![BMO Financial Group]

Barclays 22nd Annual Global Financial Services Conference

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Bank of Montreal's public communications often include written or oral forward–looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward–looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward–looking statements in this document may include, but are not limited to: statements with respect to our objectives and priorities for fiscal 2024 and beyond; our strategies or future actions; our targets and commitments (including with respect to net zero emissions); expectations for our financial condition, capital position, the regulatory environment in which we operate, the results of, or outlook for, our operations or the Canadian, U.S. and international economies; plans for the combined operations of BMO and Bank of the West; and include statements made by our management. Forward–looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "commit", "target", "may", "schedule", "forecast", "outlook", "seek" and "could" or negative or grammatical variations thereof.

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. 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. We caution readers of this document not to place undue reliance on our forward–looking statements, as a number of factors – many of which are beyond our control and the effects of which can be difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward–looking statements.

The future outcomes that relate to forward–looking statements may be influenced by many factors, including, but not limited to: general economic and market conditions in the countries in which we operate, including labour challenges; the anticipated benefits from acquisitions, including Bank of the West, such as potential synergies and operational efficiencies, are not realized; changes to our credit ratings; the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national or international economies, as well as their heightening of certain risks that may affect our future results; cyber and cloud security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; technology resiliency; failure of third parties to comply with their obligations to us; political conditions, including changes relating to, or affecting, economic or trade matters; climate change and other environmental and social risks; the Canadian housing market and consumer leverage; inflationary pressures; global supply–chain disruptions; technological innovation and competition; changes in monetary, fiscal or economic policy; changes in laws, including tax legislation and interpretation, or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs and capital requirements; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which we operate; exposure to, and the resolution of, significant litigation or regulatory matters, our ability to successfully appeal adverse outcomes of such matters and the timing, determination and recovery of amounts related to such matters; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans, complete proposed acquisitions or dispositions and integrate acquisitions, including obtaining regulatory approvals; critical accounting estimates and judgments, and the effects of changes in accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; global capital markets activities; the possible effects on our business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and our ability to anticipate and effectively manage risks arising from all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational non–financial, legal and regulatory, strategic, environmental and social, and reputation risk, in the Enterprise–Wide Risk Management section of BMO's 2023 Annual Report, and the Risk Management section in BMO's Third Quarter 2024 Report to Shareholders document, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward–looking statements. We do not undertake to update any forward–looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward–looking information contained in this document is presented for the purpose of assisting shareholders and analysts in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Material economic assumptions underlying the forward–looking statements contained in this document include those set out in the Economic Developments and Outlook section of BMO's 2023 Annual Report, as updated in the Economic Developments and Outlook section in our Third Quarter 2024 Report to Shareholders, as well as in the Allowance for Credit Losses section of BMO's 2023 Annual Report, as updated in the Allowance for Credit Losses section in our Third Quarter 2024 Report to Shareholders. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. Assumptions about our integration plans, the efficiency and duration of integration and the alignment of organizational responsibilities were material factors we considered in estimating pre–tax annualized run rate benefits from Bank of the West cost synergies and operational efficiency initiatives. In determining our expectations for economic growth, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy.

Non–GAAP Measures and Other Financial Measures

Results and measures in this document are presented on a GAAP basis. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from our audited annual consolidated financial statements and our unaudited interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS). References to GAAP mean IFRS. We use a number of financial measures to assess our performance, as well as the performance of our operating segments, including amounts, measures and ratios that are presented on a non–GAAP basis, as described below. We believe that these non–GAAP amounts, measures and ratios, read together with our GAAP results, provide readers with a better understanding of how management assesses results.

Management considers both reported and adjusted results and measures useful in assessing underlying ongoing business performance. Adjusted results and measures remove certain specified items from revenue, non–interest expense and income taxes, as detailed on page 38. Adjusted results and measures presented in this document are non–GAAP. Presenting results on both a reported basis and an adjusted basis permits readers to assess the impact of certain items on results for the periods presented, and to better assess results excluding those items that may not be reflective of ongoing business performance. As such, the presentation may facilitate readers' analysis of trends. Except as otherwise noted, management's discussion of changes in reported results in this document applies equally to changes in the corresponding adjusted results.

