

Address delivered by

**Darryl White**  
Chief Executive Officer,  
BMO Financial Group

April 2, 2019

BANK OF MONTREAL

# 2019 ANNUAL MEETING OF SHAREHOLDERS

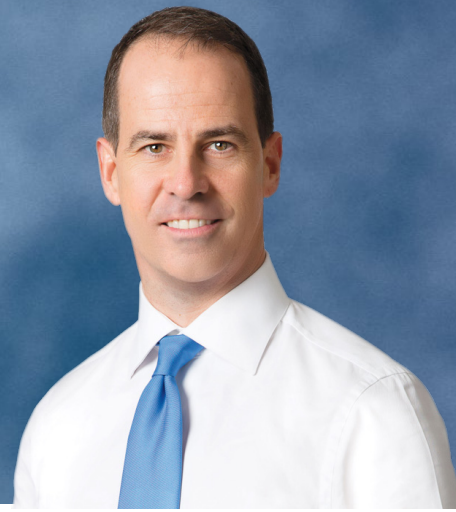


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**Darryl White**

Chief Executive Officer, BMO Financial Group

“Our bank is mobilized and accelerating.”



**April 2, 2019**

Thank you, Chairman – and good morning, everyone.  
*Bonjour à tous.*

*C'est un plaisir de vous accueillir à notre assemblée annuelle des actionnaires, que vous vous joigniez à nous par webdiffusion ou en personne, ici à L'Académie BMO Groupe financier.*

*Je tiens à remercier en particulier notre président du conseil, Rob Prichard, et les membres du Conseil d'administration de BMO. Votre soutien continu et vos conseils sont grandement appréciés par tous les membres de l'équipe de direction.*

Welcome – whether you're joining us online or here at the BMO Institute for Learning.

The IFL symbolizes the vital role that learning and innovation have always played in our bank.

This year's 25th anniversary of the IFL is an opportunity to reflect not just on more than two decades, but two centuries of progressive thinking – from the creation of Canada's first currency to our pioneering use of blockchain technology.

The IFL has always been focused, like BMO itself, on the future, and on helping talented people fulfill their potential.

Here, and in the other modern workspaces we're creating across our footprint – including soon at the BMO Urban Campus, our ground-breaking development in the heart of Toronto – we're introducing new ways of working to deliver competitive performance; to reshape how teams collaborate, how leaders lead, and to reimagine the speed at which we bring solutions to market.

I'd like to fill in a few details around the energy and acceleration you can feel right across BMO. So here is this morning's menu: We'll start with financial highlights – and behind those numbers, the proven strategy and differentiating strengths that drive performance. Then we'll drill down into three key areas of focus:

- The strategic, profitable growth of our U.S. businesses, and their tremendous ongoing potential.
- Our success in improving efficiency through innovation.
- BMO's unique culture, which gives us a significant edge in attracting and empowering talented people and building customer loyalty.



But to underline how our confidence in the future is grounded in the present, let's start with the numbers.

Adjusted net income for fiscal 2018 was \$6 billion, up 9% from the previous year. Return on equity was 14.6%.

Earnings per share increased by 10% to \$8.99. And our dividend grew by 6.2%, extending the unbroken record of annual payouts we've delivered since 1829.

Among all companies listed on the New York Stock Exchange, BMO holds the second-longest streak of continuously issuing dividends – 190 years and counting.

Our bank has a strong, prudently-managed capital ratio. And over the past year – in addition to increasing our dividend – we bought back 10 million shares.

We've sustained our momentum into the fiscal year. First-quarter earnings per share were up 10% from the same period last year. And we increased our CET 1 ratio to 11.4%, reinforcing our capital strength and strategic flexibility.

Looking back over the past 52 weeks, BMO has the #1 total shareholder return among our peers.

And over the past 10 years, our TSR exceeds the average of our peer group, as well as average annual growth in the S&P/TSX composite index over the same period.

## Fiscal 2018

### Key Financial Measures (Adjusted)<sup>1</sup>

		<b>Growth vs. 2017</b>
Net Income	\$6.0 B	9%
Revenue, net of CCPB <sup>2</sup>	\$21.6 B	5%
Return on Equity	14.6%	+100 bps
Earnings per Share (diluted)	\$8.99	10%
CET1 Ratio	11.3%	-10 bps

<sup>1</sup> Reported results (growth % vs. 2017): Net Income \$5,453MM (+2%); Net Revenue \$21,553MM (+5%); ROE 13.3% (+10 bps); EPS \$8.17 (+3%). Adjusted measures are non-GAAP measures. See page 27 of BMO's 2018 Annual Report.

