

# Investor Presentation

April 2017



BMO  Financial Group  
We're here to help.™

Q1|17

# 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 fiscal 2017 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 and the effect of such changes on funding costs, 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; political conditions, including changes relating to or affecting economic or trade matters; 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; information and cyber-security; and our ability to anticipate and effectively manage risks arising from 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 79 to 112 of BMO's 2016 Annual Report, which outlines certain key factors and risks that may affect Bank of Montreal's future results. 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 2017 Report to Shareholders..

## Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found on page 4 of BMO's First Quarter 2017 Report to Shareholders and on page 33 of BMO's 2016 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; results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements, adjusted net income, revenues, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio, pre-provision pre-tax earnings, 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, 2017):
  - Assets: \$692 billion
  - Deposits: \$477 billion
  - Employees: over 45,000
  - Branches: 1,523
  - ABMs: 4,657

Q1 2017 Results *	Adjusted <sup>2</sup>	Reported
Net Revenue (\$B) <sup>3</sup>	5.4	5.4
Net Income (\$B)	1.5	1.5
EPS (\$)	2.28	2.22
ROE (%)	15.3	14.9
Common Equity Tier 1 Ratio (%)		11.1

Other Information (as at March 31, 2017)	
Annual Dividend Declared (per share) <sup>4</sup>	\$3.52
Dividend Yield <sup>4</sup>	3.5%
Market Capitalization	\$64.7 billion
Exchange Listings	TSX, NYSE (Ticker: BMO)
Share Price:	
TSX	C\$99.33
NYSE	US\$74.79

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

<sup>1</sup> As measured by assets as at January 31, 2017; 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 was \$5.4B

<sup>4</sup> Annualized based on Q2'17 declared dividend of \$0.88 per share

# Reasons to Invest

- Strong, diversified businesses that continue to deliver robust earnings growth and long-term value for shareholders:
  - Large North American commercial banking business with advantaged market share
  - Well-established, highly profitable core banking business in Canada
  - Diversified U.S. banking operations well positioned to benefit from growth opportunities
  - Award-winning wealth franchise with an active presence in markets across Canada, the United States, Europe and Asia
  - Competitively advantaged Canadian and growing mid-cap focused U.S. capital markets business
- Well-capitalized with an attractive dividend yield
- Committed to customer experience, measured through a disciplined loyalty program
- Focus on efficiency through technology innovation, process enhancement and increased digitalization across channels
- Adherence to strong business ethics and corporate governance standards, including sustainability principles that ensure we consider social, economic and environmental impacts as we pursue sustainable growth

# Our strategic priorities

1

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

2

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

3

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

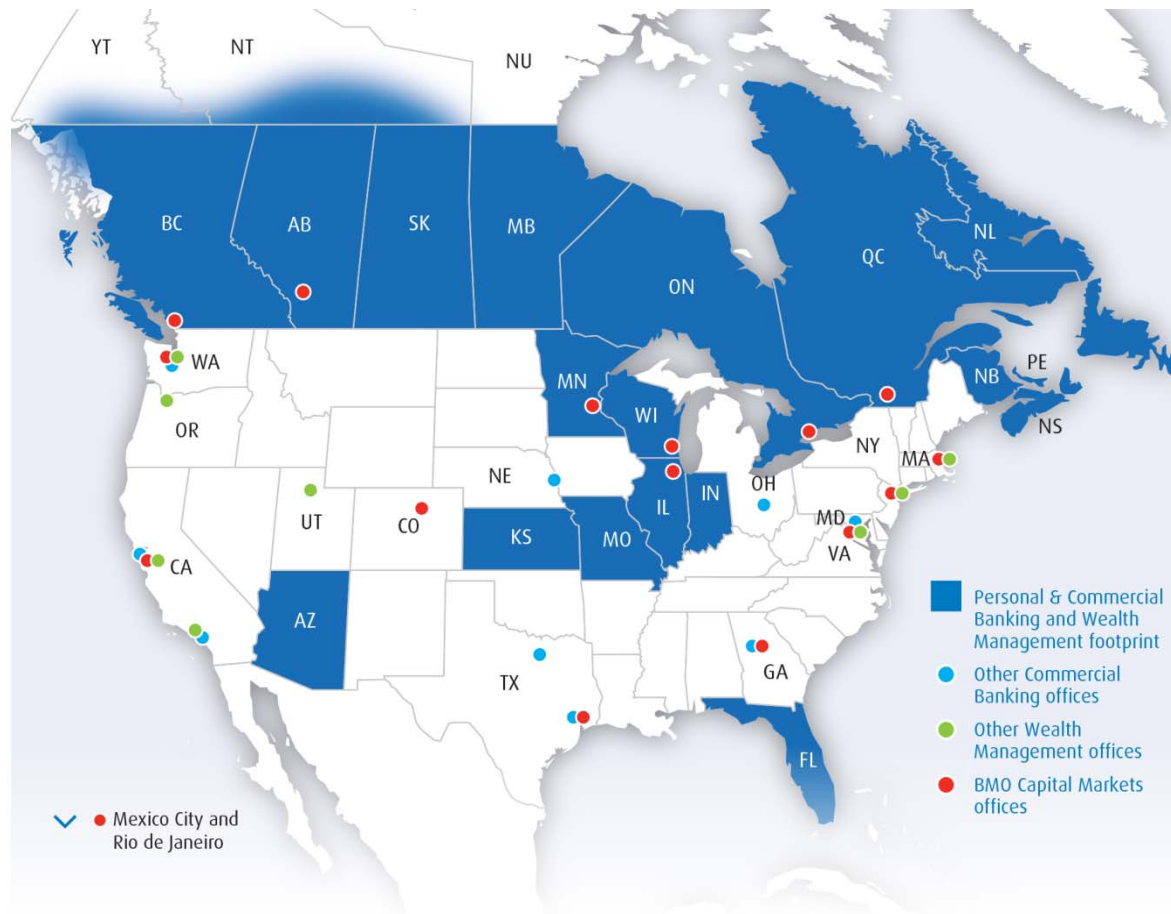
4

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

5

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

# BMO's Strategic Footprint



## Europe and Middle East presence



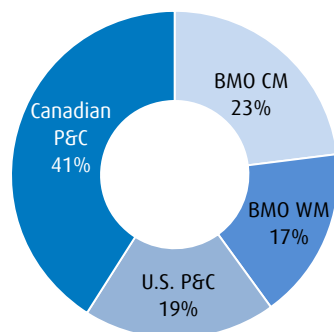
## Asia-Pacific presence



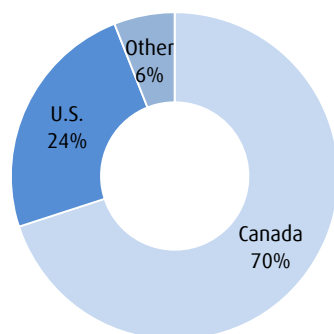
Our three operating groups serve individuals, businesses, governments and corporate customers across Canada and the United States with a focus in six U.S. Midwest states – Illinois, Indiana, Wisconsin, Minnesota, Missouri and Kansas. Our significant presence in North America is bolstered by operations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

# Diversified by businesses, customer segments and geographies

## 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 eight million customers
- Over 900 branches and nearly 3,300 ABMs
- Strong commercial banking business, as evidenced by BMO's number two ranking in Canadian market share for business loans up to \$25 million

## U.S. P&C

- Helping more than two million customers feel confident in their financial decisions
- Customers are served through nearly 600 branches, contact centres, online and mobile banking platforms and almost 1,400 ABMs across eight states
- 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 markets across 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 financial services provider offering a complete range of products and services to corporate, institutional and government clients
- ~2,400 professionals in 30 locations around the world, 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

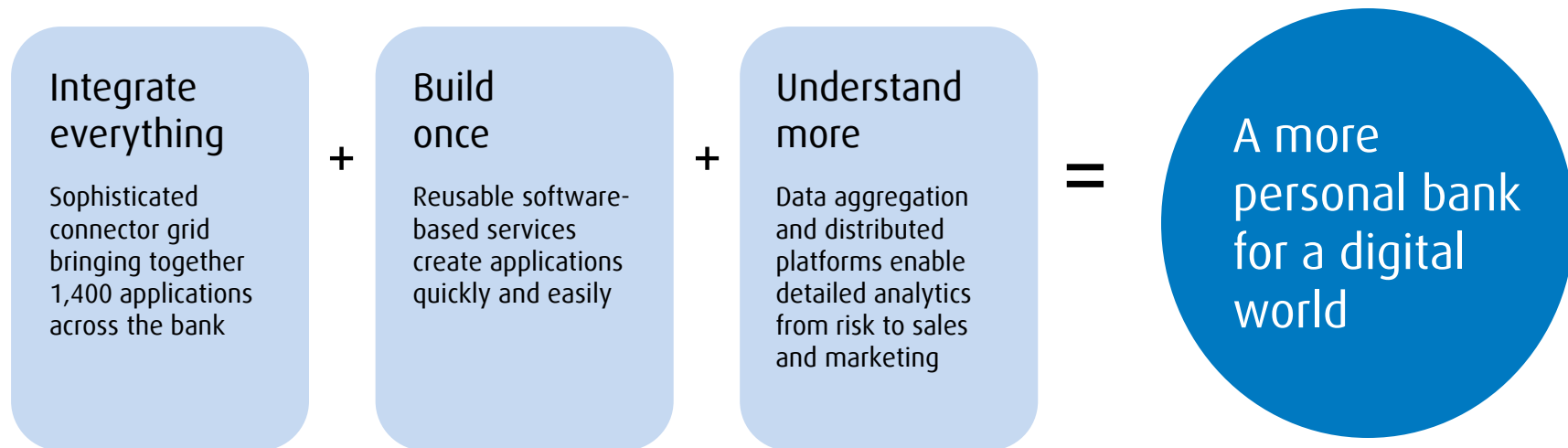
<sup>2</sup> Reported net income by operating group (excludes Corporate Services), last twelve months (LTM): Canadian P&C 42%, U.S. P&C 19%, BMO WM 15%, BMO CM 24%. By geography (LTM): Canada 72%, U.S. 23%, Other 5%. For details on adjustments refer to slide 37

