Bank of Montreal at the 2026 Barclays Financial Services Conference

CORPORATE PARTICIPANTS

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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 and our unaudited interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). 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 reflect of ongoing business performance. As such, the presentation may facilitate readers' analysis of underlying 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.

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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, 2026 for the period ended July 31, 2026 ("Third Quarter 2026 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, 2026, 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 2026 MD&A. For further information regarding the composition of our supplementary financial measures, refer to the Glossary of Financial Terms section of the Third Quarter 2026 MD&A, which is available online at www.bmo.com/investorrelations and at www.sedarplus.ca.

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

PRESENTATION

Brian Morton – *Barclays – Analyst*

For our next presentation we have Bank of Montreal, we have their Chief Financial Officer, Rahul Nalgirkar. Welcome, Rahul.

Rahul Nalgirkar – *Bank of Montreal – CFO*

Thank you.

Brian Morton – *Barclays – Analyst*

Let me get started on macro, can you give us an update on the economic environment in Canada, especially in light of recent tariff negotiations and ongoing investment summit? You also have a unique perspective on the subject with large commercial businesses on both sides of the border.

Rahul Nalgirkar – *Bank of Montreal – CFO*

First of all, thanks for having us and thanks for hosting us here. As we think about Canada and US, it's been a long-standing relationship and partnership, which, lives over decades. And that's what's made the North America a pretty strong economy as well in general, if you think about it. So while there may have been some uncertainties with the recent trade discussions, I'm optimistic as we look beyond, where things would proceed with this. If you think just near-term you asked what is it looking like? I mean, clearly there is a lot of discussion on demand. There's continued demand. Loan closings this year are almost double of what it was last year. Coming out of a lot of slow 2025, pipelines are strong, conversations are strong. I think what clients are looking for is that little bit added confidence towards the end as the negotiations find closure. As you think about BMO being a top five commercial bank in North America, we are very strategically positioned to help clients in their needs, whether it's cross-border, whether it's supply chain, whether it's export. And I think that's where we've been focused on. How do you help the clients proactively and also use this as an opportunity to, in fact, acquire new clients on both sides of the border.

Brian Morton – *Barclays – Analyst*

I think if you look at recent earnings in Q3 demonstrated double digits year-over-year growth in revenue, PPPT, net income, and EPS. Any of the key takeaways from earnings you'd like to highlight for investors? And how are these trends shaping up for 2027?

Rahul Nalgirkar – *Bank of Montreal – CFO*

The third quarter was another strong quarter for us, and the results demonstrate the continued progress and execution, which we have been doing on our path, which we laid out at Investor Day. If you see seven quarters in a row when we started this journey in the end of 2024 at an ROE of 9.8%, now, we finished at 14%, almost up 220 basis points so far this year. And it's been broad based. It's not just coming from one particular unit, all the four units. Sub-segments for us are contributing 50 basis points, 60 basis points each of this expansion of 220 basis points we've had this year. So broad-based and also largely coming from core operating performance. We've seen strong performance revenue was up 11%, PPPT was up 13% and record at $4.5 billion. All four of our units printed record PPPT, ROE of 14%, ROTCE of 18%, and EPS growth of 22%.

So, we feel very good about what these results demonstrate, the results of our execution. And then, that gives us the confidence as we think about the next phase of the journey towards 15% exiting 2027.

Brian Morton – *Barclays – Analyst*

Throughout 2026, Bank of Montreal has made steady progress towards reaching its 15% plus ROE target, inclusive of a 12% US banking ROE with 3Q generating 14% overall and 9.8% the US. Maybe can you discuss some of the drivers for that ROE expansion, how much is structural improvement versus cyclical market conditions? And then, can you update us on the timeline to achieving your return targets?

Rahul Nalgirkar – *Bank of Montreal – CFO*

Part of this is also related to my previous response, where a lot of this growth, majority of the improvement is all coming from core operating performance and it's broad based where we have come along. It includes operating performance, includes the improvement in returns of our US business. It also includes broad-based growth of our capital markets, the Canadian wealth and Canadian personal business as well. As we think about the remainder of the journey from here onwards to the 15% target, which we have, I think about 50%-60% comes back from core operating performance, continued strength in the P&C businesses on both sides of the border, and the strength which has been demonstrated both in wealth and capital markets. And then, and the remainder portion we expect as credit normalizes, as we continue to optimize our capital with the remainder to come from that. So, it's a combination of largely dependent on core operating performance from fees, from deposits, as we better squeeze the dollar of capital for more fees and deposits. That's how we look at it.

