

## CORPORATE PARTICIPANTS

**Alan Tannenbaum**

*CEO and Group Head, BMO Capital Markets*

## CONFERENCE PARTICIPANTS

**Darko Mihelic** RBC Capital Markets

### 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; 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; technological change, including the use of data and artificial intelligence (AI) in our business, including generative AI; 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 Report, and the Risk Management section in our First Quarter 2026 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 2025 Annual Report, as updated in the Economic Developments and Outlook section in our First Quarter 2026 Report to Shareholders, as well as in the Allowance for Credit Losses section of BMO's 2025 Annual Report, as updated in the Allowance for Credit Losses section in our First Quarter 2026 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, and our unaudited interim 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 February 25, 2026, for the period ended January 31, 2026 ("First 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 January 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 First Quarter 2026 MD&A. For further information regarding the composition of our supplementary financial measures, refer to the Glossary on pages 39-40, and Glossary of Financial Terms section of the First Quarter 2026 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).

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

**PRESENTATION**

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

Alan Tannenbaum, Group Head of Capital Markets from Bank of Montreal. Alan, thank you for joining us this morning.

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

No, thank you, Darko. Really a pleasure to be here.

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

As we've talked about this morning with all my other discussions with Canadian banks, there's a bit of an ROE arms race going on for Canadian banks and BMO is no different. Yours is a little interesting. At our conference in January, Darryl White had mentioned 15% ROE exiting 2027. You're a big part of the earnings at Bank of Montreal. So, I think the first thing is how does your business fit into that ROE journey? What are you targeting? We'll launch with that – a little open ended, and then we'll dive into some details. But how do you fit into that 15%?

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

As you've heard, Darko, this is such an important theme for us, and Darryl's been very outspoken in terms of that ambition that every division has to play their part and for Capital Markets, we certainly have a role to play. And if you look at our recent performance, our ROE in the first quarter was 16.8%, which after the adjustment for the severance charge that was down from 17.5% for the quarter, which we're very pleased with, and feel like over time we have to deliver an ROE consistently north of 15% over a cycle. That will obviously fluctuate given market conditions and what you're seeing is our effort to balance growth with return and being very mindful that as we grow our businesses we're growing profitable businesses, and you know our business well; there's a big mix of businesses. Not every business at every point in time is going to achieve an ROE like that, but you've got to have that north star of delivering consistent ROE performance above 15%. We believe that's possible and achievable in Capital Markets.

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

And to be clear, I think one of the things that this last quarter, just for everybody, this last quarter sort of highlighted is Canadian banks all have a different way of allocating capital to their segments, okay? And we just saw it happen at Bank of Montreal. You actually upped the level of equity, for your business, so 15%. I think you're using 12.5%, is that the right number? 12.5% CET1 is being allocated to your business and you're shooting for north of 15% from that, correct? So, with that sort of as the backdrop, let's talk a little bit about some of the strength that we saw in the quarter and in particular, think about the revenue growth. There's a lot of ways to think about the revenue growth. It was good. It was solid, but relative to Canadian peers, maybe not so much. So maybe you can touch on what you're seeing on the revenue front, and then we could talk about the businesses that you're trying to develop.

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

Sure, no, I appreciate that, and, I'm going to characterize first our revenue growth for the quarter, on a year over year basis, and then more broadly over the last couple of years. I'm going to slightly disagree with you and say that the quarter was very strong in light of the fact that first quarter of last year was our previous strongest quarter, an exceptional quarter. We had revenue up 43% on a year over year basis, so the comparison for us was very difficult, and we knew that going into the quarter.

So, candidly, I was very pleased that we were actually able to outperform what was an exceptional first quarter of 2025 with that strong quarter. And where I would also characterize, as you know our business well, typically the first quarter of the year for Canadian banks is a strong quarter, with many of the funding opportunities at calendar year-end presenting themselves. What I felt great about for this past quarter for us was that we really had a breadth of performance across our businesses, right. And to me that's what you're looking for is consistency across a range of businesses that are doing well. It's great to have a couple of businesses really doing exceptionally well, which we had, which I'll touch on, but what you really want to avoid is businesses underperforming, right, because that's really what can drag your overall performance.

So when I think about the quarter, we had consistency across our range of businesses, whether it was in our markets business – it wasn't just concentrated in one area. We had outperformance in equity derivatives and equities. Our commodities business did well. Our financing businesses were good. So you had good breadth across Global Markets and at the same time, we had real strength around our advisory business and our ECM businesses in investment banking, right. And this is part of what we've wanted to see, which is an expansion or a better breadth around the M&A business, particularly in the U.S., which has been more concentrated in very large transactions which are less in our wheelhouse versus mid-size transactions where we can really capture better share. So, good breadth across our businesses.

