

# Investor Presentation

April 2016



BMO  Financial Group  
We're here to help.™

Q1|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 First Quarter 2016 Report to Shareholders.

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## Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found on page 5 of Bank of Montreal's First 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](http://www.bmo.com/investorrelations).

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

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

## Who we are

- Established in 1817, Canada's first bank
- In Canada: a full service, universal bank across all of the major product lines - banking, wealth 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 January 31, 2016):
  - Assets: \$699 billion
  - Deposits: \$471 billion
  - Employees: ~47,000
  - Branches: 1,538
  - ABMs: 4,763

Q1 2016 Results *	Adjusted <sup>2</sup>	Reported
Net Revenue (\$B) <sup>3</sup>	4.8	4.7
Net Income (\$B)	1.2	1.1
EPS (\$)	1.75	1.58
ROE (%)	12.1	10.9
Basel III Common Equity Tier 1 Ratio (%)		10.1

Other Information (as at April 1, 2016)	
Annual Dividend Declared (per share) <sup>4</sup>	\$3.36
Dividend Yield	4.26%
Market Capitalization	\$50.7 billion
Exchange Listings	TSX, NYSE (Ticker: BMO)
Share Price:	
TSX	C\$78.87
NYSE	US\$60.63

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

<sup>1</sup> As measured by assets as at January 31, 2016; ranking published by Bloomberg

<sup>2</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to slide 37

<sup>3</sup> For purposes of this slide net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Reported gross revenue: Q1'16 \$5,075MM, Q4'15 \$4,982MM, Q1'15 \$5,055MM

<sup>4</sup> Based on Q2'16 declared dividend of \$0.84 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%<sup>1</sup> 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

<sup>1</sup> On an adjusted basis; see slide 37 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

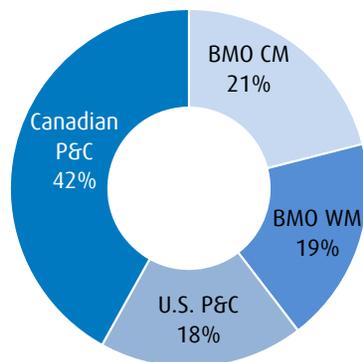
5

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

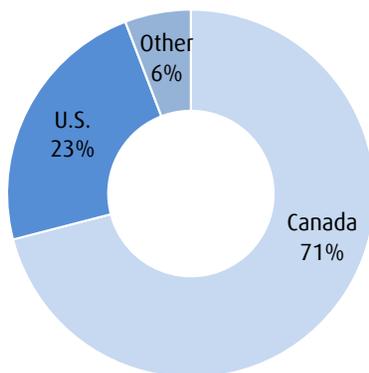


# A diversified business mix with ~80% of earnings from retail businesses

## Adjusted Net Income by Operating Group – LTM<sup>1,2</sup>



## Adjusted Net Income by Geography – LTM<sup>1,2</sup>



## Canadian P&C

- Full range of financial products and services to over 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

<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Reported net income by operating group (excludes Corporate Services): Canadian P&C 43%, U.S. P&C 18%, BMO WM 17%, BMO CM 22%; by geography last twelve months (LTM): Canada 71%, U.S. 24%, Other 5%. For details on adjustments refer to slide 37

# A large North American commercial banking business with advantaged market share

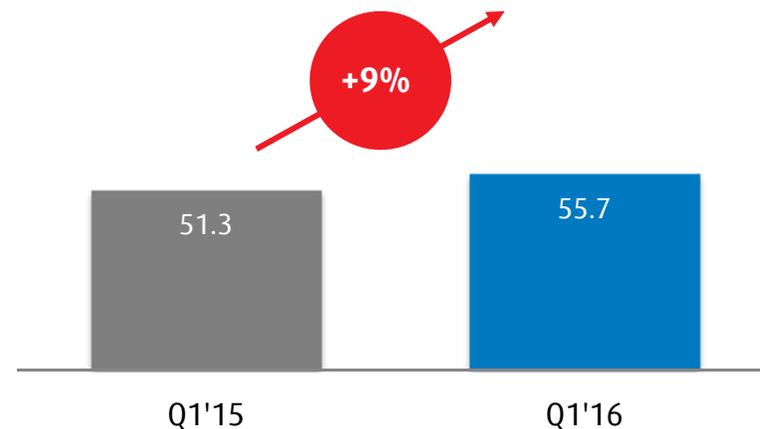
## Canadian P&C

- Good commercial lending growth<sup>2</sup>, up 9% Y/Y with growth across a number of industry sectors
- Strong competitive position, ranked 2<sup>nd</sup> in Canadian market share for business loans of \$25 million or less
- Commercial deposit growth was broad-based, with balances growing 8%
- Commercial revenue represents ~35% of Canadian banking total revenue compared to peer average ~20%<sup>1</sup>
- Canadian personal lending revenue represents less than 20% of total bank adjusted net revenue

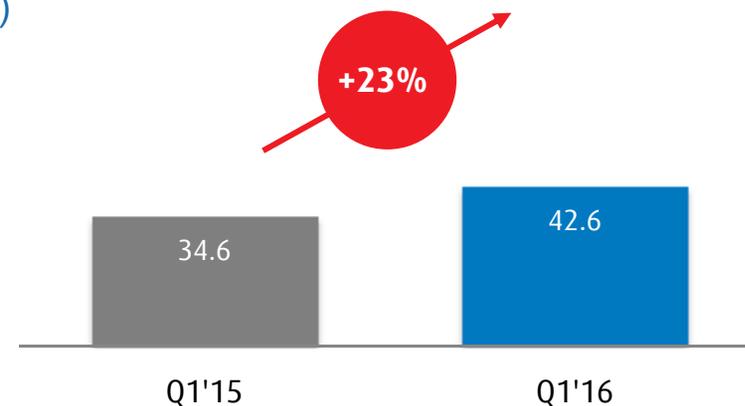
## U.S. P&C

- Large-scale, relationship-based commercial banking business continues to deliver strong commercial loan growth, up 23% Y/Y
- Excluding BMO Transportation Finance, commercial loans up 9% Y/Y

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



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

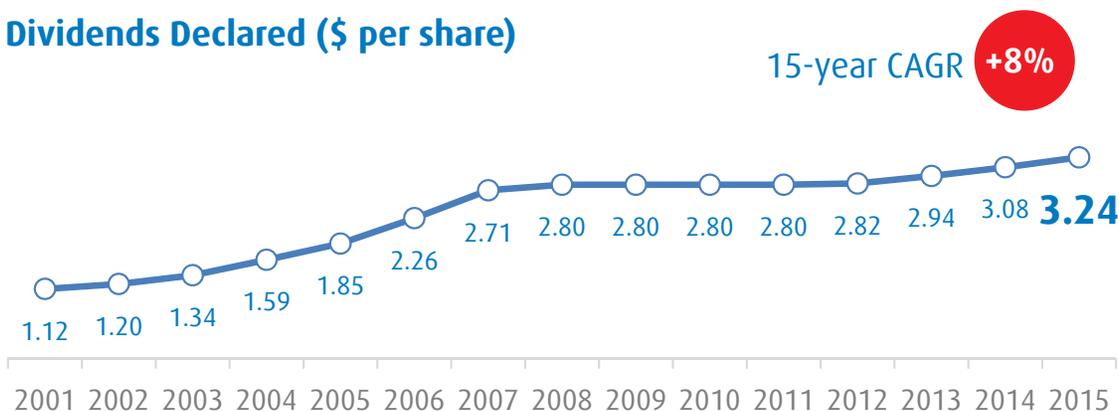


<sup>1</sup> Peer average includes the 4 other largest Canadian banks and excludes RBC's Card and Payment Solutions business

<sup>2</sup> Commercial lending growth excludes commercial cards. Commercial cards balances approximately 7% of total credit card portfolio in each of Q1'16 and Q1'15

