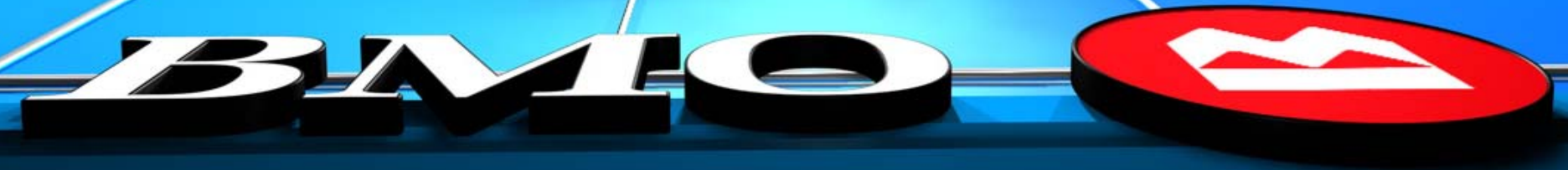


# 2010

BMO Financial Group Update

**FRB-Chicago & DePaul University  
Financial Institutions Risk Management Conference**



**Terry Bulger**

Executive Vice President, U.S. Risk Management &  
CRO Harris Financial Corp

April • 2010

## Well capitalized, strong global competitor

- F2009 revenues increased 8.4% to C\$11.1 billion from the previous year
- F2009 net income C\$1.8 billion; ROE was 14.3%
- 9th largest bank in North America as measured by market capitalization<sup>2</sup>

### Listings

NYSE, TSX (Ticker: BMO)

### Share Price

Mar 5/10: NYSE – US\$57.81  
TSX – C\$59.54

### Market Cap

Mar 5/10: C\$32 billion (US\$30 billion<sup>1</sup>)

### # of Employees

36,000

Over 10 million personal, commercial, corporate and institutional customers



### F2009 Results

#### Revenue

C\$11.1 billion (US\$9.5<sup>1</sup> billion)

#### Net Income

C\$1.8 billion (US\$1.5<sup>1</sup> billion)

#### Cash EPS (reported)

C\$3.14 (US\$2.70)

#### PCL

C\$1.6 billion (US\$1.4<sup>1</sup> billion)

#### Average Assets

C\$439 billion (US\$377<sup>1</sup> billion)