# Digital technology is transforming our business

Extended technology capabilities delivering against a clear set of goals:

- Personalized, intuitive applications
- A 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:





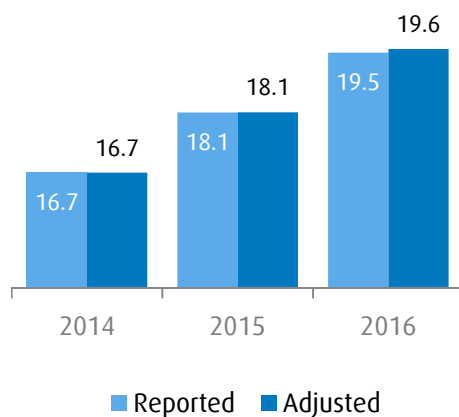
# Strong financial performance and shareholder returns

## Dividends Declared (\$ per share)

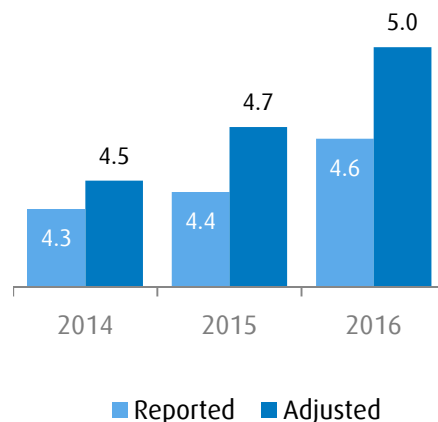


- Quarterly dividend of \$0.88 per share, up 5% Y/Y
- Dividend yield of 3.5%<sup>1</sup>
- BMO has the longest running dividend payout record of any company in Canada, at 188 years
- Target dividend payout 40-50%
  - Q1'17 payout of 39.5%

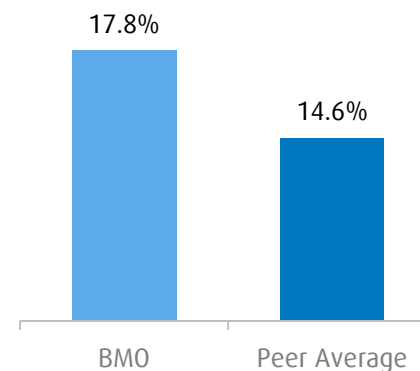
## Net Revenue (C\$B)



## Net Income (C\$B)



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

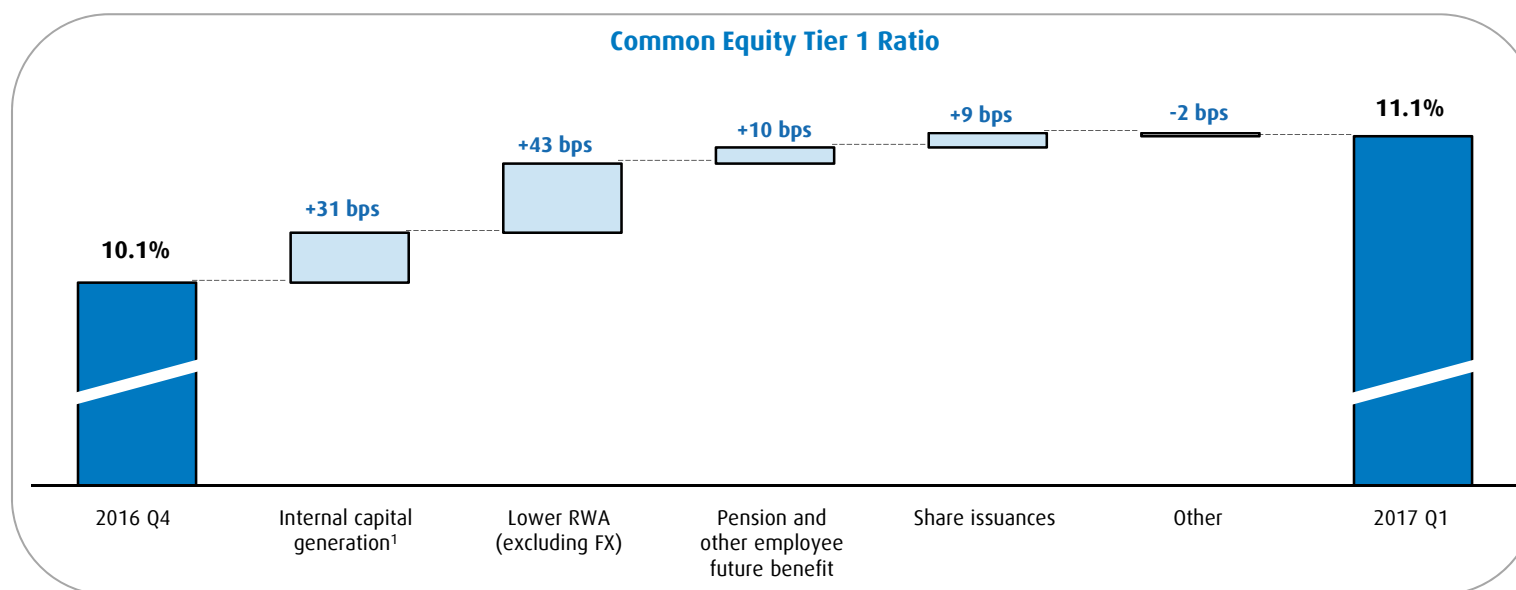


- BMO's average annual return of 17.8% over the past 3 years has outperformed our Canadian bank peer group average and was above the 7.1% return for the S&P/TSX

<sup>1</sup> Annualized based on Q2'17 declared dividend of \$0.88 per share, March 31, 2017 share price  
<sup>2</sup> As of January 31, 2017

# Strong Capital Position

Well capitalized with CET1 Ratio at 11.1%



Basis points may not add due to rounding

- Q1'17 CET1 Ratio of 11.1%, up from 10.1% at Q4'16 due to:
  - Strong earnings in the quarter
  - Lower source currency RWA which principally reflects the benefit from a focus on managing certain risk positions and executing on risk mitigation opportunities, as well as methodology changes
  - Lower pension and other employee plan obligation impacts and higher share issuance driven by DRIP discount. The impact of FX movements on the CET1 ratio was largely offset

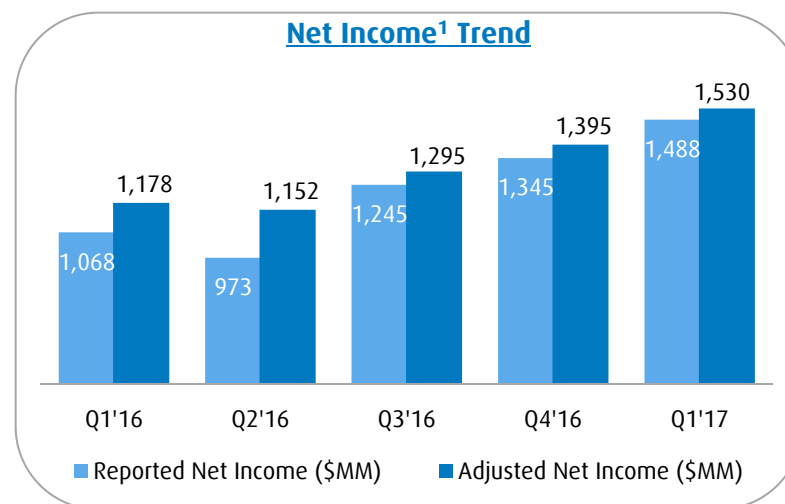
<sup>1</sup> Internal capital generation represents retained earnings growth

# Q1 2017 - Financial Highlights

## Strong results with good underlying performance and positive operating leverage

- Reported net income of \$1.5B up 39% Y/Y; EPS of \$2.22 up 40% Y/Y
- Adjusted<sup>1</sup> net income of \$1.5B and EPS of \$2.28, both up 30% Y/Y
- Results include net gain of \$133MM from sale of Moneris US<sup>2</sup> (\$168MM) net of loss on sale of a portion of US indirect auto portfolio (\$35MM); net gain contributed 11% to adjusted<sup>1</sup> net income growth Y/Y (12% reported) and \$0.20 to EPS
- Adjusted net revenue<sup>1,3</sup> up 13% Y/Y (reported<sup>3</sup> up 15%); net gain contributed ~3% to revenue growth
- Adjusted<sup>1</sup> expenses up 4% Y/Y (reported up 3%)
- Positive adjusted operating leverage<sup>1,3</sup> of 9.1% (reported<sup>3</sup> 11.4%); net gain contributed ~3% to operating leverage
- PCL of \$173MM down \$10MM Y/Y
- Adjusted<sup>1</sup> ROE of 15.3%, ROTCE<sup>4</sup> of 18.6% (reported ROE 14.9%, ROTCE<sup>4</sup> 18.5%)

