

BMO Financial Group

# Investor Presentation

For the Quarter Ended April 30, 2020

May 27, 2020

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# 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 in this document may include, but are not limited to, statements with respect to our objectives and priorities for fiscal 2020 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, the regulatory environment in which we operate and the results of or outlook for our operations or for the Canadian, U.S. and international economies, our response to the COVID-19 pandemic and its expected impact on our business, operations, earnings, results and financial condition, including our capital and liquidity ratios and credit ratings, as well as its impact on our customers, competitors and trading exposure, including the potential from loss from higher credit, counterparty or mark-to-market losses, and include statements of our management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "target", "may" and "could."

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. 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. The uncertainty created by the COVID-19 pandemic has heightened this risk given the increased challenge in making assumptions, 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 – many of which are beyond our control and the effects of which can be difficult to predict – 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; the severity, duration and spread of the COVID-19 pandemic, its impact on local, national or international economies and its heightening of certain risks that may affect our future results the possible impact on our business and operations of outbreaks of disease or illness that affect local, national or international economies; the Canadian housing market and consumer leverage; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal, or economic policy and tax legislation and interpretation; 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; failure of third parties to comply with their obligations to us; 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, including with respect to reliance on third parties; 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; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; information, privacy and cyber security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; 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 refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, business, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that begins on page 68 of BMO's 2019 Annual Report, and the Risk Management section on page 35 in BMO's Second Quarter 2020 Report to Shareholders, all of which outline certain key factors and risks that may affect our 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. We do 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.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the Economic Developments and Outlook section on page 18 of BMO's 2019 Annual Report and updated in the Economic Review and Outlook section set forth in BMO's Second Quarter 2020 Report to Shareholders. 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, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy. Please refer to the Economic Review and Outlook section of BMO's Second Quarter 2020 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, the rationale for their use, as well as the effects of changes in exchange rates on BMO's U.S. segment reported and adjusted results can be found on pages 7 and 8 of BMO's Second Quarter 2020 Report to Shareholders and on pages 17 and 23 of BMO's 2019 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 (i.e. constant currency basis or CCY), 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, reinsurance adjustment, restructuring costs, revaluation of U.S. net deferred tax asset as a result of U.S. tax reform and the remeasurement of an employee benefit liability as a result of an amendment to the benefits plan.

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

# Darryl White

Chief Executive Officer

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# Our Response to the COVID-19 Crisis

Protecting and supporting our employees and communities

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## Our Employees

- Enabled >90% of non-branch workforce to work remotely and optimized new collaboration tools
- Implemented protective health and safety practices at all work locations
- Providing flexible hours, financial support and paid leave for child/eldercare needs
- Access to 24/7 virtual healthcare



## Our Community

- Donating over \$1.5 million to vulnerable communities in Canada and the United States
- Transformed BMO Institute for Learning into rest space for front-line healthcare workers
- Thanking essential workers who are BMO AIR MILES Mastercard cardholders with 950 Cash Miles
- Transformed BMO Field kitchens to prepare and deliver meals to those in need
- Signed Chicago Solidarity Pledge to address housing challenges created by the crisis
- Promoting mental health awareness through support for Kids Help Phone and WellCan

# Our Response to the COVID-19 Crisis

Supporting the financial well-being of our customers and the economy



## Our Customers

- Assisted customers experiencing financial hardship with flexible relief options including payment deferrals for over 200,000 retail and commercial clients, fee waivers, increases in operating lines and personalized advice
- Facilitating access to government relief programs including<sup>1</sup>:
  - Funding over \$2 billion for ~56,000 businesses under the Canada Emergency Business Account program
  - Funding over US\$5 billion to ~20,000 borrowers under the SBA Paycheck Protection program
  - Participating in Business Development Bank of Canada and Export Development Canada relief programs
  - Direct deposits for government benefits
- Supporting clients with timely, reliable, fact-based information about the pandemic and financial advice with access to experts, market and sector research and online resource hubs
- Maintained access to call centres, ATMs and ~80% of retail branches; expanded digital self-serve options



## The Economy

- Proud to be selected as the asset manager for the Bank of Canada's Provincial Bond Purchase Program
- Joint lead manager for landmark World Bank US\$8 billion sustainable development bond issue
- Upheld our commitment to hire over 330 summer students

<sup>1</sup> As at May 18, 2020

# Financial Highlights

	Q2'20	YTD
<b>Net Income<sup>1</sup></b> Reported	<b>\$715MM</b> \$689MM	<b>\$2,332MM</b> \$2,281MM
<b>EPS<sup>1</sup></b> Reported	<b>\$1.04</b> \$1.00	<b>\$3.45</b> \$3.37
<b>PPPT<sup>1,3</sup></b> Reported	<b>\$1,978MM</b> \$1,945MM	<b>\$4,372MM</b> \$4,307MM
<b>PCL</b> Performing/Impaired	<b>\$1,118MM</b> \$705MM / \$413MM	<b>\$1,467MM</b> \$730MM / \$737MM
<b>Capital</b>	<b>CET1 11.0%</b>	

- Good revenue performance in a challenging market environment
- YTD expenses flat year-over-year in constant currency<sup>2</sup>
- Pre-provision, pre-tax earnings (PPPT)<sup>3</sup> absorbed increased Provisions for Credit Losses, including \$705MM provision for performing loans
- Strong PPPT<sup>3</sup> and capital position supporting dividend

<sup>1</sup> See slide 29 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Constant currency (CCY) refers to the impact of CAD/US exchange rate movements on the U.S. segment only. Measures presented on a CCY basis are non-GAAP measures, see slide 2 for more information

<sup>3</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses

# Well-positioned to succeed in the new environment

**Our Purpose:** Boldly Grow the Good *in business and life*

## Strong Foundation

- Diversified business mix
- Strong capital and liquidity positions
- Well-defined and deliberate approach to risk management

## Business and Operational Momentum

- Stable and resilient earnings power
- Strong momentum across businesses entering the crisis
- Consistent progress on efficiency improvement

## Consistent Strategy

- Strengthening value for our customers
- Integrated and agile digital-first approach
- Activating our high-performance culture

**Building a future ready bank:** faster, stronger and more efficient

# Financial Results

For the Quarter Ended April 30, 2020

Tom Flynn

Chief Financial Officer

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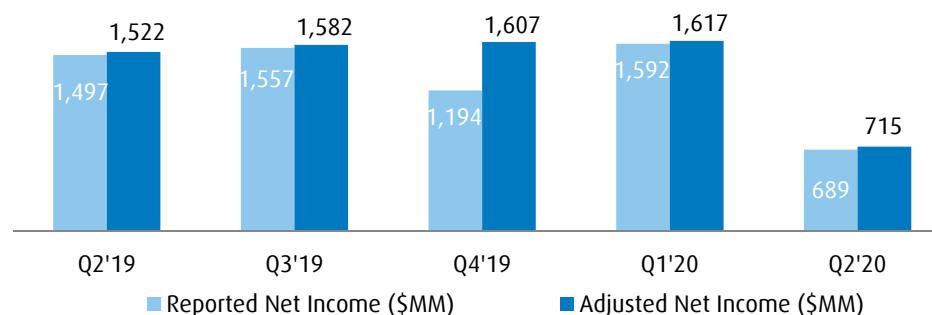
# Q2 F2020 - Financial Highlights

## Resilient PPPT<sup>4</sup> earnings absorbed impact of higher PCLs

- Adjusted<sup>1</sup> EPS \$1.04 (reported \$1.00)
- Adjusted<sup>1</sup> net income \$715MM (reported \$689MM)
- Adjusted<sup>1</sup> PPPT<sup>4</sup> \$1,978MM, down 5% Y/Y (reported \$1,945MM, down 5%)
- Net revenue<sup>2</sup> down 3% Y/Y, 5% CCY<sup>5</sup>
  - Revenue up in P&C banking and down in market sensitive businesses
- Adjusted<sup>1</sup> and reported expenses down 2% Y/Y, 4% CCY<sup>5</sup>
- Adjusted<sup>1</sup> efficiency ratio<sup>2</sup> 63.8% (reported 64.4%)
- Adjusted<sup>1</sup> and reported operating leverage<sup>2</sup> (1.2)%; YTD adjusted<sup>1</sup> and reported 1.7%
- Total PCL \$1,118MM, up primarily due to higher PCL on performing loans
  - PCL on impaired loans \$413MM; PCL on performing loans \$705MM
  - Total PCL to average net loans and acceptances 94 bps
  - PCL on impaired loans to average net loans and acceptances 35 bps