Non–GAAP amounts, measures and ratios do not have standardized meanings under GAAP. They are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from, or as a substitute for, GAAP results.

Examples of non–GAAP amounts, measures or ratios include: pre–provision pre–tax income, tangible common equity, amounts presented net of applicable taxes, adjusted net income, revenues, non–interest expenses, provision for credit losses, earnings per share, ROE, and adjusted efficiency, leverage and PCL ratios, growth rates and other measures calculated using adjusted results, which exclude the impact of certain items such as acquisition and integration costs, amortization of acquisition–related intangible assets, impact of divestitures, management of fair value changes on the purchase of Bank of the West, and initial provision for credit losses on Bank of the West purchased loan portfolio. BMO provides supplemental information on combined operating segments to facilitate comparisons to peers.

Certain information contained in BMO's Management's Discussion and Analysis dated August 27, 2024, for the quarter ended July 31, 2024 ("Third Quarter 2024 MD&A") is incorporated by reference into this document, including the Summary Quarterly Earnings Trend section in the Third Quarter 2024 MD&A. Quantitative reconciliations of non–GAAP and other financial measures to the most directly comparable financial measures in BMO's financial statements for the period ended July 31, 2024, 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 section of the Third 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 Third Quarter 2024 MD&A. The Third Quarter 2024 MD&A is available on the Canadian Securities Administrators' website at www.sedarplus.ca and BMO's website at www.bmo.com/investorrelations.

PRESENTATION

Brian Morton – *Barclays*

Good morning. Thanks for joining us again. Our next presentation comes from Bank of Montreal. Joining us today from Bank of Montreal is Tayfun Tuzun, the Chief Financial Officer.

Tayfun Tuzun – *Bank of Montreal – CFO*

Thank you. Thank you for inviting us, Brian. I think this is my -- if I'm not mistaken, 12th in a row. So it's always good to come to this conference, as a back-to-school conference for us. So I appreciate the invitation.

Brian Morton – *Barclays*

Excellent. Thanks, Tayfun. Okay. So let me start off. I think our first question is going to be on credit. I'm not sure if you're surprised by that. Last two quarters, kind of impaired PCLs are higher than expected. And you primarily attributed that to a handful of specific credits in the Commercial segment. So your guidance for impaired PCLs is to remain elevated in the near term. As you comb through these credits, are you finding any common factors among them? And what other steps are you taking to proactively engage with these clients? And would you consider selling or exit divisions which are showing signs of weakness?

Tayfun Tuzun – *Bank of Montreal – CFO*

An appropriate topic to start the conversation with, no doubt. We released earnings two weeks ago and increased our expectations of impaired PCLs. Not only we came in at a higher level in Q3, but we also elevated our expectations for the next couple of quarters. It pains the CFO to actually not be talking about our operating performance, which has been truly very good in Q3 and most of the year. But nevertheless, this is obviously an important topic. So any other comments that I would make here, you should understand that we're taking this very seriously. We own this. It goes contrary to our long history at BMO. We have, actually data that we update and share with our investors every quarter. For the last 33 years, when you look at our impaired PCL performance, in 29 of those 33 years we have outperformed our peers. There were four years in in three decades, and now we're adding a fifth year. So this is unusual for BMO, and we've spent, and we clearly are spending, a significant amount of time. So coming into this year, just to summarize where we are in connection to what we expected, our guidance for the year was an impaired PCL ratio in the low 30s. Today, year-to-date, we are at about 40 basis points. And in both Q2 and Q3 the levels have exceeded that expected range. And when we look at the portfolio of loans that went into our impaired PCLs, about 15 loans actually constitute half of those impairments. So when you think about it, we have 50,000, 55,000 clients in our Corporate portfolio, but these credits have caused a significant blip relative to our past history.