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q1 17	Q4 16	Q1 16	Q1 17	Q4 16	Q1 16
Net Revenue <sup>2</sup>	5,401	5,199	4,709	5,401	5,199	4,793
PCL	173	174	183	173	174	183
Expense	3,379	3,323	3,270	3,320	3,255	3,204
<b>Net Income</b>	<b>1,488</b>	<b>1,345</b>	<b>1,068</b>	<b>1,530</b>	<b>1,395</b>	<b>1,178</b>
Diluted EPS (\$)	2.22	2.02	1.58	2.28	2.10	1.75
ROE (%)	14.9	13.8	10.9	15.3	14.4	12.1
ROTCE <sup>3</sup> (%)	18.5	17.2	14.0	18.6	17.5	15.0
CET1 Ratio (%)	11.1	10.1	10.0			



<sup>1</sup> See slide 37 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Our joint venture investment, Moneris Solutions Corporation, sold its U.S. subsidiary (Moneris US) during the quarter. The \$168MM after-tax represents our share of the gain on sale of Moneris US

<sup>3</sup> Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Reported gross revenue: Q1'17 \$5,405MM; Q4'16 \$5,278MM; Q1'16 \$5,075MM. Operating leverage based on net revenue

<sup>4</sup> Adjusted Return on tangible common equity (ROTCE) = (Annualized Adjusted Net Income avail. to Common Shareholders) / (Average Common shareholders equity less Goodwill and acquisition-related intangibles net of associated deferred tax liabilities). Numerator for Reported ROTCE is (Annualized Reported Net Income avail. to Common Shareholders less after-tax amortization of acquisition-related intangibles)

# Operating Groups

# Canadian Personal & Commercial Banking

## Strengths and Value Drivers

- Highly engaged team of dedicated employees focused on providing a personalized banking experience
- #2 market share for business loans up to \$25 million with lending and deposit growth of 10% and 6% respectively in our commercial banking business
- Largest MasterCard® issuer in Canada for both retail and commercial cards
- Consistently applied credit risk management practices, providing reliable access to appropriate financing solutions

## Our Strategic Priorities

### **Focused on capturing key growth and loyalty opportunities while capitalizing on the shift to digital channels to achieve greater efficiency**

- Continue to focus on improving customer loyalty by deepening relationships
  - In personal banking, deliver a leading customer experience leveraging new digital channels and existing networks
  - In commercial banking, target opportunities through diversification and product expansion
- Accelerate our digital capabilities to deliver a seamless customer experience
- Continue strengthening risk management practices and enhancing automation capabilities while delivering a great customer experience

## Recent Accomplishments



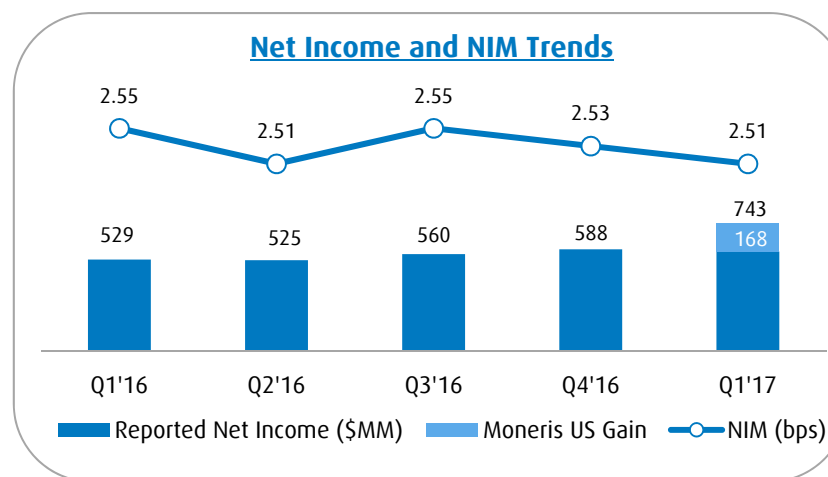
- Launched a new digital capability that allows customers to open an account in minutes using their smartphone; now extended capability to online channel
- Launched biometric security enhancements to select corporate card customers with MasterCard Identity Check™
- Named Best Commercial Bank in Canada by *World Finance Magazine* for the second consecutive year

# Canadian Personal & Commercial Banking

## Good performance with continued positive operating leverage

- Net income up 40% Y/Y; the gain on sale of Moneris US (\$168MM)<sup>2</sup> contributed 31%
- Revenue up 15% Y/Y reflecting higher non-interest revenue, including gain of \$187MM and higher balances, partially offset by lower NIM; the gain contributed 11% to revenue growth
- NIM down 4bps Y/Y and 2bps Q/Q
- Average loans up 5% (personal<sup>3</sup> 4%, commercial<sup>3</sup> 9%) and deposits up 8% Y/Y (personal 8%, commercial 6%)
- PCL down \$22MM Y/Y and \$5MM Q/Q
- Expenses up 3% Y/Y
- Adjusted<sup>1</sup> and reported operating leverage of 11.5%; gain on sale contributed ~10.8% to operating leverage
- Efficiency ratio of 45.5%, including gain on sale benefit of ~4.7%

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q1 17	Q4 16	Q1 16	Q1 17	Q4 16	Q1 16
Revenue (teb)	<b>1,979</b>	1,802	1,725	<b>1,979</b>	1,802	1,725
PCL	<b>118</b>	123	140	<b>118</b>	123	140
Expenses	<b>901</b>	886	872	<b>900</b>	885	871
<b>Net Income</b>	<b>743</b>	<b>588</b>	<b>529</b>	<b>744</b>	<b>588</b>	<b>530</b>



<sup>1</sup> See slide 37 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Our joint venture investment, Moneris Solutions Corporation, sold its U.S. subsidiary (Moneris US) during the quarter. The \$168MM after-tax represents our share of the gain on sale of Moneris US

<sup>3</sup> Personal loan growth excludes retail cards and commercial loan growth excludes corporate cards

# U.S. Personal & Commercial Banking

## Strengths and Value Drivers

- Rich heritage of 170 years in the U.S. Midwest, with a deep commitment to our communities and helping our customers succeed
- Unique, differentiated platform for profitable growth with 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 risk management and compliance framework to manage within our risk appetite and respond to regulatory expectations

## Our Strategic Priorities

**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**

- Continue to build market share and expand into high opportunity segments, drive customer acquisition through enhanced value proposition, while focusing on consistent service delivery and developing expert bankers
- Build digital capabilities to align to customer behaviour and market demand
- Continue to deepen market share in our flagship businesses
- Focus on effectively controlling potential risks related to new digital capabilities to safeguard customer identity and personal information

## Recent Accomplishments



- Presented with the 2016 Corporate Citizen of the Year Award by *BizTimes Milwaukee*
- Launched a customer insight tool to generate intuitive and meaningful individualized offers and services to help deepen customer relationships
- Introduced a new U.S. Enterprise Wire Payment system to deliver a flexible, faster and more efficient platform for customers

# U.S. Personal & Commercial Banking

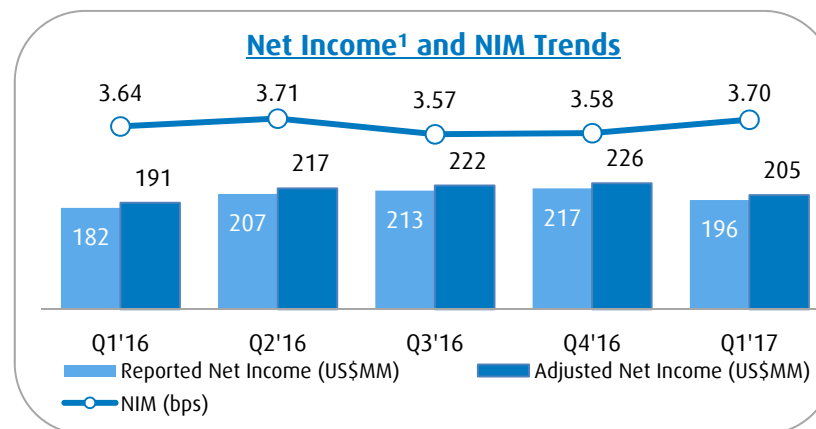
## Good net income growth with higher net interest margin

- Adjusted<sup>1</sup> net income of \$272MM, up 3% Y/Y (reported \$260MM, up 4%)

Figures that follow are in U.S. dollars

- Adjusted<sup>1</sup> net income up 7% Y/Y (reported 8%) driven by higher deposit revenue and loan growth; includes negative impact on growth of ~14% (reported ~15%) from loss on sale of indirect auto loans (\$27MM)
- Revenue up 3% Y/Y; includes negative impact of ~5% from loan sale
- NIM up 12 bps Q/Q and 6 bps Y/Y due to loan sale and higher rates
- Average loans and acceptances up 6% and deposits up 3% Y/Y; continued strong organic commercial loan growth of 14%
- Expenses up 5% Y/Y
- PCL down 5% Y/Y
- Adjusted<sup>1</sup> operating leverage (1.6)% (reported (1.3)%), including negative ~5.3% impact from loan sale
- Adjusted<sup>1</sup> efficiency ratio of 63.6% (reported 65.0%), including negative ~3.1% impact from loan sale

