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. For example, 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. 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 a charge related to a revaluation of our U.S. net deferred tax asset in the first quarter of 2018 and the impact of elevated reinsurance claims in Wealth Management in the fourth quarters of 2017 and 2018. Reported results were also impacted by a benefit of an employee future benefit liability in the fourth quarter of 2018, restructuring charges in the second quarter of 2018 and the fourth quarter of 2017, and a decrease in the collective allowance in the third quarter of 2017.

Canadian P&C delivered positive year-over-year net income growth in seven of the past eight quarters, largely reflecting revenue growth driven by higher balances and an increase in non-interest revenue. Results also reflect a $168 million after-tax gain on sale recognized in the first quarter of 2017. U.S. P&C performance in 2018 was largely driven by deposit growth from higher interest rates and volumes, good growth in loan volumes, the benefit of U.S. tax reform and lower credit losses. U.S. P&C results in the first quarter of 2017 also included an after-tax loss of $35 million on the sale of a portion of the indirect auto loan portfolio. Wealth Management delivered good net income performance in 2017 and 2018. In traditional wealth, growth across our diversified businesses also benefited from relatively good performance in North American equity markets, notwithstanding a correction experienced in the fourth quarter of 2018. 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 in the second half of 2018 reflect improved performance following the impact of lower underwriting and advisory activity in the first half of the year. BMO Capital Markets' performance in 2017 was good, notwithstanding the impact of tax law changes with respect to certain clients in our equities business in the second half of the year. 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.

Effective the first quarter of 2018, the bank prospectively adopted IFRS 9. Under IFRS 9, we refer to the provision for credit losses on impaired loans and the provision for credit losses on performing loans. The provision for credit losses on impaired loans under IFRS 9 is consistent with the specific provision under IAS 39 in prior years. The provision for credit losses on performing loans replaces the collective provision for credit losses under IAS 39. Prior periods have not been restated. Refer to Note 4 on page 157 of the consolidated financial statements for an explanation of the provision for credit losses. As a result of the forward-looking nature of IFRS 9, we anticipate there will be increased variability in the bank's provision for credit losses on performing loans.

BMO's PCL measured as a percentage of loans and acceptances has been relatively stable, with some quarter-to-quarter variability. Overall, PCL on impaired loans was relatively stable in 2018. Total PCL increased in the third quarter of 2018, primarily due to a $9 million provision for credit losses on performing loans. Total PCL declined in the first quarter of 2018, primarily due to a $33 million recovery of credit losses on performing loans. The decrease in the third quarter of 2017 was due to a decrease in the collective allowance in our 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 has varied, as it depends on legislative changes, changes in tax policy, including their interpretation by taxing authorities and the courts, earnings mix, including the relative proportion of earnings attributable to the different jurisdictions in which we operate, and the amount of tax-exempt income from securities. The higher reported tax rate in the first quarter of 2018 due to the one-time non-cash tax charge related to a revaluation of our U.S. net deferred tax asset due to U.S. tax reform.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.

