

# Investor Presentation

January 2021



# Forward looking statements & non-GAAP measures

## Caution Regarding Forward-Looking Statements

As noted in the following Caution Regarding Forward-Looking Statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The Enterprise-Wide Risk Management section starting on page 73 in BMO's 2020 Annual Report describes a number of risks, including credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, strategic, environmental and social, and reputation risk. Should the bank's risk management framework prove ineffective, there could be a material adverse impact on its financial position and results.

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 the bank's objectives and priorities for fiscal 2021 and beyond, its strategies or future actions, its targets, expectations for its financial condition or share price, the regulatory environment in which it operates and the results of or outlook for its operations or for the Canadian, U.S. and international economies, its response to the COVID-19 pandemic and its expected impact on the bank's business, operations, earnings, results, and financial performance and condition, as well as its impact on the bank's customers, competitors, reputation and trading exposures, and include statements of the bank's 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 the bank 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 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. The bank cautions readers of this document not to place undue reliance on forward-looking statements, as a number of factors – many of which are beyond its 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.

Future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: 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 the bank's future results; the possible impact on the bank's business and operations of outbreaks of disease or illness that affect local, national or international economies; general economic and market conditions in the countries in which the bank operates; 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; changes in monetary, fiscal, or economic policy, and tax legislation and interpretation; interest rate and currency value fluctuations, as well as benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to or affecting economic or trade matters; the Canadian housing market and consumer leverage; climate change and other environmental and social risks; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which the bank operates; 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 the bank obtains with respect to its customers and counterparties; failure of third parties to comply with their obligations to the bank; the bank's ability to execute its strategic plans and to complete proposed acquisitions or dispositions, 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 the bank's credit ratings; global capital markets activities; the possible effects on the bank's business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and the bank's ability to anticipate and effectively manage risks arising from all of the foregoing factors.

The bank cautions that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect the bank's 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, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that starts on page 73 of BMO's 2020 Annual Report, all of which outline certain key factors and risks that may affect the bank'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. The bank 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 shareholders in understanding the bank's financial position as at and for the periods ended on the dates presented, as well as its 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 2020 Annual Report as well as in the Allowance for Credit Losses section on page 114 of BMO's 2020 Annual Report. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on the bank's business, are material factors the bank considers when determining its strategic priorities, objectives and expectations for its business. In determining expectations for economic growth, the bank primarily considers historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy.

## 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 6 and 7 of BMO's Fourth Quarter 2020 Earnings Release and on pages 17 and 23 of BMO's 2020 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.

# Who We Are

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America

**8<sup>th</sup> largest**  
bank in North America  
by assets<sup>1</sup>

**\$949 billion**  
in total assets

Mobilizing  
**\$400 billion**  
for sustainable finance  
by 2025

## Three operating groups

**Personal and  
Commercial Banking**

**BMO Wealth  
Management**

**BMO Capital  
Markets**

We serve:

**12+ million**  
customers globally

**8+ million**  
personal and commercial  
customers in Canada

**2+ million**  
personal, small business  
and commercial customers  
in the United States

\* All amounts in this presentation in Canadian dollars unless otherwise noted  
1 Source: Bloomberg GICS screen of largest North American banks by total assets

# Our commitment to Sustainability

At BMO, our Purpose to ***Boldly Grow the Good, in business and life*** is inspired by the Sustainable Development Goals (SDGs), and they are shaping our business and sustainability activities. We believe we can have the greatest impact on the SDGs that align with our strategic priorities, and we focus our efforts on the seven SDGs shown here.



	<p>Decent Work and Economic Growth</p>	<p>Promoting sustained growth and productive employment by creating opportunities for our employees, customers and communities, and by upholding human rights across our value chain.</p>
	<p>Reduced Inequalities</p>	<p>Championing equal opportunity and working to reduce inequalities by removing barriers to social and economic inclusion faced by our customers, employees and communities.</p>
	<p>Gender Equality</p>	<p>Empowering women by championing diversity and inclusion in our workforce, and by supporting women entrepreneurs so they can participate fully in the economy.</p>
	<p>Sustainable Cities and Communities</p>	<p>Supporting the environmental and social sustainability of the communities in which we do business by managing our use of resources responsibly, and by partnering in community development initiatives.</p>
	<p>Climate Action</p>	<p>Raising awareness and building our capacity to address climate change across the enterprise by managing risks and opportunities, mobilizing capital in support of a lower-carbon economy, and partnering with others to advance analytical capabilities.</p>
	<p>Affordable and Clean Energy</p>	<p>Stimulating the growth of renewable energy by advising on and financing renewable energy projects, working with clients towards a green transition, and by purchasing renewable energy for our own operations.</p>
	<p>Peace, Justice and Strong Institutions</p>	<p>Building effective and accountable institutions by upholding high standards of ethical and responsible conduct for ourselves and our partners.</p>

# Committed to Sustainable Performance



Ranked 15<sup>th</sup> overall, and 1<sup>st</sup> among all banks, by the Wall Street Journal in its first ever ranking of the **most sustainably managed companies in the world**



Named One of the **World's Most Ethical Companies** by the Ethisphere Institute for the third year in a row



Forbes Magazine: recognized BMO Harris Bank in its annual list of **America's best Employers for Diversity**



## 2020 Bloomberg Gender-Equality index

For the fifth consecutive year, BMO earned a place on this leading global index



Ranked in the top 10% globally among the most sustainable companies on the **Dow Jones Sustainability Index**



Introduced **Zero Barriers to Inclusion 2025** – a diversity strategy that will provide more equity for groups facing the most systemic barriers

## Reasons to Invest in BMO

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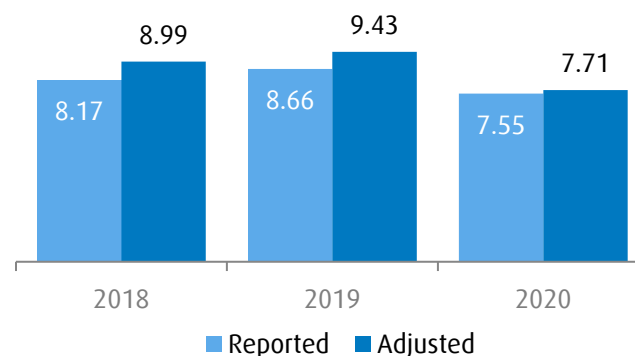
- Diversified businesses that continue to deliver resilient and robust earnings growth and long-term value for shareholders
- Strong foundation built for growth and differentiating strengths that drive competitive advantage:
  - Top 10 commercial lender in North America with advantaged market share in Canada and the U.S.
  - Well-established, highly profitable flagship banking business in Canada
  - Strong U.S. deposit market share, top 3 in our core footprint with a digital banking platform that extends nationally
  - Diversified, high-return wealth franchise with a strong client focus and competitive position
  - Competitively advantaged Canadian capital markets franchise with an integrated North American platform
- Well-capitalized with an attractive dividend yield
- Leading momentum in operating leverage and efficiency improvement through resource optimization, simplification and digitization
- Leading employee engagement and winning culture
- Digital first operating model where business and technology are completely integrated, driving efficiency, speed and scale
- Purpose-driven commitment to sustainability, applying industry-leading approaches to seize opportunities and manage risks in key areas such as sustainable finance, climate change, human rights, and diversity and inclusion

# Strong financial performance and shareholder returns

## Medium Term Financial Objectives (Adjusted basis)

EPS Growth	7% to 10% per year
Return on Equity	15% or more
Operating Leverage	2% or more
Capital	Maintain strong capital ratios that exceed regulatory requirements

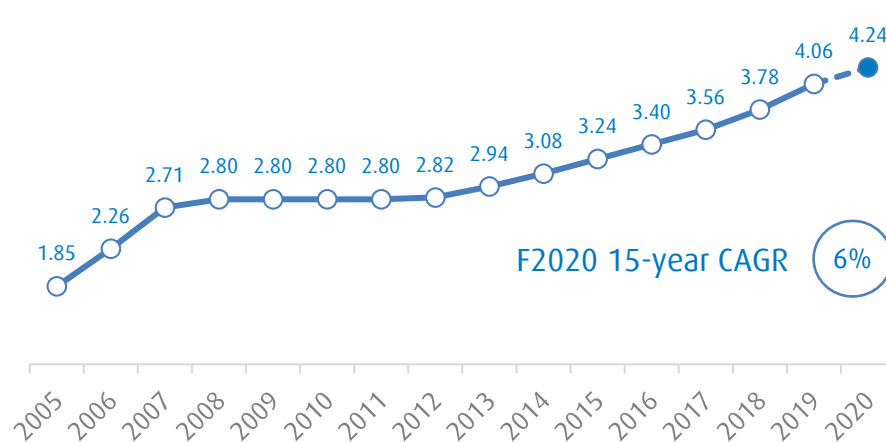
## Earnings per Share (\$)



## Dividends Declared

(\$ per share)

- BMO has the longest-running dividend payout record of any company in Canada, at 192 years
- Dividend Yield<sup>1</sup>: 4.4%



<sup>1</sup> As of December 31, 2020

<sup>2</sup> Annualized based on Q4'20 dividend of \$1.06

## Well-positioned for any environment with a proven strategy, resilient earnings and balance sheet strength

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Proven strategy and resilient earnings power; strong operating momentum across businesses



Superior credit risk management performance, appropriately provisioned



Delivering on expense management and efficiency commitments



Strong balance sheet and capital position; maintaining flexibility to invest and grow in areas of strategic importance



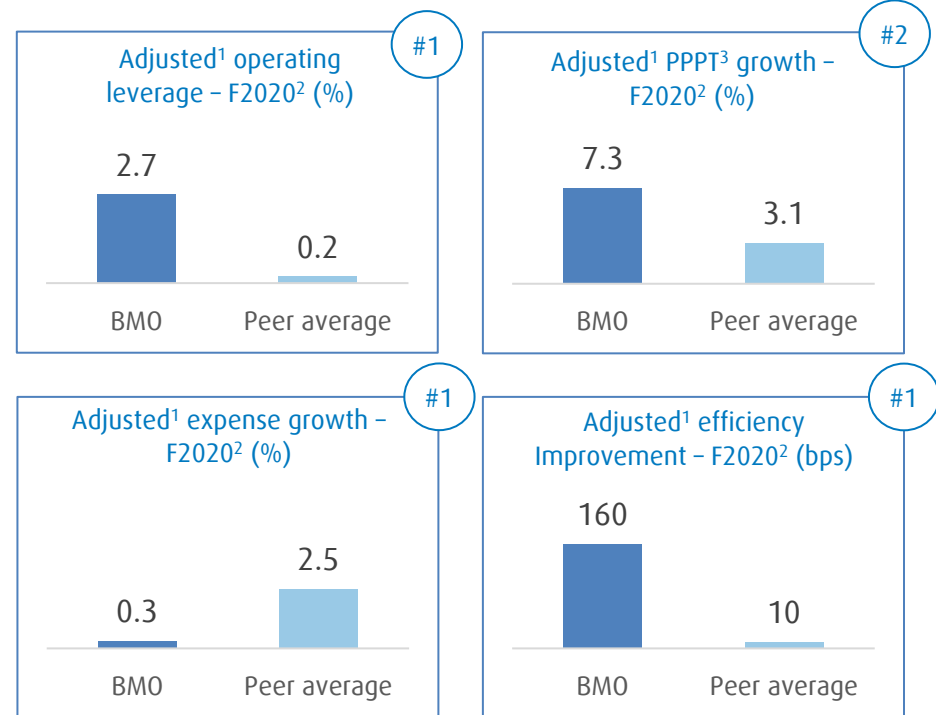
Well positioned for any environment and eventual economic recovery



# Outperforming peers, clear operating momentum

- Diversification driving financial strength and resiliency
- Leading adjusted<sup>1</sup> expense growth, efficiency improvement and operating leverage; above average adjusted<sup>1</sup> PPPT<sup>3</sup> growth
- Top tier performance in Canadian P&C<sup>2</sup>; gaining market share in loans and deposits
- U.S. P&C PPPT<sup>1,3</sup> up 8% with peer leading expense management; deposit strategy delivering
- Early realization of tougher revenue environment; good expense management across operating groups with total bank expenses flat in F2020<sup>1</sup>
- Intention to improve efficiency unchanged; 58% a marker on longer-term efficiency drive

## Peer leading financial performance<sup>2</sup>



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. Growth rates based on F2020

<sup>2</sup> Based on F2020 performance. Peers: BNS, CIBC, NA, RBC, TD; peer average based on company disclosures and internal calculations for comparative purposes. Ranks based on F2020 performance

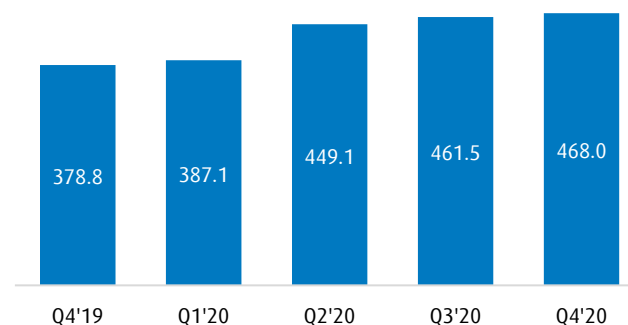
<sup>3</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses; on a reported basis F2020 U.S. P&C growth is 8%

