

# Investor Intelligence Report Bank of Montreal

**"Voice of the Shareholder"**

3Q 2023

Brendan Wood International  
First Intelligence

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Brendan Wood & Partners

## The Brendan Wood Shareholder Confidence Panel

**BWI Panel**  
**Institutional**  
**&**  
**Private Wealth Investors**

**Secondary Markets**  
**Professionals**  
**Research, Sales & Trading**

**GLOBAL PANEL**  
 2000+ Debriefs with Decision  
 Makers  
 >\$56 Trillion in Assets  
 70% Sector Specialists  
 30% Generalists  
 Average 9 Yrs Professional  
 Experience, 25% more than 15  
 Years

+/- 600 Professionals, including...  
 +/- 400 TopGuns

**GLOBAL RESOURCES PANEL**  
 350+ Debriefs with Decision  
 Makers  
 >\$15 Trillion in Assets  
 80% Sector Specialists  
 20% Generalists  
 Average 11 Yrs Professional  
 Experience, 35% more than 15  
 Years

+/- 100 Professionals, including...  
 +/- 100 TopGuns

Geographic Breakdown of the BWI Panel 2023:

US	42%
Canada	21%
Europe/Middle East/Africa	32%
Pacific Rim	4%
Latin America	1%+

Global Resources Panel:

35%
34%
27%
3%
1%+

# WHAT DO BRENDAN WOOD COMPANY SCORES MEAN?

## METHODOLOGY

The core mission of BWI performance and quality metrics is to illustrate and explain the emerging investor “commitment to own” particular stocks.

Eleven critical performance metrics are used to determine the relative strength of investor commitment to a company as an investment target. To help investors rate companies in a sector on a relative basis “one metric at a time”, a visual technique is used. For example, the visual tool shows investors a consensus vertical hierarchy representing how each investment target company in a sector is rated by investors against a criterion such as “Quality of Strategy” ... AS AN INFLUENCE ON THE INVESTOR COMMITMENT TO OWN THE NAME. The investor is then asked to adjust the consensus rating hierarchy to match their own particular view of how each company scores against the “Quality of Strategy” criterion. They may agree or disagree with the consensus. The investor then makes their personal adjustments which are added to our cumulative data instantly. To make this task fast and accurate the visual scoring hierarchy is broken down into top decile, four quartiles and a bottom decile, therefore six potential levels of performance against each investment selection criterion. The quartile display is instantly recognizable by investors as indicating both absolute and relative bases of the influence of a company’s level of competitive performance against a critical investment selection criterion.

The above methodology forces the (dependent variable) absolute benchmark of “commitment to own” on each quality of a corporate investment target.

## WHY A COMPANY SCORE MAY BE FIRST IN ITS SECTOR BUT RATE IN THE SECOND QUARTILE?

This means that the sector itself (all companies included) ranks in the second quartile or below of investor selection attractiveness against a particular criterion of investability.

## ADVANTAGE OF BRENDAN WOOD INTERNATIONAL METHODOLOGY?

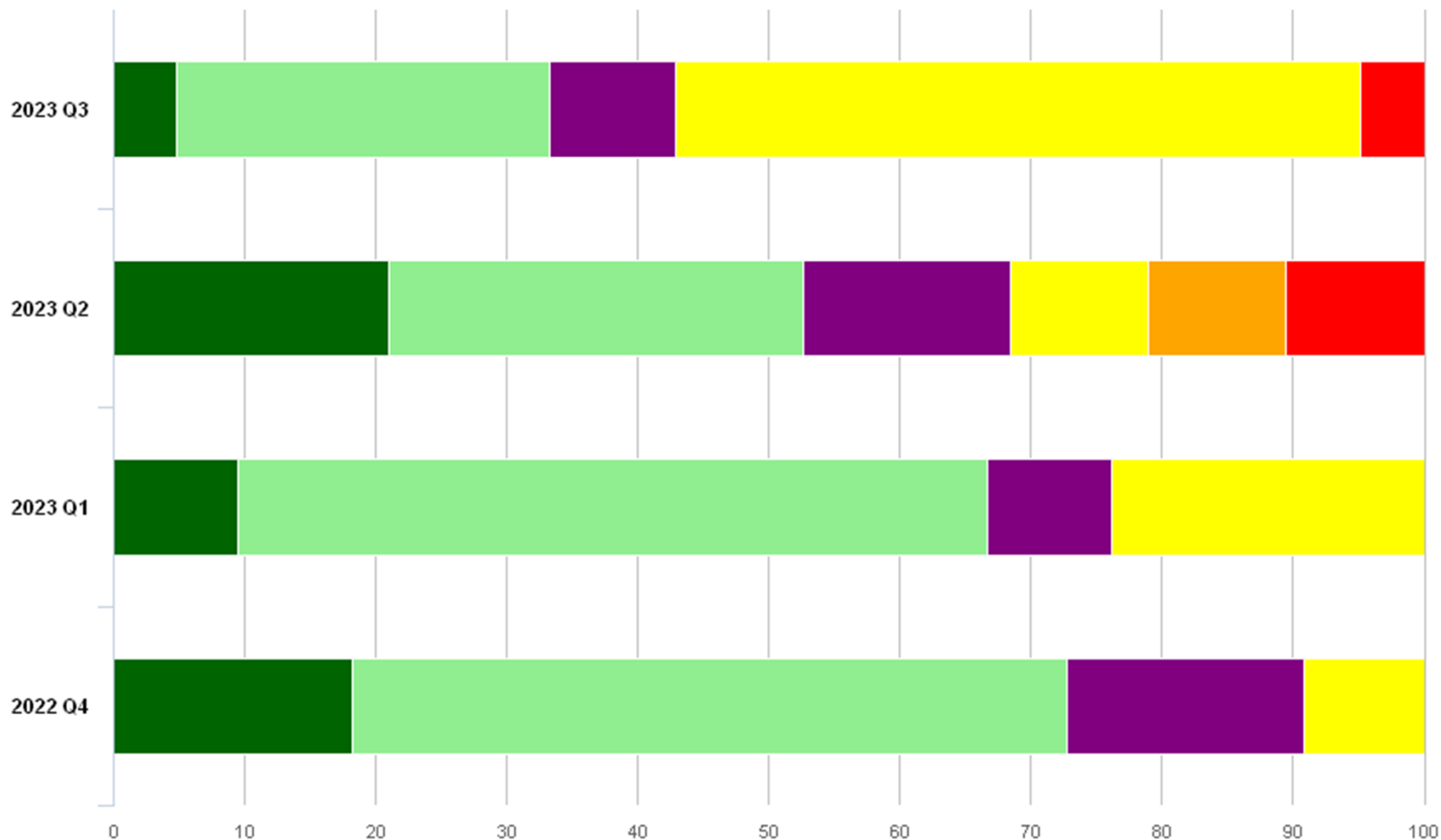
This process identifies the emerging competitiveness of individual sectors, sub-sectors and most importantly of companies as investment targets on both an absolute and relative ‘best in sector’ basis against investors’ selection criteria for the year ahead. Such calibrated data allows BW partners to help corporate management to accurately analyze their company’s attractiveness as a target for the year ahead as an individual story and relative to its comparables and sector. The isolation of performance against individual metrics enables management to identify and address the key metrics which drive the “commitment to own” their particular stock.

## APPARENT CONDICTION BETWEEN QUARTERLY RESULTS AND ROLLING YEAR RESULTS?

Quarterly results = the results in the quarter. Rolling years results = the results for a full year of data.

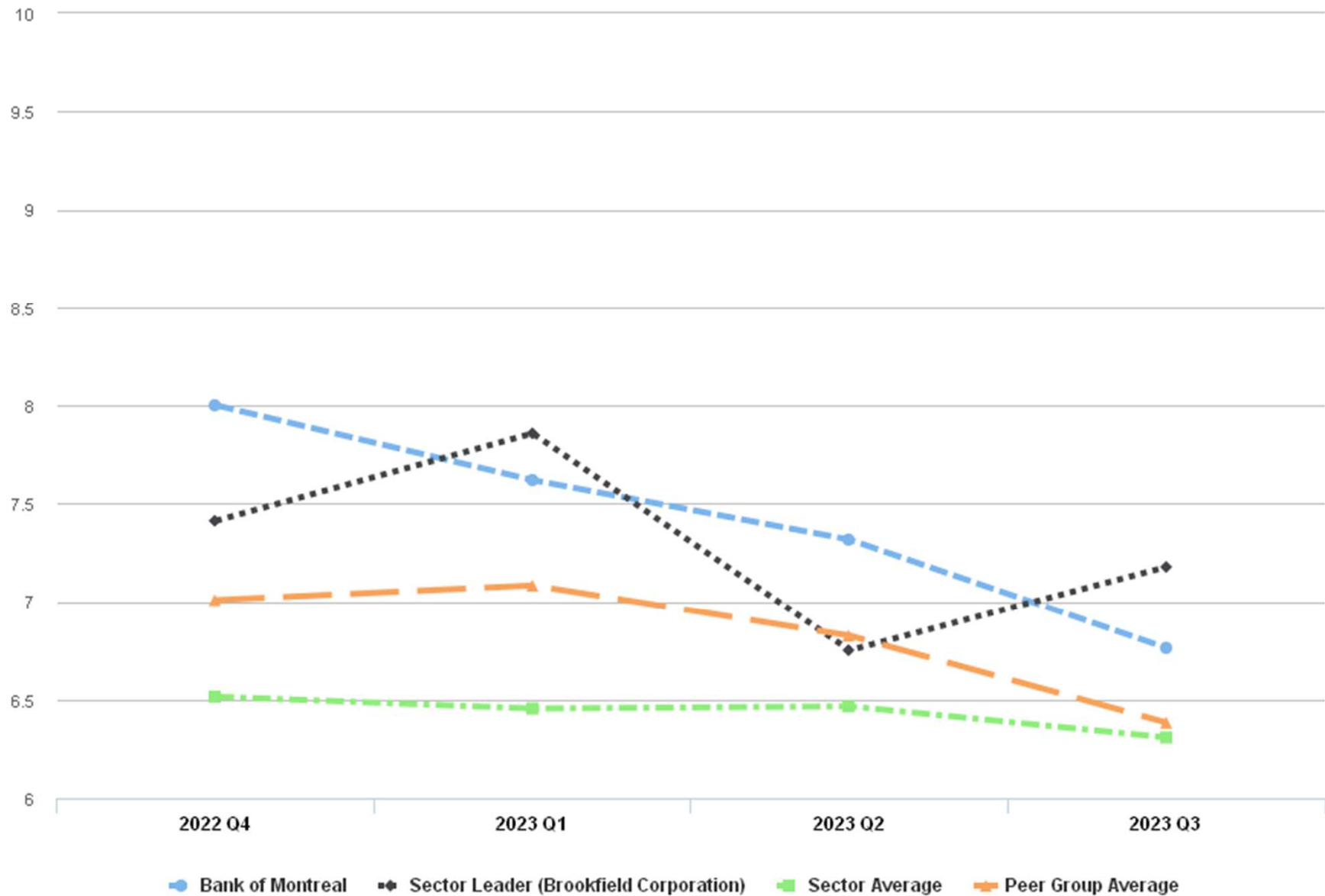
## What is Your Commitment to Own This Stock in The Year Ahead?