Summarized Statement of Income and Quarterly Financial Measures

(Canadian $ in millions, except as noted)	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Net interest income	2,669	2,607	2,491	2,546	2,535	2,533	2,409	2,530
Non-interest revenue	3,253	3,213	3,126	3,132	3,120	2,926	3,332	2,875
Revenue	5,922	5,820	5,617	5,678	5,655	5,459	5,741	5,405
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	390	269	332	361	573	253	708	4
Revenue, net of CCPB	5,532	5,551	5,285	5,317	5,082	5,206	5,033	5,401
Provision for credit losses on impaired loans (1)	177	177	172	174	na	na	na	na
Provision for (recovery of) credit losses on performing loans (1)	(2)	9	(12)	(33)	na	na	na	na
Total provision for credit losses (1)	175	186	160	141	202	126	251	167
Non-interest expense	3,224	3,386	3,562	3,441	3,375	3,286	3,284	3,385
Income before provision for income taxes	2,133	1,979	1,563	1,735	1,505	1,794	1,498	1,849
Provision for income taxes	438	443	317	762	278	407	250	361
Reported net income (see below)	1,695	1,536	1,246	973	1,227	1,387	1,248	1,488
Acquisition integration costs (2)	13	7	2	3	15	13	13	14
Amortization of acquisition-related intangible assets (3)	24	22	23	21	26	28	34	28
Restructuring costs (4)	–	–	192	–	41	–	–	–
Decrease in the collective allowance for credit losses (5)	–	–	–	–	–	(54)	–	–
U.S. net deferred tax asset revaluation (6)	–	–	–	425	–	–	–	–
Benefit from the remeasurement of an employee benefit liability (7)	(203)	–	–	–	–	–	–	–
Adjusted net income (see below)	1,529	1,565	1,463	1,422	1,309	1,374	1,295	1,530
Operating group reported net income								
Canadian P&C reported net income	675	642	590	647	624	613	530	744
Amortization of acquisition-related intangible assets (3)	1	–	1	–	1	1	–	1
Canadian P&C adjusted net income	676	642	591	647	625	614	530	745
U.S. P&C reported net income	372	364	348	310	270	268	240	249
Amortization of acquisition-related intangible assets (3)	11	12	11	11	11	11	12	12
U.S. P&C adjusted net income	383	376	359	321	281	279	252	261
Wealth Management reported net income	219	291	296	266	175	269	254	269
Amortization of acquisition-related intangible assets (3)	10	10	11	10	14	15	21	15
Wealth Management adjusted net income	229	301	307	276	189	284	275	284
BMO Capital Markets reported net income	298	301	286	271	316	281	311	367
Acquisition integration costs (2)	9	2	–	–	–	–	–	–
Amortization of acquisition-related intangible assets (3)	2	–	–	–	–	1	1	–
BMO Capital Markets adjusted net income	309	303	286	271	316	282	312	367
Corporate Services reported net income	131	(62)	(274)	(521)	(158)	(44)	(87)	(141)
Acquisition integration costs (2)	4	5	2	3	15	13	13	14
Restructuring costs (4)	–	–	192	–	41	–	–	–
Decrease in the collective allowance for credit losses (5)	–	–	–	–	–	(54)	–	–
U.S. net deferred tax asset revaluation (6)	–	–	–	425	–	–	–	–
Benefit from the remeasurement of an employee benefit liability (7)	(203)	–	–	–	–	–	–	–
Corporate Services adjusted net income	(68)	(57)	(80)	(93)	(102)	(85)	(74)	(127)
Basic earnings per share ($)	2.58	2.32	1.86	1.43	1.82	2.05	1.85	2.23
Diluted earnings per share ($)	2.57	2.31	1.86	1.43	1.81	2.05	1.84	2.22
Adjusted diluted earnings per share ($)	2.32	2.36	2.20	2.12	1.94	2.03	1.92	2.28
Net interest margin on average earning assets (%)	1.49	1.49	1.52	1.54	1.57	1.55	1.52	1.55
PCL-to-average net loans and acceptances (annualized) (%)	0.18	0.19	0.17	0.15	0.22	0.14	0.27	0.18
PCL on impaired loans-to-average net loans and acceptances (annualized) (%)	0.18	0.18	0.18	0.19	0.22	0.22	0.27	0.18
Effective tax rate (%)	20.6	22.4	20.3	43.9	18.5	22.7	16.7	19.5
Adjusted effective tax rate (%)	19.7	22.4	21.2	19.5	19.3	22.5	17.1	19.8
Canadian/U.S. dollar average exchange rate ($)	1.3047	1.3032	1.2858	1.2575	1.2621	1.2974	1.3412	1.3288

(1) Effective the first quarter of 2018, the bank prospectively adopted IFRS 9, *Financial Instruments* (IFRS 9). Under IFRS 9, we refer to the provision for credit losses on impaired loans and the provision for credit losses on performing loans. Prior periods have not been restated. Changes in the provision for credit losses on performing loans under this methodology will not be considered an adjusting item. The provision for credit losses in prior periods is comprised of both specific and collective provisions. Refer to the Changes in Accounting Policies section on page 121 for further details.