(US\$MM)	Reported			Adjusted <sup>1</sup>		
	Q1 17	Q4 16	Q1 16	Q1 17	Q4 16	Q1 16
Revenue (teb)	856	909	828	856	909	828
PCL	45	50	47	45	50	47
Expenses	556	559	531	544	546	518
<b>Net Income</b>	<b>196</b>	<b>217</b>	<b>182</b>	<b>205</b>	<b>226</b>	<b>191</b>



<sup>1</sup> See slide 37 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information



# BMO Wealth Management

## Strengths and Value Drivers

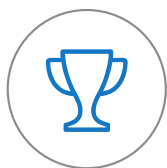
- Planning and advice-based approach that integrates investment, insurance, specialized wealth management and core banking solutions
- Strong presence in North America, globally in asset management and in private banking in select markets, including Europe and Asia
- Diversified portfolio of digital investment solution platforms ranging from self-directed investing to professional money management
- Strong risk management framework to enable us to operate within our risk appetite and respond to heightened regulatory expectations

## Our Strategic Priorities

**Deliver on our clients' wealth management needs now and into the future by enhancing the client experience, while focusing on innovation and productivity, increasing collaboration across BMO and maintaining a strong risk management framework**

- Invest in market-leading product innovations and wealth planning solutions tailored to meeting clients' evolving needs
- Continue to improve productivity through digitalization and process transformation
- Increase collaboration within BMO Wealth Management and across the bank to deliver exceptional client experience

## Recent Accomplishments



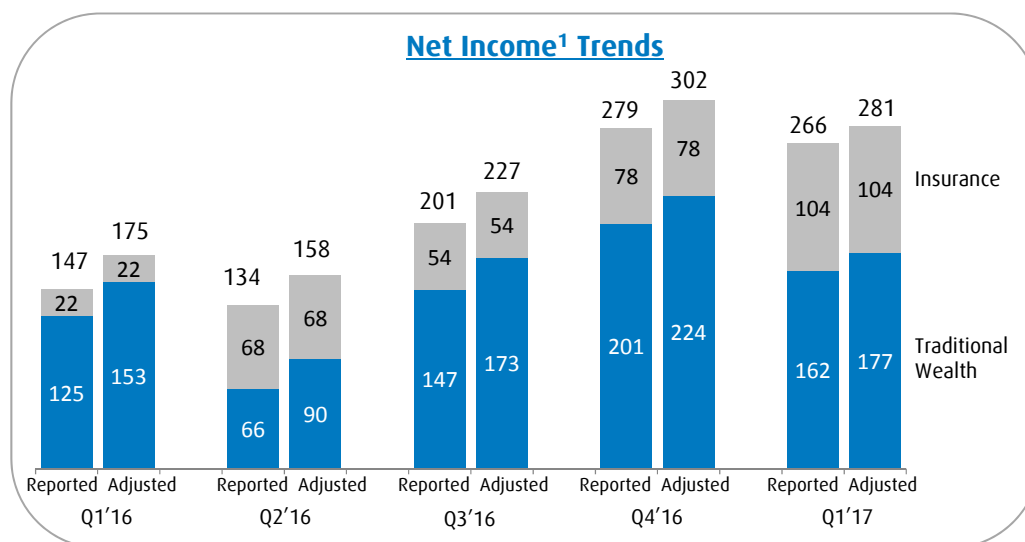
- Launched BMO SmartFolio®, Canada's first bank-owned digital portfolio management platform
- Best Online Brokerage for BMO InvestorLine by *Morningstar*
- Best Private Client Investment Platform for CTC | myCFO by *Private Asset Management Magazine*
- Best New ETF Issuer and Best New Fixed Income ETF for BMO Global Asset Management EMEA by *ETF.com*
- Best Domestic Private Bank for BMO Private Banking by *Global Financial Market Review*

# BMO Wealth Management

## Strong Y/Y results in both Traditional Wealth and Insurance

- Adjusted<sup>1</sup> net income of \$281MM, up 60% Y/Y (reported \$266MM, up 81% Y/Y)
  - Traditional Wealth adjusted<sup>1</sup> results up 16% Y/Y (reported up 30%) from improved market conditions and business growth
  - Insurance earnings up Y/Y due to a benefit from favourable market movements relative to a year ago and business growth
- Net revenue<sup>2</sup> up 13% Y/Y due to higher Insurance revenue, better markets and business growth
- Expenses down Y/Y due to favourable FX impact and productivity savings, partially offset by higher revenue-based costs
- AUM/AUA flat Y/Y with improved equity markets offset by unfavourable FX impact

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q1 17	Q4 16	Q1 16	Q1 17	Q4 16	Q1 16
Net Revenue <sup>2</sup>	1,208	1,203	1,071	1,208	1,203	1,071
PCL	2	1	2	2	1	2
Expenses	854	833	878	835	804	842
<b>Net Income (NI)</b>	<b>266</b>	<b>279</b>	<b>147</b>	<b>281</b>	<b>302</b>	<b>175</b>
Traditional Wealth NI	162	201	125	177	224	153
Insurance NI	104	78	22	104	78	22
AUM/AUA (\$B)	865	875	864	865	875	864



1 See slide 37 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

2 For purposes of this slide revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Gross revenue: Q1'17 \$1,212MM, Q4'16 \$1,282MM, Q1'16 \$1,437MM

# BMO Capital Markets

## Strengths and Value Drivers

- Unified coverage and integrated distribution across our North American platform and complementary global footprint
- Top-ranked Canadian equity and fixed income economic research, sales and trading capabilities with deep expertise in core sectors
- Well-diversified platform and business mix, by sector, geography, product and currency, positioning BMO well in several key markets and over the long term
- Strong first-line-of-defence risk management and regulatory and compliance capabilities, enabling effective decision-making in support of our strategic priorities

## Our Strategic Priorities

**Aim to be a lead North American investment bank enabling clients to achieve their goals. We offer an integrated platform, differentiated by innovative ideas and unified coverage**

- Maintain market leadership in Canada by deepening our client relationships and driving incremental market share growth
- Leverage our key strategic investments to increase growth from our U.S. platform
- Continue to leverage our strong North American and global capabilities to deepen our presence and strategic relationships in select international markets

## Recent Accomplishments



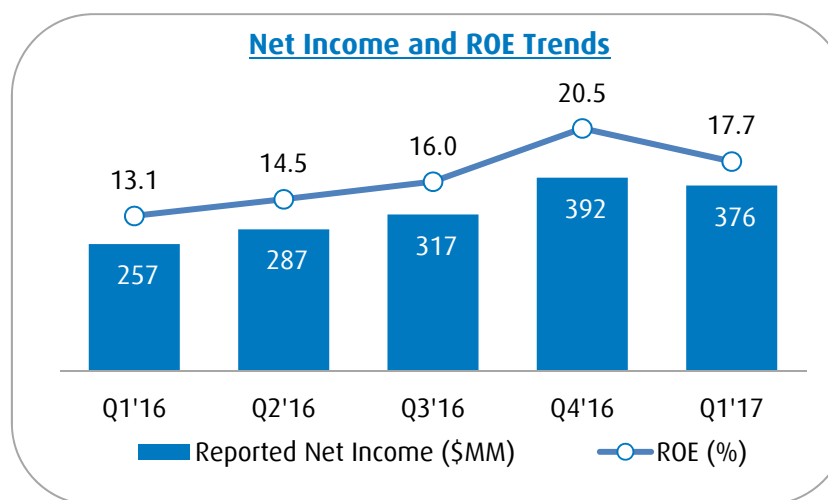
- Ranked #1 (tied) as a 2016 Greenwich Quality Leader in Overall Canadian Fixed Income, Canadian Fixed Income Sales, Canadian Fixed Income Research and Canadian Fixed Income Trading by *Greenwich Associates*
- World's Best Metals & Mining Investment Bank for seven consecutive years by *Global Finance*
- Best Trade Bank in Canada at the 2016 *Trade Finance Magazine Awards*
- Best Bank for the Canadian Dollar for the sixth consecutive year by *FX Week*

# BMO Capital Markets

## Strong Y/Y net income growth and continued positive operating leverage

- Adjusted<sup>1</sup> and reported net income up 46% Y/Y, reflecting strong performance across our diversified businesses
- Revenue up 21% Y/Y with strong Trading Products results and growth in Investment and Corporate Banking
- Expense growth of 9% Y/Y reflecting higher employee costs, in-line with performance
- PCL improved Y/Y due to higher recoveries
- Adjusted<sup>1</sup> and reported efficiency ratio of 58.8%
- Continued positive adjusted<sup>1</sup> operating leverage of 11.7% (11.6% reported)

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q1 17	Q4 16	Q1 16	Q1 17	Q4 16	Q1 16
Trading Products	779	659	589	779	659	589
I&CB	449	520	426	449	520	426
Revenue (teb)	1,228	1,179	1,015	1,228	1,179	1,015
PCL (recovery)	(4)	(8)	8	(4)	(8)	8
Expenses	722	660	661	721	660	661
<b>Net Income</b>	<b>376</b>	<b>392</b>	<b>257</b>	<b>376</b>	<b>392</b>	<b>257</b>



