

Bank of Montreal

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# 2024 Annual Meeting of Shareholders

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Address delivered by

**Darryl White**

Chief Executive Officer, BMO Financial Group

April 16, 2024

CHECK AGAINST DELIVERY



April 16, 2024 | Toronto, Ontario

Thank you, Chairman. *Bonjour à tous*. It's a pleasure to address each of you, our valued shareholders, and update you on our progress in 2023 – our 206<sup>th</sup> year of operation.

Last year, we made significant progress on our strategic priorities to continue to grow and strengthen our bank, enhance customer experience, and invest in our communities.

The performance of our bank enables the progress we make for a thriving economy, a sustainable future and an inclusive society – all in support of living our Purpose: to Boldly Grow the Good *in business and life*.

The team I'm proud to lead is focused each day on building a digitally enabled, future-ready bank with leading efficiency, profitability and loyalty for our clients, our colleagues, and the communities we serve.

Over the past year, the number of clients and communities we serve grew substantially with the successful completion of three acquisitions, the most notable being our acquisition of the California-based Bank of the West – more on that later.

Last year, we reinforced and expanded the bank's foundation to future-proof against several significant macroeconomic trends transforming economies around the globe: The clean energy transition, the accelerated at-scale availability of advanced "generative AI" technologies, and rapidly reorganizing geopolitical relationships each present opportunities and risks – for our clients, and for BMO.

In 2023, the global economy was significantly impacted by rising interest rates, weaker financial conditions and escalating geopolitical crises.

While inflation fell from four-decade highs across North America, it remains sticky, keeping borrowing costs high and global demand low – risking a "higher-for-longer" rate environment. And even when rates do start to ease – and they should in time – we will find ourselves in a new normal, an environment with fundamentally different characteristics than that of the past two decades.

While these factors challenged near term growth opportunities for North American banks, they reinforced BMO's fundamental strength and diversified portfolio of businesses.

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BMO is a powerful platform for growth and resilience in a challenging economic environment. This year-in-review reflects the continued investment we are making into the fundamental strength that sets BMO apart from the vast majority of North American banks.

## Year in review

In 2023, we delivered good performance. On an adjusted basis, BMO delivered record revenue of over \$31 billion and pre-provision pre-tax earnings of \$12.7 billion which grew year-over-year.

This growth was led by the continued strength of our Canadian Personal and Commercial banking business, and the successful integration of acquisitions.

Now proudly serving 13 million clients, at the core of our balance sheet is \$650 billion in customer deposits and \$1.3 trillion in assets. And we strengthened our capital position with a CET1 ratio of 12.5%.

Consistent all-weather performance through economic cycles is paramount to BMO's success. With a 195-year dividend record, we have the longest-running dividend payout record of any bank or any other company in Canada. And you can see that we consistently deliver top tier returns to our shareholders.

This unprecedented record is underpinned by our disciplined approach to risk management and our ethical culture. I'm proud to share today that for the seventh straight year, BMO was recognized as one of the World's Most Ethical Companies by Ethisphere.

This recognition of our balance of ethical high performance is a reflection of our team's commitment to helping our customers make real financial progress and our strong client service culture.

In 2023, BMO was ranked for the first time as #1 in Personal Banking Customer Satisfaction among Canada's "Big Five" banks in the J.D. Power 2023 Canada Retail Banking Satisfaction Study. This team was also recognized by J.D. Power as #1 in Customer Satisfaction with Online Banking.

The intersections of people, technology and progress at the core of these two achievements is where the magic happens: great customer service meets great digital experience.

Unlocking the power of our people to deliver this award-winning service wouldn't be possible without the significant emphasis we've put on our "Digital First" agenda – empowering our teams to develop and deploy digital solutions that free up capacity for our teams to work directly with our clients and deliver expert advice.

We're very clear when we're speaking with our team about the importance of being a future-ready, digital first bank.

It means designing leading solutions for our customers and our employees; using agile practices to accelerate time to market; deploying increasingly sophisticated data and analytics including AI; and leveraging cloud engineering to drive modernization.

We can then deliver more, faster, and with greater quality and security.