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q2 20	Q1 20	Q2 19	Q2 20	Q1 20	Q2 19
Net Revenue <sup>2</sup>	5,461	6,031	5,652	5,461	6,031	5,652
Expenses	3,516	3,669	3,595	3,483	3,637	3,563
PPPT <sup>4</sup>	1,945	2,362	2,057	1,978	2,394	2,089
Total PCL	1,118	349	176	1,118	349	176
<b>Net Income</b>	<b>689</b>	<b>1,592</b>	<b>1,497</b>	<b>715</b>	<b>1,617</b>	<b>1,522</b>
Diluted EPS (\$)	1.00	2.37	2.26	1.04	2.41	2.30
ROE (%)	5.3	13.3	13.6	5.5	13.5	13.9
ROTCE <sup>3</sup> (%)	6.4	15.7	16.4	6.4	15.8	16.4
CET1 Ratio (%)	11.0	11.4	11.3			

### Net Income<sup>1</sup> Trends



<sup>1</sup> See slide 29 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB). Operating leverage and efficiency ratio based on net revenue. Reported gross revenue: Q2'20 \$5,264MM; Q1'20 \$6,747MM; Q2'19 \$6,213MM

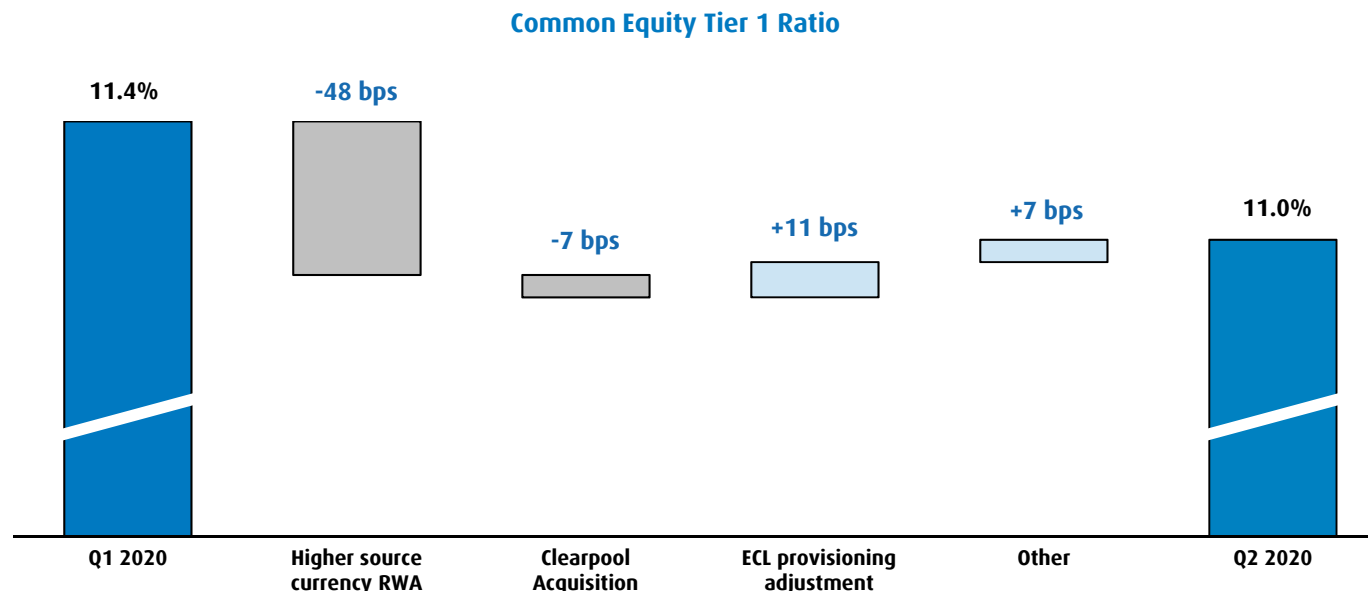
<sup>3</sup> Return on Tangible Common Equity (ROTCE)

<sup>4</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses

<sup>5</sup> Constant currency (CCY) refers to the impact of CAD/US exchange rate movements on the U.S. segment only. Measures presented on a CCY basis are non-GAAP measures, see slide 2 for more information

# Strong capital position

Capital position strong with CET1 Ratio at 11.0%



Basis points may not add due to rounding.

- CET1 Ratio of 11.0% at Q2 2020, down from Q1 2020 mainly reflecting
  - Higher source currency RWA driven approximately equally by strong lending and changes in asset quality
  - Clearpool acquisition
  - Partially offset by adjustment to CET1 for transitional arrangements for expected credit loss provisioning and
  - Other net positive changes
  - The impact of FX movements on the CET1 ratio largely offset
- LCR of 147%, up from 135% in Q1 2020
- Attractive dividend yield of ~6%<sup>1</sup>

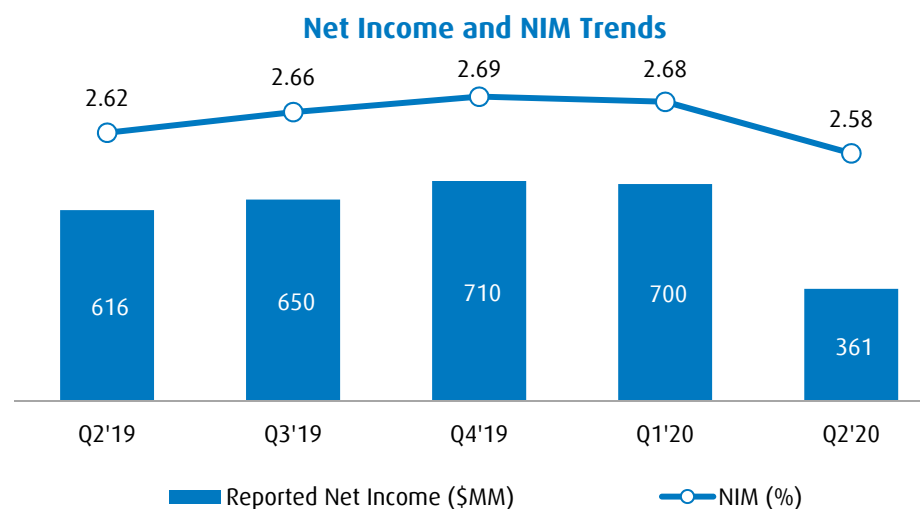
<sup>1</sup> Dividend yield based on closing share price as of April 30, 2020

# Canadian Personal & Commercial Banking

Strong core profitability in challenging environment

- Adjusted<sup>1</sup> net income \$362MM (reported \$361MM)
- Adjusted<sup>1</sup> PPPT<sup>2</sup> \$985MM (reported \$984MM), up 1% Y/Y
- Revenue up 2% Y/Y
  - Average loans up 7% Y/Y. Proprietary mortgages (including amortizing HELOC) up 7%; Commercial<sup>3</sup> up 14%
  - Average deposits up 15% Y/Y. Personal up 12% and Commercial up 20%, reflecting higher amount of liquidity retained by customers due to COVID-19
  - NIM down 10 bps Q/Q; down 4 bps Y/Y
- Expenses<sup>4</sup> up 3% Y/Y, primarily due to higher technology and pension costs; down 1% Q/Q
- Efficiency ratio<sup>4</sup> 49.8%; YTD 48.5%
- Operating leverage<sup>4</sup> (1.0)%; YTD 1.3%
- Total PCL \$497MM, up \$359MM Y/Y; up \$345MM Q/Q
  - PCL on impaired loans \$212MM; PCL on performing loans \$285MM