And when you talk about growth overall, I would acknowledge that I feel we've been through more of an investment cycle over the last few years in our business. We built out a rates business. We've built out a bunch of international capabilities which allows us to distribute our North American content and product internationally; candidly, in many cases at higher margin than what you can do in North America. So, as I look forward, clearly one of the expectations of our business is that on the revenue growth, not just the ROE, we will be more in line with our peers.

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

Is that investment cycle slowing down? Are you tapping the brakes? What is it that you're working on? And maybe you can touch on, just to give everybody a reminder, like the breakdown of your business: U.S., Canada, and sort of what you're focused on.

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## March 10, 2026 / 10:40AM, RBC Global Financial Institutions Conference

**Alan Tannenbaum** – *Bank of Montreal – CEO and Group Head, BMO Capital Markets*

Sure, great question. So I'll start just with geography. 40% of our business today is in Canada, 50% is in the U.S., and 10% is international. We're very well positioned in Canada. That's our whole market. We are all things to all people in Canada and will continue to be. And what I mean by that is we cover large, medium, and small corporate clients, all flavours of institutional investors, and we traffic in every product. And that's our positioning in Canada. We compete with another bank, blue bank, to be number one at everything every day, and that will continue to be our agenda.

In the U.S., we have a more focused platform, we're differentiated from Canada, we don't have to be all things to all people. And as a result of that, we have to make strategic choices and align on businesses where we feel we can have a leading market share. And the way we think about this is, if you're in a business with less than 2% market share, you're going to have a hard time achieving real profitability. So, it's not perfect everywhere but think about businesses where you can achieve at least 2% share and then have the right amount of breadth to be relevant. This to me is a very important point that if you go back five years, Darko, we didn't have the breadth of products to be relevant enough to both our institutional investors and our corporate clients. So the investment we've been going through is that build out of breadth. And when I focus on rates, it's pretty straightforward, right. That allows us to provide hedging products to our corporate and commercial clients. So without a real rates business, your quiver of arrows to go and attack the opportunity set from the corporate and commercial client is more limited.

Sitting here today, we feel that we've built out enough of the breadth. It doesn't mean that there aren't things that we may do in the future, but we're no longer lacking a product capability which allows us to compete. So the next phase of our growth is about getting deeper and stronger in things we already do. I'll give you an example. We're not in the power trading business, right. So we did an assessment of what would be the cost and the value and the J-curve of that investment for us, to invest in power trading, and we decided you know what, we don't need to do that. It's not critical enough to any of our client bases that it's an impediment to our success, and I just use that as one example, but going back, we now have the breadth of product that we've built out over the last few years.

The continued investment is in deepening the capabilities, right, so I'm not suggesting it's no investment, but from a scale perspective it's less around creating new products. Now it's investing candidly in the technology to be able to scale those businesses, to become more efficient at how we process those businesses. Some of the investment, as I mentioned, is international. We've just made a big investment in our office in Tokyo which allows us to distribute our North American content into a very lucrative market there. So those are kind of the extensions as we look forward.

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

And so when we think about, you need at least 2% sort of market share, what are your goals, to sort of, to penetrate, I mean, are there like, where is your strongest market share right now in the North American?

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**Alan Tannenbaum** – *Bank of Montreal – CEO and Group Head, BMO Capital Markets*

If I were to take any one example, Darko, it's if we can take our metals and mining franchise as the gold standard, the template for what we can do in other areas, that would be our goal. So this is a business, for context would have been roughly a \$50 million business 20 years ago is now well north of \$500 million for us. If you looked at that business historically, it was very limited to doing equity capital raising for mining companies, really gold companies, and some M&A advisory.

Look at that same group of clients today. Our most profitable and best clients, we're doing on average six plus products with them. We're helping them hedge their commodity prices. We're lending money to them. We are doing their transaction processing and cash management. We're hedging their interest rate risk. We're advising them on M&A. We're doing bond deals for them. We're doing equity deals for them. We have the full suite of products aligned with that client base. So if we can replicate that two times or three times, huge value-add to us.

And the places that we're focused on for the second and third areas are the financial sector, primarily insurance companies. That's where we see we have the potential, both we have the skills and the potential and the client base that's willing to partner with us where we think we can create a similar type of ecosystem with insurance companies. And then the third would be industrial companies which really plays on the strengths of the bank right as we talk about thematically. And I'm sure we'll come back to this, the opportunity set with our commercial bank which is the core strength of our bank. Think about the hundreds and hundreds of industrial companies that we have relationships within the commercial bank. The ability to wrap our product set around that client base we see as a huge growth factor for us. So those would be the three areas.

