

# Investor Presentation

June 2021



# 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 2021 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 our outlook for our operations or for the Canadian, U.S. and international economies, the expected impact of the COVID-19 pandemic on our business, operations, earnings, results, and financial performance and condition, as well as its impact on our customers, competitors, reputation and trading exposures, 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: 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; general economic and market conditions in the countries in which we operate; 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 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 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 our credit ratings; 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; 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, 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, and the Risk Management section that starts on page 31 of our Second Quarter 2021 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 2020 Annual Report and updated in the Economic Review and Outlook section set forth in our Second Quarter 2021 Report to Shareholders, as well as in the Allowance for Credit Losses section on page 114 of BMO's 2020 Annual Report and the Allowance for Credit Losses section set forth in our Second Quarter 2021 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 and Allowance for Credit Losses sections in our Second Quarter 2021 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 2021 Report to Shareholders 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, impact of divestitures, reinsurance adjustment and restructuring costs. Bank of Montreal provides supplemental information on combined business segments to facilitate comparisons to peers.

# About Us

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>

\$950 billion  
in total assets

12+ million  
customers globally

## Operating Groups

Personal & Commercial Banking

BMO Wealth Management

BMO Capital Markets

### Our Purpose

Boldly Grow the Good  
*in business and life*

- For a thriving economy
- For a sustainable Future
- For an inclusive society

### Our Strategic Priorities

- **World-class** client loyalty and growth
- **Winning culture** driven by alignment, empowerment and recognition
- **Digital first** for speed, efficiency and scale
- **Simplify** work and **eliminate complexity**
- **Superior management** of **risk** and **capital** performance

### Our Values

- Integrity
- Empathy
- Diversity
- Responsibility

<sup>1</sup> Source: Bloomberg GICS screen of largest North American banks by total assets

# Our Purpose

## BOLDLY GROW THE GOOD

### IN BUSINESS AND LIFE

#### For a sustainable future

- Declared Climate Ambition, a focused commitment to drive economic transformation toward a net zero world
- Ranked top bank in North America on Corporate Knights' 2021 Global 100
- Among first Canadian banks to sign UN Principles for Responsible Banking
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Acted as Joint Bookrunner and Green Structuring Agent on the first labelled Green Loan in Canada

#### For a thriving economy

- Deployed ~US\$1.5B in loans and investments against BMO EMpower, a 5-year, US\$5B commitment to address key barriers faced by minority businesses, communities and families in the U.S.
- Committed \$1.2MM to SheEO Programs Helping Women-Led Venture Companies funding ventures that address sustainability issues faced worldwide
- Continuing to support customers with access to government relief programs helping them bridge to financial recovery, including the CEBA, PPP, HASCAP and TELP programs

#### For an inclusive society

- Recognized as one of the World's Most Ethical Companies for the 4th consecutive year by the Ethisphere Institute
- Recognized for the 6<sup>th</sup> consecutive year on the Bloomberg Gender-Equality Index
- Issued \$750MM Women in Business Bond In Support of Women-Owned Businesses
- Announced US\$10MM donation to create the Rush BMO Institute for Health Equity in Chicago

CEBA: Canadian Emergency Business Assistance, PPP: U.S. Paycheck Protection Program, HASCAP: Highly Affected Sectors Credit Availability Program, TELP: Trade Expansion Lending Program

# Reasons to Invest in BMO

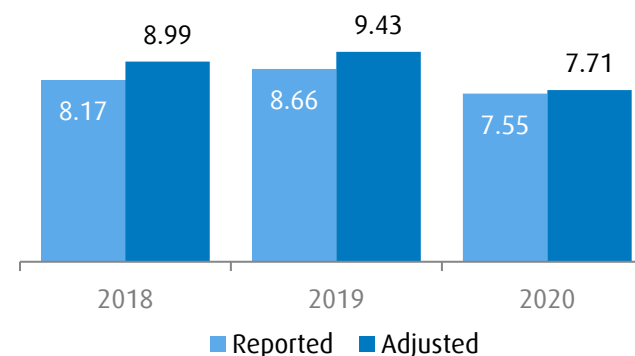
- Diversified businesses that continue to deliver resilient and robust earnings growth and long-term value for shareholders
- Strong foundation built for growth and differentiating strengths that drive competitive advantage:
  - Top 10 commercial lender in North America with advantaged market share in 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

## 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

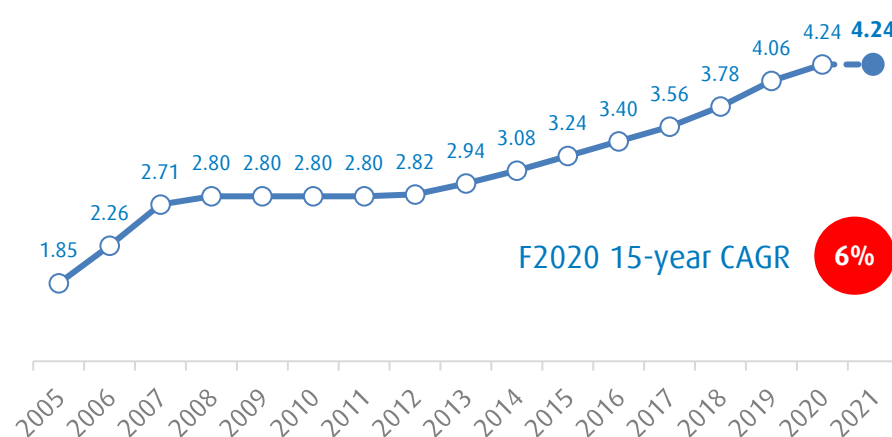
## Earnings per Share (\$)



## 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>: 3.3%



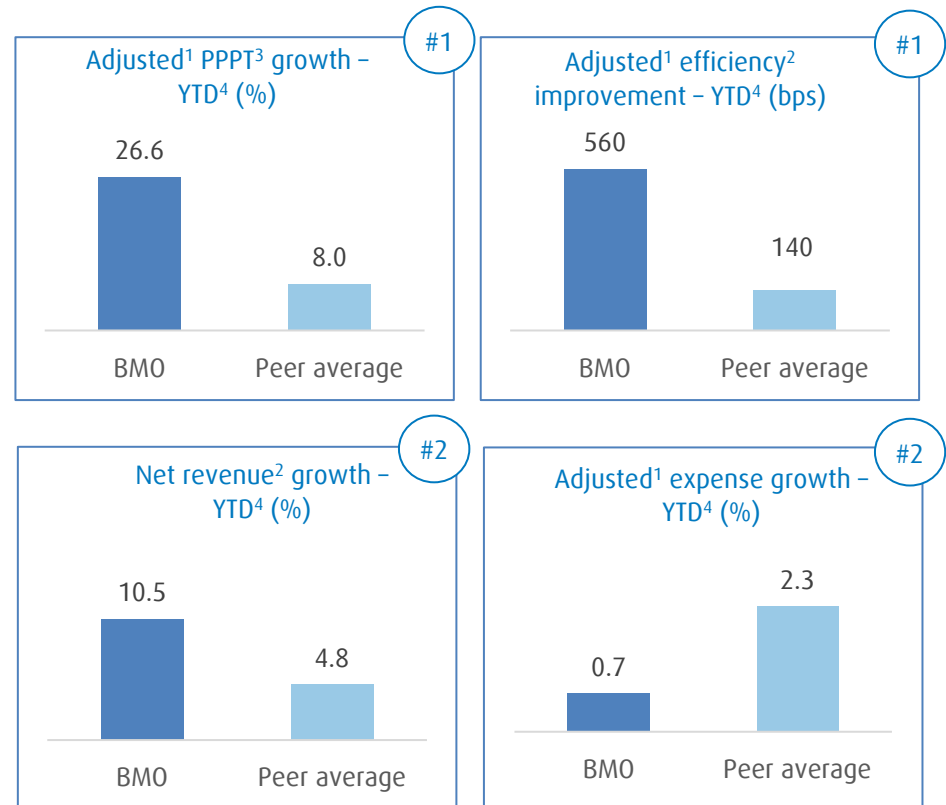
<sup>1</sup> As at June 17, 2021

<sup>2</sup> Based on Q2'21 dividend of \$1.06 annualized

# Continued operating momentum across our businesses

- Advantaged and diversified business mix positioned for resilience and growth
- Leading adjusted<sup>1</sup> PPPT<sup>3</sup> growth and efficiency<sup>2</sup> improvement, better than average net revenue<sup>2</sup> and expense growth
- Peer-leading YTD PPPT<sup>1,3</sup> growth in Canadian P&C, up 11.3%
- U.S. P&C PPPT<sup>1,3</sup> up 22% YTD with strong revenue growth and expense management
- Record earnings in Capital Markets and continued strong earnings in Wealth Management
- Very strong credit performance reflecting portfolio quality and strength in risk management
- Continued progress on returns and efficiency
  - ROE improved to 16.3%<sup>1</sup> YTD
  - Efficiency<sup>1,2</sup> improved to 56.4%<sup>1</sup> from 62% YTD

## Top tier financial performance<sup>4</sup>



<sup>1</sup> On an adjusted basis. Adjusted measures are non-GAAP measures, see slide 2 for more information; US P&C reported YTD PPPT 23.0%; total bank reported YTD ROE 13.0% and YTD Efficiency 63.0%

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

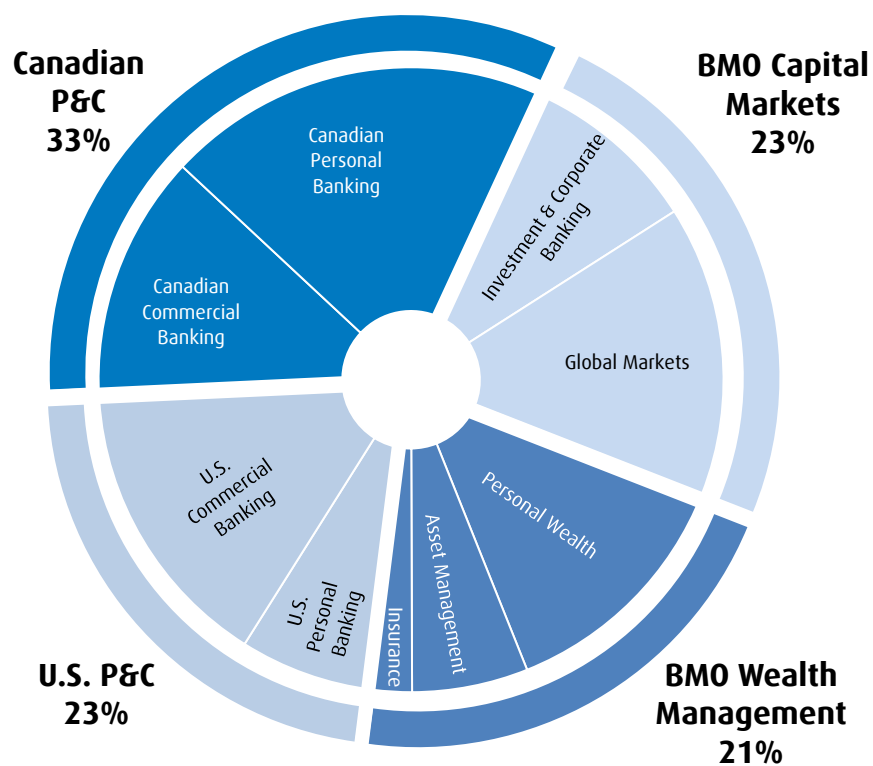
<sup>3</sup> Pre-Provision Pre-Tax earnings (PPPT) is the difference between net revenue and expenses

<sup>4</sup> Based on YTD 2021 performance. Peers: BNS, CIBC, NA, RBC, TD; peer average based on company disclosures and internal calculations for comparative purposes

# Diversified business mix with strong, resilient revenue

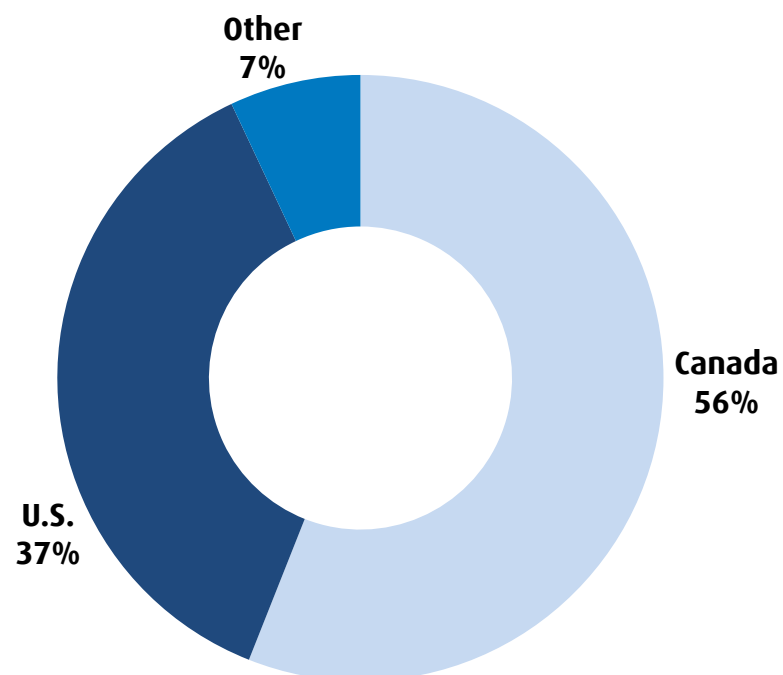
## Diversified by business

% of Operating Groups Net Revenue – LTM<sup>1</sup>



## Diversified by geography

% of Net Revenue by Geography – LTM<sup>1</sup>



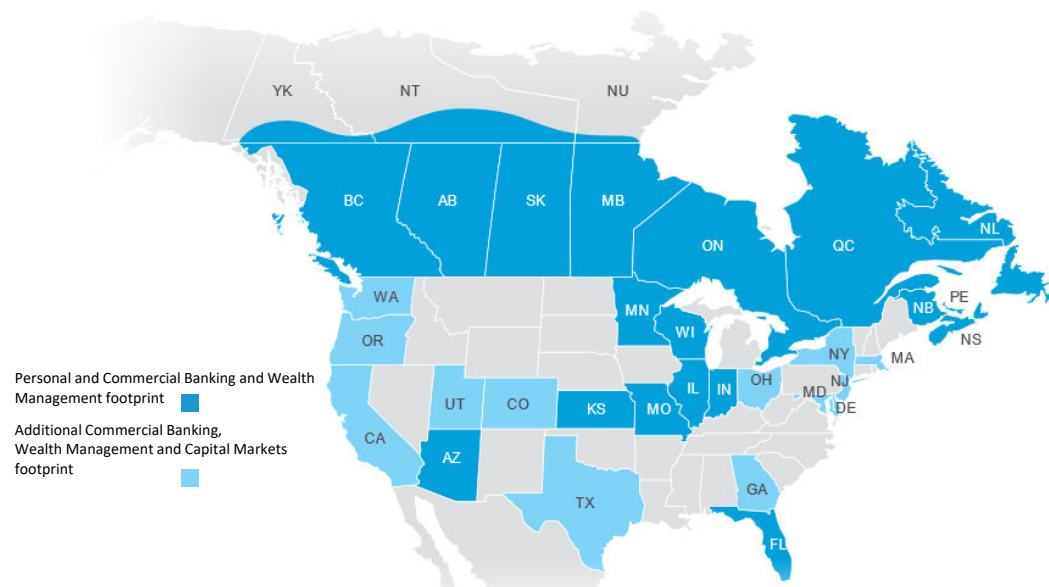
<sup>1</sup> Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB); LTM is last twelve months



