Q4 2021 Conference Call

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Caution Regarding Forward-Looking Statements

As noted in the following Caution Regarding Forward-Looking Statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The Enterprise-Wide Risk Management section of BMO's 2021 Annual MD&A describes a number of risks, including credit and counterparty, market, insurance, liquidity and funding, operational non-financial, legal and regulatory, strategic, environmental and social, and reputation risk. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position and results.

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 2022 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 or share price, the regulatory environment in which we operate, the results of, or outlook for, our operations or for the Canadian, U.S. and international economies, and the COVID-19 pandemic, 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", "goal", "commit", "target", "may", "might", "schedule", "forecast" 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. The uncertainty created by the COVID-19 pandemic has heightened this risk, given the increased challenge in making assumptions, 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 severity, duration and spread of the COVID-19 pandemic, and possibly other outbreaks of disease or illness, and its impact on local, national or international economies, as well as its heightening of certain risks that may affect our future results; information, privacy and cyber 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; benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to, or affecting, economic or trade matters; climate change and other environmental and social risk; the Canadian housing market and consumer leverage; inflationary pressures; global supply-chain disruptions; 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; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which we operate; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans and to complete proposed acquisitions or dispositions, including obtaining regulatory approvals; critical accounting estimates and the effects of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; changes to our credit ratings; 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 in BMO's 2021 Annual MD&A, 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 are set out in the Economic Developments and Outlook section in BMO's 2021 Annual MD&A as well as in the Allowance for Credit Losses section in BMO's 2021 Annual MD&A. 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. 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 both Management's Discussion and Analysis (MD&A) and this document are presented on an IFRS basis. We use the terms IFRS and Generally Accepted Accounting Principles (GAAP) interchangeably. We use a number of financial measures to assess our performance as described herein, including measures and ratios that are presented on a non-GAAP basis. Readers are cautioned that non-GAAP amounts, measures and ratios do not have standardized meanings. 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: efficiency and leverage ratios calculated using revenue presented net of CCPB; revenue and other measures presented on a taxable equivalent basis (teb); pre-provision pre-tax income; amounts presented net of applicable taxes; results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements (i.e. constant currency basis or CCY), adjusted net income, revenues, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio, and other adjusted measures which exclude the impact of certain items such as acquisition integration costs, amortization of acquisition-related intangible assets, impact of divestitures, reinsurance adjustment and restructuring costs. Bank of Montreal provides supplemental information on combined business segments to facilitate comparisons to peers.

Certain information contained in BMO's Management's Discussion and Analysis dated December 3, 2021 for the fiscal year ended October 31, 2021 ("2021 Annual MD&A") is incorporated by reference into this document. Quantitative reconciliations of non-GAAP and other financial measures to the most directly comparable financial measures in BMO's financial statements for the fiscal year ended October 31, 2021, 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, as well as the effects of changes in exchange rates on BMO's U.S. segment reported and adjusted results, can be found in the Non-GAAP and Other Financial Measures section of the 2021 Annual MD&A and BMO's Fourth Quarter 2021 Earnings Release. Further information regarding the composition of our non-GAAP and other financial measures is provided in the Glossary of Financial Terms section of the 2021 Annual MD&A. The 2021 Annual MD&A is available on SEDAR at www.sedar.com.

December 3, 2021 / 8:00AM, Q4 2021 Bank of Montreal Earnings Call

PRESENTATION

Christine Viau – *Bank of Montreal – Head of Investor Relations*

Thank you, and good morning. Welcome to BMO's Fourth Quarter 2021 Results Presentation. We will begin the call with remarks from Darryl White, BMO's CEO; followed by Tayfun Tuzun, our Chief Financial Officer; and Pat Cronin, our Chief Risk Officer.

Also present to take questions today are Ernie Johannson from Canadian P&C; Dave Casper from U.S. P&C; Dan Barclay from BMO Capital Markets and Deland Kamanga from BMO Wealth Management. As noted on Slide 2, forward-looking statements may be made during this call, which involve assumptions that have inherent risks and uncertainties. Actual results could differ materially from these statements. I would also remind listeners that the bank uses non-GAAP financial measures to arrive at adjusted results. Management measures performance on a reported and adjusted basis and considers both to be useful in assessing underlying business performance. Darryl and Tayfun will be referring to adjusted results in their remarks unless otherwise noted as reported.

And with that, I'll turn the call over to Darryl.

Darryl White – *Bank of Montreal – CEO*

Thank you, Christine, and good morning, everyone.

The execution of our purpose-driven strategy and our diversified business mix continues to drive strong and consistent financial performance. Today, we announced earnings per share of $3.33 for the quarter and $12.96 for the year. We also announced a dividend increase of 25% to $1.33 per share and our intention to repurchase up to 22.5 million shares. Our robust earnings, very strong credit quality and CET1 ratio of 13.7%, position us well for continued growth and shareholder returns. We've taken targeted actions that build on the economic recovery and as a result, we delivered well-balanced performance this year. Pre-provision pre-tax earnings of $11.2 billion were up an industry-leading 19% for the year with double-digit growth in each operating group. Operating leverage was also industry-leading at 6%. At the same time, we've invested in sales capacity, marketing and award-winning digital capabilities that have attracted new customers and delivered a world-class experience.

At our Investor Day in the fall of 2018, we set forward bold commitments that built on our strong foundation to accelerate growth and further strengthen our competitive position, and we have delivered. Operating leverage has averaged 3.2% over the last 3 years, and we improved our efficiency ratio by 540 basis points since 2018 to 56.5%. Earnings contribution from our high-growth U.S. segment increased to 38% this year. We've achieved average EPS growth of 18.2% over the last 3 years, driven by average PPPT growth of over 11% and strong credit performance.

How we've achieved these results is critical. Each of our businesses are repositioned for stronger profitability. Focused expense management and resource allocation initiatives that began before the pandemic were critical to improving our overall efficiency and returns. We've taken targeted actions to scale back businesses where we were not positioned for long-term growth enabling us to invest further in our leading and integrated North American platform.

