

## Q4 2025 Conference Call

### CORPORATE PARTICIPANTS

**Christine Viau**

*Head, Investor Relations*

**Darryl White**

*CEO*

**Tayfun Tuzun**

*CFO*

**Piyush Agrawal**

*CRO*

**Mat Mehrotra**

*Group Head, Canadian Personal & Business Banking*

**Sharon Haward-Laird**

*Group Head, Canadian Commercial Banking and North American Shared Services*

**Aron Levine**

*Group Head & President, BMO U.S.*

**Alan Tannenbaum**

*Group Head, Capital Markets*

**Deland Kamanga**

*Group Head, Wealth Management*

**Darrel Hackett**

*BMO U.S. CEO*

### CONFERENCE PARTICIPANTS

**Paul Holden** CIBC World Markets

**Ebrahim Poonawala** BofA Securities

**John Aiken** Jefferies

**Darko Mihelic** RBC Capital Markets

**Gabriel Dechaine** National Bank Financial

**Mario Mendonca** TD Securities

#### Caution Regarding Forward-Looking Statements

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 2026 and beyond; our strategies or future actions; our targets and commitments (including with respect to net zero emissions); expectations for our financial condition, capital position, the regulatory environment in which we operate, the results of, or outlook for, our operations or the Canadian, U.S. and international economies; 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", "outlook", "timeline", "suggest", "seek" and "could" or negative or grammatical variations thereof.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements, as a number of factors – many of which are beyond our control and the effects of which can be difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including, but not limited to: general economic and market conditions in the countries in which we operate, including labour challenges and changes in foreign exchange and interest rates; political conditions, including changes relating to, or affecting, economic or trade matters, including tariffs, countermeasures and tariff mitigation policies; changes to our credit ratings; cyber and information security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; technology resilience, innovation and competition; failure of third parties to comply with their obligations to us; disruptions of global supply chains; environmental and social risk, including climate change; the Canadian housing market and consumer leverage; inflationary pressures; changes in laws, including tax legislation and interpretation, or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, including if the bank were designated a global systemically important bank, and the effect of such changes on funding costs and capital requirements; changes in monetary, fiscal or economic policy; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which we operate; exposure to, and the resolution of, significant litigation or regulatory matters, our ability to successfully appeal adverse outcomes of such matters and the timing, determination and recovery of amounts related to such matters; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to successfully execute our strategic plans, complete acquisitions or dispositions and integrate acquisitions, including obtaining regulatory approvals, and realize any anticipated benefits from such plans and transactions; critical accounting estimates and judgments, and the effects of changes in accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; global capital markets activities; the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national or international economies, as well as their heightening of certain risks that may affect our future results; the possible effects on our business of war or terrorist activities; natural disasters, such as earthquakes or flooding, 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 further information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, liquidity and funding, operational non-financial, legal and regulatory compliance, strategic, environmental and social, and reputation risk in the Enterprise-Wide Risk Management section of BMO's 2025 Annual Management's Discussion and Analysis ("2025 Annual MD&A"), as updated by quarterly reports, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting shareholders and analysts in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Material economic assumptions underlying the forward-looking statements contained in this document include those set out in the Economic Developments and Outlook section of BMO's 2025 Annual MD&A, as well as in the Allowance for Credit Losses section of BMO's 2025 Annual MD&A, as updated by quarterly reports. 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 this document are presented on a generally accepted accounting principles (GAAP) basis. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from our audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. References to GAAP mean IFRS. We use a number of financial measures to assess our performance, as well as the performance of our operating segments, including amounts, measures and ratios that are presented on a non-GAAP basis, as described below. We believe that these non-GAAP amounts, measures and ratios, read together with our GAAP results, provide readers with a better understanding of how management assesses results.

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

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

Examples of non-GAAP amounts, measures or ratios include: pre-provision pre-tax income, tangible common equity, amounts presented net of applicable taxes, adjusted net income, revenues, non-interest expenses, earnings per share, return on equity, return on tangible common equity, and adjusted efficiency, operating leverage, growth rates and other measures calculated using adjusted results, which exclude the impact of certain items, such as acquisition and integration costs and amortization of acquisition-related intangible assets. BMO provides supplemental information on combined operating segments to facilitate comparisons to peers.

Certain information contained in BMO's Management's Discussion and Analysis (MD&A) as at December 3, 2025 for the period ended October 31, 2025 ("2025 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 period ended October 31, 2025, an explanation of how non-GAAP and other financial measures provide useful information to investors and any additional purposes for which management uses such measures, can be found in the Non-GAAP and Other Financial Measures section of the 2025 Annual MD&A. For further information regarding the composition of our supplementary financial measures, refer to the Glossary of Financial Terms section of 2025 Annual MD&A, which is available online at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations) and at [www.sedarplus.ca](http://www.sedarplus.ca).