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q2 20	Q1 20	Q2 19	Q2 20	Q1 20	Q2 19
Revenue (teb)	1,960	2,082	1,913	1,960	2,082	1,913
Expenses	976	986	943	975	986	943
PPPT <sup>2</sup>	984	1,096	970	985	1,096	970
Total PCL	497	152	138	497	152	138
<b>Net Income</b>	<b>361</b>	<b>700</b>	<b>616</b>	<b>362</b>	<b>700</b>	<b>616</b>



<sup>1</sup> See slide 29 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between revenue and expenses

<sup>3</sup> Commercial loan growth excludes corporate and small business cards

<sup>4</sup> Expense growth, efficiency ratio and operating leverage shown are on an adjusted and reported basis

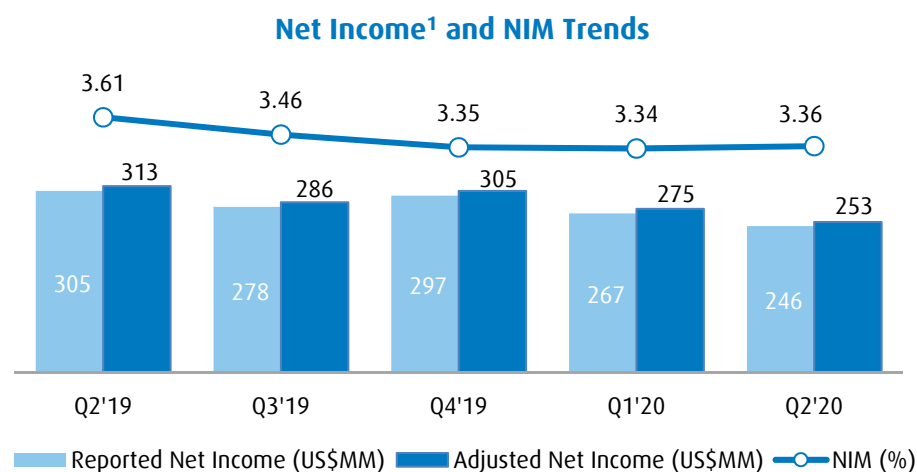
# U.S. Personal & Commercial Banking

Adjusted<sup>1</sup> PPPT<sup>3</sup> up 11% Y/Y, with good revenue growth of 6%

Figures that follow are in U.S. dollars

- Adjusted<sup>1</sup> net income \$253MM (reported \$246MM), impacted by higher credit provisions
- Adjusted<sup>1</sup> PPPT<sup>3</sup> up 11% Y/Y (reported up 12%)
- Revenue up 6% Y/Y
  - Average loans<sup>2</sup> up 13% Y/Y. Commercial up 13% and Personal up 9%
  - Average deposits up 18% Y/Y. Commercial up 34% and Personal up 6%, reflecting the higher amount of liquidity retained by customers due to the impact of COVID-19
  - NIM up 2 bps Q/Q; down 25 bps Y/Y
- Adjusted<sup>1</sup> and reported expenses up 2% Y/Y
- Adjusted<sup>1</sup> efficiency ratio 55.6% (reported 56.5%)
- Adjusted<sup>1</sup> operating leverage 4.0% (reported 4.2%)
- Total PCL \$143MM, up \$126MM Y/Y; up \$30MM Q/Q
  - PCL on impaired loans \$89MM; PCL on performing loans \$54MM
  - Q2'19 PCL on impaired loans included a large recovery

(US\$MM)	Reported			Adjusted <sup>1</sup>		
	Q2 20	Q1 20	Q2 19	Q2 20	Q1 20	Q2 19
Revenue (teb)	1,046	1,030	989	1,046	1,030	989
Expenses	592	578	582	582	568	571
PPPT <sup>3</sup>	454	452	407	464	462	418
Total PCL	143	113	17	143	113	17
<b>Net Income</b>	<b>246</b>	<b>267</b>	<b>305</b>	<b>253</b>	<b>275</b>	<b>313</b>
<b>Net Income (CDE\$)</b>	<b>339</b>	<b>351</b>	<b>406</b>	<b>349</b>	<b>361</b>	<b>417</b>



<sup>1</sup> See slide 29 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Average loan growth rate referenced above excludes Wealth Management mortgage; average loans up 12% including these balances

<sup>3</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between revenue and expenses

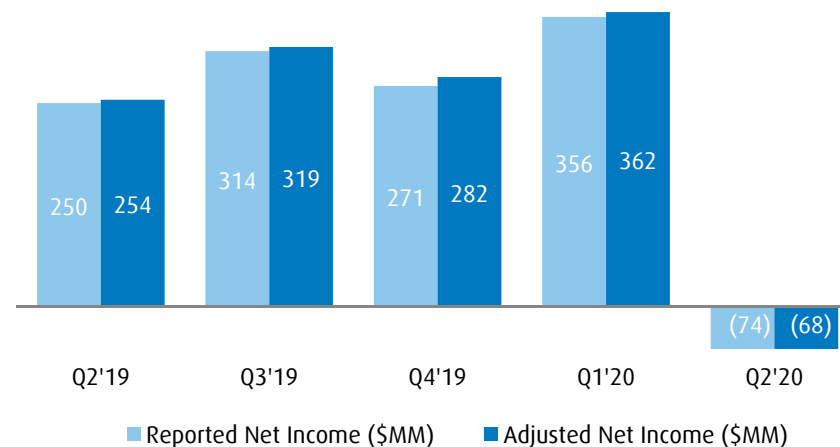
# BMO Capital Markets

## Results impacted by unprecedented market disruption from COVID-19

- Adjusted<sup>1</sup> net loss \$(68)MM vs \$254MM in Q2'19 (reported \$(74)MM vs \$250MM in Q2'19). Higher PCL reduced net income by \$289MM after-tax
- Adjusted<sup>1</sup> PPPT<sup>2</sup> \$300MM, down 14% Y/Y (reported \$293MM, down 15%)
- Revenue lower 15% Y/Y
  - Investment and Corporate Banking down 6% as higher corporate banking was more than offset by markdowns on held-for-sale loan portfolio and lower IB activity
  - Global Markets down 22% as higher rates, FX, and commodities trading and cash equities were more than offset by negative impacts in equity-linked note related businesses, as well as a widening of credit and funding spreads on derivative valuation adjustments
- Adjusted<sup>1</sup> and reported expenses down 15% Y/Y
  - Prior year included severance expense<sup>3</sup>
- Total PCL \$408MM, up \$393MM Y/Y; up \$358MM Q/Q
  - PCL on impaired loans \$73MM; PCL on performing loans \$335MM
- Clearpool Group, Inc. acquisition closed April 6, 2020

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q2 20	Q1 20	Q2 19	Q2 20	Q1 20	Q2 19
Global Markets	564	823	720	564	823	720
I&CB	487	546	516	487	546	516
Revenue (teb)	1,051	1,369	1,236	1,051	1,369	1,236
Expenses	758	852	892	751	844	886
PPPT <sup>2</sup>	293	517	344	300	525	350
Total PCL	408	50	15	408	50	15
<b>Net Income (loss)</b>	<b>(74)</b>	<b>356</b>	<b>250</b>	<b>(68)</b>	<b>362</b>	<b>254</b>

Net Income<sup>1</sup> Trends



<sup>1</sup> See slide 29 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

<sup>2</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between revenue and expenses