Brian Morton – *Barclays – Analyst*

Drilling down into the US banking business. As the bank has optimized the loan portfolio and divested certain businesses, where will resources be deployed, and how are you positioning for growth opportunities going forward?

Rahul Nalgirkar – *Bank of Montreal – CFO*

We're very pleased with the progress, which our US banking has shown so far. ROE of 9.8%. I think the one thing I would point out is that's ROTCE of 17.3%. That's important to note on return on marginal capital, that's 90 basis points of ROE improvement year-over-year. And, these results demonstrate the impact of our deliberate actions. We deliberately five or six quarters ago unified the operating structure to bring all the businesses together under one umbrella. There's been very strong core operating deposit growth. TPS fees have grown about 14% year-over-year, strong operating leverage.

Our capital has been optimized as we looked at businesses, which didn't meet our risk-adjusted return expectations. PCLs have normalized and we have had significant upgrade in talent and reinvestment in tech across the board. So, it's a very all rounded story in terms of what these results reflect, in terms of these deliberate actions. As we look forward from where they are at around 10% to the remainder of 12%, I broadly think about the remainder of the journey. As you know, almost a third, a third, a third, as I said, coming from fees, a third coming from deposits and a third coming from all other actions, including cost and capital. As we continue to invest and allocate capital to relationships and businesses, which meet our risk-adjusted returns through the cycle and also have great growth expectations through the cycle. So, that's how we've been very deliberate in our capital optimization and our liquidity optimization and also NIX.

Brian Morton – *Barclays – Analyst*

Another major factor in the ROE expansion story has been continued strength in capital markets. Maybe can you discuss how you are positioned within capital markets relative to other Canadian banks?

Rahul Nalgirkar – *Bank of Montreal – CFO*

If you think about the capital markets business, again, a very strong result so far this year, printing almost $900 million PPPT every quarter. We feel very strong about it. And while the markets have been constructive, the story here is largely structural and represents the result of our deliberate investments over the years. We've been very deliberate about allocating capital. We've been deliberate about expanding in tech and talent of a lot of product capabilities. Also, very deliberate about how geographically this is dispersed, 48% of the revenues are from the US, 41% from Canada. A lot of capabilities, levels mentioning, which we have evolved over the years.

First quarter was dominated by commodities. Third quarter was dominated by the equities. As the market and the situation presents itself, we've diversified and expanded our capabilities. So that as we think about the future and as we think about sustaining strong performances through the cycle, it helps us to get there. So, the floor has risen and while I do recognize the markets have been constructive, but there's a lot to do with the deliberate actions.

Brian Morton – *Barclays – Analyst*

Returns have also been strong for Canadian P&C and Wealth. Are there any trends there that you'd like to touch on?

Rahul Nalgirkar – *Bank of Montreal – CFO*

What I would mention is those were our highest return businesses; Canadian P&C had a ROE of almost 23% and Wealth of about 42%. And as I deconstruct each of those businesses, very pleased with where we are seeing growth. If we talk about Canadian P&C, 7% deposit growth, 3% loan growth, 13% TPS growth. Strong ROE performance year-over-year, improved at 23% was up 300 basis points year over year. So, core operating performance business in general, focused on deposits focus on fees, lot of good improvement there. And I think the last leg which we are looking at is as we get past our optimization on the consumer unsecured as we look at growing the mass affluent and the premium group, that's a big focus up there as that then allows us to raise our ROE in the segment beyond 23% to our medium-term target of 25% and plus.

As I look at Wealth, a very strong performance, with PPPT of $620 million. If we were having this conversation three years ago, that was in the mid-300s to high-300s. So that reflects a lot of strong performance, which we have had over the years, especially in the asset management business where we've been a leading provider of many products like ETFs and mutual funds and so and so forth. So again, reflecting deliberate investments we have made in that business. And feel strongly about how those two high ROE businesses are also growing and contributing to capital generation.