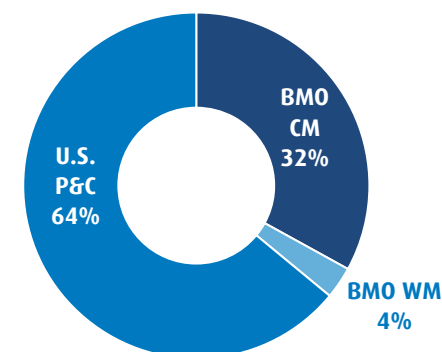
# U.S. segment continuing to deliver strong results

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

- U.S. segment adjusted<sup>1</sup> PPPT<sup>1</sup> up 46% YTD; contributed 40% of total bank adjusted<sup>1</sup> earnings YTD
- Average assets of ~\$290B with over 50% of revenue from outside of core footprint<sup>3</sup> states
- Adjusted<sup>1</sup> efficiency of 55.0%, operating leverage of 16.1% YTD
- #12<sup>2</sup> in U.S. commercial lending; top-tier market position in flagship U.S. markets
- #3 deposit market share<sup>3</sup> in our core footprint<sup>3</sup>; #2 in Chicago and Milwaukee
- Leveraging strong integration and collaboration across businesses to provide integrated client offering



U.S. Segment Adjusted<sup>1</sup> Net Income by Operating Group – YTD



<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. On a reported basis YTD: U.S. Segment PPPT growth 46%, contributed 48% of total bank earnings, efficiency 56.5%, operating leverage 15.1%; Total bank reported net income by geography YTD: Canada 55%, U.S. 39%, Other 6%; U.S. Segment reported net income by operating group for YTD: U.S. P&C 65%, BMO CM 31%, BMO WM 4%, excludes Corporate Services

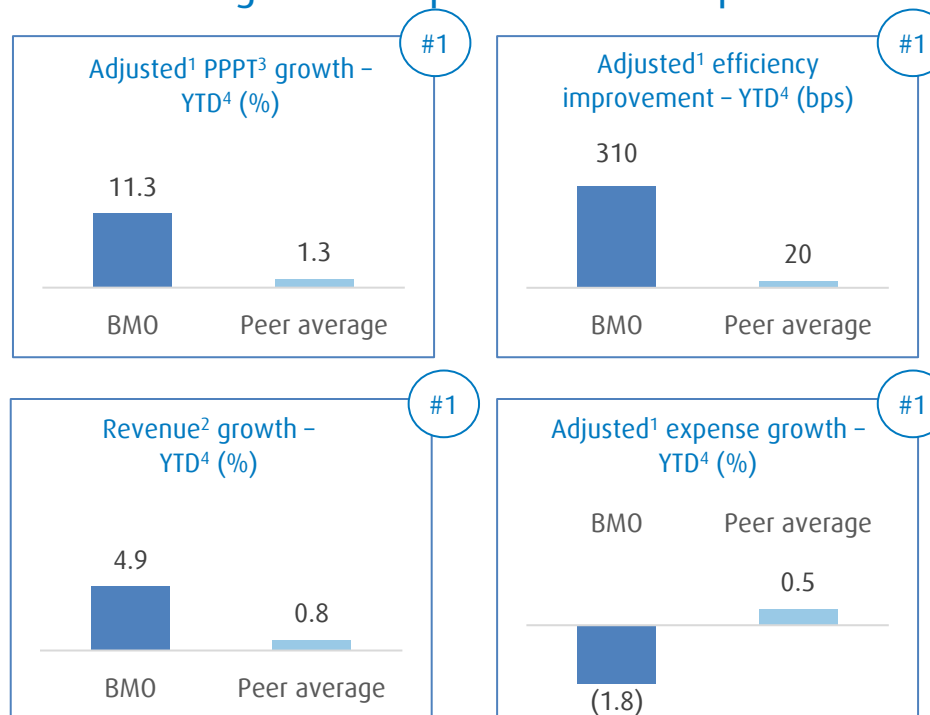
<sup>2</sup> Based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis

<sup>3</sup> Based on FDIC deposit share data; core footprint includes Illinois, Kansas, Wisconsin, Missouri, Indiana and Minnesota

# Canadian P&C - Strong flagship business

- Flagship business contributing 33% of total bank revenue<sup>1,2</sup> and 36% of adjusted<sup>2</sup> net income YTD
- Top-tier performance and growing market share in key areas of focus
- Good expense discipline; YTD expenses down 2% Y/Y; peer leading efficiency improvement
- Average loans up 3% Y/Y. Commercial flat Y/Y; up 2% Q/Q. Proprietary channel residential mortgages and amortizing HELOC up 10% Y/Y
- Average deposits up 13% Y/Y; Commercial up 27% Y/Y; Personal up 5% Y/Y
- Continuing to invest in digital innovation, providing leading, customer-centric digital experiences

## Strong financial performance vs peers



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> On an adjusted basis. Adjusted measures are non-GAAP measures, see slide 2 for more information

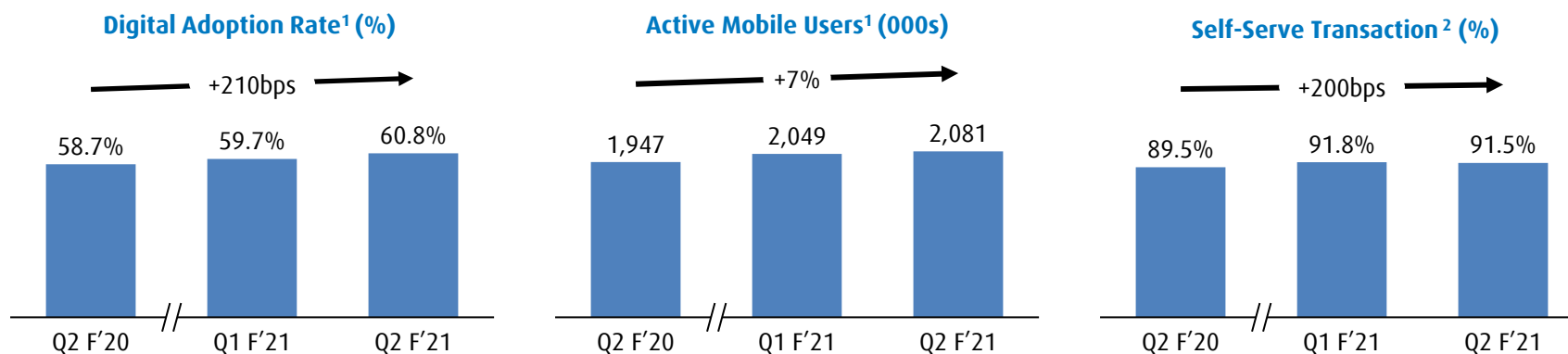
<sup>2</sup> Net revenue is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB)

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

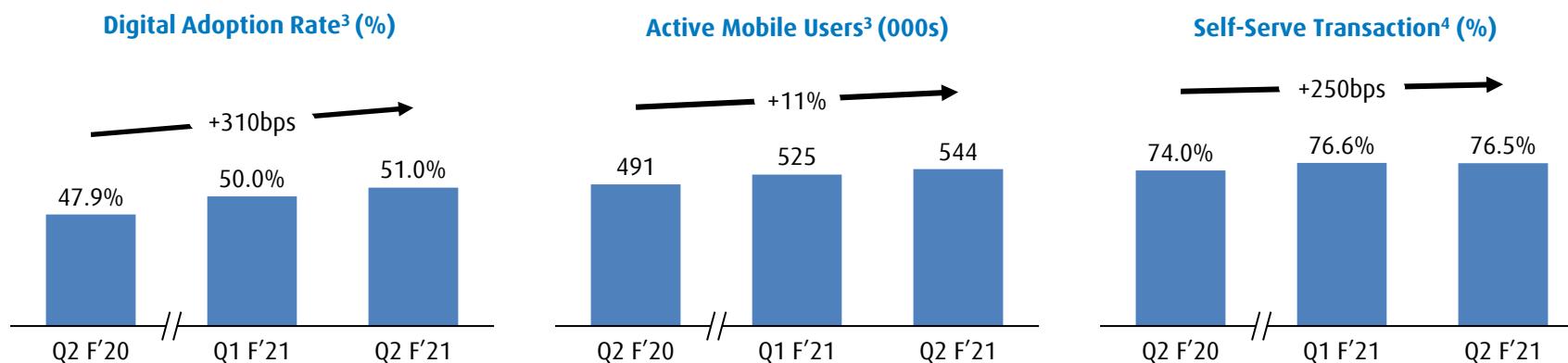
<sup>4</sup> Based on YTD 2021 performance. Peers: BNS, CIBC, NA, RBC, TD; peer average based on company disclosures and internal calculations for comparative purposes

# Advancing our digital experience in-line with customer preferences

## Canadian Personal



## U.S. Personal



1 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

2 Self-Serve Transactions includes deposits, bill payments, internal funds transfers, withdrawals and e-transfers sent across ATM and Digital channels

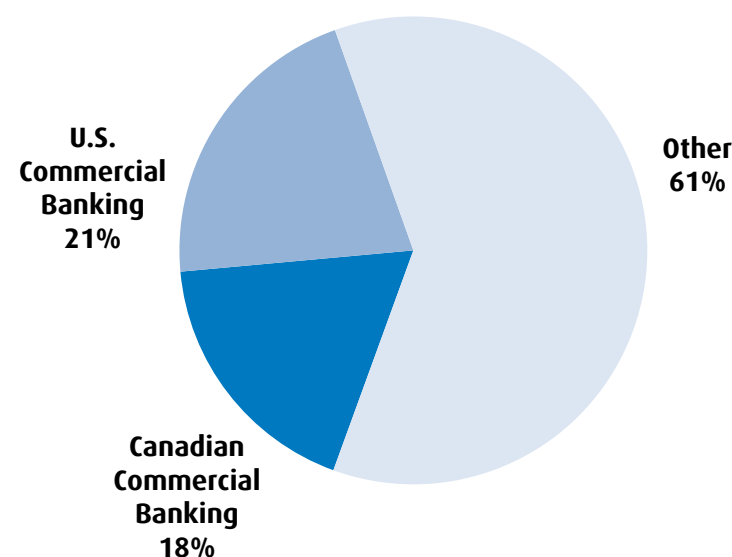
3 Digital adoption is percent of retail deposit customers that logged on in last 90 days. Active mobile users is number of retail deposit customers that logged into mobile in the last 90 days

4 Self-Serve Transactions includes deposits, bill payments, internal funds transfers, withdrawals and Zelle payments (P2P) sent across ATM and Digital channels

# 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>
- Sole or lead position on ~90% of relationships
- Diversified growth, consistent risk appetite and underwriting
  - 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 ~84% secured

**Commercial Banking Revenue as % of Total Bank Revenue – LTM**



<sup>1</sup> Based on internal analysis

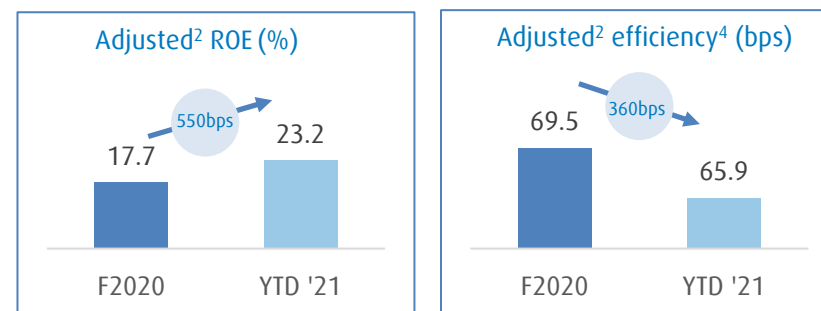
<sup>2</sup> Canadian Bankers Association; loan market share \$0-\$25MM, as at December 2020