# Strong balance sheet and capital position

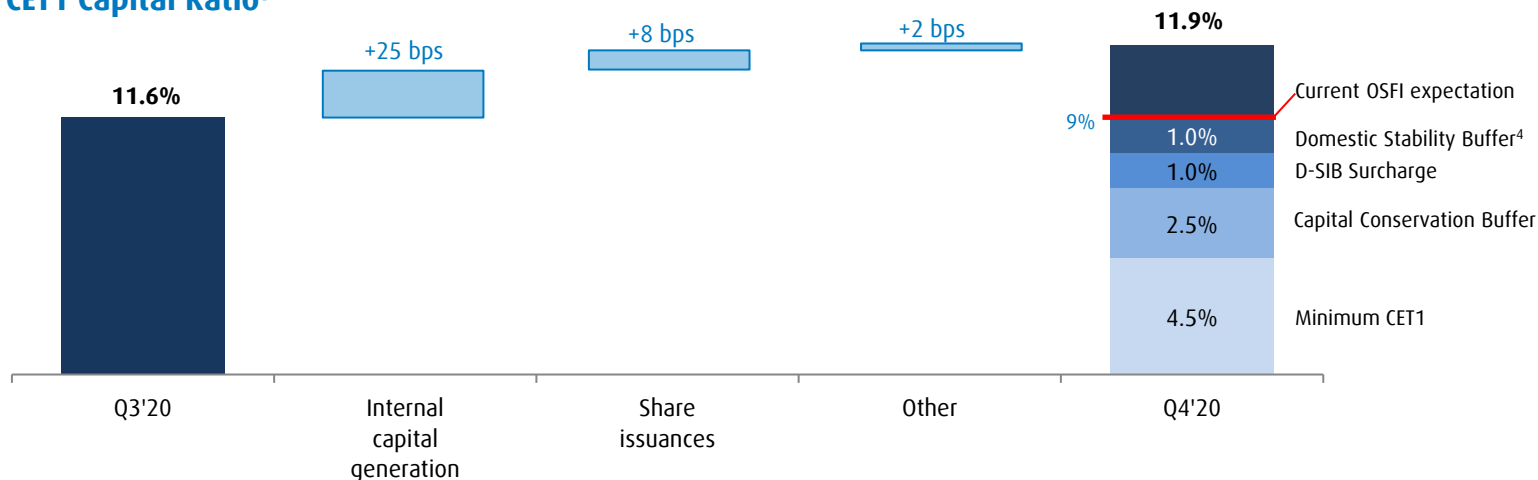
CET1 ratio 11.9%, up 30bps Q/Q

- CET1 ratio of 11.9%, up 30bps Q/Q; total capital ratio of 16.2%
- Sound leverage and liquidity ratios
  - Leverage Ratio 4.8%; Liquidity Coverage Ratio 131%
- Prudent balance sheet management
- Focused deposit strategy delivering double digit balance growth
- Quarterly common dividend \$1.06; attractive dividend yield of 4.4%<sup>1</sup>

Customer Deposits<sup>2</sup> (\$B)



CET1 Capital Ratio<sup>3</sup>



<sup>1</sup> As at December 31, 2020

<sup>2</sup> Customer deposits are operating and savings deposits, including term investment certificates and retail structured deposits, primarily sourced through our retail, commercial, wealth and corporate banking businesses

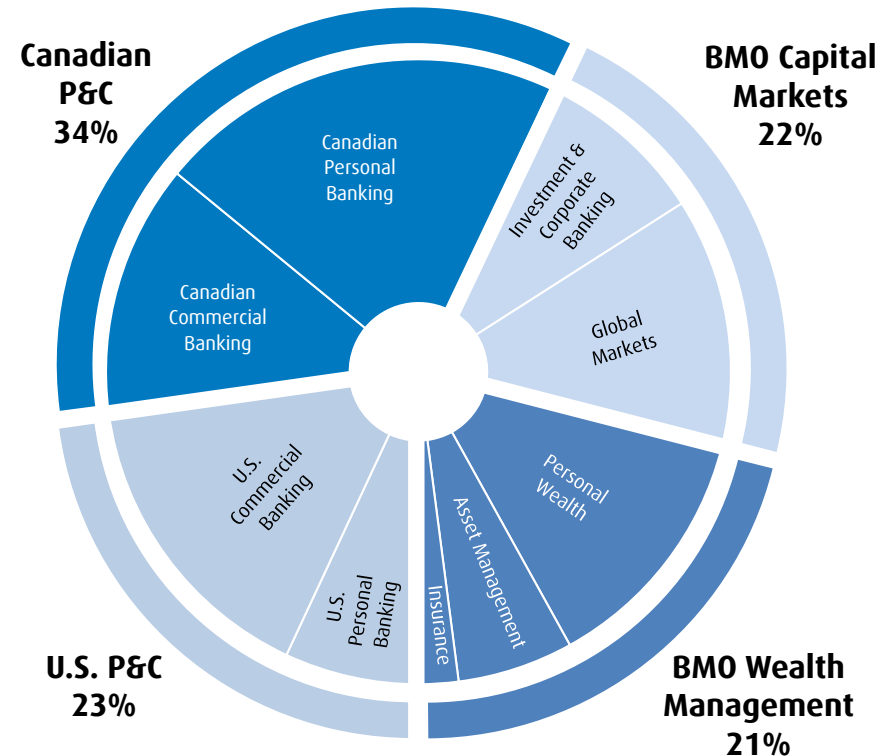
<sup>3</sup> Chart is not to scale

<sup>4</sup> On March 13, 2020, OSFI announced a decrease of the Domestic Stability Buffer from 2.25% to 1% of total risk-weighted assets effective immediately, in order to support D-SIBs' ability to supply credit to the economy during an expected period of disruption related to COVID-19 and market conditions

# Diversified business mix with strong, resilient profitability

- Strong core profitability with Q4'20 and F2020 adjusted pre-provision, pre-tax earnings (PPPT)<sup>1</sup> up 7%
  - F2020 adjusted<sup>1</sup> expenses well-managed, stable Y/Y
  - F2020 adjusted<sup>1</sup> efficiency ratio<sup>3</sup> improved 160 bps to 59.8%
  - F2020 operating leverage<sup>3</sup> above 2%
- Significant business and geographic diversification contributes to resilience and growth
  - Top 10 commercial lender<sup>4</sup> in North America with advantaged market share in Canada and the U.S.
  - Well-established, highly profitable flagship banking business in Canada
  - Strong U.S. deposit market share, top 3 in core footprint<sup>5</sup> with digital banking platform that extends nationally
  - Diversified, high-return wealth franchise with a strong client focus and competitive position
  - Competitively advantaged Canadian capital markets franchise with integrated North American platform

**Diversified sources of revenue**  
% of Operating Groups Net Revenue – F2020<sup>2</sup>



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses. See page 7 of BMO's Q4'20 Report to Shareholders for adjustments to reported results. On a reported basis: Q4'20 PPPT up 38%; F2020 PPPT up 14%; F2020 expenses down 3% Y/Y; F2020 efficiency ratio improved 380bps to 60.4%; F2020 operating leverage 6.2%

<sup>2</sup> Reported net revenue for F2020 by operating group (excludes Corporate Services): Canadian P&C 34%, U.S. P&C 23%, BMO WM 21%, BMO CM 22%

<sup>3</sup> Operating leverage and efficiency ratio based on net revenue. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

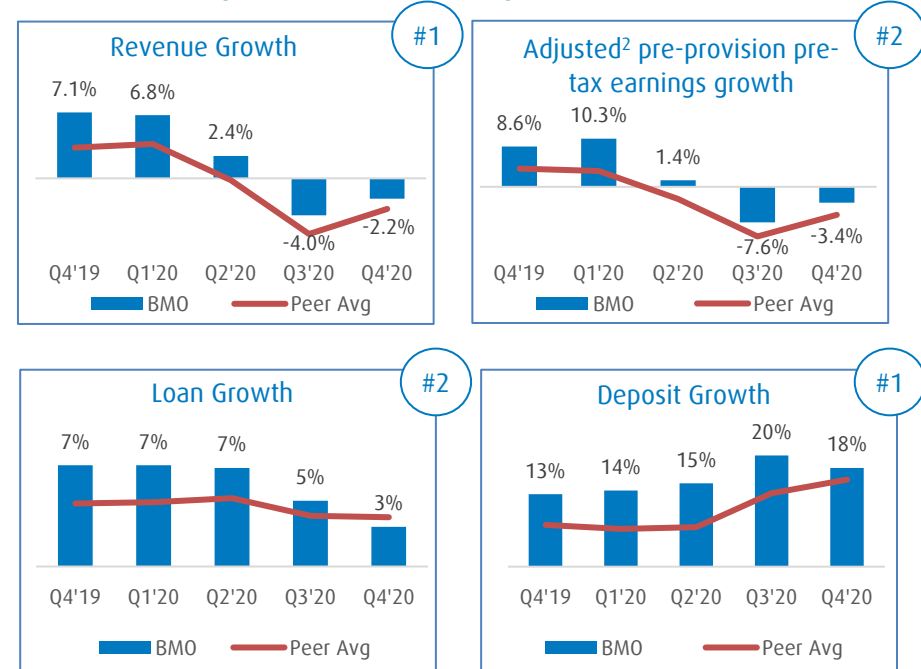
<sup>4</sup> Based on internal analysis

<sup>5</sup> Core footprint includes Illinois, Kansas, Wisconsin, Missouri, Indiana and Minnesota

# Canadian P&C - Strong flagship business

- Flagship business contributing 34% of total bank net revenue<sup>1</sup> and 39% of adjusted<sup>2</sup> net income in F2020
- Good expense discipline with expenses down 1% Y/Y
- Growth in commercial loans and deposits contributed to market share gains
- Personal continuing to deliver with strong deposit growth and market share gains
- Continuing to invest in digital innovation, providing leading, customer-centric digital experiences

## Top tier<sup>3</sup> financial performance



Recognized as the **best commercial bank** in Canada for six consecutive years



Awarded **first place** in J.D. Power's 2020 Canada Retail Banking Advice Study

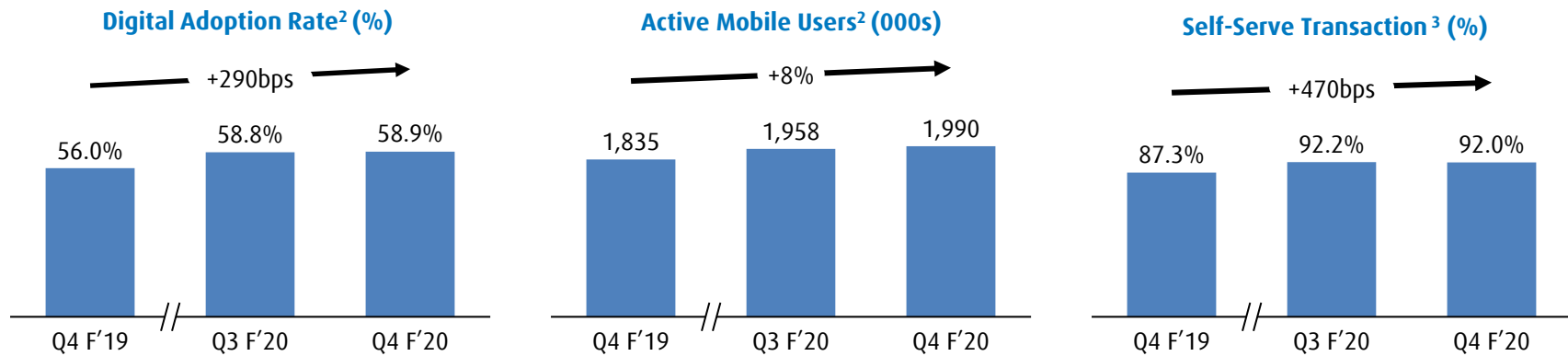
<sup>1</sup> Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

<sup>2</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders; on a reported basis, net income contributed 40%

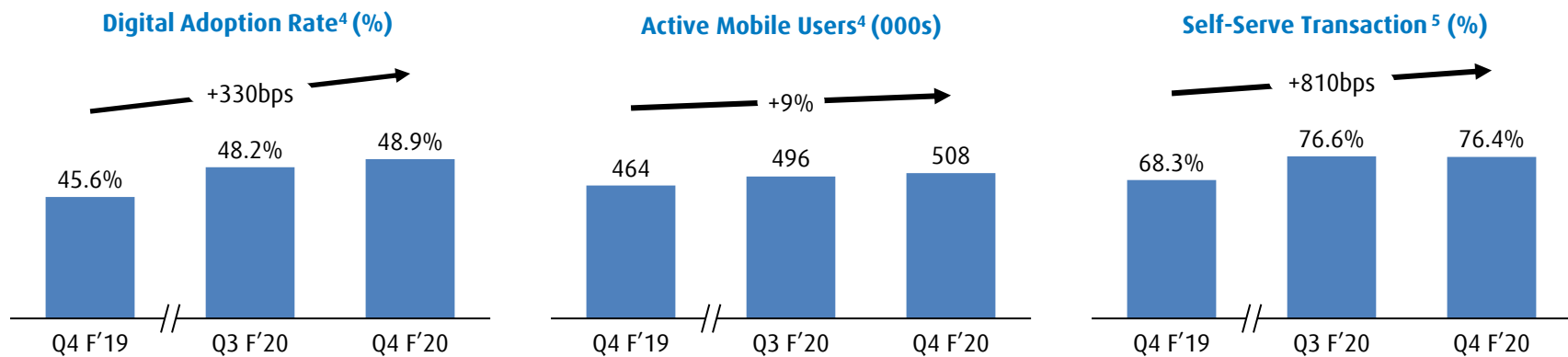
<sup>3</sup> Peers: BNS, CIBC, NBF, RBC, TD; ranks based on F2020 performance

# Advancing our digital experience in line with customer preferences

## Canadian Personal<sup>1</sup>



## U.S. Personal<sup>1</sup>



<sup>1</sup> Canadian Personal based on Canadian Personal Banking, excludes Small Business Banking and Commercial Banking; U.S. Personal based on U.S. Personal Banking, excludes Small Business Banking and Commercial Banking

<sup>2</sup> Digital adoption is percent of deposit customers that logged on in last 90 days. Active mobile users is number of deposit customers that logged into mobile in the last 90 days

<sup>3</sup> Self-Serve Includes deposits, bill payments, internal funds transfers, withdrawals and e-transfers sent. Self-serve are ATM, Digital and IVR

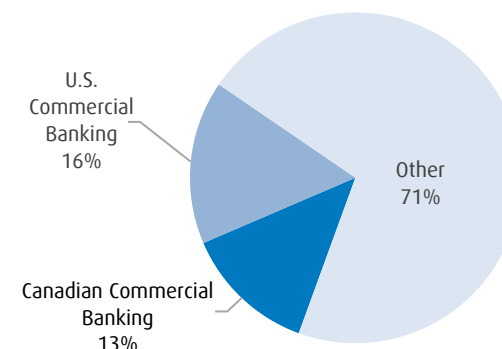
<sup>4</sup> Digital adoption is percent of retail deposit customers that logged on in last 90 days. Active mobile users is number of retail deposit customers that logged into mobile in the last 90 days