Brian Morton – *Barclays – Analyst*

Let's move on to credit and kind of start with performing PCLs, after materially improving over the course of the year, performing PCLs have been relatively flat sequentially. Does your guidance include the potential impact from higher tariffs? And if the tariff policy is enacted and maintained, would that would imply gradually higher PCLs heading into 2027?

Rahul Nalgirkar – *Bank of Montreal – CFO*

What I would mention is we end the fourth quarter with a position of strength as far as credit is concerned. We have a reserve coverage of 69 basis points and feel very well positioned for that. Watchlist, gross impaireds are trending in the right direction, trending down. We have a diversified exposure base, and you as we look at the fundamentals of the customers, they are pretty strong, especially the commercial customers. As you put it all together, we feel good about it. And I think to also answer your question, lot of the tariff-related activities which are there, as we look at our performing PCL, we try to factor in certain scenarios based on economic scenarios and also some expert judgment. So, a lot of that gives us the comfort in terms of where we are entering into the fourth quarter.

We have said that we expect our fourth quarter impaired to be in the similar range of what we had in the third quarter, which was in the low 40s. And then, heading into next year, path down towards the mid to high 30s as we think about 2027.

Just to elaborate on your point on what does the tariff mean? At this point of time, it's a manageable percentage of direct exposure and very immaterial size of the book. So, this does not present any credit build or credit data point at this point of time. But more what we are focused on is the secondary impact of what it means to the broader macro. And that's what we are closely watching out, but we feel pretty good about where we are entering the fourth quarter. Both our reserved, both our impaired in the direction of underlying credit.

Brian Morton – *Barclays – Analyst*

Going further, gross impaired loans continue to move lower in conjunction with the decline in formations. Any particular factors that were driving this decrease or noticeable differences in geography or segment? And do you see gross impaired loans reaching a bottom in the near term?

Rahul Nalgirkar – *Bank of Montreal – CFO*

Gross impaired this quarter were 97 basis points or came down about 4 or 5 basis points quarter over quarter. The watch list trend, the gross impaired trend has been pretty broad-based and heading in the right direction, declining both in commercial and consumer business, in both sides of the border. As we look forward overall, we are focused on the Canadian consumer, how that evolves over a period of time. But largely the strength is coming from improvement in watch list and gross impaired on the commercial side, which is a bigger portion than a predominant portion of our business. So, we do expect that to happen, and that's correlated with our guidance that we had provided for our mid-30s, high 30s impaired being correlated as both underlying trends are running positive that supports our impaired outlook as we look in the future.

Brian Morton – *Barclays – Analyst*

You highlighted ongoing investments in technology and digital innovation, including your roll out of GenAI tools for advisors and customer self-serve capabilities. Could you elaborate on how these initiatives are translating into tangible cost efficiencies or revenue opportunities in the near term? Are you starting to see scale with benefits from your digital transformation in terms of operating leverage?

Rahul Nalgirkar – *Bank of Montreal – CFO*

As we think about AI, we got very strong momentum and pretty excited about what it means in terms of our opportunity for efficiency in both revenue growth, in all our businesses in both countries. I think broadly, before I answer the question, AI, we look at it in a couple of different ways. How we are basically personalizing the client experience, how we are augmenting this for our employees, and how we are automating our processes. And I think that is the big part because AI is not just a tech project, but it's a fundamental rewiring of our business model and processes. So, from that standpoint, as we look at it, there's a lot already benefits which we are seeing, albeit part of the phase in this journey, it's going to be more on the efficiency side. But as time progresses and as some of these, tools have their impact, it will start yielding into revenue growth. We already have revenue growth impact, but it's more coming on the efficiency side right now.

To give you some examples, you asked for it. In our insurance business, we have this tool called SmartDecision, which has cut down the underwriting time from many weeks to a couple of minutes. As we look at customer complaints and customer disputes, then we look at completely reorganizing the end-to-end journey with agentic tools, that speeds down not only the time for resolution, but also the quality of customer experience and also credit for that matter. So, there are a lot of these benefits which we are seeing, and that gives us confidence about the billion-dollar PPPT benefit which we have talked about achieving by 2030. We feel good about that progress.