And there are a couple of topics under this discussion. One is why were you surprised? And then why this elevated level of impairments? Our business model is visibly heavier towards Commercial Banking. In Retail Banking, we have a larger Retail lending portfolio in Canada, it's easier to follow the trail of delinquency buckets roll rates into impairments and the predictions tend to be within a tighter range. When it comes to Commercial Banking, because of sometimes size differences and sometimes the unexpected events that occur during the lifetime of certain credits, there may be quarters that are a bit lumpier than others. That doesn't answer the question about multiple quarters in a row having higher PCLs. But that probably answers some of the questions about the unexpected or surprise nature of what happened in Q2 and Q3. In Q3, for example, at the end of Q2 we said we expect our PCLs, impaired PCLs in Q3 to be in the 40 to 41 basis point range, the same as Q2. We came out at 50 basis points. The difference was really two credits. One credit is public, and I can talk about this here, with SunPower. It was a company owned by private equity. We've been following that credit for a while because they were showing signs of stress. But all the way to the end of Q2, private equity supported, continued to support that credit. But then the auditor resigned, it was a public event, and as such, it no longer was maintained and so we moved that into impaired PCL. That was one of the two credits.

But that doesn't explain, again, why we are guiding to elevated PCL. So when our trends started deviating from historical levels in Q2 and Q3, we took a step back and went deeper into the portfolio in order to identify like-kind credits. And when we looked at that, the typical describers did not apply. There were no industry concentrations. There were no real geography concentrations. It was not Bank of the West per se. I think in general, in the U.S., Bank of the West's legacy portfolio did not show a different pattern than our own legacy BMO portfolio. When we took that analysis down one more level, we did note a few connecting points. One is the vintages of these problem credits were more the '21, '22 vintages, right after the worst of the COVID environment was over with liquidity rising in the markets, with business models trying to match and address the benefits of those liquidities, cash flow lending and lending that probably was more dependent upon enterprise values. And as long as those business models remain intact, enterprise values remain intact, but when business models come under pressure, then there's pressure on enterprise values. And they also probably were larger bite sizes than our traditional profile of lending. And also, about 70% or so of those loans were shared national credits. That's not our typical mode of operation. In close to 90% of our Commercial relationships we are the direct counterpart. So as the circle within the portfolio widened by those connections, that gave us a perspective on the next few quarters, next couple of quarters.

Our CRO guided to about another 6 months or so of elevated impaired PCLs. He said we probably will reach high 50s, low 60s. It will peak. It could peak in Q4, it could peak in Q1. Sometimes working through these credits can take a bit longer. So that's the reason why we can't yet call the peak period with real precision. But I think once we go through the next 6 months, this episode will be behind us, and we're guiding the second half of next year to converge back to our normal historical levels, which is in the mid-30s. So we have refrained from using the word idiosyncratic because idiosyncratic would look to a more limited period. Clearly, 3 or 4 periods above normal ranges, in our minds is more than just idiosyncratic.

We're taking a look at the underwriting standards, as you've asked, and there will be tweaks. I mean you can't go through a period like this and continue to proceed with no changes, and we will make those changes, and we're in the process of finalizing that work. But we are pretty confident that even with those changes our potential growth opportunities remain intact because when you go down to these credits and look at the type of loans they are, where they were originated, those are not the areas where we actually have done pretty well against our peers. So although there will be tweaks and there will probably be some change in growth patterns in certain segments, I think our overall growth potential remains intact. So again, we are very disappointed just as our investors are given this break from our normal historic patterns, but we're quite optimistic that we will put this behind us. And hopefully, by the time we meet next year here, we will look back and see a different pattern at that time.

Brian Morton – *Barclays*

Excellent. You had a couple of very interesting points. One thing you're talking about the '21 and '22 vintages. Are you seeing a substantial difference in quality between, say, '22 and '23?

Tayfun Tuzun – *Bank of Montreal – CFO*

I think if you step back for a moment, and maybe this is not a surprise, but in that time period, given the nature of the economy within sort of 4 to 6 or 7 quarter periods, as there was a lot of liquidity in the market, right? Business models were put together that took the clues from that market. It was suited to that economy. Whether it's buried in consumer preferences, trading preferences, consumption patterns, that once that cycle was over, those business models came under pressure. Those are the types of credits that are giving us a bit more headaches today than the normal pattern of lending that we would have experienced during that period of time.