# Strong financial performance and shareholder returns

## Dividends Declared (\$ per share)



- Annual common dividend of \$3.36<sup>1</sup> per share
- Dividend yield: 4.47%<sup>2</sup>
- 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%<sup>3</sup> in F2015

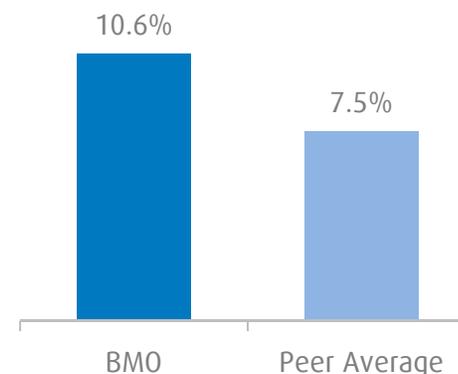
## Adjusted Net Revenue (C\$B)<sup>3</sup>



## Adjusted Net Income (C\$B)<sup>3</sup>



## Three-Year Average Annual Total Shareholder Return<sup>2</sup>(%)



- BMO's average annual return of 10.6% over the past 3 years has outperformed our Canadian bank peer group average and was above the 3.4% return on the S&P/TSX

<sup>1</sup> Based on Q1'16 declared dividend of \$0.84

<sup>2</sup> As of January 31, 2016

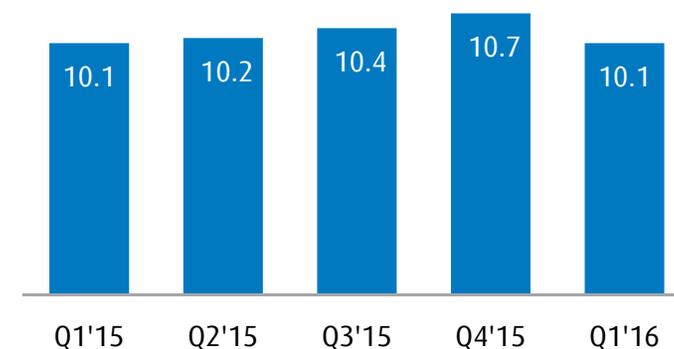
<sup>3</sup> On a reported basis: dividend payout ratio of 49.2% in F2015, net revenue F2015: \$18.1B; F2014: \$16.7B; F2013: \$16.1B, net income: F2015: \$4.4B; F2014: \$4.3B; F2013: \$4.2B

# Capital & Risk Weighted Assets

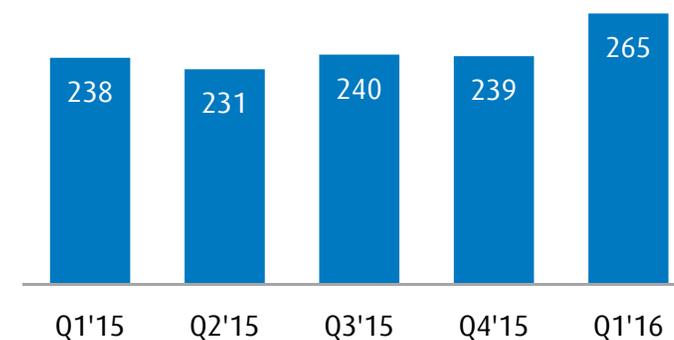
CET1 Ratio strong at 10.1%

- Common Equity Tier 1 Ratio of 10.1%, ~60 bps lower than Q4'15
  - BMO Transportation Finance acquisition impact of ~60 bps, in line with expectations
  - Higher CET1 capital mainly from AOCI<sup>1</sup> and retained earnings growth, partially offset by higher goodwill and intangibles from the acquisition
  - Higher RWA<sup>1</sup> of ~\$26B primarily due to the acquisition (\$11B), FX movement (\$9B) which is largely hedged through AOCI, and business growth (\$6B)
- Attractive dividend yield of +4%
- Target dividend payout 40-50%

Common Equity Tier 1 Ratio (%)



Risk Weighted Assets (\$B)



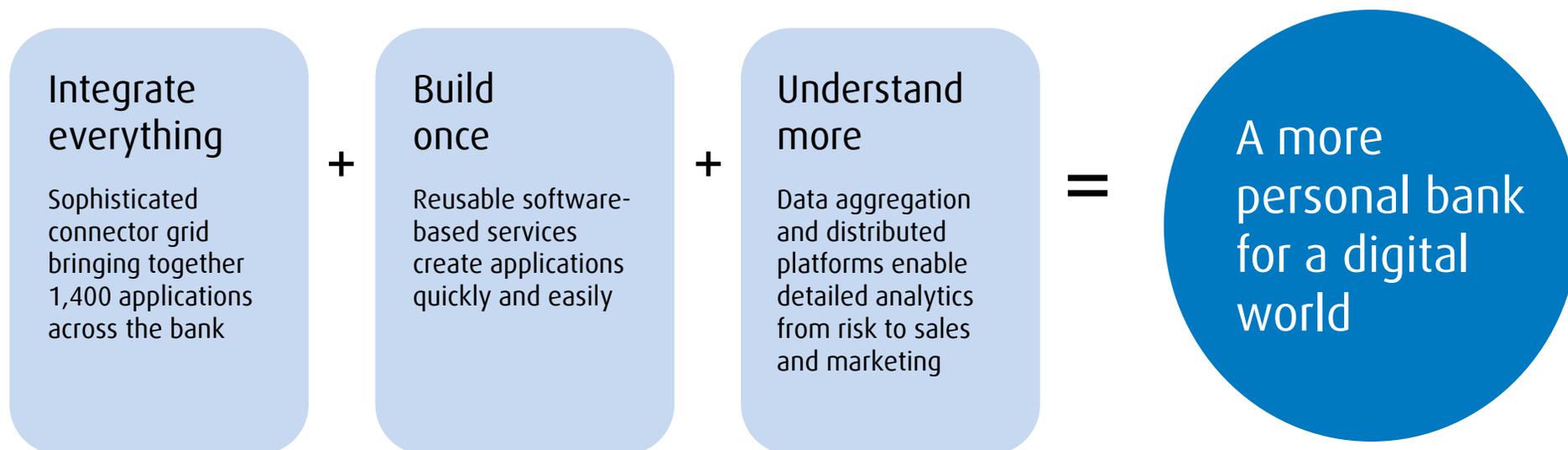
<sup>1</sup> AOCI: accumulated other comprehensive income; RWA: risk weighted assets

# 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:



# Q1 2016 - Financial Highlights

Good operating results with adjusted net income of \$1.2B, EPS up 14% Y/Y

- Adjusted EPS of \$1.75 up 14% Y/Y
- Adjusted net income up 13% Y/Y
- Net revenue up 11% Y/Y or 6% in constant currency<sup>1</sup>
  - Good operating performance
  - Benefit from the acquisition of BMO Transportation Finance
- Expenses up 8% Y/Y or 3% in constant currency<sup>1</sup>
  - BMO Transportation Finance contributed to the increase
- Positive operating leverage<sup>2</sup> of 2.8%
- Results include the impact of stock-based compensation for employees eligible to retire recognized in Q1 and the impact of market movements on insurance<sup>3</sup>
- ROE of 12.1%, with book value per share up 13% Y/Y
- Net efficiency ratio of 66.8%<sup>4</sup>, down 170 bps Y/Y
- Efficiency ratio is influenced by business mix including a higher ratio in:
  - U.S. operations which provide a good source for future growth and operating leverage
  - Wealth, where we have a larger full service investing business, and, relative to some banks, lower equity accounting revenues

Adjusted (\$MM) <sup>3</sup>	Q1 15	Q4 15	Q1 16
<b>Net Revenue<sup>4</sup></b>	4,308	4,719	<b>4,793</b>
<b>PCL</b>	163	128	<b>183</b>
<b>Expense</b>	2,953	3,032	<b>3,204</b>
<b>Net Income</b>	1,041	1,264	<b>1,178</b>
<b>Reported Net Income</b>	1,000	1,214	<b>1,068</b>
<b>Diluted EPS (\$)</b>	1.53	1.90	<b>1.75</b>
<b>ROE (%)</b>	12.3	13.5	<b>12.1</b>
<b>Common Equity Tier 1 (CET1) Ratio (%)</b>	10.1	10.7	<b>10.1</b>