<sup>1</sup> See slide 37 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

# Risk Overview

# Risk Management

We have a disciplined and integrated approach to risk

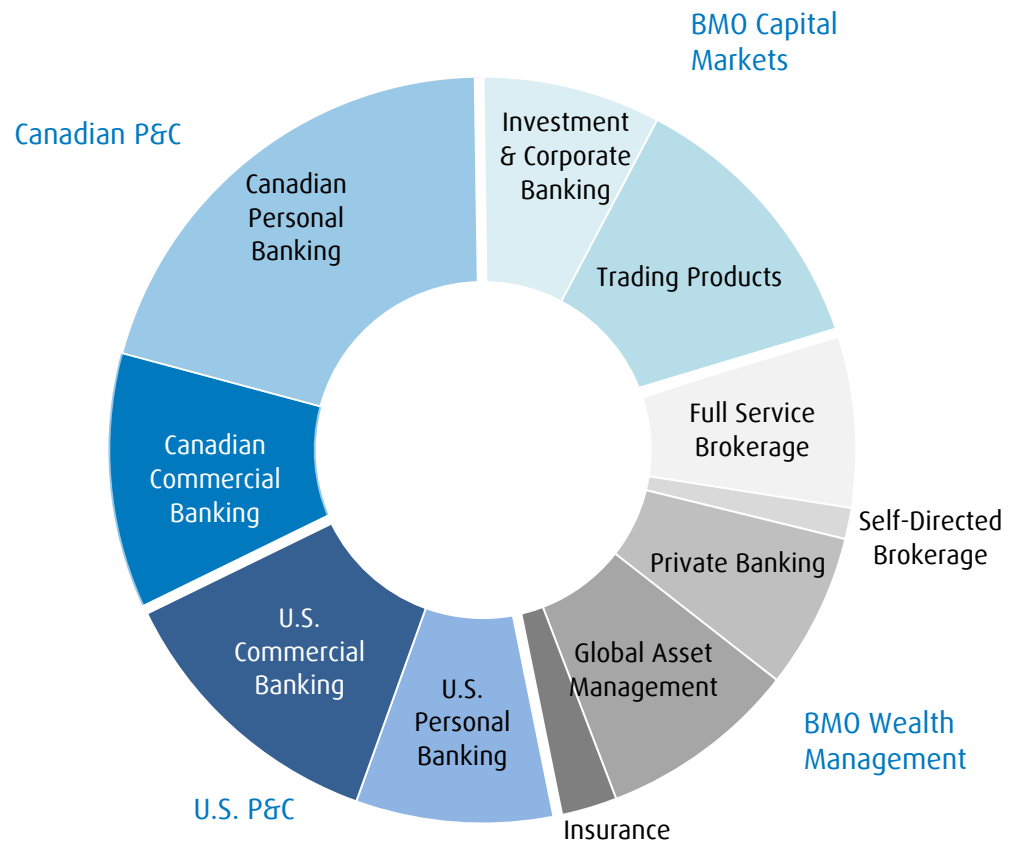
## Our Approach to Risk Management

- 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 integrated into strategic planning and the ongoing management of businesses and risks
- Sustained mindset of continuous improvement to drive consistency and efficiency in the management of risk

## Diversified Sources of Revenue<sup>1</sup>



<sup>1</sup> Based on F2016 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	104.0	8.5	112.5	30%
Consumer Instalment and Other Personal	50.8	10.7	61.5	17%
Cards	7.4	0.5	7.9	2%
<b>Total Consumer</b>	<b>162.1</b>	<b>19.7</b>	<b>181.8</b>	<b>49%</b>
Financial Institutions	18.0	19.4	37.4	10%
Service Industries	14.9	19.3	34.2	9%
Commercial Real Estate	15.1	9.1	24.2	7%
Manufacturing	5.9	12.7	18.6	5%
Retail Trade	9.7	8.1	17.8	5%
Wholesale Trade	4.1	7.1	11.2	3%
Agriculture	8.5	2.4	10.9	3%
Transportation	2.0	8.2	10.2	3%
Oil & Gas	4.2	2.8	7.0	2%
Mining	1.1	0.3	1.4	0%
Other Businesses and Governments <sup>2</sup>	9.2	4.9	14.1	4%
<b>Total Businesses and Governments</b>	<b>92.7</b>	<b>94.3</b>	<b>187.0</b>	<b>51%</b>
<b>Total Gross Loans &amp; Acceptances</b>	<b>254.8</b>	<b>114.0</b>	<b>368.8</b>	<b>100%</b>

1 Total Businesses and Governments includes ~\$13.2B from Other Countries

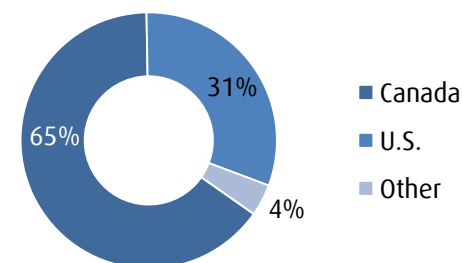
2 Other Businesses and Governments includes all industry segments that are each <2% of total loans, except Mining, which is shown separately

3 Gross loans and acceptances as of January 31, 2017

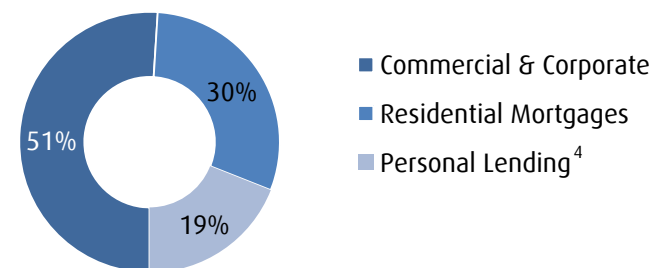
4 Including cards

5 Average net loans and acceptances as of January 31, 2017

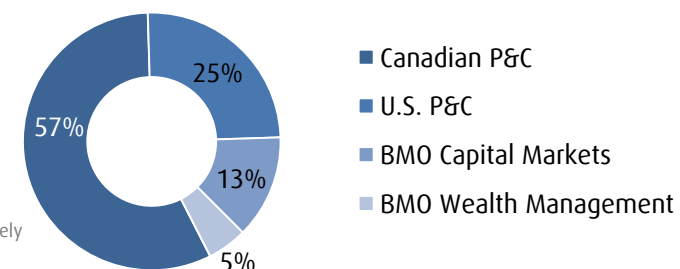
## Loans by Geography<sup>3</sup>



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



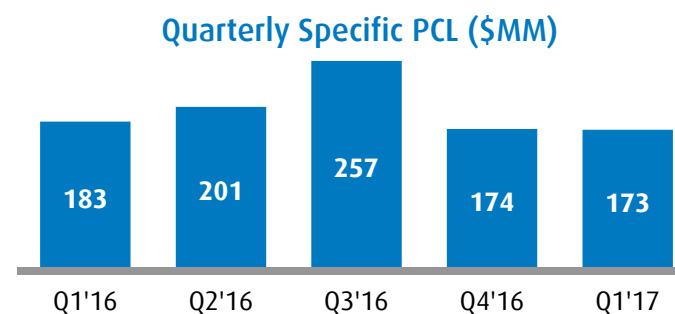
## Loans by Operating Group<sup>5</sup>



## Provision for Credit Losses (PCL)

PCL By Operating Group (C\$MM)	Q1 16	Q4 16	Q1 17
Consumer – Canadian P&C	113	102	98
Commercial – Canadian P&C	27	21	20
<b>Total Canadian P&amp;C</b>	<b>140</b>	<b>123</b>	<b>118</b>
Consumer – U.S. P&C	48	6	26
Commercial – U.S. P&C	17	60	34
<b>Total U.S. P&amp;C</b>	<b>65</b>	<b>66</b>	<b>60</b>
<b>Wealth Management</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Capital Markets</b>	<b>8</b>	<b>(8)</b>	<b>(4)</b>
<b>Corporate Services</b>	<b>(32)</b>	<b>(8)</b>	<b>(3)</b>
<b>Specific PCL</b>	<b>183</b>	<b>174</b>	<b>173</b>
Change in Collective Allowance	-	-	-
<b>Total PCL</b>	<b>183</b>	<b>174</b>	<b>173</b>
<b>PCL in bps</b>	<b>21</b>	<b>19</b>	<b>19</b>

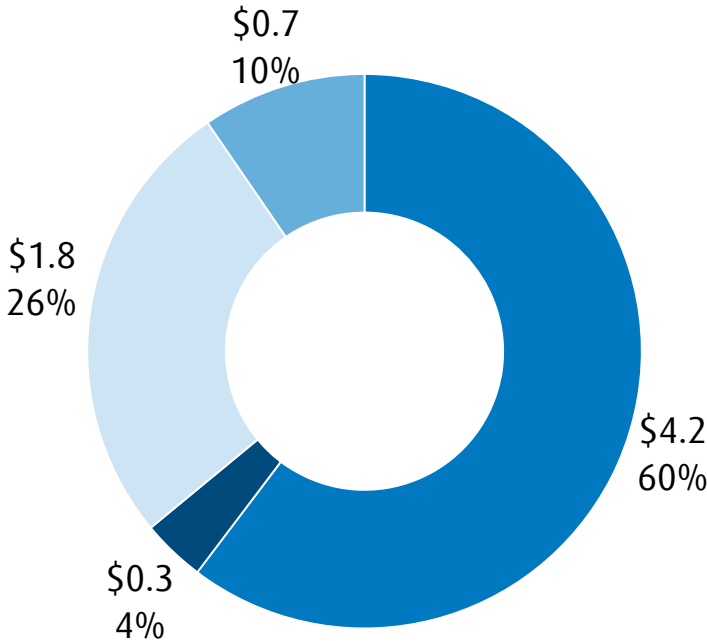
- Q1'17 PCL ratio at 19 bps, flat Q/Q





# Oil and Gas and Alberta Consumer Portfolios

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



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

## Oil and Gas – Corporate/Commercial

- Oil and Gas exposure of \$7.0B in gross loans and \$8.8B in undrawn<sup>1</sup>, with ~50% of exposure investment grade
- Portfolio represents 2% of total bank loans