In line with our commitments, we held expenses flat for the last two years, excluding higher performance-based compensation this year, while we continued to invest strategically. We have momentum and strategies in place to do more. We're recommitting to our midterm performance objectives, including delivering positive operating leverage going forward. With an above target return on equity of 16.7%, our bank is stronger, more competitive and is creating real value for our shareholders.

I want to recognize our talented people who are driving these achievements. They are highly engaged and highly aligned team with a winning culture and an ambition to deliver the best service and advice to help our customers make real financial progress.

Looking ahead to 2022, the Canadian and U.S. economies have shown remarkable resilience and are expected to experience strong GDP growth. We're closely monitoring the impact of supply and labour shortages and energy prices in both countries, which may continue to lead to the higher inflation and higher interest rates. With this backdrop, I'm confident that we will build on the key strengths, which include our purpose-driven strategy, our diversified business mix, our strong U.S. presence, and our leading digital capabilities.

Strong consistent financial performance enables the bank to invest in improving the well-being of our employees, our customers, and our communities. We're acting with purpose and urgency on our long-standing commitments to support a thriving economy, a sustainable future, and an inclusive society. We continue to stand by our customers in challenging times. For those affected by the tragic events in British Columbia, we're offering relief programs and community support.

This year, we launched several programs aimed at breaking down barriers faced by minority businesses, communities, and families, including BMO EMpower in the U.S., where we have deployed over $2 billion of our $5 billion 5-year commitment. In Canada, we mobilized almost $1 billion towards our $12 billion commitment to finance affordable housing. Building on our Climate Ambition, we're advancing our commitment to serve as our clients' lead partner in the transition to a net zero world. Our Energy Transition Group provides knowledge, tools, and support, including research from BMO's Climate Institute as well as innovative, sustainable financing solutions for our clients.

This year, we joined the Net-Zero Banking Alliance supporting collaborative approaches between the public and private sectors to reach the goal of net zero by 2050. BMO is consistently recognized as a global leader in sustainability. And this year, we're proud to be one of only five Canadian companies included in the Dow Jones Sustainability World Index.

Turning to our businesses. Canadian P&C continues to deliver leading performance with strong customer loyalty, leading PPPT growth and improved efficiency. The introduction of innovative retail products, including our Visa Eclipse reward card and Family-bundle chequing account plans, easier mobile adoption and an expanded sales force are bringing new customers to BMO and driving market share gains in key areas of focus, including personal loans, retail deposits and credit cards. Rising levels of consumer spending and business investment are expected to support future growth.

Our strong commercial banking franchise on both sides of the border continues to add more customers and deepen relationships. We've added over $25 billion in commercial deposits this year, supported by our leading integrated North American treasury and payment solutions platform. Loan growth continues to gain momentum and is poised to accelerate as the economy grows and supply chain issues ease. BMO Wealth Management continues to be a key driver of our growth strategy with leading PPPT growth and a return on equity of 25%. Our advisers and private bankers are delivering a highly personalized best-in-class client experience with record high loyalty scores and we continue to enhance the value of our digital advice offerings, including BMO InvestorLine and adviceDirect. The completion of the sale of our EMEA asset management businesses in early November repositions us for growth in North America and supports further investment in 2022.

BMO Capital Markets continued to elevate performance this year, also showing leading PPPT growth and a return on equity of 19%. Our team ranked #1 in Canadian Equity Capital Markets league tables and played a continued leadership role in M&A, advising on several landmark transactions.

We've been steadily growing our presence in the United States. Three years ago, our combined U.S. businesses were contributing 28% of the bank's earnings with strong growth but an efficiency ratio above the overall bank. Today, contribution has increased to 38% with an efficiency ratio that is accretive at 55.8% and an increased return on equity of 15.8%. We've expanded, integrated, and repositioned our operations with retail, commercial and wealth and capital markets presence in 26 states, 13 national specialty commercial businesses and a digital banking platform with deposit-taking capabilities in all 50 states. Now with over 50% of revenues from outside the Midwest, we've never been better positioned for growth as the economy rebounds in 2022 and beyond.

BMO is future-ready. Our digital-first strategy is built for speed, efficiency, and scale, responding to the growth in demand for banking services that meet our customers where they are. Our significant investment in key technology partnerships enables us to provide customers with simple, digital, and personalized experiences that put them in control. Yet for us, digital isn't just a channel. It's the way we operate in every part of the business, driving loyalty, growth, and efficiency, freeing up more time for employees to do what they do best, give expert advice.

We're recognized for our innovation through capabilities like BMO Insights, which has delivered over 100 million personalized insights and alerts to help customers better manage their finances. We're a leader in digital retail sales with more than one-third of sales in Canada and one-quarter in the U.S. coming through our digital platforms.

To conclude, we remain optimistic about the economic recovery and have a robust plan in place to build on our momentum, capitalizing on the ongoing investments to drive growth while continuing to deliver positive operating leverage. We're committed to growing the good, championing an inclusive recovery for our customers, employees and communities and delivering long-term shareholder value.

I'll now turn it over to Tayfun to talk about the financial results and share some details on our outlook.

Tayfun Tuzun – *Bank of Montreal – CFO*

Thank you, Darryl. Good morning and thank you for joining us. My comments will focus on the fourth quarter results and start on Slide 12. Fourth quarter reported EPS was $3.23 and net income was $2.2 billion. Adjusting items this quarter include expenses of $52 million after tax related to the impact of divestitures. Details of adjusting items for the quarter and the year are shown on Slide 37. The remainder of my comments will focus on adjusted results.

EPS was $3.33 and net income was $2.2 billion, up from $1.6 billion from last year, driven by strong revenue growth across our businesses and continued strong credit performance, partially offset by higher expenses. Return on equity was strong at 16.5%, up from 12.6% in the prior year. Net revenue was $6.5 billion, up 8% from last year, with growth across each of our operating groups. Expenses increased 6%. Efficiency was 57.4%. Operating leverage was positive across each of our operating groups and positive 2.4% overall.

This quarter, we had a recovery in the provision for credit losses of $126 million, and Pat will speak to these in his remarks. Moving to the balance sheet on Slide 13. Average loans were up 3% year-over-year and up 5% excluding the impact of the weaker U.S. dollar. Business and government loans increased 2%, reflecting growth in our P&C businesses, partially offset by lower balances in BMO Capital Markets, including the declining non-Canadian Energy portfolio that we began winding down last year.