We do value the external validation when we receive it – when Fast Company names us one of the World's Most Innovative Companies, when we receive a Model Bank award for Integration Excellence, when we're recognized for the globally-significant value of our intellectual property and patents – but my team hears me say all the time that the best award is recognition from our customers.

Our technology foundation is built on strong partnerships, particularly those with the world's largest cloud providers,

that give us access to enormous raw computing power, speed and the ability to scale.

These partnerships bring with them access to cloud native architecture and access to leading AI capabilities.

Our competitive advantage comes from the creativity and vision to drive the highest impact use cases, with a relentless focus on what can help our customers make progress.

This obsession with progress for our customers is the connection between last year's groundbreaking J.D. Power recognition, and the complex and highly successful integration of the Bank of the West, when we welcomed nearly 2 million customers and thousands of employees in the largest acquisition in Canadian banking history.

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## BMO's North American Integration

Through the Labour Day weekend of 2023, nearly 2 million customers were onboarded, over 300 systems converted and more than 500 branches rebranded to help us go to market from San Diego to St. John's as "BMO".

We began laying the groundwork for this successful integration over many years, having made significant advancements and investments in our U.S. franchise.

Although we've operated in the U.S. since 1818, our acquisition of Harris Bank in 1984 established the meaningful presence in the U.S. Midwest that was advanced with our 2011 acquisition of M&I.

In 2023, we closed and converted the natural next step in our North American growth strategy with our expansion to the West Coast with California-headquartered Bank of the West.

Representing one of the largest economies in the world, nearly twice the size of Canada, California is now a strategically important market for BMO.

With our newest colleagues and customers on board we're now competitively positioned as a top 10 U.S. bank by assets and a top 4 Commercial Lender in North America.

The significance of our U.S. operations has enabled us to meaningfully expand our market access to high-growth regions, double our U.S. footprint and solidify BMO's position as a leading North American bank.

With a physical presence in 32 U.S. states, a unified brand, differentiated retail offering, a premium commercial bank, and a leading investment bank, we are set up to win in our newest markets.

## Integrated North-South Bank

We are the most integrated North-South bank in North America, with all four operating groups powered by robust continental leadership and organizational infrastructure.

This is a story of diversification and balance: our revenue and earnings are well balanced between Canada and the United States, and our customer segments are split evenly between Business and Consumer.

Our personal banking business is growing strongly with peer-leading revenue growth in Canada as we gain market share through differentiated client service and a foundation of helping our customers make real financial progress, and our retail franchise is now twice as large in the U.S. as it was before.

Our commercial and capital markets businesses support our clients with differentiated cross border expertise. And BMO Wealth Management is primed for acceleration with continued net new asset growth, reflecting the trusted relationships we've built with our clients.

It's worth noting that since closing our Bank of the West acquisition, during and throughout a period of heightened uncertainty in the U.S. banking market, our U.S. segment has consistently delivered quarterly pre-provision pre-tax earnings above US\$1 billion. We've maintained this performance through intense deposit competition and decreased loan demand, while over-achieving our cost savings targets.

Throughout the instability of the Spring of 2023, we were proud, and our team was honoured, to serve as an important port in a storm – a role our clients have and can continue to count on us for.

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## North America's potential

BMO is now well established to serve more clients between the Canadian and American economies and to realize the full potential of the North American region in a shifting global landscape.

The U.S. economy is showing signs of stronger than expected growth this year, with real GDP growth forecasted to be at least 2%, which should exceed Canada's rate of growth.

With one of the largest bilateral trade relationships in the world, trade and investment between Canada and the U.S. is fundamental to our two countries' economic competitiveness and prosperity.

The relationship is significant. Put into context, just counting the Great Lakes Region – made up of eight states and two provinces – would be the world's third largest economy, nearly equal to that of Japan and Germany combined, and the region employs about a third of the U.S.-Canadian combined workforce. Then add in California, an economy almost twice the size of Canada's, and you can see the global impact this North-South partnership has.

The countless points of connectivity between our two countries are an important reminder: With trade and investment flows supporting millions of jobs, and global macroeconomic trends like the clean energy transition

reshaping the flow of investment, this vital partnership cannot be taken for granted. Nor can it be appreciated more for the strategic security and economic opportunity of the North American region.

