Barclays 23rd Annual Global Financial Services Conference

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We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational non-financial, legal and regulatory, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section of BMO's 2024 Annual Report, and the Risk Management section in our Third Quarter 2025 Report to Shareholders, 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 2024 Annual Report, as updated in the Economic Developments and Outlook section in our Third Quarter 2025 Report to Shareholders, as well as in the Allowance for Credit Losses section of BMO's 2024 Annual Report, as updated in the Allowance for Credit Losses section in our Third Quarter 2025 Report to Shareholders. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. 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 August 25, 2025 for the period ended July 31, 2025 ("Third Quarter 2025 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 July 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 Third Quarter 2025 MD&A. For further information regarding the composition of our supplementary financial measures, refer to the Glossary of Financial Terms section of Third Quarter 2025 MD&A, which is available online at www.bmo.com/investorrelations and at www.sedarplus.ca.

PRESENTATION

Brian Morton – *Barclays*

Can we start with an update on the economic environment in Canada, including the impact of tariffs, potential USMCA renegotiation. You also have a unique perspective on the impact of the tariff policies with large commercial businesses on both sides of the border.

Tayfun Tuzun – *Bank of Montreal – CFO*

As you know, we have almost equal exposure on both sides of the border, so I will comment on Canada and I will also comment on what we are seeing in the U.S. Many uncertainties remain, but as we sit here in September, compared to the beginning of the year, especially right after the announcement about the new approach to the tariff policies, the sentiment has improved visibly. We can feel it both in Canada as well as in the U.S.

Since then, we've gone through several rounds of trade discussions. There's a change in Canada – the government has changed, there's a new set of policies. In general, I think the macro environment has improved. There is more certainty, at least the uncertainty that we started the year with has significantly diminished. We still have USMCA in place, which covers almost 95% of the trade between the two countries.

Despite the expectations of a significant slowdown in Canada – although the economy still is slugging through 1% - 1.5% type of growth pattern – in general, especially with the new government and their plans to start supporting certain industries that have been more exposed to tariff issues, and also broader measures on changing some of the macroeconomic approach, and with a decent amount of fiscal firepower that's available to them, I think the outlook is relatively benign as opposed to the worst-case scenarios that we were contemplating at the beginning of the year.

Unemployment still is high, and it probably will continue to inch up, so that's a reality. Our clients have had time to both monitor their trade activities, monitor their operations, and start taking some measures to protect themselves against a bad case scenario. USMCA, as I said, is still working and it is one of the most successful global trade agreements. I hope, and we expect, that it will certainly be renegotiated, but the final form of the agreement whenever that happens would be another piece of certainty that would help the macro expectations in Canada.

In the U.S., many uncertainties remain. Monetary policy is a little bit uncertain, but clearly the direction is towards lower interest rates which would be supportive of stronger economic activity. Our clients are showing a more positive attitude towards investments. Our client conversations are picking up. Overall, our originations throughout the year have continued to pick up. We're not quite yet to our historical loan growth patterns in the U.S., but in general we feel more positive today than we did at the beginning of the year.

In both countries, our business is picking up, our clients are engaging with us more frequently, and with these improving macro conditions, we certainly have a more positive perspective on the outlook.

Brian Morton – *Barclays*

Credit has been coming up a lot. The PCLs on performing loans declined materially in 3Q and some of the uncertainty around the tariffs and trade policies has already been reserved for. As you start looking towards the end of the year, take us through your puts and takes around what could drive the reserving process on the performing side.

Tayfun Tuzun – *Bank of Montreal – CFO*

It's very much related, closely correlated, with the macro environment. There are two sets of variables that determine most of the trends in our performing PCL. One is the portfolio dynamics, especially negative migration, and the macro-outlook.

Overall migration trends, although they still continue to be negative, the rate of change certainly is much different now than it was in 2024, which is a helpful fact as we look at our coverage levels. We added close to $900 million in performing PCLs over the past four quarters, and I believe we've added to our performing PCLs for 13 quarters in a row now. Our coverage level is at 70 basis points. We feel pretty good about where we are, and we only added about $24,$25 million in the third quarter, which is reflective of internal portfolio dynamics.

When you then add an improving macro-outlook in both countries, I think our expectation is that where we are today, our coverage levels are sufficient to cover our existing exposures. We get this question about should we expect a release from you guys in the near term – that one is difficult to answer. It doesn't feel like we are yet there to have any meaningful releases from our reserves. I also have to say that we are getting closer to that time, whenever that time is, and I certainly don't expect the type of performing build that we have seen earlier this year and late last year.

