North America and Asia
- Sale of BMO's product capabilities into wealth markets in the U.K. and rest of Europe

## Expansion and Diversification of Product Capabilities

- Ability to offer clients a broader range of client solutions:
  - BMO expertise: North American equities and fixed income, passive and quantitative equities, frontier equities, credit funds, and ETFs and structured solutions
  - F&C expertise: European equities and fixed income, LDI, socially responsible investment, multi manager and real estate investment

## Enhancement of Scale

- Consultant driven markets (U.S. and U.K. institutional) value scale
- Improves prospects for winning institutional mandates in the faster growing market segments including: multi asset, LDI and socially responsible investment products

# Key Takeaways

- Consistent with stated intention to grow wealth management business and strengthens BMO's position as a significant global money manager
- Complementary distribution and limited product overlap expected to drive future revenue growth
- Increases cross-sell potential into attractive growth markets with broader product capabilities
- Sound transaction economics, with modestly accretive EPS<sup>(1)</sup> impact and strong post transaction capital position
- Experienced and talented management teams with a common desire to grow the business

Note: This slide contains forward-looking statements and non-GAAP measures. Please see the Cautionary Notes on Slide 1.  
1. Cash Earnings, excluding one-time costs and the amortization of intangible assets.

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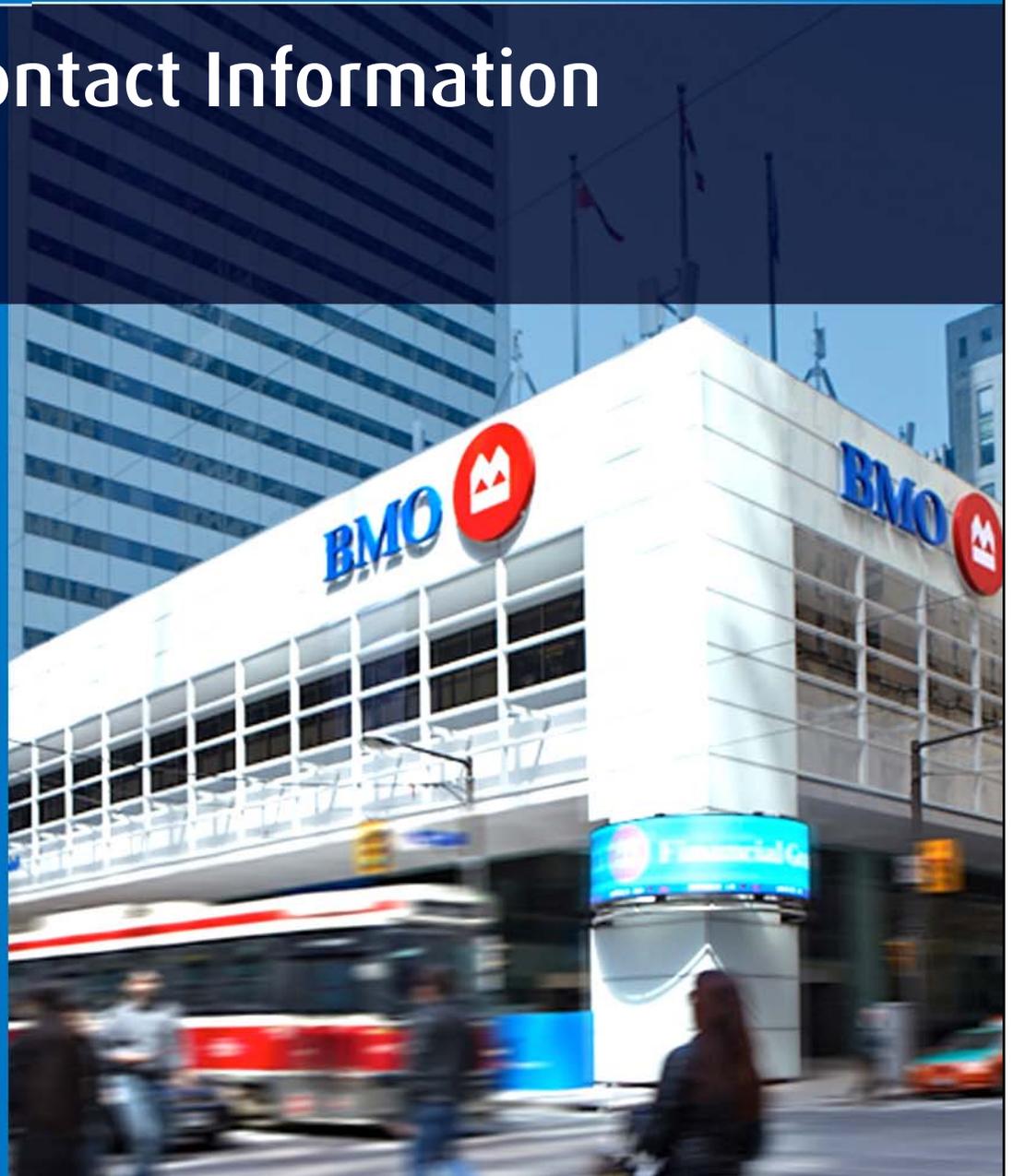
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# Disclosures