<sup>3</sup> Based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis

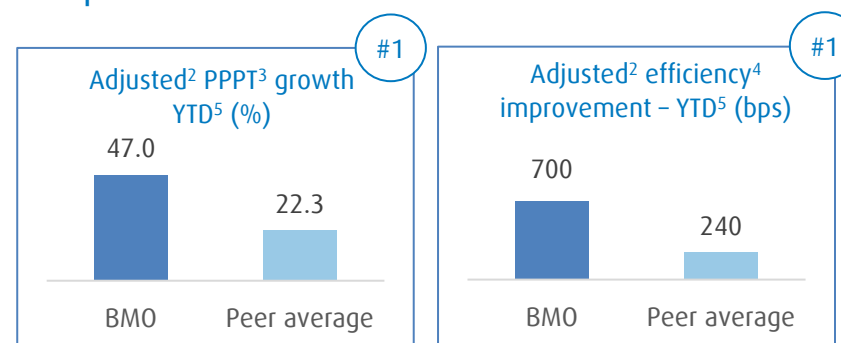
# BMO Wealth Management - Strong & stable growth engine

- Well-diversified competitive businesses, contributing ~20% of BMO's revenue mix
- Repositioned the business to accelerate growth
  - Exited select high-efficiency, lower-return businesses
  - Unified Canadian full-service brokerage and private bank – delivering a full solutions experience
  - Digitized and streamlined client and back-office processes
- Leveraging leading positions to accelerate growth
  - Deliver top-tier digital wealth management
  - Scale our North American wealth advisory leadership
  - Build out Asset Management in leading growth areas including ETFs, Alternatives and ESG

## Strong Momentum



## Top Tier Performance in Traditional Wealth<sup>1,4</sup>



Recognized as the **Best Private Bank in Canada** for 10 consecutive years

**#1 on net new ETF flows** for 10 consecutive years in Canada and **Top-2 ETFs share**

**Top-2 in Canadian Digital Advice** with adviceDirect and SmartFolio

<sup>1</sup> Wealth management excluding Insurance

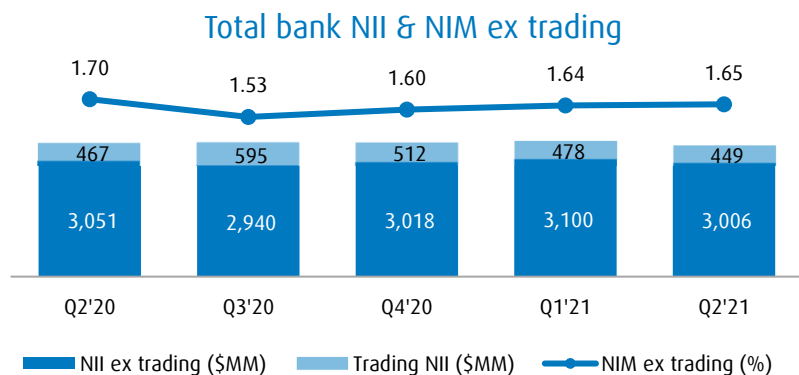
<sup>2</sup> Adjusted measures are non-GAAP measures

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

<sup>4</sup> Efficiency ratio based on net revenue

<sup>5</sup> Based on YTD 2021 performance. Peers: BNS, NA, RBC, TD; peer average based on company disclosures and internal calculations for comparative purposes

# Net Interest Margin and Interest Rate Sensitivity



- Excluding trading, net interest margin increased 1 basis point Q/Q, primarily due to higher loan spreads mostly offset by lower deposit spreads

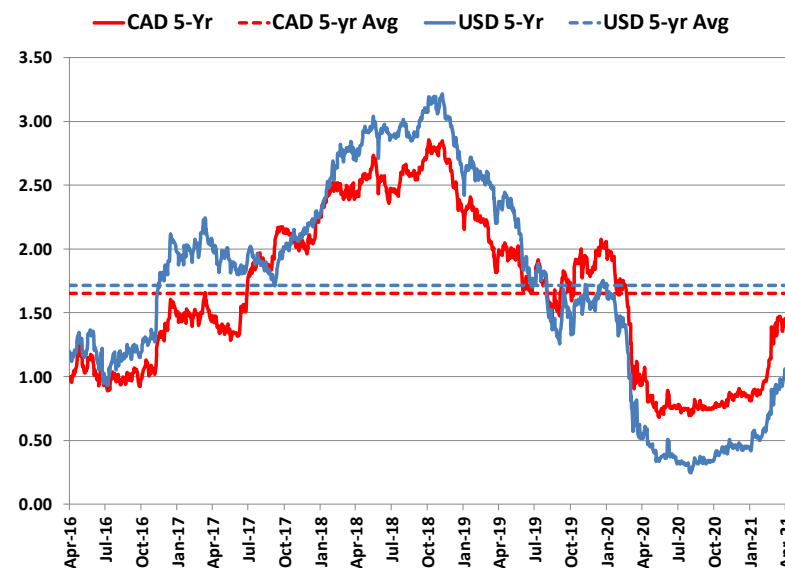
## Earnings sensitivities over the next 12 months <sup>2,3</sup>

Q2'21 Pre-Tax CDE (\$MM)	+100 bps	-25 bps	+25 bps Short Rates
Canada <sup>1</sup>	19	(35)	6
U.S.	285	(88)	94
<b>Total</b>	<b>304</b>	<b>(123)</b>	<b>100</b>

- Year 1 benefit to a +100 bps rate shock driven 2/3 by short rates
- Higher Year 2 benefit to rising rates (+100 bps) of ~\$675MM driven primarily by long rates and the continued reinvestment of capital and deposits

- Term rates increased in Q2, but remain below averages of recent years
- If term rates remain low, NIM could continue to be pressured as higher rate fixed investments roll off and are reinvested at lower rates

## 5-Year US and CAD swap rates



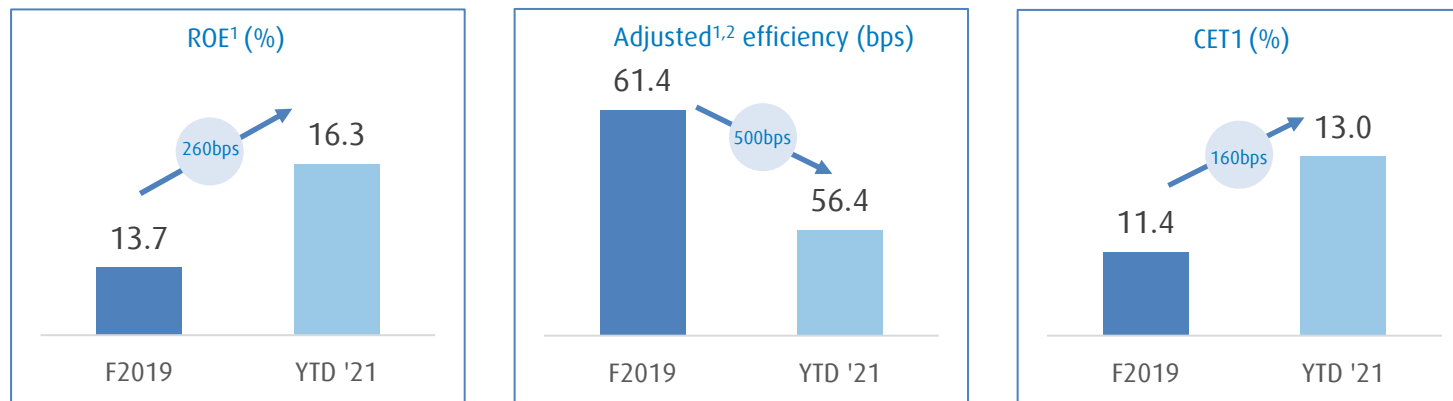
Source: Bloomberg

<sup>1</sup> Includes Canadian dollar and other currencies

<sup>2</sup> Assumes no benefit to rising rates from surge deposit growth experienced in F2020 and the first half of F2021

<sup>3</sup> For more details see the Structural (Non-Trading) Market Risk section of BMO's Q2 2021 Report to Shareholders

# Continuous path to building a strong, more competitive bank



- Specific actions to allocate capital and resources to areas expected to generate strong returns
- Continuing to make progress against our efficiency commitments through automating processes, digitizing activities and simplifying the way we do business
- Above target ROE with increases in all businesses

<sup>1</sup> On an adjusted basis. Adjusted measures are non-GAAP measures, see slide 2 for more information; F2019 reported ROE 12.6% and Efficiency 64.2%; YTD F2021 reported ROE 13.0% and Efficiency 63.0%

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

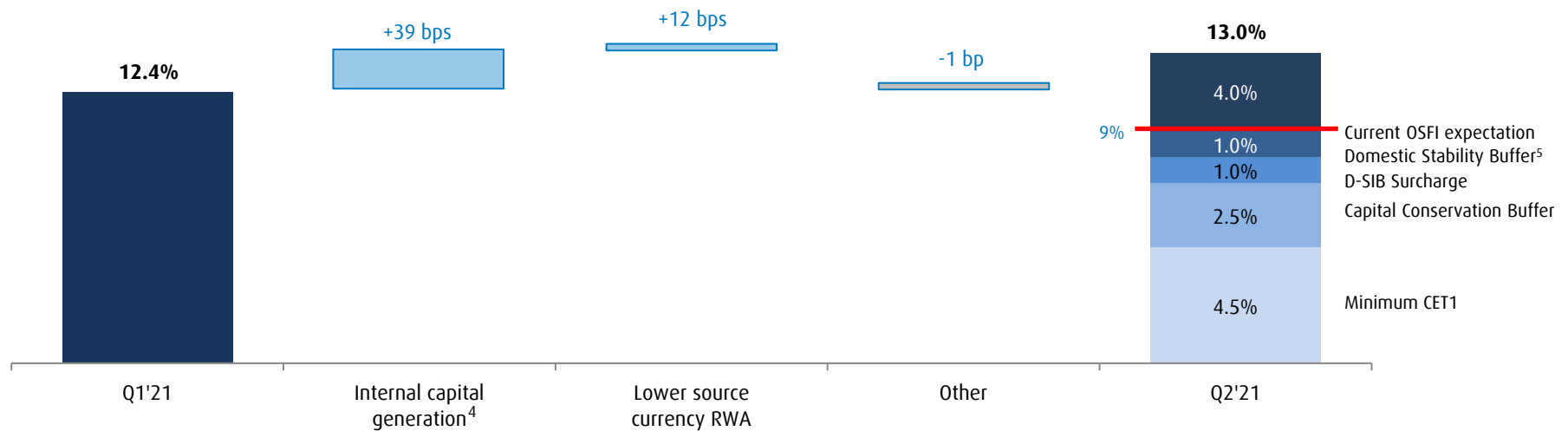
# Strong balance sheet and capital position

- CET1 Ratio of 13.0%, up 60bps Q/Q; Total Capital Ratio of 16.7%
- Sound leverage and liquidity ratios
  - Leverage Ratio 5.1%
  - Liquidity Coverage Ratio 129%

## Credit Ratings

	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

## CET1 Ratio<sup>3</sup>



<sup>1</sup> 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

<sup>2</sup> Subject to conversion under the Bank Recapitalization (Bail-In) Regime

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

<sup>4</sup> Internal capital generation excludes goodwill write-down related to the announced sale of our EMEA Asset Management business

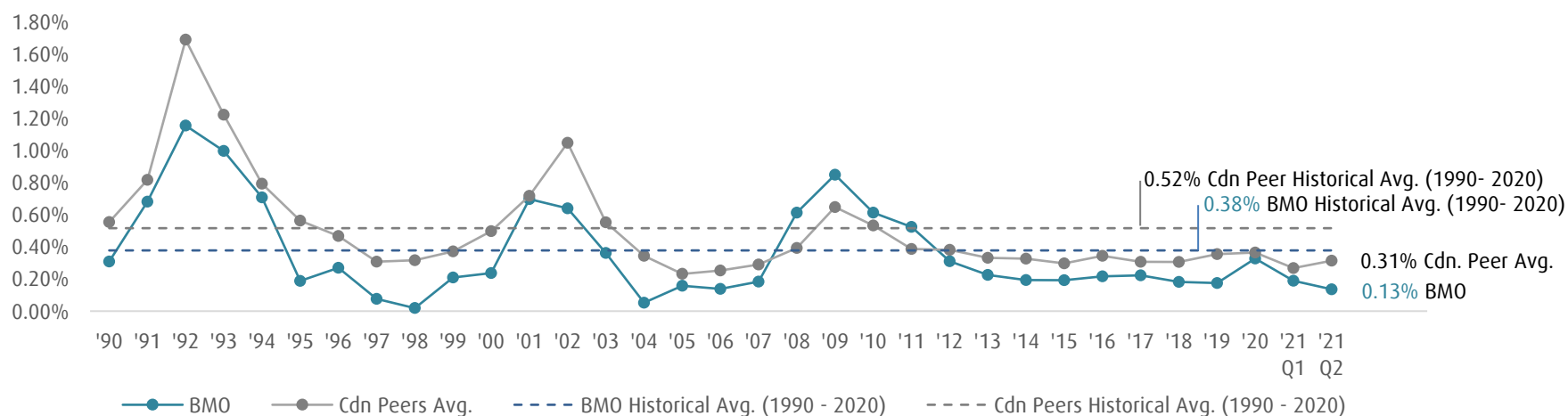
<sup>5</sup> On June 17, 2021, OSFI announced that the Domestic Stability Buffer will increase to 2.5% from 1.0% but consistent with its March 2020 commitment not to increase the DSB level for 18 months, this change will take effect on October 31, 2021



# 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
- PPPT earnings would cover PCL rate of ~240bps<sup>1</sup>, over six times the 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 stress period
- Credit allowances appropriately reflect diversification and underlying strength of portfolios