## Consumer Exposure in Alberta

- Alberta consumer loans represent 6% of total bank loans of which over 80% are Real Estate Secured (RESL)
  - ~60% of Alberta RESL is insured
  - 56% Loan-to-value (LTV) on uninsured RESL

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

# Canadian Residential Mortgages

- Total Canadian residential mortgage portfolio at \$103.9B
  - 57% of the portfolio is insured
  - Loan-to-value (LTV)<sup>1</sup> on the uninsured portfolio is 54%
  - 70% of the portfolio has an effective remaining amortization of 25 years or less
  - Loss rates for the trailing 4 quarter period were less than 1 bp
  - 90 day delinquency rate remains good at 24 bps
  - Condo Mortgage portfolio is \$14.8B with 50% insured

Residential Mortgages by Region (\$B)	Insured	Uninsured	Total	% of Total	Uninsured LTV <sup>1</sup>
Atlantic	3.7	1.7	5.4	5%	59%
Quebec	9.3	5.6	14.9	14%	62%
Ontario	24.5	19.6	44.1	42%	54%
Alberta	11.5	4.6	16.1	16%	61%
British Columbia	7.7	11.8	19.5	19%	48%
All Other Canada	2.5	1.4	3.9	4%	56%
<b>Total Canada</b>	<b>59.2</b>	<b>44.7</b>	<b>103.9</b>	<b>100%</b>	<b>54%</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

# Appendix

# Economic Outlook and Indicators<sup>1</sup>

Economic Indicators (%) <sup>1, 2</sup>	Canada			United States			Eurozone		
	2015	2016E <sup>2</sup>	2017E <sup>2</sup>	2015	2016E <sup>2</sup>	2017E <sup>2</sup>	2015	2016E <sup>2</sup>	2017E <sup>2</sup>
GDP Growth	0.9	1.4	2.5	2.6	1.6	2.4	1.9	1.7	1.5
Inflation	1.1	1.4	2.0	0.1	1.3	2.8	0.0	0.2	1.5
Interest Rate (3mth Tbills)	0.53	0.49	0.50	0.05	0.32	0.90	(0.02)	(0.28)	(0.35)
Unemployment Rate	6.9	7.0	6.6	5.3	4.9	4.4	10.9	10.0	9.8
Current Account Balance / GDP <sup>3</sup>	(3.4)	(3.3)	(1.6)	(2.6)	(2.6)	(3.0)	3.9	4.1	4.0
Budget Surplus / GDP <sup>3</sup>	0.0	(1.1)	(1.4)	(2.5)	(3.2)	(2.9)	(2.1)	(1.8)	(1.5)

## Canada

- Economic growth is expected to improve to 2.5% in 2017 from 1.4% in 2016, as the downturn in the oil industry subsides and as exports increase in response to the low-valued Canadian dollar and firmer U.S. demand
- The Bank of Canada is expected to keep policy rates steady in 2017 amid calm inflation pressures
- The Canadian dollar will likely weaken against the U.S. dollar in 2017 as U.S. interest rates move higher, though firmer oil prices will provide support

## United States

- Economic growth is projected to strengthen to 2.4% in 2017 from 1.6% in 2016 due to fiscal stimulus, an upswing in business investment, and ongoing strength in consumer spending and housing markets
- The unemployment rate is expected to fall to 4.3% by year-end 2017
- The Federal Reserve will likely raise interest rates two more times in 2017, extending the recent upturn in bond yields

<sup>1</sup> This slide contains forward looking statements. See caution on slide 2

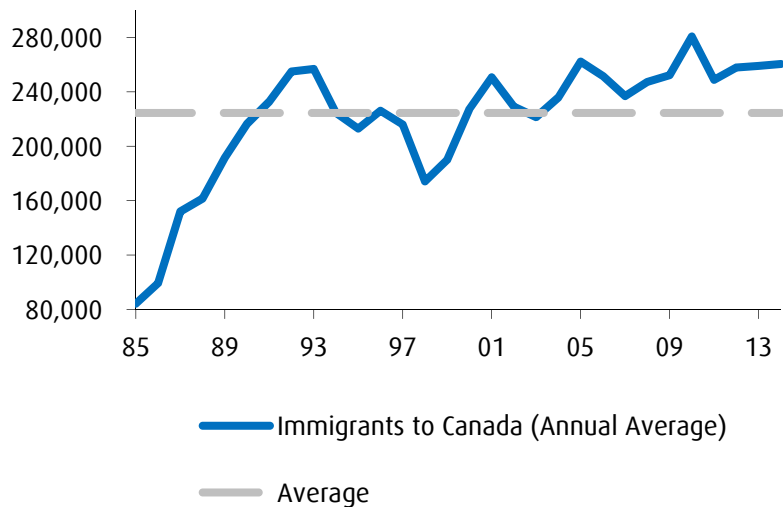
<sup>2</sup> Data is annual average. Estimates as of March 31, 2017

<sup>3</sup> Eurozone estimates provided by OECD

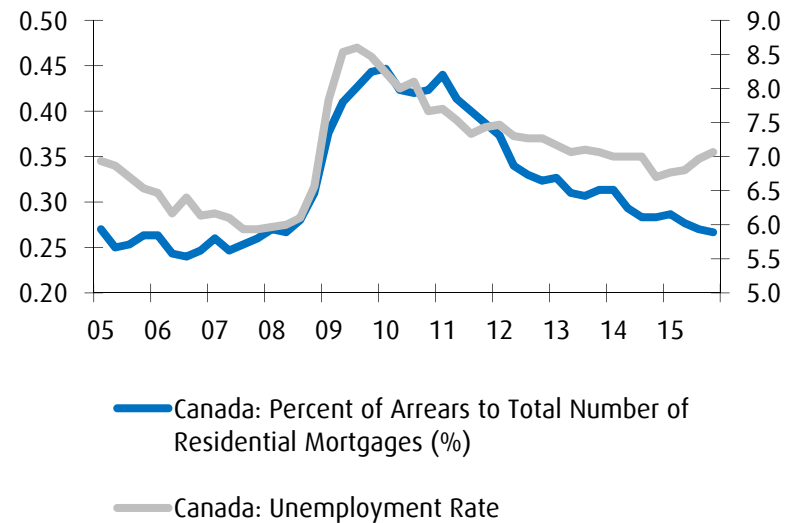
# Canada's housing market remains resilient

- Steady immigration, young buyers, low mortgage rates and foreign wealth continue to drive home sales
- Toronto prices accelerating, raising concerns about overheating; Vancouver prices have declined moderately
- Earlier weakness in the energy-producing provinces is stabilizing amid higher oil prices
- Most regions are expected to see modestly rising home prices in 2017
- Mortgage arrears remain near record lows, despite an upturn in Alberta and Saskatchewan
- The increase in the household debt-to-income ratio has slowed but remains elevated because of strong mortgage growth

## Immigration to Canada



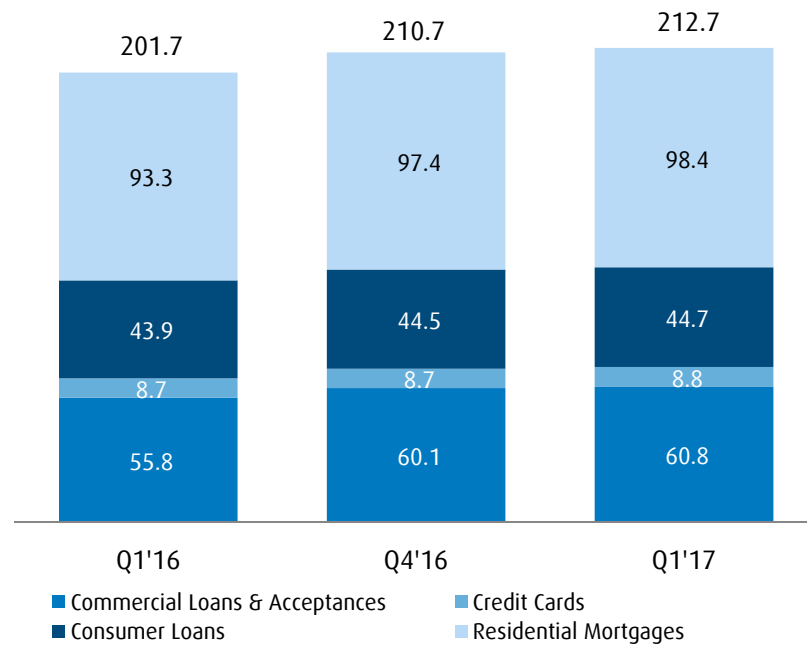
## Mortgage Delinquencies/Unemployment



Source: BMO CM Economics and Canadian Bankers' Association as of March 31, 2017  
 This slide contains forward looking statements. See caution on slide 2

