Summary Quarterly Earnings Trends

BMO's results and performance measures for the past eight quarters are outlined on page 63.

BMO's quarterly earnings, revenue and expense are modestly affected by seasonal factors. Our second fiscal quarter has 89 days (90 in a leap year) and other quarters have 92 days, resulting in lower second-quarter results relative to other quarters due to fewer calendar days, and thus fewer business days. The fourth quarter can also have a higher level of expenses. The December holiday season also contributes to a slowdown in some activities. Quarterly earnings are also affected by foreign currency translation.

Reported and adjusted results have generally trended upwards over the past eight quarters, with the exception of the impact of elevated reinsurance claims on Wealth Management in the fourth quarter of 2017, and an investment write-down in the second quarter of 2016. Reported results were also impacted by restructuring charges in the fourth quarter of 2017 and the second quarter of 2016, a decrease in the collective allowance in the third quarter of 2017, and a cumulative accounting adjustment in the first quarter of 2016.

Canadian P&C delivered positive year-over-year net income growth in each of the last eight quarters, reflecting revenue growth driven by higher balances and non-interest revenue. Canadian P&C results in the first quarter of 2017 included a $168 million after-tax gain on sale. U.S. P&C growth in 2016 largely reflected the results of the acquired BMO Transportation Finance business. U.S. P&C results in 2017 reflect revenue and loan growth, partially offset by higher expenses and an increased provision for credit losses. Results also reflect an after-tax loss of $35 million on the sale of a portion of the indirect auto loan portfolio recognized in the first quarter of 2017. Wealth Management's results in the first half of 2016 were impacted by lower equity markets, improving in the second half of 2016. Equity markets in Canada were relatively flat in 2017, and rebounded in the fourth quarter of the year. Equity markets in the United States were strong throughout 2017. The fourth quarter of 2016 benefited from a gain on sale of an equity investment. Quarterly insurance results have been subject to variability, resulting primarily from impacts of interest rates, equity markets and reinsurance claims, as well as methodology and actuarial assumptions changes. BMO Capital Markets' results reflect continued momentum due to good results in 2016 and 2017, driven by performance from both Investment and Corporate Banking and Trading Products businesses in the current year, particularly in the United States. Corporate Services results can vary from quarter to quarter, in large part due to the inclusion of adjusting items, which are largely recorded in Corporate Services.

BMO's PCL measured as a percentage of loans and acceptances has been relatively stable, with some quarter-to-quarter variability. Overall, oil and gas provisions were lower in 2017. The decrease in the third quarter of 2017 was due to a decrease in the collective allowance, included in reported results, and the increase in the second quarter of 2017 was due to higher provisions in BMO Capital Markets and the P&C businesses.

The effective income tax rate can vary, as it depends on tax rates, tax laws and policy, and its interpretation by taxing authorities.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