## December 4, 2025 / 8:30AM, Q4 2025 Bank of Montreal Earnings Call

### PRESENTATION

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

Thank you and good morning. We will begin the call today with remarks from Darryl White, BMO's CEO; followed by Tayfun Tuzun, our Chief Financial Officer; and Piyush Agrawal, our Chief Risk Officer. Also present to answer questions are our Group Heads: Mat Mehrotra from Canadian Personal and Business Banking; Sharon Haward-Laird, Canadian Commercial Banking; Aron Levine, U.S. Banking; Alan Tannenbaum, BMO Capital Markets; Deland Kamanga, BMO Wealth Management; and Darrel Hackett, BMO U.S. CEO.

As our call will end by 9:30, and to give everyone a chance to participate, please limit your questions to one and requeue.

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.

I will now turn the call over to Darryl.

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**Darryl White** – *Bank of Montreal – CEO*

Thank you, Christine, and good morning everyone.

This morning we reported adjusted EPS of \$3.28 for the fourth quarter and \$12.16 for the year.

Fiscal 2025 was a strong year for BMO. We made meaningful progress against our financial and strategic commitments, strengthening profitability, delivering for our clients and supporting the communities we serve. At this time last year, we laid out specific financial commitments and a clear path – and through 2025 we delivered against each of those commitments with disciplined execution.

Here are some highlights:

Our top imperative is rebuilding our ROE, together with profitable earnings growth. These priorities are not mutually exclusive, but mutually reinforcing as we demonstrated in 2025.

We increased full-year ROE by 150 basis points from 9.8% to 11.3%, and we exited Q4 with momentum at 11.8%. At the same time, we delivered EPS growth of 26% and record net income of \$9.2 billion. We made progress across each of our four strategic levers. The most important driver was strong operating performance in each of our businesses, with PPPT up 18% for the year to \$15.8 billion.

We met our long-standing commitment to positive operating leverage, achieving 4% for the year. Operating leverage was positive in each segment, driven by disciplined expense management and solid revenue performance. Our efficiency ratio improved by 230 basis points to 56.3%.

Strength in risk management remains a core differentiator for BMO. As expected, impaired provisions moderated from the peak in Q4'24 to 44 basis points this quarter. We built allowances during the first half of the year to account for a slower economy and trade uncertainty, and we are well reserved for potential risks in the environment.

Finally, we're actively optimizing our capital position. Over the course of 2025 we returned over \$8 billion in capital to our shareholders through buybacks and dividends, and today we announced a dividend increase of 4 cents to \$1.67 per share, up 5% over last year. Our CET1 ratio of 13.3% remains above our target and we're maintaining steady execution of our share buyback program.

Our strategy is clear and consistent, and team BMO is executing with pace and momentum.

Our digital-first, AI powered strategy is reshaping how we operate to serve our clients while putting AI in the hands of everyone. To support this, we recently introduced a leading GenAI productivity tool to all BMO employees and award-winning learning modules to help them unlock the power of artificial intelligence, with over 80% active users.

We're creating value through strategic partnerships and investments we've made in data, risk governance, and talent that are accelerating our AI capabilities to realize even greater efficiencies and business growth. We've executed and captured benefits from GenAI tools like LUMI and Rovr, digital assistants that support our frontline employees, enabling faster customer advice and insights. We're the first Canadian bank to access the IBM Quantum Network and are actively using machine and reinforcement learning models in credit and capital markets and across the bank.

Turning to highlights in each of our businesses.

Starting with Wealth Management, our highest ROE business, which had a very strong year with record revenues and net income, driven by continued growth in client assets and constructive markets. Clients are rewarding us with more business as we continue to deliver competitive investment returns and innovative solutions to meet their needs. This quarter, BMO Global Asset Management received twelve Lipper Fund Awards, recognizing continued excellence in delivering strong, risk-adjusted returns for clients across a diverse range of investment solutions.

And with Burgundy Asset Management joining BMO on November 1st, we're positioned to further expand private wealth solutions for the benefit of our clients.

Capital Markets is a key contributor to BMO's diversified earnings. PPPT growth for the full year was strong with each quarter above our expectations. We strengthened our platform and enhanced client coverage to achieve and advance our position as a leader across priority markets and products, including in our globally leading Metals & Mining business, while expanding our equity derivatives and U.S. rates businesses. In Canadian Investment Banking, this year, we ranked number one in M&A deals and number two in ECM league tables.