<sup>3</sup> Q2'19 severance expense \$120MM pre-tax, \$90MM after-tax

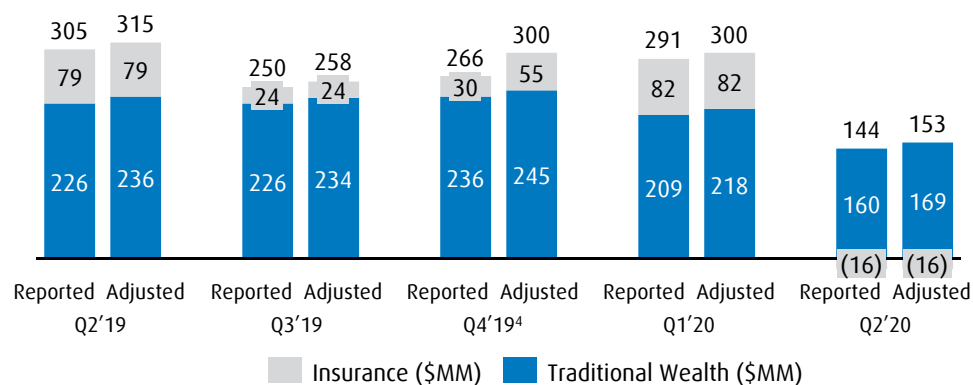
# BMO Wealth Management

## Results impacted by lower Insurance net income and a legal provision

- Adjusted<sup>1</sup> net income \$153MM (reported \$144MM)
- Adjusted<sup>1</sup> Traditional Wealth net income \$169MM (reported \$160MM)
  - Legal provision from a legacy matter
  - Lower equity markets
  - AUM flat Y/Y; AUA up 1% Y/Y
  - Deposit growth of 19% and loan growth of 15%
  - Very strong online brokerage revenue driven by higher transactional volumes
- Insurance net income down Y/Y primarily due to the impact of unfavourable market movements compared with the prior year
- Net revenue<sup>2</sup> down 15% Y/Y; Traditional Wealth down 6% primarily due to legal provision
- Adjusted<sup>1</sup> and reported expenses both up 1% Y/Y
- Total PCL \$6MM, up \$6MM Y/Y; up \$3MM Q/Q

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q2 20	Q1 20	Q2 19	Q2 20	Q1 20	Q2 19
Net Revenue <sup>2</sup>	1,087	1,309	1,281	1,087	1,309	1,281
Expenses	888	912	882	877	901	870
PPPT <sup>3</sup>	199	397	399	210	408	411
Total PCL (recovery)	6	3	(0)	6	3	(0)
<b>Net Income</b>	<b>144</b>	<b>291</b>	<b>305</b>	<b>153</b>	<b>300</b>	<b>315</b>
Traditional Wealth NI	160	209	226	169	218	236
Insurance NI	(16)	82	79	(16)	82	79
AUM/AUA (\$B)	865	893	862	865	893	862

### Net Income<sup>1</sup> Trends



1 See slide 29 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: Q2'20 \$890MM, Q1'20 \$2,025MM, Q2'19 \$1,842MM

3 Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses

4 Q4'19 reported Insurance results include \$25MM (pre-tax and after-tax) reinsurance adjustment in CCPB for the net impact of major reinsurance claims from Japanese typhoons that were incurred after our announced decision to wind down our reinsurance business

# Corporate Services

- Adjusted<sup>1</sup> and reported net loss of \$81MM compared with net loss of \$80MM in the prior year. Results relatively unchanged with lower expenses and higher revenue excluding teb largely offset by the impact of a less favourable tax rate in the current quarter

(\$MM)	Reported <sup>2</sup>			Adjusted <sup>1,2</sup>		
	Q2 20	Q1 20	Q2 19	Q2 20	Q1 20	Q2 19
Revenue	(3)	(7)	(16)	(3)	(7)	(16)
Group teb offset <sup>2</sup>	(78)	(78)	(78)	(78)	(78)	(78)
Total Revenue (teb) <sup>2</sup>	(81)	(85)	(94)	(81)	(85)	(94)
Total PCL (recovery)	8	(5)	-	8	(5)	-
Expenses	77	158	103	77	158	103
<b>Net Loss</b>	<b>(81)</b>	<b>(106)</b>	<b>(80)</b>	<b>(81)</b>	<b>(106)</b>	<b>(80)</b>

1 See slide 29 for adjustments to reported results. Adjusted measures are non-GAAP measures, see slide 2 for more information

2 Operating group revenue, income taxes and net interest margin are stated on a taxable equivalent basis (teb). This teb adjustment is offset in Corporate Services, and total BMO revenue, income taxes and net interest margin are stated on a GAAP basis

# Risk Review

For the Quarter Ended April 30, 2020

Patrick Cronin  
Chief Risk Officer

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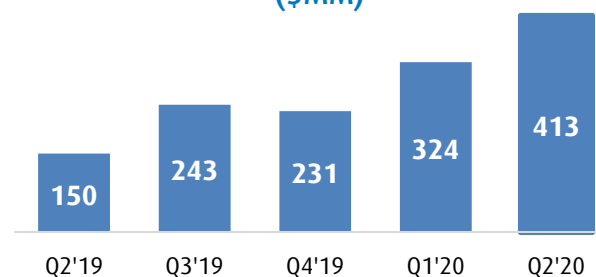


# Provision for Credit Losses (PCL)

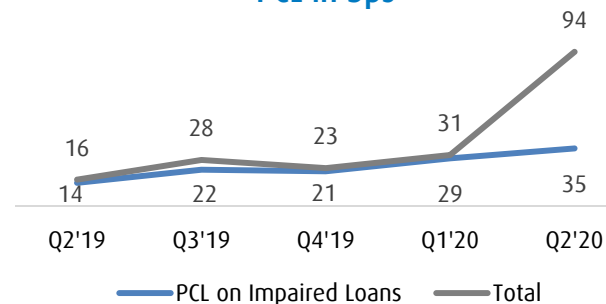
PCL By Operating Group (\$MM)	Q2 20		Q1 20		Q2 19	
	\$	bps	\$	bps	\$	bps
Consumer – Canadian P&C	121	30	103	26	107	28
Commercial – Canadian P&C	91	40	35	16	15	8
<b>Total Canadian P&amp;C</b>	<b>212</b>	<b>34</b>	<b>138</b>	<b>23</b>	<b>122</b>	<b>21</b>
Consumer – U.S. P&C	15	27	15	29	2	4
Commercial – U.S. P&C	109	41	117	48	16	7
<b>Total U.S. P&amp;C</b>	<b>124</b>	<b>38</b>	<b>132</b>	<b>44</b>	<b>18</b>	<b>6</b>
<b>BMO Wealth Management</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>(1)</b>	<b>(1)</b>
<b>BMO Capital Markets</b>	<b>73</b>	<b>41</b>	<b>53</b>	<b>34</b>	<b>12</b>	<b>8</b>
<b>Corporate Services</b>	<b>1</b>		<b>1</b>		<b>(1)</b>	
<b>PCL on Impaired Loans<sup>1</sup></b>	<b>413</b>	<b>35</b>	<b>324</b>	<b>29</b>	<b>150</b>	<b>14</b>
<b>PCL on Performing Loans</b>	<b>705</b>	<b>59</b>	<b>25</b>	<b>2</b>	<b>26</b>	<b>2</b>
<b>Total PCL</b>	<b>1,118</b>	<b>94</b>	<b>349</b>	<b>31</b>	<b>176</b>	<b>16</b>

- Q2'20 PCL ratio on Impaired Loans at 35 bps, up 6 bps Q/Q
- Allowance for Credit Losses on Performing Loans increased PCL by \$705 million

PCL on Impaired Loans (\$MM)



PCL in bps



<sup>1</sup> Q2'19 PCL on impaired loans included large recovery

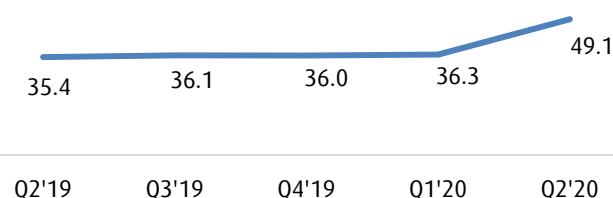
# Allowance and Provision on Performing Loans