Brian Morton – *Barclays – Analyst*

One thing we really haven't touched on too much is loan growth. Is there any areas you can maybe discuss, like compare commercial loan growth opportunities, and consumer loan growth opportunities? I mean, how would you compare, the US opportunity versus Canada, especially this past week we've had the Canadian Investment Summit going on?

Rahul Nalgirkar – *Bank of Montreal – CFO*

I'll start with Canada and then go to the US. I think in Canada, there was a lot of good dialogue with this summit, which is going to attract lot more capital. I think there are already discussions on special projects like defense, infrastructure, which is there. What makes us feel very good is being a dominant commercial player in Canada positions us well to serve the clients in that need. And as that capital is coming into the country, how do we help those investments and also grow our own business and revenues as we see those areas, specifically.

Canada, though, what I would say is, coming out of last year, which was relatively slow, we have seen in Canadian commercial low-to-mid single-digit loan growth, but the pipelines and the closings are very strong. So, as we expect things to progress in time to get more clarity on the trade negotiations, we do expect more pickup from there. On the US side, I think the clients have been very resilient. The activity, similar story. Pipelines are strong. We had 4% sequential loan growth in US commercial. While a lot of that might have been related to some of the backlog on commercial construction and M&A activity side, but the underlying growth is still pointing towards a mid single-digit loan growth as we exit the year.

So, good activity, good loan closing, strong pipelines. Probably US, the client sentiment is a little bit more confident than in Canada. But then, with the negotiations finding place, we expect that will level out.

Brian Morton – *Barclays – Analyst*

Similarly, if you could touch on, competition for deposits and the potential in the US where possible rate hikes tomorrow, in Canada I don't know how they will react when they see what's going on in the US. Talk about, what the competitive environment looks like for deposits?

Rahul Nalgirkar – *Bank of Montreal – CFO*

With the rate environment where it is, there's a lot of activity which is going on in deposits. I think what we are focused on is our deliberate strategies to grow core operating deposits. In totality, if you look at our third quarter results, while it may look like that, we were flat year over year in deposits, but if you unwrap the details, our core operating deposits were up for the total bank 8% year over year. Now, we were very cautious to deliberately run off CDs in the US and term in Canada to meet the requirements of the balance sheet as loan growth was muted. But a lot of deliberate focus on putting talent, putting product capabilities, putting technology behind core operating deposits and our results show that. We've taken market share in everyday banking in Canada, in savings accounts in Canada, or be looking at California on the retail side or even commercial on both sides of the border. There's a lot of data points which show how we have taken share. So, that is how we look at our core deposits.

Now, there will be competition as - whether it's because of the rate environment or whether it is because of the loan growth picking up. But we are very much focused is on improving our deposit mix through these deliberate actions. The competition is what it is. It's a rational competition. The pressures will always be there. It's one thing or the other at any point of time. But we are playing this game more to have good results to the cycle and significantly improve our deposit mix.

Brian Morton – *Barclays – Analyst*

Summing up the loan growth and deposit growth dynamics, we can talk about the NIM expectations for both the US and Canada over the near term. Do you think you can still maintain NIM expansion, even assuming deposit growth trails loan growth and potentially rising interest rates?

Rahul Nalgirkar – *Bank of Montreal – CFO*

As you look back 2025 into 2026, there was a lot of NIM expansion which we experienced in both countries and at a total bank level that reflected a lot of benefits from the lack of reinvestment. Also, as I talked about, core deposits being up 8%, our deliberate actions in improving our deposit mix so a lot of that contributed to the expansion year over year. As we look forward, the magnitude of that expansion is not going to be there because that's the story, we were looking back into many years. Loan growth was absent, so we optimized the funding cost and the loan balances where we had capital deployed to grow NII through NIM expansion.

As we look forward, we do still see the benefits of ladders and deposit mix improvements which we are doing to continue to help us. We'd do to also recognize loan growth has picked up. And you just previously asked about the competition on the deposit side. I do expect both tailwinds and headwinds to keep the NIM in a resilient fashion and not have the kind of expansion which we have seen previously. But our focus shifts more on continuing to have NII growth with loan growth and seek NIM stability. NIM to me is an outcome, right? As we think about supporting relationships, enhancing returns and looking at relationships, capital deployment, which meet our risk-adjusted returns, NII growth for us is what means in terms of ROE expansion and EPS growth and NIM stability in the shorter run is what we look at.