<sup>1</sup> Constant currency refers to impact of CAD/US exchange rate movements on the U.S. segment only

<sup>2</sup> Operating leverage on an adjusted net revenue basis; 0.5% on a reported net revenue basis

<sup>3</sup> Market movements on insurance includes the combined negative impact of interest rates and equity markets

<sup>4</sup> See slide 37 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information. Reported results: Net revenue - Q1'16 \$4,709MM, Q4'15 \$4,717MM, Q1'15 \$4,308MM; Expenses - Q1'16 \$3,270MM, Q4'15 \$3,093MM, Q1'15 \$3,006MM; EPS - diluted: Q1'16 \$1.58, Q4'15 \$1.83, Q1'15 \$1.46; ROE - Q1'16 10.9%, Q4'15 12.9%, Q1'15 11.8%; reported net efficiency 69.4%

<sup>5</sup> For purposes of this slide net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Reported gross revenue: Q1'16 \$5,075MM, Q4'15 \$4,982MM, Q1'15 \$5,055MM

# 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



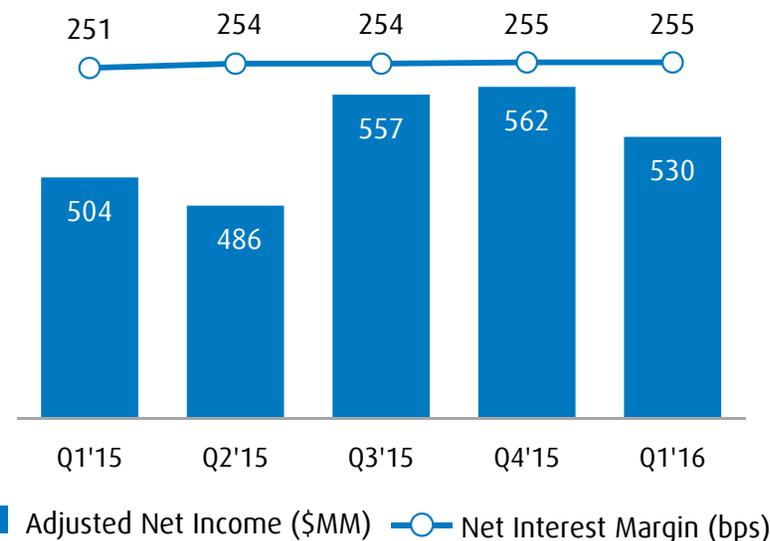
- World Elite MasterCard® recognized as the Best Travel Reward Credit Card and Best Travel Points Credit Card
- Best Commercial Bank in Canada by *World Finance Magazine*
- Recognized for the third consecutive year by the global financial services research firm *Celent* with a 2015 Model Bank Award for excellence in the digital banking category

# Canadian Personal & Commercial Banking

Adjusted net income growth of 5% Y/Y and positive operating leverage of 1.5%

- Adjusted net income of \$530MM with PPPT<sup>1</sup> growth of 8%
- Revenue up 6% Y/Y with higher balances and non-interest revenue
  - Loans up 5% and deposits up 6% Y/Y
  - NIM up 4bps Y/Y and stable Q/Q
- PCL up Y/Y due to higher provisions in the consumer portfolio; up Q/Q from below trend levels in Q4'15
- Expense growth of 4% Y/Y driven by higher employee-related costs
- Efficiency ratio of 50.5%<sup>2</sup>
- Operating leverage of 1.5%

Adjusted (\$MM) <sup>2</sup>	Q1 15	Q4 15	Q1 16
<b>Revenue (teb)</b>	1,628	1,710	<b>1,725</b>
<b>PCL</b>	132	112	<b>140</b>
<b>Expenses</b>	834	845	<b>871</b>
<b>Net Income</b>	504	562	<b>530</b>
<b>Reported Net Income</b>	503	561	<b>529</b>



<sup>1</sup> PPPT refers to Pre-provision, pre-tax profit contribution, and is the difference between adjusted revenue and adjusted expenses

<sup>2</sup> See slide 37 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 Q1'16 \$872MM, Q4'15 \$847MM, Q1'15 \$835MM; Efficiency ratio: Q1'16 50.6%

# 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 1<sup>st</sup>, 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**

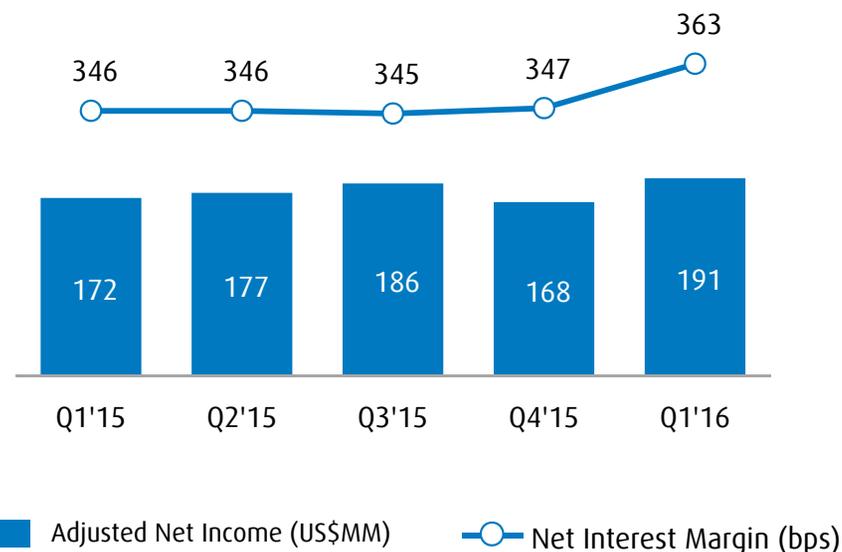
- Maintain strong customer loyalty and increase brand awareness, while growing our customer base in high-opportunity segments, including mass affluent customers
- Build on our mobile and online channel capabilities as we continue to enhance our customer experience
- Continue to focus on profitable growth 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 29% or 11% in USD

- Adjusted net income of \$264MM, up 29% Y/Y. Figures that follow are in U.S. dollars
- Adjusted net income up 11% Y/Y
- BMO Transportation Finance (BMO TF) closed on December 1, 2015 and represented ~10% of Q1'16 revenue and adjusted expenses
- Revenue up 15% Y/Y driven by the benefit of BMO TF, higher loan and deposit volumes and higher NIM
  - Average loans up 10% and deposits up 5% Y/Y
  - NIM up 16 bps Q/Q due to higher deposit spreads, the addition of BMO TF and purchased loan accounting<sup>2</sup>
- PCL up Y/Y and Q/Q
- Expenses up 13% Y/Y primarily due to the addition of the BMO TF business
- Adjusted efficiency ratio of 62.5%<sup>1</sup>
- Operating leverage of 1.2%

Adjusted (US\$MM) <sup>1</sup>	Q1 15	Q4 15	Q1 16
<b>Revenue (teb)</b>	722	724	<b>828</b>
<b>PCL</b>	33	33	<b>47</b>
<b>Expenses</b>	457	475	<b>518</b>
<b>Net Income</b>	172	168	<b>191</b>
<b>Reported Net Income</b>	161	158	<b>182</b>



<sup>1</sup> See slide 37 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: Q1'16 \$531MM, Q4'15 \$488MM, Q1'15 \$471MM; Efficiency ratio: Q1'16 64.1%