Allowance on Performing Loans (APL) and PCL on Performing Loans (PCL) By Operating Group (\$MM)	Q1 20 APL <sup>1</sup>	Q2 20 PCL	Q2 20 Foreign Exchange	Q2 20 APL <sup>1</sup>	APL to Net Loans & Allowances (bps)
Consumer – Canadian P&C	617	198	1	816	51
Commercial – Canadian P&C	210	87	4	301	33
<b>Total Canadian P&amp;C</b>	<b>827</b>	<b>285</b>	<b>5</b>	<b>1,117</b>	<b>44</b>
Consumer – U.S. P&C	142	37	7	186	91
Commercial – U.S. P&C	498	38	29	565	49
<b>Total U.S. P&amp;C</b>	<b>640</b>	<b>75</b>	<b>37</b>	<b>751</b>	<b>55</b>
<b>BMO Wealth Management</b>	<b>33</b>	<b>3</b>	<b>1</b>	<b>37</b>	<b>14</b>
<b>BMO Capital Markets</b>	<b>150</b>	<b>335</b>	<b>14</b>	<b>500</b>	<b>65</b>
<b>Corporate Services</b>	<b>4</b>	<b>7</b>	<b>(4)</b>	<b>7</b>	<b>n.m.</b>
<b>Total</b>	<b>1,654</b>	<b>705</b>	<b>53</b>	<b>2,412</b>	<b>49</b>

<sup>1</sup> Q1'20 and Q2'20 APL on Other Assets of \$8.2MM and \$11MM, respectively; Q2'20 PCL includes PCL on Other Assets of \$2.6MM

- The allowance on performing loans increased \$758MM to \$2,412MM, driven by a \$705MM provision for credit losses on performing loans
- The \$705 million provision for credit losses on performing loans in the current quarter was primarily based on a weaker economic outlook

Allowance for Performing Loans (bps)



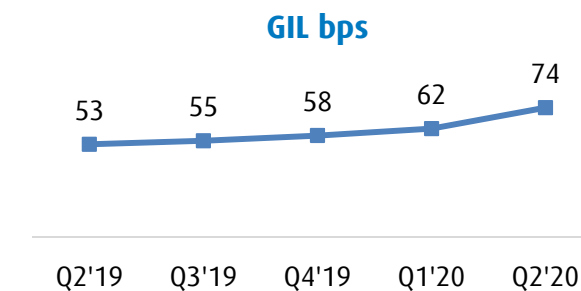
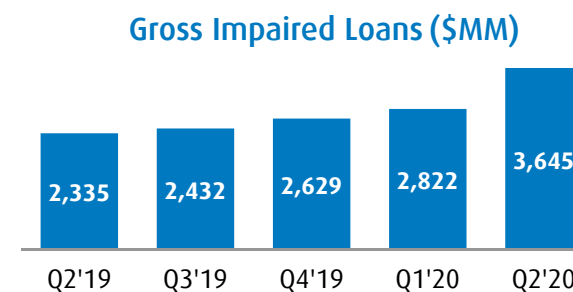
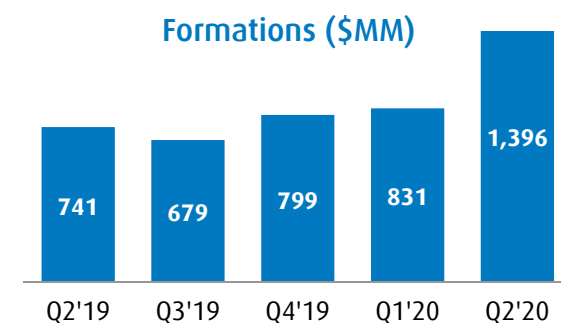
# Gross Impaired Loans (GIL) and Formations

By Industry (\$MM, as at Q2 20)	Formations			Gross Impaired Loans		
	Canada & Other	U.S.	Total	Canada & Other <sup>1</sup>	U.S.	Total
<b>Consumer</b>	<b>203</b>	<b>42</b>	<b>245</b>	<b>463</b>	<b>383</b>	<b>846</b>
Service Industries	61	115	176	127	372	499
Oil & Gas	44	245	289	102	514	616
Manufacturing	16	127	143	163	272	435
Agriculture	25	22	47	73	275	348
Transportation	1	71	72	8	181	189
Wholesale Trade	3	18	21	29	78	107
Retail Trade	266	50	316	308	89	397
Construction (non-real estate)	26	9	35	31	40	71
Commercial Real Estate	29	7	36	35	18	53
Financial	0	0	0	15	17	32
Other Business and Government <sup>2</sup>	3	13	16	62	(10)	52
<b>Total Business and Government</b>	<b>474</b>	<b>677</b>	<b>1,151</b>	<b>953</b>	<b>1,846</b>	<b>2,799</b>
<b>Total Bank</b>	<b>677</b>	<b>719</b>	<b>1,396</b>	<b>1,416</b>	<b>2,229</b>	<b>3,645</b>

1 Total Business and Government includes \$59MM GIL from Other Countries

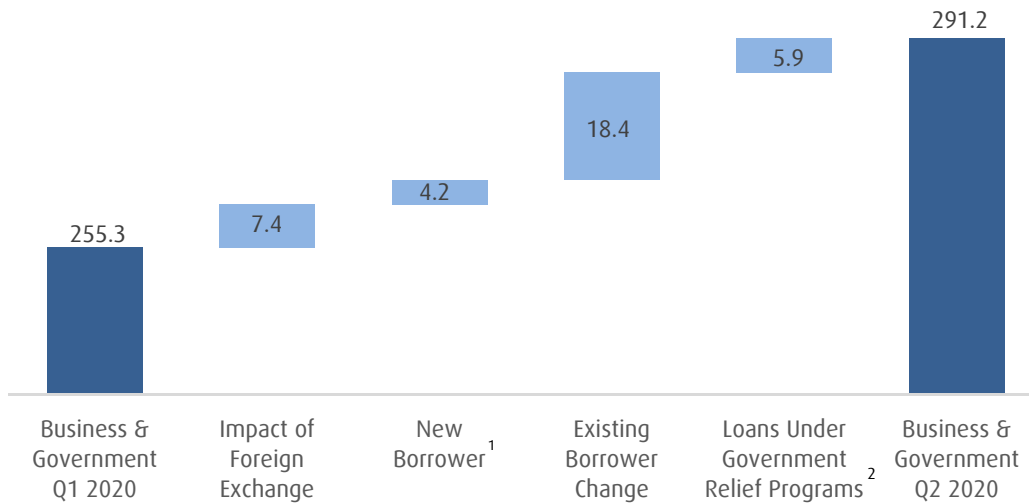
2 Other Business and Government includes industry segments that are each <1% of total GIL

- GIL ratio 74 bps, up 12 bps Q/Q

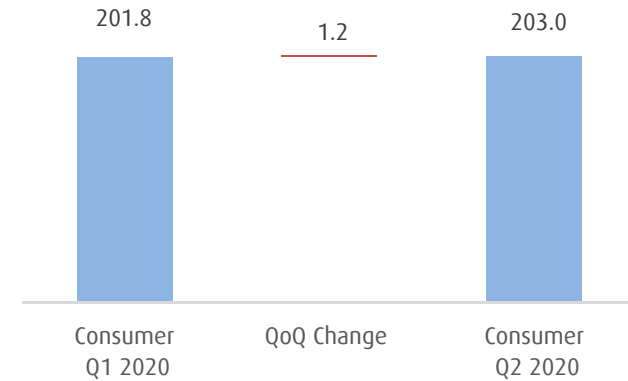


# Loan Portfolio Growth

**Business & Government Loan Growth  
Q1'20 vs Q2'20 (\$B)**



**Consumer Loan Growth  
Q1'20 vs Q2'20 (\$B)**



- Growth in Business & Government loans largely with existing borrowers
- Utilization levels have steadily reduced since their peak in late March

<sup>1</sup> New Borrowers are defined as new client relationships

<sup>2</sup> In addition, the Bank facilitated \$1.7B in funding under the Canadian Emergency Business Account Program (these loans are not recognized on the consolidated balance sheet)

# Loan Portfolio by Industry

- Sectors of heightened focus shown in blue account for 13.6% of Total Gross Loans and Acceptances