### Bank of Montreal



- 1. Do not Own, Serious Lack Confidence in the Company
- 2. Do not Own, Lack Confidence in the Company
- 3. Own it, Selling it due to Decreasing Confidence
- 4. Neutral, Benchmark it but DO NOT see company as a Target
- 5. Own it with Confidence BUT DOWNSIZING to re-weight portfolio
- 6. Own it or Intend to Own it
- 7. Own it with Increasing Confidence

## What is Your Commitment to Own This Stock in The Year Ahead?



## Shareholder Confidence Metrics

# Bank of Montreal's Performance Vs Bank of Montreal Peer Group

### Bank of Montreal Peer Group

Bank of Montreal

Bank of Nova Scotia

Canadian Imperial Bank of Commerce

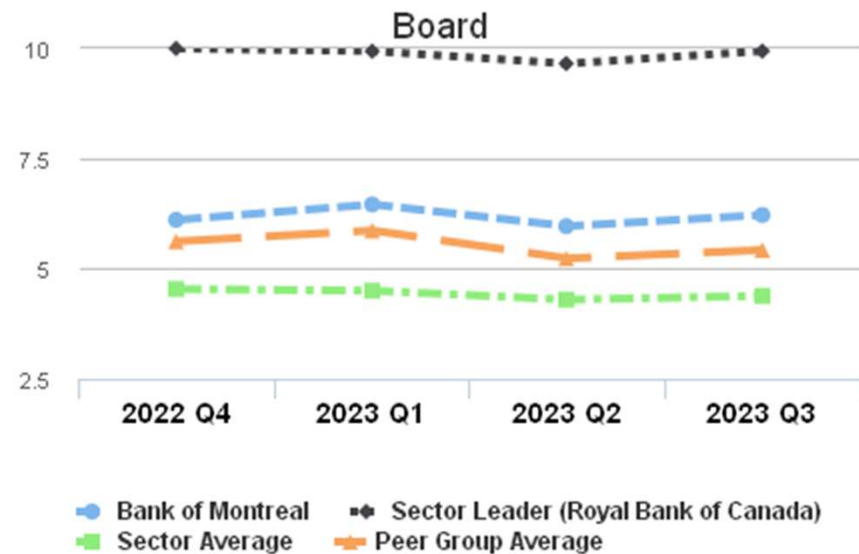
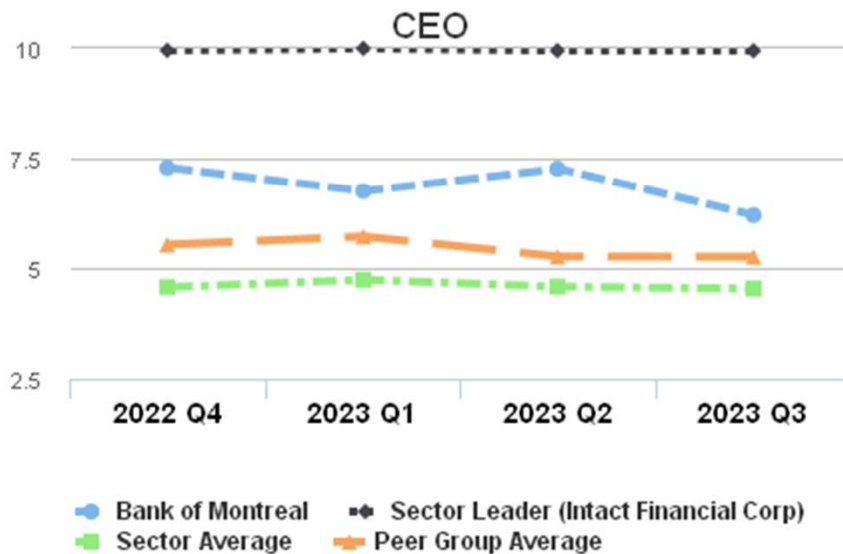
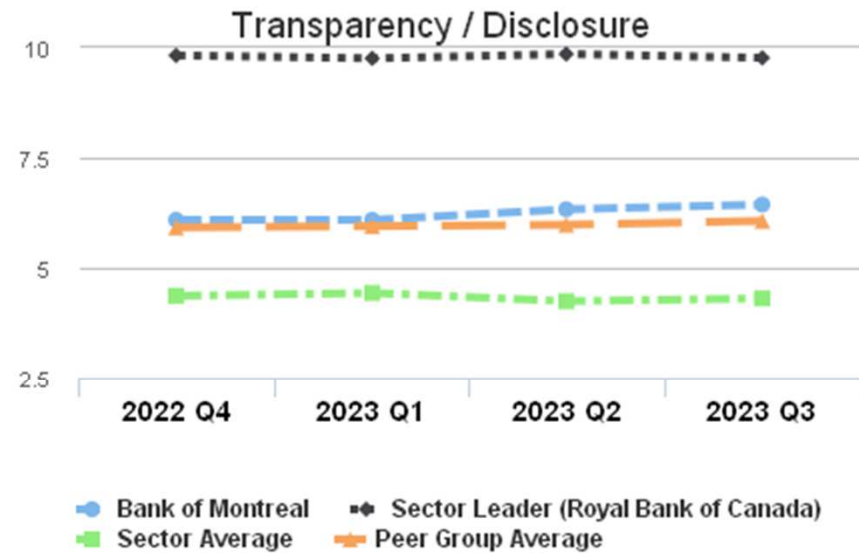
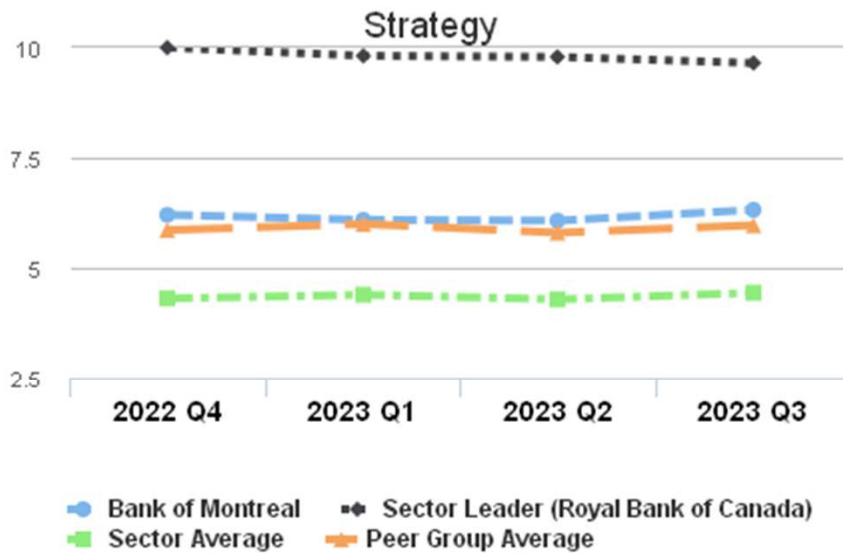
National Bank of Canada

Royal Bank of Canada

TD Bank Financial Group

## Shareholder Confidence Metrics Forecast for the Year Ahead

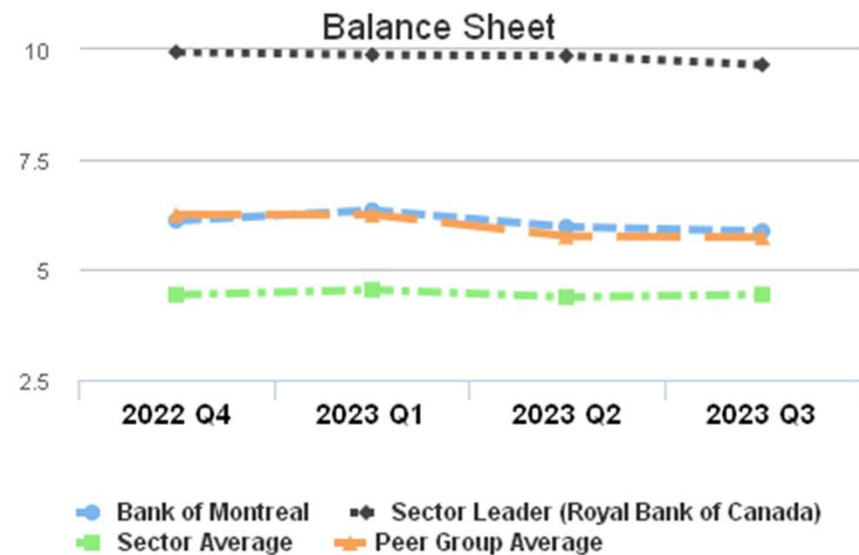
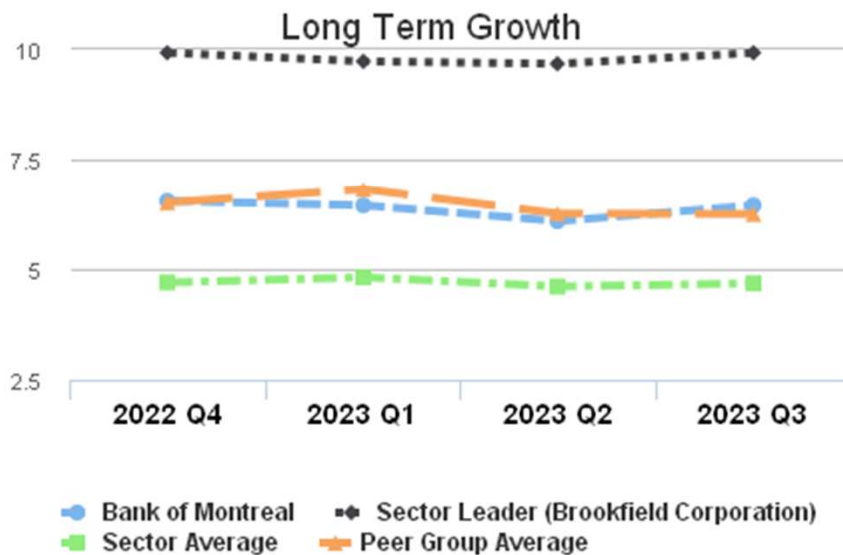
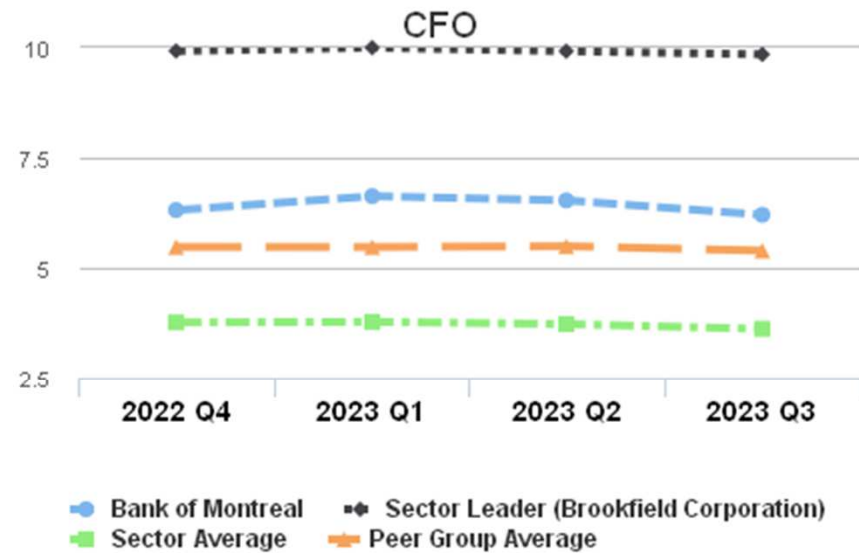
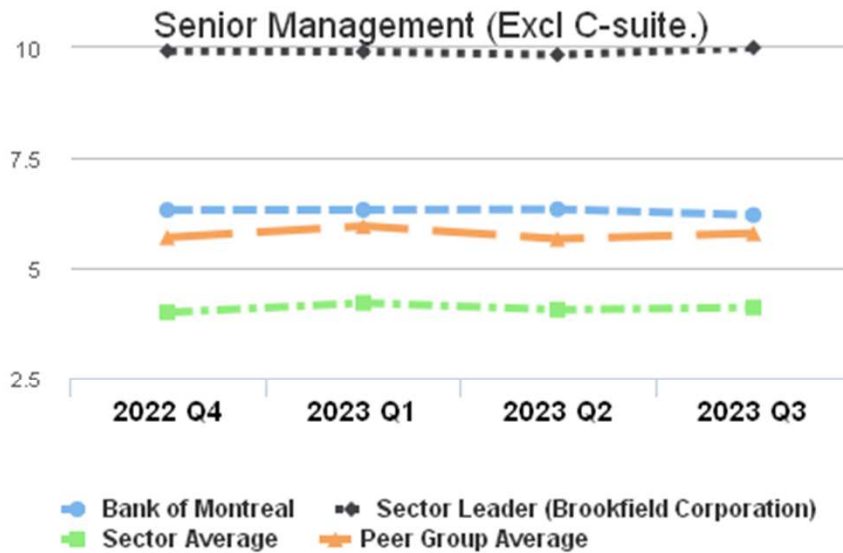
**Quarter over Quarter Results**





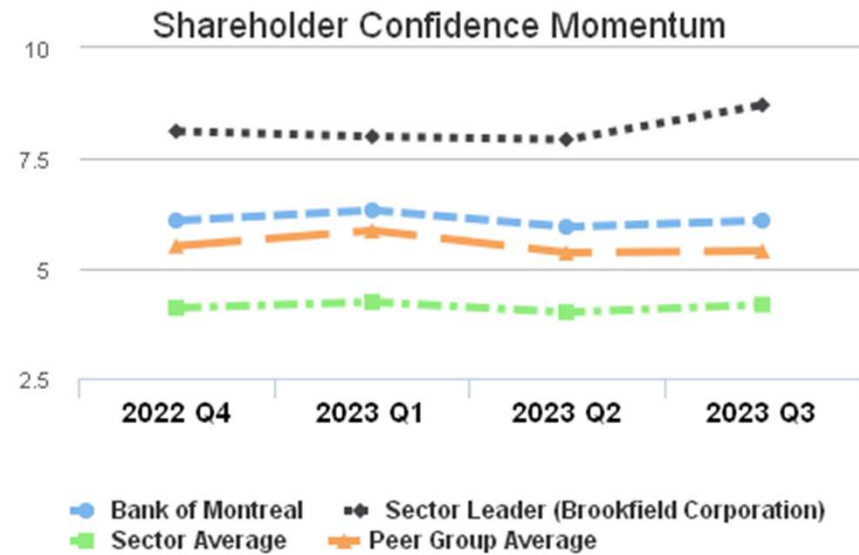
## Shareholder Confidence Metrics Forecast for the Year Ahead