Summarized Statement of Income and Quarterly Financial Measures

(Canadian $ in millions, except as noted)	**Q4-2017**	**Q3-2017**	**Q2-2017**	**Q1-2017**	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Net interest income	**2,535**	**2,533**	**2,409**	**2,530**	2,498	2,474	2,420	2,480
Non-interest revenue	**3,120**	**2,926**	**3,332**	**2,875**	2,780	3,159	2,681	2,595
Total revenue	**5,655**	**5,459**	**5,741**	**5,405**	5,278	5,633	5,101	5,075
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**573**	**253**	**708**	**4**	79	691	407	366
Revenue, net of CCPB	**5,082**	**5,206**	**5,033**	**5,401**	5,199	4,942	4,694	4,709
Provision for credit losses – specific (see below)	**208**	**210**	**259**	**173**	174	257	201	183
Provision for (recovery of) credit losses – collective	**–**	**(76)**	**–**	**–**	–	–	–	–
Non-interest expense	**3,369**	**3,278**	**3,276**	**3,379**	3,323	3,092	3,312	3,270
Income before provision for income taxes	**1,505**	**1,794**	**1,498**	**1,849**	1,702	1,593	1,181	1,256
Provision for income taxes	**278**	**407**	**250**	**361**	357	348	208	188
Reported net income (see below)	**1,227**	**1,387**	**1,248**	**1,488**	1,345	1,245	973	1,068
Acquisition integration costs (1)	**15**	**13**	**13**	**14**	21	19	16	15
Amortization of acquisition-related intangible assets (2)	**26**	**28**	**34**	**28**	29	31	31	33
Cumulative accounting adjustment (3)	**–**	**–**	**–**	**–**	–	–	–	62
Restructuring costs (4)	**41**	**–**	**–**	**–**	–	–	132	–
Decrease in the collective allowance for credit losses (5)	**–**	**(54)**	**–**	**–**	–	–	–	–
Adjusted net income (see below)	**1,309**	**1,374**	**1,295**	**1,530**	1,395	1,295	1,152	1,178
Operating group reported net income								
Canadian P&C reported net income	**624**	**614**	**531**	**743**	588	560	525	529
Amortization of acquisition-related intangible assets (2)	**1**	**1**	**–**	**1**	–	1	–	1
Canadian P&C adjusted net income	**625**	**615**	**531**	**744**	588	561	525	530
U.S. P&C reported net income	**280**	**278**	**248**	**260**	288	278	268	251
Amortization of acquisition-related intangible assets (2)	**11**	**11**	**12**	**12**	13	12	12	13
U.S. P&C adjusted net income	**291**	**289**	**260**	**272**	301	290	280	264
Wealth Management reported net income	**172**	**264**	**251**	**266**	279	201	134	147
Acquisition integration costs (1)	**–**	**–**	**–**	**–**	7	9	5	9
Amortization of acquisition-related intangible assets (2)	**14**	**15**	**21**	**15**	16	17	19	19
Wealth Management adjusted net income	**186**	**279**	**272**	**281**	302	227	158	175
BMO Capital Markets reported net income	**326**	**292**	**321**	**376**	392	317	287	257
Amortization of acquisition-related intangible assets (2)	**–**	**1**	**1**	**–**	–	1	–	–
BMO Capital Markets adjusted net income	**326**	**293**	**322**	**376**	392	318	287	257
Corporate Services reported net income	**(175)**	**(61)**	**(103)**	**(157)**	(202)	(111)	(241)	(116)
Acquisition integration costs (1)	**15**	**13**	**13**	**14**	14	10	11	6
Cumulative accounting adjustment (3)	**–**	**–**	**–**	**–**	–	–	–	62
Restructuring costs (4)	**41**	**–**	**–**	**–**	–	–	132	–
Decrease in the collective allowance for credit losses (5)	**–**	**(54)**	**–**	**–**	–	–	–	–
Corporate Services adjusted net income	**(119)**	**(102)**	**(90)**	**(143)**	(188)	(101)	(98)	(48)
Basic earnings per share ($)	**1.82**	**2.05**	**1.85**	**2.23**	2.03	1.87	1.46	1.59
Diluted earnings per share ($)	**1.81**	**2.05**	**1.84**	**2.22**	2.02	1.86	1.45	1.58
Adjusted diluted earnings per share ($)	**1.94**	**2.03**	**1.92**	**2.28**	2.10	1.94	1.73	1.75
Net interest margin on average earning assets (%)	**1.57**	**1.55**	**1.52**	**1.55**	1.57	1.58	1.61	1.58
PCL-to-average net loans and acceptances (annualized) (%)	**0.22**	**0.14**	**0.28**	**0.19**	0.19	0.29	0.23	0.21
Specific PCL-to-average net loans and acceptances (annualized) (%)	**0.22**	**0.22**	**0.28**	**0.19**	0.19	0.29	0.23	0.21
Effective tax rate (%)	**18.5**	**22.7**	**16.7**	**19.5**	21.0	21.9	17.6	15.0
Adjusted effective tax rate (%)	**19.3**	**22.5**	**17.1**	**19.8**	21.2	22.0	19.6	16.2
Canadian/U.S. dollar average exchange rate ($)	**1.2621**	**1.2974**	**1.3412**	**1.3288**	1.3216	1.3029	1.3016	1.3737