Gross Loans and Acceptances by Industry (\$B, as at Q2 20)	Canada & Other <sup>1</sup>	U.S.	Total	% of Total
Residential Mortgages	114.5	11.0	125.5	25.4%
Consumer Instalment and Other Personal	56.8	13.0	69.8	14.1%
Cards	7.2	0.5	7.7	1.6%
<b>Total Consumer</b>	<b>178.5</b>	<b>24.5</b>	<b>203.0</b>	<b>41.1%</b>
Service Industries	23.4	30.8	54.2	11.0%
Hotels	2.9	1.3	4.2	0.9%
Restaurants	1.8	2.9	4.7	1.0%
Amusement & Recreational	2.6	1.1	3.7	0.7%
Financial	13.9	29.4	43.3	8.8%
Commercial Real Estate	23.4	17.8	41.2	8.3%
Lodging REITS	-	1.0	1.0	0.2%
Retail REITS	0.7	1.4	2.2	0.4%
Retail Property Types	2.2	0.4	2.6	0.5%
Manufacturing	8.6	28.2	36.8	7.5%
Retail Trade	15.0	11.9	26.9	5.4%
Automotive	10.5	6.2	16.6	3.4%
Other Retail excl. Grocers & Pharmacies	3.3	4.7	8.0	1.6%
Wholesale Trade	5.8	13.1	18.9	3.8%
Agriculture	11.8	2.2	13.9	2.8%
Oil & Gas	6.6	8.3	15.0	3.0%
Transportation	3.6	9.8	13.4	2.7%
Airlines	0.3	0.3	0.6	0.1%
Trucking	1.7	7.1	8.9	1.8%
Other Business and Government <sup>2</sup>	14.0	13.5	27.6	5.6%
<b>Total Business and Government</b>	<b>126.1</b>	<b>165.1</b>	<b>291.2</b>	<b>58.9%</b>
<b>Total Gross Loans &amp; Acceptances</b>	<b>304.6</b>	<b>189.6</b>	<b>494.2</b>	<b>100.0%</b>

<sup>1</sup> Includes ~\$12.7B from Other Countries

<sup>2</sup> Other Business and Government includes all industry segments that are each <2% of total loans

# Loan Portfolio by Industry – Sectors of Heightened Focus<sup>1</sup>

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**Hotels:** Over 90% secured with real estate; further supported with specific recourse arrangements to ownership groups

**Restaurants:** >60% of exposure is with Franchises backed by strong regional and national brands; in addition, 60% are Limited Service restaurants which are expected to fare better during shutdown with drive-thru and take out services

**Amusement and Recreational:** Predominately Sports & Recreation and Motion Picture/Video Production, the latter of which is largely in Canada where episodic production financing is well structured with lending against contractual pay arrangements and tax credits

**Lodging and Retail REITS:** Good liquidity in near term with access to capital markets; limited exposure in Lodging and Retail REITS are >95% grocery-anchored

**Retail Property Types:** Reasonable Loan-to-Values (LTVs), diversified across geographies

**Automotive:** Floor plan facilities represent ~50% of outstanding, supported by repurchase agreements from the manufacturers; remainder of exposure is secured, consisting mainly of loans against real estate with reasonable LTVs; sector performed well during 2008 financial crisis, with low loss rates

**Other Retail excl. Grocers and Pharmacies:** Diversified mix of retailers where Asset Based Lending is an important structural feature, particularly as risk profile increases

**Airlines:** Exposure is very small, with limited lending to large airline carriers

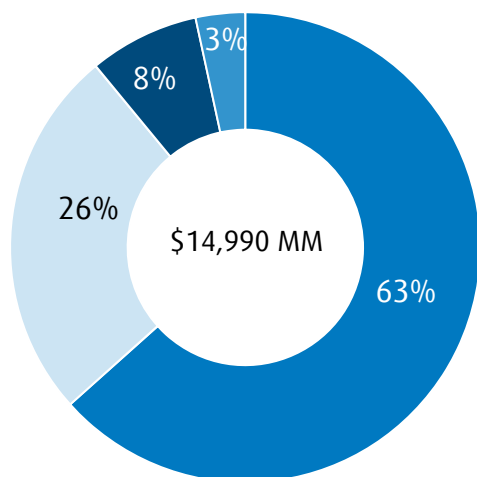
**Trucking:** High truck sales in 2019 and lower freight volumes due to the COVID-19 pandemic have impacted industry rates; better balance in sector expected later in year as truck capacity contracts and freight volumes rebound

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

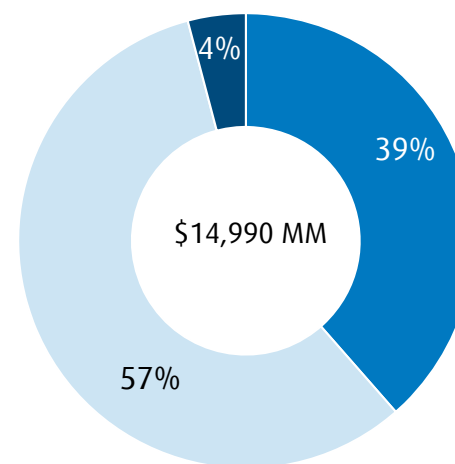
# Oil and Gas Industry Overview

### Industry by Sub-sector



- Exploration and development
- Pipelines
- Services
- Manufacturing and refining

### Industry by Risk Rating



- Investment Grade
- Non Investment Grade
- Impaired

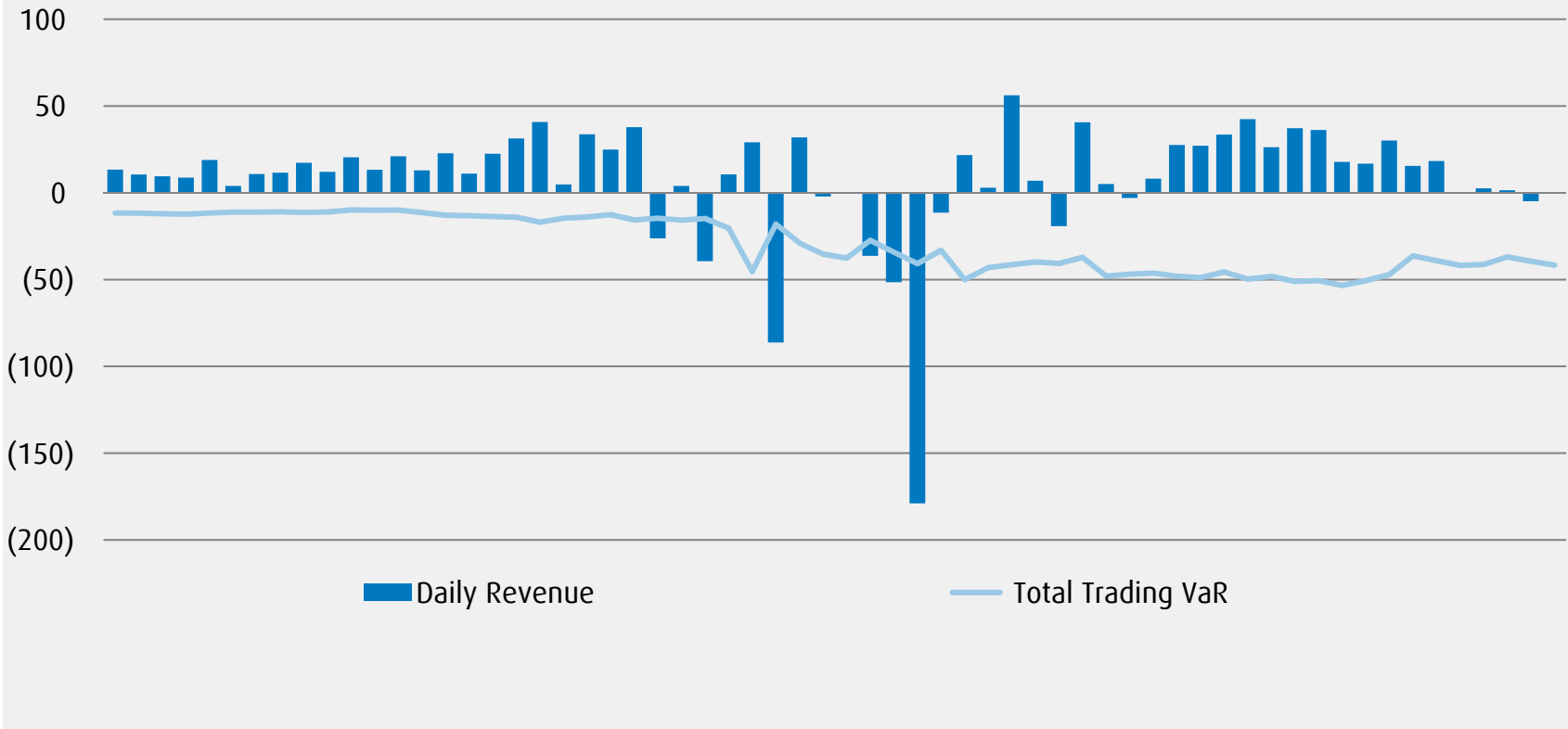
- Of the \$ 9.5B in Exploration and Development (E&D) gross loans and acceptances, approximately three-quarters is borrowing base lending
  - 95% of U.S. E&D loans are borrowing-base and over 56% of Canadian E&D loans are investment grade
- Excluding impact of FX, Q/Q growth almost exclusively with existing borrowers
- Allowance on performing loans related to industry at \$357MM, or 241 bps, providing significant coverage
- Alberta consumer loans represents 4.7% of total bank loans of which nearly 83% are RESL