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



Angela Santiago,  
Co-Founder & CEO,  
The Little Potato Company, Wisconsin.

Across the bank's businesses, we're growing by serving more customers, expanding relationships, and delivering greater value.

These strong outcomes demonstrate that we're fulfilling the commitment we made to shareholders at last year's annual meeting, and again at our Investor Day in October.

Across the bank's businesses, we're growing by serving more customers, expanding relationships, and delivering greater value. And we're building on our momentum, always aiming higher, thanks to a solid foundation.

# Refocused strategic priorities

1. Drive leading growth in priority areas by earning customer loyalty
2. Simplify, speed up, and improve productivity
3. Harness the power of digital and data to grow
4. Be leaders in taking and managing risk, consistent with our overall risk appetite
5. Activate a high-performance culture

Up on the screen are the strategic priorities that drive the bank forward. We're leaning in on specific aspects of operational excellence – recalibrating what needs to happen, and when.

But BMO's strategy remains consistent. And it's anchored in a set of fundamental, differentiating strengths:

- Our attractive business mix. We're diversified by geography, by products, and by customer type.
- As one of North America's largest banks – 8th, by assets, among more than 5,000 – we have the scale to make the investments we need in technology, marketing, and regulatory compliance.
- As always, our consistent, effective management of risk, guided by the insights we gain through building customer relationships.
- And the BMO brand, which is widely recognized and respected everywhere we do business.

In the latest survey by *American Banker* and the Reputation Institute, consumers named BMO one of the most reputable in the industry, ranking us #2 among the 40 largest U.S. banks.

That vote of approval underpins all of the strengths that differentiate BMO. And it leads into the first main point I want to focus on this morning: profitable U.S. growth.

## U.S. GROWTH

Since 1818 – the year after BMO was founded – we've been building a bank to serve customers in both Canada and the U.S., which together have always been our home market.

It's been a continuous evolution, but certainly a key milestone was our acquisition of Harris Bankcorp in 1984.

As Bill Mulholland, our Chairman and CEO at the time, summed it up: "This transaction gives the Bank of Montreal a full operating capability both in Canada and the United States – a status which is probably unequalled by any other bank."

He was right.

From that point, with U.S. operations then accounting for 14% of total earnings, we continued to grow our U.S. platform, organically and through smaller acquisitions.

We steadily expanded our workforce, our branch network, and the bank's total U.S. assets.

The next major milestone was our acquisition, in 2011, of Milwaukee-based Marshall & Ilsley – proof that it pays to wait patiently for the right opportunity at the right time.

That was also true four years later, when we acquired the Dallas-based transportation finance business of GE Capital to become the leading North American provider of truck and trailer financing.

The value of acquisitions like these becomes more evident with each passing year, as we take advantage of our strengthened base to continue to grow organically.

Since 2015, the bank's U.S. segment has achieved a compound annual earnings growth rate of 17% – nearly all organically.

Over the last 12 months, our U.S. businesses have accounted for about 30% of BMO's total earnings. And we envision that percentage steadily increasing.

Of course, this growth is anchored by the parts of BMO that generate the other 70% of net income – first and foremost, our flagship Canadian Personal and Commercial Banking business, which is both a powerful earnings producer and a leader in innovation.

But the breadth of our distinctive strength comes through the combination of our U.S. and Canadian businesses.

And it's a win-win for shareholders: diverse exposure to the world's most creative, dynamic economy; and, at the same time, the safety and soundness of a bank headquartered in Canada's widely-admired financial system.

From that perspective, it is satisfying to look back at the 35-year trajectory since we acquired Harris Bank. But our focus now is on the next 35 years, as we leverage our strong position to continue growing.

This strategy is in motion, with roughly 50% of the business we do in the U.S. coming from our traditional seven-state core footprint anchored in the Midwest, and, importantly, the other roughly 50% now coming from the rest of the country.

Take commercial banking, where BMO's strength is unquestionably differentiated. We're one of the top 10 commercial lenders in the U.S., and we've developed deep expertise in key sectors – to the point where two thirds of our new originations are in segments we serve on a national basis.

Our leadership in commercial banking is a clear differentiator and a driver of long-term growth.

Expansion of the U.S. and Canadian economies has slowed somewhat, compared to a year ago. However, as low interest rates and low inflation persist, we continue to experience growth.

BMO is one of the top 10 commercial lenders in the U.S.