<sup>2</sup> 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.**

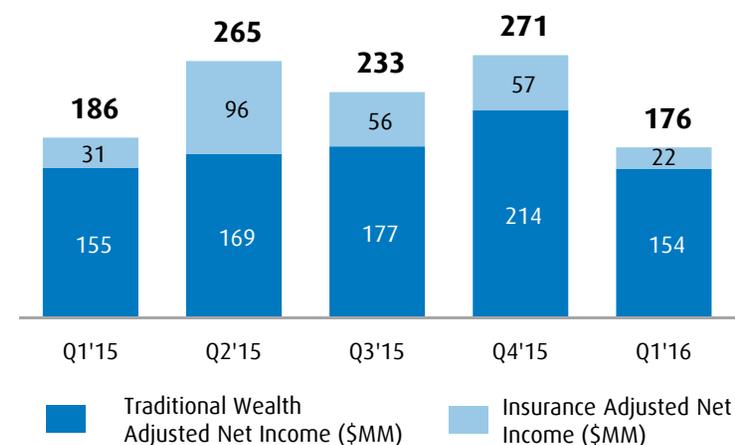
- Attract new clients and focus on delivering a great client experience
- Continue to improve productivity, while managing our risks with an emphasis on increasing revenue per employee
- Selectively invest in our sales force and continue to enhance technology to drive revenue growth

# BMO Wealth Management

## Solid underlying results in a challenging market

- Adjusted net income impacted by market conditions
  - Traditional Wealth net income flat Y/Y; down Q/Q as the prior quarter benefited from gain on sale
  - Insurance earnings impacted by unfavourable market movements<sup>3</sup> in the current quarter (\$33MM after-tax)
- Net revenue<sup>2</sup> up 3% Y/Y driven by the benefit of the lower Canadian dollar with business growth offset by impact of weaker equity markets
- Expenses up Y/Y primarily due to the impact of FX (2% Y/Y in constant currency<sup>4</sup>); Q/Q expenses up largely due to stock-based compensation for employees eligible to retire (\$30MM)
- Efficiency ratio net of CCPB of 78.5%<sup>5</sup>
- AUM/AUA up 1% Y/Y as favourable FX movements were partly offset by market declines

Adjusted <sup>1</sup> (\$MM)	Q1 15	Q4 15	Q1 16
<b>Net Revenue<sup>2</sup></b>	1,035	1,192	<b>1,071</b>
<b>PCL</b>	2	1	<b>2</b>
<b>Expenses</b>	793	819	<b>841</b>
<b>Net Income</b>	186	271	<b>176</b>
<b>Reported Net Income</b>	159	243	<b>148</b>
<b>AUM/AUA (\$B)</b>	852	864	<b>864</b>



<sup>1</sup> See slide 37 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: Q1'16 \$877MM, Q4'15 \$854MM, Q1'15 \$828MM

<sup>2</sup> For purposes of this slide revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Gross revenue: Q1'16 \$1,437MM, Q4'15 \$1,457MM, Q1'15 \$1,782MM

<sup>3</sup> Unfavourable market movements includes the combined negative impact of interest rates and equity markets

<sup>4</sup> Constant currency refers to impact of CAD/US exchange rate movements on the U.S. segment and impact of CAD/GBP exchange rate movements

<sup>5</sup> Reported efficiency ratio (gross): Q1'16 61.0%; Adjusted efficiency ratio (gross): Q1'16 58.5%

# 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 six 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**

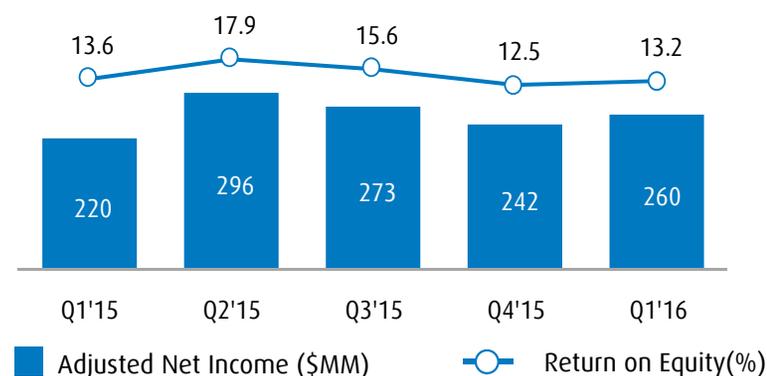
- Continue to earn leading market share in Canada by delivering leading ideas through our top-tier coverage team
- Leverage our strong North American capabilities and presence in select international markets
- Continue to drive performance in our U.S. platform with a focused strategy and selectively 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 given market environment

- Adjusted net income up 18% Y/Y from below-trend results a year ago
- Revenue up 11% Y/Y
  - Up 6% in constant currency<sup>1</sup> as higher merger and acquisition and corporate banking related revenue was partially offset by lower Trading Products revenue due to market conditions
- Expenses were well managed, flat Y/Y in constant currency<sup>1</sup>
- Efficiency ratio of 64.8%<sup>2</sup> improved 280bps Y/Y
- Operating leverage 4.7% or 6.0% in constant currency<sup>1</sup>

Adjusted (\$MM) <sup>2</sup>	Q1 15	Q4 15	Q1 16
<b>Trading Products Revenue</b>	570	564	<b>589</b>
<b>I&amp;CB Revenue</b>	350	372	<b>431</b>
<b>Revenue (teb)</b>	920	936	<b>1,020</b>
<b>PCL</b>	9	(2)	<b>8</b>
<b>Expenses</b>	623	622	<b>661</b>
<b>Net Income</b>	220	242	<b>260</b>
<b>Reported Net Income</b>	220	241	<b>260</b>



<sup>1</sup> Constant Currency refers to impact of CAD/US exchange rate movements on the U.S. segment only

<sup>2</sup> See slide 37 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: Q1'16 \$661MM, Q4'15 \$622MM, Q1'15 \$623MM; Efficiency ratio: Q1'16 64.8%, improved 290 bps