<sup>5</sup> The % of retail transactions occurring in self-serve channels (Digital, ATM, IVR). Retail transactions includes: deposits, withdrawals, bill pay, internal funds transfers, account to account transfers (A2A) and person to person transfers sent (P2P)

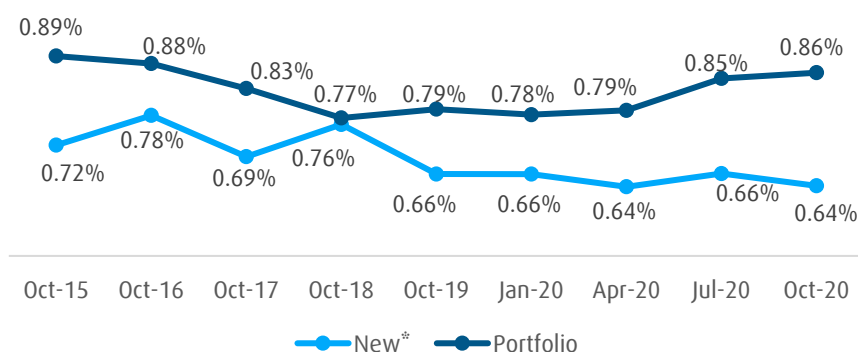
# Proven strength in Commercial Banking with advantaged market share

- A relationship-based commercial bank; top 10 commercial lender<sup>1</sup> in North America
  - In Canada: Top-tier commercial banking business, #2 market share for business loans up to \$25 million<sup>2</sup>
  - In the U.S.: large, diversified national business, supported by industry knowledge, best-in-class customer experience, and top-tier share in flagship markets; #12 in U.S. commercial lending<sup>3</sup>
- Growth diversified, consistent risk appetite and underwriting
- Risk profile of new commercial business better than existing business
- Growth reflects:
  - Quality and reputation of the business; deep industry expertise
  - In Canada: new sectors and capacity creation through technology
  - In the U.S.: focused expansion of national specialty lending sectors; strength in traditional footprint
- Commercial portfolio 81% secured

**Commercial Banking Revenue as % of Total Bank Revenue - F2020**



**No Change in Risk Appetite: WAPD<sup>4</sup> (Portfolio vs. New)**

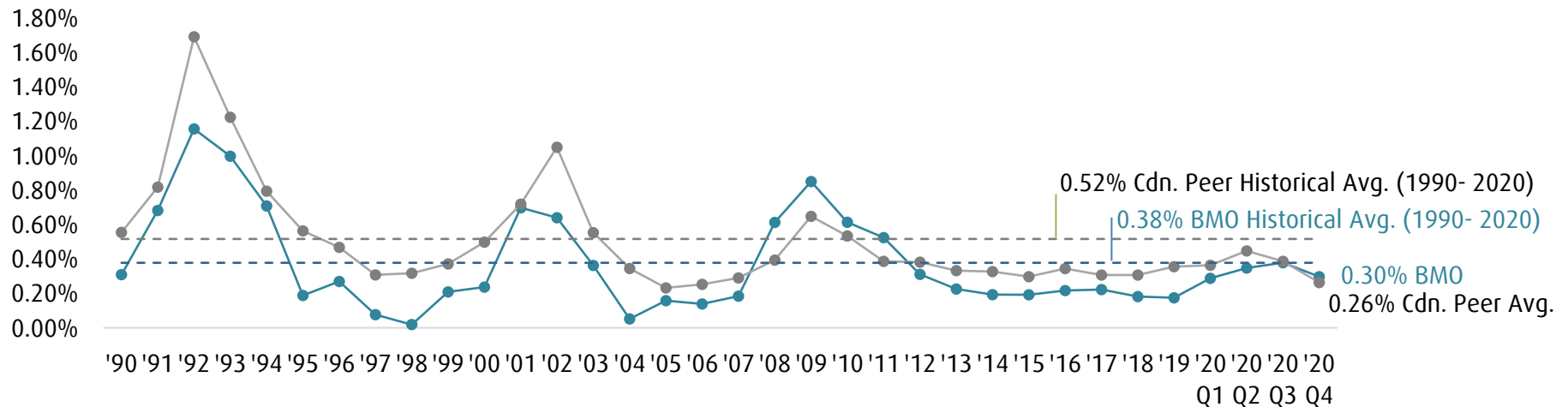


<sup>1</sup> Based on internal analysis  
<sup>2</sup> Canadian Bankers Association; loan market share \$0-\$25MM, as at December 2019  
<sup>3</sup> Based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis  
<sup>4</sup> WAPD - Weighted Average Probability of Default

# Leading track record in risk management

- Long track record of outperforming peers on credit, with 20-year historical average loss rates well below peer banks
- Loss rates in 2020 continue to trend in line with peers
- PPPT earnings would cover PCL rate of ~200bps<sup>1</sup>, higher than any time in at least 30 years, and over five times historical average
- Prudent underwriting, consistent approach, unparalleled expertise and industry knowledge, effectiveness of work-out process. Deep expertise across Risk and business teams
- Credit risk discipline will serve us well through expected stress period
- Credit allowances appropriately reflect diversification and underlying strength of portfolios

**PCL on Impaired Loans as a % of Average Net Loans & Acceptances**



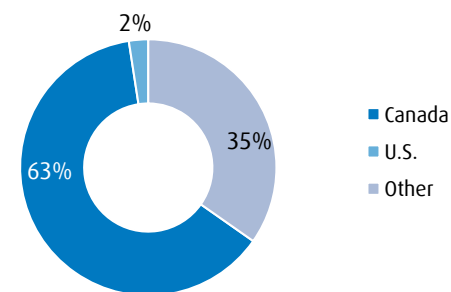
<sup>1</sup> Based on F2020 pre-provision, pre-tax earnings

# Our loans are well-diversified by geography and industry

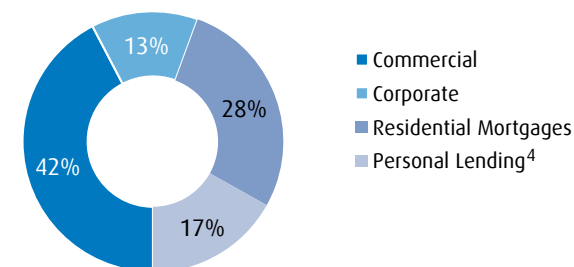
Gross Loans & Acceptances By Industry (\$B, as at Q4 20)	Canada & Other <sup>1</sup>	U.S.	Total	% of Total
Residential Mortgages	118	9	127	27%
Consumer Instalment and Other Personal	58	12	70	15%
Cards	7	1	8	2%
<b>Total Consumer</b>	<b>183</b>	<b>22</b>	<b>205</b>	<b>44%</b>
Service Industries	23	25	48	10%
Financial	14	31	45	10%
Commercial Real Estate	25	15	40	9%
Manufacturing	7	19	26	6%
Retail Trade	12	9	21	4%
Wholesale Trade	5	10	15	3%
Agriculture	12	2	14	3%
Transportation	4	9	13	3%
Oil & Gas	6	7	13	3%
Other Business and Government <sup>2</sup>	11	11	22	5%
<b>Total Business and Government</b>	<b>119</b>	<b>138</b>	<b>257</b>	<b>56%</b>
<b>Total Gross Loans &amp; Acceptances</b>	<b>302</b>	<b>160</b>	<b>462</b>	<b>100%</b>

1 Includes ~\$11.3B from Other Countries  
 2 Other Business and Government includes all industry segments that are each <2% of total loans  
 3 Gross loans and acceptances as of Oct. 31, 2020  
 4 Including cards  
 5 Average gross loans and acceptances as of Oct. 31, 2020

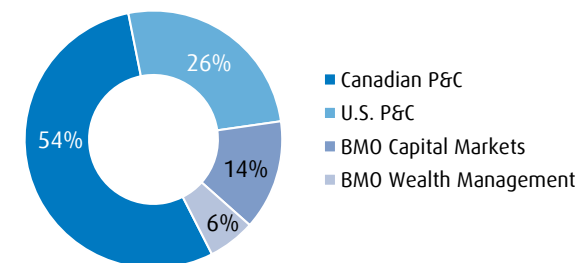
### Loans by Geography<sup>3</sup>



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



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





## Sectors Impacted by COVID-19 Pandemic

By Industry of Heightened Focus (\$B, as at Q4 20)	Gross Loans & Acceptances (GL&A)	% of Total GL&A
Hotels	4.2	0.9%
Restaurants	4.4	1.0%
Amusement & Recreational	3.4	0.7%
CRE - Lodging REITS	0.8	0.1%
CRE - Retail REITS	1.9	0.4%
CRE - Retail Property Types	2.6	0.6%
Retail Trade excl. Auto, Grocers & Pharmacies	5.5	1.2%
Airlines	0.4	0.1%
<b>Total Industries of Heightened Focus</b>	<b>23.2</b>	<b>5.0%</b>
<b>Total Business &amp; Government Gross Loans &amp; Acceptances</b>	<b>256.7</b>	<b>56%</b>
<b>Total Gross Loans &amp; Acceptances</b>	<b>461.8</b>	<b>100%</b>

- Hotels: Well secured by real estate. Majority of exposure is concentrated in Canada, focusing on well-known banners with reasonable overall loan-to-value averages, further supported by recourse arrangements to ownership groups
- Restaurants: Managed by a specialty group, with a focus on strong national and regional brands, primarily concentrated in the quick service restaurant segment which has fared well during the pandemic
- CRE sub-sectors: Credit profile of the CRE sub-sectors remains strong, with modest impaired loan formations and no PCL since the start of the pandemic
- Retail Trade excl. Auto, Groceries & Pharmacies: Higher impaired loan formations since the start of the pandemic but low loss rate relative to formations, largely due to Asset Based Lending structures that are common in this sector

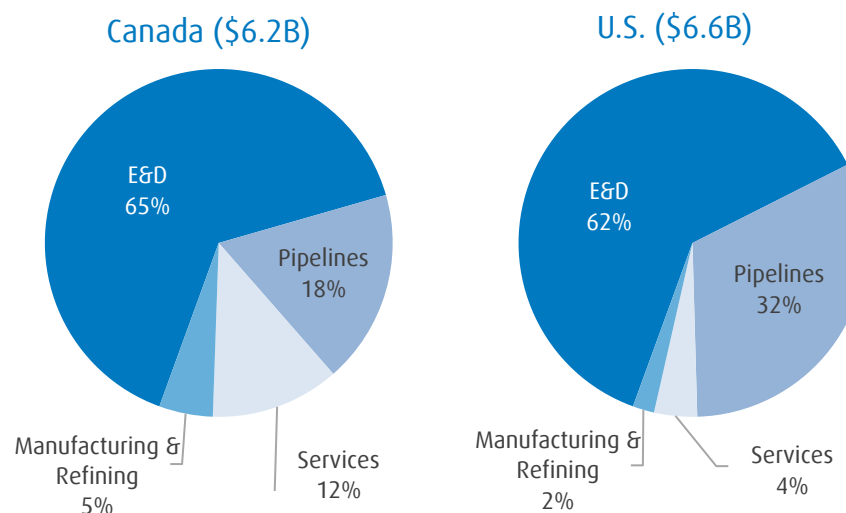
# Oil and Gas portfolio

Well-reserved; high quality portfolio with proven history of strong credit performance over time

- O&G portfolio is not outsized:
  - 5.0% of Business and Government loans, below three banks
- Loans diversified by geography and sub-segment. Pipelines 26% of total; low exposure to Services segment
- 32% of O&G portfolio is investment grade
- E&D 63% of portfolio, of which nearly three-quarters is borrowing base lending
  - Over 96% of U.S. E&D loans are borrowing base
  - 48% of E&D loans in Canada and other countries are borrowing base. 75% of non-borrowing base E&D loans in Canada and other countries are investment grade
- Security, position in capital structure and structural protections reduce risk
- Clients actively managing situation, experienced in downturns. Majority of non-investment grade borrowers actively hedge, providing a level of protection against short-term commodity price volatility
- O&G allowance on performing loans of \$298MM, or ~2.43% of the performing portfolio providing significant coverage; 3.3% excluding Pipelines
- Orderly wind-down of non-Canadian investment and corporate banking energy business

Oil and Gas % (as at Q4 20)	Of Business and Government Loans	Of Total Gross Loans & Acceptances
NBF	7.4%	3.1%
BNS	7.1%	2.6%
CIBC	6.3%	2.2%
<b>BMO</b>	<b>5.0%</b>	<b>2.8%</b>
TD	3.5%	1.3%
RBC	3.3%	1.1%
<b>Average<sup>1</sup></b>	<b>5.0%</b>	<b>2.0%</b>

## O&G Portfolio Breakdown



<sup>1</sup> Based on weighted average

# Payment Deferrals

- Deferral programs and government support have helped consumers manage through the pandemic
- Since March 2020, BMO has provided payment deferrals to over 256K retail accounts in Canada and the U.S.
- New deferral requests continued to decline in Q4, since peaking in Q2'20
- Maturities are being closely monitored and actively managed
- The large majority of clients resumed payments after exiting the deferral program; ~2% of consumer and business customers who exited deferral programs became delinquent
- Payment deferrals outstanding totaled \$3.8B in Canada, with ~90% of balances related to mortgages, and US\$0.69B in the U.S. These are largely expected to mature during the first quarter

Canada <sup>1</sup>	Q4'20			Q3'20		
	Accounts (000s)	Balances* (C\$B)	% of Portfolio	Accounts (000s)	Balances* (C\$B)	% of Portfolio
Mortgages (incl. amortizing HELOCs)	7.7	2.66	2%	52.3	17.25	14%
Credit Cards	4.0	0.04	1%	38.5	0.34	5%
All other personal lending	7.3	0.26	1%	84.8	2.37	7%
<b>Total Retail - Canada</b>	19.0	2.96	2%	175.6	19.96	12%
<b>Commercial Banking (# of clients)</b>	0.4	0.85	1%	7.2	9.40	11%
United States <sup>2</sup>	Accounts (000s)	Balances* (US\$B)	% of Portfolio	Accounts (000s)	Balances* (US\$B)	% of Portfolio
Mortgages	0.4	0.11	1%	1.5	0.45	8%
Indirect Auto	3.5	0.08	2%	8.0	0.21	4%
All other personal lending	1.7	0.05	1%	4.0	0.14	3%
<b>Total Retail - United States</b>	5.6	0.24	1%	13.5	0.80	5%
<b>Commercial Banking (# of clients)</b>	0.7	0.45	1%	1.4	0.90	1%