(1) Acquisition integration costs before tax are included in non-interest expense. Wealth Management amounts of: $nil in each of Q4-2017, Q3-2017, Q2-2017 and Q1-2017; $10 million in Q4-2016; $10 million in Q3-2016; $6 million in Q2-2016; and $12 million in Q1-2016. Corporate Services amounts of: $24 million in Q4-2017; $20 million in Q3-2017; $21 million in Q2-2017; $22 million in Q1-2017; $21 million in Q4-2016; $17 million in Q3-2016; $18 million in Q2-2016; and $10 million in Q1-2016.

(2) Amortization of acquisition-related intangible assets was charged to the non-interest expense of the operating groups. Canadian P&C amounts of: $nil in Q4-2017; $1 million in Q3-2017; $nil in Q2-2017; and $1 million in each of Q1-2017, Q4-2016 and Q3-2016; $nil in Q2-2016; and $1 million in Q1-2016. U.S. P&C amounts of: $16 million in each of Q4-2017, Q3-2017, Q2-2017 and Q1-2017; $17 million in Q4-2016; $16 million in Q3-2016; $17 million in Q2-2016; and $18 million in Q1-2016. Wealth Management amounts of: $18 million in Q4-2017; $17 million in Q3-2017; $26 million in Q2-2017; $19 million in Q1-2017; $19 million in Q4-2016; $22 million in Q3-2016; $23 million in Q2-2016; and $24 million in Q1-2016. BMO Capital Markets amounts of: $nil in Q4-2017; $1 million in each of Q3-2017, Q2-2017 and Q1-2017; $nil in Q4-2016; $1 million in Q3-2016; and $nil in each of Q2-2016 and Q1-2016.

(3) Cumulative accounting adjustment recognized in other non-interest revenue related to foreign currency translation that largely impacted prior periods.

(4) Restructuring charges before tax amounts included in non-interest expense in Corporate Services of $59 million in Q4-2017 and $188 million in Q2-2016.

(5) Adjustments to the collective allowance for credit losses before-tax amount of $76 million in Q3-2017 are recorded in Corporate Services provision for (recovery of) credit losses.

Caution

This Summary Quarterly Earnings Trends section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

In the opinion of Bank of Montreal management, information that is derived from unaudited financial information, including information as at and for the interim periods, includes all adjustments necessary for a fair presentation of such information. All such adjustments are of a normal and recurring nature. Financial ratios for interim periods are stated on an annualized basis, where appropriate, and the ratios, as well as interim operating results, are not necessarily indicative of actual results for the full fiscal year.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

Review of Fourth Quarter 2017 Performance

Reported net income was $1,227 million for the fourth quarter of 2017, down $118 million or 9% from the prior year. Adjusted net income was $1,309 million, down $86 million or 6% from the prior year. Adjusted results for the quarter exclude a restructuring charge of $59 million ($41 million after-tax) and the amortization of acquisition-related intangible assets of $34 million ($26 million after-tax), which were charged to the non-interest expense of the operating groups, and acquisition integration costs of $24 million ($15 million after-tax), which were primarily recorded in non-interest expense. Acquisition integration costs related to the acquired BMO Transportation Finance business were charged to Corporate Services.

Reported EPS of $1.81 was down $0.21 or 10%, and adjusted EPS of $1.94 was down $0.16 or 8% from the prior year. Net income this quarter included claims of $112 million in our reinsurance business largely resulting from the impact of hurricanes Irma, Maria and Harvey, which reduced earnings per share by $0.17 and net income growth by approximately 8%.