(2) Acquisition integration costs before tax are included in non-interest expense. BMO Capital Markets amounts of $12 million in Q4-2018 and $2 million in Q3-2018. Corporate Services amounts of $6 million in each of Q4-2018 and Q3-2018, $4 million in each of Q2-2018 and Q1-2018, $24 million in Q4-2017, $20 million in Q3-2017, $21 million in Q2-2017 and $22 million in Q1-2017.

(3) Amortization of acquisition-related intangible assets before tax is charged to the non-interest expense of the operating groups. Canadian P&C amounts of $1 million in Q4-2018, $nil in Q3-2018, $1 million in Q2-2018, $nil in both Q1-2018 and Q4-2017, $1 million in Q3-2017, $nil in Q2-2017 and $1 million in Q1-2017. U.S. P&C amounts of $15 million in each of Q4-2018 and Q3-2018, $14 million in Q2-2018, $15 million in Q1-2018, and $16 million in each of Q4-2017, Q3-2017, Q2-2017 and Q1-2017. Wealth Management amounts of $13 million in each of Q4-2018, Q3-2018, Q2-2018 and Q1-2018, $18 million in Q4-2017, $17 million in Q3-2017, $26 million in Q2-2017 and $19 million in Q1-2017. BMO Capital Markets amounts of $2 million in Q4-2018, $nil in Q3-2018, $1 million in Q2-2018, $nil in each of Q1-2018 and Q4-2017, and $1 million in each of Q3-2017, Q2-2017 and Q1-2017.

(4) Restructuring charges before tax amounts included in non-interest expense in Corporate Services of $260 million in Q2-2018 and $59 million in Q4-2017.

(5) In Q3-2017, the adjustment to the collective allowance for credit losses before tax amount of $76 million was excluded from the Corporate Services adjusted provision for (recovery of) credit losses.

(6) Charge due to the revaluation of our U.S. net deferred tax asset as a result of the enactment of the U.S. *Tax Cuts and Jobs Act*. For more information on the impact of the U.S. *Tax-Cuts and Jobs Act*, see the Provision for Income Taxes section on page 42.

(7) The current year included a benefit of $203 million after-tax ($277 million pre-tax) from the remeasurement of an employee benefit liability as a result of an amendment to our other employee future benefits plan for certain employees that was announced in the fourth quarter of 2018. This amount has been included in Corporate Services in non-interest expense.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.

Certain comparative figures have been reclassified to conform with the current period's presentation.

na – not applicable

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 27.

Review of Fourth Quarter 2018 Performance

Reported net income was $1,695 million for the fourth quarter of 2018, an increase of $468 million or 38% from the prior year. Adjusted net income was $1,529 million, up $220 million or 17% from the prior year. Adjusted results for the quarter exclude a benefit of $277 million ($203 million after-tax) from the remeasurement of an employee benefit liability, and the amortization of acquisition-related intangible assets and acquisition integration costs recorded in non-interest expense. A full list of adjusting items is included in the Non-GAAP Measures section on page 27.

Reported EPS of $2.57 was up $0.76 or 42% from the prior year. Adjusted EPS of $2.32 was up $0.38 or 19%. Results reflect strong growth in U.S. P&C, good performance in Canadian P&C and a lower loss in Corporate Services, partially offset by lower income in BMO Capital Markets. Wealth Management results increased, largely reflecting less elevated reinsurance claims in the current year.