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

Yeah, I mean you think about the Midwest sort of thing, like there, there's got to be a whole host of commercial clients there that are ready to sort of graduate to the corporate, size. I mean, what size of, what would you be working with. And there are some verticals in the bank that where legacy Harris and Bank of West is strong.

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**Alan Tannenbaum** – *Bank of Montreal – CEO and Group Head, BMO Capital Markets*

Yeah, it's a great question, Darko, and we tend not to think about it as size anymore. Historically we had very clear lines that if it had \$50 million of EBITDA and above, then it had to go to the corporate bank. If it was \$500 million of revenue, then it had to go to the corporate bank. What we've learned over time is that it's not about the size of the company, it's their desire and proclivity to use capital markets products, right. So, there are actually some very large clients that they're family-owned, they're not selling their businesses, they don't want to raise any equity, they want bank debt, not public debt, and there's really not that much to do with them. So sitting in the commercial bank actually is a perfectly good place for them.

I'll go back to the theme, and this is a real-world example. We have in the commercial bank a company that you would define that way that's in the air conditioning business. It turns out they buy a lot of aluminum. So we now are working with them and we're hedging their commodity exposure, we're financing their aluminum which they're using in production, and they've become a highly profitable client for Capital Markets when the lending relationship and the core relationship still sits in the commercial bank. So it's that partnership Darko, and that's to me the unlock for us is not necessarily this is mine and this is yours. It's the culture in the organization of partnership and collaboration and understanding that.

And you've heard this from Darryl, repeatedly, and the only way you're going to get to a 15% ROE is if you don't focus on the net interest income, right. You have to start with the net interest income and turn that into non-interest revenue, and we're the partner that can help unlock that and drive that return.

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## March 10, 2026 / 10:40AM, RBC Global Financial Institutions Conference

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

You guys are going to be having an investor day shortly. I'm sure you'll feature in that investor day.

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

Depends on how I do today.

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

But, as I sit back here and I think like, in Q1, your PPPT was \$893 million, well above the \$625 million sort of quarterly target you guys used to talk about. There's a constructive environment and I get that, but the reality is you've exceeded that target for five quarters in a row. So why was there some caution on not extrapolating that result to the rest of the year?

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

Yeah, and I'll clarify a little bit in the extrapolating versus expectations. When we look back over the past five quarters, our average PPPT is around \$750 million, so we think of that as a run rate that we should be able to sustain and to me is a good target to set for the team, right, so on a consistent basis and as you say there'll be quarters, and the environment is particularly constructive where we should expect to exceed that. But there will also be quarters where it will be more challenging. So we think of that \$750 million number as a more sustainable level on a go-forward basis.

What I was suggesting is that I wouldn't necessarily extrapolate the first quarter for each of the four quarters for this year. To pre-empt you a little bit, we continue to see very good momentum in our business in the second quarter, absent the last week, which we'll see what the impact is on our business over the coming weeks given the dynamics in the Middle East and the potential impact on markets and transactions. So we see good momentum, but I wouldn't necessarily assume that the strength of the first quarter, will be present in the fourth quarter of this year.

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

This morning I had the pleasure of sitting in on a Citigroup, conversation, and, it was Jane Fraser, the CEO, and she basically said you know what, investment banking looks like it's 15% year over year in Q1 and markets 15% year over year in Q1. So, it sounds like everything's just marching on. Is it, can you talk to your business? Would that be similar kind of growth rates over at your business?

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

I'm not going to give specifics on the growth rate but as I indicated just before our second quarter has started strong. We have good momentum around our businesses. The markets businesses are harder to predict, right, because, if there's volatility they tend to do well, and the banking businesses tend to have more challenges in a volatile environment. But if I look at our pipeline and this is the visible part that you can see, and whether it's our M&A pipeline or our financing pipeline, a committed financing pipeline, it's as strong as I've ever seen it.

You've got real momentum and you know what I'm curious to see if you reflect back a year ago, right, if I were sitting here a year ago, I would have been similarly positive and optimistic. We had a fantastic first quarter. Everything was great. Everybody, I think somebody said, what was it, the animal spirits had been unleashed. And then somebody unleashed some tariff dynamics which really, put a damper on the market. It's still too early from my perspective to really gauge what impact the war in Iran is going to have on, the closing of the Strait of Hormuz, on markets either medium-term or long-term. So if this goes away quickly, I will continue to be very positive. If this dynamic extends over a longer period of time, it will start to have a negative impact on our business.