Brian Morton – *Barclays*

And maybe, kind of, the other question, and you kind of talked about the shape of the peak in losses. Are you talking, will it peak sometime in the next six months? Maybe it's Q4 or Q1 2025 and then go converge. But would it be possible, if these losses kind of clear out through the system? It could be, actually even perform better than the average sometime in the future?

Tayfun Tuzun – *Bank of Montreal – CFO*

My expectation is that there is no reason for BMO's credit performance to not go back to the relative levels that we have seen in the past, and relative levels means outperforming the peers. I don't see any reason because the large, predominantly traditional lending pieces of our portfolio have been underwritten in the same way we have underwritten loans for the past 30, 40 years. And with the experience of three, four decades, so as such, there's no reason why we shouldn't expect that to happen again.

Brian Morton – *Barclays*

Okay. And then one final one. You mentioned on the call, a number of these credits are participations or syndications, or today you said shared national credits. Generally speaking, do you try to be the lead on these shared national credits? Or, and maybe, would you be coming more risk averse in terms of participation in the syndications, like reducing the participation levels?

Tayfun Tuzun – *Bank of Montreal – CFO*

Our model is based on direct lending relationships. As I said, I think in general, when you look at our North American Commercial lending model, it is based on close to 90% of those relationships are direct relationships where we actually have the full wallet of the customer and the ability to engage with them deeply. Shared national credits are not a mainstay of our business plan.

Shared national credits have their place in lending. I think they will always be a source for new client relationships. I don't want to paint a picture that puts the blame solely on the fact that they were shared national credits. I think we're using that to show you that these relationships were also, at the same time, attractive to other banks. I don't think that we will take a more conservative approach to shared national lending per se, but more what's the credit like. And, as I said, there will be some tweaks in that. But, in general, shared national credits participations will remain a minority of our new client generation going forward, just as they have been in the past.

Brian Morton – *Barclays*

Great. Maybe kind of big picture, can you kind of walk us through how you expect to get from the current ROE levels back to the 15% target? Canadian P&C business seems to be where it needs to be already. The U.S. business seems to be lagging in Capital Markets business costs need a little help and optimization. How much of a headwind is the declining rates in the U.S. and Canada on your ROE?

Tayfun Tuzun – *Bank of Montreal – CFO*

So our medium-term targets with respect to ROE remains 15%, and there have been some important changes over the past couple of years that put pressure on our ROEs. One is the 100 basis point increase in DSB buffer in Canada, that's worth about 1 point of ROE. We clearly are carrying goodwill from the Bank of the West transaction. And then, obviously, the current credit uptick probably is worth another point between where it is now and where our normal credit performance is. So those are discrete items. Some that are not going to change, some when credit normalizes, we should be able to capture that back.

But we do focus significantly today in our company, across all businesses, and the way we manage the balance sheet. We are very focused on achieving that 15% target with speed. Part of it is the U.S. We we've had high expectations about our ability to achieve $2 billion in additional PPPT from our Bank of the West acquisition when we announced the transaction. Unfortunately, given the environment in the U.S., that's delayed. We were expecting to get there on a run rate at the end of 2025. We've delayed it by about a year given the last 2 years of rather slow business activity in the U.S., but we are still confident that we will get there. So that's one item.

The second one is our efficiency ratio that is paired with that medium-term 15% ROE. Target is 55% or below. And we're quite confident that we will achieve that because there's a very strong commitment to positive operating leverage. We had 5% positive operating leverage this quarter, and we expect to operate the company with positive operating leverage. So ultimately, that should be a contributor to the ROE increase towards the 15% target.

But in addition to those more natural steps on the path, we are very closely looking at two areas. One on the asset side, business generation side where optimization of where we allocate the capital, either at the portfolio level or at the client level, is a high priority today. We don't want to waste time with below target ROE returns in any of our businesses, whether it's Personal or Retail. And then the second one is we're operating a scale company. We're at $1.3 trillion. We have US$450 billion of assets in the U.S. We need to achieve a cost basis commensurate with that size. So those are the ingredients we believe and we will be executing towards to achieve the targeted ROE.