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 $1,047 million and adjusted net income of $1,059 million were both up 17% from the prior year, or 16% excluding the impact of the stronger U.S. dollar. Canadian P&C reported net income of $675 million and adjusted net income of $676 million both increased $51 million or 8%, reflecting revenue growth and lower provisions for credit losses, partially offset by higher expenses. On a Canadian dollar basis, U.S. P&C reported net income of $372 million increased 37%, and adjusted net income of $383 million increased 36%. On a U.S. dollar basis, U.S. P&C reported net income of $285 million increased $71 million or 33%, and adjusted net income of $294 million increased $71 million or 31% from the prior year, due to good revenue growth and lower taxes from the benefit of U.S. tax reform and a favourable U.S. tax item, partially offset by higher expenses and higher provisions for credit losses. The benefit of U.S. tax reform was approximately $28 million in reported net income and $29 million in adjusted net income in the quarter. Wealth Management reported net income of $219 million increased $44 million or 25%, and adjusted net income of $229 million increased $40 million or 21%. Net income in the current quarter was impacted by elevated reinsurance claims and a legal provision. Traditional wealth reported net income of $192 million was unchanged and adjusted net income of $202 million decreased $4 million or 2%, as business growth and lower taxes were more than offset by a legal provision and higher expenses. Insurance net income of $27 million was below trend but increased $44 million from last year, primarily due to less elevated reinsurance claims in the current year, with this partially offset by unfavourable market movements in the current quarter relative to favourable market movements in the prior year. BMO Capital Markets reported net income of $298 million decreased $18 million or 6%, and adjusted net income of $309 million decreased $7 million or 2%, as higher Investment and Corporate Banking revenue and lower taxes were more than offset by higher expenses and lower Trading Products revenue. Corporate Services reported net income for the quarter was $131 million, compared with a net loss of $158 million in the prior year. The adjusted net loss for the quarter was $68 million, compared with an adjusted net loss of $102 million in the prior year. Adjusted results exclude a benefit of $203 million after-tax from the remeasurement of an employee benefit liability in the current year and a restructuring charge in the prior year, as well as acquisition integration costs in both periods. Adjusted results increased, mainly due to higher revenue excluding the teb adjustment and lower expenses. Reported results increased due to the impact of the adjusting items and the other drivers noted above.

Total revenue of $5,922 million increased $267 million or 5% from the fourth quarter a year ago. Total revenue, net of CCPB, of $5,532 million increased $450 million or 9%, or 8% excluding the impact of the stronger U.S. dollar. Canadian P&C revenue increased 4% due to higher balances across most products, increased non-interest revenue and higher margins. U.S. P&C revenue increased 11% on a Canadian dollar basis, and increased 8% on a U.S. dollar basis, mainly due to higher deposit revenue and increased loan volumes, net of loan spread compression. Traditional wealth revenue increased 3% due to business growth from higher deposit and loan revenue, net new client assets and higher equity markets on average, partially offset by a legal provision in the current year and the impact of the divestiture of a non-core business in the prior year. Insurance revenue, net of CCPB, of $79 million increased $36 million from the prior year, primarily due to less elevated reinsurance claims in the current year, with this partially offset by unfavourable market movements in the current quarter relative to favourable market movements in the prior year. BMO Capital Markets revenue increased 1%, and was relatively unchanged excluding the impact of the stronger U.S. dollar. Investment and Corporate Banking revenue increased, mainly due to higher corporate banking-related revenue, while underwriting and advisory revenue decreased slightly from a strong quarter a year ago. Trading Products revenue decreased, primarily due to softer interest rate trading and lower new equity issuances, partially offset by the impact of the acquisition of KGS-Alpha in the quarter. Corporate Services revenue increased due to a lower group teb adjustment and higher revenue excluding teb.

Net interest income of $2,669 million increased $134 million or 5% from the prior year, or 4% excluding the impact of the stronger U.S. dollar. Net interest income, excluding trading, increased $187 million or 7%, largely due to higher deposit and loan volumes in the P&C businesses. Average earning assets of $711.7 billion increased $69.1 billion or 11%, or 9% excluding the impact of the stronger U.S. dollar, due to loan growth, higher securities, higher securities borrowed or purchased under resale agreements and increased cash resources. BMO's overall net interest margin decreased 8 basis points, or 7 basis points on an excluding trading basis, primarily driven by lower spreads in BMO Capital Markets, mainly due to higher volumes of lower spread assets.