# Trading-related Net Revenues and Value at Risk

- In March, markets experienced unprecedented asset price declines, record volatility, extreme liquidity challenges and dislocations, and significant widening of corporate bond spreads. Given certain trading activities and positions, we experienced negative trading revenue during the most volatile days

## February 3, 2020 to April 30, 2020

(pre-tax basis and in millions of Canadian dollars)

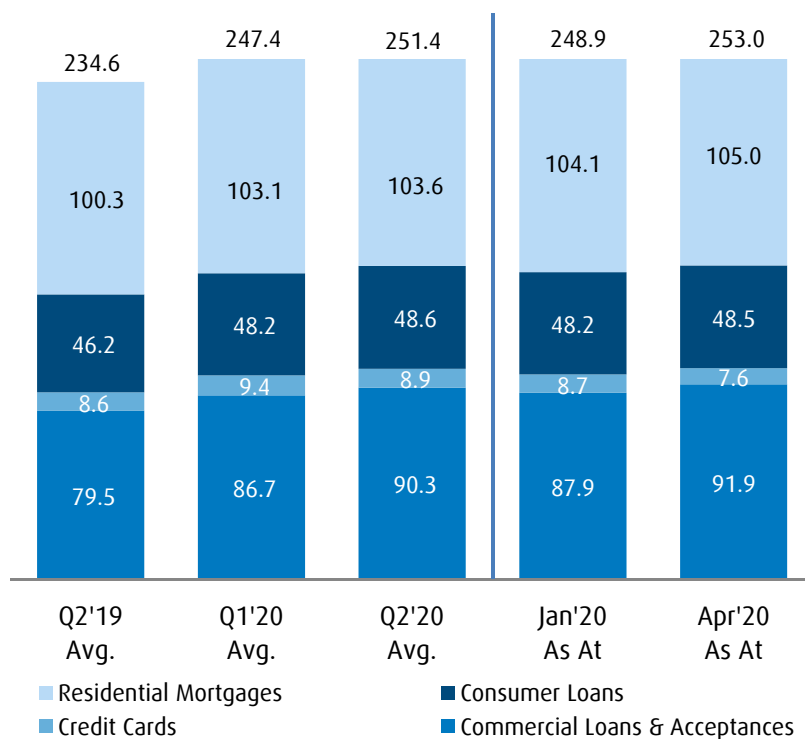




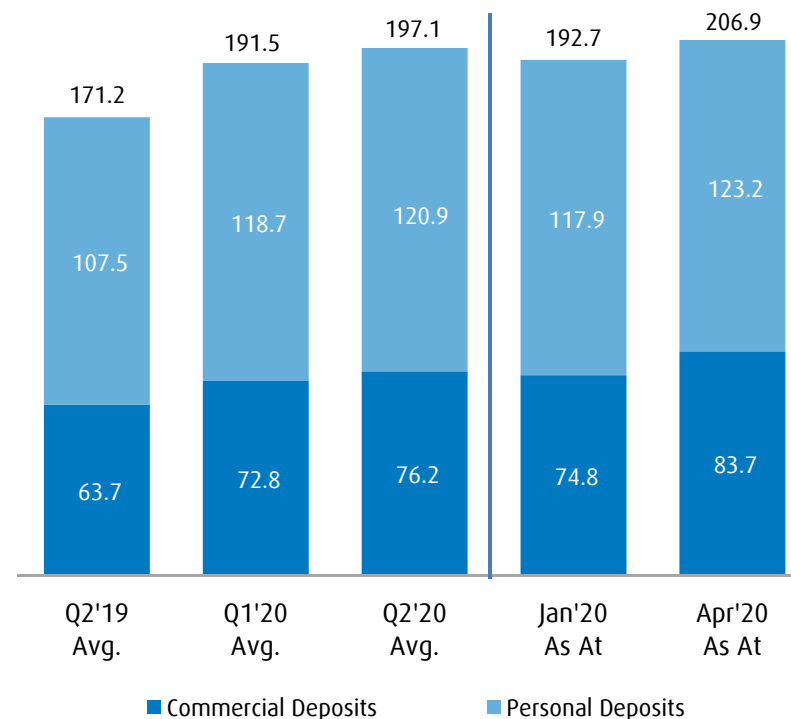
# Appendix

# Canadian Personal & Commercial Banking - Balances

## Gross Loans & Acceptances (\$B)



## Deposits (\$B)



- Average Loans up 7% Y/Y; 2% Q/Q
  - Proprietary channel residential mortgages and amortizing HELOC loans up 7% Y/Y
  - Commercial loans<sup>1</sup> up 14% Y/Y
- As at loans increased \$4.0B or 2% Q/Q

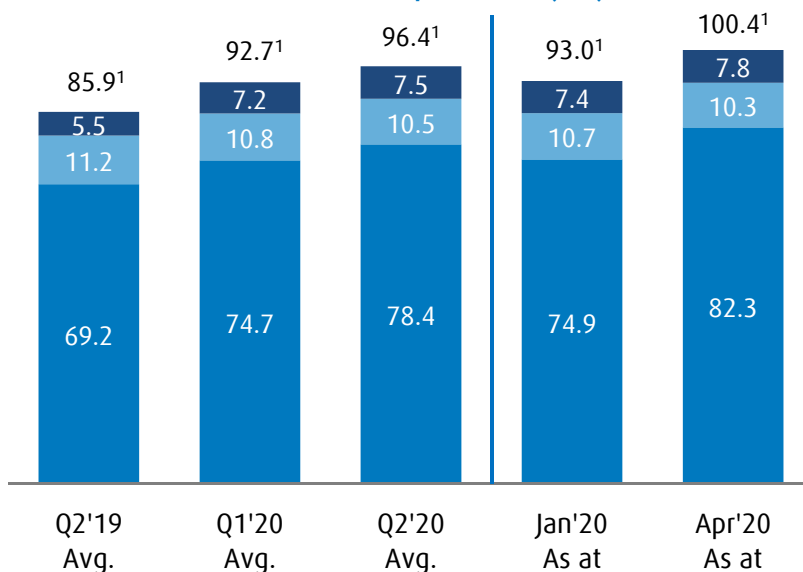
- Average Deposits up 15% Y/Y; 3% Q/Q
  - Personal deposits up 12% Y/Y
  - Commercial deposits up 20% Y/Y
- As at deposits increased \$14.2B or 7% Q/Q

<sup>1</sup> Commercial lending excludes commercial and small business cards. Commercial and small business cards balances represented ~11% of total credit card portfolio in Q2'19, ~12% in Q1'20 and Q2'20