#### Capital Ratios

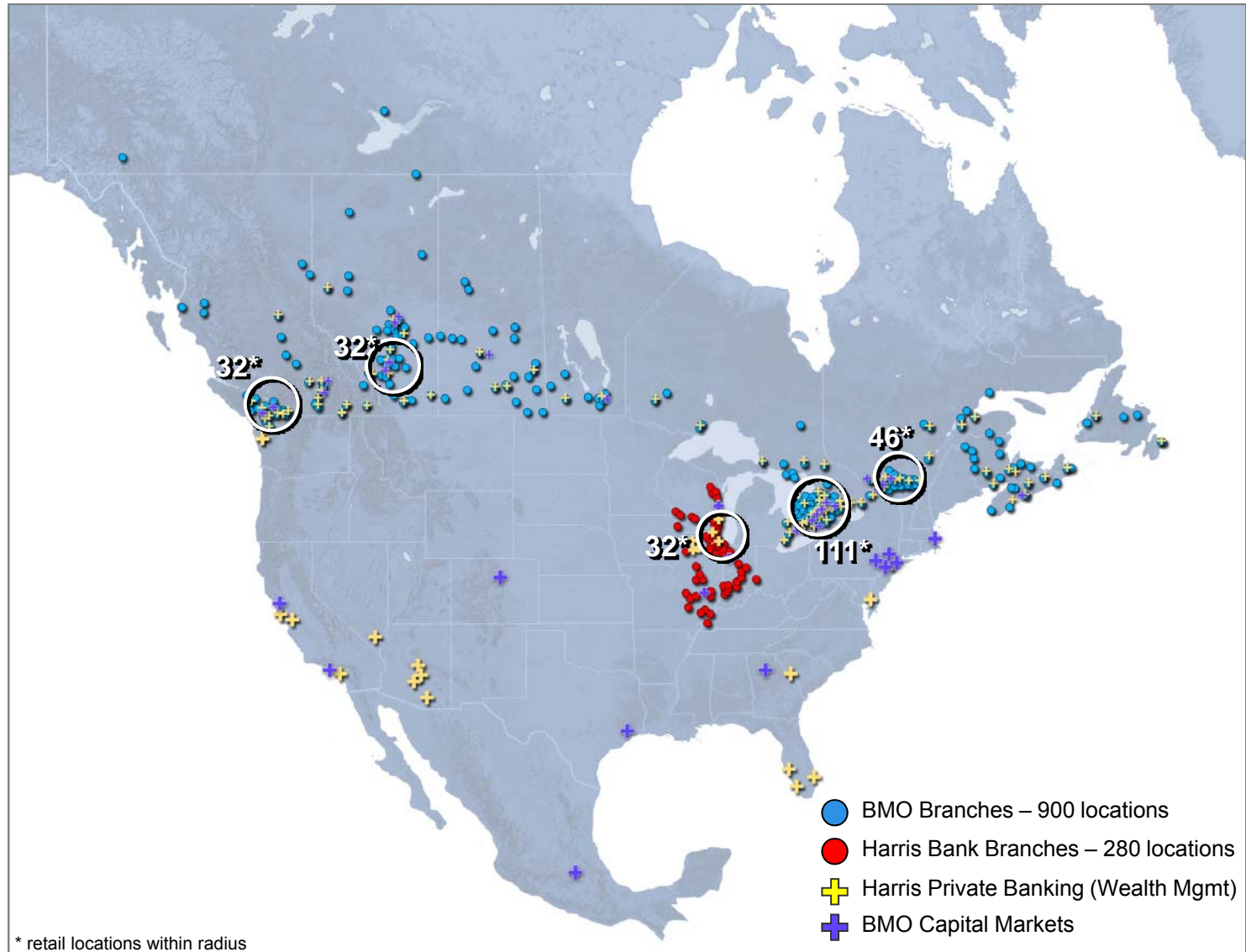
Tier 1 - 12.24%  
TCE/RWA – 9.21%

<sup>1</sup> Balances reported in Canadian dollars.

As at October 31, 2009 the exchange rate: Cdn/U.S. \$1.0819 • F2009 average exchange rate: Cdn/U.S. \$1.1648 • As at February 26, 2010 the exchange rate: Cdn/U.S. \$1.0525.

<sup>2</sup> Source: Bloomberg as of March 5<sup>th</sup>, 2010.

# BMO Financial Group – North American Footprint



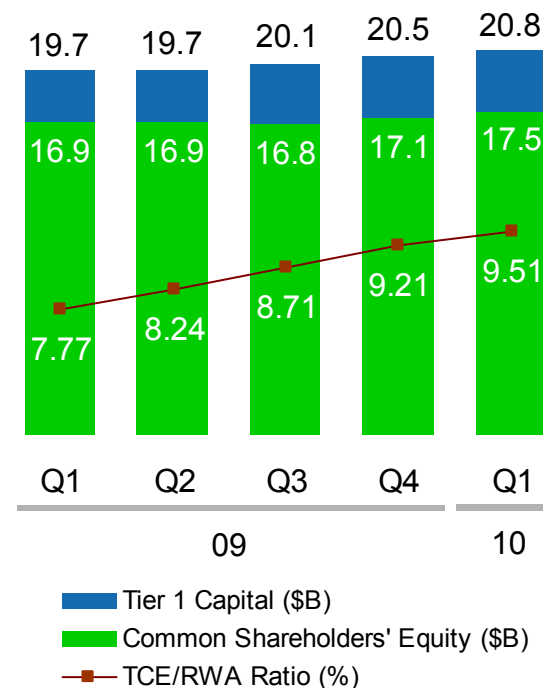
# Capital & Risk Weighted Assets

Capital ratios remain strong - TCE to RWA was 9.51% as at Q1/10

Basel II	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Tier 1 Capital Ratio (%)	10.21	10.70	11.71	12.24	12.53
Total Capital Ratio (%)	12.87	13.20	14.32	14.87	14.82
Assets-to-Capital Multiple (x)	15.79	15.38	14.91	14.09	14.67
RWA (C\$B)	193.0	184.6	171.6	167.2	165.7
Total As At Assets (C\$B)	443.2	432.2	415.4	388.5	398.6
Tangible Common Equity-to-RWA (%)	7.77	8.24	8.71	9.21	9.51

- Risk based capital demand under both forecast and stress scenarios is reviewed quarterly with Board Risk Review Committee as part of the Bank's Internal Capital Adequacy Assessment Process
- BMO's TCE to RWA ratio was 9.21% at October 31, 2009.

Basel II Tier 1 Capital & Common Shareholders' Equity

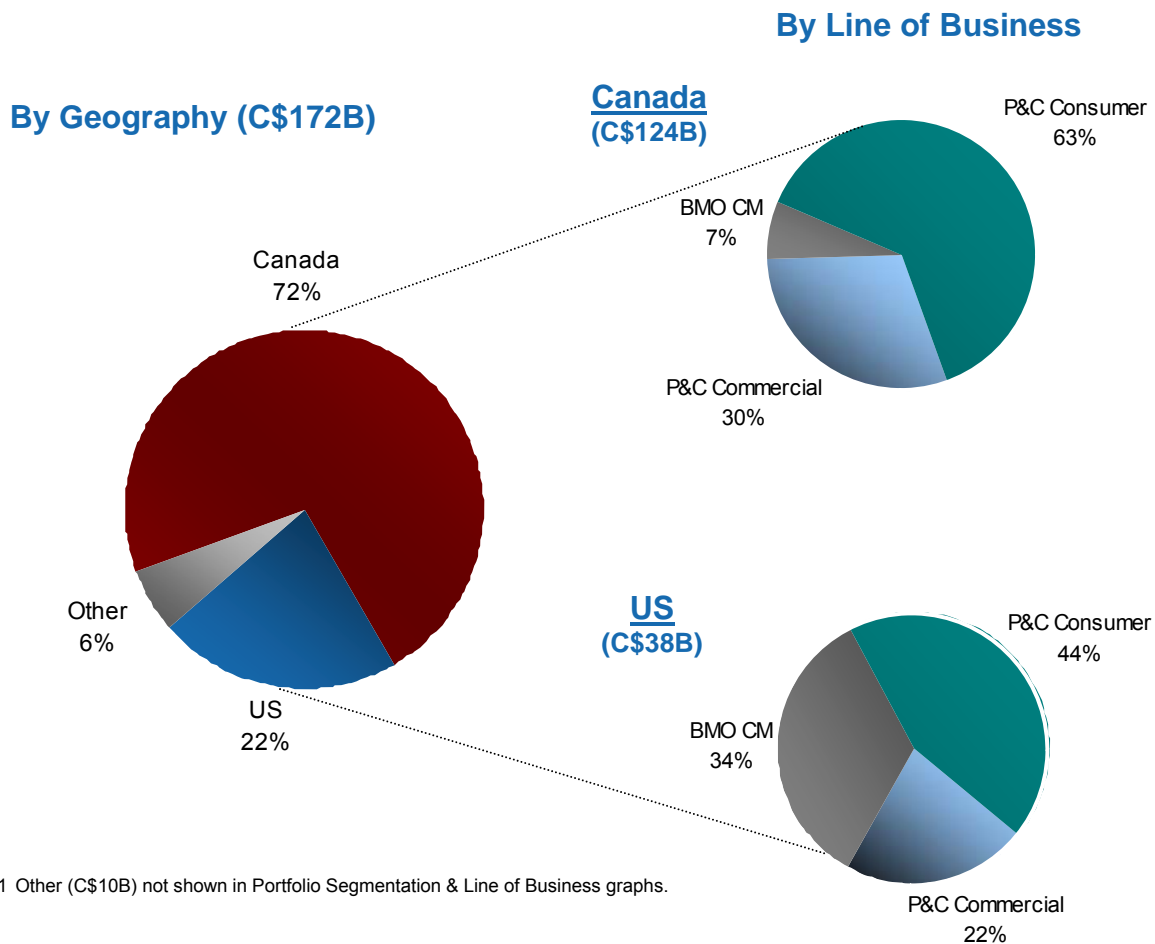


# U.S. Business Is Integral to BMO

- Serving more than 1.2 million customers in the U.S. Midwest
- Ranked top 3 for retail deposit market share in most markets where we compete
- Over USD\$35.8 billion in loans outstanding representing 22% of total BMO loans outstanding
- Total average assets of CAD\$105.1 billion, representing 28% of total BMO
- Integrated distribution network with more than 6,600 employees, 280 branches, over 650 bank machines and a dynamic online banking platform
- U.S. operations are central to BMO and key part of growth story
- All Business Groups operate in Canada and US
- Commit significant resources to U.S. operations – capital and people
- Strong U.S. governance structure, including independent control functions; Risk and Management Committee structures and Harris Financial Board of Directors
- Objective is to materially grow U.S. business

# US accounts for ~ one quarter of BMO's loan portfolio

- Canadian and US portfolios are well diversified. Canadian portfolio is 72% of total, US 22%.



1 Other (C\$10B) not shown in Portfolio Segmentation & Line of Business graphs.

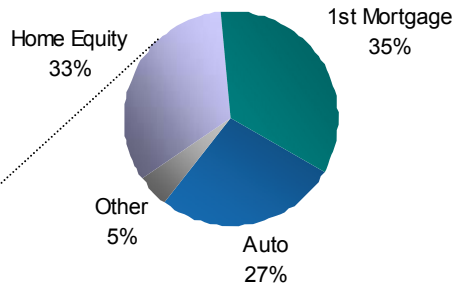




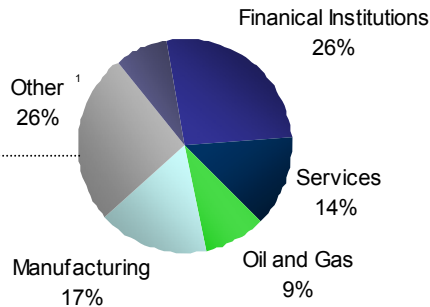
# US Loan Portfolio:

## Total US Loans Outstanding US \$35.3B (January 31, 2010)

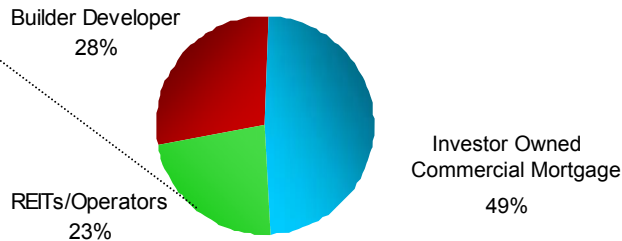
### Consumer (US\$15.5B)



### C&I (US\$15.9B)



### Commercial Real Estate (CRE) (US\$3.9B)



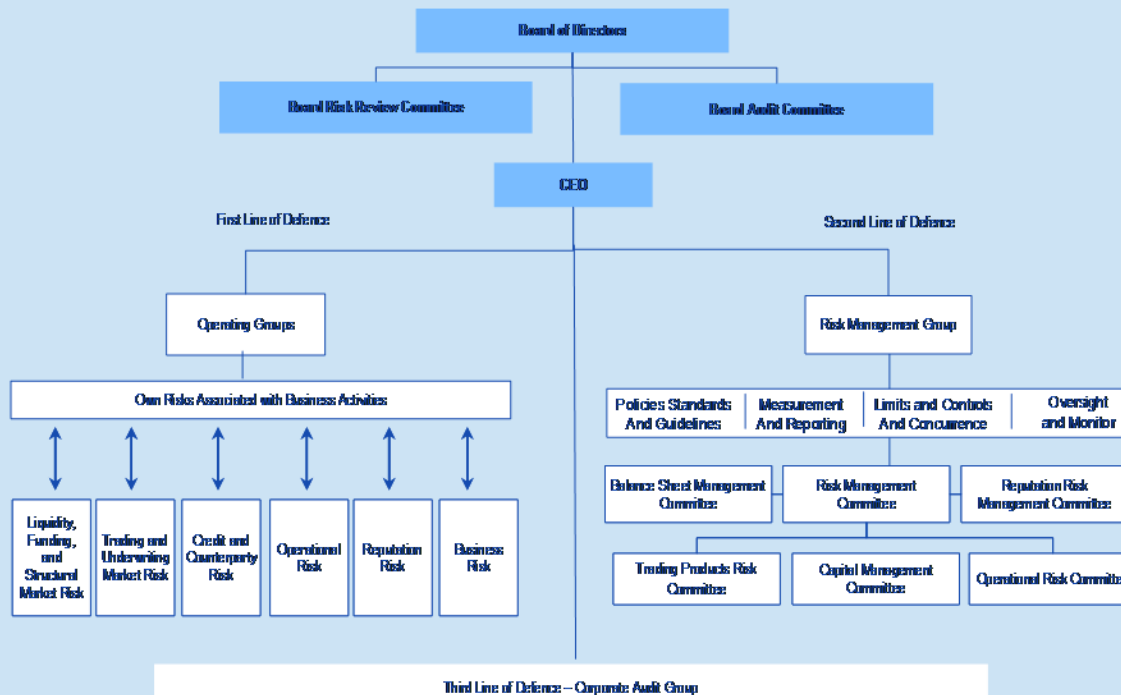
Commercial Real Estate  
Estate  
11%

- Consumer portfolios: \$15.5B, evenly spread across
  - ▶ Residential 1<sup>st</sup> mortgage
  - ▶ Home equity
  - ▶ Indirect Auto loans
  
- C&I portfolio: \$15.9B, well diversified and performing as expected given economic environment.
  