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Our flagship Canadian P&C business delivered record revenue this year and strong PPPT growth of 8%, as we're acquiring high-quality accounts and deepening client relationships through market-leading digital sales, engagement and experience. We continue to offer innovative solutions to help clients make real financial progress and this quarter, we launched joint programs with Instacart and Walmart to deliver convenience and savings to Canadians.

In Canadian Commercial Banking, steady client growth, supported by increased referrals between Commercial, Wealth and Capital Markets, and continued momentum in digital engagement led to good loan growth of 7% and deposit growth of 5%, despite a complex environment. A key driver of client and deposit growth is through our leading North American Treasury and Payment Solutions platform, which offers clients a comprehensive product suite, including real-time payments, virtual account management and payment APIs that connect directly to their enterprise resource planning and treasury systems.

Turning to U.S. Banking, this is the first quarter reporting under the unified structure, with teams integrated to deliver the full power of BMO to our clients, and momentum is building. We've made strong progress this year on improving the ROE in U.S. Banking towards our 12% medium-term target, executing against deliberate action plans to support this priority. Through a disciplined focus on stronger connectivity across our businesses, funding optimization, and redeployment of resources to higher returning relationships, profitability has strengthened across key metrics.

Execution of pricing optimization led to increased deposit spreads and margin expansion of 15 basis points from Q4 last year. To date, we've completed optimization actions for approximately 80% of the loans we identified as non-strategic and below our return targets and reduced RWA by US\$4.6 billion. We continue to expect these activities to be largely completed by the second quarter.

At the same time, we've successfully grown recurring fee revenues, up 10% this year. Commercial TPS fees grew 23% year-over-year and strong growth in Net New Assets and AUM drove a 12% increase in private wealth fees. Momentum continues to build in retail banking, with 60% higher growth in net new chequing accounts year-over-year.

The results are evident in our fiscal 2025 performance. PPPT growth accelerated to 7% with positive operating leverage of 3%, and meaningful improvement in PCL – all leading to ROE improvement of 170 basis points to 8.1% for the full year.

We recently announced the sale of 138 branches in certain markets where we did not have local scale to compete, and are strategically reinvesting to strengthen our network and densify our presence in key markets where we can achieve local scale and have the greatest opportunity for long-term growth. We plan to add 150 new branches over the next five years with a focus on further densifying in California, where we recently opened a newly integrated financial center in Manhattan Beach.

We've also invested in key talent positions, adding and promoting over 100 frontline commercial and private bankers in the U.S., building significant capacity to further accelerate performance.

Overall, 2025 was a productive year, realigning our U.S. Banking structure and optimizing the portfolio. We're now advancing to the next phase of our strategy, positioning the business for growth, leveraging the strength and scale of all three businesses to drive greater synergies and continued ROE improvement.

As we look ahead to 2026, while the economic environment has remained resilient, GDP growth has been modest and is expected to grow 1.8% in the U.S. and 1.4% in Canada. The Canadian unemployment rate is likely to remain above 7% through the middle of next year, presenting some challenges particularly to consumer credit. While trade uncertainty persists pending the review of the USMCA agreement, at the same time, I'm encouraged that initiatives to invest in Canada and diversify trade relationships to strengthen the Canadian economy over the medium-term are beginning to move forward. We're well positioned to benefit from a renewed Capex cycle given our advantaged position in Commercial Banking and in Capital Markets.

At BMO, we've set the foundation for continued momentum in 2026 and are moving forward with pace. I'm pleased to announce that we plan to host an all-bank Investor Day on March 26<sup>th</sup>, where we will share with you more details on our strategy and our progress.

In summary, we're delivering world-class client experiences grounded in One Client leadership, and fostering a high-performing, winning culture, to drive progress for our clients and our performance. We continue to invest and leverage our Digital First, AI-powered strategy, reshaping how we operate and serve our clients. Our consistent focus on superior risk management is foundational, and through continued discipline and improving credit market conditions we expect PCL to continue to normalize over time.

Our number one imperative continues to be our ROE rebuild and I'm confident in the momentum we've built this year and that it will continue to deliver profitable growth and long-term shareholder value.

With that, I'll turn it over to Tayfun

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

Thank you, Darryl. Good morning and thank you for joining us. My comments will start on slide 9.

On a reported basis, fourth-quarter EPS was \$2.97, and net income was \$2.3 billion. Adjusting items are shown on slide 46 and included a goodwill write-down related to the announced sale of certain U.S. branches. The remainder of my comments will focus on adjusted results.

Adjusted EPS of \$3.28 was up significantly from \$1.90 last year, with net income of \$2.5 billion driven by strong PPPT growth of 16% and lower PCLs. Return on equity of 11.8% improved 440 basis points and return on tangible common equity of 15.4% improved 570 basis points.