Summary income statements and data for the quarter and comparative quarters are outlined on page 63.

The combined Personal and Commercial banking business reported net income of $904 million and adjusted net income of $916 million were both up 3%, or 5% excluding the impact of the weaker U.S. dollar, from the fourth quarter a year ago. Canadian P&C reported net income of $624 million increased $36 million or 6% and adjusted net income of $625 million increased $37 million or 6% due to higher balances across most products and higher net interest margin, partially offset by higher expenses and an increased provision for credit losses. On a Canadian dollar basis, U.S. P&C reported and adjusted net income both decreased 3% due to the weaker U.S. dollar. On a U.S. dollar basis, U.S. P&C reported and adjusted net income both increased $5 million or 2%, mainly due to higher deposit revenue and increased commercial loan volumes, partially offset by loan spread compression and higher expenses. Wealth Management reported net income of $172 million and adjusted net income of $186 million both decreased 38%. Elevated reinsurance claims in the fourth quarter of 2017 and a gain on sale of an equity investment in the fourth quarter of 2016 had a negative impact of 52% on reported net income growth and 48% on adjusted net income growth. Traditional wealth reported net income was $189 million compared to $201 million in the prior year, and adjusted net income was $203 million compared to $224 million, as improved equity markets and business growth, including higher deposit and loan revenue, were more than offset by the gain on sale of an equity investment in the fourth quarter of 2016. Insurance reported a net loss of $17 million due to the elevated reinsurance claims in the fourth quarter of 2017, partially offset by the benefits from favourable market movements and the impact of investment portfolio related changes. This compared to insurance net income of $78 million in the prior year. BMO Capital Markets reported and adjusted net income of $326 million both decreased $66 million or 17% from record performance in the fourth quarter of 2016, primarily due to lower revenue in our Investment and Corporate Banking business, higher expenses, and a higher provision for credit losses. Corporate Services adjusted results increased due to lower expenses, in part due to a gain on the sale of an office building, and higher revenue excluding teb, partially offset by lower credit recoveries. Corporate Services reported results increased due to the net impact of the drivers noted above, partially offset by the restructuring charge.

Total revenue of $5,655 million increased $377 million or 7% from the fourth quarter a year ago. Total revenue, net of CCPB, of $5,082 million decreased $117 million or 2%, or 1% excluding the impact of the weaker U.S. dollar. Net revenue included elevated reinsurance claims of $112 million. Canadian P&C revenue increased 5%, mainly due to higher balances across most products, higher net interest margin and higher non-interest revenue. U.S. P&C revenue decreased 2% on a Canadian dollar basis due to the impact of the weaker U.S. dollar. U.S. P&C revenue increased 3% on a U.S. dollar basis, driven by higher deposit revenue and increased commercial loan volumes, net of loan spread compression and lower non-interest revenue. Traditional wealth revenue was relatively unchanged, as improved equity markets and business growth, including higher deposit and loan revenue in the fourth quarter of 2017, were offset by a gain on sale of an equity investment in the fourth quarter of 2016. Net insurance revenue was $42 million, compared to $136 million in the prior year, due to the elevated reinsurance claims, partially offset by benefits from favourable market movements and the impact of investment portfolio related changes. BMO Capital Markets revenue decreased 4%, as Investment and Corporate Banking revenue decreased from a particularly strong quarter last year, primarily due to lower mergers and acquisitions advisory activity and lower net securities gains, partially offset by higher corporate banking-related revenue. Trading Products revenue was largely unchanged from the prior year. Corporate Services revenue decreased due to a higher group teb adjustment, partially offset by higher revenue excluding teb.