# Risk Overview

# Risk Management

We have a disciplined and integrated approach to risk

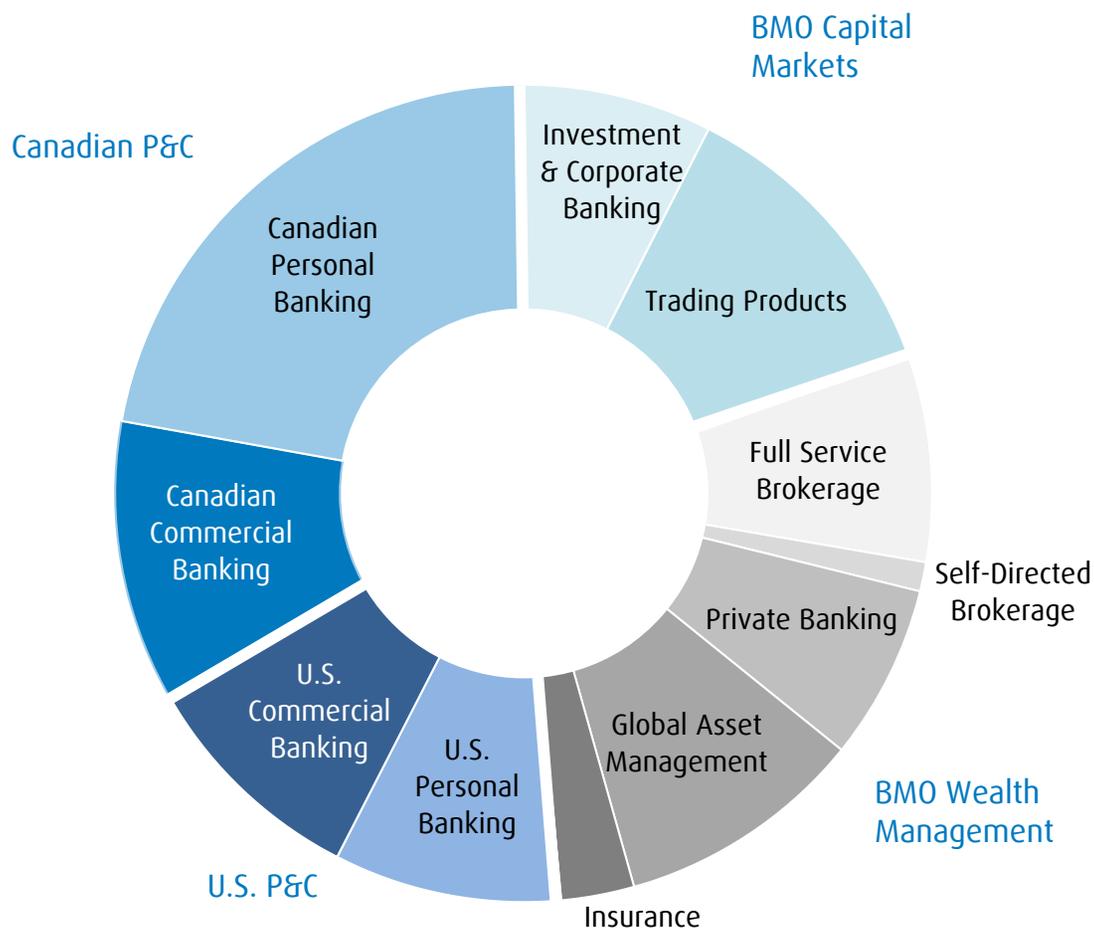
## Our Approach to Risk Management

- 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 Revenue<sup>1</sup>



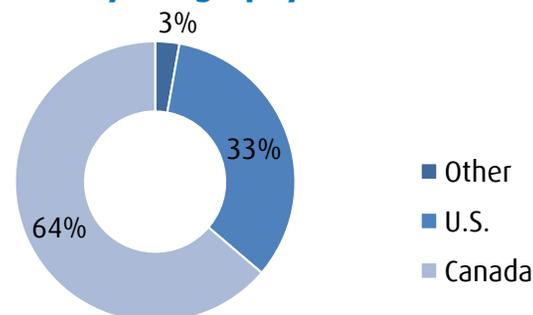
<sup>1</sup> Based on F2015 adjusted revenue

# Our loans are well diversified by geography and industry

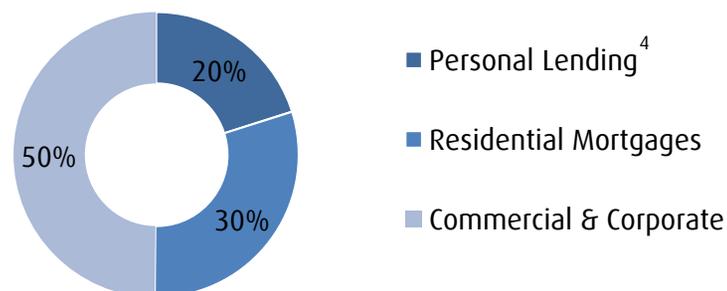
Gross Loans & Acceptances By Industry (C\$B)	Canada & Other <sup>1</sup>	U.S.	Total	% of Total
Residential Mortgages	97.6	9.4	107.0	30%
Personal Lending	49.4	16.5	65.9	18%
Cards	7.3	0.6	7.9	2%
<b>Total Consumer</b>	<b>154.3</b>	<b>26.5</b>	<b>180.8</b>	<b>50%</b>
Financial Institutions	13.0	19.8	32.8	9%
Service Industries	13.8	17.9	31.7	9%
Commercial Real Estate	13.4	8.7	22.1	6%
Manufacturing	5.7	12.2	17.9	5%
Retail Trade	8.8	8.2	17.0	5%
Wholesale Trade	3.8	7.4	11.2	3%
Transportation	1.9	8.8	10.7	3%
Agriculture	8.1	2.5	10.6	3%
Oil & Gas	4.5	2.9	7.4	2%
Mining	1.4	0.5	1.9	1%
Other Commercial & Corporate <sup>2</sup>	9.6	4.6	14.2	4%
<b>Total Commercial &amp; Corporate</b>	<b>84.0</b>	<b>93.5</b>	<b>177.5</b>	<b>50%</b>
<b>Total Loans</b>	<b>238.3</b>	<b>120.0</b>	<b>358.3</b>	<b>100%</b>

1 Commercial & Corporate includes ~\$11.9B from Other Countries  
 2 Other Commercial & Corporate includes industry segments that are each <2% of total loans  
 3 Gross loans and acceptances as of January 31, 2016  
 4 Including cards  
 5 Average net loans and acceptances as of January 31, 2016

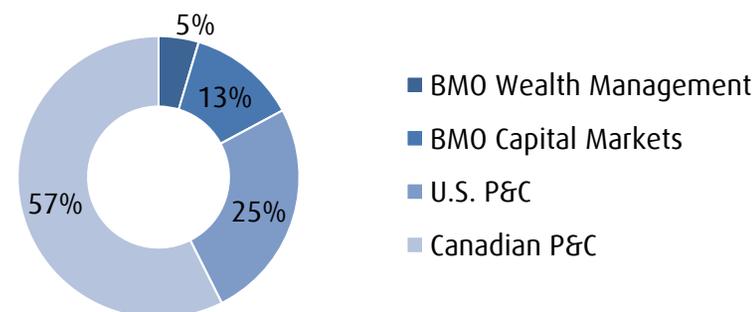
## Loans by Geography<sup>3</sup>



## Loans by Product<sup>3</sup>



## Loans by Operating Group<sup>5</sup>

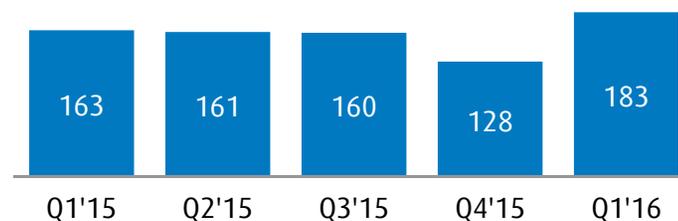


# Provision for Credit Losses (PCL)

PCL By Operating Group (C\$MM)	Q1 15	Q4 15	Q1 16 <sup>1</sup>
Consumer – Canadian P&C	104	95	113
Commercial – Canadian P&C	28	17	27
<b>Total Canadian P&amp;C</b>	<b>132</b>	<b>112</b>	<b>140</b>
Consumer – U.S. P&C <sup>1</sup>	30	(6)	48
Commercial – U.S. P&C <sup>1</sup>	10	48	17
<b>Total US P&amp;C</b>	<b>40</b>	<b>42</b>	<b>65</b>
<b>Wealth Management</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Capital Markets</b>	<b>9</b>	<b>(2)</b>	<b>8</b>
<b>Corporate Services<sup>1</sup></b>	<b>(20)</b>	<b>(25)</b>	<b>(32)</b>
<b>Specific PCL</b>	<b>163</b>	<b>128</b>	<b>183</b>
Change in Collective Allowance	-	-	-
<b>Total PCL</b>	<b>163</b>	<b>128</b>	<b>183</b>
<b>PCL in bps</b>	<b>21</b>	<b>15</b>	<b>21</b>