Revenue increased 12% with broad-based growth across all businesses, including continued strong fee growth in Wealth and Capital Markets, and NIM expansion. Expenses grew 9%, or 5% excluding higher performance-based compensation and the impact of stronger U.S. dollar, and we delivered positive operating leverage of 3%.

Total PCL decreased \$768 million from the prior year with lower impaired and performing provisions. Piyush will speak to this in his remarks.

Moving to slide 10, average loans grew 1% year-over-year, driven by higher residential mortgages and commercial loans in Canada, offset by lower U.S. commercial balances including the impact of optimization actions.

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Customer deposits were up 1% from last year with good growth in Canadian everyday banking and commercial operating balances offset by lower term deposits in both countries.

Turning to slide 11, on an ex-trading basis, net interest income was up 10% from the prior year with good growth in all operating segments, supported by continued margin expansion, and balance growth in Canadian P&C and Wealth, as well as higher net interest income in Corporate Services. Net interest margin ex-trading was 206 basis points, up 7 basis points sequentially reflecting improved deposit margins and contribution from Corporate Services including the benefit of higher reinvestment rates. In Canadian P&C, NIM was stable with higher deposit margins offset by changes in product mix. U.S. Banking NIM was up 5 basis points, with higher deposit margins partially offset by the impact of lower deposit balances. Year-over-year all-bank NIM widened by 15 basis points, and we expect it to remain relatively stable through next year based on the current rate expectations and continued benefit from latter investments.

Turning to slide 12, non-interest revenue was up 9% from the prior year and up 17% excluding trading, driven by strong Wealth Management fees and underwriting fees in Capital Markets, as well as continued growth in deposit fees reflecting strength in our TPS business.

Moving to slide 13. Underlying expense growth was up 5%, driven by higher employee-related costs, including investments in talent, as well as higher technology investments. For the full year, underlying expense growth of 4% was in-line with our mid-single-digit growth guidance given at the beginning of the year, and achieved positive operating leverage of 4.3%.

We have a long track record of disciplined expense management through continuous assessment of our expense base balanced against strategic investments for future growth. We believe that we still have room to improve our structural expense base and have identified further efficiencies, mainly in the form of workforce optimization, that will require an upfront charge. We are in the process of finalizing the details and currently expect to record a charge of approximately \$225 million in the first quarter, which we expect will deliver annualized savings of \$250 million when fully executed. We expect to realize about half of the savings in 2026.

We expect core expense growth to be in the mid-single-digit range in 2026 including the upfront charge and our growing investments in talent, technology, and automation, with a particular focus on our U.S. Banking and Wealth businesses. We expect to still achieve positive operating leverage for the year, including the impact of the first-quarter charge.

A reminder that similar to previous years, Q1 will include seasonally higher benefits and impact of stock-based compensation for employees eligible to retire which we project to be in the range of \$250 million to \$270 million.

Turning to slide 14, our CET1 ratio is strong at 13.3% and remains above management targets. The ratio declined 20 basis points from last quarter with continued good internal capital generation more than offset by share repurchases and moderate growth in source currency RWA. We completed 8 million share repurchases during the quarter and 22.2 million shares in total during fiscal 2025.

In 2026, we expect to continue buying back our shares, while supporting business growth opportunities and maintaining a strong capital position. Our CET1 management target remains 12.5%.

Moving to the operating segments and starting on slide 15. Canadian P&C net income was up 5% year-over-year as good PPPT growth of 7% was partly offset by an increase in impaired and performing PCLs.

Revenue of \$3.1 billion was up 7% driven by higher net interest income, reflecting both balance growth and higher margins. Higher non-interest revenue reflected good growth in mutual fund fees, deposit fees and net investment gains in our Commercial business. Expense growth of 6% reflected higher technology and employee-related costs. Canadian P&C again delivered positive operating leverage for the full year with the efficiency ratio improving to 43.1%.

Moving to U.S. Banking on slide 16. My comments here will speak to the U.S. dollar performance and reflect the change to our organizational structure combining the U.S. Wealth business with our U.S. Personal and Commercial businesses.

Net income was \$627 million, up from \$262 million a year ago reflecting good PPPT growth of 8%, positive operating leverage of 3.6%, and lower PCLs. Revenue growth was driven by higher deposit margins more than offsetting lower deposit and loan balances, and improving non-interest revenue driven by strong TPS fees and net asset growth in Wealth. Expenses were flat compared with the prior year as lower technology and other operating expenses were offset by higher employee-related costs.