**Quarter over Quarter Results**



## Shareholder Confidence Metrics Forecast for the Year Ahead

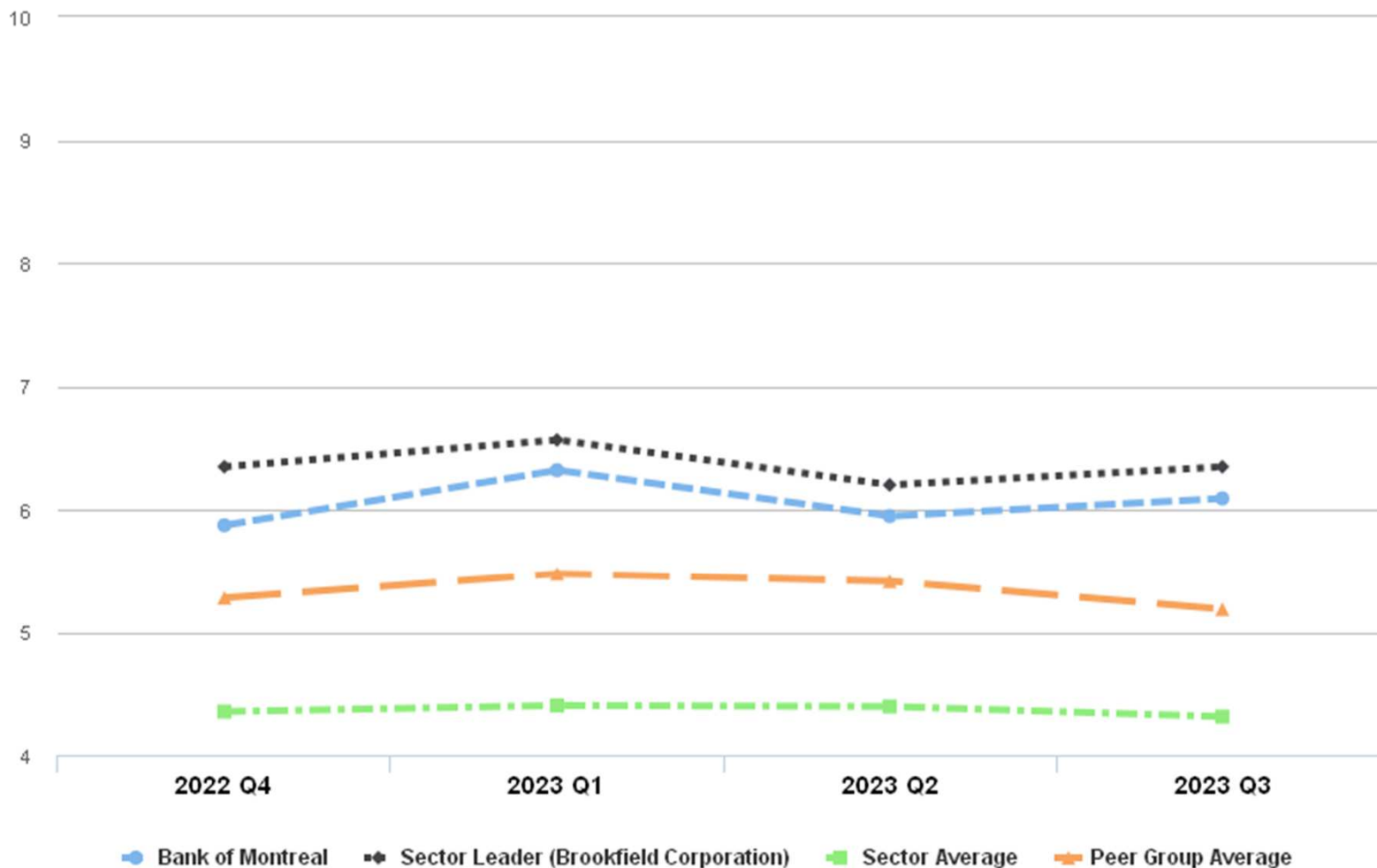
Quarter over Quarter Results



## Shareholder Confidence Metrics Forecast for the Year Ahead

Quarter over Quarter Results

### Price Appreciation Potential



## Typical Investor Verbatim

### Positive Momentum Verbatim

"I have confidence in the Bank of Montreal's long-term growth potential because they recently closed an acquisition, and they'll deliver synergies."

"Sun Life and the Bank of Montreal are good capital allocators."

"The Bank of Montreal's CEO, Darryl White, is a smart guy."

"The Bank of Montreal is one of the better banks in terms of upside appreciation."

"There's a lot more comfort around Bank of Montreal's acquisition of Bank of the West."

"I know the Bank of Montreal's strategy, and it's good long-term."

"The Bank of Montreal's CEO, Darryl White, is pretty strong."

"The Bank of Montreal has done well, and people like their acquisition."

"Bank of Montreal cooped up many commercial bankers from Wells Fargo. That happened after the regulators forced Wells Fargo to shrink its balance sheet and Royal Bank of Canada decided not to do that. Royal Bank was worried about the underwriting standards of growing a commercial book right before a recession. It remains to be seen, but so far, that was mistake because Bank of Montreal's results has been very good."

"I have more confidence in BMO's business plan that Darryl has laid out and the acquisitions he is making versus the moves that TD is making, particularly in the long-term."

## Typical Investor Verbatim

### Positive Momentum Verbatim

"TD and BMO did deals in the US at the similar time. BMO's deal is getting a more positive reaction."

"BMO has an M&A coming, so that's going to be a nice catalyst for growth."

"I have a lot of confidence in BMO because they've been executing very well for a while now."

"Bank of Montreal has the Bank of the West deal, which looks attractive with all the opportunities there. That's something that will kick in next year and they will benefit from that for the next couple of years. Operationally they've been showing a lot of improvement with how they're running the business at all levels to focus on profitability while managing risk. There's a lot of operational momentum there as well."

"I like how Bank of Montreal has structured some of the Bank of the West transaction and hedged some of the interest rate risks. They've been really smart about it and made some great moves."

"People tend to like BMO's acquisitions more than TD."

"If people are going to like Manulife, that means we are on a risk-on trade and people are going to rotate out of Intact, Definity, Royal and National. They're going to buy TD, Manulife, Sunlife, BMO and even Scotia. That's what I would think in that environment."

"BMO's CEO is doing a fantastic job."

"I like what the Bank of Montreal's CEO, Darryl White, has done; he's doing a good job."

## Typical Investor Verbatim

### Positive Momentum Verbatim

"BMO should have EPS growth in the short term with the acquisition."

"BMO have a big deal coming and I think they have a lot of juice they can squeeze out of that over a couple years."

"I'd much rather be in a US aimed bank like TD, BMO or Royal, and get out of Central and South America, and the far East. I'm sure other people are thinking exactly the same thing."

"I was skeptical when Darryl White took over at the Bank of Montreal and put aggressive targets on the efficiency ratio. A few years later, you look back, and he did exactly what he said he would do. He deserves credit."

"BMO are doing a massive acquisition. There is an intensity and a desire to make this work. This is his big moment to take BMO from the second group of Bank of Nova Scotia, CIBC and BMO, which are all kind of lumped to move to ahead of the pack, and if not, start closing the gap between TD and RBC. It's a big gap, but it's going to turn BMO into a solid number 3. There's going to be a bit of a lift with U.S. currency and exposure to a U.S. franchise that is going to compliment them really well. I think the deal is going to work out really nicely."

"Element Fleet, Royal Bank of Canada and the Bank of Montreal have phenomenal IR departments."

"The Bank of Montreal's CEO, Darryl White, has done a very solid job there."

## Typical Investor Verbatim

### Positive Momentum Verbatim

"BMO are entering into a big market that they had a small presence in. They can bring over their know-how from the remainder of the U.S. region and it'll be good for them."

"The Bank of the West transaction with the Bank of Montreal just got approved and it was well-timed. Once it closes, it will enhance its growth profile. The timing may be tricky in terms of the changes in the capital rules, but they wouldn't have been able to know ahead of time."

"Bank of Montreal is becoming more liked and more understood than Brookfield."

"The Bank of Montreal's CFO is exactly what a bank CFO should be."

"I have confidence in the Bank of Montreal's long-term growth potential because they closed the Bank of the West acquisition."

"The Bank of Montreal's CFO, Tayfun Tuzun, is fantastic, and a straight shooter."

"Royal Bank of Canada and the Bank of Montreal are the best in class regarding financial management."

"Bank of Montreal and National Bank are well positioned for rate increases than TD Bank and Canadian Imperial Bank of Commerce."

"The Bank of Montreal has a deal in the US that will benefit their profitability."

## Typical Investor Verbatim

### Positive Momentum Verbatim

"Bank of Montreal has done what they said they're going to do. Their Bank of the West didn't have any weird metrics around it. Their underlying business is solid and commercial-focused; they're on both sides of the border."

"The Bank of Montreal's CEO, Darryl White, doesn't get enough credit. Over the longer term, my call is BMO will become the premium name, and TD Bank will become the discount name."

"Royal Bank of Canada, TD Bank and the Bank of Montreal have all executed acquisitions. They have more growth than National Bank which doesn't have any acquisitions in the pipeline. For them, it's probably more uncertain where the growth will come from than the other banks that made acquisitions."

"The Bank of Montreal has really good reporting."

"BMO and TD's US strategy is the right one for the near term. They don't need to focus more on the Canadian markets."

"The Bank of Montreal has an acquisition, so their growth will be impressive. The deal has short-term risks, and they've done a good job of mitigating it. They've gone out to their Bank of the West customers saying the Bank of Montreal now backs them. They haven't seen that deposit outflow like other US Western Regional Banks. It gives them a huge platform for growth, so I like it for the long term; I'm concerned about short-term risks but feel relatively okay about it."

"The Bank of Montreal's CEO, Darryl White, has done a great job of up-tiering their management team and making sensible moves."



## Typical Investor Verbatim

### Positive Momentum Verbatim

"David McKay, the CEO of The Royal Bank of Canada, is considered one of the top CEOs by many. However, the bank's board is not as strong as that of the Bank of Montreal. While some people have confidence in David McKay, there are doubts about whether the board would say no to him. In contrast, George Cope is known to say no to Darryl White, the CEO of the Bank of Montreal, when needed. The board at The Royal Bank of Canada takes direction from David McKay, and he has more say in the decision-making process now that he has been in his position for a while. When you are early in your tenure, the board has more say; when you are late, the CEO has more say."

"The Bank of Montreal is one of the better banks in terms of upside appreciation."

## Typical Investor Verbatim

### Neutral Momentum Verbatim

"Intact is a reliable company that is less volatile than banks. Therefore, it is expected to recover and grow smoothly. On the other hand, banks like the Bank of Montreal will have to make provisions as the economy starts to pick up. However, most of these provisions will only be reduced and won't have real charges. As a result, banks' earnings will increase as the economy improves. Once the trough of these provisions is over, the banks will recover faster than the speed at which they declined."

"The Bank of Montreal got dealt a difficult blow with this change in OSFI that forced them to raise equity. However, that wasn't their fault; it was a regulatory change that caught them off guard."

"I think BMO's transaction of Bank of the West was a good one and it opens a new market for them. I think the timing is a little bit more of an issue here. They couldn't have known, but with the new regulations they may be in a tough position versus the other banks. I think it was a good acquisition though."

"I really like BMO's CEO, Darryl White, but before I nominate him as TopGun, I want to see execution on Bank of the West."

"I like Bank of Montreal's reporting and disclosure, but they can work on communication."

"In terms of TD and BMO's exposure to the US banks, it's not something that really holds my conviction back. It's more of a sentiment perspective from my perspective."

## Typical Investor Verbatim

### Negative Momentum Verbatim

"I am surprised by the bullish responses regarding BMO, especially in light of the news and instability in the US banking industry. Given all the issues with US regional banks, I'm surprised that the net response is still positive. Despite the risks associated with the current US climate, there is a positive narrative surrounding the acquisition and potential earnings that outweigh those risks."

"I have always believed that top banks, such as JP Morgan, which are considered systemically important in the US, hold a significant structural advantage over regional banks. This was evident during the bank failures, where it was difficult for Canadian banks to enter the US and compete. It is highly unlikely that regional banks can outperform JP Morgan or Bank of America even if the US economy thrives. This is because larger systemically important banks in the US have a greater potential to be profitable as compared to regional banks."

"The Bank of Montreal did not meet the regulatory capital requirements, so they have to increase their equity to strengthen their balance sheet. Currently, they are trying to sell some of their assets to achieve this. As far as I know, BMO is the only bank planning to sell assets. Although recently, both BMO and Scotiabank have sold assets, banks are still keen on maintaining adequate capital buffers."

"Many people seem to admire Darryl White, the CEO of the Bank of Montreal, but I'm not sure why. I can't find any reason to consider him the second-best CEO among other bankers. Maybe some like the recent acquisition and cost-cutting, but the acquisition is not proving to be a great deal, and the cost-cutting is not necessarily a good thing. Although the banks can directly control the cost, they also need to invest to grow their business. Cost-cutting may affect the growth of the business, and it's not always possible to determine whether the costs are too high until years later."

"The credit provision is going to be normalized, which means that for the next few quarters, the banks will

## Typical Investor Verbatim

### Negative Momentum Verbatim

have to readjust their operating leverage and incur some charges. This will make the next few months tough for the banks. However, the next 12 months could be a good time to buy bank stocks as things are expected to worsen."

"There is a lot of uncertainty for BMO regarding the regulatory environment and the capital environment. My confidence in their ability to grow long-term is not as strong as other companies."