Additionally, on a period-end basis, balances were impacted by the deconsolidation of our customer securitization vehicle in the U.S., which reduced loans by approximately $4 billion and has no impact on revenue. Average customer deposits were up 7% year-over-year and 3% on a linked quarter basis, reflecting the highly liquid corporate and consumer balance sheets.

Turning to Slide 14. Net interest income was up 6% from last year and up 7% on an ex-trading basis, primarily driven by volume growth in Canadian P&C. Total bank net interest margin ex-trading was relatively stable from the prior quarter. On a sequential basis, margin was up 1 basis points in Canadian P&C and down 3 basis points in U.S. P&C, reflecting changes in balance sheet mix, primarily loan growth, partially offset by PPP loan payoffs.

Moving to our interest rate sensitivity on Slide 15. As shown on this slide, a 100-basis point rate shock is expected to benefit net interest income by $384 million over the next 12 months. The impact of a 25-basis point increase in short-term rates would add approximately $95 million to revenue over the next 12 months. These sensitivities assume no benefit to rising rates from surge deposits and the benefits to revenue would be significantly higher if we retain these deposits.

Turning to Slide 16. Non-interest revenue net of CCPB, was up 11% from the prior year and up 16% on an ex-trading basis, with increases across most categories. Sequentially, non-interest revenue net of CCPB was down 11%, and down 4% on an ex-trading basis, reflecting lower underwriting and advisory fees, net insurance revenue and lower gains on investments.

Moving to Slide 17. Expenses were up 6% from the prior year and up 2% quarter-over-quarter. Year-over-year expense growth reflected higher investment spend, including for marketing, sales force and technology and higher performance-based compensation. For the full year, excluding the impact of increased variable compensation, reflecting stronger performance, expenses were flat, reflecting ongoing efficiency initiatives.

Moving to Slide 18. Our capital position continued to strengthen with a Common Equity Tier 1 Ratio of 13.7%, up 30 basis points from the prior quarter, reflecting the impact of very strong internal capital generation. Source currency risk-weighted assets were higher quarter-over-quarter as business growth and an increase in market risk were partially offset by positive asset quality changes. We increased our first quarter dividend by $0.27 to $1.33 and expect to return to our historical trends of reviewing the dividend every other quarter. We also intend to establish a new NCIB to initiate share repurchases. The current strength of our capital position provides us with significant opportunity both to increase distribution of capital to shareholders and grow our business.

Moving to the operating groups and starting on Slide 19. Canadian P&C net income was $921 million, up from $648 million last year, reflecting pre-provision pre-tax earnings growth of 16%. Revenue was very strong and up 13% from the prior year with double-digit growth in both net interest income and non-interest revenue. Higher net interest income reflected good volume growth while non-interest revenue increased across most categories, including higher credit card-related revenue and investment gains in our commercial business. Expenses were up 10%, reflecting growth-oriented investments, including employee-related costs and investments in technology. Average loans were up 8% from last year and up 2% from the prior quarter, reflecting continued strength in residential lending and commercial loan growth. Deposits were up 7% year-over-year.

Moving to U.S. P&C on Slide 20. My comments here will speak to the U.S. dollar performance. Net income was $412 million compared to $254 million in the prior year. The strong results reflect double-digit growth in pre-provision, pre-tax earnings. Revenue was up 9% from last year, reflecting good growth in both net interest income and non-interest revenues. Expenses were up 6%, primarily due to higher employee and marketing costs. On the balance sheet, average loans were up 3% and up 7% excluding the impact of PPP loans. Compared to last quarter period end loans, excluding PPP, were up 3%. The PPP loans continue to pay down with approximately $1 billion remaining as of October 31. Average deposits increased 7% year-over-year.

Moving to Slide 21. Wealth Management had good results with net income of $373 million, up from 14% from the prior year. Traditional Wealth net income was $322 million, up 24%, reflecting higher revenue due to growth in client assets, including the benefit from stronger global markets. Insurance net income was $51 million compared to $67 million in the prior year. Expenses were up 9%, mainly due to higher revenue-based costs and investments in the business.

Turning to Slide 22. BMO Capital Markets had a strong quarter with net income of $541 million, up 40% from the prior year. Investment and Corporate Banking revenue was up 25% driven by strong advisory and underwriting revenue and higher gains on investments. Global Markets revenue declined, reflecting the market environment. Expenses were up 1%.

Turning now to Slide 23 for Corporate Services. The net loss was $127 million compared to a net loss of $86 million last year.

To conclude, we had strong operating performance in the fourth quarter and for the year. We exceeded each of our financial objectives demonstrating the benefits of our diversified business mix and active management of the business through the cycle. Looking ahead to 2022, we expect the economic environment to remain robust and revenues to benefit from increasing consumer and corporate activity. We also expect market conditions to be constructive for continued strength in market-driven fee income.

Average loan growth in our P&C businesses, excluding the PPP loans in the U.S. is expected to continue to accelerate and reach high single digits on a year-over-year basis. We expect total bank NIM, ex-trading, to remain relatively stable with upside if rates trend higher and if short rates rise faster during the year. The sale of our EMEA Asset Management business, which closed in November will not have a material impact on our net income while improving our CET1 ratio by approximately 30 basis points and supports BMO's strategic goal to enhance shareholder returns through more optimal capital and resource allocation. The transaction is expected to reduce total bank revenue by approximately 2% and expenses 3.5% next year. Overall, we expect our total expenses to remain flat, again, for the year as we reinvest for growth. Because of the ramp-up in our growth-oriented investments in the second half of 2021, the year-over-year quarterly expense growth trend is expected to decline each quarter after the first quarter.

We continue to make progress on our strategic priorities and are opportunistically investing in our businesses to deliver continued long-term growth in an improving economic environment, while maintaining our commitment to achieve positive operating leverage for the year. And with that, I will turn it over to Pat.

Pat Cronin – *Bank of Montreal – CRO*

Thank you, Tayfun, and good morning, everyone. We had very strong risk performance this fiscal year with sequential, quarterly improvement across many of our portfolio metrics and our overall credit profile. That strong risk performance, which continued in Q4 reflects the steady economic recovery during the year and the strong risk management discipline across the bank.