PCL on Impaired Loans as a % of Avg. Net Loans & Acceptances



<sup>1</sup> Based on Q2'21 adjusted pre-provision, pre-tax earnings annualized

# Q2 F2021 Highlights



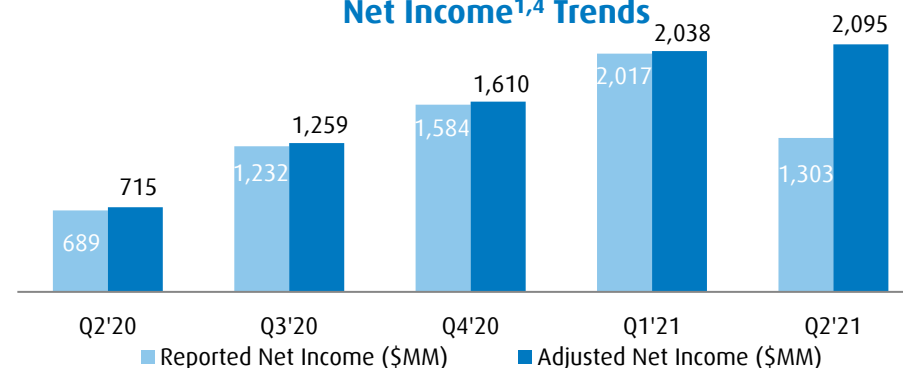
# Q2 F2021 - Financial Highlights

## Continued momentum across businesses

- Adjusted<sup>1</sup> EPS \$3.13 (reported \$1.91)
- Adjusted<sup>1</sup> net income \$2,095MM
  - Reported net income \$1,303MM includes \$772MM impact of divestitures<sup>4</sup>
- Adjusted<sup>1</sup> ROE 16.7% (reported 10.2%)
- Adjusted<sup>1</sup> PPPT<sup>3</sup> up 39% Y/Y (reported flat)
- Adjusted<sup>1</sup> net revenue<sup>2</sup> up 16% Y/Y
- NIM excluding trading down 5 bps Y/Y and up 1 bp Q/Q
- Adjusted<sup>1</sup> expenses up 3% Y/Y (reported up 25%)
- Adjusted<sup>1</sup> efficiency ratio<sup>2</sup> 56.6% (reported 69.3%)
- Adjusted<sup>1</sup> operating leverage<sup>2</sup> 13.1% (reported (9.0)%)
- Total PCL \$60MM, down \$1,058MM Y/Y and down \$96MM Q/Q
  - PCL on impaired loans \$155MM or 13 bps; recovery of provisions on performing loans \$95MM

(\$MM)	Reported			Adjusted <sup>1</sup>		
	Q2 21	Q1 21	Q2 20	Q2 21	Q1 21	Q2 20
Net interest income	3,455	3,578	3,518	3,455	3,578	3,518
Non-interest revenue, net <sup>2</sup>	2,904	2,796	1,943	2,875	2,796	1,943
Net Revenue <sup>2</sup>	6,359	6,374	5,461	6,330	6,374	5,461
Expenses	4,409	3,613	3,516	3,583	3,585	3,483
PPPT <sup>3</sup>	1,950	2,761	1,945	2,747	2,789	1,978
Total PCL	60	156	1,118	60	156	1,118
<b>Net Income<sup>4</sup></b>	<b>1,303</b>	<b>2,017</b>	<b>689</b>	<b>2,095</b>	<b>2,038</b>	<b>715</b>
Diluted EPS (\$)	1.91	3.03	1.00	3.13	3.06	1.04
ROE (%)	10.2	15.7	5.3	16.7	15.8	5.5
ROTCE <sup>5</sup> (%)	11.8	18.2	6.4	19.1	18.2	6.4
CET1 Ratio (%)	13.0	12.4	11.0			
NIM excluding Trading	1.65	1.64	1.70	1.65	1.64	1.70

### Net Income<sup>1,4</sup> Trends



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

<sup>2</sup> Net revenue and non-interest revenue, net 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: Q2'21 \$6,076MM; Q1'21 \$6,975MM; Q2'20 \$5,264MM

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

<sup>4</sup> Q2'21 reported net income included a \$747MM pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22MM (\$29MM pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47MM (\$53MM pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense, all recorded in Corporate Services

<sup>5</sup> Return on Tangible Common Equity (ROTCE)

# Canadian Personal & Commercial Banking

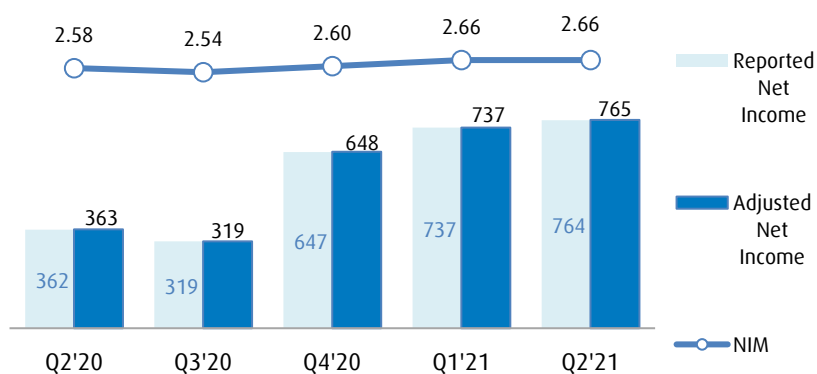
## Strengths and Value Drivers

- 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

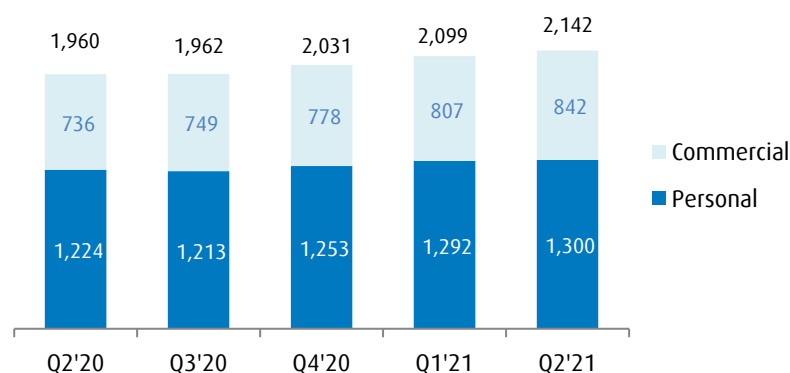
## Q2'21 Highlights (Adjusted<sup>1</sup>)

Net Income	\$765MM
Net Income Growth (Y/Y)	112%
Revenue Growth (Y/Y)	9%
PPPT <sup>2</sup> Growth (Y/Y)	19%
ROE	27.8%
Efficiency Ratio	45.4%
Operating Leverage	9.8%
Average Loans and Acceptances	\$258B
Average Deposits	\$223B

## Net Income<sup>1</sup> (\$MM) 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 pages 7 and 8 of BMO's Q2'21 Report to Shareholders

Q2'21 on a reported basis: Net Income \$764MM; Net Income Growth 112%; PPPT Growth 19%; ROE: 27.8%; Efficiency Ratio 45.4%; Operating Leverage 9.8%

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

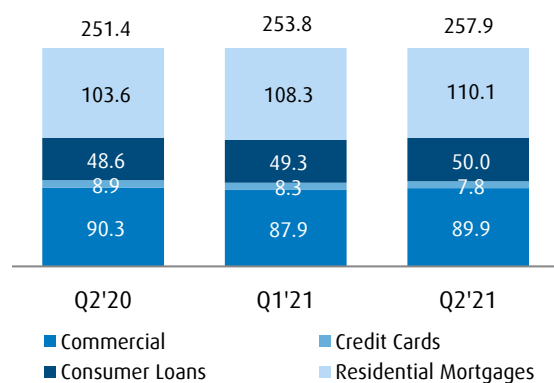
# Canadian Personal & Commercial Banking

## Strategic Priorities

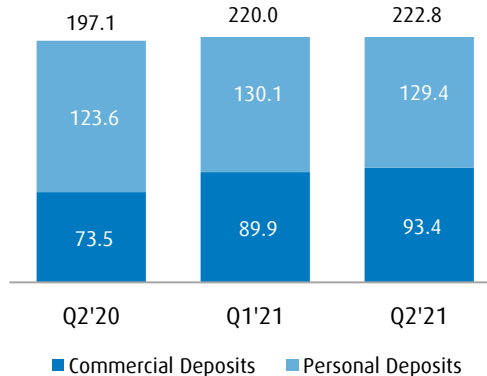
- Continue to improve customer loyalty by deepening primary relationships, provide necessary support to customers and employees in the new operating environment, and drive an inclusive and high-performance work culture
- Leverage the full suite of products, solutions and capabilities, and the unique cross-border advantage to offer a compelling value proposition to customers
  - In Personal Banking, drive top-tier customer acquisition, build leading share of wallet, and enhance the digital experience
  - 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 effectively, and leverage cross-bank collaboration
- Drive efficiencies by simplifying and streamlining operations, investing in digital capabilities and through cross-bank collaboration

## Performance

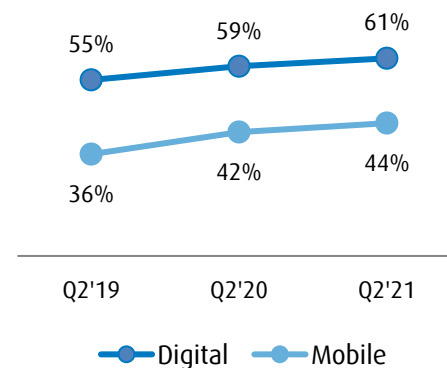
Average Gross Loans & Acceptances (\$B)



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 April 30, 2019, 2020 and 2021

# U.S. Personal & Commercial Banking

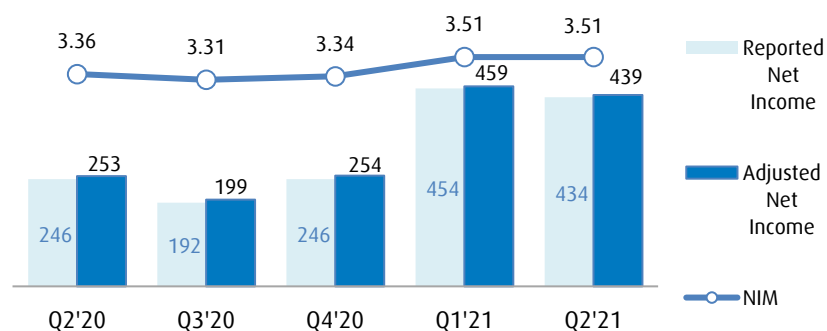
## Strengths and Value Drivers

- 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 core footprint
- Continued momentum in personal banking with a large and growing customer base, top-tier deposit market share and accelerating digital engagement
- Comprehensive, integrated control structure to actively manage risk and regulatory compliance

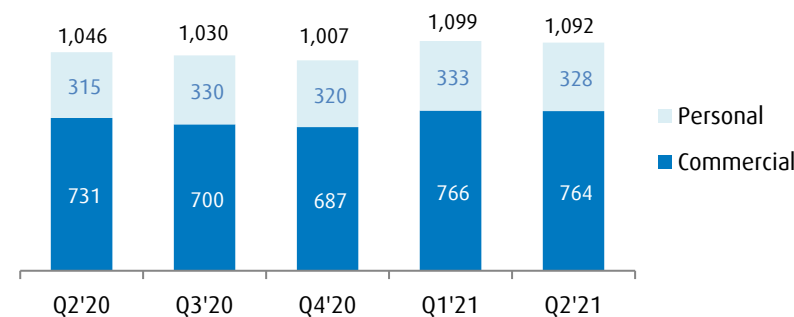
## Q2'21 Highlights (Adjusted<sup>1</sup>)

Net Income	US\$439MM
Net Income Growth (Y/Y)	73%
Revenue Growth (Y/Y)	4%
PPPT <sup>2</sup> Growth (Y/Y)	19%
ROE	16.4%
Efficiency Ratio	49.2%
Operating Leverage	12.0%
Average Loans and Acceptances	US\$93B
Average Deposits	US\$110B

## Net Income<sup>1</sup> (US\$MM) 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 pages 7 and 8 of BMO's Q2'21 Report to Shareholders

Q2'21 on a reported basis: Net Income \$434MM; Net Income Growth 76%; PPPT Growth 21%; ROE 16.2%; Efficiency Ratio 49.8%; Operating Leverage 12.4%

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

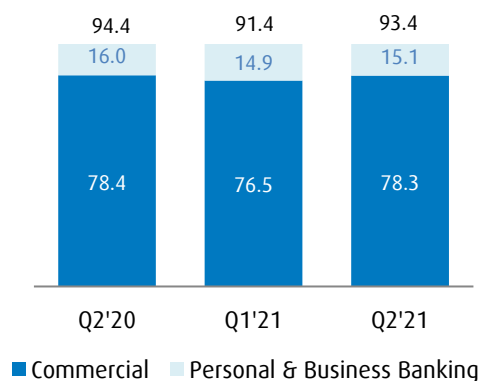
# U.S. Personal & Commercial Banking

## Strategic Priorities

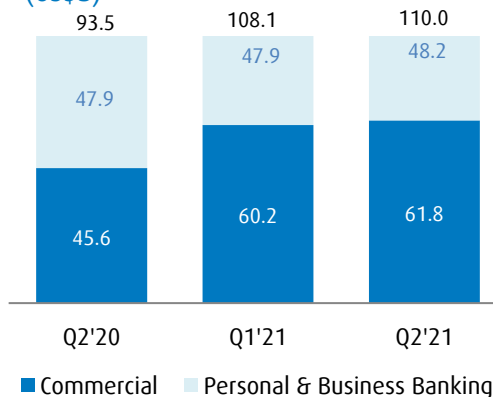
- Deliver a great experience for customers and employees, while adapting to the new operating environment, and continue to build a base of loyal customers
  - In Personal Banking, continue to drive new customer acquisition, maintain robust deposit growth, improve profitability in consumer lending, build 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
- Drive efficiencies by simplifying and streamlining operations, investing in digital capabilities and through cross-bank collaboration