Brian Morton – *Barclays*

Great. And maybe a little bit more. As you mentioned on the Bank of the West kind of hitting it's target, you kind of got the cost synergies from the Bank of the West already been realized. Can you maybe talk about more how you're going to, possibilities from generating incremental revenues ?

Tayfun Tuzun – *Bank of Montreal – CFO*

Yes. We actually more than kind of got the cost synergies, we overachieved the cost synergies compared to what we announced at the time we acquired the company, and they are in our run rate now. So we're very confident about that.

On the revenue side, as I said before, we targeted a $2 billion PPPT, and that's across all business lines, and the progress despite the rather muted market environment has continued quite well. We are seeing a significant uplift in branch productivity in the old legacy Bank of the West branch system. We operate the branches a bit differently because we also brought significant digital capabilities that they didn't have prior to the acquisition. And the combination of better digital tools and different sales management approach is showing very strong signs of an uplift in the branch productivity, and we are actually getting closer to the legacy BMO branch at branch levels today in California.

The other encouraging sign is in our Commercial business. Clearly, that's the largest business that we operate in the U.S. There is significant growth in new client acquisition. Our third quarter showed us the highest new client acquisition since closing the transaction in February of 2023. We are introducing some of the legacy BMO Commercial businesses into California. Media Finance is the most recent one. So one of the specialty areas where we actually have market-leading power is wine and spirits. We purchased an M&A advisory firm to support that business. We do have strong rights to capture market share there because we're already a leading provider to those clients.

We continue to operate a #2, #3 market-leading RV marine originator. That continues with strength. And then Equipment Finance, overall in the U.S., is a strength for us. All of those are hitting the California markets. And also, at the same time, one of the cornerstones of hitting the PPPT level was the partnership between Wealth Management for both Commercial and Retail, and those are going very strong as well. So the referral levels are picking up. With all the HR decisions made, with all the management streams in place, I think we're trying to really hit the ground as soon as we see a recovery in the markets overall, which we're hoping that will come soon. The combination of both getting over the election date as well as the expected rate moves hopefully will provide some benefit .

Brian Morton – *Barclays*

That kind of, kind of feeds right into my next question. And you've talked about the business activity in the U.S., We're seeing the U.S. loan and deposit growth both seem somewhat muted. You think the lower rates could help spark resurgence in loan deposit growth?

Tayfun Tuzun – *Bank of Montreal – CFO*

We hope so. Coming into this year, we felt that the U.S. markets were going to outperform the Canadian markets in loan growth, but quite the opposite happened despite the fact that the macro outlook for 2024 was weaker in Canada. All year long we have seen modest, not like huge increases, but modest, but steady increases in loans both in our Personal business and Commercial business. In the U.S. we are expecting quite the opposite, but the U.S. they continue to be very muted. We have done slightly better than our peers, more so in deposit growth. And our current expectation, based on discussions that we've had with our clients, is the elections appear to be an important event. It is an important event regardless of the outcome. I think some certainty as to what the next four years will look like should clear some of the uncertainties.

The rate cuts are important, I mean they have multiple impacts, right? One is, in general, it will be helpful to our Capital Markets business in terms of spurring, hopefully a bit more M&A activity. In lending, that clearly could be, should be an important factor in changing the environment from '24 into '25. And deposits, it's been strong for us. It may be even more than what we expected. But rate cuts do seem to provide an ease of stress in deposit markets. Liquidity flows from this out of the system have changed. And so I think, in general, as we make our plans for next year, we have a more positive sort of expectations compared to our experience so far in the year.

Brian Morton – *Barclays*

Okay. And maybe one last one in the U.S. I just want to mention, or just talk about office for a little bit. Office is just under 16% of the CRE portfolio. or just 2% of the overall U.S. portfolio, kind of with loss frequencies and severities increasing in that segment, do you have any concerns about that portfolio?