Net interest income increased $37 million or 2% to $2,535 million, or 3% excluding the impact of the weaker U.S. dollar, primarily due to higher deposit spreads in the Personal and Commercial banking businesses, partially offset by lower net interest income from certain trading businesses. Average earning assets increased $11.2 billion or 2% to $642.5 billion, or 4% excluding the impact of the weaker U.S. dollar, due to higher securities and loan growth. BMO's overall net interest margin of 1.57% was flat compared to the prior year. Net interest margin (excluding trading) improved 4 basis points from the prior year to 1.91%, primarily driven by higher deposit spreads in the Personal and Commercial banking businesses.

Net non-interest revenue of $2,547 million decreased $154 million or 6%, or 4% excluding the impact of the weaker U.S. dollar, mainly due to the elevated reinsurance claims in the fourth quarter of 2017, a gain on sale of an equity investment in the prior year and lower underwriting and advisory fees.

Gross insurance revenue increased $396 million from a year ago, largely due to decreases in long-term interest rates increasing the fair value of insurance investments in the fourth quarter of 2017 compared to increases in long-term interest rates decreasing the fair value of insurance investments in the fourth quarter of 2016 and higher annuity sales. These fair value changes are largely offset by changes in the fair value of policy benefit liabilities, the impact of which is reflected in insurance claims, commissions and changes in policy benefit liabilities, as discussed below.

The total provision for credit losses was $208 million, an increase of $34 million from the prior year, due to higher provisions in BMO Capital Markets, Corporate Services and Canadian P&C. There was no net change to the collective allowance in the quarter.

Insurance claims, commissions and changes in policy benefit liabilities (CCPB) were $573 million in the fourth quarter of 2017, up $494 million from $79 million in the fourth quarter of 2016 due to decreases in long-term interest rates increasing the fair value of policy benefit liabilities compared to increases in long-term interest rates in the fourth quarter of 2016 decreasing the fair value of policy benefit liabilities, elevated reinsurance claims and the impact of higher annuity sales. The increases related to the fair value of policy benefit liabilities and annuity sales were largely offset in revenue.

Reported non-interest expense of $3,369 million increased $46 million or 1% from the fourth quarter a year ago. Adjusted non-interest expense of $3,252 million decreased $3 million. Adjusted non-interest expense increased 2% excluding the impact of the weaker U.S. dollar. Adjusted non-interest expense excludes a restructuring charge in the fourth quarter of 2017 and acquisition integration costs and the amortization of acquisition-related intangible assets in both quarters. Higher technology costs and professional fees were largely offset by a gain on the sale of an office building in the quarter and lower employee-related expenses.

The provision for income taxes of $278 million decreased $79 million from the fourth quarter of 2016. The effective tax rate for the quarter was 18.5%, compared with 21.0% a year ago. The adjusted provision for income taxes of $313 million decreased $62 million from a year ago. The adjusted effective tax rate was 19.3% in the fourth quarter of 2017, compared with 21.2% a year ago. The lower reported and adjusted tax rates in the fourth quarter of 2017 relative to the fourth quarter of 2016 were primarily due to higher tax-exempt income from securities. On a teb basis, the reported effective tax rate for the quarter was 27.1%, compared with 26.3% a year ago. On a teb basis, the adjusted effective tax rate for the quarter was 27.2%, compared with 26.3% a year ago.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

2016 Financial Performance Review

The preceding discussions in the MD&A focused on our performance in fiscal 2017. This section summarizes our performance in fiscal 2016 relative to fiscal 2015. As noted on page 26, certain prior-year data has been reclassified to conform to the presentation in 2017, including restatements arising from transfers between operating groups. Further information on restatements is provided on page 46.

Net Income

Net income was $4,631 million in 2016, up $226 million or 5% from the previous year. Adjusted net income excludes restructuring costs, the amortization of acquisition-related intangible assets, acquisition integration costs and a negative cumulative accounting adjustment related to foreign currency translation that largely impacted prior periods. Adjusted net income was $5,020 million, up $339 million or 7%. On a reported and adjusted basis, higher revenue exceeded incremental costs, contributing to growth in net income, as discussed below. There was a higher provision for credit losses and a higher effective income tax rate.