## Performance

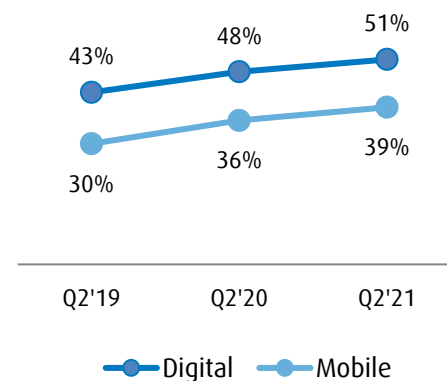
Average Gross Loans and Acceptances<sup>1</sup>  
(US\$B)



Average Deposits  
(US\$B)



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 April 30, 2019, 2020, and 2021

# BMO Wealth Management

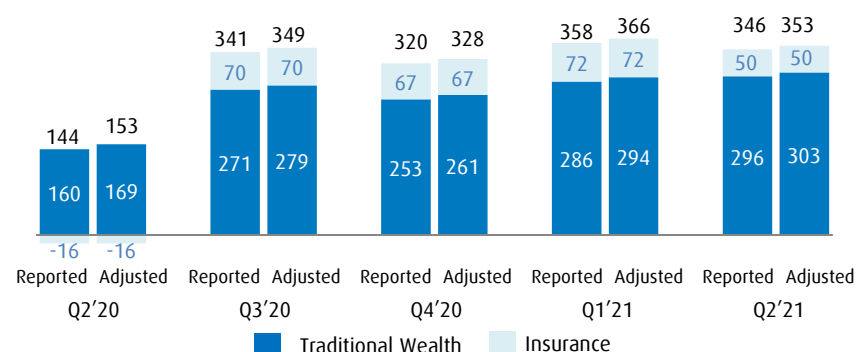
## Strengths and Value Drivers

- 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

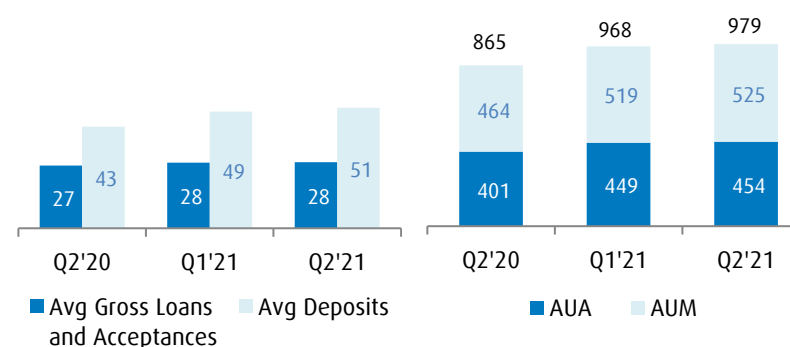
## Q2'21 Highlights (Adjusted<sup>1</sup>)

Net Income	\$353MM
Net Income Growth (Y/Y)	131%
Revenue <sup>2</sup> Growth (Y/Y)	29%
PPPT <sup>3</sup> Growth (Y/Y)	123%
ROE	23.6%
Efficiency Ratio <sup>2</sup>	66.6%
Operating Leverage <sup>2</sup>	22.5%
AUA / AUM	\$979B
Average Loans / Deposits	\$28B / \$51B

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



## Performance (\$B)



<sup>1</sup> Adjusted measures are non-GAAP measures, see slide 2 for more information. For details on adjustments refer to pages 7 and 8 of BMO's Q2'21 Report to Shareholders

Q2'21 on a reported basis: Net Income \$346MM; Net Income Growth 140%; PPPT Growth 131%; ROE 23.0%; Efficiency Ratio 67.3%; Operating Leverage 22.7%

<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



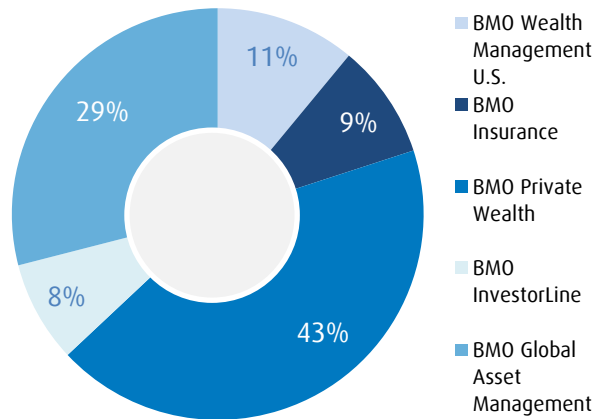
# BMO Wealth Management

## 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 – LTM



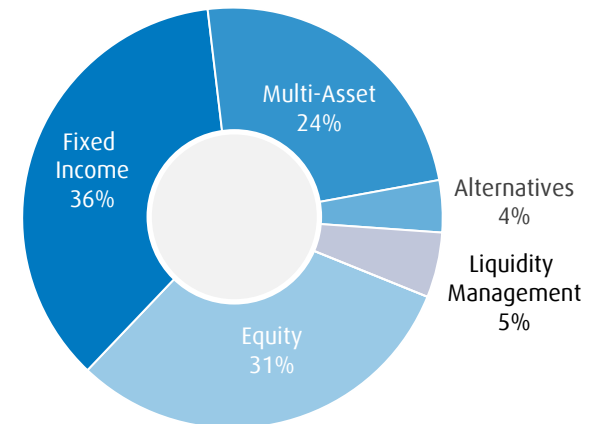
~65%

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>



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

<sup>2</sup> % of F2020 total Wealth Management net revenue

<sup>3</sup> Investment Asset Class as of October F2020

<sup>4</sup> Net new assets as of F2020

# BMO Capital Markets

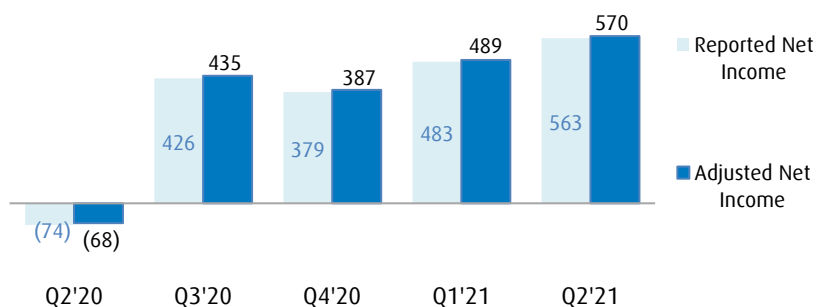
## Strengths and Value Drivers

- 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

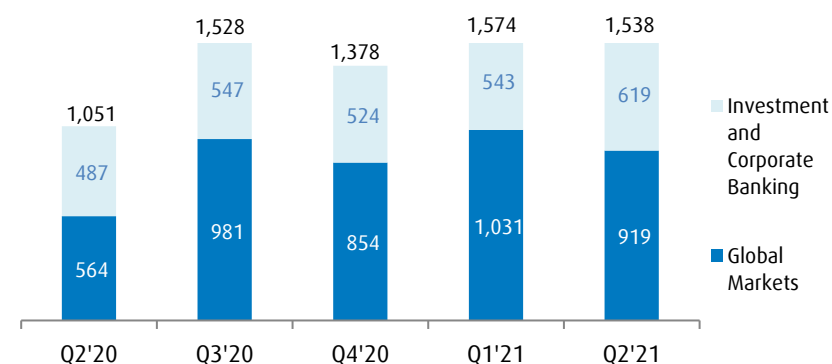
## Q2'21 Highlights (Adjusted<sup>1</sup>)

Net Income	\$570MM
Net Income Growth (Y/Y)	944%
Revenue Growth (Y/Y)	46%
PPPT <sup>2</sup> Growth (Y/Y)	136%
Efficiency Ratio	53.8%
Operating Leverage	36.1%
Average Gross Loans and Acceptances	\$59B
U.S. Revenue Contribution <sup>3</sup>	50%

## 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 and 8 of BMO's Q2'21 Report to Shareholders

Q2'21 on a reported basis: Net Income \$563MM; Net Income Growth 861%; PPPT Growth 140%; Efficiency Ratio 54.3%; Operating Leverage 36.1%

<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 (Q2'21)

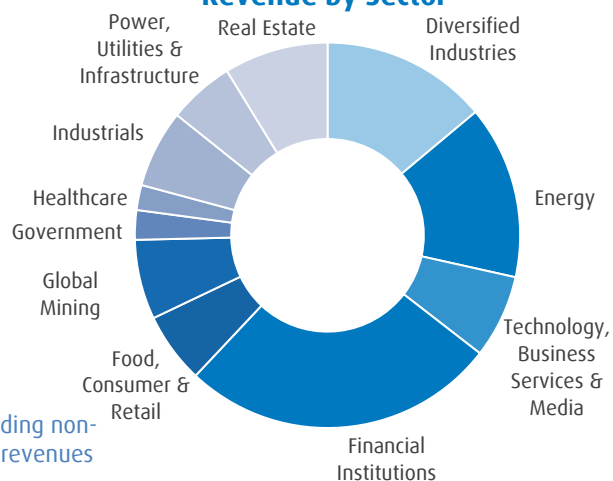
# BMO Capital Markets

## Strategic Priorities

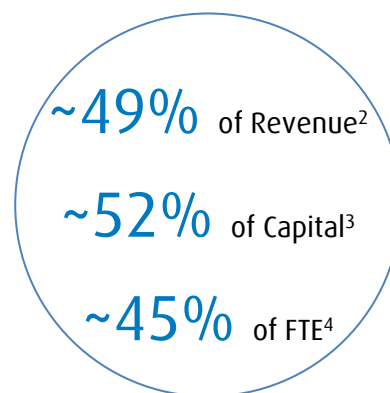
- Continue to invest where BMO Capital Markets has the strengths and capabilities to deliver value-added solutions and meet client needs
- Build on a foundation to work smarter and simplify how BMO Capital Markets does business, to enhance efficiency and return on equity with a particular focus on digitization
- 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 capital and risk for clients, employees and shareholders

## Diversified Performance

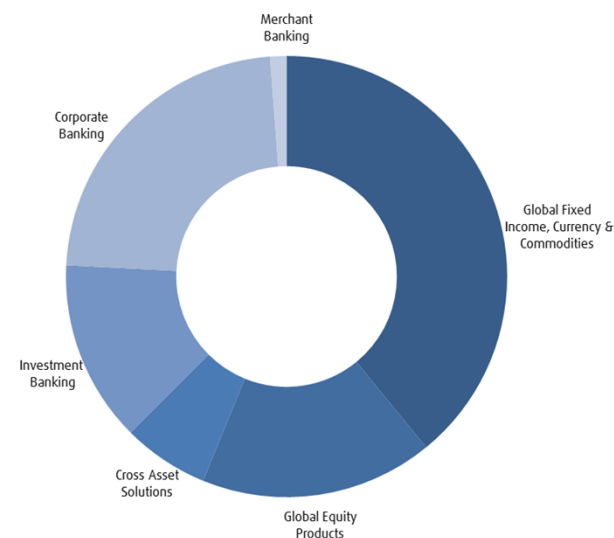
Revenue by Sector<sup>1</sup>



U.S. Contribution



Revenue by Product<sup>5</sup>



1 As a % of last twelve months (LTM) revenue as at April 30, 2021, excluding non-client revenues & investor-only clients

2 U.S. Revenue as a % of Total (LTM as of April 30, 2021)

3 U.S. Capital as a % of Total (LTM as of April 30, 2021)

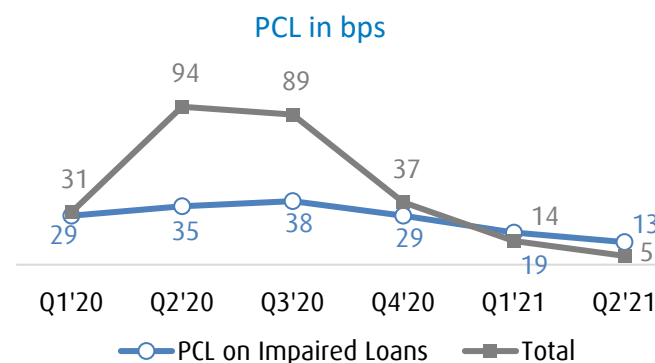
4 U.S. FTE as a % of Total (LTM as of Q2'21)

5 As a % of LTM Q2'21 revenue excluding 'Other'

# Risk Overview

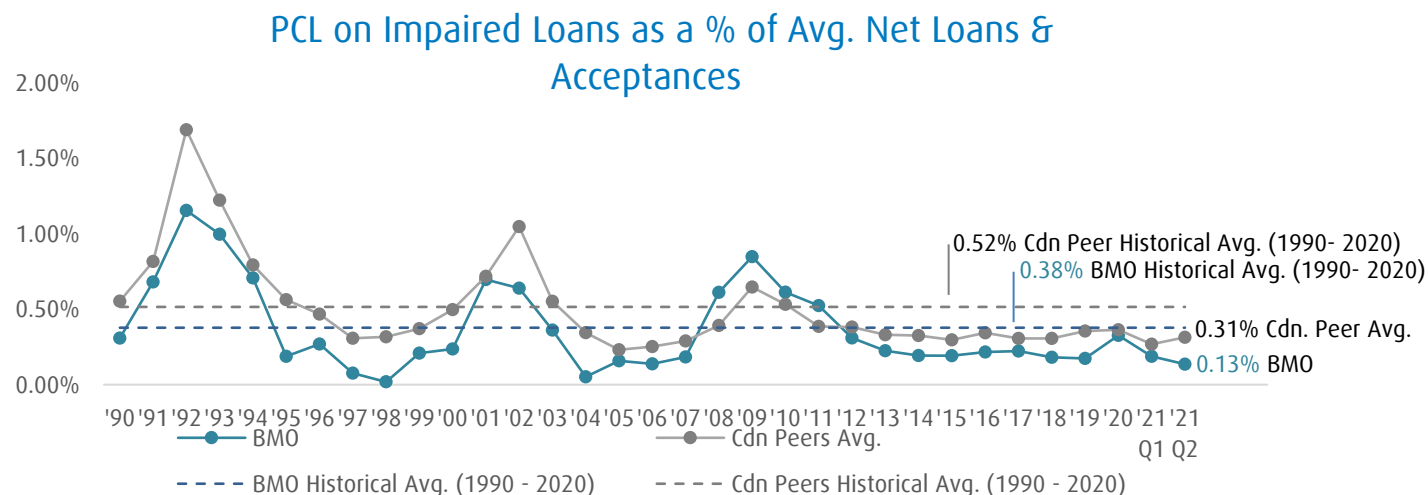
# Provision for Credit Losses (PCL)