- PCL ratio at 21 bps, up from prior quarter which included U.S. loan sale

## Quarterly Specific PCL (C\$MM)



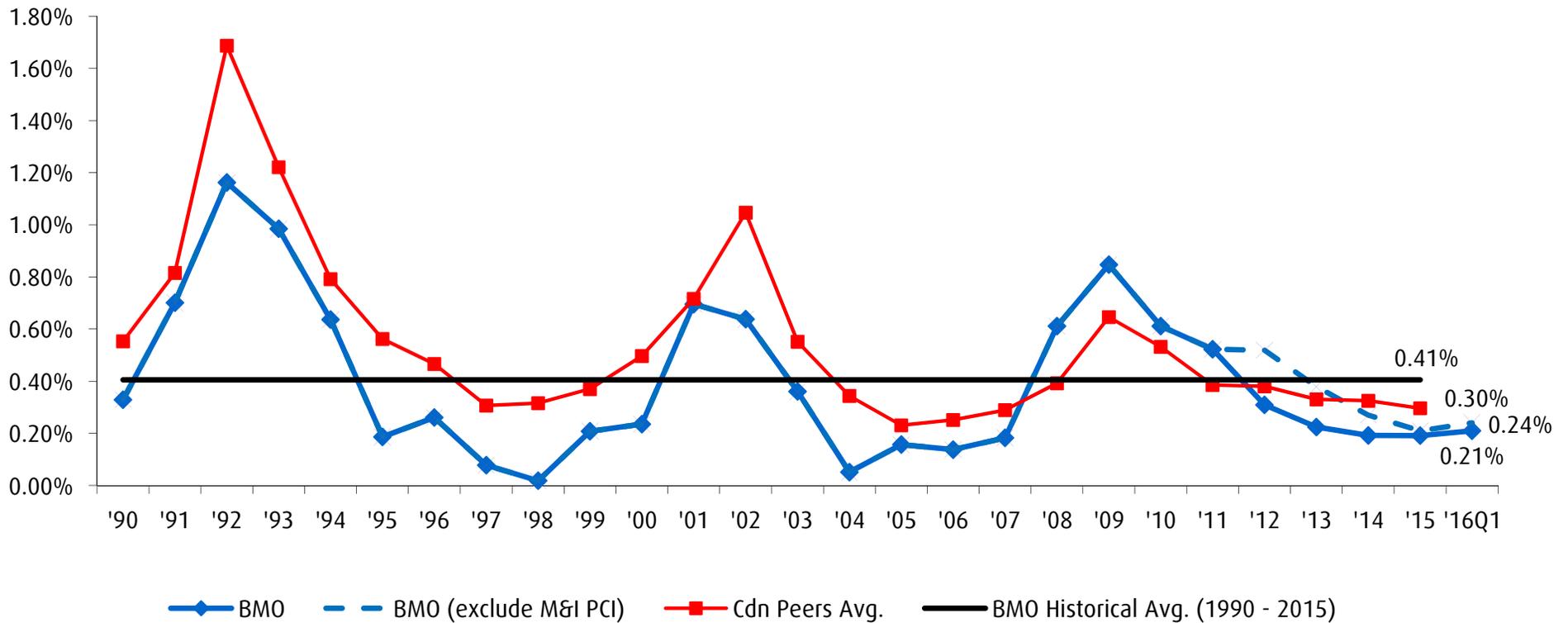
For illustrative<sup>2</sup> purposes:

- If the annualized PCL rate increased by 50% from Q1'16 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

<sup>1</sup> 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. Purchase loan accounting impacts related to BMO TF are recognized in U.S. P&C.

<sup>2</sup> Based on annualized on Q1'16 adjusted net income and a combined tax rate of 30% (for illustrative purposes)

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



Specific provisions excludes changes to the collective allowance

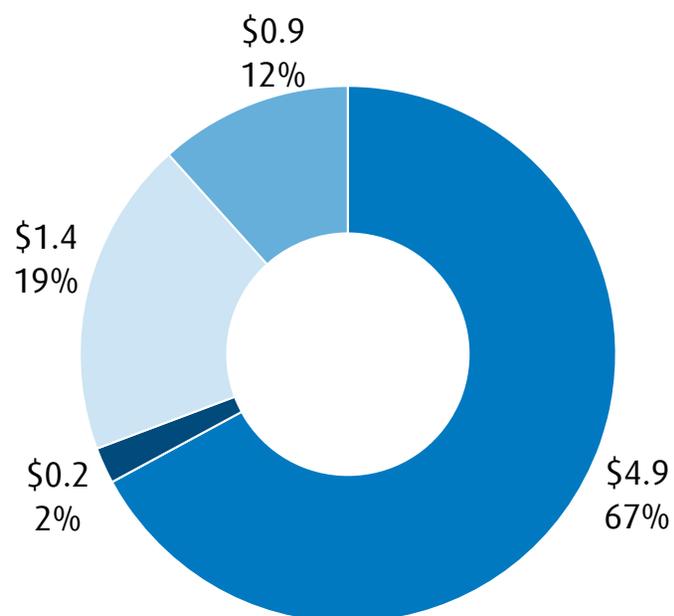
Effective Q1'12 PCL include the impact of IFRS accounting treatment and F2011 comparatives have been restated accordingly

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 – Corporate/Commercial

- Oil and Gas loans of \$7.4B; 2% of total bank loans with >50% investment grade

## Exposure in Alberta

- Alberta consumer represents ~6% of total bank loans of which over 80% is Real Estate Secured (RESL)
  - ~60% of Alberta RESL is insured
  - 55% LTV on uninsured RESL
- Alberta consumer represents ~15% of total Canadian consumer loans
- Alberta commercial represents ~5% of total Canada loans and ~3% of total bank loans

# Canadian Residential Mortgages

- Total Canadian residential mortgage portfolio at \$97.6B or 43% of Canadian gross loans and acceptances
  - 59% of the portfolio is insured
  - Loan-to-value (LTV)<sup>1</sup> on the uninsured portfolio is 57%<sup>2</sup>
  - 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 at 28 bps
  - Condo Mortgage portfolio is \$14.1B with 51% insured

Residential Mortgages by Region (C\$B)	Insured	Uninsured	Total	% of Total
Atlantic	3.7	1.7	5.4	6%
Quebec	9.0	5.4	14.4	15%
Ontario	23.8	16.6	40.4	41%
Alberta	11.3	4.5	15.8	16%
British Columbia	7.5	10.4	17.9	18%
All Other Canada	2.4	1.3	3.7	4%
<b>Total Canada</b>	<b>57.7</b>	<b>39.9</b>	<b>97.6</b>	<b>100%</b>

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

<sup>2</sup> To facilitate comparisons, the equivalent simple average LTV on uninsured mortgages in Q4'15 was 52%

# Appendix

# Economic Outlook and Indicators

Economic Indicators (%) <sup>1</sup>	Canada			United States			Eurozone		
	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E
GDP Growth	1.2	1.8	2.1	2.4	2.1	2.3	1.5	1.4	1.6
Inflation	1.1	1.6	1.9	0.1	1.6	2.4	0.0	0.4	1.4
Interest Rate (3mth Tbills)	0.53	0.46	0.64	0.05	0.46	1.02	(0.02)	(0.23)	(0.17)
Unemployment Rate	6.9	7.3	7.2	5.3	4.8	4.6	10.9	10.4	10.0
Current Account Balance / GDP <sup>2</sup>	(3.3)	(2.1)	(1.3)	(2.7)	(2.8)	(2.9)	3.8	3.7	3.7
Budget Surplus / GDP <sup>2</sup>	(0.3)	(1.5)	(1.4)	(2.5)	(2.9)	(2.8)	(1.9)	(1.7)	(1.0)

## Canada

- Economic growth is expected to improve to 1.8% 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 currency and firm U.S. demand
- 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

## United States

- We expect economic growth to moderate to 2.1% 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
- The unemployment rate is expected to fall to 4.6% by year-end
- 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