Brian Morton – *Barclays*

Talk about the trends in the gross impaired loans. They continue to move higher despite a decline in formations. Any particular factors that you want to talk about that drive that?

Tayfun Tuzun – *Bank of Montreal – CFO*

We spent a lot of time on credit Last year, against our expectations, our impaired provisions have increased starting second quarter throughout the year. When we got to the fourth quarter, we signaled that the peak was behind us. Our fourth quarter impaired PCLs were 66 basis points and we guided towards an improving credit profile throughout 2025 with an intention to get back to our normal historical levels, which is mid to high 30s.

Overall, as we look back, we feel pretty good about that guidance and where we are today. We've consistently over the last three quarters seen lower impaired PCLs. We were at 45 basis points in the third quarter. The way we look at it, and I'll come to your question about gross impaired loans in a moment because they're sort of tied to each other, we gave the guidance at the end of November, early December when we released our year-end earnings. At that time, we did not have any expectations about the developing tariff discussions so we said we would expect continued improvement throughout the year, potentially getting to low 40s and then we would be on our way throughout '26 into '27 to our normalized levels. That still holds.

In general, as we look at our portfolio and the credit migration patterns, the problem credits that we had identified back then, that guidance still holds. The results are in line with the guidance, absent the incremental impact of the uncertainties associated with the announced tariff regimes. Although we recognize that some of the macroeconomic challenges associated with the tariff discussions have had an incremental potential impact, which sort of kept us at this 45 basis points range, we don't think that necessarily takes us away from the trends that we have projected towards that mid to high 30s in impaired PCLs. We may be around these levels in the mid-40s for a quarter or two, but I think our expectation is with a friendlier macro background and the government policies, some of which were announced on Friday, we would be back to our normal pattern towards the historical PCL levels.

With respect to impaired loans, we had a very modest increase in formations this quarter, but that was mostly associated with a couple of unique customer challenges in commercial real estate and Ag. Overall, I don't think that the third quarter levels are going to be a challenge for us on our way to normalized PCLs, but we will work with those specific clients and there are some unique factors associated with them.

The only comment that I will make as opposed to this improving credit outlook, we are probably going to see a more challenging picture associated with our unsecured consumer exposures in Canada. With unemployment and with more of a mass profile that we have in our card portfolio, impaired provisions will continue to increase somewhat over the next few quarters. Luckily, that is a very small portfolio for us, so it doesn't necessarily pose a challenge, but I just wanted to separate that portfolio from the more positive trends that obviously I mentioned on the commercial side.

I would say when you put it together, impaired provisions, performing provisions, gross impaired loans, we are in a much better place today than we were a year ago and also looking to probably a more confident outlook for the trend that will take us back to our normal historical ranges, which for 30-35 years have resulted in lower PCLs than our peers. We're pretty confident that we'll get back there.

Brian Morton – *Barclays*

You mentioned loan demand trends, maybe talk a little bit more of what you're seeing. You've seen some declines in U.S. Commercial business. How much of that relates to customer demand or balance sheet optimization activities? What do you see for a catalyst for acceleration in loan growth?

Tayfun Tuzun – *Bank of Montreal – CFO*

I'll comment on both sides. I'll start with Canada first, and I'll come back to the U.S. In Canada, for a longer period of time than we anticipated, loan growth continued to remain very strong, both on the commercial side as well as consumer side. Through 2024 and also early this year, we continued to see normal 1% to 2% quarterly growth in our consumer and commercial book, despite the fact that the economy was not necessarily growing very fast. That has slowed down a little bit in Canada. I think there is a bit of a pause now as everybody is trying to reposition themselves with both of these new government policies as well as the overhang of the trade uncertainty. I suspect that's going to be the case for a little while longer into 2026. Slower growth patterns than the average of the last five years is likely going to continue in Canada.

In the U.S., coming into this year, we were expecting a pickup in the second half of this year for sure. That was delayed, and it's a mixture of a couple of different factors. One is, especially in the first part of the year, first and second quarters for us, customer demand remained muted. Although there was a lot of conversations, pipelines were not necessarily strong enough to lead to a more pronounced growth pattern.