PCL By Operating Group (\$MM)	Q2'21		Q1'21		Q2'20	
	\$	bps	\$	bps	\$	bps
Total Canadian P&C	154	24	149	24	212	34
Total U.S. P&C	6	2	20	7	124	38
BMO Wealth Management	1	2	2	2	3	4
BMO Capital Markets	(6)	(4)	45	29	73	41
Corporate Services	0	n.m.	(1)	n.m.	1	n.m.
PCL on Impaired Loans	155	13	215	19	413	35
PCL on Performing Loans	(95)	(8)	(59)	(5)	705	59
Total PCL	60	5	156	14	1,118	94



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

- BMO's PCL loss rates have been lower than peer average over time



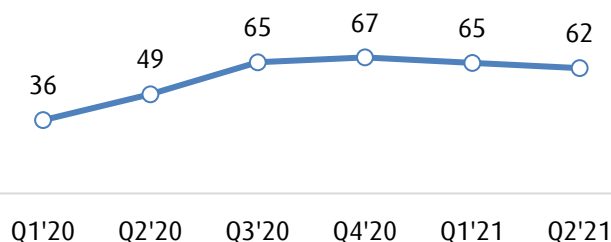
# Allowance and Provision on Performing Loans

Allowance on Performing Loans (APL) and PCL on Performing Loans (PCL) By Operating Group (\$MM) <sup>2</sup>	Q1 21 APL <sup>1</sup>	Q2 21 PCL	Q2 21 Foreign Exchange	Q2 21 APL <sup>1</sup>	APL to Performing Loans (bps)
Consumer – Canadian P&C	922	(20)	(2)	900	53
Commercial – Canadian P&C	515	7	(2)	520	58
<b>Total Canadian P&amp;C</b>	<b>1,437</b>	<b>(13)</b>	<b>(4)</b>	<b>1,420</b>	<b>55</b>
Consumer – U.S. P&C	142	(10)	(6)	126	75
Commercial – U.S. P&C	847	(19)	(34)	794	84
<b>Total U.S. P&amp;C</b>	<b>989</b>	<b>(29)</b>	<b>(40)</b>	<b>920</b>	<b>83</b>
<b>BMO Wealth Management</b>	<b>43</b>	<b>(4)</b>	<b>(1)</b>	<b>38</b>	<b>13</b>
<b>BMO Capital Markets</b>	<b>519</b>	<b>(49)</b>	<b>(22)</b>	<b>448</b>	<b>79</b>
<b>Corporate Services</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>n.m.</b>
<b>Total</b>	<b>2,991</b>	<b>(95)</b>	<b>(67)</b>	<b>2,829</b>	<b>62</b>

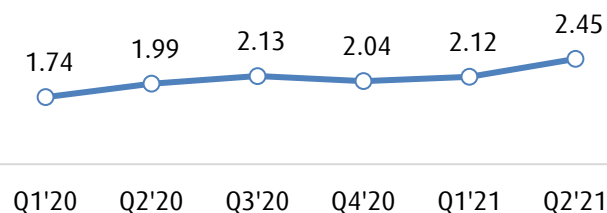
<sup>1</sup> Q1 21 and Q2 21 includes APL on Other Assets of \$19MM and \$20MM respectively and excludes APL on Securities of \$4MM for both periods  
<sup>2</sup> Q2 21 PCL includes PCL on Other Assets of \$2MM and excludes PCL on Securities of \$0.1MM

- The APL decreased \$162MM to \$2,829MM, driven by a reduction in PCL on performing loans and the impact of the weaker U.S. dollar
- The \$95MM reduction in PCL on performing loans reflects positive credit migration and an improving economic outlook, partially offset by a more severe adverse scenario

Allowance for Performing Loans (bps)



Coverage Ratio



—○— APL as a % of Trailing 4-Quarter PCL on Impaired Loans

# Gross Impaired Loans and Formations

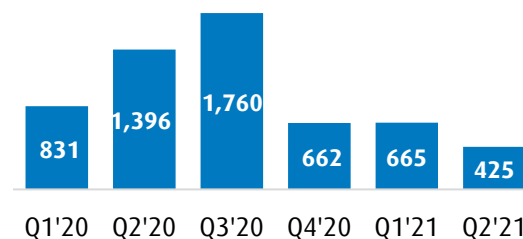
By Industry (\$MM, as at Q2 21)	Formations			Gross Impaired Loans		
	Canada & Other	U.S.	Total	Canada & Other <sup>1</sup>	U.S.	Total
<b>Consumer</b>	<b>190</b>	<b>29</b>	<b>219</b>	<b>449</b>	<b>325</b>	<b>774</b>
Service Industries	25	9	34	173	297	470
Oil & Gas	0	0	0	78	253	331
Retail Trade	10	1	11	265	77	342
Agriculture	13	1	14	81	188	269
Manufacturing	46	3	49	179	65	244
Transportation	8	26	34	19	123	142
Financing Products	0	0	0	0	94	94
Wholesale Trade	2	12	14	24	65	89
Commercial Real Estate	9	13	22	42	35	77
Construction (non-real estate)	9	3	12	50	29	79
Mining	0	0	0	0	31	31
Financial	11	0	11	24	7	31
Other Business and Government <sup>2</sup>	4	1	5	21	6	27
<b>Total Business and Government</b>	<b>137</b>	<b>69</b>	<b>206</b>	<b>956</b>	<b>1,270</b>	<b>2,226</b>
<b>Total Bank</b>	<b>327</b>	<b>98</b>	<b>425</b>	<b>1,405</b>	<b>1,595</b>	<b>3,000</b>

<sup>1</sup> Total Business and Government includes \$42MM GIL from Other Countries

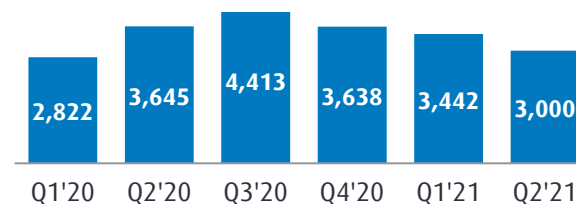
<sup>2</sup> Other Business and Government includes industry segments that are each <1% of total GIL

- Gross Impaired Loans (GIL) ratio 65 bps, down 9 bps Q/Q

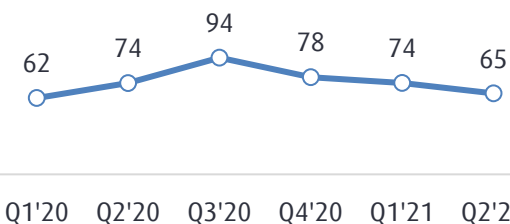
Formations (\$MM)



Gross Impaired Loans (\$MM)



GIL (bps)



# Our loans are well-diversified by geography and industry

Gross Loans & Acceptances By Industry (\$B, as at Q2 21)	Canada & Other <sup>1</sup>	U.S.	Total	% of Total
Residential Mortgages	122.5	8.0	130.5	28%
Consumer Instalment and Other Personal	59.9	12.0	71.9	16%
Cards	7.1	0.4	7.5	2%
<b>Total Consumer</b>	<b>189.5</b>	<b>20.4</b>	<b>209.9</b>	<b>46%</b>
Financial	13.3	33.7	47.0	10%
Service Industries	22.9	22.4	45.3	10%
Commercial Real Estate	25.5	14.8	40.3	9%
Manufacturing	7.9	18.4	26.3	6%
Retail Trade	12.1	6.6	18.7	4%
Wholesale Trade	5.1	9.3	14.4	3%
Agriculture	12.1	1.4	13.5	3%
Transportation	3.5	8.7	12.2	3%
Oil & Gas	6.2	4.3	10.5	2%
Other Business and Government <sup>2</sup>	10.4	11.1	21.5	4%
<b>Total Business and Government</b>	<b>119.0</b>	<b>130.7</b>	<b>249.7</b>	<b>54%</b>
<b>Total Gross Loans &amp; Acceptances</b>	<b>308.5</b>	<b>151.1</b>	<b>459.6</b>	<b>100%</b>

<sup>1</sup> Includes ~\$9.3B from Other Countries

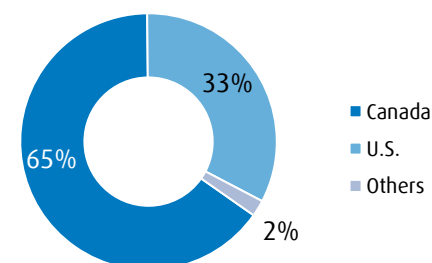
<sup>2</sup> Other Business and Government includes all industry segments that are each <2% of total loans

<sup>3</sup> Gross loans and acceptances as of April 30, 2021

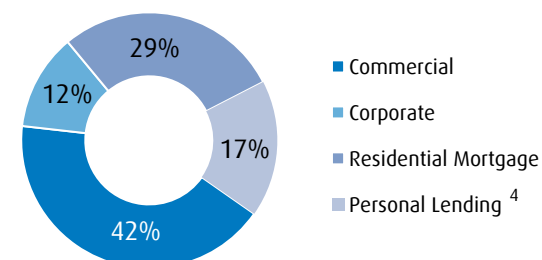
<sup>4</sup> Including cards

<sup>5</sup> Average gross loans and acceptances as of April 30, 2021

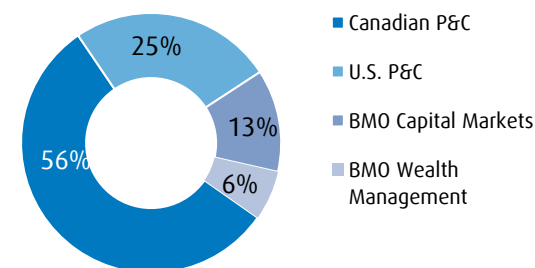
## Loans by Geography<sup>3</sup>



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



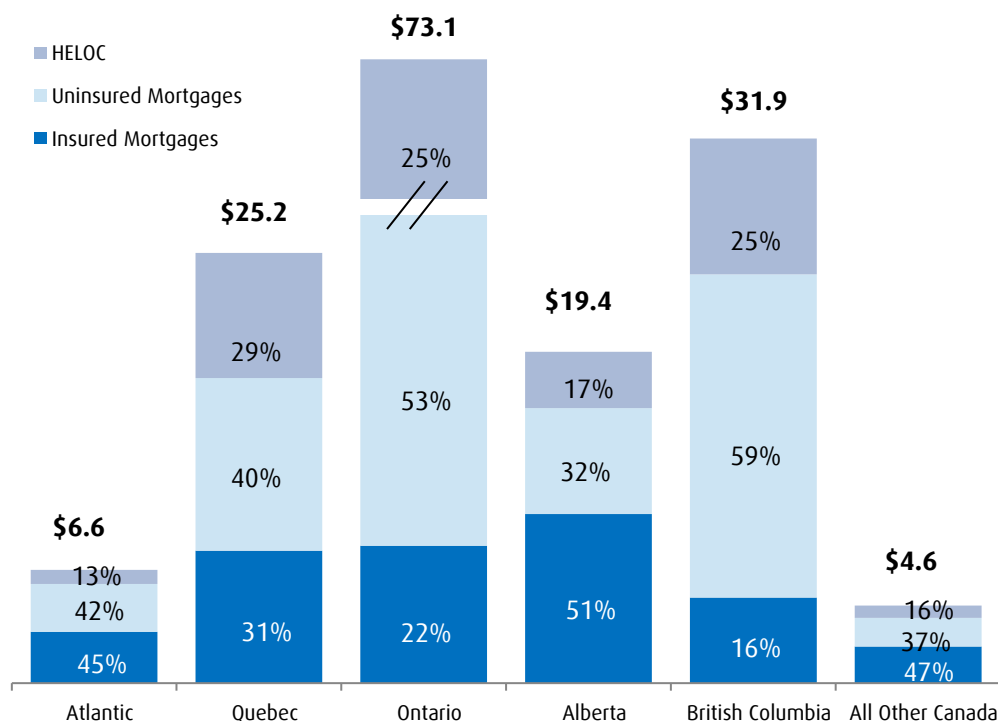
## Loans by Operating Group<sup>5</sup>





# Canadian Residential-Secured Lending

## Residential-Secured Lending by Region (\$160.8B)



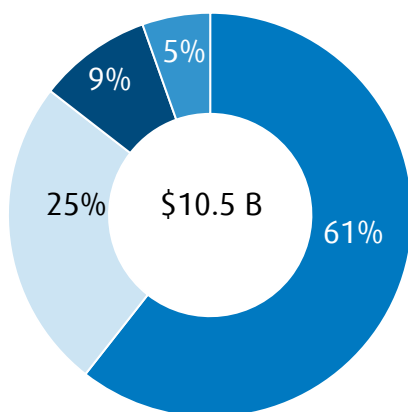
	Avg. LTV <sup>1</sup> Uninsured	Atlantic	Quebec	Ontario	Alberta	British Columbia	All Other Canada	Total Canada
Mortgage								
- Portfolio		57%	57%	53%	61%	50%	55%	54%
- Origination		73%	74%	69%	73%	67%	73%	70%
HELOC								
- Portfolio		46%	52%	44%	56%	44%	47%	47%
- Origination		74%	74%	64%	66%	63%	71%	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 \$160.8B, representing 35% of total loans
  - LTV<sup>1</sup> on uninsured of 50%
  - 90-day delinquency rate for RESL remains good at 17 bps; loss rates for the trailing 4 quarter period were 1 bp
- Residential mortgage portfolio of \$122.5B
  - 36% of portfolio insured
  - LTV<sup>1</sup> on uninsured of 54%
  - 79% of the mortgage portfolio has an effective remaining amortization of 25 years or less
- HELOC portfolio of \$38.2B outstanding of which 67% is amortizing
- GTA and GVA portfolios demonstrate better LTV<sup>1</sup>, delinquency rates and bureau scores compared to the national average