Brian Morton – *Barclays – Analyst*

Great. Moving on to capital for a little bit, BMO's CET1 ratio remains strong at 13%, even after repurchasing 3.8 million shares in third quarter, leading you to announce a new program for 25 million shares. OSFI has lowered the domestic stability buffer of 50 basis point, resulting in a lower CET1 ratio requirement. In addition, where CET1 is expected to benefit about 50 basis points from the impact of recent divestitures. Within the situation, where do you think is an appropriate level of capital around the bank and how quickly would you look to get there?

Rahul Nalgirkar – *Bank of Montreal – CFO*

As you alluded in your question, we closed the third quarter at 13% CET1, and then we have pending transactions which will add another 50 basis points of CET1 to that. We look at that as our starting point. For all this, we put through our capital framework, we have a pretty robust approach in terms of we're looking at obviously the first deployment of capital is for organic growth and meeting the loan demands. And so, that is part of our framework. We look at how much capital which we are generating. As our ROE is improving our capital generation every quarter is now north of 30 basis points. That is one part of the equation.

We also look at the macro and geopolitical scenario. Obviously, we have a different outlook as we look forward given these trade uncertainties and what's happening in the Middle East, that all comes into the macro geopolitical bucket. And then, we also look at, what's the regulatory or regulatory expectations and the peer benchmark where they are, and capital returns being the last part of the equation. So, when you look at all these pieces together is how much we are generating with the primary objective to deploy for growth. We look at where we are taking all these things into factor.

Given all of this, we do still feel that the 12.5% and 13% operating range, which we have talked about, still feels judicious and prudent. It just allows us to have some more buffer in terms of what's happening with the environment and macro and operate with prudence.

Now, we've been operating on the higher end of that range. We might be comfortable to come slightly below that. And as we see good loan demand, which meets our return expectations, or return capital to the shareholders in terms of where we think to operate. At this point of time, we're just not thinking about changing the range. We might just come down from the higher end of the range a little bit if we think that's where we would want to go. But that is something which we look at on a quarter-to-quarter basis and month-to-month as the macro and the geopolitics evolve.

Brian Morton – *Barclays – Analyst*

So, I guess, some investors start looking at the higher capital levels and higher valuation levels in Canadian banks, and speculate, potentials for acquisitions. How do you view inorganic growth opportunities in the current environment? Is there any differences between, geographies and when you evaluate them?

Rahul Nalgirkar – *Bank of Montreal – CFO*

I would answer the question in two parts. One is, what you alluded to is US Bank M&A, and the other is on else tuck-in good acquisitions. US bank M&A is not a priority for us for the record. We have a task about to achieve higher profitability in California where we had Bank of the West acquisition a few years ago and that's where we are focused on and we are not looking to open any new footprint or any geography, but our heads are doubling down on achieving our 12% in the US, which is 18% ROTCE. As we think about non-US bank, we'll look for tuck-ins from time to time to expand our capabilities in various fee businesses.

Last year, we acquired Burgundy Management in Canada to supplement the offerings which we had. We felt there was a gap in between our private bank and family office, so that supplemented well. Most recently, you heard about we acquired a small investment banking team in Australia in metals and mining businesses which complements very well with our global number one position in metals and mining side. So, these kind of capabilities and tuck-ins for fee businesses we will look for from time to time as they present itself and if they align with our strategy, so those are where our focus is. But largely, our focus remains on organic growth.

Brian Morton – *Barclays – Analyst*

Before we open it up to audience Q&A, is there any final thoughts you'd like to leave us with or areas that we didn't touch on?

Rahul Nalgirkar – *Bank of Montreal – CFO*

To leave you with the fact is that we started this journey to enhance returns and accelerate growth to be back in end of 2024. Couple of quarters down in the path, I feel good about the progress which we have made good EPS growth, ROE growth. And also, the results speak of the execution on that. Very much focused on that and that's largely coming from core operating performance. We are not banking on the environment in the market, but BMO specific levers, as we look forward towards our medium-term target of 15% ROE and 18% ROTCE exiting 2027. So, very much focused on execution through core operating performance.

Brian Morton – *Barclays – Analyst*

I would like to open up to the floor to investor Q&A, if anyone has any questions that they would have for Bank of Montreal.