Starting on Slide 25. The total provision for credit losses was $20 million or 0 basis points in fiscal 2021, a notable decline from the elevated losses in the prior year. Impaired provisions for the year were $525 million or 11 basis points, down 66% from prior year. We recognized a release of $505 million from the performing loan provision in fiscal 2021 or 36% of the performing provision build during the pandemic in fiscal 2020.

Turning now to the current quarter on Slide 26. Q4 was another strong quarter and consistent with the strong year in terms of credit performance. Many of our key risk metrics return to levels equal to or better than pre-pandemic. That was reflected in the total provision for credit losses, which was a recovery of $126 million compared with a recovery of $70 million last quarter. Impaired provisions for the quarter were $84 million or 7 basis points, up slightly from $71 million or 6 basis points in the third quarter and well below pre-COVID levels. Similar to last quarter, the strong impaired loan performance is due to very low formations.

We recognized a release on the provision for performing loans of $210 million this quarter, which was mainly the result of an improving economic outlook and positive credit migration again this quarter, partially offset by loan growth. We do recognize the potential for issues like new COVID variants, supply chain challenges or inflation to affect future credit performance. However, the strong current condition of our credit portfolios and the measured approach we've taken to performing provision releases positions us well to either weather those issues or continue releasing our performing loan provisions should the economy progress in line with current consensus forecasts.

Turning to the impaired loan credit performance in the operating groups. We saw low loss provisions across most business segments again this quarter. In Canadian P&C, consumer impaired loan losses were $67 million, down 5 basis points from the prior quarter. And in U.S. P&C, consumer impaired losses were $6 million. This strong credit performance across our consumer businesses was driven by low delinquency rates and insolvencies.

In our commercial and corporate businesses, we also saw strong credit performance. In Canadian commercial, we reported an impaired loan provision of $22 million, up slightly from $15 million last quarter. Our U.S. commercial business had a $1 million net recovery on impaired loans, its second consecutive quarter of net recovery on impaired loans. Our Capital Markets business had excellent impaired loan credit performance this quarter with a net recovery of $9 million, its third consecutive quarter of net recovery on impaired loans. This performance was also driven mainly by very low formations.

On Slide 28, impaired formations were $295 million, and gross impaired loans declined by $261 million to 46 basis points. Both formations and the gross impaired loan rates are below pre-COVID levels and low compared to our last decade of performance. In terms of the outlook, we remain cautiously optimistic given the solid credit performance we've seen in the last year. And assuming economic growth continues in line with consensus estimates, we would expect further measured releases from our performing provision in the coming quarters.

As I said last quarter, we do expect our impaired PCL rate to drift slowly back up to a level more consistent with our pre-pandemic experience, which was consistently high teens to low 20s in terms of basis points. While it's difficult to predict the timing of when that level will be reached, based on what we're seeing today, I would expect the next quarter or 2 to remain low and then that normalization to start in the second half of the year and continue through fiscal 2023. I will now turn the call back to the operator for the question-and-answer portion of this call.

QUESTIONS AND ANSWERS

Gabriel Dechaine – *National Bank Financial, Inc.*

Securities gains. I know it was a pretty big topic of discussion last quarter, probably merits a question this quarter as well. So on the year, you had $600 million or so of securities gains. How much of that was in the Canadian P&C segment from that co-investment activity stuff? And more importantly, where do you think that's trending in 2022?

Tayfun Tuzun – *Bank of Montreal – CFO*

Gabriel, this is Tayfun. Thanks for the question. As we reminded you last time, this is not really a single business line for us. But -- and as you referred to, it's embedded in our Canadian P&C and our Capital Markets also. There's an investment in the U.S. related to Community Reinvestment Act. Again, as a reminder, this is really based on our client relationships, our investments alongside of our clients in different private equity funds and mid-market funds and we have a long history in this business. And obviously, the current market environment is helping us as well. In terms of the splits, between the Canadian P&C, Corporate section and the Capital Markets, more of this is in the Capital Markets business, about maybe 25% or so was in the Canadian P&C business and a larger portion comes from our Capital Markets business. And I think in terms of where it goes next year, we gave you some thoughts around what we expect. We expect the markets to remain robust. And as such, we would expect this line item to remain robust for 2022.

Gabriel Dechaine – *National Bank Financial, Inc.*

Okay. And then while I have you, the expense, a lot of guidance-type stuff was out there. I appreciate that. But did I hear you correctly, expense growth will be flat in 2022? And then would that be a byproduct of the EMEA business sales largely and obviously cost control. And what is this -- I didn't catch any PPPT guidance in all of this. Would mid- to high-single digit be the goal?

Tayfun Tuzun – *Bank of Montreal – CFO*

So yes, we are guiding for flat expenses in 2022. That's on top of flat expenses ex-variable compensation this year. So this is now based on our focus on expense management, we try to keep expenses flat. It does include the impact of the EMEA sale. In terms of PPPT growth, we gave some guidance on NIM, we gave some guidance on loan growth. And again, with the expectation that we have for robust market-driven fees, we would expect our PPPT to be in the mid-single-digit type area.

Doug Young – *Desjardins Securities Inc.*

Just first on capital. I mean it looks like positive credit migration, which you mentioned in your comments also had a decent impact on the CET1 ratio. And if I calculate the quality improvement over the last 5 quarters added about 86 basis points to the CET1 ratio. I'm just curious, is this all positive migration. And what else would be in there? Any additional colour? And is there more to go, I guess, is where I'm trying to go on this.

Pat Cronin – *Bank of Montreal – CRO*

Doug, it's Pat. I'll start and then maybe Tayfun can jump in. But yes, you've pretty much hit the nail on head. It's primarily credit quality coming from positive credit migration. We've seen net positive credit migration across the portfolio for the last 5 quarters in a row. Some quarters more than others but the last few have been particularly strong. It's been really broad-based and of late coming increasingly from the sectors that were hit from COVID. And in fact, when I look across the wholesale portfolio at least, we've actually migrated all the way back on average back to where we were pre-COVID. So most of the negative migration you would have seen through fiscal '20 has now come back. It's not equal across every sector or portfolio obviously. But on average, the portfolio has round-tripped back to about a net neutral position from a credit migration perspective.