Return on Equity

Reported ROE was 12.1% and adjusted ROE was 13.1% in 2016, compared with 12.5% and 13.3%, respectively, in 2015. ROE declined in 2016, primarily due to growth in common equity exceeding growth in income. There was an increase of $219 million or 5% in net income available to common shareholders and $332 million or 7% in adjusted net income available to common shareholders in 2016. Average common shareholders' equity increased $2.9 billion or 8% from 2015, primarily due to increased retained earnings and the impact of the stronger U.S. dollar on our investments in foreign operations. The reported return on tangible common equity (ROTCE) was 15.3%, compared with 15.8% in 2015 and adjusted ROTCE was 16.1%, compared with 16.4% in 2015.

Revenue

Revenue, net of CCPB, increased $1,409 million or 8% to $19,544 million. Adjusted revenue differs from reported revenue largely due to a negative cumulative accounting adjustment recognized in 2016 in other non-interest revenue. Adjusted revenue, net of CCPB, increased $1,491 million or 8% to $19,628 million, or 6% excluding the impact of the stronger U.S. dollar. Reported and adjusted revenue increased due to revenue growth in the P&C businesses, which benefited from the acquired BMO Transportation Finance business and organic growth, and in BMO Capital Markets, with a decrease in Wealth Management and Corporate Services.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities were $1,543 million in 2016, up $289 million from $1,254 million in 2015 due to lower long-term interest rates increasing the fair value of policy benefit liabilities and the impact of growth in the underlying business, partially offset by decreased reinsurance liabilities. The increase was largely offset in revenue.

Provision for Credit Losses

The provision for credit losses was $815 million in 2016, up from $612 million in 2015, due to higher provisions in the P&C businesses and BMO Capital Markets, partially offset by higher net recoveries in Corporate Services.

Non-Interest Expense

Non-interest expense increased $815 million or 7% to $12,997 million in 2016. Adjusted non-interest expense excludes restructuring costs, the amortization of acquisition-related intangible assets and acquisition integration costs. Adjusted non-interest expense increased $725 million or 6% to $12,544 million, or 4% excluding the impact of the stronger U.S. dollar. Reported and adjusted expenses increased primarily due to the impact of the acquired BMO Transportation Finance business and business growth and investment, partially offset by the benefits of divestitures and our focus on disciplined expense management.

Provision for Income Taxes

The provision for income taxes was $1,101 million in 2016, compared with $936 million in 2015. The reported effective tax rate in 2016 was 19.2%, compared with 17.5% in 2015. The adjusted provision for income taxes(1) was $1,249 million in 2016, compared with $1,025 million in 2015. The adjusted effective tax rate in 2016 was 19.9%, compared with 18.0% in 2015. The change in the reported and adjusted tax rates from year to year was attributable to a higher proportion of income from higher tax rate jurisdictions and lower tax-exempt income from securities.

(1) The adjusted rate is calculated using adjusted net income rather than net income in the determination of income subject to tax.

Canadian P&C

Reported net income was $2,202 million in 2016, up $99 million or 5% from 2015. Adjusted net income, which excludes the amortization of acquisition-related intangible assets, was $2,204 million, up $97 million or 5%. Revenue increased $330 million or 5% to $6,969 million, mainly driven by higher balances and increased non-interest revenue. The provision for credit losses increased $46 million or 9% to $542 million, due to higher provisions in both the consumer and commercial portfolios. Non-interest expense was $3,464 million, up $122 million or 4% from 2015, primarily due to continued investment in the business, net of disciplined expense management. Adjusted operating leverage was consistently positive throughout 2016, demonstrating the benefits of revenue growth and actions we took to contain expenses.