\*Outstanding balances for accounts/clients with payments deferred

<sup>1</sup> In Canada mortgage deferrals were available for one to six months. Canadian personal mortgages exclude balances related to non-proprietary mortgages, consistent with an industry reporting definition established by the Canadian Bankers Association; there were approximately \$56 million in balances outstanding related to non-proprietary mortgages in deferral as at October 31, 2020, and approximately \$2 billion as at July 31, 2020. For other retail loans and cards, the deferral offer was one to six months. Commercial deferrals granted for three to six months

<sup>2</sup> In the United States deferrals on consumer products were available for up to three months. Commercial deferrals granted for three months

# Q4 F2020 Highlights

# F2020 - Financial Highlights

Good PPPT<sup>5</sup> performance absorbed higher PCLs, with positive operating leverage

- Adjusted<sup>1</sup> EPS \$7.71, down 18% Y/Y (reported down 13%)
- Adjusted<sup>1</sup> net income down 17% Y/Y (reported down 11%)
- Adjusted<sup>1</sup> PPPT<sup>5</sup> up 7% Y/Y (reported<sup>3</sup> up 14%)
- Net revenue<sup>2</sup> up 3% Y/Y
- Adjusted<sup>1</sup> expenses flat Y/Y; disciplined approach to expense management
  - Reported<sup>3</sup> expenses down 3% Y/Y reflecting \$484MM (\$357MM after-tax) restructuring charge in prior year
- Adjusted<sup>1</sup> efficiency ratio<sup>2</sup> 59.8%, improved 160 bps Y/Y (reported 60.4%, improved 380 bps)
- Adjusted<sup>1</sup> operating leverage<sup>2</sup> 2.7% (reported 6.2%)
- Total PCL \$2,953MM, up \$2,081MM Y/Y due to the pandemic
  - PCL on impaired loans \$1,522MM or 33 bps; performing loans \$1,431MM
  - Total PCL to average net loans and acceptances 63 bps

(\$MM)	Reported		Adjusted <sup>1</sup>	
	F2020	F2019	F2020	F2019
Net Revenue <sup>2</sup>	23,478	22,774	23,478	22,799
Expense <sup>3</sup>	14,177	14,630	14,042	14,005
PPPT <sup>5</sup>	9,301	8,144	9,436	8,794
Total PCL	2,953	872	2,953	872
<b>Net Income</b>	<b>5,097</b>	<b>5,758</b>	<b>5,201</b>	<b>6,249</b>
Diluted EPS (\$)	7.55	8.66	7.71	9.43
ROE (%)	10.1	12.6	10.3	13.7
ROTCE <sup>4</sup> (%)	11.9	15.1	11.9	16.1
CET1 Ratio (%)	11.9	11.4		

1 Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders

2 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: F2020 \$25,186MM; F2019 \$25,483MM. Reported net revenue in F2019 includes \$25MM 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

3 Reported expenses include \$484MM restructuring charge in F2019

4 Return on Tangible Common Equity (ROTCE)

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

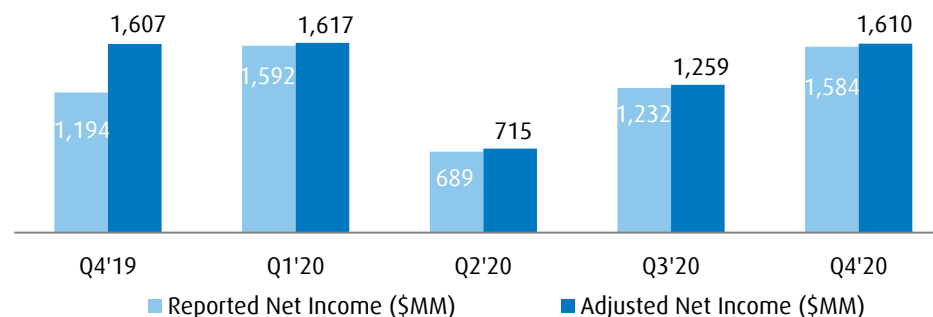
# Q4 F2020 - Financial Highlights

Good PPPT<sup>5</sup> growth with positive operating leverage and income flat Y/Y

- Adjusted<sup>1</sup> EPS \$2.41 (reported \$2.37)
- Adjusted<sup>1</sup> net income \$1,610MM (reported \$1,584MM)
- Adjusted<sup>1</sup> PPPT<sup>5</sup> \$2,471MM, up 7% Y/Y (reported \$2,438MM, up 38%)
- Adjusted<sup>1</sup> and reported net revenue<sup>2</sup> up 4% Y/Y
- Adjusted<sup>1</sup> expenses up 1% Y/Y
  - Reported<sup>3</sup> expenses down 11% Y/Y reflecting \$484MM (\$357MM after-tax) restructuring charge in prior year
- Adjusted<sup>1</sup> efficiency ratio<sup>2</sup> 58.7%, improved 130 bps Y/Y (reported 59.3%, improved 1,000 bps)
- Adjusted<sup>1</sup> operating leverage<sup>2</sup> 2.1% (reported 15.1%)
- Total PCL \$432MM, up \$179MM Y/Y; down \$622MM Q/Q
  - PCL on impaired loans \$339MM or 30 bps; PCL on performing loans \$93MM
  - Total PCL to average net loans and acceptances 38 bps

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q4 20	Q3 20	Q4 19	Q4 20	Q3 20	Q4 19
Net Revenue <sup>2</sup>	5,986	6,000	5,752	5,986	6,000	5,777
Expenses <sup>3</sup>	3,548	3,444	3,987	3,515	3,407	3,463
PPPT <sup>5</sup>	2,438	2,556	1,765	2,471	2,593	2,314
Total PCL	432	1,054	253	432	1,054	253
<b>Net Income</b>	<b>1,584</b>	<b>1,232</b>	<b>1,194</b>	<b>1,610</b>	<b>1,259</b>	<b>1,607</b>
Diluted EPS (\$)	2.37	1.81	1.78	2.41	1.85	2.43
ROE (%)	12.4	9.4	9.9	12.6	9.6	13.5
ROTCE <sup>4</sup> (%)	14.5	11.1	11.9	14.5	11.1	15.7
CET1 Ratio (%)	11.9	11.6	11.4			

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



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders

<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: Q4'20 \$5,986MM; Q3'20 \$7,189MM; Q4'19 \$6,087MM. Reported net revenue in Q4'19 includes \$25MM 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

<sup>3</sup> Reported expenses include \$484MM restructuring charge in Q4'19

<sup>4</sup> Return on Tangible Common Equity (ROTCE)

<sup>5</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses

# Canadian Personal & Commercial Banking

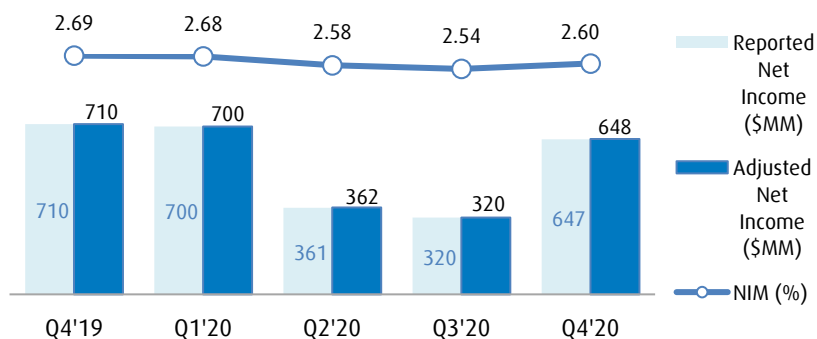
## Strengths and Value Drivers

- Highly engaged team focused on providing a personalized banking experience, anticipating customers' needs and finding new ways to help
- Top-tier commercial banking business, number two ranking in Canadian market share for business loans up to \$25 million
- Strong and growing retail banking business, accelerating digital engagement and digital sales
- Largest Mastercard® card issuer in Canada
- Consistently applied credit risk management practices, providing reliable access to appropriate financing solutions

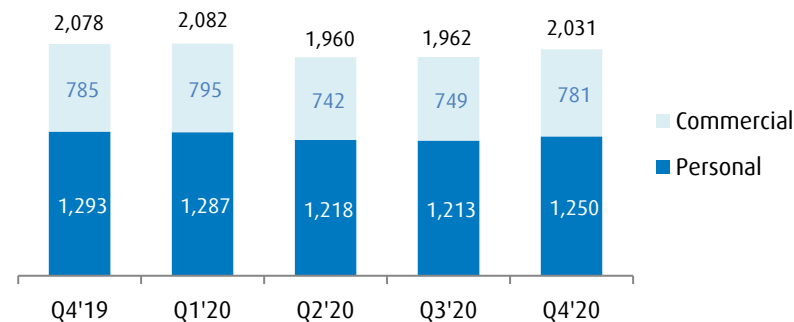
## Highlights (Adjusted<sup>1</sup>)

	F2020	Q4'20
Net Income	\$2,030MM	\$648MM
Net Income Growth (Y/Y)	(23)%	(9)%
Revenue Growth (Y/Y)	1%	(2)%
PPPT <sup>2</sup> Growth (Y/Y)	-	(3)%
ROE	18.1%	22.7%
Efficiency Ratio	48.4%	47.6%
Operating Leverage	(0.8)%	(1.4)%
Average Net Loans and Acceptances	\$249B	\$250B

## Net Income<sup>1</sup> and NIM



## Revenue (\$MM)



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders  
 F2020 on a reported basis: Net Income \$2,028MM; Net Income Growth (23)%; ROE: 18.1%; Efficiency Ratio 48.4%; Operating Leverage (0.8)%  
 Q4'20 on a reported basis: Net Income \$647MM; Net Income Growth (9)%; ROE: 22.7%; Efficiency Ratio 47.6%; Operating Leverage (1.3)%  
<sup>2</sup> Pre-Provision Pre-Tax profit contribution; PPPT is the difference between revenue and expenses

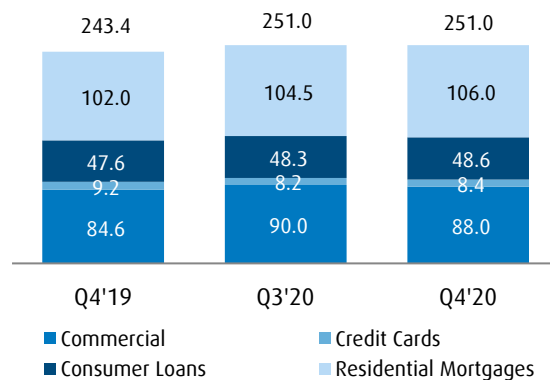
# Canadian Personal & Commercial Banking

## Strategic Priorities

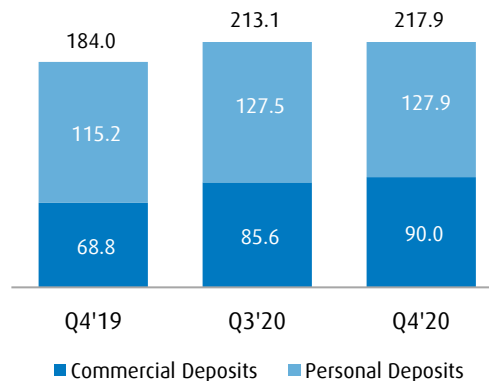
- Continue to improve customer loyalty by deepening primary relationships
  - In Personal Banking, deepen primary relationships, enhance digital capabilities and deliver a leading customer experience
  - In Commercial Banking, focus on maintaining core strengths, target opportunities for growth and diversification across high-value sectors and businesses, invest in digital and payment capabilities, and continue to leverage cross-bank collaboration
- Support customers, employees and the broader community to alleviate the adverse impact of the COVID-19 pandemic
- Drive efficiencies by simplifying and streamlining operations, investing in digital capabilities and through cross-bank collaboration

## Performance

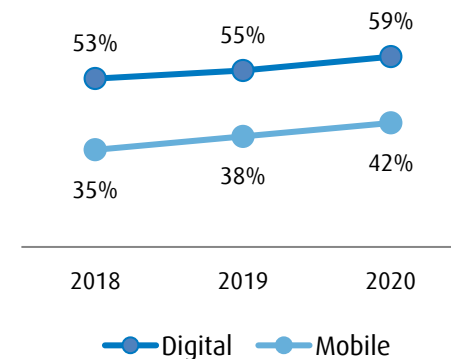
Average Gross Loans & Acceptances (\$B)



Average Deposits (\$B)



Digital Adoption<sup>1</sup>



<sup>1</sup> Adoption is the percent of retail deposit customers that have logged in within the last 90 days; as at October 31, 2018, 2019 and 2020



# U.S. Personal & Commercial Banking

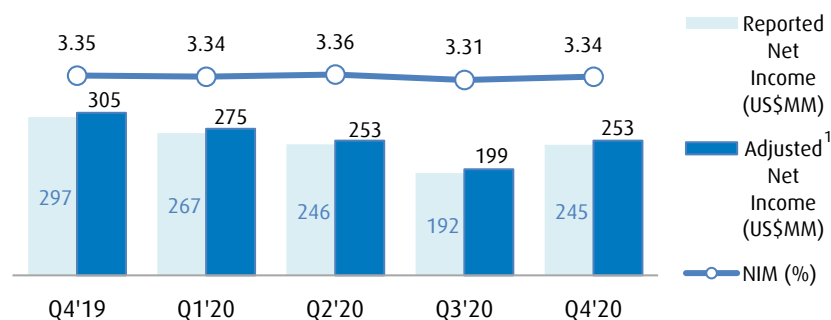
## Strengths and Value Drivers

- Rich Midwestern heritage dating back to 1847, with a long-standing commitment to the success of our customers and communities
- Large-scale, diversified national commercial business, supported by in-depth industry knowledge, best-in-class customer experience, and top-tier market share in our flagship businesses
- Increasing momentum in personal banking: large and growing customer base, extensive branch network, broad suite of products and services, accelerated investment in digital capabilities
- Comprehensive, integrated control structure to actively manage risk and regulatory compliance