<sup>1</sup> Annual average

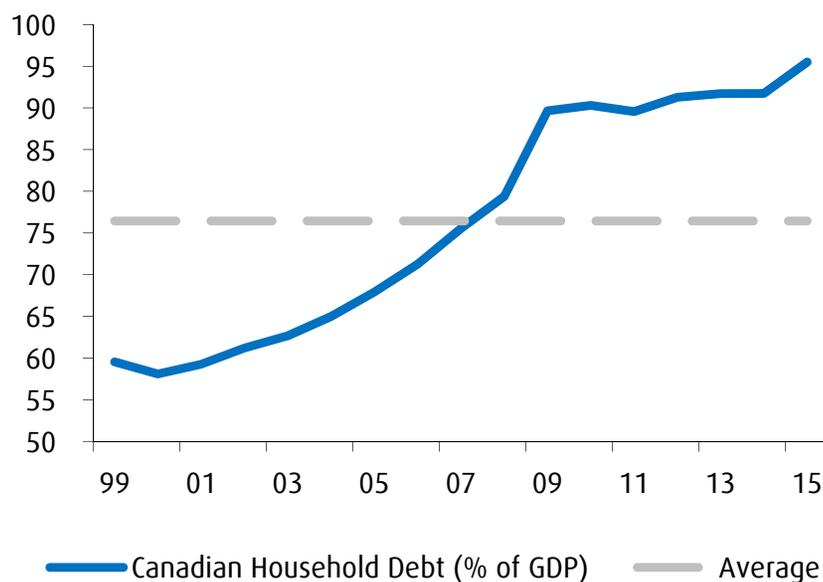
<sup>2</sup> Estimates as of April 1, 2016; Eurozone estimates provided by OECD

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

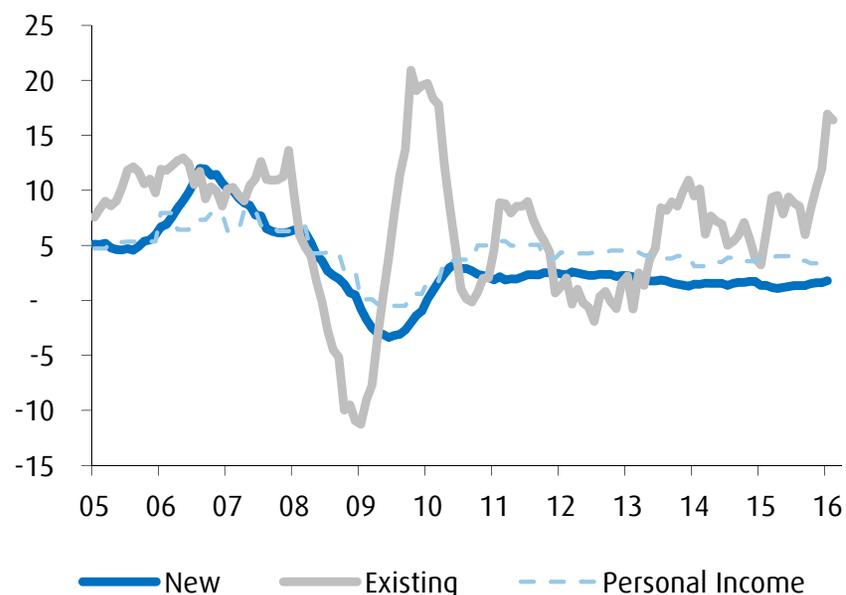
# Canada's Housing Market

- 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
- Rapid price gains in Toronto and Vancouver are putting further pressure on affordability in these two high-priced cities
- Regulators have responded by further tightening mortgage rules (notably raising minimum down payments on insured mortgages for home priced above \$500,000)

## Canadian Household Debt to GDP



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

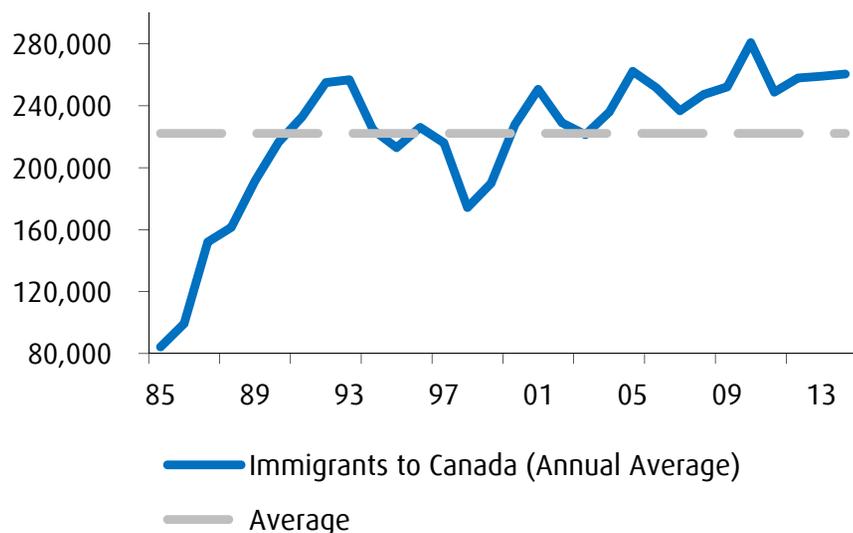


Source: BMO CM Economics and Canadian Bankers' Association as of April 1, 2016  
 This slide contains forward looking statements. See caution on slide 2

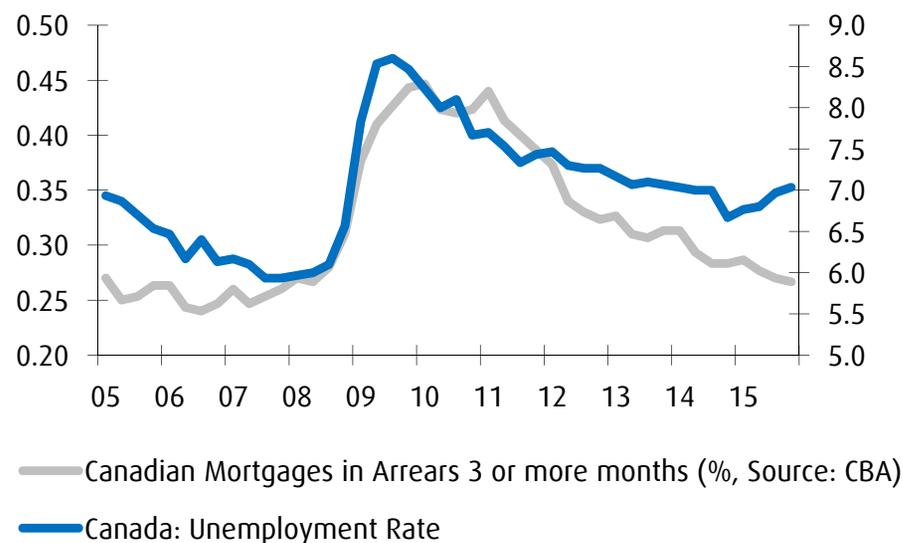
# Canada's housing market remains resilient

- 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
- House prices are accelerating in Toronto and Vancouver, but falling in the oil-producing provinces

## Immigration to Canada



## Mortgage Delinquencies/Unemployment



### Positive Factors

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

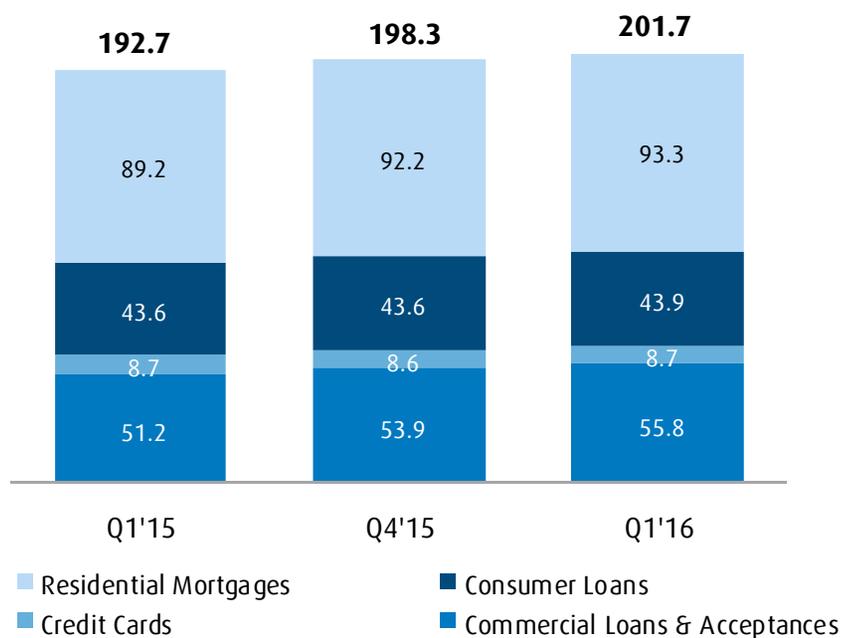
### Areas of Concern

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

Source: BMO CM Economics and Canadian Bankers' Association as of April 1, 2016  
 This slide contains forward looking statements. See caution on slide 2