Moving to slide 17. Wealth Management net income was up 28% from last year driven by strong revenue performance in Wealth and Asset Management, up 14%, reflecting higher markets and continued growth in net sales, strong balance sheet growth and higher brokerage transactions. Insurance revenue increased due to underlying business growth and favorable market movements. Expense growth of 11% was driven by employee-related expenses, including higher revenue-based costs.

In Q1, our first-quarter results will include a full quarter of results from Burgundy Asset Management.

Moving to slide 18. Capital Markets net income was \$532 million compared with \$270 million last year reflecting strong PPPT performance of \$712 million, up 32%, and lower PCLs.

Revenue was up 14%, reflecting 10% growth in Global Markets driven by higher debt and equity issuances and higher equities trading revenue, partially offset by lower interest rate trading. Investment and Corporate Banking revenue increased 18%, driven by higher debt and equity underwriting fees as we saw strong client activity during the quarter. Expenses were up 4% mainly driven by higher performance-based compensation.

Turning now to slide 19. Corporate Services net loss was \$73 million reflecting above trend revenue in the quarter. We expect Corporate Services net loss in 2026 to average a similar range as the current year, with the first-quarter net loss expected to be the high point, including seasonal items.

In summary, in 2025 we delivered strong performance with record revenue, PPPT and net income, and met our commitments on positive operating leverage while investing in the business. We have made strong progress in ROE improvement at both the total bank and U.S. Banking levels with strategies in place to drive further improvement

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As we look ahead towards 2026, in Canada, we expect low-single-digit loan growth as challenges in the macroeconomic environment continues to impact personal and commercial demand. Despite the muted environment, we are well-positioned to generate continued market share gains in our businesses and anticipate improving conditions during the year from fiscal initiatives, in addition to further policy rate easing and lower borrowing costs.

In the U.S., we expect to benefit from the improved economic backdrop and focus on allocating resources to areas of competitive strength and higher returns. We expect to largely complete our balance sheet optimization in the early part of the year and expect year-over-year loan growth to strengthen and reach mid-single digits by the end of the year.

Assuming markets remain constructive, we expect Capital Markets and Wealth Management to maintain their strong performance in 2026.

And lastly, we expect an effective tax rate in the range of 25% to 26%.

Overall, we are focused on building on our current earnings momentum and deliver continued progress towards our medium-term ROE targets. Across all of our businesses, resource deployment decisions today are predominantly driven by this ambition, and we are confident that the strength of our franchise on both sides of the border will help accelerate our performance.

I will now turn it over to Piyush.

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**Piyush Agrawal** – *Bank of Montreal – CRO*

Thank you, Tayfun, and good morning everyone.

My remarks start on slide 21. Our credit performance this year was in line with our expectations. Impaired provision for credit losses was 46 basis points for the fiscal year, at the lower end of the guidance of high 40s. Through fiscal 2025, performance improved in U.S. Banking. At the same time, softness in the Canadian economy, including rising unemployment and trade uncertainty resulted in higher losses in our Canadian Personal and Commercial business.

Now turning to the fourth quarter, total provision for credit losses was \$755 million, or 44 basis points, with impaired provision of \$750 million, down \$23 million or 1 basis point from prior quarter primarily due to lower losses in U.S. Banking with relatively stable losses in Canadian Personal and Commercial Banking and Capital Markets which increased \$7 million and \$4 million respectively.

Turning to slide 22, the performing provision for the quarter was \$5 million with a build in Canadian Personal and Commercial largely offset by a release in U.S. Banking consistent with the risks in the economy and credit trends in our portfolios. Overall, the provision this quarter reflected an improvement in the macroeconomic scenarios and lower balances in certain portfolios, which were offset by the uncertainty in credit conditions. The performing allowance of \$4.7 billion provides robust coverage of 70 basis points over performing loans and we remain well reserved.

Turning to slide 23, impaired formations were stable at \$1.8 billion this quarter. The increase in the consumer segment came largely from mortgages, which are well secured with low LTVs and we do not expect to see significant losses. Wholesale formations have come down since last year and have been relatively stable over the last three quarters.

Gross impaired loans increased to \$7.1 billion or 104 basis points, up 2 basis points from last quarter. While it takes time to work through impaired files, we have seen a steady decline in new watchlist formations and expect that this will lead to lower impaired balances over time.

This quarter we included in the appendix additional details on the Non-Bank Financial Institutions or NBFI portfolio. This portfolio is well-diversified across products, clients and collateral pools. It is well structured, generally secured and managed through specialized teams and differentiated underwriting criteria. 50% of this portfolio relates to equity subscription loans which has a very strong risk profile, with no losses over a 30-year history of this business.