Net non-interest revenue of $2,863 million increased $316 million or 12%. Excluding trading revenue, net non-interest revenue increased $141 million or 6%, with increases in most non-interest revenue categories.

Gross insurance revenue decreased $144 million from the prior year, due to increases in long-term interest rates decreasing the fair value of investments in the current year, compared with decreases in long-term interest rates increasing the fair value of investments in the prior year and weaker equity markets in the current year, partially offset by 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 $175 million, a decrease of $27 million from the prior year. The provision for credit losses on impaired loans of $177 million decreased $25 million, primarily due to lower provisions in the P&C businesses and net recoveries in both BMO Capital Markets and Corporate Services, compared with provisions in the prior year. There was a decrease in credit losses on performing loans of $2 million, as net recoveries of credit losses in Canadian P&C, BMO Capital Markets and Corporate Services were largely offset by provisions in U.S P&C.

Insurance claims, commissions and changes in policy benefit liabilities were $390 million in the fourth quarter of 2018, a decrease of $183 million from the fourth quarter of 2017, due to the impact of increases in long-term interest rates decreasing the fair value of policy benefit liabilities in the current quarter, compared with decreases in long-term interest rates increasing the fair value of policy benefit liabilities in the prior year, less elevated reinsurance claims in the current year and the impact of weaker equity markets in the current year, partially offset by higher annuity sales. The changes related to the fair value of policy benefit liabilities and annuity sales were largely offset in revenue.

Reported non-interest expense of $3,224 million decreased $151 million or 4% from the fourth quarter in the prior year. Adjusted non-interest expense of $3,452 million increased $194 million or 6%, or 5% excluding the impact of the stronger U.S. dollar, largely reflecting higher employee-related expenses, including an acquisition, higher technology costs and a gain on sale of an office building in the prior year. Adjusted non-interest expense excludes a benefit of $277 million pre-tax in the current quarter from the remeasurement of an employee benefit liability, a restructuring charge of $59 million in the prior year and acquisition integration costs and the amortization of acquisition-related intangible assets in both periods.

The provision for income taxes of $438 million increased $160 million from the fourth quarter of 2017. The effective tax rate for the quarter was 20.6%, compared with 18.5% in the prior year. The adjusted provision for income taxes of $376 million increased $63 million from the prior year. The adjusted effective tax rate was 19.7% in the fourth quarter of 2018, compared with 19.3% in the prior year. The higher reported and adjusted effective tax rates in the current quarter relative to the fourth quarter of 2017 were primarily due to lower tax-exempt income from securities and changes in earnings mix, partially offset by a favourable U.S. tax item and the benefit of U.S. tax reform. On a teb basis, the reported effective tax rate for the quarter was 23.0%, compared with 27.1% in the prior year and the adjusted effective tax rate for the quarter was 22.5%, compared with 27.2% in the prior year.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.

2017 Financial Performance Review

The preceding discussions in the MD&A focused on our performance in fiscal 2018. This section summarizes our performance in fiscal 2017 relative to fiscal 2016. As noted on page 24, certain prior-year data has been reclassified to conform with the presentation in 2018, including restatements resulting from transfers between operating groups. Further information on these restatements is provided on page 44.

Net Income

Net income of $5,350 million increased $719 million or 16% in 2017, and adjusted net income of $5,508 million increased $488 million or 10% from 2016. Adjusted net income excludes a decrease in the collective allowance in 2017 and a negative cumulative accounting adjustment in 2016, as well as restructuring costs, the amortization of acquisition-related intangible assets and acquisition integration costs in both years. The impact of the weaker U.S. dollar on net income was not significant. Reported and adjusted net income growth reflected the benefits of good performance in Canadian P&C, Wealth Management and BMO Capital Markets. Corporate Services results were also higher, while results in U.S. P&C were relatively flat compared with 2016.