Tayfun Tuzun – *Bank of Montreal – CFO*

I know we spent a decent amount of time on credit to begin the conversation. But one positive aspect of all this has so far been Commercial Real Estate, both in Canada and the U.S. We don't have a large exposure to Commercial Real Estate. We have $75 billion in exposure. It's about 10%, 11% of our loans. The office exposure is more heavily weighted to the U.S. mostly because of the Bank of the West acquisition. I think we had about $5.9 billion or so in the U.S. in office, but it's very well diversified. The urban exposure is just about 30%, 31%. The rest is suburban, medical and REITs. There clearly will be some downgrades, some probably credit events and some losses. But in general, so far, the portfolio is behaving just as we expected. There was one credit that we discussed in our second quarter earnings call. It was an impairment, and we said we expect some recoveries, and we've actually captured that recovery in Q3. So, so far, that portfolio has not posed, and we don't expect it to pose, additional credit pressures for us.

Brian Morton – *Barclays*

Let's switch over to the Canadian bank and market. And we talked about earlier at the start of the year, kind of a weaker economic outlook for Canada compared to the U.S. But still, the consumers held up pretty well in 2024 in Canada. As you sit here today, are you seeing any signs in payments or delinquencies that kind of on consumer and mortgage, Canadian consumer mortgage, that are you giving any reasons to think that this might change?

Tayfun Tuzun – *Bank of Montreal – CFO*

Yes. I think two years ago when we sat here, and when we sat through all of our investor meetings, the big concern in Canada was mortgage. Rightly so, I think it's a very hot mortgage market. There are some fundamental differences between Canada and the U.S. in housing, with immigration and the large impact on housing inflation, which then caused a significant increase in household leverage and exposure to higher interest rates. There was a lot of concern about defaults and losses in mortgages. And that hasn't happened. We were not expecting it, and that mortgage portfolio has continued to behave according to expectations. Our year-to-date impairments in mortgages under 2 basis points. And with easing interest rates after 3 cuts and probably the expectation of more cuts coming, the pressure that was coming through negative amortization, et cetera, that's all easing. So delinquencies may sort of normalize, but all of the activities that we have seen in mortgage so far, the refis, the expected wave of refis, et cetera, I think, given the nature of bank mortgage portfolios and the LTVs in the 50s, this is not going to be a loss issue.

So now the Canadian economy overall this year and next year is going through a weaker period in employment. We expect the unemployment rate next year to probably cross the 7% threshold in Canada. Productivity levels are down. We're seeing mostly the impact of immigration levels and population growth on unemployment, but it is what it is. And as such, delinquency levels in unsecured consumer lending are going up. And we expect that to continue for a few more quarters. And accordingly, we expect charge-offs, impairments to also rise. But the Canadian households are significantly more leveraged to rates. And as such, the 3 rate cuts that we have seen so far and probably a handful more over the next number of quarters should provide a decent amount of relief to Canadian consumers. So despite this continued increase in unemployment rates, there will probably be a point in '25, where we will see normalization plateauing in delinquency roll rates and buckets, which then at one point, probably will slow down the impairments. But so far, in the foreseeable future, there's probably an expectation that we will see increases over the next few quarters in Retail lending, unsecured lending.

Brian Morton – *Barclays*

Great. And give a little more detail on the mortgage portfolio. You've seen kind of growth in the mortgage balances in Canada over 2023, 2024. I think your peers have been a little bit more flattish. Kind of besides pricing, what strategies have you been employing to kind of increase market share? And are there any other ways you might be able to increase margins on this portfolio?

Tayfun Tuzun – *Bank of Montreal – CFO*

Yes. So it's, unlike in the United States, and this has been a learning experience for me over the last four years, the mortgage product in Canada still is the anchor product in our Retail business. And so as much as we all focused, we don't price compete. And we can actually track that because we get to see spreads - two years ago at the end of '22 and early '23 were probably the worst times in terms of price competition in mortgages where origination spreads have gone all the way down to teens, if not below. Today, we are significantly above that. The first 2 quarters actually were, there was a bit of a contraction in Q3, maybe 10 basis points, but we're still in the far from those low levels.

When you look at mortgage, we don't necessarily look at mortgage alone. We look at all the business that comes with mortgage, deposits, other lending products, and, importantly, fee-producing products and wealth management. So Canada is different, right? There's insurance products that goes along with that. So the return overall, current return related to mortgage is very high.