Originations have remained healthy and I'm going to come to the second piece of the puzzle here for us. As you know, we have a very clear mandate internally to improve our ROE performance, both in the U.S. as well as at the consolidated level. As part of that, our U.S. business leaders, at the beginning of the year, have identified certain relationships that are unlikely to meet those ROE targets. As such, as opportunities are coming around at repricing dates, at maturity dates, we are slowly reducing our exposure to those lower ROE relationships. That has had an impact on the net loan growth trends this year.

What's encouraging is, our origination level in Q3 was strong enough for us to believe that we are probably going to slowly move to a better growth pattern. It will probably take us a couple of quarters here. I don't think that, although things are picking up, I'm not sure if in one quarter we're going to turn the corner and all of a sudden start showing stronger growth. As we look into '26, I think the fundamentals are in place.

As you know, we also have a new organizational structure in the U.S. We brought in new leaders, and there is quite a bit of growth in our sales force that should help the overall origination activity, both in our legacy markets in the Midwest as well as out in Western California. As we get through some of the ROE related changes in our portfolio, we anticipate that we'll get back to the growth patterns that some of our U.S. peers are showing. In particular, in the third quarter, our utilization rate dropped, and that tends to be volatile. There's some seasonal aspect to it. Coming out of the year-end for us here and into 2026, I think there's every reason to believe that we are going to be looking at a better year in terms of net loan growth compared to the last six or seven quarters.

Brian Morton – *Barclays*

That segues into my next question. You talked about your ROE targets. Talk us through the progress you're making towards the medium-term target of 12% in the U.S. P&C and the 15% overall and how we're going to get there. Walk us through that.

Tayfun Tuzun – *Bank of Montreal – CFO*

That is, today, a very visible target across our entire organization, 15% at the consolidated level, which requires us to get to 12% in the U.S. The way we formulated this at the end of last year is that we said our goal, and we've always had that goal medium term, we define medium term three to five years, we said we'd like to get there at the earlier part of this window than the latter part. We are now almost a year closer to that. We've seen great progress this year. Our ROE in the third quarter was 12%. Our ROE in the U.S. came up from low 6% – 6.2%, I think fourth quarter of last year, we were at 8.7%, year-to-date, we are at 7.5% in the U.S.. 11.1% year-to-date at a consolidated level. Every quarter, we've kept making progress, and that is very promising, and it gives us confidence that we will be able to hit our ROE targets.

Just to remind you, the building blocks of this path towards the 15% target. One is credit, improving credit trends back to historical levels. The second is normal BAU growth with positive operating leverage. The third one is balance sheet optimization that we have articulated last year and continue to execute. The overall improvement in the U.S. is the fourth piece here. All four are moving in tandem and it is very encouraging to see that we've made this type of progress to 12%.

I said during our earnings call a couple of weeks ago, I don't expect us to be on a linear trend from here towards 15%. Not every quarter is going to necessarily show the same leap that we saw in the third quarter. I think our confidence level continues to grow with every quarter as we watch these four cornerstones of our strategy. Execution is matching the strategic priorities that we have developed. We're pretty confident that when we get to that earlier part of the three to five year window, our performance is going to match our targets.

Brian Morton – *Barclays*

To how it relates to your overall ROE targets, we've heard a lot about technology investments. You've highlighted some ongoing investments in technology and digital innovation, including the rollout of Gen AI tools. Could you elaborate on how these initiatives are progressing and when we could expect to see that hit the ROE target?

Tayfun Tuzun *– Bank of Montreal – CFO*

We've been talking a lot about the scale benefits that relate to the capacity that we have to invest in technology and other growth elements in our organization. Over the past three to four years, with an expanding technology portfolio, we have seen proof points of the efficiencies that it's generating as well as revenue growth that it has led to. Especially in Canada, we now have a leading position in our Personal Banking business. We are the lead revenue generator. It has significantly improved our market share above and beyond our physical branch share in Canada. It continues to create efficiencies in the system. Our treasury management platform has become a highly competitive platform north-south, both in Canada and the U.S. In both countries, we have seen significant pickup in operating deposits. In our Wealth Management business, we are significantly increasing our investments in our middle office and back-office capabilities, both with respect to how we work with our clients as well as how we work with our employees.

There are a lot of proof points. Along the way, part of this is obviously leading to better revenue growth, part of this is leading to better expense management. When you look at our operating leverage trends, especially this year with close to 5%, 4.7% year-to-date positive operating leverage. All of these investments are helping us to achieve that.