# U.S. Personal & Commercial Banking – Balances

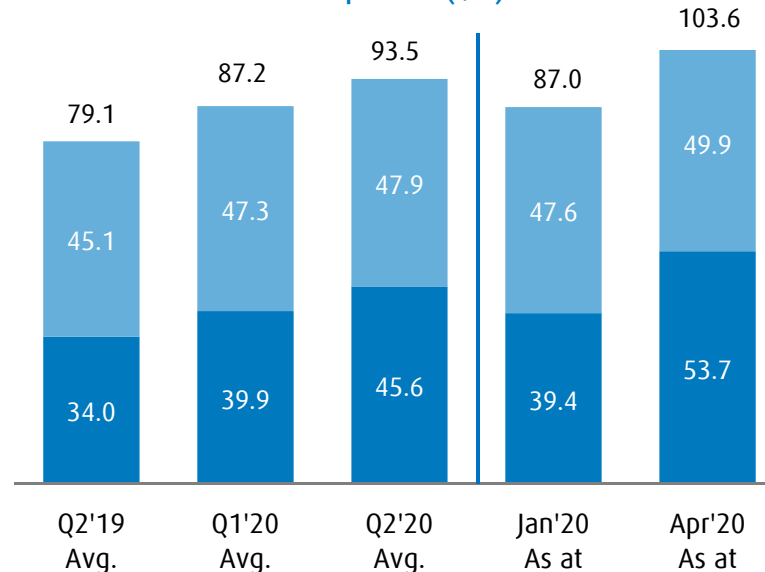
Figures on this page are in U.S. dollars

## Gross Loans & Acceptances (\$B)



■ Commercial ■ Personal Mortgages<sup>1</sup> ■ Personal Other Loans<sup>2</sup>

## Deposits (\$B)



■ Commercial Deposits ■ Personal and Business Banking Deposits

- Average loans<sup>1</sup> up 12% Y/Y; up 4% Q/Q
  - Commercial loans up 13% Y/Y
  - Personal loans<sup>1,2</sup> up 7% Y/Y
- As at loans<sup>1</sup> increased \$7.3B or 8% Q/Q; up 3% Q/Q excluding \$4.2B increase driven by Paycheck Protection Program loans

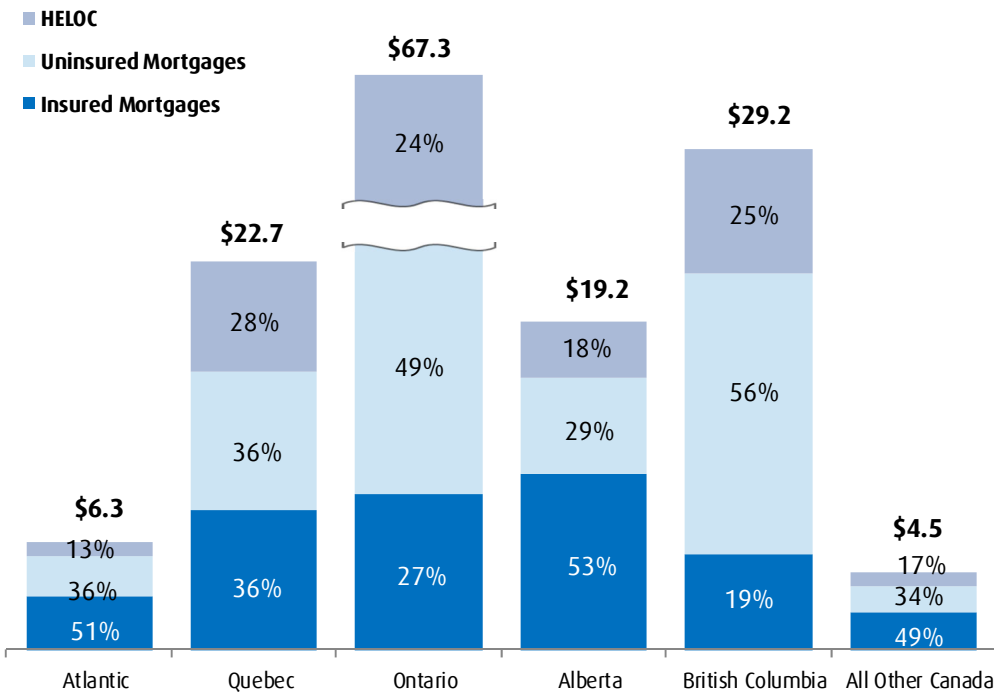
- Average deposits up 18% Y/Y; up 7% Q/Q
  - Commercial deposits up 34% Y/Y
  - Personal deposits up 6% Y/Y
- As at deposits increased \$16.6B or 19% Q/Q

<sup>1</sup> Includes Wealth Management Mortgages (Q2'20 \$2.1B, Q1'20 \$2.1B, Q2'19 \$2.1B) and Home Equity (Q2'20 \$2.4B, Q1'20 \$2.5B, Q2'19 \$2.6B); on as at basis, Wealth Management Mortgage is \$2.1B for Q1'20 and \$2.1B for Q2'20; Home Equity is \$2.4B for Q1'20 and \$2.4B for Q2'20

<sup>2</sup> Personal Other Loans includes Business Banking, Indirect Auto, Credit Cards, Non-Strategic and other personal loans

# Canadian Residential-Secured Lending

## Residential-Secured Lending by Region (\$149.2B)



	Avg. LTV <sup>1</sup> Uninsured	Atlantic	Quebec	Ontario	Alberta	British Columbia	All Other Canada	Total Canada
<b>Mortgage</b>								
- Portfolio		59%	59%	55%	62%	50%	56%	55%
- Origination		73%	73%	69%	73%	66%	73%	69%
<b>HELOC</b>								
- Portfolio		49%	54%	44%	56%	42%	49%	47%
- Origination		69%	72%	62%	65%	59%	66%	63%

<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

- Total Canadian residential-secured lending portfolio at \$149.2B, representing 30% of total loans
  - LTV<sup>1</sup> on uninsured of 51%
  - 90 day delinquency rate for RESL remains good at 22bps; loss rate for the trailing 4 quarter period were less than 1bp
- Residential mortgage portfolio of \$114.5B
  - 41% of portfolio insured
  - LTV<sup>1</sup> on uninsured of 55%
  - 79% of the mortgage portfolio has an effective remaining amortization of 25 years or less
- HELOC portfolio of \$34.6B outstanding of which 61% is amortizing
- GTA and GVA portfolio demonstrate better LTV<sup>1</sup>, delinquency rates and bureau score compared to the national average

# Adjusting Items

Adjusting items <sup>1</sup> - Pre-tax (\$MM)	Q2 20	Q1 20	Q2 19	YTD Q2 20	YTD Q2 19
Acquisition integration costs <sup>2</sup>	(3)	(3)	(2)	(6)	(8)
Amortization of acquisition-related intangible assets <sup>3</sup>	(30)	(29)	(30)	(59)	(61)
<b>Adjusting items included in reported pre-tax income</b>	<b>(33)</b>	<b>(32)</b>	<b>(32)</b>	<b>(65)</b>	<b>(69)</b>

Adjusting items <sup>1</sup> - After-tax (\$MM)	Q2 20	Q1 20	Q2 19	YTD Q2 20	YTD Q2 19
Acquisition integration costs <sup>2</sup>	(2)	(2)	(2)	(4)	(6)
Amortization of acquisition-related intangible assets <sup>3</sup>	(24)	(23)	(23)	(47)	(47)
<b>Adjusting items included in reported net income after tax</b>	<b>(26)</b>	<b>(25)</b>	<b>(25)</b>	<b>(51)</b>	<b>(53)</b>
<b>Impact on diluted EPS (\$)</b>	<b>(0.04)</b>	(0.04)	(0.04)	<b>(0.08)</b>	(0.08)

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

2 KGS-Alpha and Clearpool Group, Inc. acquisition integration costs are reported in BMO Capital Markets. Acquisition integration costs are recorded in non-interest expense

3 These amounts were charged to the non-interest expense of the operating groups

BMO Financial Group

# Investor Relations

## Contact Information

[bmo.com/investorrelations](http://bmo.com/investorrelations)

E-mail: [investor.relations@bmo.com](mailto:investor.relations@bmo.com)

**JILL HOMENUK**

Head, Investor Relations

416.867.4770

[jill.homenuk@bmo.com](mailto:jill.homenuk@bmo.com)

**BILL ANDERSON**

Director, Investor Relations

416.867.7834

[bill2.anderson@bmo.com](mailto:bill2.anderson@bmo.com)