Brian Morton – *Barclays – Analyst*

The question was what are the key levers that you're going to use to improve Bank of the West profitability?

Rahul Nalgirkar – *Bank of Montreal – CFO*

The one thing that I would mention is just at the outset, we have totally integrated Bank of the West in BMO. And so, we don't operate anything in the West Coast as Bank of the West. It's a very much unified BMO model, North South; US, Canada, and West Coast. So, I just thought I can explain that. When we look at the Bank of the West profitability, or as you're alluding to the West Coast profitability, it is a subset and part and parcel of our Investor Day target of path to 12%, which we talked about for us banking. And that is 18% ROTCE.

Any profitability improvements on the West Coast is a subset of that. What we have talked about that path. It's basically broken up into three categories. A third is fees, a third is deposits, and a third is capital cost and all together and these areas are broken up between all our three businesses. I think, first of all, what we did last year was, like I mentioned in one of my remarks was, we had a unified business structure. We deliberately did it because bringing it in-house, we have reached a scale in the US that it warranted a unified model, go-to-market model. So, all the businesses could interact very cleanly and at a speedy pace with each other, whether it was wealth with commercial, it was mass affluent with private bank, whether it was business banking with middle market and so and so forth. So, we've kind of created the deliberate structure under one umbrella with the gentleman running the business called Aron Levine.

And within each of those businesses, we have various initiatives to deepen client relationship and also optimize capital. What that results then into all the activities in those businesses is this fees, deposits and capital and cost, as I mentioned. Just to give an example, in the deposit side, we have TPS fees which has a penetration of mid-50s to high-50s in the US commercial. Taking that to the mid-70s, brings in more fees and deposits. There's a lot of focus on the consumer side, on the mass affluent strategy, which helps bringing in core operating sticky deposits, which adds to that deposit part of the equation. So, that's how we have it laid out is the outcome in the path is going to be along these lines, a third in fees and third in deposits and all other. But a lot of other initiatives under this unified structure across all these business units.

Brian Morton – *Barclays – Analyst*

Great. Any other questions out there? The question was on the impact of tariffs on small and medium-sized businesses in Canada.

Rahul Nalgirkar – *Bank of Montreal – CFO*

As we look at the tariff implications, we've been running various models since the discussions started last year in terms of what the impact is. As we look at our book, it's a very immaterial size relative to where our existing exposures are, and very manageable in terms of what it means to what's already on the balance sheet and part of our portfolio. I think where we are more focused on is what is the second order impact of what does this tariff uncertainty mean to GDP to unemployment and if there are going to be any real implications coming out of it, and to counter that, if there are any fiscal and stimulus measures coming out of the government.

Those are the pieces which we look at. As we look at all of those pieces, we really don't see it as a credit event based on what we see on this right now. On top of it, as I was mentioning, we come into fourth quarter and next year with a position of strength on our reserve coverage ratio of about 69 basis points, where we feel between how we would model that, between how the direction of our underlying credit quality is from an improvement basis watch list and impairments, gross impairment as we look at, we feel very comfortable in terms of where we are, notwithstanding, even if there are any second order implications. But that is something which we'll closely watch out and keep talking to all of you on a quarterly basis. But we feel comfortable where we are today but closely monitoring.

Brian Morton – *Barclays – Analyst*

Further growth ambitions in the US?

Rahul Nalgirkar – *Bank of Montreal – CFO*

I'm glad you asked that question, because for us, we have a task cut out for each of the businesses, what role they play in our long-term journey to enhance returns and accelerate growth. So, higher ROE, also strong EPS growth. US for us and capital markets for us represents that growth story while maintaining a strong marginal return on equity. Whether it is Aron's business in US banking as we look at growing commercial, growing mass affluent, growing private bank, there's a lot of focus there. Within US, as I mentioned, almost 48% of our capital markets revenues comes from the US right now. And there's a lot of focus on how do we expand into capabilities which we are already strong in Canada, like investment banking and metals and mining or energy into the US. And how do you bring those adjacencies down. So, US is a big part of the equation for us as we look at, our North Star for elevating returns and accelerating growth across these businesses.

Brian Morton – *Barclays – Analyst*

All right. With that, please join me in thanking Rahul for his presentation.