Tayfun Tuzun – *Bank of Montreal – CFO*

Yes. And the only thing I would add is that strong earnings this year, obviously, have supported capital growth. We had 44 basis points of internal capital generation on top of, I think, last quarter was in the high 40s. So strong earnings have been a big impact on our capital ratio.

Doug Young – *Desjardins Securities Inc.*

And so, I'm a little slow here, but the EMEA sale 30 basis points, that's not in the CET 1 ratio now. Is that correct? And will be in Q1?

Tayfun Tuzun – *Bank of Montreal – CFO*

That's correct. You should see that most likely in the first quarter.

Doug Young – *Desjardins Securities Inc.*

Okay. So Pat, I guess or Darryl, your CET1 ratio is over 14%, I guess, by pro forma with the EMEA. What is the target and the focus for what looks like substantial excess capital. You put an NCIB and that looks like it's larger than your peers have put in. Obviously, M&A has been something you've talked about in the past. You seem pretty bullish on commercial loan growth. Can you prioritize how you think about putting that capital to work?

Darryl White – *Bank of Montreal – CEO*

Yes. Sure, Doug. I'll give you a crack at it. I mean there's a framework that we use. It's consistent with what I've talked about in the past. The first use of our capital is for our clients, and it's for organic growth, and we've got an optimistic outlook on the demand for that as we go through 2022. But as you pointed out, there's a lot of excess capital probably left after you consider that first bucket of demand. I think you saw we returned a fair bit of capital today through the dividend as well as the NCIB, which I think -- it's interesting, some of you, I think, will say you're leading on dividend increases and you're leading on NCIB. And some of you will say, well, you've got a lot of capital, why didn't you give more? And I get that. To that, Doug, I would say we use our guiding principles effectively around capital. And we think about building shareholder value through time. We think about keeping both strong capital levels and returning strong capital and returns through time.

We think about the client franchise. And we recognize that the strong balance sheet gives us the optionality, which creates strategic value through time. So it's all in the balance, Doug. We put all of those things in, and we think that the return of capital that we've announced today is pretty substantial, and it also provides us with the flexibility that I've just talked about. We build up that capacity over a long period of time, and you don't necessarily return it in an instant, but you give as much as you think is appropriate in the moment, and that's the place that we've come to, and I'm pretty comfortable with the landing spot.

Ebrahim Poonawala – *BofA Securities*

I guess just Tayfun following up on your expense comments around flat expenses year-over-year. A lot of discussion around inflation, wage pressures, et cetera. Just address that a little bit for us in terms of when we think about the expense outlook being flat in '22, how are inflationary costs impacting you? What are the incremental avenues for cost savings? And what are you assuming for Capital Markets revenue as part of the guidance?

Tayfun Tuzun – *Bank of Montreal – CFO*

Sure. I'll turn over the Capital Markets side to Dan, but let me address the expense question. Yes. I mean we obviously are aware of the market conditions. We continue to monitor both the markets as well as our numbers with respect to the impact of inflation. And in our plans, we do take into account potential upside on the inflation rate. At the moment, we're not necessarily observing significant impact on our numbers currently. We will continue to watch throughout the year. And we will give you updates if the inflation numbers exceed what we have in mind for the year. At the moment, I don't believe that it's necessarily going to have a huge impact because we also have other expense management actions that we can take to neutralize any potential impact of higher than expected inflation. Dan, on the revenue side for Capital Markets.

Dan Barclay – *Group Head, BMO Capital Markets*

I think this year was very gratifying for the Capital Markets business, to see the choices that we've made over the last few years really pay off, whether that's in technology, portfolio choice, acquisitions, and investments. And really has an opportunity that has reset the business as we look at it. As we focus out in '22, obviously, we believe there's going to be constructive markets throughout the year. We are continuing to make investments to look for market share growth. Pipelines are very, very strong. Momentum coming into the beginning of the year is exceptional. And so when we look out over the year, and I think I'll do it through PPPT, we're expecting continued performance like we saw in '21, and that would be in the low $6 to mid-$600 million range for Capital Markets going forward.

Ebrahim Poonawala – *BofA Securities*

Got it. And just as a separate question, if I could, give us some colour around strong loan growth outlook, both it feels like in Canada and the U.S. How much of that is incumbent on supply chains improving versus just market share gains via hiring, et cetera. Give us some perspective on that and what you're seeing, if there are any particular areas within the economy that's driving loan growth for you as you think about maybe the first half of next year?

Dave Casper – *Bank of Montreal - CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

This is Dave. So we haven't seen any real pickup in the issues you talked about, and yet we've had good loan growth. So we still have supply chain issues. We think those will get better over the year. So our loan growth to date has been new customers, a really good mix and continue to expand, both in Canada and the U.S. So next year, we do think that there will be, I think over the year, supply chain improvements, which will be a good tailwind for us. Remember, too, we have -- one of our big businesses is our financing of dealers, both auto dealers and truck dealers. That's been a real negative for the last probably 5 or 6 quarters. That's probably cost us 2% of growth. And there will be a time -- I think it will be some time in 2022 when there's actually cars and trucks on the dealers' lots. And that's a real positive for us when that happens.

But meanwhile, we're not waiting for that. We continue to see good growth. The economy at this point is still positive. Our clients are still growing. They're trying to keep up with -- they're trying to get the supply back to keep up with the demand. But in fact, they're doing that, but they're just not catching up yet. There are still backlogs there. And our backlogs, both in Canada and the U.S., are very, very strong, just as Dan said, the momentum is very, very positive. Pipelines are up over last year and quarter-over-quarter. And we're going into new geographies of the U.S. So I think I'm pretty positive despite some of the issues that we've seen. I think those will work their way through, and we're going to continue to work our way through as well. That help?

Ebrahim Poonawala – *BofA Securities*

That was helpful. And Dave, anything tied to on the deposit side. You had the partnership with Google, with Google pulling out of that. Does that change what you're thinking digitally in terms of deposit growth in the U.S.