The impact of the following items on net income and net income growth in 2017 largely offset each other: a net gain of $133 million, reflecting a $168 million after-tax gain on the sale of Moneris US and a $35 million after-tax loss on the sale of a portion of the U.S. indirect auto loan portfolio; elevated insurance claims of $112 million in our reinsurance business, largely resulting from the impact of hurricanes Irma, Maria and Harvey; and the 2016 write-down of an equity investment net of a gain on its subsequent sale.

Return on Equity

Return on equity (ROE) was 13.3% and adjusted ROE was 13.7% in 2017, compared with 12.1% and 13.1%, respectively, in 2016. ROE increased in 2017, primarily due to growth in income exceeding growth in common equity. There was an increase of $692 million or 15% in net income available to common shareholders, and an increase of $461 million or 10% in adjusted net income available to common shareholders in 2017. Average common shareholders' equity increased $2.0 billion or 5% from 2016, primarily due to an increase in retained earnings, partially offset by lower accumulated other comprehensive income. The reported return on tangible common equity (ROTCE) was 16.3%, compared with 15.3% in 2016, and adjusted ROTCE was 16.5% in 2017, compared with 16.1% in 2016.

Revenue

Revenue, net of commissions and changes in policy benefit liabilities (CCPB), increased $1,178 million or 6% to $20,722 million in 2017. Adjusted revenue, net of CCPB, which excludes a negative cumulative accounting adjustment recorded in 2016 in non-interest revenue, increased $1,094 million or 6% to $20,722 million in 2017. Results were driven by good performance in Canadian P&C, Wealth Management and BMO Capital Markets.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities were $1,538 million in 2017, a decrease of $5 million from $1,543 million in 2016, with increases in long-term interest rates reducing the fair value of policy benefit liabilities in 2017, compared with reductions in long-term interest rates increasing the fair value of policy benefit liabilities in 2016. This was offset by the impact of higher annuity sales, elevated reinsurance claims and growth in the underlying business. The decrease related to the fair value of policy benefit liabilities and the increase related to annuity sales were largely offset in revenue.

Provision for Credit Losses

The provision for credit losses (PCL) was $746 million in 2017, a decrease from $771 million in 2016. There was a $76 million pre-tax decrease in the collective allowance in 2017, largely as a result of positive portfolio migration, which reduced the total provision for credit losses.

Non-Interest Expense

Non-interest expense increased $289 million or 2% to $13,330 million in 2017. Adjusted non-interest expense increased $447 million or 4% to $13,035 million in 2017. Adjusted non-interest expense excludes restructuring costs, the amortization of acquisition-related intangible assets and acquisition integration costs in both years. Reported and adjusted expenses increased, primarily due to higher employee-related expenses and an increase in technology costs, partially offset by our focus on disciplined expense management.

Provision for Income Taxes

The provision for income taxes was $1,296 million in 2017, compared with $1,101 million in 2016. The reported effective tax rate in 2017 was 19.5%, compared with 19.2% in 2016. The adjusted provision for income taxes(1) was $1,357 million in 2017, compared with $1,249 million in 2016. The adjusted effective tax rate in 2017 was 19.8%, compared with 19.9% in 2016. The effective tax rate differed from the statutory rate primarily because of tax-exempt income from securities.

Canadian P&C

Reported net income of $2,511 million increased $294 million or 13% during the year and adjusted net income of $2,514 million, which excludes the amortization of acquisition-related intangible assets, increased $295 million or 13% from 2016. Revenue increased $454 million or 7% to $7,443 million due to increased non-interest revenue, including the gain on sale of Moneris US in 2017, and higher balance across most products, partially offset by lower margins. The gain on the sale of Moneris US contributed approximately 8% to net income growth and 3% to revenue growth in 2017. The provision for credit losses decreased $23 million or 5% to $483 million, reflecting lower commercial and consumer provisions. Non-interest expense was $3,622 million, up $122 million or 4% from 2016, reflecting continued investment in the business, including a focus on our digital strategy and select sales force investments.