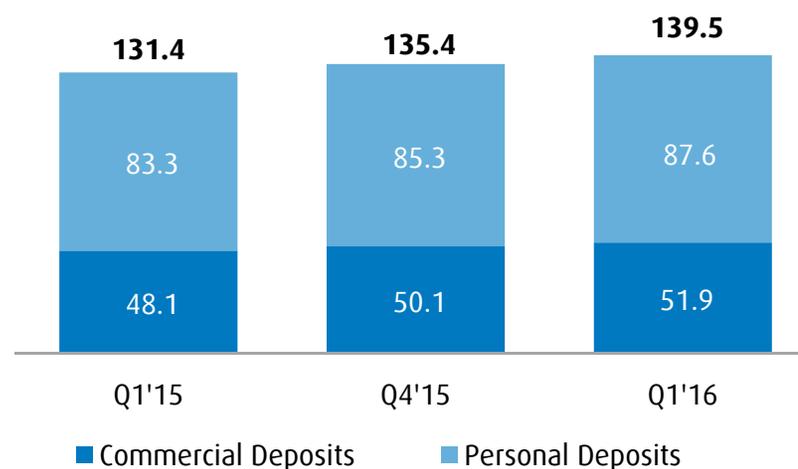
# Canadian Personal and Commercial Banking - Balances

## Average Loans & Acceptances (\$B)



- Loan growth of 5% Y/Y
  - Mortgages up 5%
  - Consumer loan balances relatively stable
  - Commercial loan balances<sup>1</sup> up 9%

## Average Deposits (\$B)

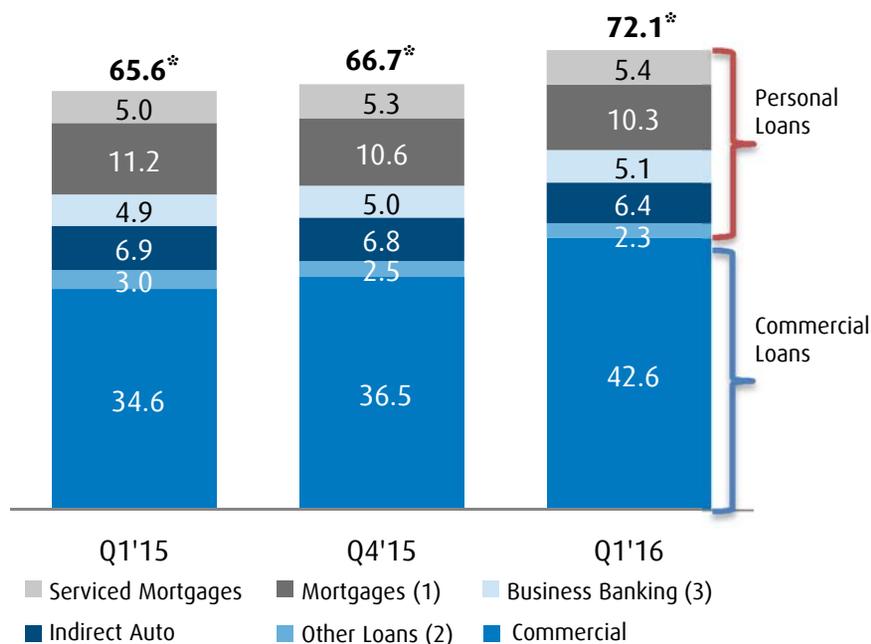


- Deposit growth of 6% Y/Y
  - Personal deposit balances up 5% reflecting strong chequing account growth
  - Commercial deposit balances up 8%

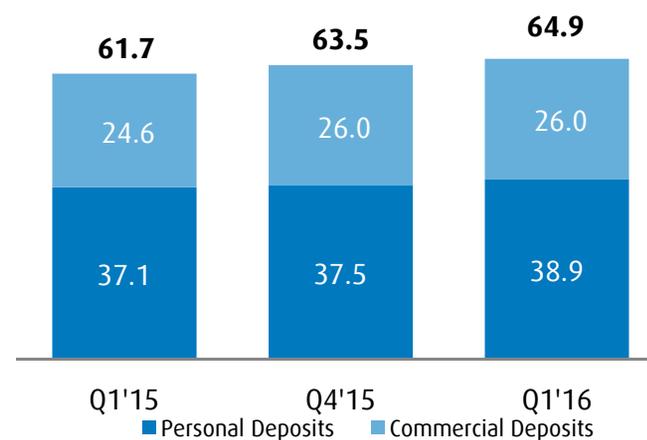
<sup>1</sup> Commercial lending growth excludes commercial cards. Commercial cards balances approximately 7% of total credit card portfolio in Q1'16, Q4'15 and Q1'15

# U.S. Personal & Commercial Banking – Balances

## Average Loans & Acceptances (US\$B)



## Average Deposits (US\$B)



- Serviced mortgage portfolio up 7% Y/Y; mortgage portfolio down 8% Y/Y
- Business Banking up 3% Y/Y
- Indirect Auto down 7% Y/Y due to strategic decision to reduce portfolio levels
- BMO TF added \$4.9B of average loans in Q1'16 (\$7.4B on a period end basis)
- Excluding BMO TF, Commercial loans up 9% Y/Y

- Commercial deposit growth of 6% Y/Y
- Personal Deposit balances up 5% Y/Y
  - Chequing balance growth of 9% Y/Y

\* Total includes Serviced Mortgages which are off-balance sheet

1 Mortgages include Wealth Management Mortgages (Q1'16 \$1.8B, Q4'15 \$1.7B, Q1'15 \$1.5B) and Home Equity (Q1'16 \$3.9B, Q4'15 \$4.0B, Q1'15 \$4.5B)

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 and other personal 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 2<sup>nd</sup> place overall in Globe and Mail Board Games for Board Effectiveness

# 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.

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
- Maclean's/Sustainalytics list of the Top 50 Socially Responsible Corporations in Canada
- 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

**TOP 50**  
Socially Responsible Corporations - 2015  
**MACLEAN'S**  **SUSTAINALYTICS**

**Newsweek**  
GREEN  
RANKINGS

 **CDP**  
DRIVING SUSTAINABLE ECONOMIES

**Progressive Aboriginal RELATIONS**  
Canadian Council for Aboriginal Business 

# Adjusting Items

<b>Adjusting<sup>1,2,3</sup> items – Pre-tax (\$MM)</b>	<b>Q1 15</b>	<b>Q4 15</b>	<b>Q1 16</b>
Amortization of acquisition-related intangible assets	(40)	(43)	<b>(43)</b>
Acquisition integration costs	(13)	(20)	<b>(22)</b>
Cumulative accounting adjustment	-	-	<b>(85)</b>
<b>Adjusting items included in reported pre-tax income</b>	<b>(53)</b>	<b>(63)</b>	<b>(150)</b>

<b>Adjusting<sup>1,2,3</sup> items – After-tax (\$MM)</b>	<b>Q1 15</b>	<b>Q4 15</b>	<b>Q1 16</b>
Amortization of acquisition-related intangible assets	(31)	(33)	<b>(33)</b>
Acquisition integration costs	(10)	(17)	<b>(15)</b>
Cumulative accounting adjustment	-	-	<b>(62)</b>
<b>Adjusting items included in reported net income after tax</b>	<b>(41)</b>	<b>(50)</b>	<b>(110)</b>
<b>Impact on EPS (\$)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.17)</b>

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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