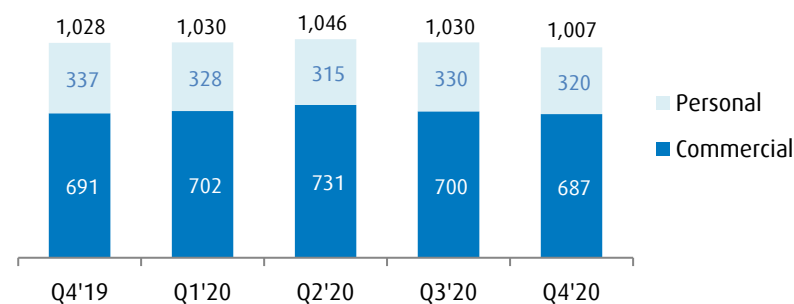
## Highlights (Adjusted<sup>1</sup>)

	F2020	Q4'20
Net Income	US\$980MM	US\$253MM
Net Income Growth (Y/Y)	(21)%	(17)%
Revenue Growth (Y/Y)	2%	(2)%
PPPT <sup>2</sup> Growth (Y/Y)	8%	3%
ROE	8.5%	8.8%
Efficiency Ratio	54.6%	55.0%
Operating Leverage	4.6%	3.5%
Average Loans and Acceptances	US\$91B	US\$90B

## Net Income and NIM



## Revenue (US\$MM)



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders  
 F2020 on a reported basis: Net Income \$950MM; Net Income Growth (22)%; PPPT Growth 8%; ROE 8.3%; Efficiency Ratio 55.6%; Operating Leverage 4.7%  
 Q4'20 on a reported basis: Net Income \$245MM; Net Income Growth (17)%; PPPT Growth 3%; ROE 8.6%; Efficiency Ratio 56.0%; Operating Leverage 3.6%  
<sup>2</sup> Pre-Provision Pre-Tax profit contribution; PPPT is the difference between revenue and expenses

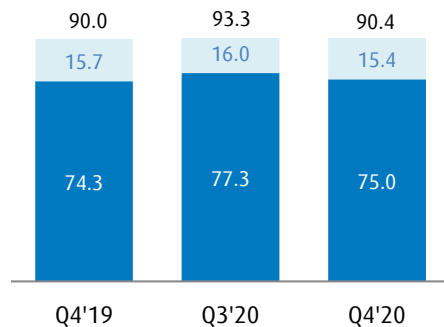
# U.S. Personal & Commercial Banking

## Strategic Priorities

- Deliver a great experience for customers and employees, while adapting to the new operating environment, and continue to build a base of loyal customers and drive an inclusive and high-performance work culture
- Leverage the full suite of products, solutions and capabilities, and the unique cross-border advantage to offer a compelling value proposition to customers
  - In Personal Banking, continue to drive new customer acquisition, maintain robust deposit growth, improve profitability in consumer lending, build a flagship franchise in Small Business Banking and increase digital engagement
  - In Commercial Banking, strengthen core market presence and continue to build share of wallet, strengthen digitization and digital capabilities, drive growth and enhance return on equity, while continuing to manage risk prudently, and leverage cross-bank collaboration
- Drive efficiencies by simplifying and streamlining operations, investing in digital capabilities and through cross-bank collaboration

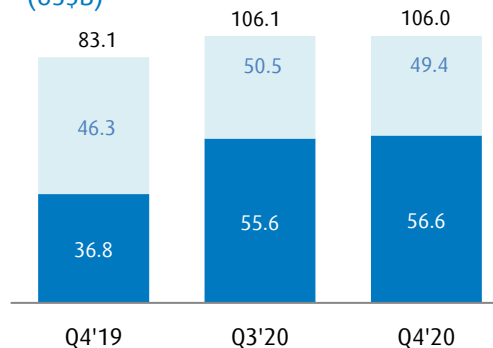
## Performance

Average Gross Loans and Acceptances<sup>1</sup>  
(US\$B)



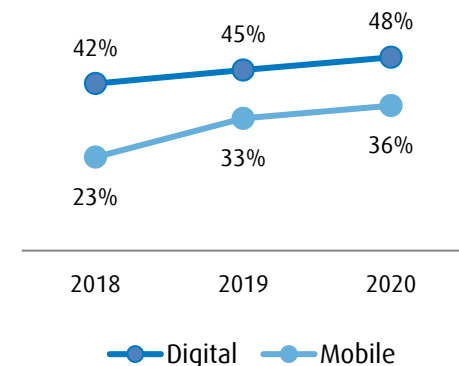
■ Commercial ■ Personal & Business Banking

Average Deposits  
(US\$B)



■ Commercial ■ Personal & Business Banking

Digital Adoption<sup>2</sup>



<sup>1</sup> Certain loan and deposit balances have been re-classified from Personal to Commercial within U.S. P&C reflecting a re-alignment of our Business Banking segment

<sup>2</sup> Adoption is the percent of deposit customers that have logged in within the last 90 days; as at October 31, 2018, 2019, and 2020

# BMO Wealth Management

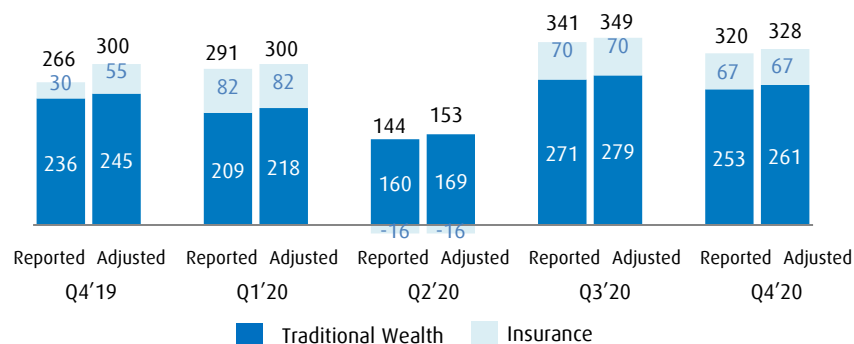
## Strengths and Value Drivers

- Planning and advice-based approach that integrates investment, insurance, specialized wealth management and core banking solutions, offered by a team of highly skilled professionals
- Diversified products and services, from digital investing to integrated full-service investment management, banking and wealth advisory services for retail, business and institutional clients
- Global asset manager with a commitment in responsible investing delivering innovative investment solutions to institutional and individual clients including BMO Mutual Funds and BMO Exchange Traded Funds across a range of channels
- Robust risk management framework supporting alignment with heightened regulatory expectations

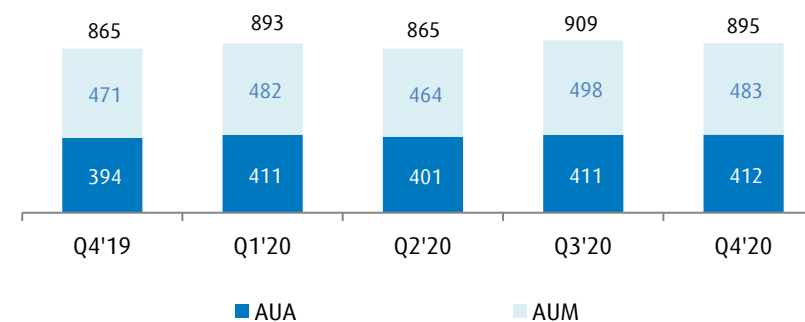
## Highlights (Adjusted<sup>1</sup>)

	F2020	Q4'20
Net Income	\$1,130MM	\$328MM
Net Income Growth (Y/Y)	1%	9%
Revenue <sup>2</sup> Growth (Y/Y)	1%	6%
PPPT <sup>3</sup> Growth (Y/Y)	2%	7%
ROE	17.7%	20.6%
Efficiency Ratio <sup>2</sup>	69.5%	66.5%
Operating Leverage <sup>2</sup>	0.5%	1.6%
AUA / AUM	\$895B	\$895B
Average Loans / Deposits	\$27B / \$44B	\$27B / \$47B

## Net Income<sup>1</sup> (\$MM)



## AUA / AUM (\$B)



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders

F2020 on a reported basis: Net Income \$1,096MM; Net Income Growth 3%; Net Revenue Growth 1%; PPPT Growth 4%; ROE 17.1%; Efficiency Ratio 70.4%; Operating Leverage 1.1%

Q4'20 on a reported basis: Net Income \$320MM; Net Income Growth 20%; Net Revenue Growth 6%; PPPT Growth 15%; ROE 20.1%; Efficiency Ratio 67.3%; Operating Leverage 3.8%

<sup>2</sup> Revenue, efficiency ratio and operating leverage based on net revenue. Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

<sup>3</sup> Pre-Provision Pre-Tax profit contribution; PPPT is the difference between net revenue and expenses

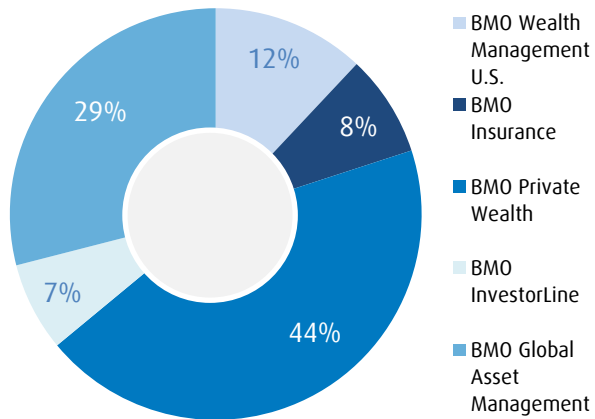
# BMO Wealth Management

## Strategic Priorities

- Deliver a differentiated client experience, providing outstanding support and working together to plan, grow, protect and transition their wealth with confidence
- Extend our advantage as a solutions provider, delivering innovative asset management and insurance offerings that anticipate clients' evolving needs and exceed their expectations
- Build on a strong foundation and continue to evolve, simplify and streamline businesses to drive value, efficiency and returns
- Activate and drive an inclusive, high-performance culture, focused on strong collaboration and alignment across the enterprise and a commitment to building diverse and inclusive teams to bring the best of BMO to all clients

## Diversification

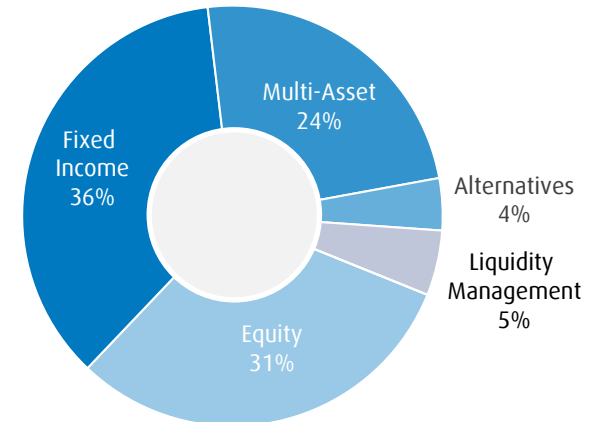
Net Revenue<sup>1</sup> by Business – F2020



~65%  
Fee-based  
Revenues<sup>2</sup>

ETF  
#1 in net new  
assets in  
Canadian  
market<sup>4</sup>

BMO GAM Investment Asset Class<sup>3</sup>



1 Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)  
 2 % of F2020 total Wealth Management net revenue  
 3 Investment Asset Class as of October F2020  
 4 Net new assets as of October F2020

# BMO Capital Markets

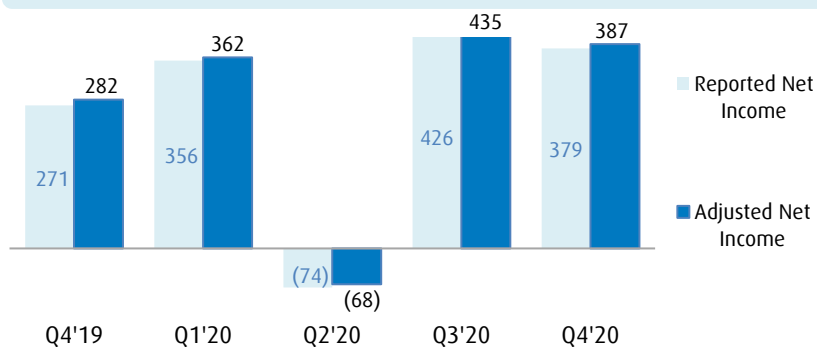
## Strengths and Value Drivers

- A valued financial partner to our clients; leveraging our people, innovative solutions and capital to help them overcome their challenges and achieve their goals
- Unified coverage and integrated North American platform, delivering a seamless and exceptional client experience
- Well diversified platform and business mix by sector, geography, product and currency, including a strong and scalable U.S. business
- Strong first line of defense risk management and regulatory and compliance capabilities
- High performance culture with strong focus on diversity and inclusion

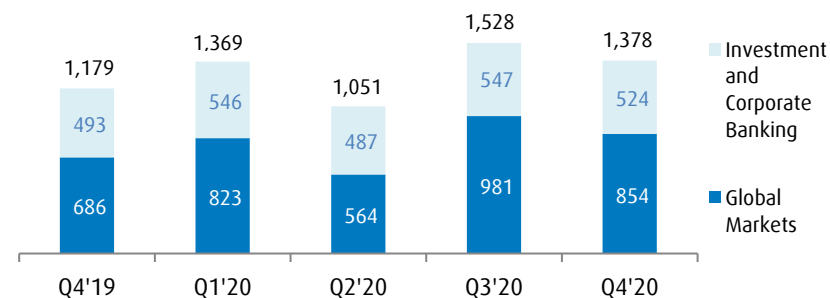
## Highlights (Adjusted<sup>1</sup>)

	F2020	Q4'20
Net Income	\$1,116MM	\$387MM
Net Income Growth (Y/Y)	(0%)	38%
Revenue Growth (Y/Y)	12%	17%
PPPT <sup>2</sup> Growth (Y/Y)	41%	47%
Efficiency Ratio	60.1%	57.4%
Operating Leverage	13.3%	15.4%
Average Gross Loans and Acceptances	\$67B	\$64B
Offices	35 globally, 22 in N.A.	
U.S. Revenue Contribution <sup>3</sup>	47%	45%
U.S. IB market share <sup>4</sup>	#20	

## Net Income<sup>1</sup> (\$MM)



## Revenue (\$MM)



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders

F2020 on a reported basis: Net Income \$1,087MM; Net Income Growth (0)%; PPPT Growth 41%; Efficiency Ratio 60.8%; Operating Leverage 13.2%