"The Bank of Montreal was late to enter the US market with the Bank of the West."

"Banks like TD, the Bank of Montreal, the Bank of Nova Scotia, and CIBC are not receiving as much credit as expected, resulting in the provisions being imposed. This includes changes in Basel Three Endgame, Basil Four, RWA density changes, FRTB review, and other factors that increase capital requirements. Many banks are trying to optimize RWA and other aspects of their businesses. However, with the possibility of worsening credit concerns, predicting a significant increase in EPS growth is difficult, especially if it comes from share buybacks and stuff that might not materialize"

"The Bank of Montreal provides excessive information in their reports."

"When you go through BMO's reporting, there are always more questions."

"Bank of Nova Scotia hasn't managed the business well, and the capital level is lower. TD Bank Financial and Bank of Montreal spent a lot of excess capital to buy other banks, and they did it right before heading into a recession. They burned a lot of capital. It doesn't put them in a bad position, but it was a sub-optimal use of their capital to grow their businesses."

## Typical Investor Verbatim

### Negative Momentum Verbatim

"Typically, through a recession, the Royal Bank of Canada performs the best. During a recession, Bank of Montreal doesn't perform well because commercial lending doesn't do well because businesses go out of business or have difficulty making money or being profitable."

"BMO was hit pretty bad when they announced the stock issuants, but I think it's still a good bank with good fundamentals, it's just that they were the only one that had to raise stocks. In terms of quality, I think it's a great bank, but the timing for them was not optimal."

"The banks are going through PCL increases, and their earnings per share will be lower than the medium-term targets; some might even see a decline."

"The Canadian banks could improve disclosure around their loan books, their deposit days, how they're funding, credit, and all that sort of stuff. We need more from Royal Bank of Canada, the Bank of Montreal, and Canadian Western Bank."

"When it comes to the Bank of Montreal, we don't know what credit will do. We know it will be a challenge, but they'll be fine at the end of the day. On the flip side, the insurers are in a good spot, given that higher interest rates have taken slightly longer to flow through their income statement, so I have more confidence."

"The Bank of Montreal has issues facing the US banking sector. They're the most exposed to US banking and they just acquired a US Bank. I don't have confidence unless the US banking issues completely disappear, and we don't have any issues in the US."

## Typical Investor Verbatim

### Negative Momentum Verbatim

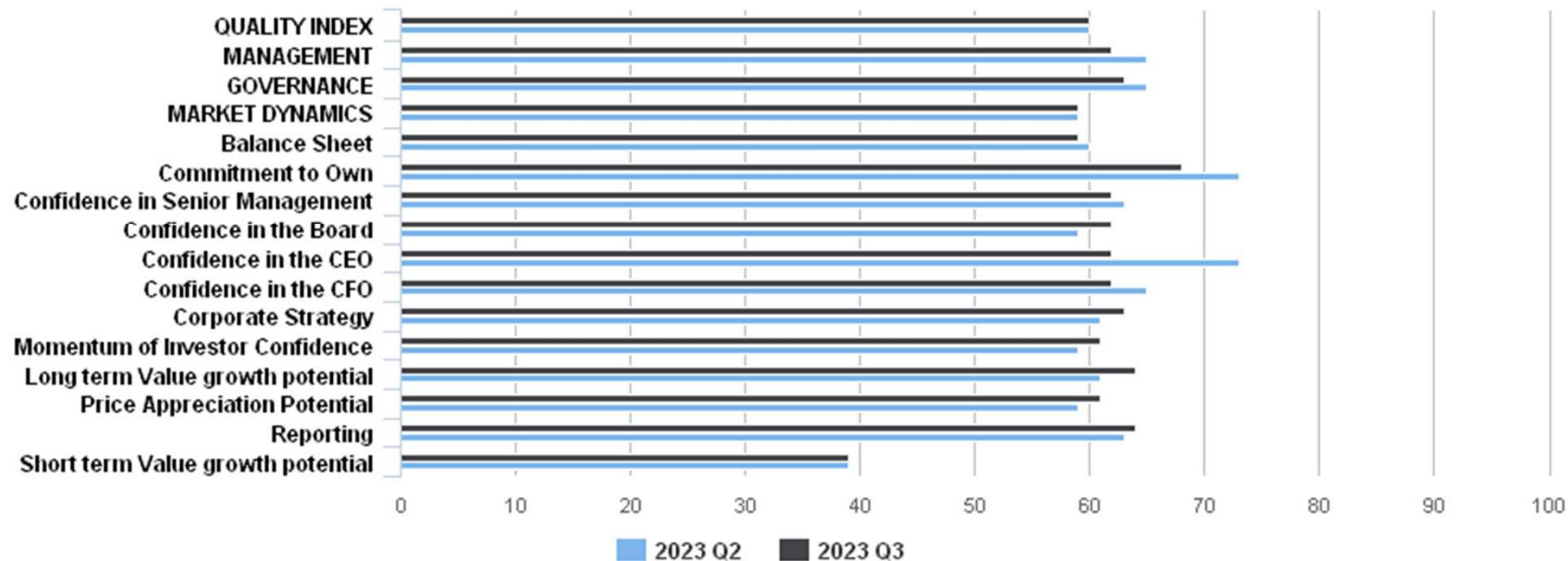
"I don't have confidence in banks with international banking exposure, like US or Latin American exposure, like TD Bank, the Bank of Nova Scotia, and the Bank of Montreal. I have more confidence in National Bank, which focuses on Canada and Capital Markets and Wealth Management; there's more growth in those types of businesses."

"We rate the Bank of Montreal's board slightly lower in terms of the number of independent directors. The compensation is also higher than the peer group regarding executive comp."

Quarter over Quarter Results

## Forecast for the Year Ahead

### Bank of Montreal



# Rolling Year Data\*

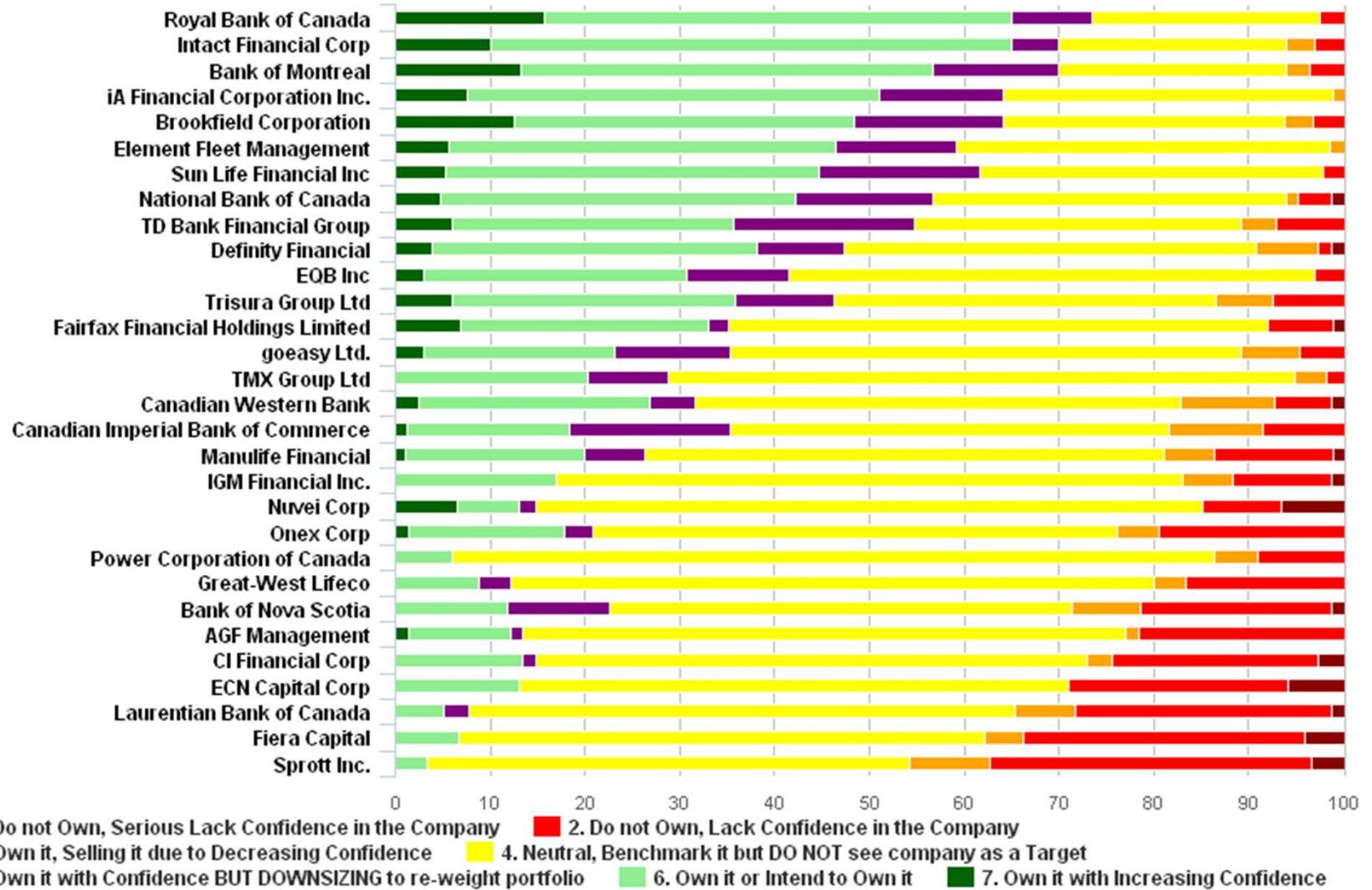
\*Rolling Year Data = Accumulation of the rolling 12 month intelligence from the BWI Shareholder Confidence Panel