As we now look forward, AI is taking a larger portion of our discussions and, just as any other company, we are looking at different opportunities. What we have decided to do is instead of creating a huge scope of different tests for AI capabilities, we're trying to concentrate them into less than a handful of areas so that we can go a little bit deeper and potentially be a bit faster. Candidates are very similar, customer contact, internally the ability to equip our sales force with real-time data that they can use in their connections with their clients. We are testing some processing solutions in our Commercial business, document processing is one area. We're quite hopeful that with the recent history of success in our technology investments, we will be able to also, as we look ahead, use our scale advantage, which is, in my mind, a bigger advantage here in the U.S. because our technology budget tends to be a little bit bigger than our regional competitors in the U.S. We're quite optimistic that although AI is not going to turn into a big expense efficiency machine in the next year or two, I think the long-term capacity of some of these applications is probably going to be significant.

Brian Morton – *Barclays*

You've seen some operating efficiency improvement in the third quarter. Talk about how you see the efficiency ratio trends moving and targets given the need for investments versus balancing optimization and overall efficiency.

Tayfun Tuzun *– Bank of Montreal – CFO*

When you look back the last five years, we've been able to manage that delicate balance between ensuring that we operate with positive operating leverage while we continue to invest. That approach is going to continue and I think we have a record of success. I'm quite confident that we will maintain the flexibility where we have been able to change expense patterns relative to revenue growth that we are seeing in our business.

Internally, we also are very cognizant that part of our ROE rebuild plans do require investments. Whether it's investments in upgrading our technologies, our digital outreach here in the U.S. or growing our sales force, we're not pulling back on those types of investments to achieve positive operating leverage. I think there's an understanding in the company now that every year, we are asking our groups and staff functions, before they ask for expense increases for the next 12 months, they need to show us at least a 2% efficiency improvement such that, that efficiency improvement funds the expense growth that is appropriate for our growth ambitions.

Part of this ROE rebuild is based on us continuously improving our efficiency ratio, which is now below 56% at the consolidated level. Therefore, we're not going to necessarily change that. We're still 100-150 basis points above the peer average in terms of our efficiency ratio. We will continue to have a very strong commitment. You may not see this every quarter, but I think on our path to 15% ROE, there's going to be a need to achieve operating leverage over that period of time. At the same time, we're quite confident that our scale advantage gives us the ability to invest back in the company without necessarily disturbing that pattern of operating leverage.

Brian Morton – *Barclays*

Another piece of the ROE progression story is the capital levels. Right now, you're at about 13.5% CET1. You've picked up your repurchase program. Can you run us through what your target capital levels are and your priorities for capital?

Tayfun Tuzun *– Bank of Montreal – CFO*

We are at a very strong level of capital, 13.5%, 200 basis points above regulatory minimums. In addition to capital, we also have a balance sheet with ample liquidity and growing deposits. As such, I'll come back to the particular capital question, but we believe – especially with our commercial heavy business model – as the macro conditions improve in both countries, this abundant capital position and abundant liquidity position are very good support points to future growth that we anticipate in both countries.

Coming back to capital, in particular, our management target is 12.5% and we had good organic capital growth internally this year with lower RWA growth, we haven't been able to lower our capital ratio towards that 12.5% target. I actually anticipated at the beginning of the year that we would be below 13%. We're not. So therefore, we decided to ensure that our buyback program continues without interruption. So therefore, we filed for a new buyback program, 30 million shares, and I suspect that we will see our trends continue to get closer to 12.5%. We don't mind being in this position. It's a rich man's problem, and it's capacity that's available for future growth.

And as you know, the regulatory environment has also changed fairly significantly compared to two years ago. Our superintendent of OSFI made some comments about the capital positions overall in the Canadian banking system, and he feels very comfortable with where we are, and we feel very comfortable with where we are with all this capacity. Again, that gives us the ability to also return capital to our shareholders at a fairly aggressive pace.

Brian Morton – *Barclays*

I didn't touch too much on the NIM. Talk about your NIM expectations for U.S. and Canada over the near term. How do you factor in Bank of Canada hasn't moved too much on rates lately, though there could be some rate cuts coming up. How do you factor those expectations into your NIM expectations?