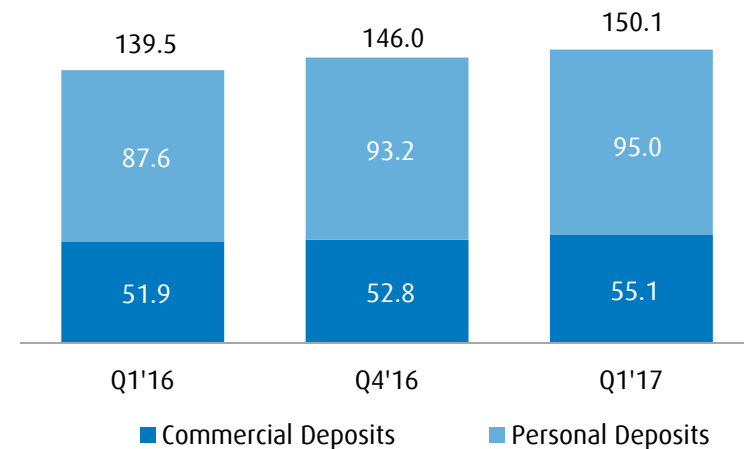
# Canadian Personal and Commercial Banking - Balances

## Average Loans & Acceptances (\$B)



- Loan growth of 5% Y/Y
  - Mortgages up 5%
  - Consumer loan balances up 2%
  - Commercial loan balances<sup>1</sup> up 9%

## Average Deposits (\$B)

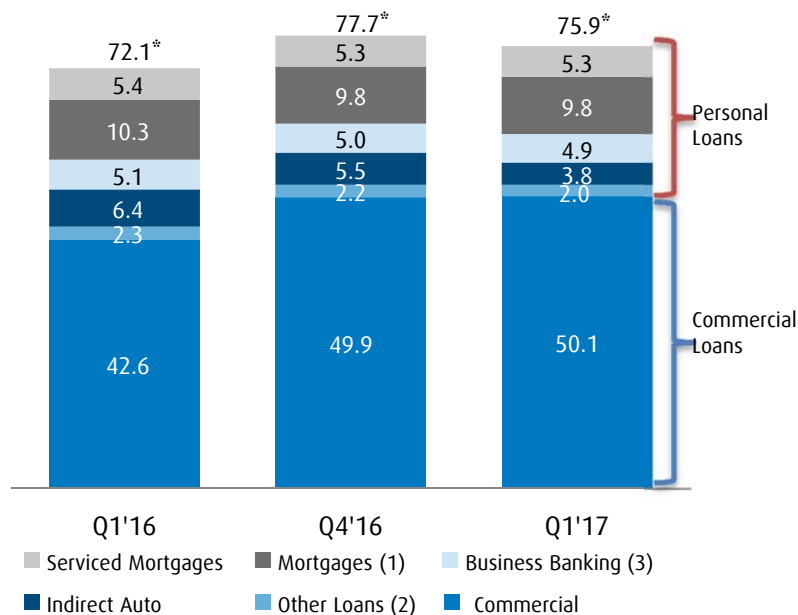


- Deposit growth of 8% Y/Y
  - Personal deposit balances up 8% including strong chequing account growth
  - Commercial deposit balances up 6%

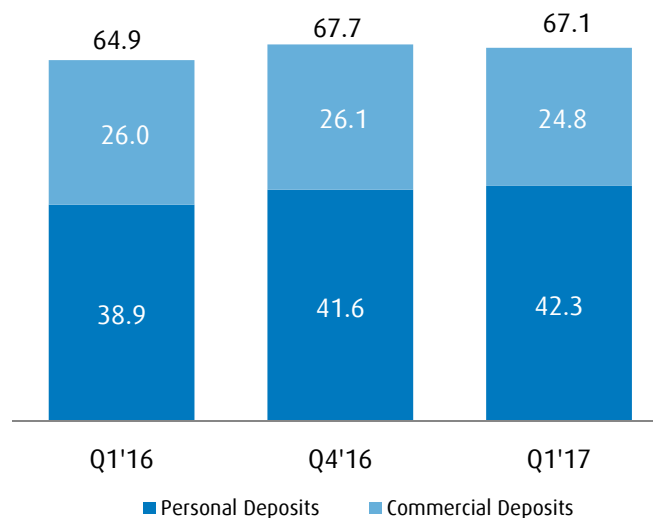
<sup>1</sup> Commercial lending growth excludes corporate cards. Corporate cards balances approximately 7% of total credit card portfolio in Q1'17, Q4'16 and Q1'16

# U.S. Personal & Commercial Banking – Balances

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



## Average Deposits (US\$B)



- Commercial loans up 18% Y/Y
- Indirect Auto down 41% Y/Y due to a strategic decision to reduce the portfolio including a sale of loans in the current quarter

- Personal deposit balances up 9% Y/Y
  - Chequing balances up 2% Y/Y
  - Money market balances up 7% Y/Y

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

1 Mortgages include Wealth Management Mortgages (Q1'17 \$1.9B, Q4'16 \$1.9B, Q1'16 \$1.8B) and Home Equity (Q1'17 \$3.5B, Q4'16 \$3.6B, Q1'16 \$3.9B)

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

3 Business Banking includes Small Business

# Gross Impaired Loans (GIL) and Formations

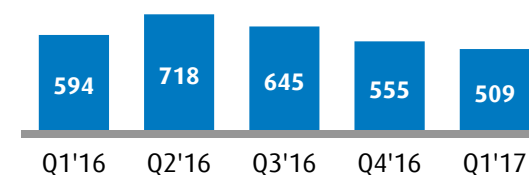
By Industry (C\$MM)	Formations			Gross Impaired Loans		
	Canada & Other	U.S.	Total	Canada & Other <sup>1</sup>	U.S.	Total
<b>Consumer</b>	<b>181</b>	<b>106</b>	<b>287</b>	<b>378</b>	<b>568</b>	<b>946</b>
Oil & Gas	4	2	6	55	272	327
Agriculture	18	41	59	71	186	257
Manufacturing	27	15	42	49	115	164
Service Industries	2	52	54	26	123	149
Transportation	1	38	39	7	103	110
Wholesale Trade	1	0	1	20	48	68
Commercial Real Estate	15	1	16	35	21	56
Construction (non-real estate)	0	1	1	6	35	41
Retail Trade	1	1	2	13	10	23
Financial Institutions	0	0	0	2	11	13
Mining	0	0	0	1	1	2
Other Businesses and Governments <sup>2</sup>	0	2	2	12	28	40
<b>Total Businesses and Governments</b>	<b>69</b>	<b>153</b>	<b>222</b>	<b>297</b>	<b>953</b>	<b>1,250</b>
<b>Total Bank</b>	<b>250</b>	<b>259</b>	<b>509</b>	<b>675</b>	<b>1,521</b>	<b>2,196</b>

<sup>1</sup> Total Businesses and Governments includes ~\$2MM GIL from Other Countries

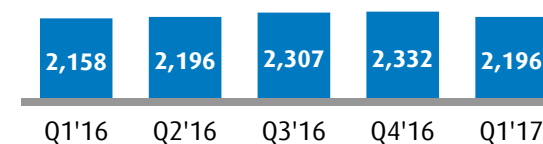
<sup>2</sup> Other Businesses and Governments includes industry segments that are each <1% of total GIL

- Impaired formations down \$46MM Q/Q
- GIL ratio 60 bps, down 2 bps Q/Q

Formations (\$MM)

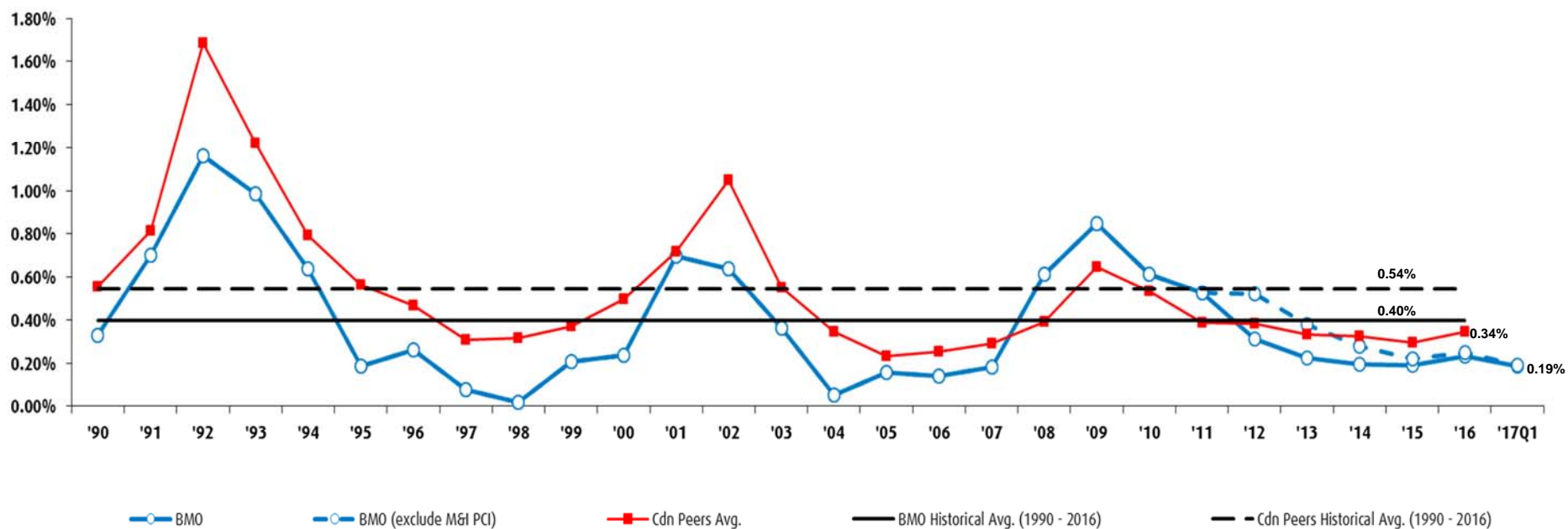


Gross Impaired Loans (\$MM)