At the same time, we've observed a moderation of growth in Canadian consumer loans and mortgages – an outcome that's both healthy and expected – while credit quality continues to be very good in these consumer portfolios.

If you speak to our economists, they'll tell you that with underlying fundamentals like strong population growth, historically healthy job markets, modest inflation, and a more benign interest rate environment, the risk of recession in the year ahead remains relatively low.

Based on what we hear from our customers in the small business segments of commercial banking – the people driving the "real economy," who make up over 90% of the private-sector workforce in Canada – the economic outlook generally remains positive, reflecting the good performance of the businesses they own and operate.

We hear the same confidence expressed by our customers transacting on both sides of the Canada-U.S. border – something we're particularly well-positioned to help them with.

After realigning and integrating functions and platforms on a north-south basis, we now have full cross-border capabilities bank-wide – in Personal & Business Banking, Wealth Management, Commercial Banking, and Capital Markets. It's an offering unequalled by any other bank.

And when we know, for instance, that nearly three quarters of our wholesale customers need cross-border services, it only adds to our U.S. opportunity.

With more than \$800 billion in assets, we have the platform to share knowledge, capabilities, resources, and technology at a scale beyond the reach of regionally-focused U.S. banks.

We also like to point out that the 15 U.S. metropolitan areas where our flag already flies – where BMO bankers are on the ground – account for about a third of the country's overall GDP.

Looking at the map this way, we have an opportunity at our doorstep that's three times the size of Canada's economy.

We're competing in a large market where BMO is a reputational leader, and where our businesses together drive 30% of net income or \$1.9 billion of earnings. Yet we currently have only a very small share of the overall U.S. market.

I like the way that opportunity looks.

Of course, to grow you need an optimal balance between revenue and expenses.

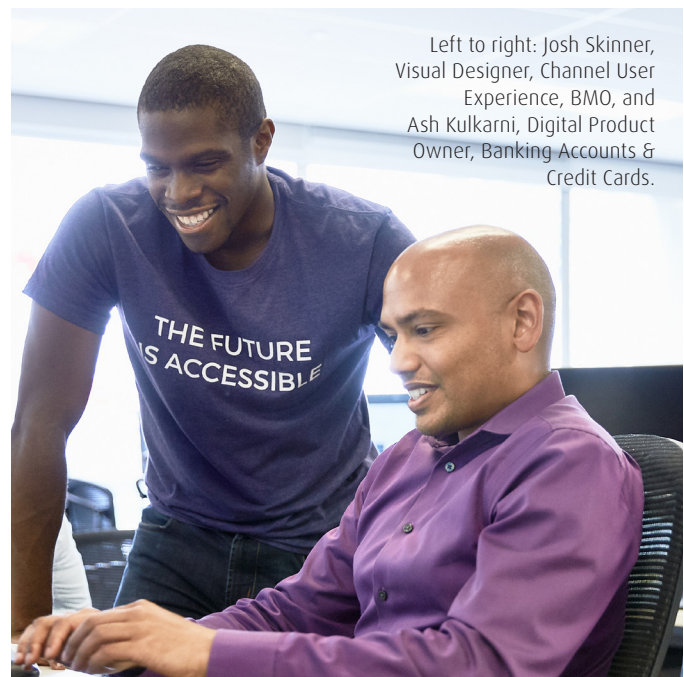
That's my second area of focus this morning: efficiency and innovation. Because at BMO, we know you can't have one without the other.

## EFFICIENCY AND INNOVATION

During the past year, we introduced a new bank-wide initiative that looks horizontally across all of our businesses, finding opportunities for us to operate more efficiently while also improving customer experience. And what enables both dimensions is innovative technology.

Let me give you an example: in P&C Canada, our customers now buy 25% of our products and services digitally, placing us in the top tier of our industry.

And it's only going to keep growing, because this is how customers want to transact with us.



Left to right: Josh Skinner, Visual Designer, Channel User Experience, BMO, and Ash Kulkarni, Digital Product Owner, Banking Accounts & Credit Cards.

Our technology investments make digital purchases more convenient for our customers and more efficient for us to deliver.

Here's another example from small business banking: Processing loans up to \$500,000 used to take as long as 30 days. So we brought together a team of BMO experts in banking, technology, and risk to analyze the lending process end to end, and integrate new ways of working – backed by automated decision-making.

Together, they've cut the average processing time for these loans to under 30 minutes.

From 30 days to 30 minutes: that's how innovation can make customers happier while also simplifying our work – freeing up bankers to find other ways to help, and building stronger relationships in the process.