Q4'20 on a reported basis: Net Income \$379MM; Net Income Growth 40%; PPPT Growth 49%; Efficiency Ratio 58.1%; Operating Leverage 15.8%

<sup>2</sup> Pre-Provision Pre-Tax profit contribution; PPPT is the difference between revenue and expenses

<sup>3</sup> U.S. Revenue as a % of Total

<sup>4</sup> Source: Dealogic as at October 31, 2020

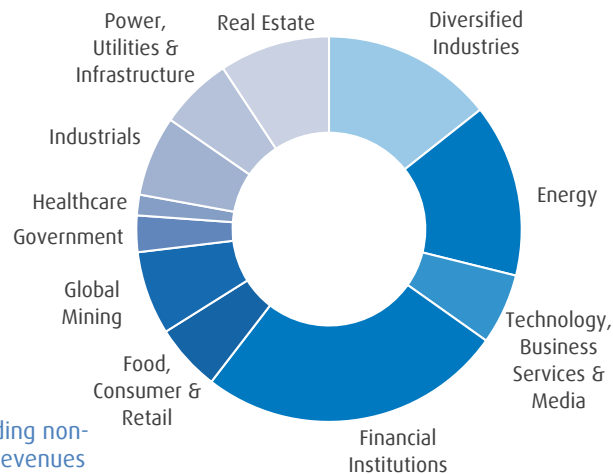
# BMO Capital Markets

## Strategic Priorities

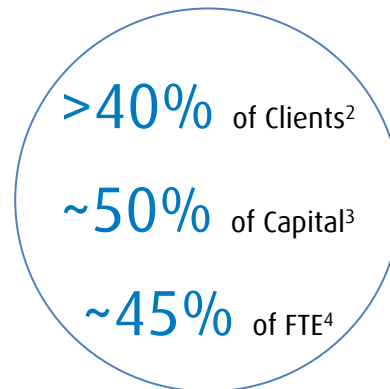
- Continue to invest where BMO Capital Markets has the strengths and capabilities to deliver value-added solutions and meet client needs
- Build on a foundation to work smarter and simplify how BMO Capital Markets does business, to enhance efficiency and return on equity with a particular focus on digitization
- Activate and drive an inclusive, high performance culture – focused on urgency and accountability to clients, strong partnership and alignment across the enterprise, and a commitment to eliminate barriers to diversity and inclusion
- Continue to be prudent managers of time, capital and risk for clients, employees and shareholders

## Diversification

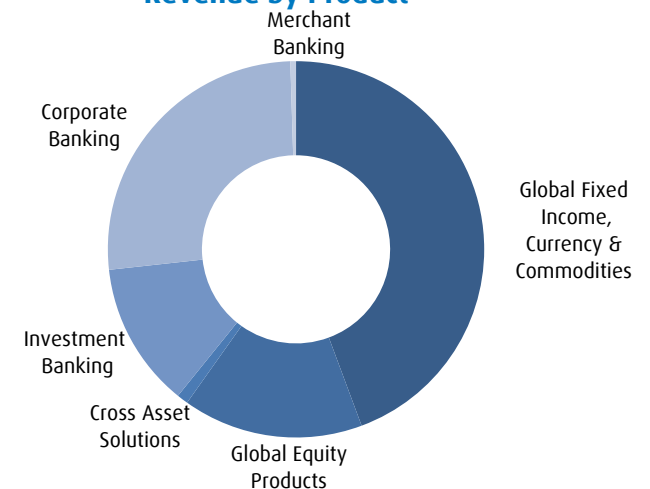
Revenue by Sector<sup>1</sup>



U.S. Contribution



Revenue by Product<sup>5</sup>



\*Excluding non-client revenues

1 As a % of last twelve months (LTM) revenue, excluding non-client revenues & investor-only clients  
 2 % of revenue generating entities domiciled in the U.S. (as at September 30, 2020)  
 3 U.S. Capital as a % of Total (LTM as of Q4'20)  
 4 U.S. FTE as a % of Total (LTM as of Q4'20)  
 5 As a % of LTM Q4'20 revenue excluding 'Other'

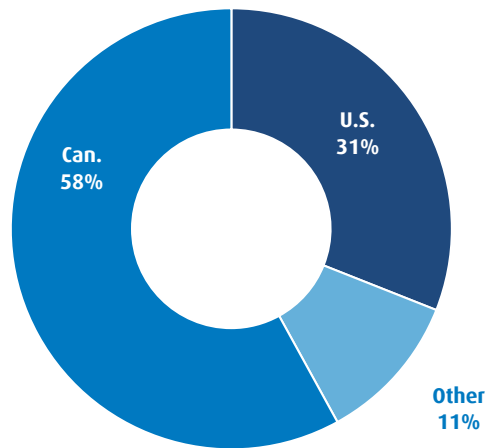
# U.S. Operations

## U.S. segment continuing to deliver strong results

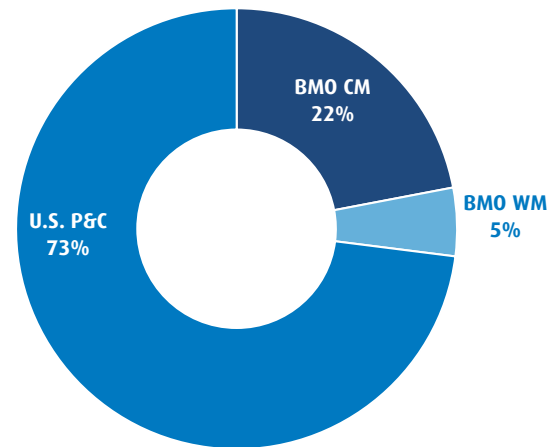
Figures that follow are on a U.S. dollar basis

- U.S. segment contributing ~1/3 total bank earnings
  - #12<sup>1</sup> in U.S. commercial lending; top-tier commercial lending market position in flagship U.S. markets
  - #3 deposit market share in our core footprint<sup>2</sup>; #2 in Chicago and Milwaukee
  - Leveraging strong integration and collaboration across businesses to provide integrated client offering
- U.S. P&C Q4'20 adjusted<sup>3</sup> PPPT up 3%
  - Delivered positive adjusted<sup>3</sup> operating leverage of 3.5%; adjusted<sup>3</sup> efficiency ratio of 55.0% meets Investor Day target of mid-50s
- BMO Capital Markets delivering on strategy, providing growth and diversification
  - Achieved Investor Day target of 45-50% revenue contribution from U.S. in Q4 and F2020

Total Bank Adjusted<sup>3</sup> Net Income by Geography – F2020



U.S. Segment Adjusted<sup>3</sup> Net Income by Operating Group<sup>4</sup> – F2020



<sup>1</sup> Based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis

<sup>2</sup> Core footprint includes Illinois, Kansas, Wisconsin, Missouri, Indiana and Minnesota

<sup>3</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to page 7 of BMO's Q4'20 Report to Shareholders

On a reported basis: U.S. P&C PPPT up 3%; U.S. P&C operating leverage 3.6%; U.S. P&C efficiency ratio 56.0%

Total bank reported net income by geography for F2020: Canada 59%, U.S. 31%, Other 10%; U.S. Segment reported net income by operating group for F2020: U.S. P&C 74%, BMO CM 21%, BMO WM 5%

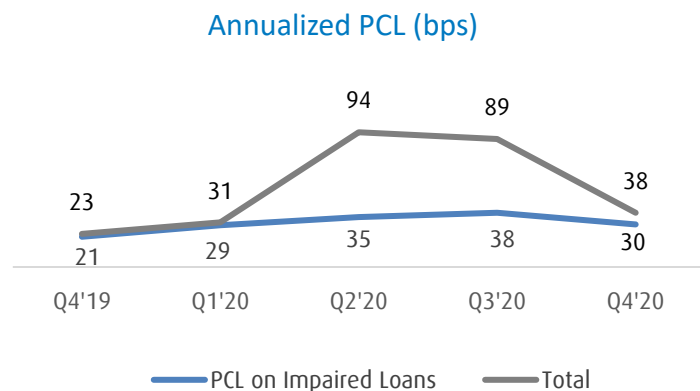
<sup>4</sup> Excludes Corporate Services

# Risk Overview



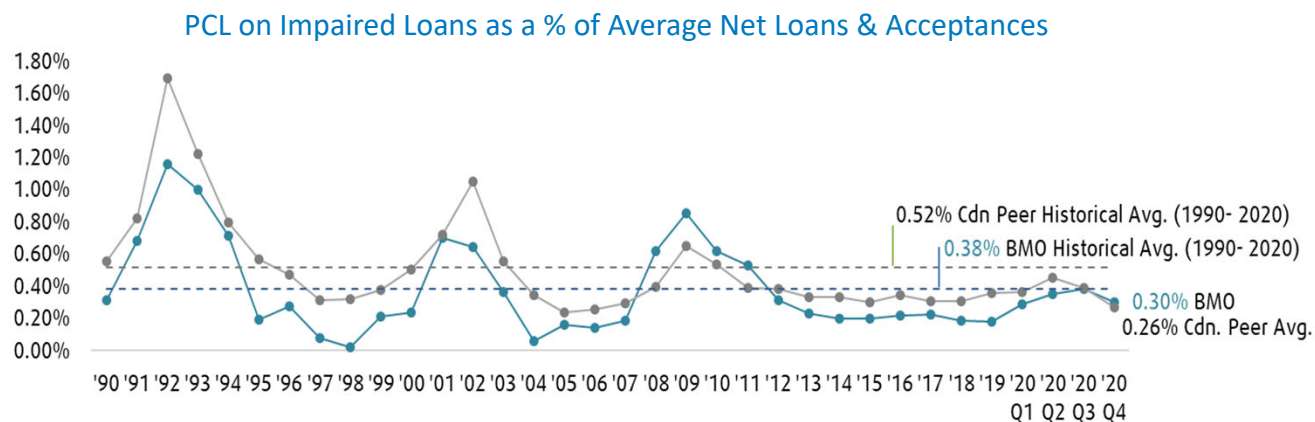
# Provision for Credit Losses (PCL)

PCL By Operating Group (\$MM)	Q4 20		Q3 20		Q4 19	
	\$	bps	\$	bps	\$	bps
Total Canadian P&C	180	29	257	41	134	22
Total U.S. P&C	53	18	109	35	66	22
BMO Wealth Management	0	0	1	1	1	2
BMO Capital Markets	105	66	79	45	7	20
Corporate Services	1	n.m.	0	n.m.	(2)	n.m.
<b>PCL on Impaired Loans</b>	<b>339</b>	<b>30</b>	<b>446</b>	<b>38</b>	<b>231</b>	<b>21</b>
<b>PCL on Performing Loans</b>	<b>93</b>	<b>8</b>	<b>608</b>	<b>51</b>	<b>22</b>	<b>2</b>
<b>Total PCL</b>	<b>432</b>	<b>38</b>	<b>1,054</b>	<b>89</b>	<b>253</b>	<b>23</b>



## PCL on Impaired Loans as a % of Average Net Loans & Acceptances

- BMO's PCL loss rates have been lower than peer average over time
- PPPT earnings would cover PCL rate of ~200bps<sup>1</sup>, higher than any time in at least 30 years, and over five times historical average



<sup>1</sup> Based on F2020 pre-provision, pre-tax earnings

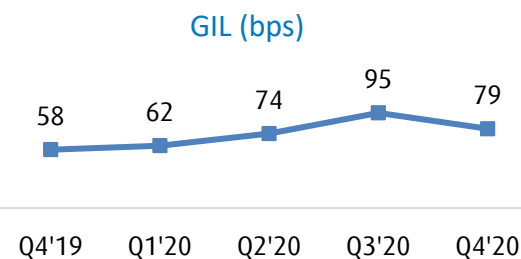
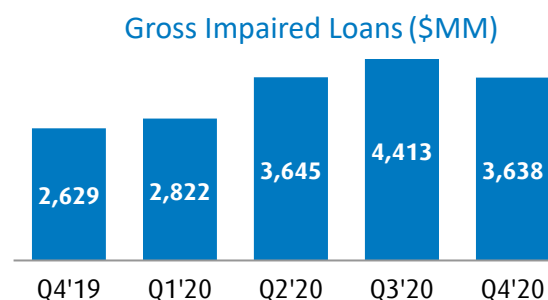
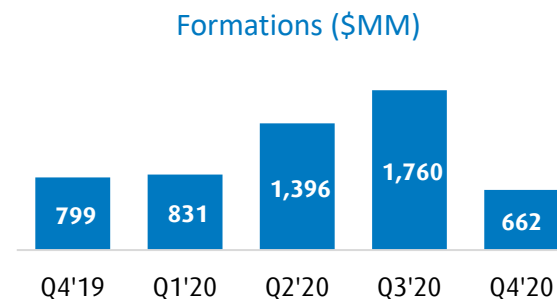
# Gross Impaired Loans (GIL) and Formations

By Industry (\$MM, as at Q4 20)	Formations			Gross Impaired Loans		
	Canada & Other	U.S.	Total	Canada & Other <sup>1</sup>	U.S.	Total
<b>Consumer</b>	<b>105</b>	<b>40</b>	<b>145</b>	<b>414</b>	<b>335</b>	<b>749</b>
Service Industries	30	41	71	137	382	519
Oil & Gas	31	142	173	93	457	550
Retail Trade	42	5	47	311	149	460
Agriculture	11	13	24	70	279	349
Manufacturing	34	4	38	183	109	292
Transportation	2	31	33	14	130	144
Commercial Real Estate	19	30	49	49	40	89
Financing Products	0	0	0	0	147	147
Wholesale Trade	20	0	20	43	61	104
Construction (non-real estate)	3	5	8	64	40	104
Financial	10	0	10	19	29	48
Mining	0	40	40	0	40	40
Other Business and Government <sup>2</sup>	4	0	4	30	13	43
<b>Total Business and Government</b>	<b>206</b>	<b>311</b>	<b>517</b>	<b>1,013</b>	<b>1,876</b>	<b>2,889</b>
<b>Total Bank</b>	<b>311</b>	<b>351</b>	<b>662</b>	<b>1,427</b>	<b>2,211</b>	<b>3,638</b>

<sup>1</sup> Total Business and Government includes \$84MM GIL from Other Countries