The shift in the production and consumption of energy will benefit both Canada and the U.S. as the world continues to turn to reliable and trusted suppliers of sought-after resources, technology expertise, and all forms of energy.

As demand for lower-carbon and more ethically-sourced energy increases, both Canada and the U.S. are well-positioned to help reduce global reliance on less sustainable and more geopolitically unstable countries.

Responding to this demand for cleaner, more secure sources of energy and the technologies that will enable a lower-carbon future, BMO set out our Climate Ambition to be our clients' lead partner in the transition to a net zero world.

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“At BMO, the strength of our performance fuels our ability to put our Purpose into action and Boldly Grow the Good”

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Whether it's working with clients on the leading edge of green technologies, clients developing next generation agriculture practices, retrofitting real estate or supporting our energy clients working hard to change their emissions profiles, we're proud to be financing the energy transition.

Last year, we exceeded our pledge to mobilize \$300 billion in capital to our clients' sustainable outcomes by 2025. These outcomes include climate-related as well as social sustainability outcomes like support for women-owned business, Indigenous banking and the advancement of our EMpower programs.

## Purpose in Action

At BMO, the strength of our performance fuels our ability to put our Purpose into action and Boldly Grow the Good for a thriving economy, a sustainable future, and inclusive society.

When our clients grow and achieve their objectives, we grow and achieve ours. That's why we work so hard to support the communities we serve, including our newest markets.

At BMO, we recognize that when you empower people to achieve their potential, they exceed your expectations.

Empowering our clients to make real financial progress; empowering our employees to work together to meet more of our clients' needs – it's a connected relationship that drives results.

Results that consistently show up in our Winning Culture scores. In just a few short years, Team BMO has made substantial progress in employee engagement scores leading to our workplace culture being ranked among the world's strongest.

Your team is a winning team – a team committed to building world-class loyalty and to deepening client relationships by bringing the whole of the bank to serve our clients.

We're hard at work continuously optimizing our businesses and balance sheet, controlling our costs and deepening customer relationships – all in the pursuit of sustainable, long-term growth.

While we may have crossed the starting line on our U.S. West Coast expansion, across our business and throughout our footprint, we're gaining momentum as we execute against our clear and well-defined plan to win.

Thank you for your support and confidence in the bank's future. *Merci.*

## Caution Regarding Forward-Looking Statements and Use of Non-GAAP and Other Financial Measures

Today, we may make forward-looking statements within the meaning of and pursuant to the “safe harbor” provisions of, and which are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. These statements may involve, but are not limited to, comments with respect to the Bank’s outlook, expectations and objectives.

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. Please see the Enterprise-Wide Risk Management of our 2023 Annual MD&A (defined below) and the Risk Management section of our First Quarter 2024 MD&A (defined below), which outline certain key factors and risks that may affect Bank of Montreal’s future results. 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. As a result, we caution you not to place undue reliance on our forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, except as required by law.

We use both GAAP and non-GAAP measures, such as reported and adjusted earnings and reported and adjusted revenue net of CCPB (Net revenue), to assess performance and caution 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. Certain information contained in BMO’s Management’s Discussion and Analysis dated November 30, 2023 for the fiscal year ended October 31, 2023 (“2023 Annual MD&A”) and BMO’s Management’s Discussion and Analysis dated February 27, 2024 for the quarter ended January 31, 2024 (“First Quarter 2024 MD&A”) is incorporated by reference into this document. Quantitative reconciliations of non-GAAP financial measures to the most directly comparable financial measures in BMO’s financial statements for the fiscal year ended October 31, 2023 and the period ended January 31, 2024 as well as an explanation of how non-GAAP and other financial measures provide useful information to investors and any additional purposes for which management uses such measures can be found in the Non-GAAP and Other Financial Measures sections of the 2023 Annual MD&A and the First Quarter 2024 MD&A. Further information regarding the composition of our non-GAAP and other financial measures is provided in the Glossary of Financial Terms section of the 2023 Annual MD&A and the First Quarter 2024 MD&A. The 2023 Annual MD&A and First Quarter 2024 MD&A are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

For more information on the various factors, risks and assumptions relating to our forward-looking statements, please see our 2023 Annual MD&A and First Quarter 2024 MD&A, which are available at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations).