

Bank of Montreal

2022 Annual Meeting of Shareholders

Address delivered by

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Chief Executive Officer, BMO Financial Group

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Chief Executive Officer, BMO Financial Group

April 13, 2022 | Toronto, Ontario

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

Before I begin, I want to take a moment to acknowledge the humanitarian and economic crisis being experienced as a result of Russia's invasion of Ukraine. Shining through this turmoil, the resolve of the Ukrainian people and the global outpouring of support is sustaining hope for peace.

To support our Ukrainian and Russian employees, customers, and community members, we've waived fees for personal wire transfers from Canada to Ukraine, donated to the Canadian Red Cross' Ukraine Humanitarian Crisis Appeal and at branches across Canada we're facilitating donations on behalf of the Red Cross – our U.S. customers may donate directly to the American Red Cross.

It has been a long and difficult journey through the pandemic, and current events create further uncertainty for many, including our customers. The economic impacts are being felt by consumers with rising inflation impacting everyday purchases like groceries and gas, while disruptions to global supply-chains and labour markets are making it harder for businesses to recover.

While downside risks to global growth are mounting, there is reason for optimism. Households remain well-cushioned with excess savings, growth had solid momentum in the first few months of this year, Canadian unemployment is

at its lowest rate on record since 1976, and re-opening opportunities are waiting in the wings as the pandemic abates.

As we adjust our lives from the pandemic to the endemic, and as global economies assume the challenges of continued resilience in the face of rising inflation and slowing growth, the communities we serve are turning the corner from crisis to recovery.

With recovery brings renewed hope and opportunities for progress.

As one of North America's leading banks, we're driving forward with energy and confidence: because the stronger we perform, the greater our ability to turn our progress into progress for our customers, our clients, the communities we serve, and for you, our shareholders.

In 2021, we took significant steps to achieve our ambition to be a high-performing, digitally enabled, future-ready bank – and delivered very strong financial performance. As we continued to grow the bank, our growth powered our capability to live our Purpose: to Boldly Grow the Good *in business and life.*

Building a strong, competitive bank

Our diversified business mix across personal and commercial banking, wealth management and capital markets has enabled us to deliver solid, well-balanced results. And our continued and growing investments in technology, product innovation and advisory capabilities have yielded significant improvements in customer loyalty.

BMO made impressive progress to deliver peer leading financial performance across a range of indicators. We led our competitors in PPPT growth and efficiency improvement and delivered revenue growth almost double the peer average, enhancing our ability to invest for the future.

We have been taking targeted actions to improve our long-term profitability and our competitive position by allocating capital and resources to those areas that are positioned to deliver strong returns – including divesting our EMEA asset management business, our Private Banking business in Hong Kong and Singapore, and our non-Canadian energy portfolio. These decisions enhanced our ability to make higher returning strategic growth investments. We also continued with our focus on disciplined expense management.

The outcome of these actions can be seen clearly in the chart showing the intersection of BMO's return on equity and efficiency ratio over time. We set out bold commitments to strengthen our competitive position and have delivered significant improvement in efficiency and ROE over the past three years.

Here is where BMO was compared to our peers in F'18; we had work to do. And here is where we were in F'21.

And the first quarter of fiscal 2022 continued our acceleration.

“With our strong financial performance and capital position, we’ve made deliberate and disciplined investments to position BMO for future growth, improve efficiency and returns, and deliver sustainable long-term profitability.”

Our superior risk management and strong capital position strategically position us for the changing economic environment. With a sustained track record of credit outperformance, our 30-year historical average loss rates remain well below our peers.

We have consistently demonstrated this core strength through economic cycles, taking and managing risk responsibly and profitably; enabling us to continue to drive consistent shareholder returns.

Those returns have included returning capital to our shareholders. In fact, we hold the record for the longest-running dividend payout of any company in Canada at 193 years.

And when OSFI permitted banks to resume dividend increases last November, we increased our dividend by 25 per cent, the highest of any bank, reflecting our confidence in delivering sustained, long-term performance for our shareholders as we continue to strategically invest in areas of growth.

Our North American growth strategy continues

Our U.S. operating segment is one such area of growth. While we've operated in the United States since 1818, we've been steadily growing our presence in the U.S. since our 1984 acquisition of Harris Bank.

In 2011, we doubled that footprint with our acquisition of M&I. Over the past decade, we have significantly accelerated this strategy.

I showed this same slide at our annual meeting three years ago, and today I'm pleased to update you on our progress.

BMO's commercial banking business now ranks among the top 5 commercial lenders in North America and works in strong collaboration with our U.S. wealth business with almost 30% of U.S. commercial clients having a wealth relationship; and we've expanded the scope of this business to a national basis serving 14 industry verticals and opening 5 new offices in key growth markets since 2019.

We've invested strategically in our U.S. capital markets business, with revenues up 47% since 2019 and now contributing 50% of our capital markets earnings.

And through strategic, scale-boosting, digital investments we've expanded our retail deposit capabilities to serve customers in all 50 U.S. states.

In 2021, our U.S. operating segment generated 36% of BMO's revenue, with approximately half of that revenue originating outside the U.S. Midwest. The picture is now clear: BMO's U.S. footprint is no longer defined as the Midwest – it's the U.S.

If you were to compare where we are today with where we were in 2010, you'll see impressive performance improvement and organic growth.

And while our U.S. segment once delivered superior growth but lagged the rest of the bank on key profitability measures, it now has efficiency and ROE on par with the total bank and continues to drive superior growth. This is impressive fundamental improvement.

Just before moving on, let's take a quick look at what our high-performing U.S. footprint will look like as we take the natural next step in BMO's North American growth strategy with our announced agreement to acquire the Bank of the West.

Bank of the West is a well-run, well-performing bank with a competitive position in leading U.S. markets complementary to our own, including the highly attractive California market.

As announced in December, if approved by regulators, BMO will have a top 5 position in 24 U.S. markets with strong share and growth opportunities in key MSAs, bringing our U.S. segment's revenue and PPPT to 44% of the total bank.

During 2022, your management team is working hard to deliver on our business priorities and planning carefully for the closing of the announced Bank of the West acquisition at the end of calendar 2022. Based on the strong performance improvement of our U.S. segment and the quality of the Bank of the West's people and franchise, 2023 is shaping up to be a very exciting year in our history.

Digital first

We laid the groundwork for our North American expansion with significant and sustained investments in digital and a clear focus on enhancing the customer experience, increasing our speed to market and driving efficiency.

Our early adoption of technology and innovation in banking has enabled our progress and led to promising applications of Artificial Intelligence, the ability to attract and retain the talent that will transform banking, and increased innovation and efficiency from modernizing our development platforms.

While the ultimate proof point is customer loyalty, we also appreciate the recognition we have received for our industry-leading customer innovations, like BMO CashTrack, Online Banking for Business, BMO Payment Hub, and BMO adviceDirect.

Our ability to leverage partnerships, whether from the very largest firms or very newest Fintechs, has helped enhance our competitive position, drive growth, disrupt competitors, and make progress against our efficiency commitments.

Our Digital First agenda is about continuously evolving our customer experiences with increased speed and scale. Being digitally enabled helps our clients get faster and easier access to capital to grow their businesses, and helps our customers make real financial progress by empowering them to manage their finances.

Our customer-centric approach is the key to competing in emerging North American open banking frameworks. Experiences in other jurisdictions have proven that a policy approach that prioritizes security and privacy, transparency, and a customer's control of their information is needed to enable all market participants to safely serve the full range of customer needs.

I am confident that the Government of Canada will put in place a thoughtful and progressive open banking framework reflective of Canada's reputation as one of the

world's strongest and most resilient financial systems. Our teams have been proactively building the foundations and reimagining the customer experience to deliver seamless financial integration, proactive insights and guidance that help them make real financial progress, while positioning BMO to compete to grow market share in the process.

While digital is *how* we do business, our Purpose is *why* we do business.

Purpose-driven growth across every aspect of ESG

Our capability to live our Purpose – to Boldly Grow the Good *in business and life* – is fuelled by the execution of our strategy and our ability to deliver the strong business performance that leads to exceptional financial results.

As one of North America's largest financial institutions, we take seriously our responsibility to act on the most pressing issues of our times and leverage our market position to support progress for all. We've made bold commitments to grow the good in three areas: for a thriving economy, a sustainable future, and a more inclusive society.

“We're committed to creating a more inclusive and equitable society for groups facing systemic barriers by driving greater access to social and economic opportunities.”

Since renewing our 5-year *Zero Barriers to Inclusion* diversity, equity and inclusion strategy last year, we made significant progress in 2021.

In the U.S., we launched BMO EMpower to advance an inclusive economic recovery, pledging US\$5 billion over five years and exceeding our Year 1 target by extending more than US\$2 billion in commitments.

In Canada, we announced a \$12 billion commitment to finance affordable and accessible housing over a 10-year period, including support for financing affordable housing and infrastructure projects for Indigenous Peoples, both on- and off-reserve.

And we expanded our BMO for Women program on both sides of the border – providing a dedicated bank-wide program that helps remove barriers to women’s empowerment.

We take pride in driving change and we recognize the critical role of banks in catalyzing climate action by financing the energy transition as we manage our business and work with our clients on the path to net zero emissions by 2050.

2021 was a very busy year on this front.

We declared our ambition to be our *clients’ lead partner in the transition to a net zero world* and took steps to drive our financing activities and operations in support of this transition.

We introduced the BMO Climate Institute – a new multi-disciplinary organization harnessing science and analytics that is powered by innovative technology and industry-leading expertise.

We joined the Global Net-Zero Banking Alliance reinforcing our commitment to financing the climate transition.

And, we created a dedicated Energy Transition Group that is supporting our clients in innovative ways to help them achieve their energy transition goals.

BMO is a recognized leader in sustainability – and for good reason. Our commitment for a sustainable future – and the work we do to bring it to life and make change – means we consistently rank among the most sustainable companies in the world.

After being included in the Dow Jones Sustainability Index for the past 16 years, this year we reached new heights as one of only five companies in Canada – and only two North American banks – to be named to their prestigious “World Index”.

This global recognition of our progress strengthens our resolve and confirms we are on the right path, enabling us to drive solutions not just here in North America, but on the world stage.

Future-ready

Throughout the pandemic, while supporting our customers and communities, we never lost sight of what mattered: the people who bring the best of BMO to our customers and communities.

Over the last two years, my colleagues have modelled our values of Integrity, Diversity, Responsibility and Empathy as we all adapted the way we work to support our customers.

Our winning culture drives us all to perform at our best, and that will accelerate our progress for the long term. We’re embracing new ways of working, attracting and retaining talent as we grow, and modernizing our global real estate footprint to enable us to serve our customers where they are.

In major hubs we’re building flexible workplaces that foster collaboration and innovation to support a better banking experience. We’re creating world-class infrastructure in key markets like Toronto, with BMO Place, our large new hub in the downtown core opening later this year; in Chicago, with BMO Tower – the tallest building west of Canal Street; and in Milwaukee, where our new state-of-the-art BMO Tower opened in 2021.

We've also transformed our Capital Markets trading floors in Toronto, New York, and London, and branches across North America are being revitalized to improve the client experience.

We have a competitive employee value proposition that has earned us the reputation as an employer of choice. Last year, BMO Harris Bank was recognized as one of the World's Best Employers by *Forbes* magazine.

We're proud of our globally respected brand and award-winning culture that is inspiring our people to live our Purpose, while making progress on their career goals.

"BMO's strong performance is fueling progress for each of our bank's stakeholders, as we remain focused on the continuous pursuit of our bold ambition for the future."

We care deeply about our communities and will seize these moments of significant change to help our customers make real financial progress.

I know I speak for every member of Team BMO when I say that we're excited for the opportunities that lie ahead for your bank and the progress we can make together. This upcoming year promises to be one of our most impactful yet, and your bank is ready for what's next.

Thank you. *Merci.*