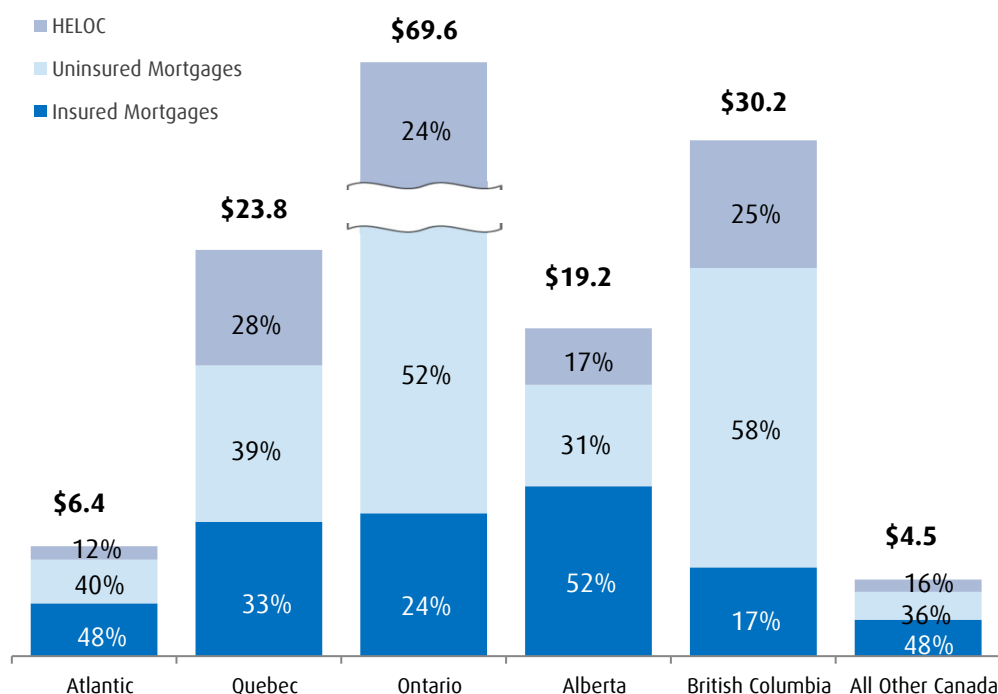
<sup>2</sup> Other Business and Government includes industry segments that are each <1% of total GIL

- GIL ratio 79 bps, down 16 bps Q/Q



# Canadian Residential-Secured Lending

## Residential-Secured Lending by Region (\$153.7B)



Avg. LTV <sup>1</sup> Uninsured	Atlantic	Quebec	Ontario	Alberta	British Columbia	All Other Canada	Total Canada
<b>Mortgage</b>							
- Portfolio	58%	57%	54%	62%	50%	56%	54%
- Origination	74%	73%	69%	73%	66%	73%	70%
<b>HELOC</b>							
- Portfolio	47%	52%	44%	56%	44%	47%	47%
- Origination	72%	73%	65%	68%	62%	66%	66%

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

- Total Canadian residential-secured lending portfolio at \$153.7B, representing 33% of total loans
  - LTV<sup>1</sup> on uninsured of 51%
  - 90-day delinquency rate for RESL remains good at 19 bps; loss rates for the trailing 4 quarter period were 1 bp
- Residential mortgage portfolio of \$117.9B
  - 38% of portfolio insured
  - LTV<sup>1</sup> on uninsured of 54%
  - 80% of the mortgage portfolio has an effective remaining amortization of 25 years or less
- HELOC portfolio of \$35.9B outstanding of which 63% is amortizing
- GTA and GVA portfolios demonstrate better LTV<sup>1</sup>, delinquency rates and bureau scores compared to the national average

# Economic and Housing Market Overview

# Economic outlook and indicators<sup>1</sup>

Economic Indicators (%) <sup>1, 2</sup>	Canada			United States			Eurozone		
	2020E <sup>2</sup>	2021E <sup>2</sup>	2022E <sup>2</sup>	2020E <sup>2</sup>	2021E <sup>2</sup>	2022E <sup>2</sup>	2020E <sup>2</sup>	2021E <sup>2</sup>	2022E <sup>2</sup>
GDP Growth	(5.5)	5.0	4.5	(3.5)	4.5	3.5	(6.8)	5.5	3.0
Inflation	0.8	1.7	1.9	1.2	2.0	2.1	0.3	0.7	1.0
Interest Rate (3mth Tbills)	0.45	0.10	0.10	0.35	0.10	0.10	(0.43)	(0.54)	(0.54)
Unemployment Rate	9.5	7.5	6.5	8.1	5.9	4.7	8.1	7.9	7.0
Current Account Balance / GDP <sup>3</sup>	(1.7)	(1.6)	(1.9)	(3.0)	(3.5)	(3.5)	3.0	3.4	3.5
Budget Surplus / GDP <sup>3</sup>	(17.5)	(5.2)	(2.1)	(14.9)	(13.8)	(6.6)	(8.6)	(6.5)	(4.1)

## Canada

- Canada's economy contracted sharply in 2020 due to the coronavirus and weak oil prices, but it has rebounded on support from fiscal and monetary stimulus. While a resurgence of the virus will slow the economy in early 2021, widescale vaccinations will promote a return to strong growth for the year
- The unemployment rate has fallen below 9% recently, but it is expected to remain elevated in 2021
- The Bank of Canada is expected to keep policy rates steady for at least a couple of years amid low inflation

## United States

- U.S. GDP plunged during the pandemic, but has rebounded strongly. While a resurgence in infections is slowing activity, additional fiscal stimulus and vaccines will support a sturdy recovery in 2021
- After surging to a post-war high last spring, the unemployment rate has fallen sharply to below 7%
- The Federal Reserve is expected to keep policy rates near zero for at least two more years, while purchasing longer-term securities to keep market interest rates low

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

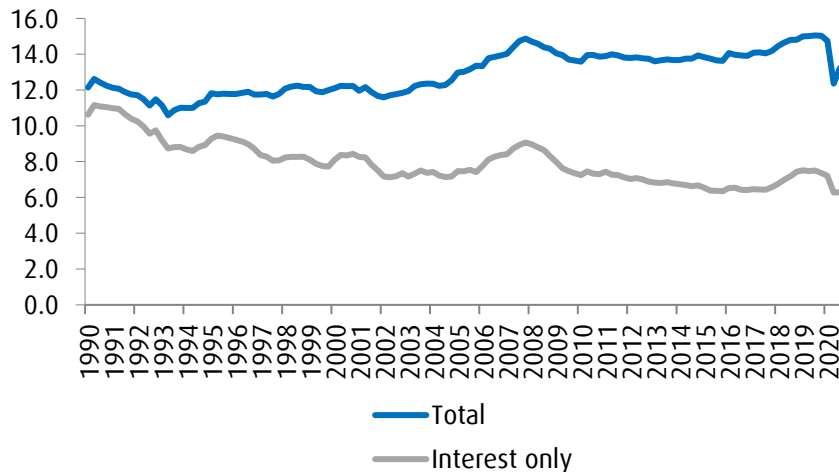
<sup>2</sup> Data is annual average. Estimates as of January 4, 2021

<sup>3</sup> Eurozone estimates provided by IMF World Economic Outlook/Haver

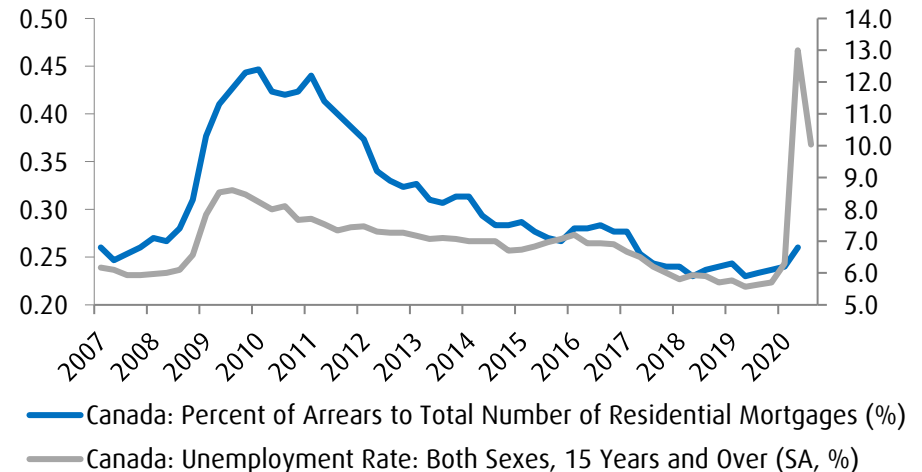
# Canada's housing market is strong

- National existing home sales rebounded to record highs in recent months after plunging in the shutdowns. Record-low mortgage rates and shifts in demand arising from remote working have supported the market
- Benchmark prices are up more than 10% in the past year, with demand surpassing supply
- Home sales are likely to moderate amid less pent-up demand in 2021, though prices should continue to rise
- Substantial fiscal income-support and mortgage deferral programs have tempered forced sales and downward price pressure
- Mortgage arrears remain near record lows, but are expected to rise somewhat due to elevated unemployment
- Debt servicing costs (relative to income) have eased from all-time highs

### Debt Service Ratio



### Mortgage Delinquencies/Unemployment



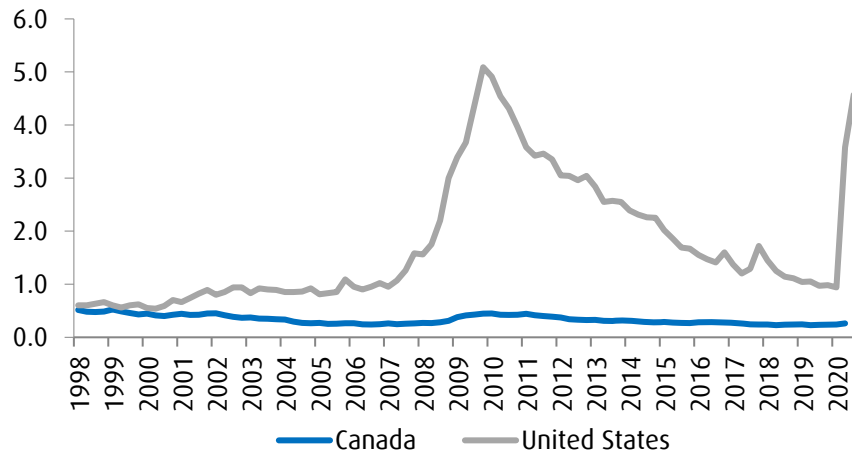
Source: BMO CM Economics and Canadian Bankers' Association as at January 4, 2021  
 This slide contains forward looking statements. See caution on slide 2

# Structure of the Canadian residential mortgage market with comparisons to the United States

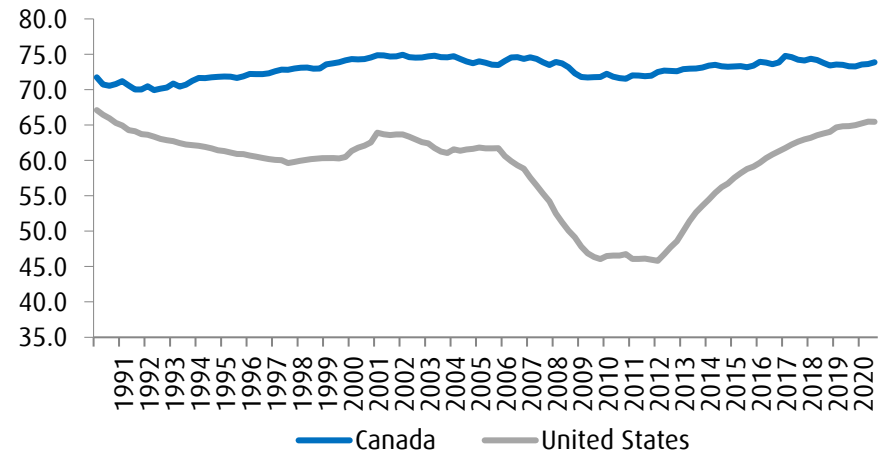
- Conservative lending practices, strong underwriting and documentation discipline have led to low delinquency rates
  - Over the last 30 years, Canada's 90-day residential mortgage delinquency rate has never exceeded 0.7% versus the U.S. peak rate of 5% in 2010
- Mandatory government-backed insurance for high loan to value (LTV >80%) mortgages covering the full balance
- Government regulation including progressive tightening of mortgage rules to promote a healthy housing market
- Shorter term mortgages (avg. 5 years), renewable and re-priced at maturity, compared to 30 years in the U.S. market
- No mortgage interest deductibility for income tax purposes (reduces incentive to take on higher levels of debt)
- In Canada mortgages are held on balance sheet; in the U.S. they may be sold or securitized in the U.S. market
- Recourse back to the borrower in most provinces
- Prepayment penalties borne by the borrower whereas U.S. mortgages may be prepaid without penalty

## Mortgage Delinquencies

Arrears to Total Number of Residential Mortgages (%)



## Equity Ownership (%)



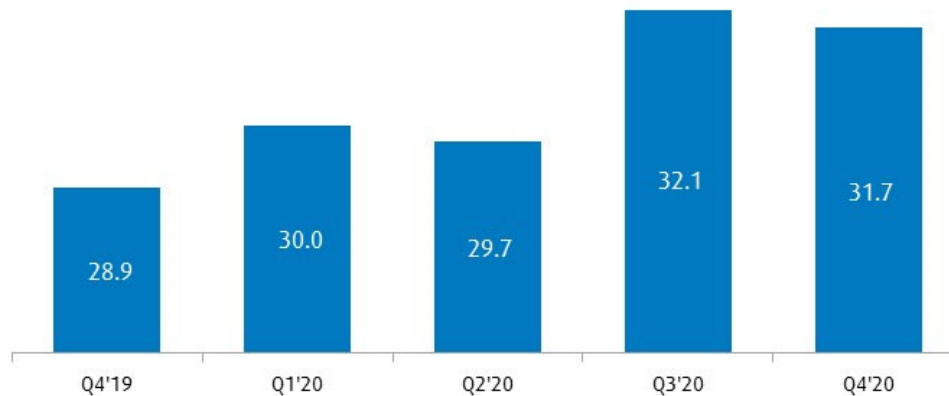
Source: BMO CM Economics and Canadian Bankers' Association as at January 4, 2021  
This slide contains forward looking statements. See caution on slide 2