Tayfun Tuzun – *Bank of Montreal – CFO*

NIM is a very positive story for us, for BMO. For a very long time, we communicated to our investors that the way we manage NIM is we manage for stability with strong downside protection and enabling our businesses to capture spread widening or the dynamics of their portfolio change. We have, to a very large extent, achieved that. We have 16-17 basis points year-over-year NIM improvement. We have seen another 2 basis points of NIM widening in the third quarter.

As we look ahead, we anticipate those patterns to hold. We are less concerned about short-term monetary policy changes. Yes, I mean, the expectation is that in both countries, monetary authorities are likely to pursue rate cuts over the next 12 months. We think that we are positioned, although lower short rates in general are negative for banks, but I think we are protected at the downside. Our investment portfolio continues to give us strong support to protect that downside.

We also have discussed the opportunities that we have, especially in the U.S. with the current liquidity that we are holding on our balance sheet, our ability to be a little bit more aggressive rationalizing our cost of funds in the U.S. Obviously, post Silicon Valley crisis, all banks, including us, have pursued strong deposit growth, but that came at a price. With the liquidity that we have in place, we not only were able to pay back most of the wholesale funding on our balance sheet, but we're now actually going a little bit more aggressively after those higher-priced deposits on both sides, consumer and commercial. This year in the U.S., we have seen the benefits.

In Canada, similarly, there was a big buildup in term deposits in '22, '23 into '24, and that has reversed, which has been helpful to capture more spread, while we are seeing our everyday deposits in Canada grow. The trends on both countries are giving us an opportunity, in addition to the way we manage our interest rate risk, to capture a better deposit environment, which builds into our NIM outlook.

Overall, I feel very good about where we are, and I feel good about the next three, four quarters regardless of the pace of rate cuts in either country.

Brian Morton – *Barclays*

We've covered a lot of ground, Tayfun. Before we open up to questions, are there any other areas that you'd like to comment on?

Tayfun Tuzun – *Bank of Montreal – CFO*

I think this year, so far, we have been able to demonstrate that the confidence level that we have in getting back to BMO's normal operating pattern, whether it's credit, whether it's operating leverage, growth opportunities, all of these factors are aligned with each other with a significant management focus on achieving the targets that we have publicly set for ourselves.

We've made some important organizational changes in the U.S., as you have seen earlier this quarter. We now have brought the three businesses: Commercial, Consumer and Wealth under one single management. Aron Levine from Bank of America joined us earlier this summer. We have new leaders in the U.S., a new leader running our Commercial business, a new leader running our Wealth Management business. We are very excited about both Aron's background in building Bank of America's mass affluent strategy and under this new organizational structure, quite hopeful that our U.S. performance is going to start matching our ambitions and expectations that we have announced after the Bank of the West acquisition.

There's a lot of excitement in the company. We're looking into our next five-year plan and the level of confidence with a friendlier macro environment is growing. A lot of optimism in the air at the moment.

Brian Morton – *Barclays*

We have a few minutes left. Does anyone have any questions for Tayfun.

Unidentified Participant

I really apologize. I got here a little bit late, so you may have covered this territory. I was wondering if you could give us some color on the rapid turnaround in credit quality in the U.S. in the last quarter and why that occurred?

Tayfun Tuzun – *Bank of Montreal – CFO*

As we discussed last year, our credit issues in the U.S. resembled this pig moving through the python. We identified certain areas related to credits that were originated three, four years ago that had some unique characteristics, whether it's size, whether it's reliance on enterprise values and business model challenges. There was no issue systemically with how we underwrite loans or our risk appetite, and that applies to both the U.S. and Canadian side.

In the U.S., the increase was a bit more outside our normal norm. Once we got our arms around these problem credits, then focused quite a bit on the execution of actually solving those credits. We've made certain changes in our processes. The approval levels, et cetera, have changed. On a combined basis, that quick reaction – to both the identification of problem credits as well as ensuring that the system in general is in place – enabled us to put this behind us, I would say, within the time frame we thought that we were going to be able to actually control.

Now there's more room in the U.S., although U.S. credit profile tends to be a little bit higher risk than Canada because in Canada, leverage has a different profile. We still have some room in the U.S. to continue to improve. The macro environment also helped. In general, we were able to release performing provision in the U.S. this quarter, which was mostly related to a better macro outlook as well as somewhat improving credit migration in our portfolio. We're quite pleased with where we are.

Brian Morton – *Barclays*

With that, we're pretty much out of time. Please join me in thanking Tayfun for his presentation.