In closing, while downside risks remain, the impaired PCL ratio has improved 22 basis points since the end of last year. As we look to 2026, we anticipate a softer economic environment in Canada during the first half, with trade uncertainty and subdued consumer sentiment continuing to weigh on the economy. At the same time, expansionary fiscal policies and growth initiatives, as well as support from monetary policy should lead to stronger growth as we go through the year. Assuming the consensus macroeconomic outlook plays out, we expect impaired provision to remain in the mid-40 basis points range with quarterly variability.

In conclusion, our performance continues to be supported by the diversification of our portfolio and risk management capabilities, underscored by a strong risk culture. The robust allowance coverage, strong capital and liquidity not only equip us to navigate any challenges in the environment – they position the bank to capture opportunities as market conditions evolve.

I will now turn the call back to the operator for the Q&A portion of this call.

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**Paul Holden** – *CIBC World Markets – Analyst*

Question on ROE. Given the 11.3% in '25 we wouldn't expect you to increase the target at this point, that's for sure, but just wondering in terms of that 15% target, do you think it's realistic that you could achieve that in 2027 given the pace at which you're executing against your strategy? Is it a realistic objective or are we going to have to wait a little bit longer?

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**Darryl White** – *Bank of Montreal – CEO*

Hey, Paul. It's Darryl. The 15% is still absolutely the target. Thank you for the question. In terms of the timeline, we're pretty clear to say that's our medium-term target, which we think about as three to five years. We started to establish that language pretty clearly through the course of this year, so it's difficult for me to put a particular date on when we hit the 15% for you right now. But we also have said, and I stand by it, that assuming constructive environments, we hope to get there by the early part of this range.

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**John Aiken** – *Jefferies – Analyst*

Tayfun, you reiterated your preference for a CET1 ratio getting closer to 12.5%. You guys are actually a little bit more aggressive in that regard. I'll preface this question by saying that I do agree that 13% is still a little bit too high for you and the group, but how comfortable do you believe that you and BMO are in terms of breaking ranks with the peer group if you drop below 13% before anybody else does?

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

John, good question, I will reiterate how we think about our approach to capital management. There are three factors that we've been very public about. One is obviously the regulatory minimums. The second one is the economic macroeconomic backdrop and our own performance within that macroeconomic backdrop. And the third one is the peer group distribution. So, when we arrived at 12.5% management target we considered all these three points and we're quite comfortable that at 12.5%, this is a very sound approach to managing our capital ratio, and thus, we've been very public about that for a while now

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**Ebrahim Poonawala** – *BofA Securities – Analyst*

When we think about the commercial loan growth outlook ex your optimization actions, and I understand that's going to mitigate growth in the near term, but when we look at the U.S. there are obviously mixed signals around what's happening with the economy. Are you actually seeing signs that the tax bill is having an impact on how businesses are behaving around investments and hiring?

And, when you look at the first-half loan growth in the U.S. do you see a pickup, or do you see risks of downside given the tariff uncertainties? And similarly, in Canada, what needs to happen to really lift the macro overhang if we don't get some clarity on CUSMA maybe until the back half of '26?

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**Aron Levine** – *Bank of Montreal– Group Head & President, BMO U.S.*

Hey, Ebrahim. Thanks for the question. It's Aron.

In terms of the U.S., we're hearing from clients general optimism. Obviously there's caution and there's always the questions, as you're asking, but generally we're seeing pickup in activity, we're seeing pipelines grow, we're having good conversations with clients that are feeling generally a level of optimism. For us in particular, as we think about this inflection point that we're hitting, with moving out of optimization towards growth, the strength of our commercial relationships, that really came through with the fee growth that we showed.

Second, as Darryl mentioned, hiring over 100 commercial bankers and private advisors over the last 12 months – they're just effectively getting going – so you're going to see that benefit us over the next 12 months. Then, of course, our continued investment in both client-facing and internal technology as we get more efficient, make it easier to do business. So, for all of those reasons, I feel very confident that we'll start to see the loan growth, as Darryl mentioned, as we get into the second quarter, third quarter of 2026, again assuming some of the optimism stays and the U.S. economy stays as we think it will.

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**Ebrahim Poonawala** – *BofA Securities – Analyst*

Got it. Any clarifications on Canada?

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**Sharon Haward-Laird** – *Bank of Montreal – Group Head, Canadian Commercial Banking & North American Integrated Solution*

It's Sharon now. Thanks for the question. I'd say, similar to Aron, I've been out talking to clients and we would describe the tone as cautiously optimistic. There's obviously a lot of pent-up demand and pipelines are very strong. We did see the end of the fourth quarter was stronger than the beginning of the fourth quarter so we're seeing good momentum going into this coming year, but we're also really focused on deposit growth. We've taken a lot of market share in operating deposits and our TPS business has had double-digit, high-double-digit, growth this year as well so we've had very strong Commercial revenue growth and we're ready for the CapEx.