Having said that, there are two reasons why our mortgage growth has been in the mid-single digits. I expect that to be the case still going forward. And I really expect as we look into '25, I don't think that our mortgage growth will deviate from the overall market growth. The reason why maybe in '23, in front stage on '24, we may have shown quarters with higher growth rates opportunities, As well as we actually have added more to our mortgage sales force relative to our peers. And then two, as significantly, we had a market-leading digital banking platform in Canada. And that has contributed to our growth rates in mortgage originations because that has a sales aspect to it and that has a service aspect to it. In both instances we have actually been able to create digital capabilities that are currently being viewed very favourably by our clients. So those are the 2 more visible factors that have contributed. But I am not expecting, as I look forward, really an outpacing performance in mortgage growth relative to our peers in the next number of quarters.

Brian Morton – *Barclays*

Right. And then you did mention the importance kind of wealth management, particularly in Canada. Maybe can you provide more color on the one client initiative? And how is that differentiating the customer experience?

Tayfun Tuzun – Bank of Montreal – CFO

Yes. Look, I mean, that's the one client initiative which is basically bringing all of our business lines to relationships and addressing their needs wherever applicable. That’s a big part of our U.S. expansion today, especially in California with Wealth, but that's always been a big part of our business model in Canada There's a very strong partnership between our Personal business and our Wealth Management business. About 50% of the new investments that are flowing into Wealth come from our Retail business through the Premier Banker relationships that we have been able to generate in our Retail Banking business. So a very important feeding model, like I mentioned mortgage, for example, mortgage profitability, in that profitability, just like we include deposits, we also include all the Wealth Management products that are being sold in our branch system.

And then there is a big partnership between Commercial and Wealth. Having a very large market share in Canada in Commercial gives us the ability to hit a large swath of potential Wealth customers. And we are seeing referrals from both ends I believe year-to-date the number of referrals from Commercial to Wealth is over 700, and then over 500 from back to Commercial. So there is an ongoing flow of business that is a big, big piece of our business plan.

Brian Morton – *Barclays*

Great. And then maybe last question for me. The return to positive operating leverage in 2Q '24 was a welcome development. looking forward, how are you balancing efficiency goals versus the need for continued investment? And what kind of areas are you targeting to achieve improvements in efficiency?

Tayfun Tuzun – Bank of Montreal – CFO

So yes, we are very proud with our performance in managing expenses. It's been a bright part of our overall performance this year. The reason why we were in negative operating leverage last year was really related to the acquisition. We've never changed our commitment to positive operating leverage, and it's been great to see us coming back once we lapped the acquisition. We are still committed to positive operating leverage, especially as long as our efficiency ratio continues to be above the peer average. We're committing to Q4 and as well as full year. Expenses in the fourth quarter will go up. They always go up in the fourth quarter, but I think we're still going to achieve positive operating leverage.

I don't think that we are sacrificing investments in our business because we've had this positive operating leverage for a number of years. And in all of those years we've been able to provide support to all of our businesses in line with the revenue and return opportunities. We have a significant technology investment budget that we commit to every year. There are some real signs of those technologies actually providing both efficiencies as well as returns in revenues. So we're not feeling that this strong commitment to positive operating leverage is creating any limitations in our ability to support growth.

Brian Morton – *Barclays*

Is that commitment to positive operating leverage dependent in any way on interest rates?

Tayfun Tuzun – Bank of Montreal – CFO

Mathematically it always is. But we did not get a chance to talk about interest rate views on our NIM. We manage our NIM, it's been a long-standing principle, with stability in mind. We don't take positions based on certain rate views. So I don't think, as I look into next year, interest rates are going to significantly impact our NIM. It should still behave within a tight range. It's going to be a really more a function of earning asset growth. And I don’t believe, unless there is something drastic happens in the markets, that the interest rate environment will have a huge impact on our positive operating leverage. To be honest with you, because of the strong commitments, we are maintaining a flexibility to change our expense outlook based on the revenue outlook. So if there's a drastic change in the revenue outlook we maintain the flexibility to also change the expense guidance.

Brian Morton – *Barclays*

Great. That brings us right to the end of our session. Please join me in thanking Tayfun for his presentation.

Tayfun Tuzun – Bank of Montreal – CFO

Thank you.