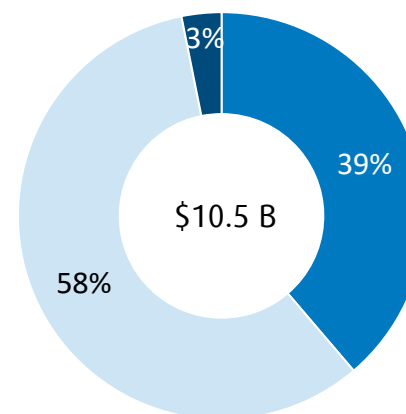
# Oil and Gas Industry Overview

Industry by Sub-sector



■ Exploration and development   ■ Pipelines  
■ Services   ■ Manufacturing and refining

Industry by Risk Rating



■ Investment Grade   ■ Non Investment Grade   ■ Impaired

- The oil and Gas Portfolio is geographically well diversified; 49% in Canada, 41% in the U.S. and the remaining in other geographies
- Of the \$6.3B in Exploration and Development (E&D) gross loans and acceptances, 66% is borrowing-base lending:
  - 99% of U.S. E&D loans
  - 43% of Canada and other countries E&D loans; 73% of non-borrowing base E&D loans in Canada and other countries are investment grade

# Sectors Impacted by COVID-19 Pandemic

By Industry of Heightened Focus (\$B, as at Q2 21)	Gross Loans & Acceptances (GL&A)	% of Total GL&A
Hotels	4.3	0.9%
Restaurants	4.2	0.9%
Amusement & Recreational	3.2	0.7%
CRE – Lodging REITS	0.6	0.1%
CRE – Retail REITS	1.7	0.4%
CRE – Retail Property Types	2.5	0.5%
Retail Trade excl. Auto, Grocers & Pharmacies	4.8	1.0%
Airlines	0.3	0.1%
<b>Total Industries of Heightened Focus</b>	<b>21.6</b>	<b>4.7%</b>
<b>Total Business &amp; Government Gross Loans &amp; Acceptances</b>	<b>249.7</b>	<b>54.3%</b>
<b>Total Gross Loans &amp; Acceptances</b>	<b>459.6</b>	<b>100.0%</b>

- Sectors highly impacted by COVID make up less than 5% of the portfolio
- Portfolio is diversified and well-secured by real estate in some sectors
- Loss rates remain manageable

# Economic and Housing Market Overview

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

	Canada			United States			Eurozone		
Economic Indicators (%) <sup>1, 2</sup>	2020	2021E <sup>2</sup>	2022E <sup>2</sup>	2020	2021E <sup>2</sup>	2022E <sup>2</sup>	2020	2021E <sup>2</sup>	2022E <sup>2</sup>
GDP Growth	(5.3)	6.0	4.5	(3.5)	7.0	4.3	(6.7)	4.5	4.5
Inflation	0.7	3.1	2.9	1.2	3.9	3.3	0.3	2.5	1.9
Interest Rate (3mth Tbills)	0.44	0.10	0.10	0.37	0.05	0.05	(0.44)	(0.55)	(0.54)
Unemployment Rate	9.6	7.5	6.0	8.1	5.4	3.9	8.0	8.0	7.0
Current Account Balance / GDP <sup>3</sup>	(1.8)	0.2	(0.7)	(3.1)	(3.8)	(4.0)	2.3	2.8	2.7
Budget Surplus / GDP <sup>3</sup>	(16.1)	(6.4)	(2.3)	(14.9)	(15.9)	(6.5)	(7.6)	(6.7)	(3.3)

## Canada

- Economic growth likely stalled in the spring due to restrictions to suppress a third wave of the virus, but it is poised to rebound strongly as businesses reopen, with additional support from expansionary fiscal policy, high resource prices, and rising vaccinations
- The jobless rate is expected to fall from 8.2% in May to 5.6% at the end of 2022, returning to pre-virus levels
- The Bank of Canada is expected to keep policy rates steady through 2022 to support a broad recovery in labour markets

## United States

- Substantial fiscal stimulus, pent-up demand and easing restrictions should result in the strongest annual economic growth since 1984
- The unemployment rate is projected to decline from 5.8% in May to pre-pandemic levels of 3.5% by the end of 2022
- Despite higher inflation, the Federal Reserve is expected to keep policy rates near zero until early 2023 to support a broad recovery in employment

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

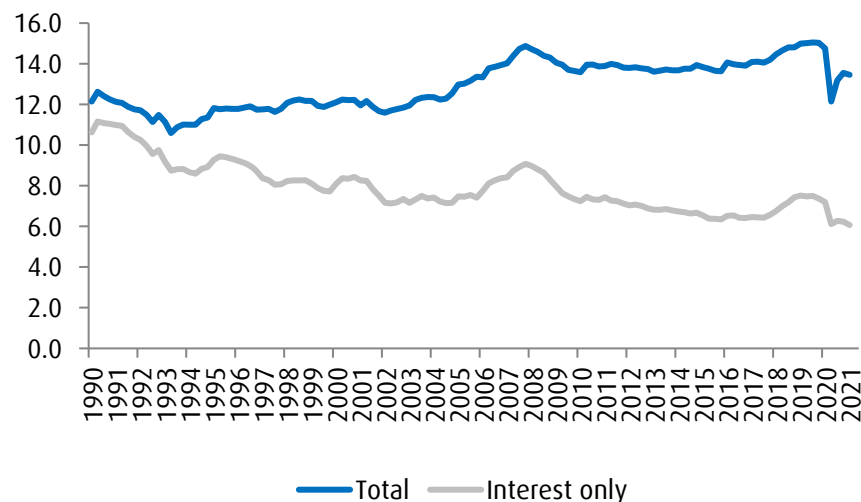
<sup>2</sup> Data is annual average. Estimates as of June 18, 2021

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

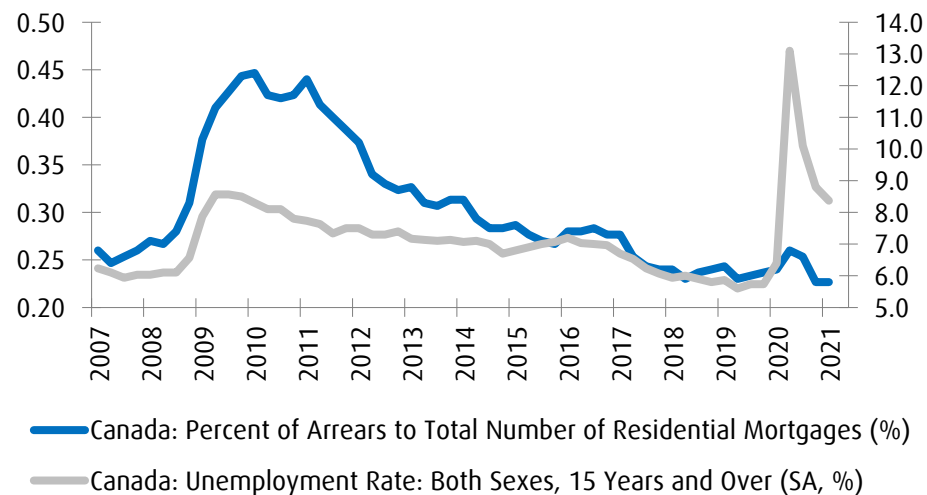
# Canada's housing market is strong

- National existing home sales fell for a second straight month in May 2021 from record highs in March but remain well above normal levels. Record-low mortgage rates and shifts in demand arising from remote working have supported the market
- Benchmark prices have accelerated 24.2% in the past year amid historically low supply relative to sales
- Home sales growth should moderate amid less pent-up demand, eroding affordability, and a higher minimum qualifying rate on federally-regulated mortgages. However, prices are likely to continue to increase due to low supply
- Substantial fiscal income-support and mortgage deferral programs have kept foreclosure rates low
- Mortgage arrears remain near record lows, though they could rise moderately due to elevated unemployment
- Debt servicing costs (relative to income) have eased from all-time highs

## Debt Service Ratio



## Mortgage Delinquencies/Unemployment



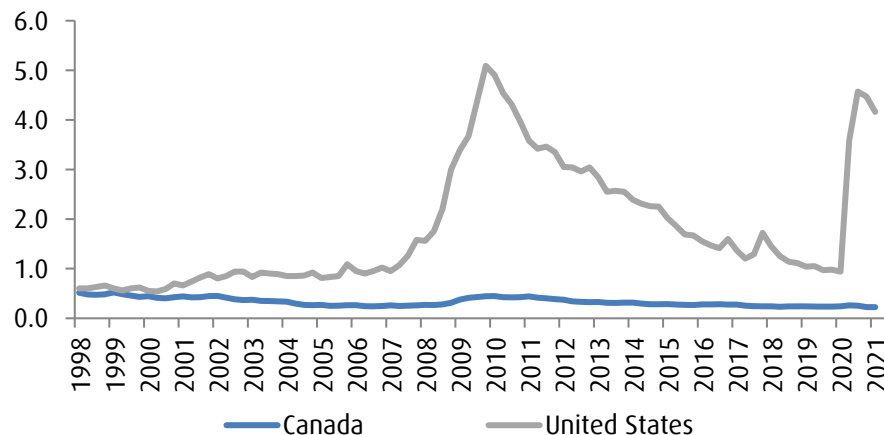
Source: BMO CM Economics and Canadian Bankers' Association as at June 18, 2021  
This slide contains forward looking statements. See caution on slide 2

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

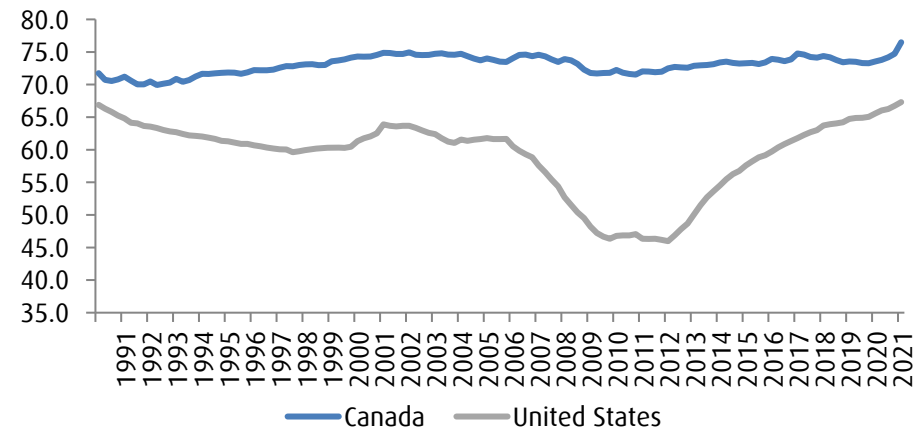
- Conservative lending practices, strong underwriting and documentation discipline have led to low delinquency rates
  - Over the last 30 years, Canada's 90-day residential mortgage delinquency rate has never exceeded 0.7% versus the U.S. peak rate of 5% in 2010
- Mandatory government-backed insurance 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 June 18, 2021  
This slide contains forward looking statements. See caution on slide 2

# Environmental, Social and Governance



# Our Commitment to Sustainability

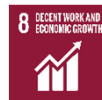
At BMO, our Purpose to ***Boldly Grow the Good, in business and life*** is inspired by the Sustainable Development Goals (SDGs), and they are shaping our business and sustainability activities. We believe we can have the greatest impact on the SDGs that align with our strategic priorities, and we focus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



BMO's **2020 Sustainability Report** is available on our [website](#).



BMO has designed products and services tailored to underrepresented segments including women and Indigenous communities.



BMO promotes economic growth by creating fair employment opportunities in our own operations and in the broader economy through our support of small businesses and entrepreneurs. We take steps to address forced labour, modern slavery and human trafficking through our approach to human rights, and encourage our peers and value chain partners to do the same.



BMO has adopted policies and practices that aim to remove barriers to social and economic inclusion among our employees. For our customers, we have designed products and services tailored to underrepresented segments, and we are partnering with charitable organizations on initiatives focused on inclusive local economic opportunity.



BMO is a champion of diversity and inclusion in our workforce. We also support women-owned businesses by providing access to financial services, and actively support initiatives aimed at empowering women and girls.



BMO manages our environmental impact and resource use, and we partner with our customers to build more sustainable buildings and promote community development initiatives.



We are raising awareness, building our capacity to manage climate change risks and opportunities, and mobilizing capital in support of a lower-carbon economy. We are actively partnering with industry peers to advance climate-related analytical methodologies.



BMO advises on, finances, and invests in renewable energy projects and clean energy technologies. We are also committed to stimulating market demand and driving industry growth by purchasing renewable energy equivalent to our global electricity use.