Ernie Johannson – *Bank of Montreal – Group Head, N.A. Personal & Business Banking*

It's Ernie. Thanks for the question. As we've been doing for a while now, we've been acquiring deposits in 50 states, and we continue to do that. We have had record success in the U.S. on acquiring checking accounts and savings accounts digitally. So with the Google exit or not that having that partnership, we're continuing to build our capabilities and we continue to gather deposits. So we're on course to continue to grow our deposit business in the U.S., particularly as the lending improves as well, we'll be funding that through the retail deposit growth. So steady on ahead and very pleased with our growth overall as we continue to operate digitally in that market.

Paul Holden – *CIBC Capital Markets*

Just a couple of follow-up questions on those recent topics. So first one, on the supply chain constraints. So that 2% impact you gave for the inventory financing for auto and truck is interesting. Maybe you can give us more holistic perspective across all your clients and sort of ballpark how impactful this supply chain constraint has been.

Dave Casper – *Bank of Montreal - CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Well, let me just make sure you understand what I was talking about. A decent chunk of our business is in the dealer finance business. It's probably 5% or so and that has been down, and that's cost us. That's been down a lot, and that's cost us probably 2% overall loan growth, and that will come back as the cars and trucks start filling up on the lots. Across the board, though, the supply chain impacts as well as labour have been very significant, and they continue to be issues. And yet on both sides of the border, our clients have really worked through those and actually in remarkable ways. That's helped us in terms of, for example, equipment finance. There are more companies that are building up their automation. There are more companies that are bringing factories and equipment back onshore to deal with some of the supply chain issues that they have when they import.

And there is no specific, I would say, across the board, we've seen that be an impact. And I do see slight improvements in some of the sectors over time. There is a reduction in terms of the number of ships and containers that are sitting out in the ports in California. It's still high but it's getting better. And I think that will continue during the year, which I think is why we think there will be continued to pick up. That's what we're hearing from our clients. Nobody is super ecstatic about how quickly it will happen. But I think all of our -- most of our clients across industries feel that, that's going to get better in 2022.

Darryl White – *Bank of Montreal – CEO*

I'm going to jump on this as well. It's Darryl speaking, Paul, to see if I can help you with an overlay. It's a tough call, the question you're asking. But when you look at the commercial franchises and our Capital Markets clients and we cut through both the data and the anecdotes and the work that we're doing with all of them. I'd say relative to a couple of months ago, what you're hearing from Dave just now is the beginning of the easing of the supply chain constraints.

Remember, when you've got the simultaneous demand shock and supply shock, it creates a pretty immediate problem that doesn't get resolved immediately. But as you look at the various tools that are being used to address it, both from natural markets to intervention, to government support to trying to get some of those ships to go through the Panama Canal onto the East Coast and get the ports on the East Coast working faster, it's really hard, Paul, but if I'm a betting man, coupling that with the stories that we've got from our clients as we're starting to see a little bit of easing. I don't think we're going to be having this conversation in a year from now.

Paul Holden – *CIBC Capital Markets*

Okay. That's helpful. Maybe we'll ask for one specific data point, if I can, is kind of where you're sitting at in the U.S., specifically on commercial line of credit utilization. Do you have an update there?

Dave Casper – *Bank of Montreal - CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Yes, sure. Let me point out in the U.S., this quarter, we had 2% quarter-over-quarter growth. And if you extract out the PPP, it was 4%. So you're seeing really good momentum. And we really have not seen any increase in our utilization. So that's a combination of new clients growing, a good mix of businesses that we weren't in, in terms of geography a couple of years ago as we grow in the South and the West. But it isn't I guess this is a good news in the (inaudible), but it isn't because we've had a big increase in our utilization at all. And when we do, that's a positive tailwind for us.

Paul Holden – *CIBC Capital Markets*

Okay. Got it. And then last question I have for you. Is with respect to the deposit growth, what you've already seen historically and what your outlook is going forward, which is also positive. What that means for the disclosed interest rate sensitivity you provide, right, which doesn't really give benefit for funding mix change and that could be very impactful, as you know, in terms of NIM sensitivity, particularly relative to your prior funding mix. So wondering if you can quantify what it might mean at all or at least characterize it for us, that would be helpful.

Tayfun Tuzun – *Bank of Montreal – CFO*

Sure. This is Tayfun. I'll take that question. As you noted, it's clear deposits have stayed around much longer than any of us had expected. And our expectation is that we give you some numbers on Page 15, on the interest rate sensitivity slide, the disclosed numbers that we have here, it's $384 million, for a plus 100 basis points and $95 million for a plus 25 basis points would be significantly higher if we keep actually the surge deposits on our balance sheet, that $384 million number can easily be doubled. And with respect to if only the short-term rates move, we have actually a footnote here. As you can see, you would assume that, for example, in the first 25-rate move, we would be able to keep most, if not all, of those deposits. So that would add $130 million benefit to our NII. So as you noted, that there is significant upside in these numbers.

Meny Grauman – *Scotiabank Global Banking*

The question is on housing market or actually a housing policy. We're hearing policymakers talk more about risks in the Canadian housing market, especially the role of investors. It sounds like there might be some more rule changes coming down the line, one specifically related to HELOC. I'm wondering what your perspective is on that? Are we going to see rule changes? And what you expect the impact to be on your business, specifically related to HELOC in particular.

Ernie Johannson – *Bank of Montreal – Group Head, N.A. Personal & Business Banking*

It's Ernie. So obviously, we're very supportive of initiatives that are going to continue to stabilize the mortgage market, keep it healthy and strong in Canada. And we work closely with the regulators, OSFI, in particular, on these topics. And as they come up with new developments and new insights and policies, we work with them accordingly. As things emerge on this file, we'll continue to stay abreast of it. Our HELOC book, as you probably know, is small relative to the rest of our portfolio, but we continue to monitor and we'll adjust accordingly and ensure that our customers are able to get financing for houses and renovations accordingly. So nothing to report here yet.

Meny Grauman – *Scotiabank Global Banking*

And just to follow up on that, do you expect rule changes to happen? Is that your understanding that we're likely to see some rule changes in the mortgage market?

Ernie Johannson – *Bank of Montreal – Group Head, N.A. Personal & Business Banking*

At this point, too early to tell. So we're waiting.