# What is Your Commitment to Own This Stock in The Year Ahead?

Rolling Year Data

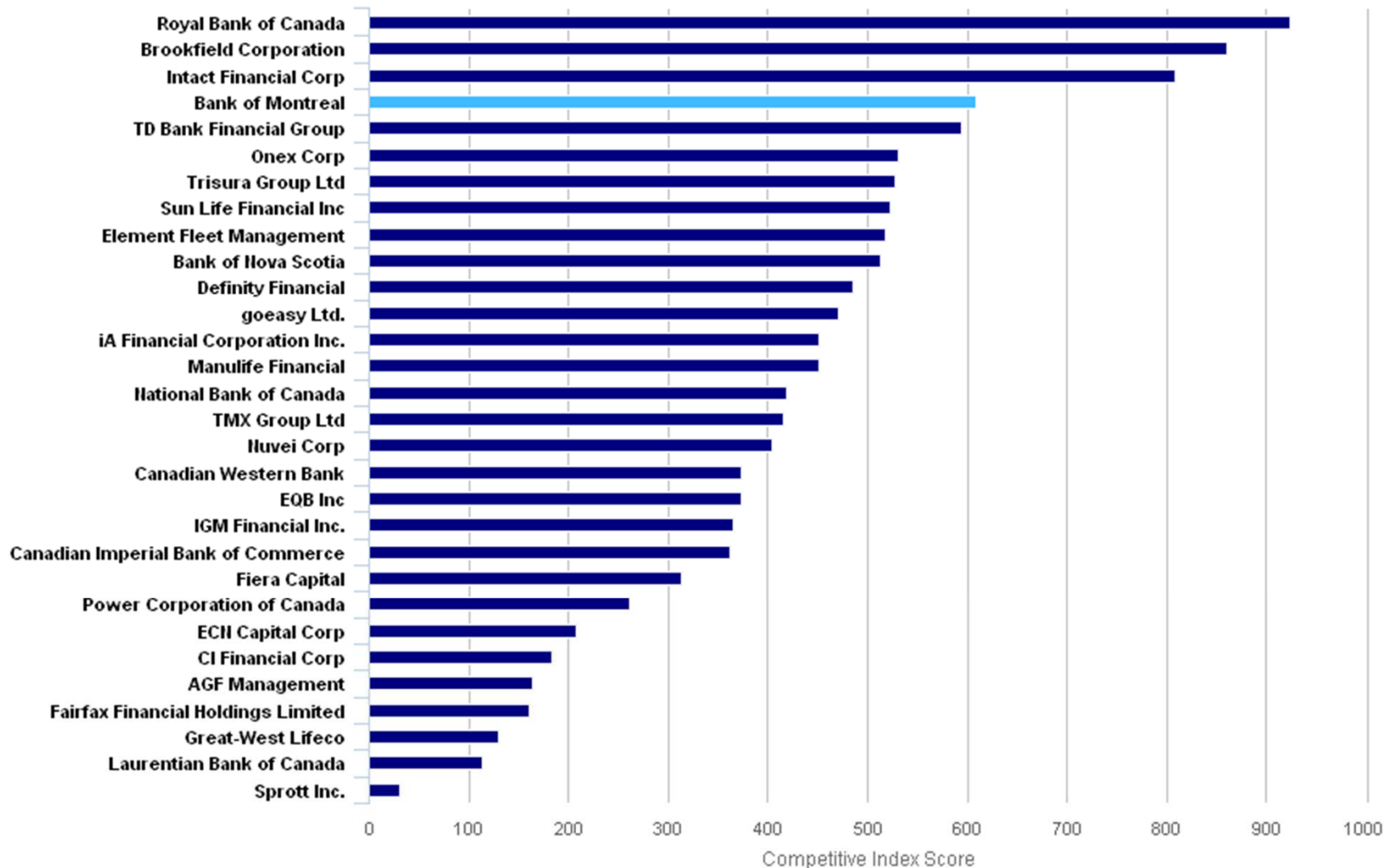
Buyers/Sellers by Sector



# Shareholder Confidence Competitive Index

Rolling Year Data

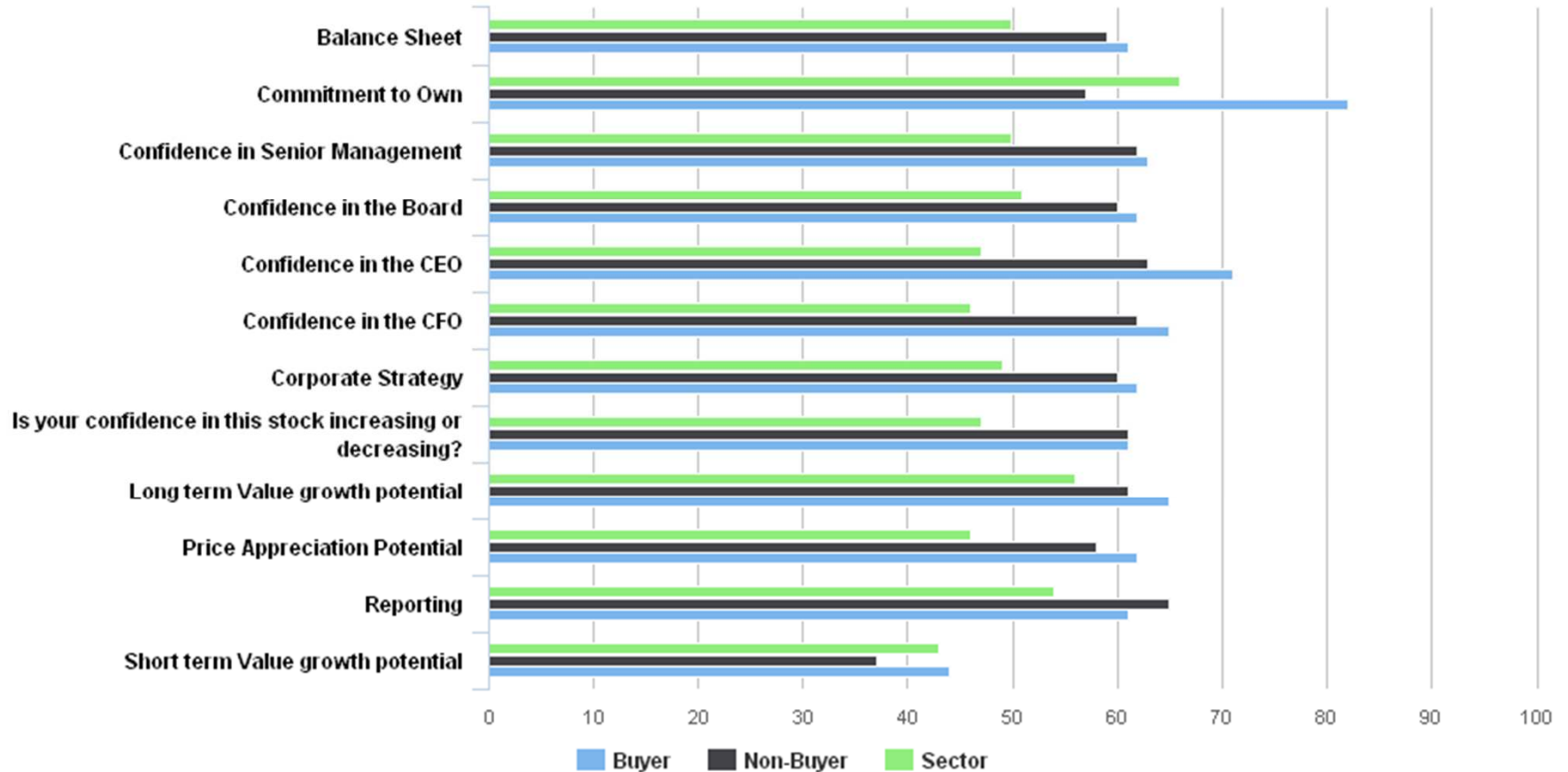
## Global Investors - Investment Quality Index



## Investment Target: Buyer Ratings Vs Non-Buyer Ratings Forecast for the Year Ahead

Rolling Year Data

### Bank of Montreal



## Shareholder Confidence Ratings by Categories Forecast for the Year Ahead

Rolling Year Data

Company Name	Strategy	Management - CEO, CFO, Senior Management, Board	Market Dynamics - Commitment to Own, Momentum, Price Appreciation Potential, Balance Sheet, Short and Long Term Growth	Governance - Reporting & Disclosure, Board, CFO
Royal Bank of Canada	1st	2nd	1st	1st
Intact Financial Corp	2nd	3rd	4th	2nd
Brookfield Corporation	3rd	1st	2nd	3rd
Element Fleet Management	4th	10th=	7th	11th
Bank of Montreal	5th=	4th	6th	4th
Sun Life Financial Inc	5th=	5th=	11th	7th=
TD Bank Financial Group	7th=	9th	3rd	10th
Trisura Group Ltd	7th=	10th=	5th	13th
Onex Corp	9th	5th=	9th=	5th
Bank of Nova Scotia	10th	12th	9th=	14th
National Bank of Canada	11th	16th	16th	15th
iA Financial Corporation	12th	7th	15th	7th=
goeasy Ltd.	13th	13th	12th=	7th=
Definity Financial	14th=	8th	12th=	12th
TMX Group Ltd	14th=	18th=	14th	16th
Canadian Imperial Bank of	16th=	18th=	20th	17th=
IGM Financial Inc.	16th=	21st	18th=	17th=
Manulife Financial	16th=	17th	8th	17th=
Nuvei Corp	16th=	14th	18th=	20th
Power Corporation of Cana	20th	23rd	23rd	26th
Canadian Western Bank	21st	20th	17th	21st
ECN Capital Corp	22nd=	27th	22nd	28th
Fiera Capital	22nd=	22nd	25th	22nd

## Shareholder Confidence Ratings by Categories Forecast for the Year Ahead

Rolling Year Data

Company Name	Strategy	Management - CEO, CFO, Senior Management, Board	Market Dynamics - Commitment to Own, Momentum, Price Appreciation Potential, Balance Sheet, Short and Long Term Growth	Governance - Reporting & Disclosure, Board, CFO
EQB Inc	24th	15th	21st	6th
Fairfax Financial Holding	25th	28th	24th	27th
Great-West Lifeco	26th	29th	26th=	29th
AGF Management	27th	25th=	28th	25th
CI Financial Corp	28th	24th	26th=	23rd
Sprott Inc.	29th	30th	30th	30th
Laurentian Bank of Canada	30th	25th=	29th	24th

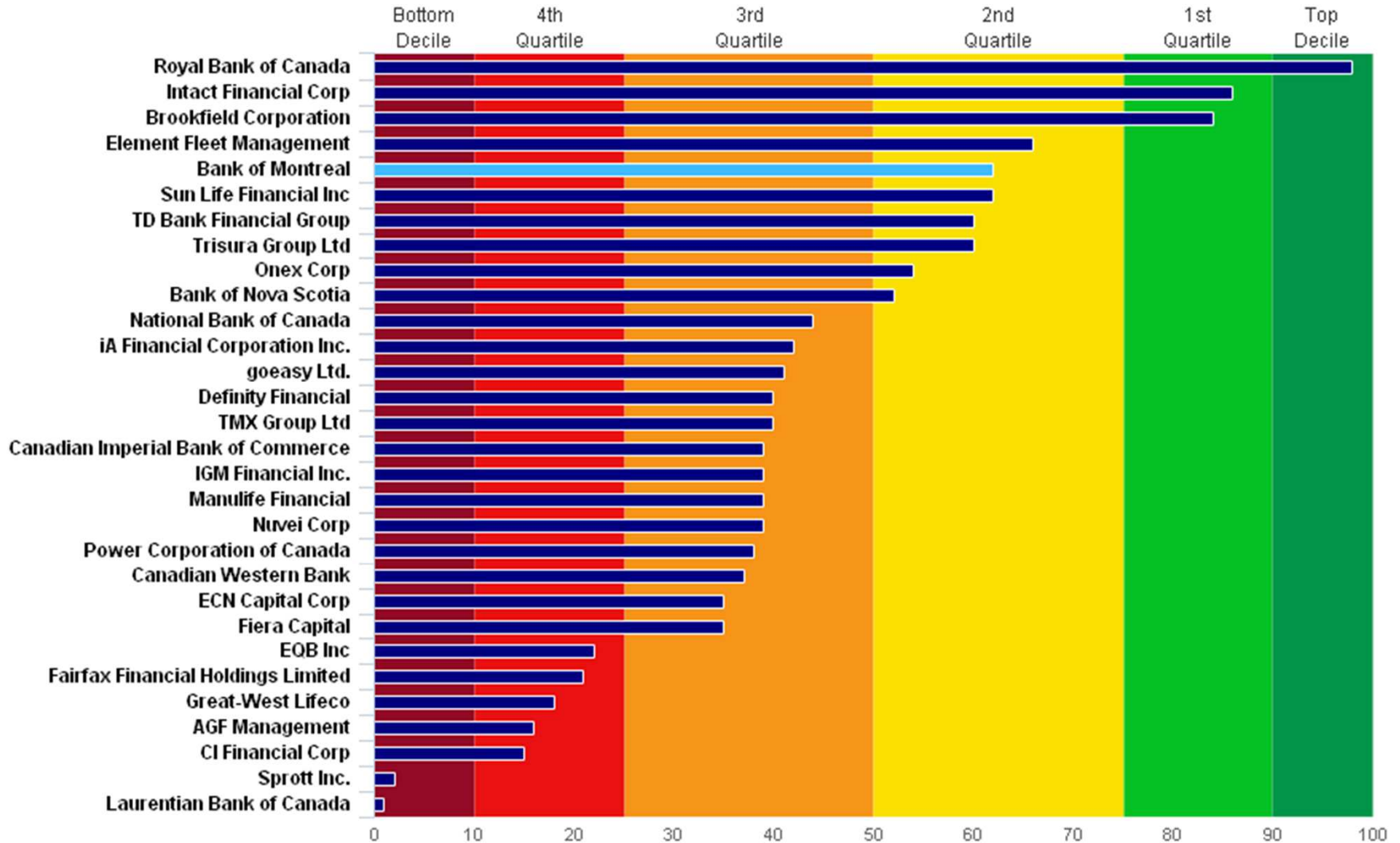
## Advance Proxy Poll - Strategy Forecast for the Year Ahead

Rolling Year Data

**What is Your Vote or Recommended Vote\* to Retain/Replace the Existing Strategy?**

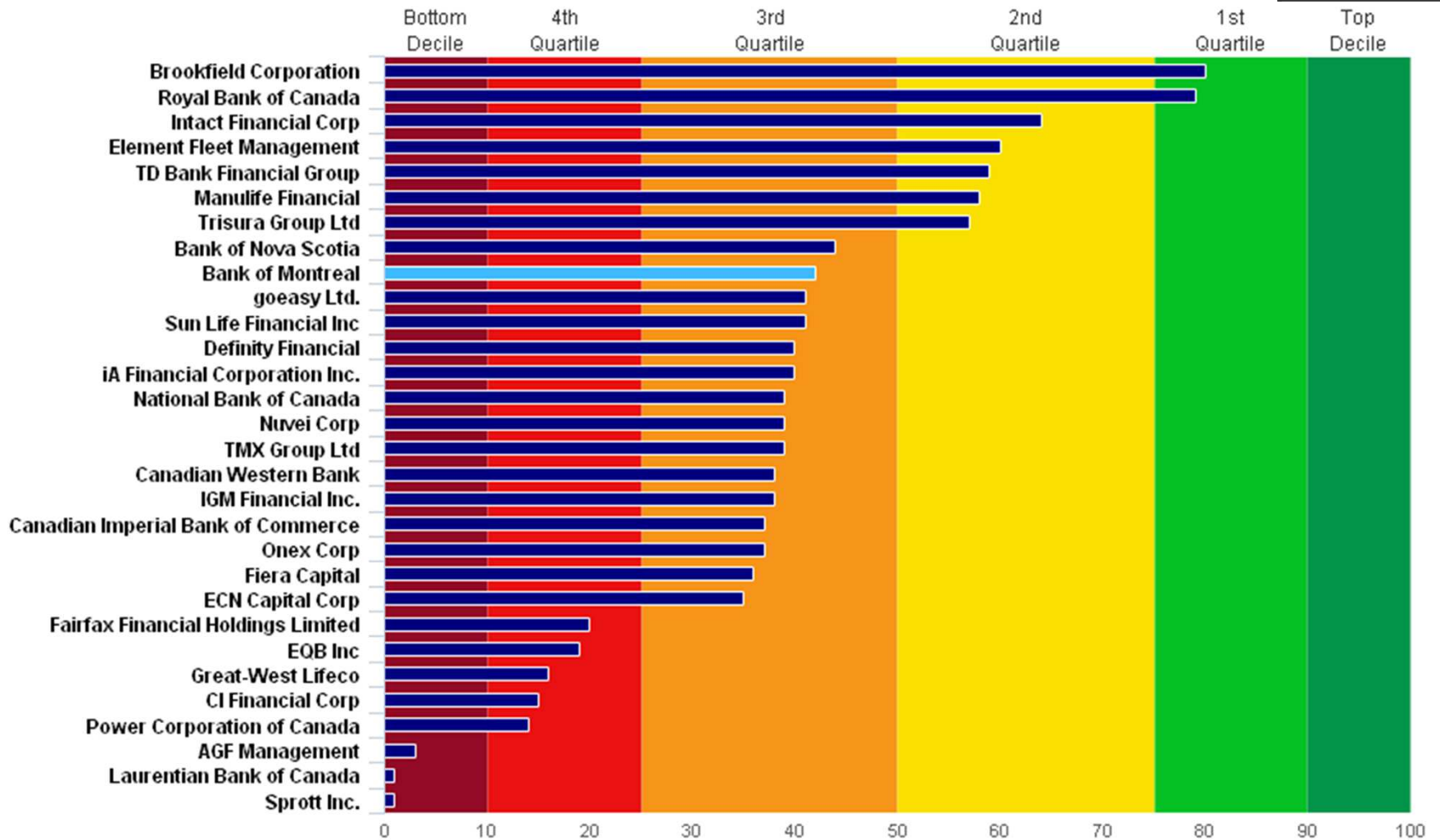
(\*Applies to cases where compliance/administration executes the proxy.)