We're focused on improving both the numerator and the denominator of the expense-to-revenue ratio.

By operating more efficiently, we reduce expenses. But more importantly, as we improve customer experience, we increase revenue.

This holistic approach underpins the target we set at our Investor Day last fall and reiterated in our latest annual report: by 2021, we expect to reduce our adjusted net efficiency ratio from the current 62% to 58%.

Our people are engaged in all the ways that count, at levels that rank us among leading global companies – not just in our industry, but in all industries.

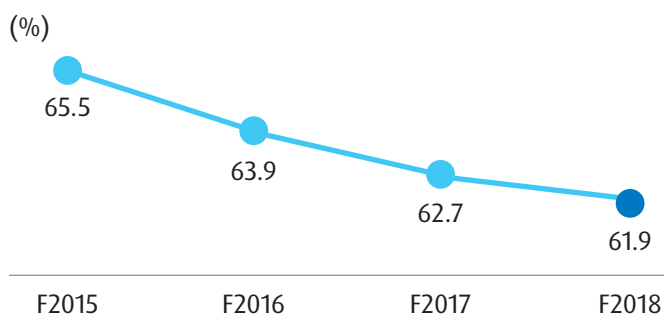
We're rigorously managing overall expense growth even as we sustain our critical investment in technology, which has grown at a double-digit rate over the past two years.

As you can see, we've also been shifting the focus of our tech spend, finding further efficiencies in the systems and solutions that run the bank so we can invest more in those that help transform and protect our business.

We save in some areas so that we can make targeted investments that drive customer experience and revenue. Because, again, you can't have one without the other.

That insight is inspiring our whole workforce to join in the action, through an employee-led innovation program. It engages everyone at BMO in shaping our future by doing something pretty straight-forward – asking for their ideas.

## Adjusted Efficiency Ratio<sup>1</sup> (Net of CCPB)<sup>2</sup>



<sup>1</sup> The reported efficiency ratios (net of CCPB) for 2015, 2016, 2017 and 2018 were 67.5%, 66.5%, 64.1% and 62.5% respectively.

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

The response we received to our first all-employee challenge, on the topic of improving customer experience, was tremendous. We received nearly 1,500 submissions, reflecting the amazing energy and expertise of our employees in diverse regions and business areas.

From there, a team of 50 champions selected four ideas that are now being incubated, with a dedicated fund providing the resources to turn our best ideas into realities.

Which brings me to the last area of focus I want to touch on this morning: the strength of our people.

## PEOPLE AND CULTURE

BMO's unique culture is a cornerstone asset.

It's truly differentiating as we compete across geographies, business lines, and customer segments.

Because standing behind our performance are people – talented individuals with diverse backgrounds who share a basic belief: that by managing our bank responsibly and transparently, with energy and purpose, we create value for all of our stakeholders.

To help customers reach their goals, we've built a highly collaborative culture cemented by our shared values.

Our people are engaged in all the ways that count, at levels that rank us among leading global companies – not just in our industry, but in all industries.

Our commitment to doing what's right has once again earned BMO recognition from the Ethisphere Institute as one of the World's Most Ethical Companies.

And we've also been recognized for how we put our principles into practice: in our responsible banking, lending and investing practices; in our promotion of diversity and inclusion; in our environmental stewardship; and in our commitment to building strong communities.

Because in a business built on transparency and sound governance – where performance depends not on cutting corners, but on growing loyalty and trust – these responsibilities are non-negotiable. They matter more and more to customers. They're proven drivers of business success. And in the case of BMO, they are the foundation of our culture.

When we talk about our purpose as a company (the *why* behind what we do every day), it's to leverage our role as a trusted financial intermediary and advisor to do something bigger – to create opportunities for lasting positive change.

The focus we bring to building a better bank is guided and energized by a larger sense of purpose: to grow the good in business and in life.

So, to sum it up...

BMO has a strong foundation for growth, a diversified business mix, and we're ideally positioned as a North American bank.

Alongside our commitment on efficiency, we expect to continue rewarding shareholders' confidence with our medium-term target of earnings-per-share growth of 7-to-10%.

Driving these metrics is an unmistakable energy. Our bank is mobilized and accelerating.

And in every opportunity we take on, we have a clear purpose and a bold ambition – one that mirrors the aspirations of our customers.

Like them, we're constantly aiming higher. *Comme eux, nous visons toujours plus haut.*

*Merci.* Thank you.



Loretta Minor,  
Vice-President and Senior CRA  
Relationship Manager, BMO