Meny Grauman – *Scotiabank Global Banking*

Okay. And then just also on the policy front. Darryl, we're waiting for details on the bank tax and recovery dividend. How much of that weighs on your capital return decision? How big an impact does it have?

Darryl White – *Bank of Montreal – CEO*

Very little, Meny. At the end of the day, it has an impact if some of the proposals come through on earnings. But in the scheme of things, it's pretty minor and didn't come into play as we thought about our capital return very much at all.

Nigel D'Souza – *Veritas Investment Research Corp.*

I had a follow-up question for you on deposits. And we've seen deposits remain persistently elevated. I was wondering if you had a sense of what drivers could actually lead to a more accelerated deposit runoff? And do you think you'll actually get back to the pre-pandemic loan-to-deposit ratio? Or do you think operating regime where that loan-to-deposit ratio remain lower than what it ran at before.

Tayfun Tuzun – *Bank of Montreal* **–** *CFO*

I think what we have seen, it's a very good question, and it's the 1 that we actually think about quite a bit. What we have seen after every crisis is that an elevated level of liquidity remaining on corporate balance sheets as well as household balance sheets. And as such, my current expectation is that the loan-to-deposit ratio will compare to normalized levels will probably remain a bit lower than prior periods. What will probably drive the deposits out of the balance sheet is clearly investment opportunities, both on the corporate side. And then depending upon market moves and depending upon interest rate moves, you may see some outflows on the household side. But at the moment, we are not seeing any signs of that. They're still sticking around. Our expectation is that it will be a much longer period before we see significant signs of outflows on deposits. We obviously are utilizing any excess deposits to fund our loan growth, which as we guided you, we expect to reach high-single digits next year.

Nigel D'Souza – *Veritas Investment Research Corp.*

Okay. That's helpful. And if I could switch to another topic on how you think about credit risk. And with the emergence of the new variant for COVID-19, based on your experience during the pandemic, has that changed your approach to how you think about credit risk? And how you migrate loans across different stages under IFRS 9. For example, are you going to look at the impact more on a regional basis for your U.S. business now? Or do you still think of it as macro variables that drives credit loss modeling?

Pat Cronin – *Bank of Montreal – CRO*

Thanks for the question, Nigel. It's Pat. I would say at this point, we haven't made adjustments to our process for calculating allowance. As you know, we have an extremely robust process that served us well for many quarters now. And so we ran that exact same process this quarter. Where things like that start to come in really more in the overlays. And so as you can imagine, overlays are still a more meaningful part of the allowance than they would have been pre-COVID. And that's largely reflecting that uncertainty around things like new variants and the potential for increased restrictions. So that's largely factoring into the overlays at this point.

And as we see that uncertainty start to decline, and some of the unique impacts that the pandemic has had on particular sectors, you can expect to see that overlay start to come down. And that's our base case assumption over the course of the next couple of quarters, which is why we've been guiding to further releases on the performing provision.

Lemar Persaud – *Cormark Securities Inc.*

Maybe for Tayfun. I just want to come back to the discussion on expenses for 2022. I think based on the questions we've heard so far, it's fair to suggest that flat expense is a strong guidance of what wasn't an outsized expense growth year for 2021, particularly in the context that peers are talking about cost inflation, the resumption of some expense growth categories like last year COVID and also accelerated tech spend. So how do I gain confidence that BMO is making the appropriate investments in growth initiatives to remain competitive, not just for 2022, I'm talking like 2, 3, 5 years out.

Tayfun Tuzun – *Bank of Montreal* **–** *CFO*

Thanks for the question. We are quite confident that we are making all the growth-oriented investments into our company. When you look at, for example, in our P&C businesses, in our Capital Markets and in our Wealth Management, the growth in our sales force, the hiring that we are actually doing during the second half of '21, have executed and to a certain extent, continued hiring. And in addition to that 7%, 8% growth in our technology line would indicate that we are making all the right investments. And we have grown our marketing spend, I think, almost 50% compared to last year's fourth quarter. So this really is the result of the ability to maintain discipline on expenses is a result of previous efficiency initiatives that we have executed and the continued focus on making sure that every dollar spent in the company is a productive spend towards growth, and savings in areas where we actually have the ability to introduce technology or digitization and creating more efficient processes. So this is not a sign that we are underinvesting. I would argue that we actually have accelerated our investments over the last 2 years into growth-oriented projects in the company.

Darko Mihelic – *RBC Capital Markets*

I'm going to go right back to the expense discussion a little bit. If I think of you removing 3.5% of expenses because of the sale of your EMEA business and then think about normal course merit increases for your staff and inflation, that should exceed 3.5% for next year. So I believe you, Tayfun absolutely. What is underlying all of this is if you're going to continue spending on tech and people, there must be some cost removal that's going on next year. And it must be significant. And so I'm just wondering what's lingering from the restructuring. What kind of cost removal? I mean typically, historically, banks have said, yes, we're moving about $200 million of the cost base or whatever.

When I think of your expense base and the possibility of continued hiring, people on the ground, tech people and so on, I can envision a world where base expenses would be up next year, 6%. And so that must mean that somewhere in there, you were moving a significant chunk of your expense base. Can you give me any colour on what expenses are expected to be driven down to make up for all the investment that you're talking about?

Tayfun Tuzun – *Bank of Montreal – CFO*

Yes, absolutely. First of all, as you noted, the impact of the EMEA sales, the 3.5% type number is an important number because excluding that, our expenses would have gone up by 3.5%. So In addition to that, there is still going to be efficiencies in the way we utilize our real estate. There's going to be efficiencies in the way we create process improvements in our middle office and back-office functions, in our P&BB business, there's a significant effort going on converting service personnel into salesforce. So there is a number of individual actions that we are taking, including efforts to create a more efficient technology production environment.

We are making very impactful choices on the labour force and how we utilize our current labour force. So there is not one single item that would impact the numbers, but it is a collection of continued expense reduction initiatives that we are taking to be able to actually guide to a year-over-year flat expense guidance.