(TD: Very Strong Vote to Retain, Q1: Strong Vote to Retain, Q2: Vote to Retain, Q3: Vote to Replace, Q4: Strong Vote to Replace, BD: Very Strong Vote to Replace)



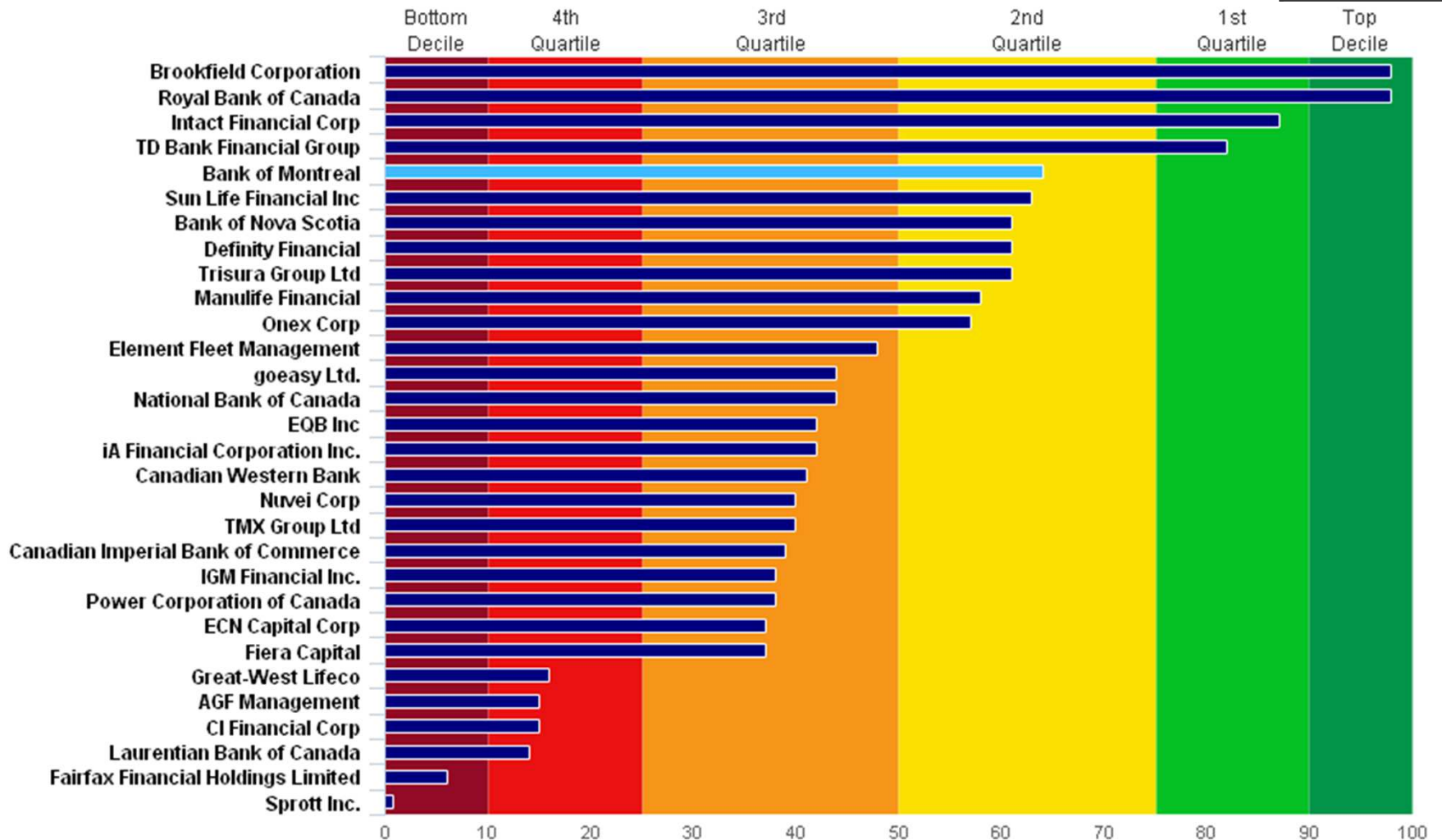
## Confidence in Short Term Growth Forecast for the Year Ahead

Rolling Year Data



## Confidence in Long Term Growth Forecast for the Year Ahead

Rolling Year Data





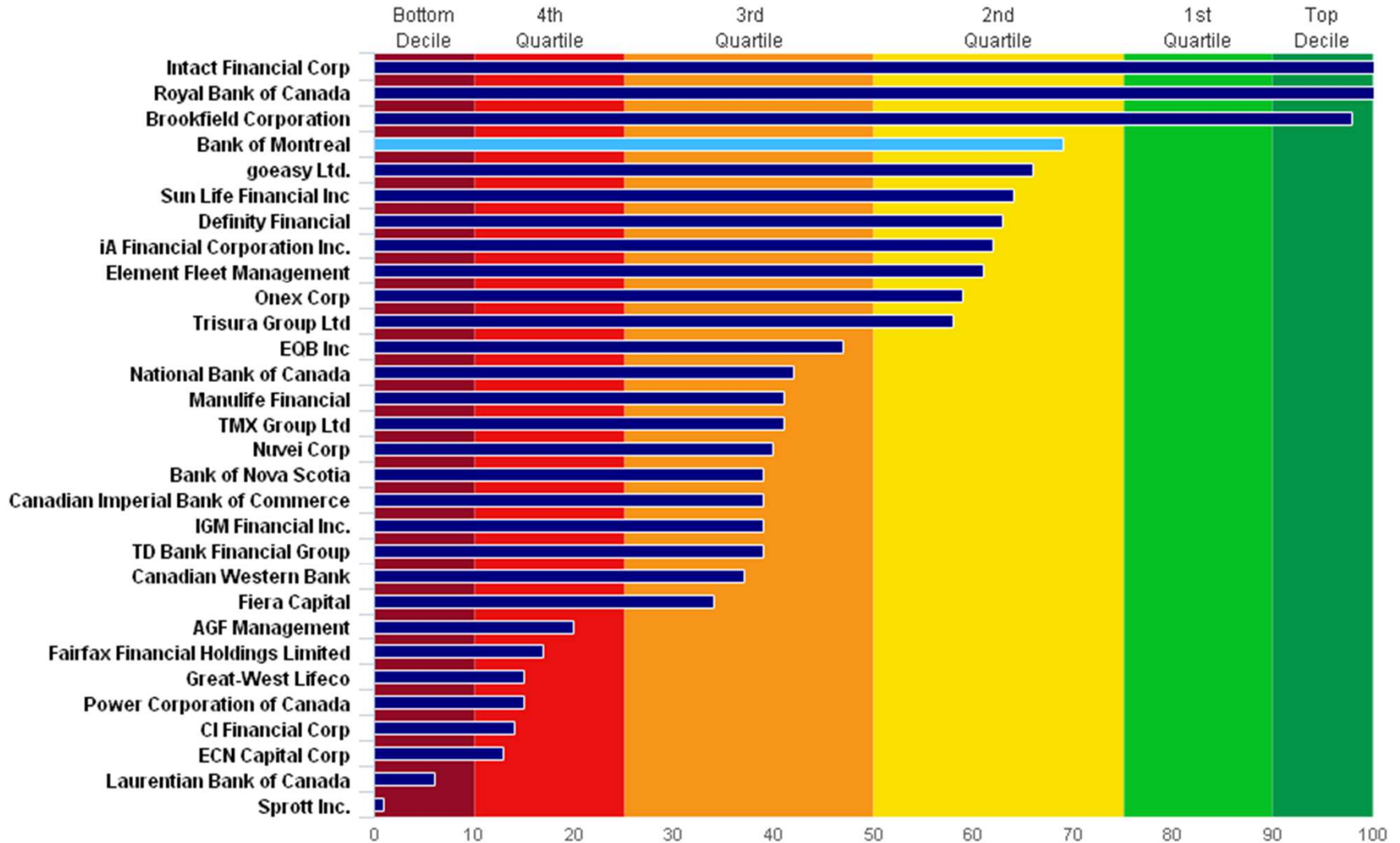
## Advance Proxy Poll - CEO Forecast for the Year Ahead

Rolling Year Data

What is Your Vote or Recommended Vote\* to Retain/Replace the Existing CEO?

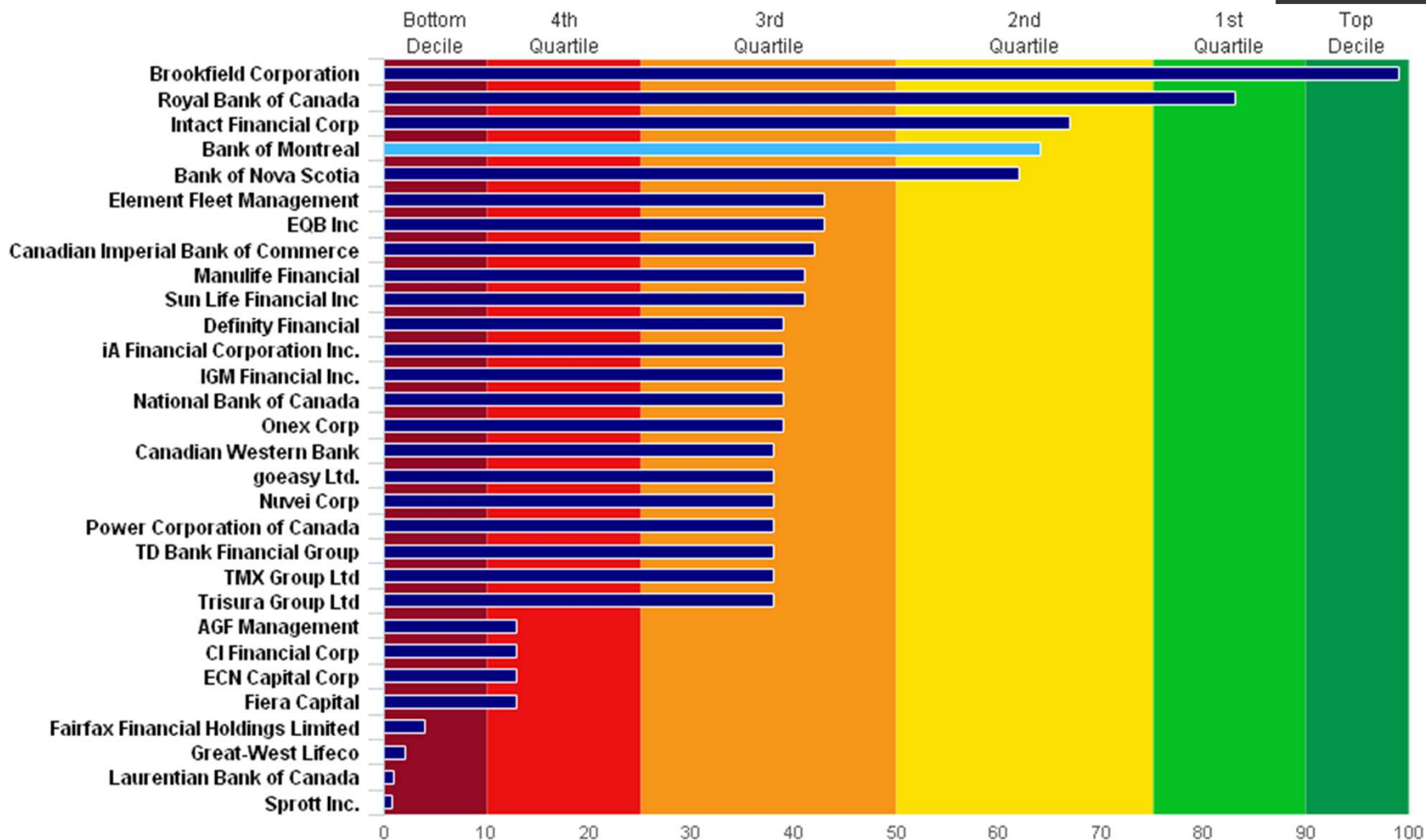
(\*Applies to cases where compliance/administration executes the proxy.)