On your question of what has to happen, I think at some point we are starting to see, especially in the middle market, more clients moving and starting to draw down. Utilization rates are still low, so there's room there as well. Obviously any more certainty will be a positive contributor to things moving, but whenever things pick up we think we'll be in a good position to take share.

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**Gabriel Dechaine** – *National Bank Financial – Analyst*

I know the impaired PCL discussion over the past while has focused on the U.S., but I want to ask about the Canadian credit card book. We're seeing the delinquency rates there rise above the peer average, we're seeing the balances shrink over the course of the year, and I'm wondering what I should take away from that data? Did you grow too fast at a certain point in time? Are we maybe going to see a blip in post-Christmas period credit metrics?

I'll throw this one in there while I'm at it for Darryl, M&A, would you be willing to issue stock to do a deal or are you looking at more tuck-in type things?

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**Mat Mehrotra** – *Bank of Montreal – Group Head, Canadian Personal and Business Banking*

Thanks for the question, Gabe. It's Mat speaking. I'll just go back to the comments at the beginning of the call on the macro economy. The overall conditions are definitely affecting mass consumers and particularly the lower end of the credit spectrum. Not surprisingly, unemployment, insolvency is up. Those stresses are more visible for us given our portfolio composition. We tend to have a smaller premium book, think about large airline co-brand hasn't been a big part of our business up until recently with Porter. We've made adjustments to manage our exposure to that segment and, equally on the flip side, are seeing good growth with Porter and our premium segment overall, 16,000 accounts acquired since launch, they have a deep active collector base. So overall, we're looking ahead towards that top end of the market, but I mean obviously with the macro conditions as they are, the impact on that lower segment is visible for us and we're waiting for that improvement.

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**Mario Mendonca** – *TD Securities – Analyst*

Sort of similar question to what Gabe just asked on acquisitions, there's plenty of speculation that BMO is actively looking to make an acquisition in U.S. banking. I know it's difficult for you to comment on that speculation because that's a bit of speculation, but perhaps you could speak to this, if BMO were to do a deal in the U.S. would you sacrifice that ROE target of 12%, at least for a few years, for the benefit of that increased scale?

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**Darryl White** – *Bank of Montreal – CEO*

It's Darryl, Mario. Thanks Gabe for the question as well. We rolled into the next one pretty quickly, so I'll pair them together. The short answer to Mario's question is no and absolutely no and so let me step back and give you a little bit of colour behind that.

I think we've been pretty clear about how we think about capital deployment, and achieving the ROE targets is the top imperative across the bank and in U.S. Banking, so every decision that we make is evaluated through that lens. Will it support the ROE improvement and sustainable profitable growth or not? That applies to an organic growth decision and it applies to M&A decisions as well.

I've also said before, good management teams always have their M&A antenna up, but equally you've got to be really disciplined and we would only take a hard look at anything that met both the strategic and the ROE objectives. We've discussed a lot about how we're optimizing the redeployment in the United States, you saw it in my comments, you saw it in our new slide, you heard from Aron just now. The reinvestment is targeted at densifying and building local scale in markets where we think we're positioned to compete and win, so that's a really important point when you think about your question.

Is there a tuck-in opportunity in those markets that would enable us to continue our ROE journey and not slow it down, in fact, if it would accelerate it, might we look at it? Sure, but if it doesn't meet those criteria, both strategically and financially, we're not. Our number one priority is to grow organically and we're confident we could do that and reach those objectives with or without M&A.

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**Mario Mendonca** – *TD Securities – Analyst*

I need one quick clarification on the restructuring. Is that a number you're leaving in the core number or are you going to take that out and adjust that for it? It sounds like you're leaving it in, but some clarification.

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

Yes, we are leaving it in. We've always left it, our record is that we typically leave it in.

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**Darko Mihelic** – *RBC Capital Markets – Analyst*

I have a two-part question. The first part of this is just a clarification on the Corporate segment. Can you just speak to what it was that you did in the quarter that had this segment do much better than the typical loss and, importantly for me, whatever was done in there, it doesn't seem like it has any kind of impact on the tractor or anything like that; that's just the most important part of the answer to that.

The second part of my question is completely unrelated to the disclosure you provided, Piyush. One of the things on NBFI, one of the things I just want to confirm with you is you mentioned in your remarks that there's no losses so to speak in a significant part of this book. I guess where I'm going with that is, were there losses in the other parts of the book and specifically, Piyush, I'm very interested in understanding if any part of this NBFI lending contributed to the higher losses we saw in '24 and to some extent '25?