Darko Mihelic – *RBC Capital Markets*

Okay. I appreciate that. I guess it's just curious that peers don't seem to be able to do this. And I guess it runs the question and I'm a modeler and I have to model up to 2023. Is this something that you can continually do? Or is there at some point an acceleration of expense spend as we get beyond this year? Or do you see initiatives that can bleed all the way into 2023. And I'm asking you a lot, I realize that. But that's, I think, the concern that I have is I can model very flat expenses ex-variable comp. But can I do that for more than one year?

Darryl White *– Bank of Montreal – CEO*

I'm going to jump in here to see if I can help you, Darko. You are asking a lot, and that's fine. That's your job. Our job is to answer it. A lot of this has to do with where we came from, right? You'll remember the day where this was the bank that was well into the low 60s on our efficiency ratio. We came at that pretty hard. The momentum that that creates, and all the projects that we launched a few years ago, that doesn't stop in an instant. You've kind of driven a new ethos, a new culture through the place that goes right through the spine of the organization, and that will produce ongoing results. You layer on to that, the flat expense ex-variable compensation [this year]. Next year is, indeed, as you pointed out, flat net of the 3.5% pickup that we've got from EMEA. So there, you're basically asking if you're going to have an expense growth as a result of labour or otherwise above 3.5%. Where are you going to fund it? It's a sources and uses conversation, right? And so we're saying to you, we believe we still have ongoing sources in order to fuel those uses. And we believe that we can do that without any additional charge, by the way. I want to be clear on that as I have been in the past. And Tayfun has outlined some of them.

We just continue to challenge ourselves. We think there's more to do, and we don't think we're at the bottom of the barrel. By the way, your question is the right one. At what point do we say, all right, we are. I don't think you can kind of run this play forever. But what we know is we're not done because we can see a lot of things around us where we can continue to improve on the momentum. And then what we do Darko, is we flex that narrative depending on the environment. You saw what we did this year. We were very flat for the first couple of quarters. We saw an opportunity because we could when revenues were as good as they were in the last couple of quarters. And we invested. We invested in technology. We invested in sales force, and we invested in marketing. And that will give us a leg up, we think, on the growth outlook for next year. So we're pretty dynamic about all of this, and I'm very comfortable with the forecast that our CFO has laid out.

Darko Mihelic – *RBC Capital Markets*

Okay. Great. Darryl, that's helpful for sure. Just a real quick follow-up just on loan growth. I'll leave it open to anyone to answer this. But when I look at the commercial business, there are some categories that we are seeing an increase in exposure.

And I'm not worried about credit. But what I am thinking about is places like commercial real estate and financials, where are you bumping up against any sort of internal limits that would limit growth going forward? Or is that just not a concern at this point?

Pat Cronin – *Bank of Montreal – CRO*

Darko, I can start and maybe others can jump in. When we think about sector growth, our main issue is industry concentration. And we have, as you can imagine, a really detailed and robust process to set sector limits where we think we need to, based on the credit profile of that sector. And we review that on an ongoing basis, not just annually, that's a dynamic conversation that happens through the year, a function of current conditions and the opportunity set that's out there. But at the current moment, we don't see anything that would suggest that we're outsized in any particular sector. So at the moment, as a consequence, we don't see any restrictions at least from a risk perspective and a concentration perspective that would cap growth in any sector this quarter or this year.

Scott Chan – *Canaccord Genuity Corp.*

Tayfun, maybe on the non-interest revenue. I noticed that you had trading losses this quarter and pretty big gains last quarter. And maybe you can remind us what facets impact that? And do you manage that for positive gains, if we kind of model that out into fiscal 2022.

Dan Barclay – *Group Head, BMO Capital Markets*

I think I'm struggling a little bit with the question. I think from a trading point of view, you can look at the chart every quarter, we had a couple of minor trading days this quarter, which is normal in the volatility and very few for the year. And so I don't think there's any dynamic there where we're managing something. It's the day-to-day trading volatility that we have.

Scott Chan – *Canaccord Genuity Corp.*

Okay. And just moving on to Darryl. In your opening remarks, you talked about the EMEA sale closing post quarter. And you're going to use proceeds for further investment in your North American Wealth Management segment, which has several underlying entities beneath it. So I was wondering if you could help maybe elaborate on that point, maybe from a segment perspective and maybe from a geographic perspective in terms of U.S. and Canada for us.

Darryl White – *Bank of Montreal – CEO*

Scott, this is probably a great place to end it because Deland Kamanga, our new Group Head of Wealth Management is with us in the room. And while he wasn't responsible for the quarter because he came into the role on the first day of the new fiscal year, he is responsible for the future. And he's sitting here in the room with a smile on his face, so I'm going to ask him to come in and try and help with your questions.

Deland Kamanga – *Group Head, BMO Wealth Management*

For sure. Thanks a lot, Scott. And that's the gift that Joanna did give me it's a great opportunity for us to grow in a lot of places. So when you look at the numbers year-over-year, there are some areas, we've grown quite, quite well this year. So specifically in Canada with our mutual fund platform, you can see that, number two based on the IFIC data versus #5 last year. You can see that we also grew very well in our U.S. Wealth Management, that's like 60% NIAT year-over-year. We're going to double down in those areas. U.S. Wealth, we see huge opportunity for growth down there. Our Canadian mutual fund platform, we see huge growth. ETFs is another area that you've seen we've maintained #2 in ETFs and actually, this year, it's #1 in inflows. So we've got a lot of areas that we see continued growth, and we're going to continue to invest in those areas, adding to the sales force. So lots of opportunity in our core businesses.

Darryl White – *Bank of Montreal – CEO*

Okay. Thank you, operator, and thank you all of you for your questions. I'm going to conclude this morning with 4 key summary themes that we've been consistent on throughout the year and again today. Number one, our results for fiscal 2021 are very strong with leading PPPT growth and with ROE, EPS growth and operating leverage, all above our midterm targets. Number two, we've delivered on our expense and efficiency commitments. And as you heard today, we have strategies in place to do more. Number three, credit quality remains a differentiator and we believe it will continue to be. And number four, with our advantaged business mix that's primed for ensuing economic recovery and strong momentum we have in our business, I am confident that our purpose-driven strategy will deliver consistent financial performance, and we will do our part to enable an inclusive recovery for our customers and our communities. Thank you all for participating today. Enjoy the holiday season, and we look forward to speaking to you again in March.