U.S. P&C

Reported net income of $1,085 million increased $248 million or 30% from 2015. Adjusted net income, which excludes the amortization of acquisition-related intangible assets, was $1,135 million, up $245 million or 27%. Revenue grew $1,025 million or 28% to $4,657 million. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income of $819 million increased $152 million or 23% from 2015. Adjusted net income of $856 million increased $147 million or 21%, primarily due to the acquired BMO Transportation Finance business, which contributed approximately 14% to both revenue and expenses in the year, and organic growth. Revenue of $3,516 million increased $622 million or 21%, primarily due to the benefit of the acquired BMO Transportation Finance business, as well as organic loan and deposit growth, improvements in deposit spreads and higher commercial lending and treasury management fees, net of loan spread compression and lower mortgage banking revenue. The provision for credit losses of $194 million increased $99 million or 104% from 2015, largely reflecting higher commercial provisions, mainly due to the acquired BMO Transportation Finance business. Non-interest expense of $2,193 million increased $287 million or 15% and adjusted non-interest expense of $2,141 million increased $290 million or 16%, largely due to the acquired BMO Transportation Finance business.

Wealth Management

Reported net income was $761 million in 2016, compared to $849 million in 2015. Adjusted net income, which excludes the amortization of acquisition-related intangible assets and acquisition integration costs, was $862 million in 2016, compared to $954 million in 2015. Traditional wealth reported net income was $539 million, compared to $609 million in 2015. Adjusted net income in traditional wealth was $640 million, compared to $714 million in 2015, as solid underlying growth was more than offset by the prior-year benefits of a gain on the sale of BMO's U.S. retirement services business, as well as the write-down of an equity investment net of a gain on its subsequent sale in 2016. Net income in insurance was $222 million in 2016, compared to $240 million in 2015, primarily due to higher actuarial benefits in the prior year and above-trend benefits in 2015 from changes in our investment portfolio to improve asset-liability management, partially offset by growth in the underlying business. Revenue, net of CCPB, of $4,345 million was down $164 million or 4% from 2015, due to the factors noted above. Non-interest expense was $3,337 million, down $21 million or 1%. Adjusted non-interest expense was $3,211 million, down $13 million, as the impact of divestitures and the weaker British pound was partially offset by the impact of the stronger U.S. dollar and continued investment in the business.

BMO Capital Markets

Reported net income increased $244 million or 24% to $1,253 million from the prior year. Adjusted net income, which excludes the amortization of acquisition-related intangible assets, was $1,254 million, an increase of $243 million or 24%. Strong revenue performance was partially offset by higher expenses and higher loan loss provisions. Revenue increased $503 million or 13% to $4,338 million from the prior year. Excluding the impact of the stronger U.S. dollar, revenue increased $424 million or 11%, reflecting improved trading revenue performance, strong mergers and acquisitions advisory activity and higher lending revenue, partially offset by lower net securities gains and the sale of our municipal bond trading business. The provision for credit losses was $55 million higher than the prior year, mainly due to higher oil and gas provisions. Non-interest expense increased $94 million or 4% to $2,574 million. Excluding the impact of the stronger U.S. dollar, non-interest expense increased $34 million or 1%, reflecting our focus on disciplined expense management and the sale of our municipal bond trading business.

Corporate Services

Corporate Services reported net loss was $670 million in 2016, compared with a reported net loss of $393 million in 2015. Reported results in both years included a restructuring charge and acquisition integration costs. The adjusted net loss was $435 million in 2016, compared with an adjusted net loss of $281 million in 2015. Both reported and adjusted results declined due to lower revenue, driven by a recovery under a legal settlement in 2015, lower impaired real estate gains and lower purchase accounting revenue, partially offset by higher credit recoveries in 2016. Reported expenses increased, primarily due to higher acquisition integration costs related to the acquired BMO Transportation Finance business and higher restructuring costs in 2016, and reported revenue was lower in 2016 due to a negative cumulative accounting adjustment related to foreign currency translation that largely impacted 2015.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.