(>80 Very Strong Vote to Retain, 70-80 Strong Vote to Retain, 60-70 Neutral, 50-60 Strong Vote to Replace, <50 Very Strong Vote to Replace)



## Confidence in CFO Forecast for the Year Ahead

Rolling Year Data



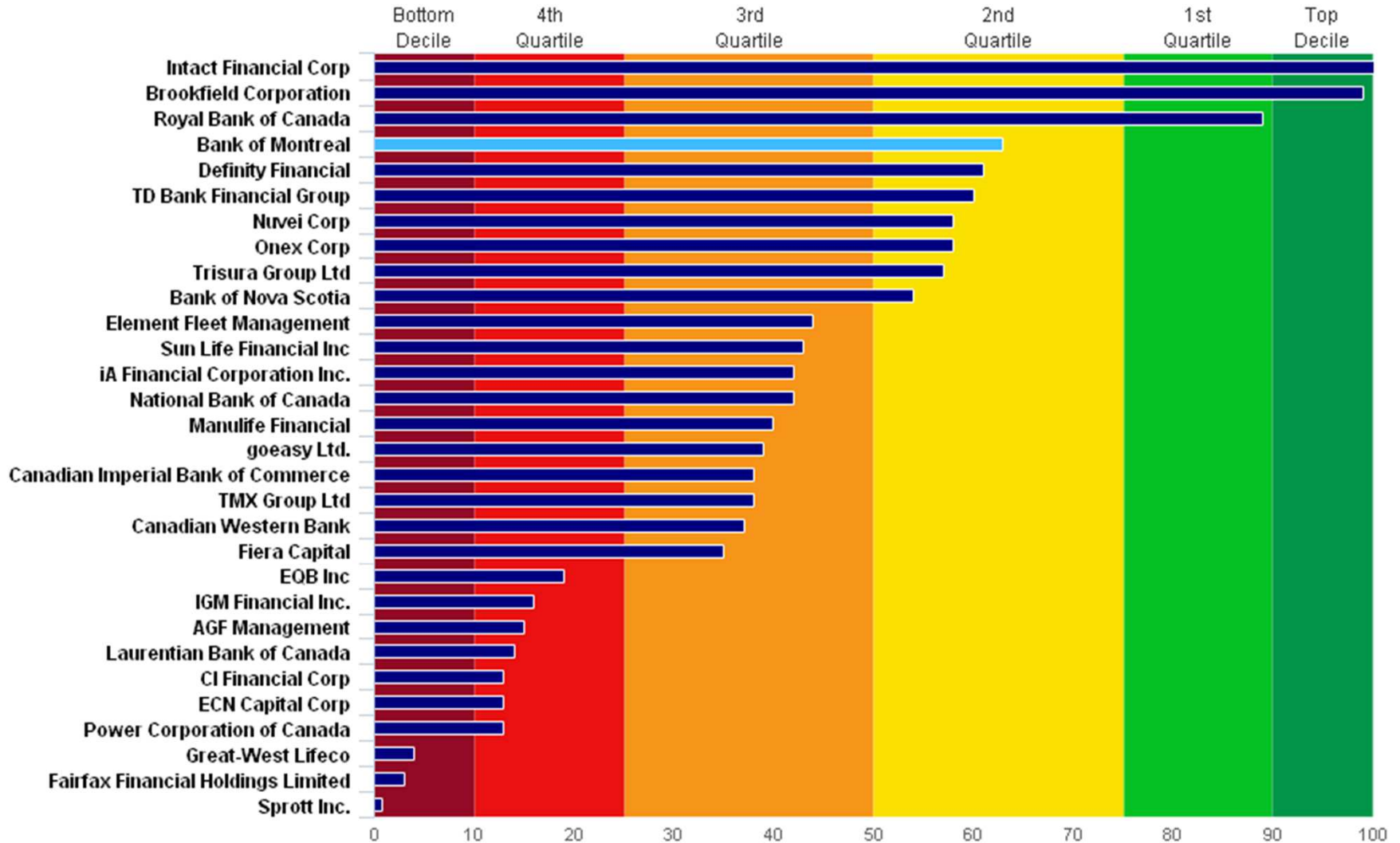
## Advance Proxy Poll - Senior Management Forecast for the Year Ahead

Rolling Year Data

**What is Your Vote or Recommended Vote\* to Retain/Replace the Existing Senior Management?**

(\*Applies to cases where compliance/administration executes the proxy.)

(>80 Very Strong Vote to Retain, 70-80 Strong Vote to Retain, 60-70 Neutral, 50-60 Strong Vote to Replace, <50 Very Strong Vote to Replace)



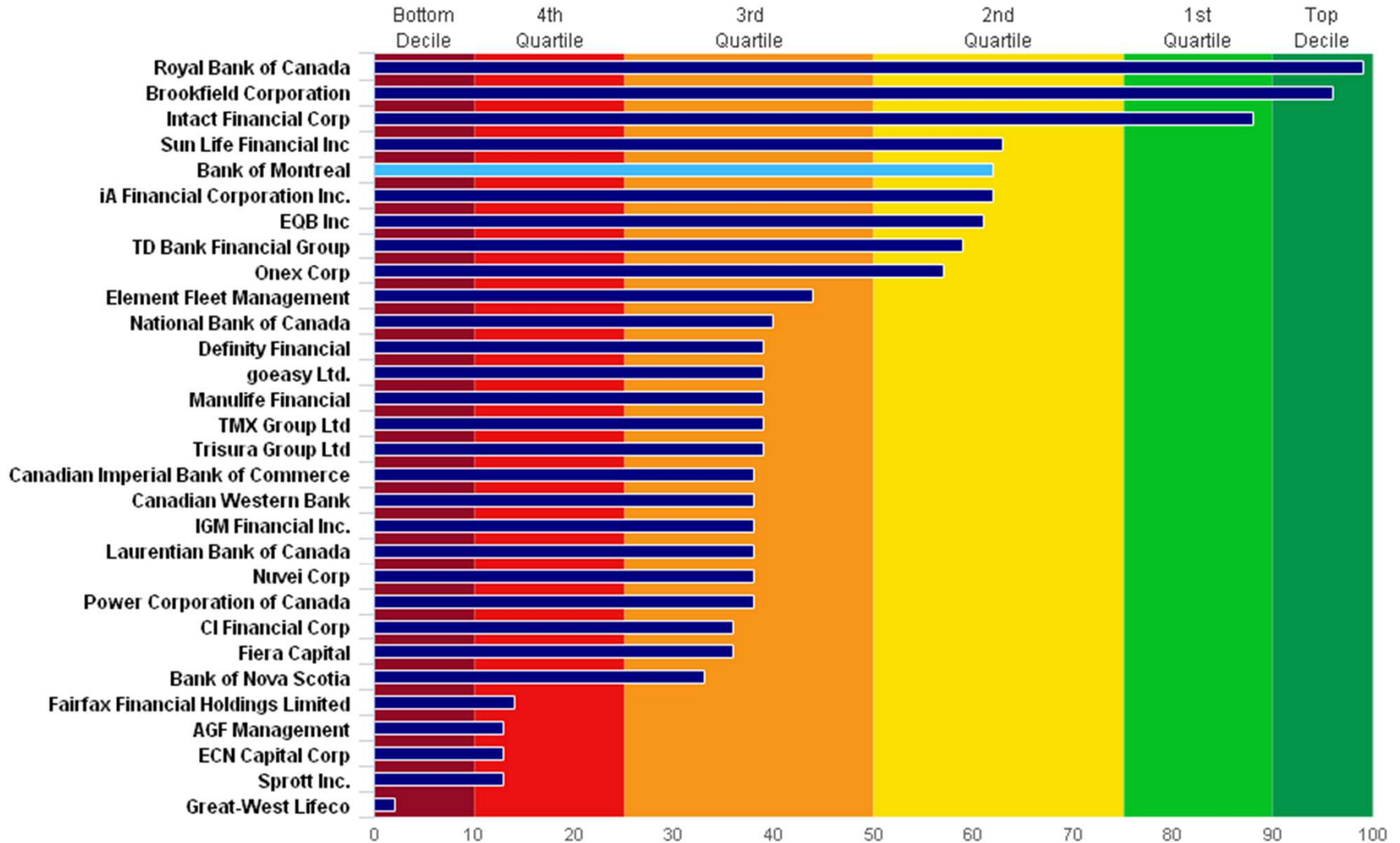
## Advance Proxy Poll - Board Forecast for the Year Ahead

Rolling Year Data

**What is Your Vote or Recommended Vote\* to Retain/Replace the Existing Board?**

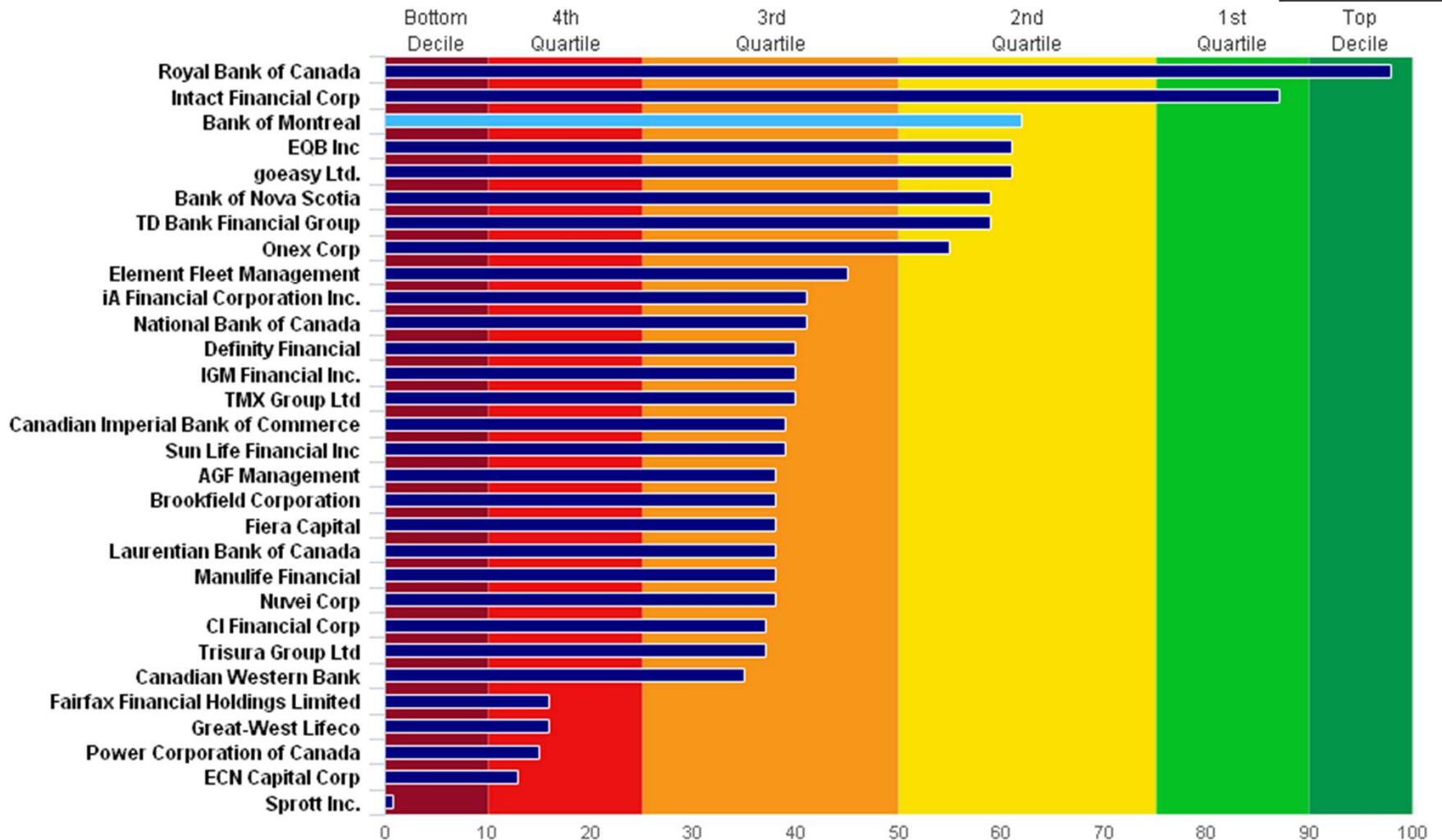
(\*Applies to cases where compliance/administration executes the proxy.)