- Commercial Real Estate/Investor Owned-Mortgages: \$3.9B
  - ▶ Portfolio only 2% of BMO loans and 11% of US loans.
  - ▶ The Investor-Owned Mortgages (~\$2B or 5% of the US total)
  - ▶ Developer portfolio ~3% of the total US portfolio.

<sup>1</sup> Other C&I includes Portfolio Segments that are each <5% of the total

# Integrated Risk Management framework guides risk-taking activities:

## Enterprise Wide Risk Management Framework



- Comprehensive governance structure of corporate policies, standards and limits.
- Risk Management partnership with the business in risk transparency and risk-return while maintaining independent risk judgement and oversight.
- **Three** lines of defence model for risk accountability:
  - ▶ **First** line of defence – **Business** own the risks associated with their activities
  - ▶ **Second** line of defence – **Risk Management** oversight and management
  - ▶ **Third** line of defence – **Corporate Audit**
- US business has similar strong governance and risk framework with full suit of policies, Senior Management Committees, ALCO, Branch Committees and Board oversight including dedicated Risk Committee



# BMO's Risk Evolution Program

Two years ago, we embarked on a structured risk improvement plan known as the Risk Evolution Program. Significant progress achieved and key changes embedded in our ongoing processes and accountabilities.

## Program Achievements

### Ownership and Accountability

- Re-organized group structure and raised stature of risk awareness, including addition of talented staff.
- Championed and further instilled the three lines of defense operating model across the business.
- Created stronger linkages to risk in strategic plans, performance management, leadership competency models and incentive compensation plan structures.
- Co-developed governance framework for Internal Capital Adequacy Assessment Process.
- Enhanced risk education across the enterprise.

### Risk Transparency

- Enhanced senior management and board reporting and discussions to provide greater insight and foresight, with improved readability of information and reports.
- Implemented risk appetite dashboard to provide greater transparency on risk profile, mix and concentrations.
- Completed deep dives for all our trading desks to increase risk transparency.
- Created comprehensiveness risk reporting to align with Operating Group performance management.
- Developed new leadership risk forums to discuss risk and return and emerging risks.
- Implemented and developed plans to implement many of the recommendations made in various reports on lessons learned from the financial crisis.

### Optimize Risk-Return

- Enhanced definitions for enterprise risk appetite and tolerance, guiding business unit strategy execution.
- Enhanced limit management usage programs in market risk and lending areas.
- Increased the usage of risk-based pricing in our Personal and Commercial lines of Business.
- Enhanced risk dialogue and assessment within our annual and long-term strategic planning process.

### Build Partnership and Execute with Pace

- Implemented new or revised partnership models with our business partners to enhance risk transparency and risk dialogue.
- Increased cultural awareness through our learning programs, and in the establishment of new forums to encourage open and more effective dialogue about risk.

### Strong ERM Foundation

- Enhanced risk education across the organization, including offering a comprehensive education program to the board and all bank executives and developed training specifically targeted for Capital Markets Trading Products, Finance and Legal.
- Defined skill and competency risk capabilities to ensure that people are in the roles that best suit their capabilities while meeting our risk needs.
- Leveraged our Basel II infrastructure to further strengthen our risk management processes and our risk-based capital framework.

## VISION

To be a leader in integrated risk management

## STRATEGY

- Promote a three lines of defence approach to risk management with operating businesses 'owning' the risk in their operations, Risk Management together with other corporate groups providing a second line of defence and corporate audit a third
- Partner with businesses on optimizing risk return, ensuring risk transparency and embedding a strong risk culture, while maintaining independent risk judgement
- Proactively and with pace seek out attractive customer centric solutions, while working within our oversight structure and the limits of our risk appetite
- Ensure strength in risk management is seen as one of the defining characteristics of BMO, both internally and externally
- Provide leadership to the enterprise on risk and risk related industry trends

## F2010 STRATEGIC PRIORITIES

### Managing Risk in Current Environment:

1. Effectively manage risk in a changing environment
2. Proactively manage the problem loan portfolio to reduce capital and create value
3. Maintain effective relationships with regulators

### Partnering with the Business for Growth:

4. Partner with businesses to generate opportunities to serve customers, within our risk appetite and with attractive risk-return profiles

### Building our Capabilities for the Future:

5. Sustain and embed BMO's risk culture throughout the enterprise
6. Maintain and strengthen BMO's core risk management practices
7. With Finance, drive more effective management of capital
8. Deliver the Basel II project and leverage it to create value for the enterprise