U.S. P&C

Reported net income of $1,027 million decreased $24 million during the year, and adjusted net income of $1,073 million decreased $28 million from 2016, due to the weaker U.S. dollar which decreased net income by 1% in 2017. Adjusted net income excludes the amortization of acquisition-related intangible assets. All amounts in the following paragraph are on a U.S. dollar basis.

Reported net income of $787 million and adjusted net income of $823 million in 2017 were both relatively flat compared with the prior year. Revenue of $3,535 million increased $55 million or 2%, primarily due to higher deposit revenue and increased loan volumes, net of loan spread compression and the impact of the loss on the sale of a portion of the indirect auto loan portfolio in 2017. The loss on the loan sale had a negative impact of approximately 3% on reported and adjusted net income growth and 1% on revenue growth in 2017. The provision for credit losses of $221 million increased $33 million or 18% from 2016, reflecting higher commercial provisions, partially offset by lower consumer provisions. Non-interest expense of $2,253 million increased $54 million or 2% during the year, and adjusted non-interest expense of $2,204 million increased $57 million or 3% from 2016, mainly due to higher technology investments and marketing costs.

Wealth Management

Reported net income of $967 million increased $192 million or 25% from 2016. Adjusted net income of $1,032 million, which excludes the amortization of acquisition-related intangible assets and acquisition integration costs, increased $156 million or 18%. Traditional wealth reported net income of $729 million increased $177 million or 32% from 2016. Adjusted net income in traditional wealth of $794 million increased $141 million or 22%, primarily due to higher income related to an increase in assets under management resulting from improved equity markets and the accumulation of net new client assets, growth in deposit and loan balances, which were up 11% and 10%, respectively, and the benefits of productivity initiatives. Traditional wealth also included a write-down of an equity investment net of a gain on its subsequent sale in 2016 that had a positive impact of 7% on reported net income, 6% on adjusted net income growth, and 1% on revenue growth in 2017. Net income in insurance of $238 million increased $15 million or 7%, as the benefits from favourable market movements in 2017 relative to unfavourable movements in 2016 and business growth were largely offset by elevated claims of $112 million in our reinsurance business in 2017, largely resulting from the impact of hurricanes Irma, Maria and Harvey. Revenue, net of CCPB, of $4,676 million increased $310 million or 7%, due to the factors noted above. The provision for credit losses was $8 million, compared with $9 million in 2016. Non-interest expense was $3,351 million, compared with $3,337 million in 2016, and adjusted non-interest expense was $3,271 million, compared with $3,211 million in 2016, reflecting higher revenue-based costs, partially offset by the impact of the weaker British pound and U.S. dollar, and divestitures.

BMO Capital Markets

Reported net income of $1,275 million increased $40 million or 3% from the prior year. Adjusted net income of $1,277 million, which excludes the amortization of acquisition-related intangible assets, increased $41 million or 3%, due to increased revenue and lower loan loss provisions, partially offset by higher expenses. The impact of the weaker U.S. dollar was not significant. Revenue of $4,569 million increased $255 million or 6%, due to higher levels of client activity in investment banking and loan growth, as well as solid performance in our Trading Products business. The provision for credit losses of $44 million decreased $37 million from the prior year, largely due to a decrease in new provisions, primarily in the oil and gas sector. Non-interest expense increased $204 million or 8% to $2,778 million due to continued investment in the business and higher employee-related costs.

Corporate Services

Corporate Services reported net loss was $430 million in 2017, compared with a reported net loss of $647 million in 2016. The adjusted net loss was $388 million in 2017, compared with an adjusted net loss of $412 million in 2016. Adjusted net loss excludes a decrease in the collective allowance in 2017 and a negative cumulative accounting adjustment in 2016, as well as restructuring costs and acquisition integration costs in both years. Adjusted net loss decreased due to higher revenue excluding teb adjustments, partially offset by lower credit recoveries. Reported net loss improved, mainly due to lower restructuring costs in 2017, the negative cumulative accounting adjustment in 2016, a decrease in the collective allowance in 2017, and the net impact of the drivers noted above.

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

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.