BMO upholds high standards of ethical and responsible conduct for ourselves, our customers and our partners to enhance the effectiveness and accountability of institutions.



BMO is committed to playing a role as a convener and catalyst of efforts to achieve the SDGs through partnerships that mobilize and share knowledge, expertise, technology and financial resources in support of the goals.

# Progress against Our Purpose commitments

Since the beginning, BMO has been guided by a sense of purpose: to be a champion of progress and a catalyst for change. Grounded in BMO's values of integrity, empathy, diversity and responsibility, our Purpose to **Boldly Grow the Good in business and life** drives everything we do. Our Bold Commitments to a more sustainable future, an inclusive society and to helping the economy thrive are our direct response to today's most pressing challenges.

## SUSTAINABLE FUTURE

### MOBILIZE \$400 BILLION FOR SUSTAINABLE FINANCE



Target  
\$250 billion

Mobilize \$250 billion in client investments to align with sustainable objectives



Target  
\$150 billion

Provide \$150 billion in capital to companies pursuing sustainable outcomes



Target  
\$250 million

Create an impact investment fund and seed with \$250 million in capital

## THRIVING ECONOMY

### INCREASE OUR SUPPORT FOR SMALL BUSINESS, WOMEN ENTREPRENEURS, INDIGENOUS AND MILITARY CUSTOMERS



Target  
\$10 billion

Double small business lending in Canada to \$10 billion



Target  
40 thousand

Double small business lending customers in the U.S.



Target  
\$8 billion

Double the size of the bank's Indigenous Banking business



Target  
179 thousand

Double the number of women-owned businesses that we support across our footprint (Canada only)



Target  
100 thousand

Double the number of Canadian defence community customers

## INCLUSIVE SOCIETY

### COMMIT TO ZERO BARRIERS TO INCLUSION



Target  
100%

Foster an inclusive workplace where all employees complete "Learn from Difference for All" training



Target  
1.6%

Increase the representation of the Indigenous workforce in Canada by 2020



Target  
20%

Increase the representation of People of Colour in U.S. senior roles by 2020



Target  
20,000 employees

Equip employees for the future through engagement in the BMO Forward "future of work" learning program

# BMO's Net Zero Ambition

## Be our Clients' Lead Partner in the Transition to a Net Zero World

### Commitment

Building on our Purpose commitment to a sustainable future, BMO makes a new, focused commitment to drive economic transformation toward a net zero world.

- Align greenhouse gas emissions from our operations and our financing with the ambition of a net zero world by 2050
- Set intermediate (2030) and long term (2050) targets with our clients
- Commit to transparency in emissions measurement and performance

### Capabilities

BMO Climate Institute provides thought leadership at the intersection of climate adaptation and finance, allowing us to be the premier advisor to clients and partners on climate risk and opportunity.

- Leverage BMO's sophisticated capabilities to analyze climate change
- Provide climate insights for our business, clients and partners to enhance climate resilience
- Provide thought leadership informed by data-driven research and expertise

### Client Partnership

We are committed to helping our clients adapt to climate change impacts and contribute to the transition to a net zero global economy with tailored products and services.

- Engage with customers to advance climate adaptation strategies
- Enable our clients' net zero transitions with a tailored suite of green advisory, investment and lending products
- Be a 'One-stop-shop' for clients to meet full range of ESG needs

### Convening for Climate Action

As a global leader, BMO will drive insights and bring together industry, government, academia and investors to unlock solutions that advance climate transition and enhance resilience.

- Unite individuals and equip them with information to encourage meaningful climate policy and business decisions
- Focus on climate solutions for climate sensitive sectors in North America
- Explore the synergies between climate and social justice goals

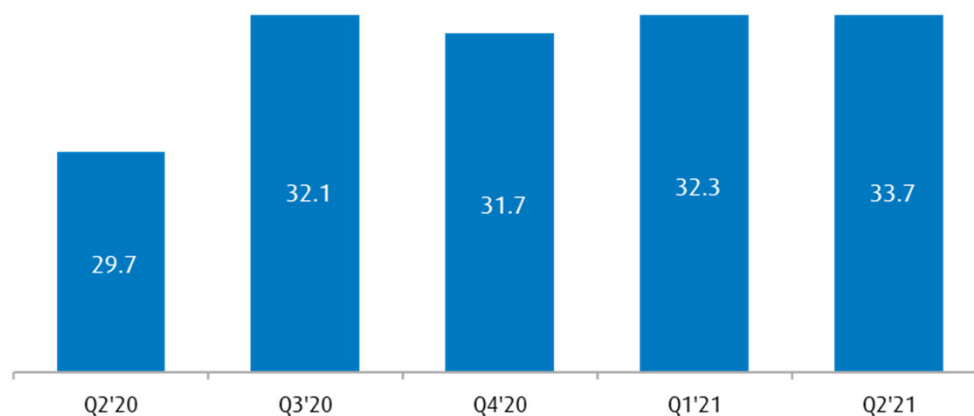
**BOLDLY GROW THE GOOD**

IN BUSINESS AND LIFE

# Liquidity & Wholesale Funding Mix

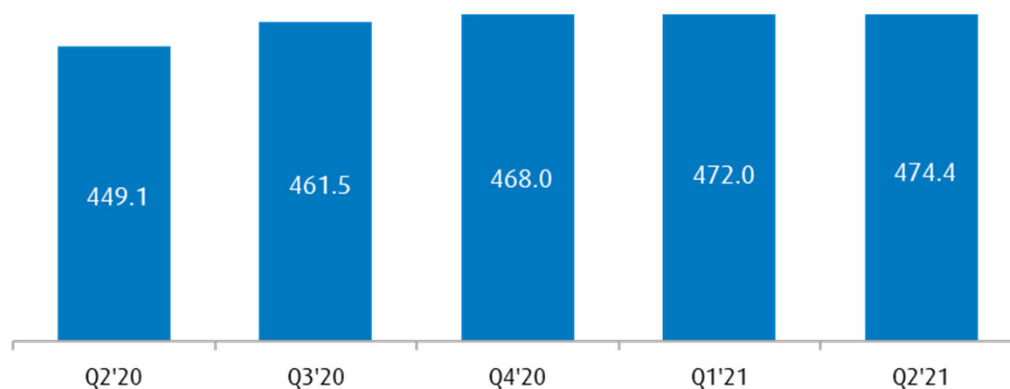
# Liquidity and Funding Strategy

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)



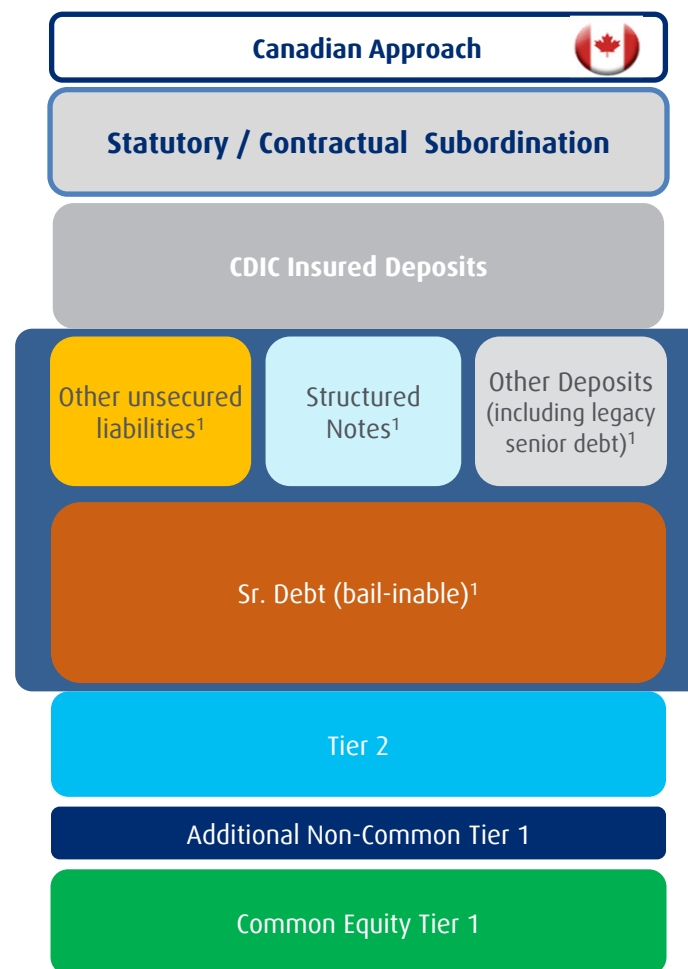
- BMO's large base of customer deposits, along with our strong capital base, reduces reliance on wholesale funding

1 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)

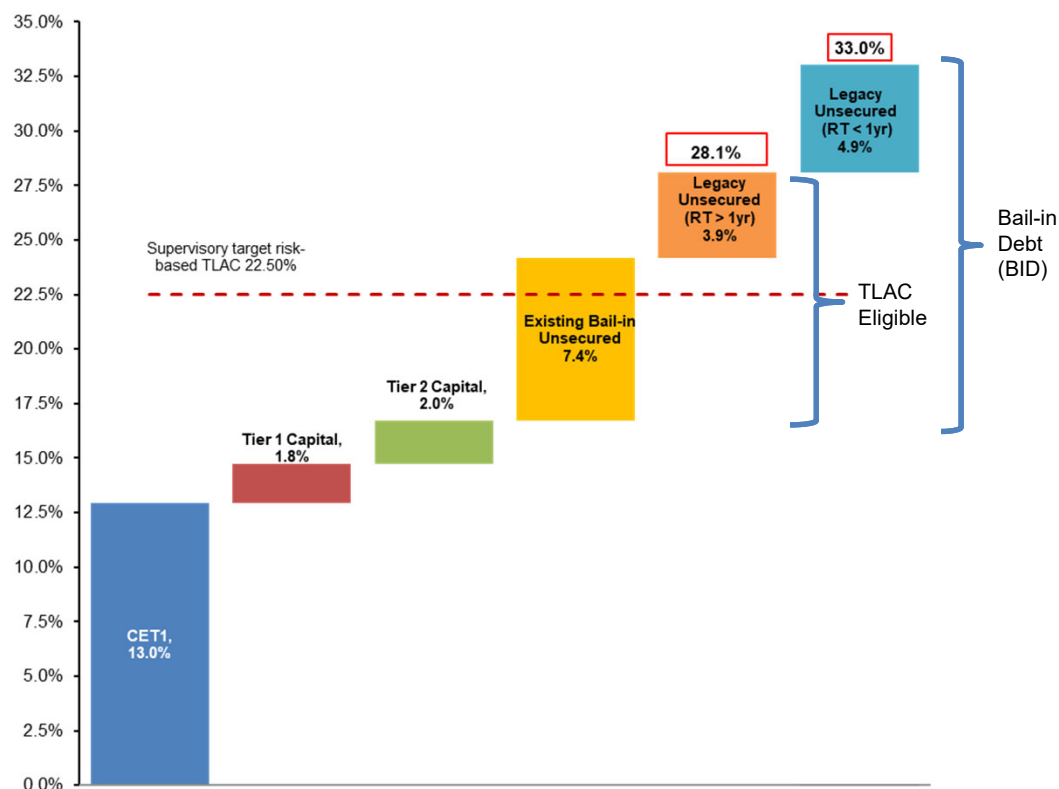
<sup>1</sup> Pari passu ranking in liquidation.



# 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 April 30, 2021

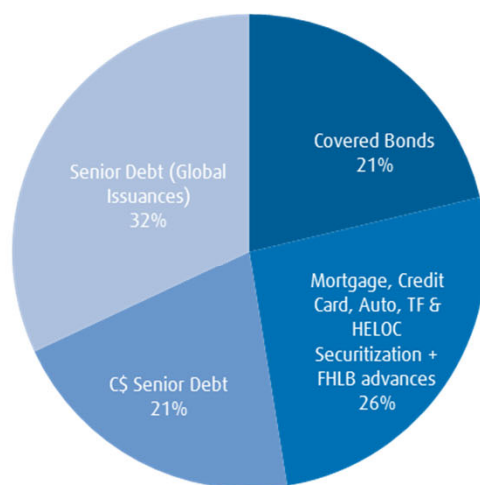


<sup>1</sup> On March 13, 2020, OSFI announced a decrease of the Domestic Stability Buffer from 2.25% (effective as at April 30, 2020) to 1% of total risk-weighted assets effective immediately, in order to support D-SIBs' ability to supply credit to the economy during an expected period of disruption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

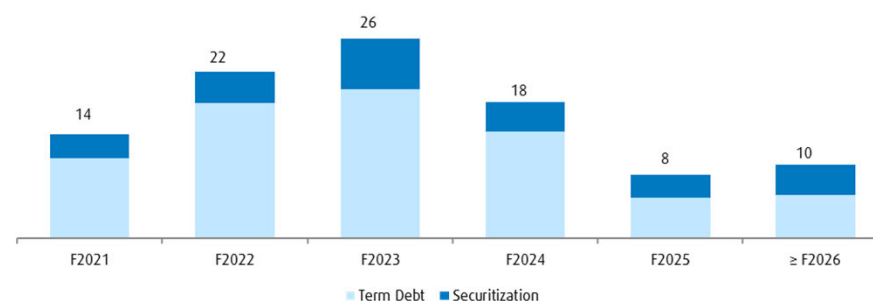
# Diversified Wholesale Term Funding Program

- 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> (\$99B)  
as at April 30, 2021



Wholesale Capital Market Term  
Funding Maturity Profile<sup>1,2</sup>  
as at April 30, 2021



<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

- US\$400 million 2-yr Floating SOFR Rate Senior Unsecured Notes
- C\$750 million 5-yr Fixed Rate Women in Business Bond at 1.758%
- US\$1.00 billion 6NC5 Senior Unsecured Bail-in Notes at 0.949%
- 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\$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%

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

# Investor Relations

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Canada 2021