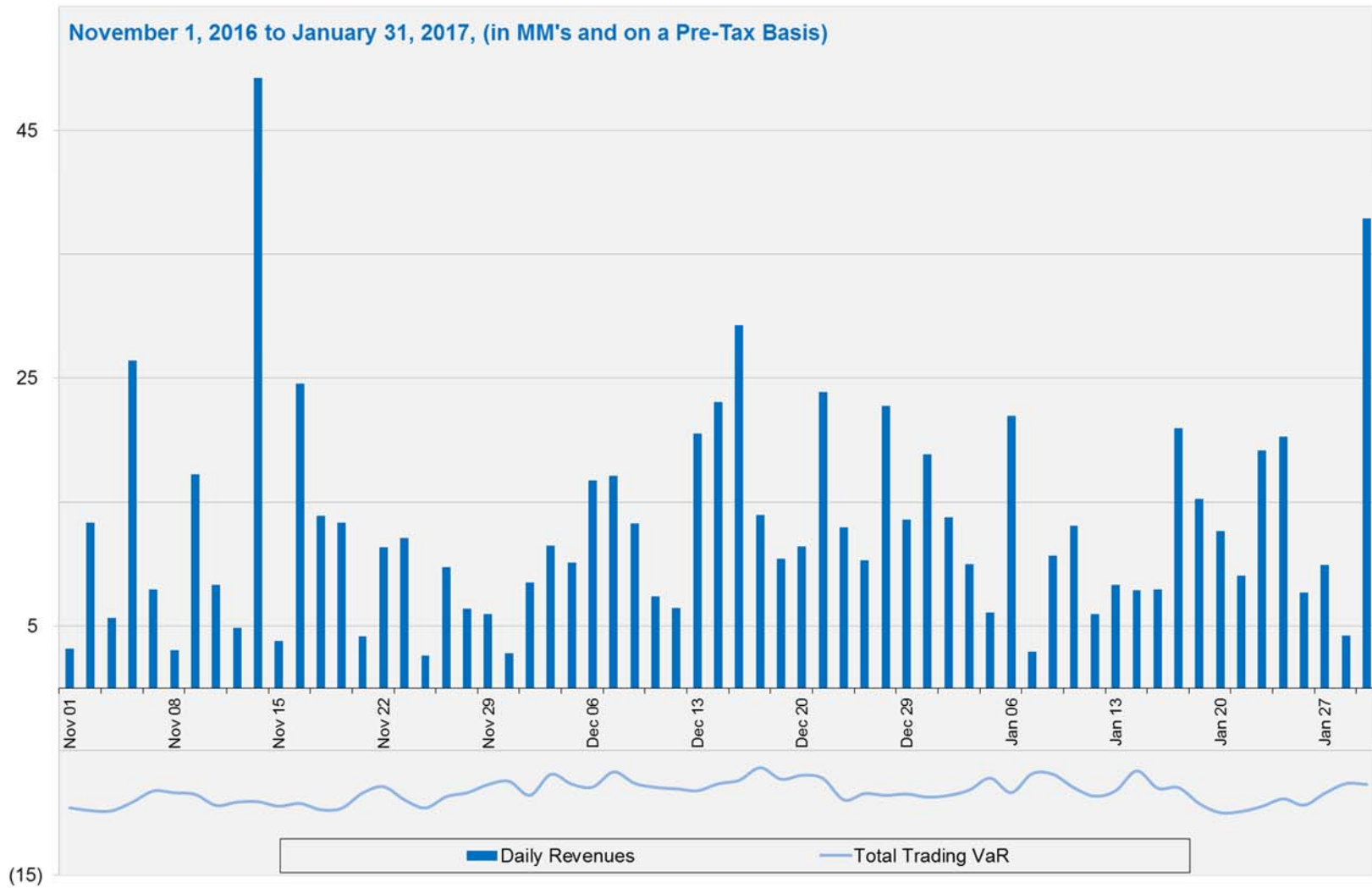


# Historical specific PCL as a percentage of average net loans and acceptances



- (1) Specific provisions excludes changes to the collective allowance
- (2) Effective Q1'12 PCL include the impact of IFRS accounting treatment and F2011 comparatives have been restated accordingly
- (3) Peer ratios calculated using publicly disclosed provisions and average net loans & acceptances, and may differ slightly from their reported ratios. Canadian Competitors Weighted Average excludes BMO
- (4) BMO and Scotia F2012 average net loans & acceptances have been restated to conform with the current period's presentation

# Trading-related Net Revenues versus Value at Risk



# 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, NYSE and Nasdaq requirements
- Director independence standards in place incorporating definitions from the Bank Act (Canada), the Canadian Securities Administrators and the New York Stock Exchange
- Share ownership requirements ensure directors' and executives' compensation is aligned with shareholder interests
- Board Diversity Policy in place; 36.4% of independent directors are women
- Ranked 2nd place overall in Globe and Mail's Board Games 2016 which looks at over 50 different corporate governance practices in four broad subcategories related to board composition, shareholding and compensation, shareholder rights and disclosure

# Environmental, Social and Governance (ESG) at BMO

Operating our business responsibly and considering the ESG impacts of our activities

## Responsible Investment products that contribute to broader societal/environmental goals

- BMO was the first Canadian bank to launch an impact investing mutual fund focused on gender diversity – the BMO Women in Leadership Fund, launched in April 2016
- The BMO Fossil Fuel Free Fund aims to provide long-term growth of capital by investing in a globally diversified portfolio of equity securities that excludes companies primarily involved in extracting and refining fossil fuels
- BMO was the first Canadian bank to launch a principal protected note linked to an environmental, social and governance-themed index – the BMO Environmental, Social & Governance Index

## Positive Social and Environmental Impact

- Helped raise ~\$2.4B of equity and debt in the capital markets for North American renewable energy mandates and ~\$3.6B of lending capital committed to the sector globally
- Provided more than US\$652.9MM in loans to support community development in the U.S
- Attained and maintained Carbon Neutrality across the enterprise since 2010
- Representation of women in senior leader roles is 40% (meeting our 2016 goal of 40%)
- Contributed \$57.3MM to non-profit organizations across North America

(Note: Data as at October 31, 2016)

## Recognized as a Leader

- Global 100: Most Sustainable Corporations in the World (2017) for fourth year in a row
- Dow Jones Sustainability North America Index (2016/17) for 12<sup>th</sup> year in a row
- Canada's Best 50 Corporate Citizens by Corporate Knights (2016) for 14<sup>th</sup> year in a row
- 2017 Bloomberg Financial Services Gender-Equality Index for second year in a row
- 2017 Catalyst Award
- Canadian Council for Aboriginal Business, Gold certification in Progressive Aboriginal Relations
- Listed on FTSE4Good Index Series, Ethibel Sustainability Index (ESI) Excellence Global, and Euronext Vigeo World 120

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

 **BEST 50**  
CORPORATE CITIZENS

  
**FTSE4Good**

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

  
Included in  
**ETHIBEL SUSTAINABILITY INDEX**  
EXCELLENCE Global

 **EURONEXT**  
**vigeo** INDICES  
World 120

# Adjusting Items

Adjusting <sup>1</sup> items – Pre-tax (\$MM)	Q1 17	Q4 16	Q1 16
Amortization of acquisition-related intangible assets <sup>2</sup>	(37)	(37)	(43)
Acquisition integration costs <sup>2</sup>	(22)	(31)	(22)
Cumulative accounting adjustment <sup>3</sup>	-	-	(85)
<b>Adjusting items included in reported pre-tax income</b>	<b>(59)</b>	<b>(68)</b>	<b>(150)</b>

Adjusting <sup>1</sup> items – After-tax (\$MM)	Q1 17	Q4 16	Q1 16
Amortization of acquisition-related intangible assets <sup>2</sup>	(28)	(29)	(33)
Acquisition integration costs <sup>2</sup>	(14)	(21)	(15)
Cumulative accounting adjustment <sup>3</sup>	-	-	(62)
<b>Adjusting items included in reported net income after tax</b>	<b>(42)</b>	<b>(50)</b>	<b>(110)</b>
<b>Impact on EPS (\$)</b>	<b>(0.06)</b>	<b>(0.08)</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. Before and after-tax amounts for each operating group are provided on pages 13, 14, 15, 16, and 18 of the Q1 2017 Report to Shareholders. 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

# Investor Relations

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