**Pensions & Investments (P&I)** ranks investment firms based on worldwide assets under management. For the year ended December 31, 2012, BMO Global Asset Management ranked 75<sup>th</sup>.

**Barron's/Lipper Best Fund Family Ranking** was awarded to BMO Asset Management. Methodology: To qualify for the Lipper/Barron's Fund Survey, a group must have at least three funds in Lipper's general U.S.-stock category, as well as one in world equity, which combines global and international funds. We also require at least one mixed-equity fund, which holds stocks and bonds. Fund shops also must have at least two taxable-bond funds and one-tax-exempt offering. Each fund's returns are adjusted for 12b-1 fees, which are used for marketing distribution expenses. The funds usually add these fees back into returns. Our aim is to measure the manager's skill. Fund loads, or sales charges, aren't included in the calculation of returns, either. Each fund's return is measured against those of all funds in its Lipper category, such as, say, small-cap value. That leads to a percentile ranking, with 100 the highest and 1 the lowest, which is then weighted by asset size, relative to the fund family's other assets in its general classification 3/8-world equity, for instance. If a family's biggest funds do well, that boosts its overall ranking. Poor performance in a big fund obviously has a big effect on the ranking. Finally, the score is multiplied by the weighting of its general classification, as determined by the entire Lipper universe of funds. The category weightings for the one-year results: general equity, 38.04%; world equity, 12.77%; mixed equity, 17.36%; taxable bonds, 27.43% and tax-exempt bonds, 4.40%. The category weightings for the five-year results: general equity, 40.12%; world equity, 12.32%; mixed equity, 17.30%; taxable bonds, 25.56% and tax-exempt bonds, 4.70%. The category weightings for the 10-year results: general equity, 41.89%; world equity, 12.30%; mixed equity, 14.44%; taxable bonds, 25.99% and tax-exempt bonds, 5.38%. The scoring: Say a company has a fund in the general U.S. equity category that has \$50 million in assets and that it accounts for half of the company's assets in that category. Its ranking is the 75<sup>th</sup> percentile. The first calculation would be  $75 \times 0.50$ , which comes to 37.5. That score is then multiplied by 38.04, general equity's overall weighting in Lipper's universe. So it would be  $37.5 \times 0.3804$ , which totals 14.265. Similar calculations are done for each fund in our study. Then, all the numbers are added up for a total score. The fund shop with the highest score wins, both for every category and overall. The same process is repeated for the five-and 10-year rankings based on their weightings.

**Strategic Insight** excludes affiliated funds-of-funds and includes only managers with \$2 billion or more in total assets as of year-end 2011.

**Plan Sponsor Survey** BMO Retirement Services is a part of BMO Global Asset Management and a division of the BMO Harris Bank N.A., offering products and services through various affiliates of BMO Financial Group. BMO received more Best in Class awards overall than any other provider ranked in *Plan Sponsor*<sup>®</sup> magazine's 2013 401(k) DC Survey.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the BMO Funds. This and other important information is contained in the prospectus and/or summary prospectuses, which can be obtained by calling 1-800-236-3863. Please read it carefully before investing.**

BMO Asset Management Corp. is the investment adviser to the BMO Funds. **M&I Distributors LLC is the distributor.** BMO Funds are not marketed or sold outside of the United States.

Funds that have a higher concentration of investments in a specific industry or sector may be subject to a higher degree of market risk than funds whose investments are more diversified.

BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group that provide investment management, retirement, and trust and custody services. Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions and may not be available to all investors. Products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations. BMO Financial Group is a service mark of Bank of Montreal (BMO). All investments involve risk, including the possible loss of principal. For more information visit us at [bmoassets.com](http://bmoassets.com).

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