(>80 Very Strong Vote to Retain, 70-80 Strong Vote to Retain, 60-70 Neutral, 50-60 Strong Vote to Replace, <50 Very Strong Vote to Replace)



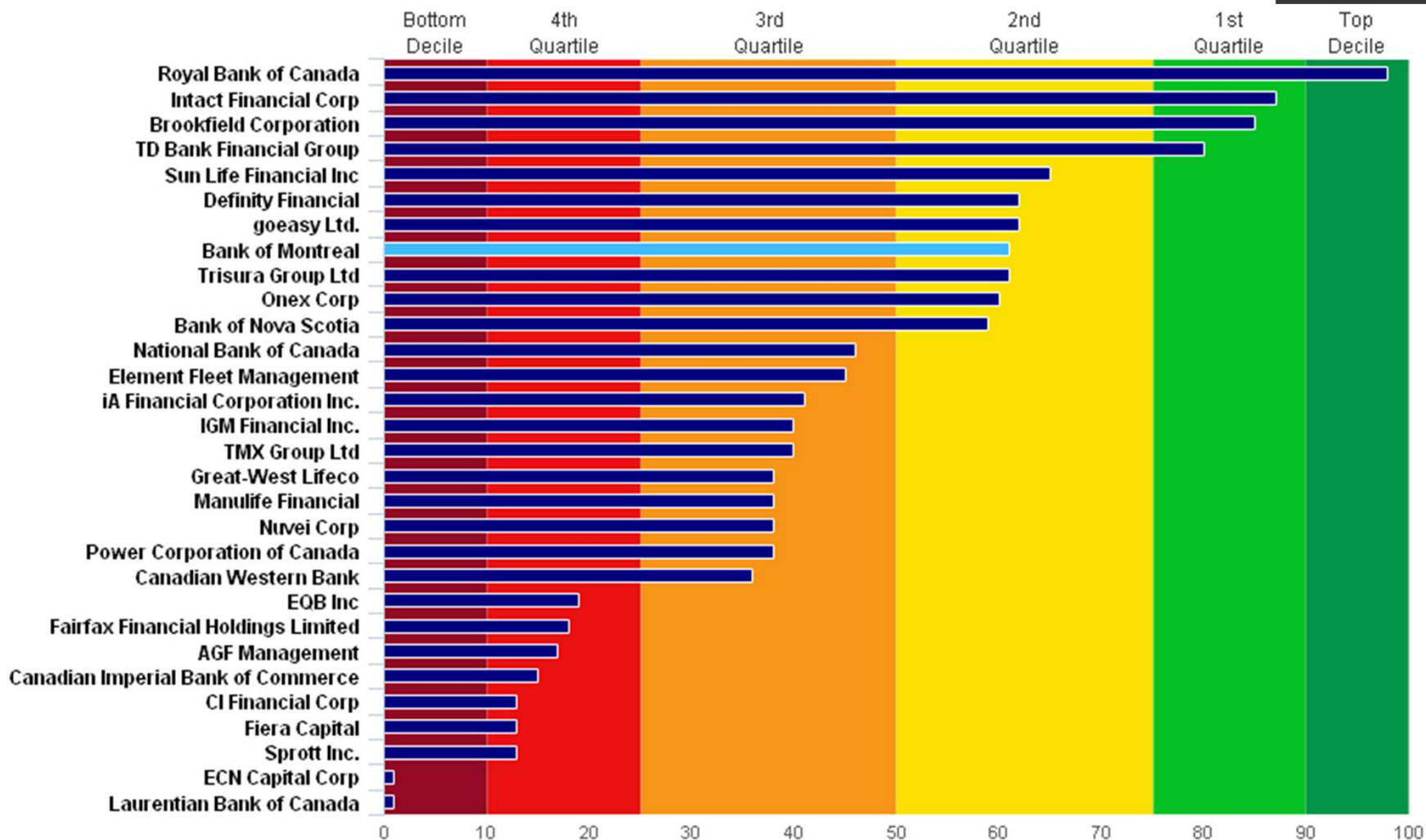
## Confidence in Reporting Forecast for the Year Ahead

Rolling Year Data



## Confidence in Strength of Balance Sheet Forecast for the Year Ahead

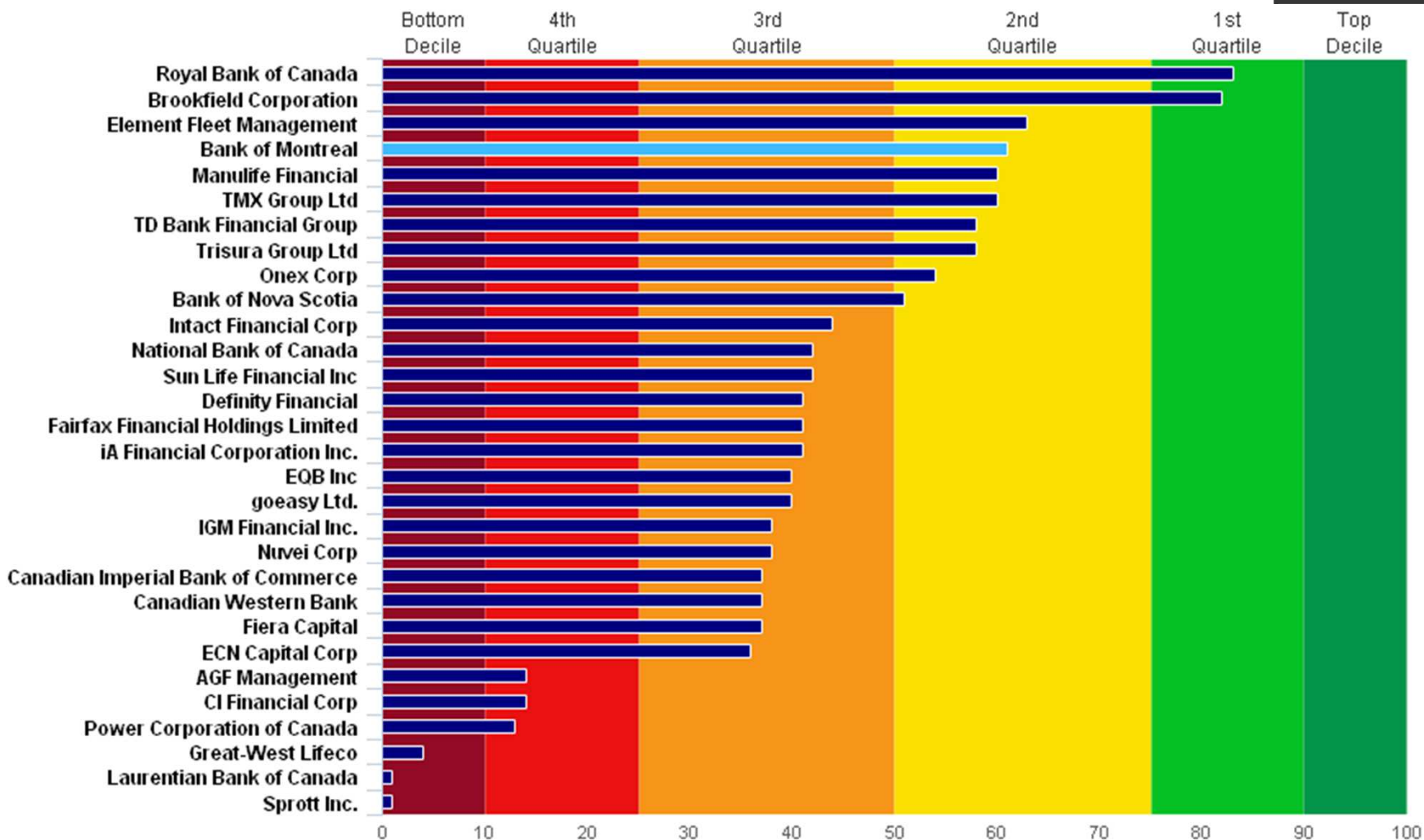
Rolling Year Data





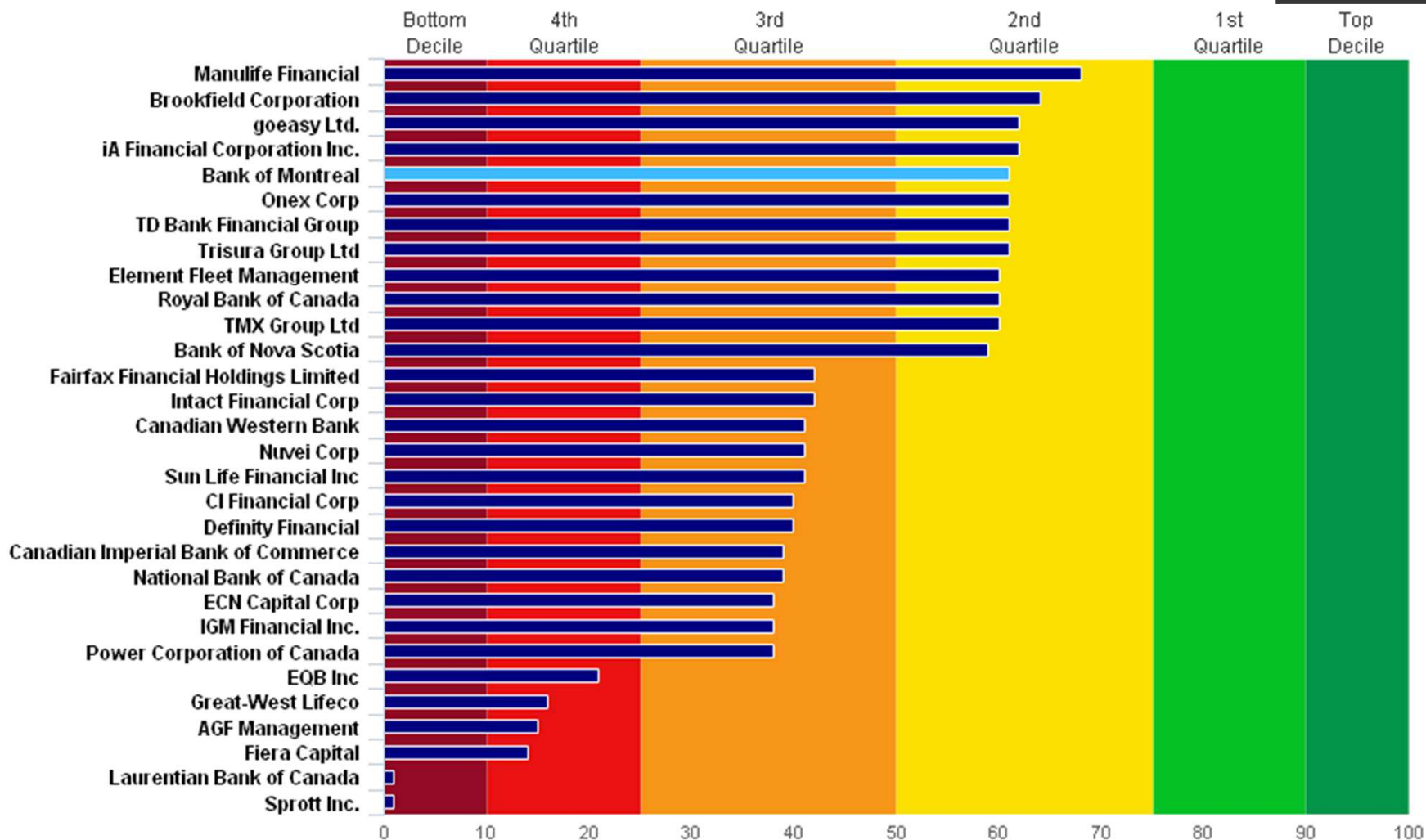
## Momentum of Investor Confidence Forecast for the Year Ahead

Rolling Year Data



## Price Appreciation Potential Forecast for the Year Ahead

Rolling Year Data

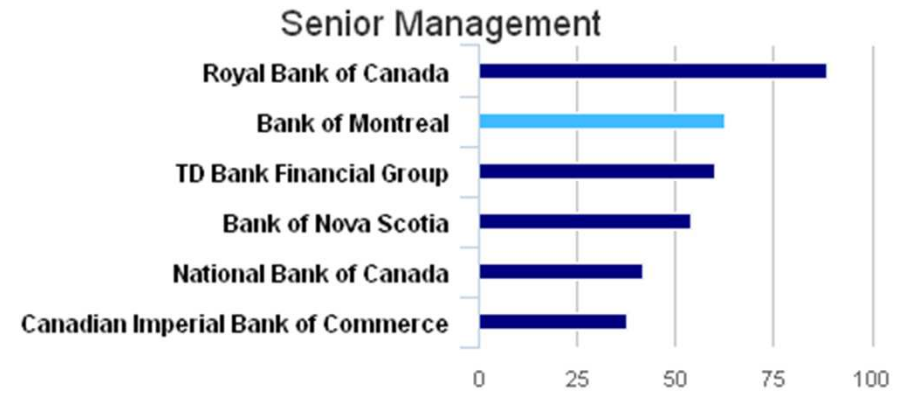




# Bank of Montreal vs. Comparables

## Forecast for the Year Ahead

Rolling Year Data



# Bank of Montreal vs. Comparables

## Forecast for the Year Ahead

Rolling Year Data

Corporate Strategy



Long Term Growth



Short Term Growth



Balance Sheet



## Bank of Montreal vs. Comparables

### Forecast for the Year Ahead

Rolling Year Data