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

I'll begin with the first question, Darko. We have not done anything unique this quarter, so if you're asking have you triggered something on your ladder investments et cetera that resulted in outperformance, no. I think sometimes we will have quarters when we may have some gains that go to Corporate Services. We are doing a very good job in managing the overall liquidity and the low-yielding asset balances which typically contributes to revenues in Corporate Services. It's reflected in our margin improvement as well. As you can see we've done a very good job in managing the margin, but there is nothing unique to the quarter; some quarters it happens to be higher, some quarters it tends to be lower, but there's nothing that we triggered caused this outcome.

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**Piyush Agrawal** – *Bank of Montreal – CRO*

Darko, it's Piyush. Let me talk to the NBFI. The NBFI sector, we've disclosed information as you saw in the appendix. It's a big part of our business, it's a very profitable part of our business, very high returns. The big piece as you saw is our equity subscription lines, 50% of it. We've been in this for a long time; I think you understand this business well. Over 99% are almost investment grade and it's at the epicenter of our One Client business of how we take this exposure and have multi-product relationships across TPS, across Wealth, across Capital Markets.

In the other pieces, again, it's an amalgamation of many forms of clients, but it's well secured, well structured. Over 10 years, I would tell you the loss rate is 1 basis point and some of that came from what we've disclosed two years ago in the insurance sector. It's not a typical NBFI segment, but depending on how the nomenclature is we have included insurance as well. So, it's a high performing, high investment grade, very, very low gross impaired loans so what I would leave you with is, well secured, well structured, managed by dedicated teams, and specialized underwriting criteria.

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**Ebrahim Poonawala** – *BofA Securities – Analyst*

Tayfun, as we think about the regulatory changes in the U.S., the SLR change, et cetera, does any of that actually impact how you think about the capital levels within BMO's U.S. bank or the holding company? Like could any of that change and I'm just wondering, as we think about the path to the 12% ROE, is there an element of

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capital flex that we may be underappreciating especially in light of what seems like we could have a pretty busy period of rulemaking in the U.S. around some of the capital requirements?

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

Good question. Our capital position in the U.S. today, and in the coming quarters, will continue to be above our peers. Today BFC has 13.75% CET1 capital; the bank has 14.73% capital. Those are very strong levels and given our income accretion, they are expected to go up.

There is nothing in our ROE outlook that would be achieved by a lower capital position in the U.S. We're currently continuing to keep that accretion so any changes from a regulatory perspective potentially could give us more flexibility, but we're not baking that into our ROE outlook. Our desire is to continue to utilize that capital supporting our balance sheet growth.

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**Ebrahim Poonawala** – *BofA Securities – Analyst*

And if I could follow up, Darryl, given just how frequently bank M&A comes up with any conversation on BMO; one, why would you not want to do a deal in a world where the regulatory backdrop is wide-open, you have excess capital? I'm assuming you could deploy some of that U.S. capital in a deal. I get it needs to meet the financial hurdles, but wouldn't scale be the way to go when you think about density, regional scale, a priority for you?

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**Darryl White** – *Bank of Montreal – CEO*

Ebrahim, thanks for the question. The first thing is we don't think about M&A timing, regulatory environment timing- windows. You've seen us do deals in different administrations and you've seen us do it through different macro environments as well. It's all about whether we have something that fits both strategically and financially and I've reemphasized on this call the discipline that we're applying to that.

I'll just come back to my answer earlier when I say that the focus is on densification and regional scale and markets where we can win. We have a really good strategy that Aron is leading in terms of making sure we have the highest probability of climbing up that ROE curve as fast as possible in the U.S. organically and right now, that's job one. If something comes along that fits in the tuck-in category where we can accelerate that and not slow it down, yeah, we'll have a good look. Otherwise, we've got other things to do.

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**Darryl White** – *Bank of Montreal – CEO*

Thanks everyone for your questions this morning.

I'll just wrap up by saying we had a really strong 2025 and we're well positioned for the year ahead. As I think about today's call, I'm reminding all of us that we're laser-focused on achieving our ROE imperative as quickly as possible and delivering earnings growth at the same time, and we'll share more on those plans and our outcomes at our Investor Day in March.

Before closing the call, I want to acknowledge the contributions of our CFO, Tayfun, on his last quarterly call before retiring at the end of the year. Over the course of the last five years, he has served as an exceptional CFO, Executive Committee member and trusted advisor – and he has had tremendous impact on BMO's growth trajectory, strategy, and ambition to win. He's taken significant personal initiative to develop the next generation of leaders and strengthen the future of the bank.

Tayfun, thank you for your leadership.

With that, I wish everybody a happy holiday season and look forward to speaking to you again in the New Year.

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