# Liquidity & Wholesale Funding Mix



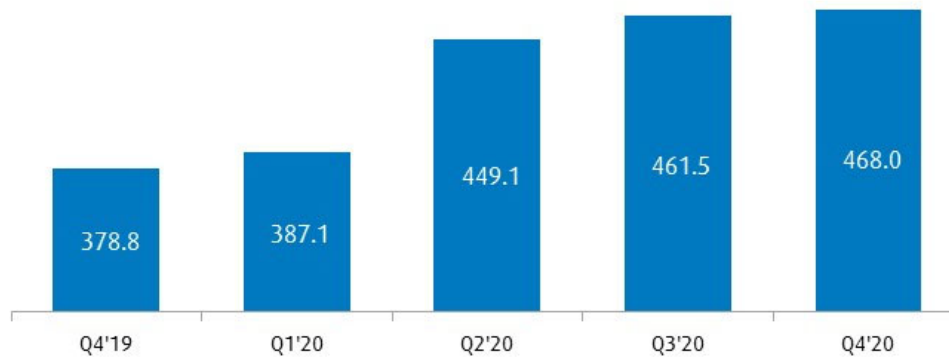
# Liquidity and Funding Strategy

Cash and Securities to Total Assets Ratio (%)



- BMO's Cash and Securities to Total Assets Ratio reflects a strong and stable liquidity position

Customer Deposits<sup>1</sup> (\$B)



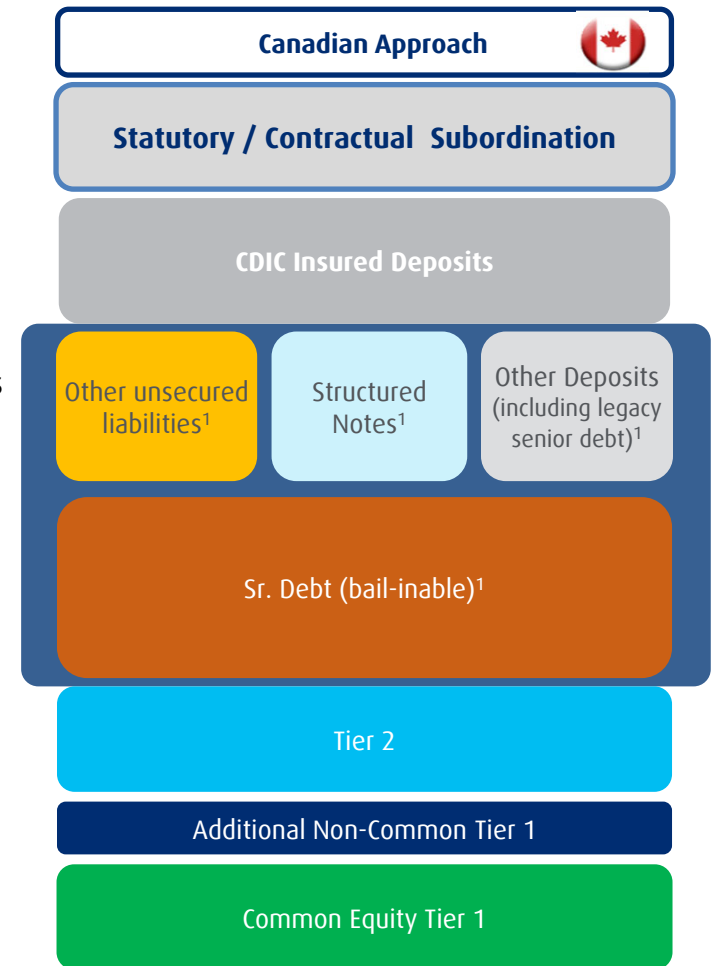
- BMO's large base of customer deposits, along with our strong capital base, reduces reliance on wholesale funding

<sup>1</sup> Customer deposits are operating and savings deposits, including term investment certificates and retail structured deposits, primarily sourced through our retail, commercial, wealth and corporate banking businesses.

# Canadian Bail-in Regime

- Canadian bail-in regime effective since September 23, 2018 (implementation date)
- Bail-in eligible senior unsecured debt that is issued after the implementation date will be subject to conversion in a resolution scenario
  - Bail-in eligible debt includes senior unsecured debt issued by the parent bank with an original term >400 days and marketable (with a CUSIP/ISIN)
- Key exclusions are Covered bonds, structured notes, derivatives and consumer deposits
- Bail-in eligible debt will be issued under existing programs (US MTN, EMTN, AMTN etc.) governed by local laws, with the exception of bail-in conversion requirements which will be governed by Canadian law
- Bail-in eligible debt has a statutory conversion feature that provides the Canada Deposit Insurance Corporation (CDIC) the power to trigger conversion of bail-in securities into common shares of the bank (no write-down provision)
- The statutory conversion supplements the existing Non-Viable Contingent Capital (NVCC) regime which contractually requires the conversion of subordinated debt and preferred equity into common equity upon the occurrence of certain trigger events
- The notional amount of bail-in securities to be converted and the corresponding number of common shares issued in a resolution scenario will be determined by CDIC at the time of conversion (unlike NVCC securities, where the calculation for the number of shares issued is already defined). Any outstanding NVCC capital must be converted, in full, prior to conversion of bail-in securities
- Conversion maintains the creditor hierarchy (no creditor worse off principle is respected)

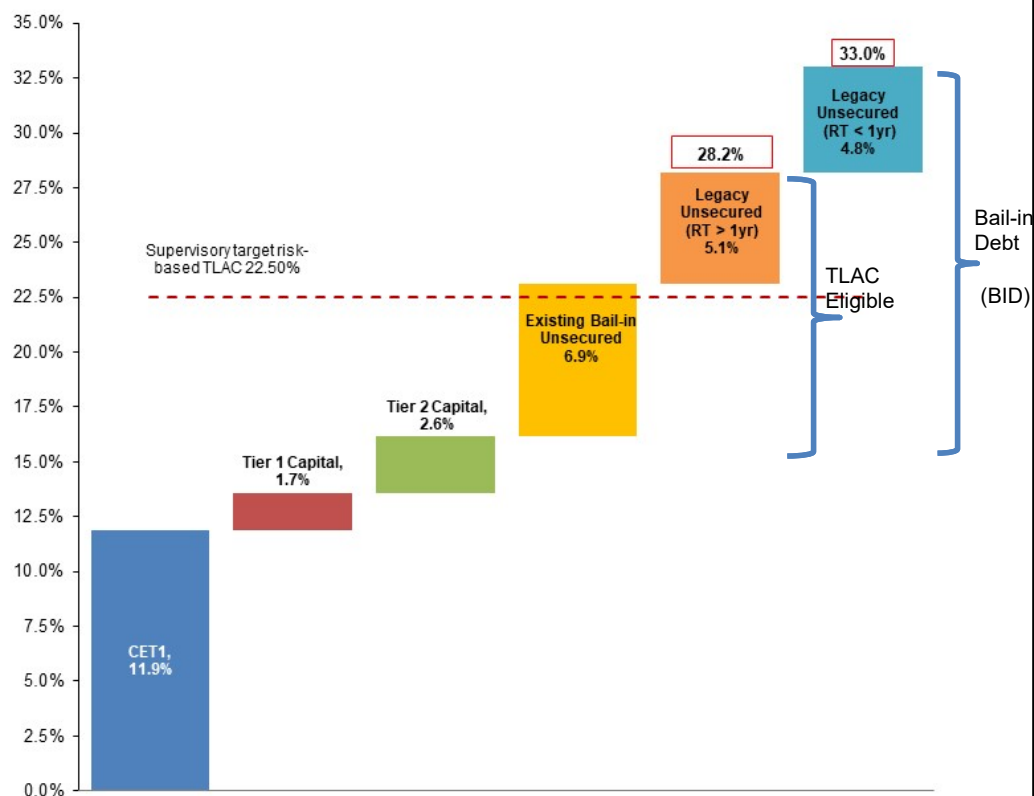
<sup>1</sup> Pari passu ranking in liquidation.



# Manageable TLAC Requirements and no incremental funding

- Canadian D-SIBs will be required to meet a Supervisory Target ratio by November 1, 2021
  - Risk-based TLAC ratio of 22.5% (Minimum 21.5% of RWA TLAC ratio plus a Domestic Stability Buffer of 1.00% of total RWA) <sup>1</sup>
  - Minimum TLAC Leverage ratio of 6.75%
- TLAC eligible securities will have a minimum remaining term of 365 days
- No incremental funding required to meet the TLAC obligations
- BMO will only be issuing one class of medium and long term senior debt that will over time replace the legacy senior debt outstanding
- Similar to US TLAC securities, Canadian bail-in securities will retain the clause regarding acceleration of payments, subject to a minimum 30-business-day cure period, in case of events of default relating to non-payment of scheduled principal and/or interest
- TLAC eligible debt will be issued at the parent bank operating company level whereas US FIs issue TLAC debt at the holding company level

Funding Profile as at October 31, 2020

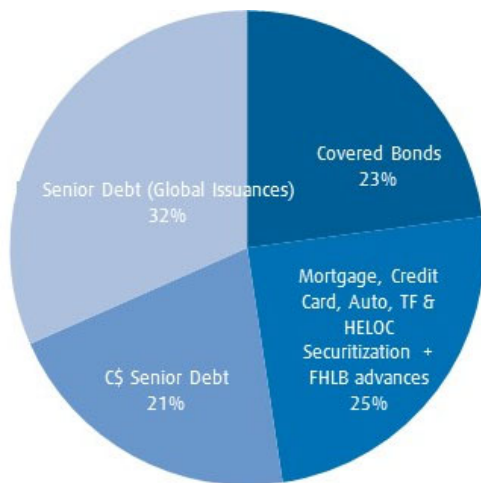


<sup>1</sup> On March 13, 2020, OSFI announced a decrease of the Domestic Stability Buffer from 2.25% (effective as at April 30, 2020) to 1% of total risk-weighted assets effective immediately, in order to support D-SIBs' ability to supply credit to the economy during an expected period of disruption related to COVID-19 and market conditions

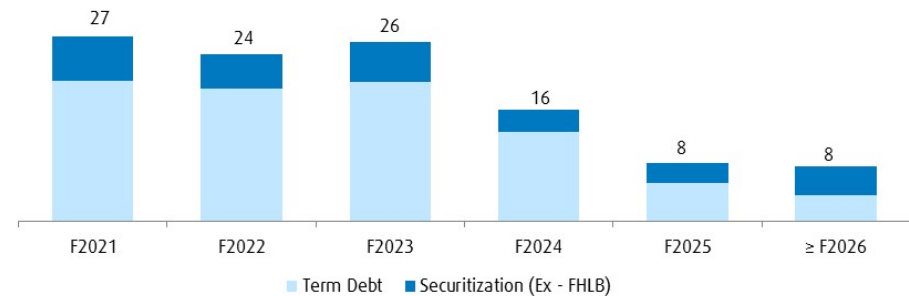
# Diversified Wholesale Term Funding Program

- BMO's wholesale funding principles seek to match the term of assets with the term of funding. Loans for example are funded with customer deposits and capital, with any difference funded with longer-term wholesale funding
- BMO has a well diversified wholesale funding platform across markets, products, terms, currencies and maturities

Wholesale Capital Market Term Funding Composition<sup>1</sup> (\$108B) as at October 31, 2020



Wholesale Capital Market Term Funding Maturity Profile<sup>1,2</sup> as at October 31, 2020



<sup>1</sup> Wholesale capital market term funding primarily includes non-structured funding for terms greater than or equal to two years and term ABS. Excludes capital issuances

<sup>2</sup> BMO term debt maturities includes term unsecured and Covered Bonds

# Diversified Wholesale Funding Platform

- Programs provide BMO with diversification and cost effective funding

Canada <sup>1</sup>	U.S. <sup>1</sup>	Europe, Australia & Asia <sup>1</sup>
<ul style="list-style-type: none"> <li>• Canadian MTN Shelf (C\$10B)</li> <li>• Fortified Trust (C\$5B)</li> <li>• Other Securitization (RMBS, Canada Mortgage Bonds, Mortgage Backed Securities)</li> </ul>	<ul style="list-style-type: none"> <li>• SEC Registered U.S. Shelf (US\$25B)</li> <li>• Global Registered Covered Bond Program (US\$30B)</li> <li>• Securitization (Credit cards, Auto, Transportation Finance)</li> </ul>	<ul style="list-style-type: none"> <li>• Note Issuance Programme (US\$20B)</li> <li>• Australian MTN Programme (A\$5B)</li> <li>• Global Registered Covered Bond Program (US\$30B)<sup>2</sup></li> </ul>

## Recent Notable Transactions

- C\$1.25 billion 60-year Limited Recourse Capital Notes at 4.30%
- C\$1.25 billion 10-year Fixed Rate NVCC Subordinated Notes at 2.077%
- C\$1.50 billion 5-yr Fixed Rate Senior Unsecured Notes at 2.37%
- US\$500 million 3-yr Fixed Rate Senior Unsecured Sustainable Notes at 2.05%
- US\$529.10 million Master Credit Card Trust II Notes
- US\$605.21 million CPART Auto Securitization
- US\$524.593 million Transportation Finance Securitization
- US\$1.50 billion 3-yr Floating SOFR Rate Senior Unsecured Notes
- US\$1.50 billion 5-yr Fixed Rate Senior Unsecured Notes at 1.85%
- US\$500 million Rate-Reset Additional Tier 1 notes at 4.80%
- EUR€1.25 billion 3-yr Floating Rate Covered Bond
- CHF325 million 3.5-yr Fixed Rate Covered Bond at 0.096%
- CHF160 million 6-yr Fixed Rate Covered Bond at 0.035%
- AUD\$2.0 billion 3-yr Floating Rate Covered Bond

<sup>1</sup> Indicated dollar amounts beside each wholesale funding program denotes program issuance capacity limits

# Credit ratings

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	Moody's	S&P	DBRS	Fitch
Long term deposits / legacy senior debt <sup>1</sup>	Aa2	A+	AA	AA
Senior debt <sup>2</sup>	A2	A-	AA (low)	AA-
Outlook	Stable	Stable	Stable	Negative

1 Long term deposits / legacy senior debt includes: (a) Senior debt issued prior to September 23, 2018; and (b) Senior debt issued on or after September 23, 2018 which is excluded from the Bank Recapitalization (Bail-In) Regime

2 Subject to conversion under the Bank Recapitalization (Bail-In) Regime

# Investor Relations

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