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

And how should we think about any near-term impacts? I mean, oil and gas, is it, how prevalent is it in your cap markets businesses? Is it something that we should be keen on here at all?

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

No, the good news, and again there's, as we think about businesses, particularly our commodities business, whether it's oil and gas or, gold, we tend not to be a directional player, right. We're not trying to make money because a commodity is going up or down. That is not our business, right. That's not our skill set. That's not what we're paid to do. We're paid to finance the commodity. We're paid to hedge the commodity. We're paid to in some cases move and deliver the commodity, so we get paid fees for all of those things. And ironically, as you know, one of the beauties of our business is that the fees are sometimes paid in percentages. So if the asset goes up in value, think gold, and we're charging the same percentage, our fees go up, right, so it's a very positive momentum there in some of our businesses.

So when I think about the impact of what's happening in oil markets or equity markets or fixed income markets, after a surge in activity where people are trying to reposition or exit positions, what ends up happening is that candidly people sit on their hands and they wait, right, and our corporate clients are less active. They're like, we don't know, let's wait, we're not sure, how constructive financing markets are so let's delay a financing.

And you know to us that's what really causes challenges, right, because as you appreciate, for our business it's not just the financing, right, there's the hedging on the back of the financing, there's the trading of the new issues, so there's all of this value that's created for our business because we are active and if as a result of these events general activity levels decline, that will hurt us.

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

And earlier you mentioned tariffs, so I just wanted to sort of come back to that. I mean, how do you navigate through that, in 2026 and what's your best read on that situation for Canada?

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

It's really fascinating, again, I compare it to last year. The whole tariff environment created huge dislocations for our business. Like, I literally, we had files that went pencils down on M&A transactions because there was such lack of transparency on what the impact would be. We saw a number of clients defer, delay and we saw a number of clients who had real operational issues, right, really you know it was the first time I ever actually met with a client and they asked us to source some product for them in the U.S. and asked if we could help them with relationships to help them source product as opposed to financing right. So you really saw the angst and the stress in the system last year.

Fast-forward to this year, I feel like people have moved on, right. People are like, listen, we've got tariffs. It's unclear what they're going to be. You've got the whole USMCA renegotiation that's coming, but we have to get on with business. If you look at the tariff structure with the U.S. today, while it may not be as good as it was before, the overall tariffs for Canadian companies are still in the single-digits, high single-digits in many cases. And we're not seeing it as a deterrent for doing business. So, to me, that's the real message that it's frustrating and, who knows what will come out next, but today it's not standing in the way of people transacting.

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

Interesting. Maybe, I touched on this very briefly with some of their banks, but I mean it, it's very topical today, so. I'd like to touch on AI, really, I mean we see it touching cap markets as businesses. My question for you is, how do you view it, first of all? How much investment are you making in this business? How do you see it transforming your business? And what are your clients saying, on the use of AI and how are they approaching it? So there's a lot in there.

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**Alan Tannenbaum** – Bank of Montreal – CEO and Group Head, BMO Capital Markets

I'm actually going to expand a little bit and break it into two pieces if you don't mind. First is the commercial opportunity for us, right. So, I want to start with that, which is there's a huge investment cycle going on, and our job is to capitalize on those flows and participate, in a measured way. In this particular case, and I feel great about how we've approached it. We put together a cross-disciplinary team, right, and I'll take a little bit of credit because what started to happen is that you saw the incoming demand showing up, right. The technology banking team wants to lend money to AI companies that are negative cash flow. The real estate and data centre team wants to lend money to data centre companies. The financial sponsor team wants to lend more money to financial sponsors who are building data centre businesses. The PU&I team, they want a lot of money because all of these electric utilities are now going through an investment cycle, and this is an opportunity for us to get in front of that.

So one of the things we did is we pulled all of the teams together in one room and then included all of the product people, right, because embedded in there is a bunch of asset-backed financing. There's CMBS. There's all types of equity and equity derivative and fixed income investment priorities. And to me what was critical here was for us to size the whole opportunity, not just the prize. They were very good at figuring out how much money they thought we could make, but then getting that team to sit down and say, okay, what are you asking for from a bank exposure perspective, how does that feel, right.

So not think about it as different pieces because they're all interconnected. How do we think about that risk? How do we manage that risk? Where along that spectrum do we want to place our bets and how much, right. How much money do you want to lend to high-risk, high-reward AI companies, recognizing that some of them may go under. How much money do you want to lend to data centre businesses that may be interconnected there, where your return is lower, and so is your risk. And then how much capital do you want to deploy to utilities whose risk may be lower, but so are the returns and their risk isn't zero, right, because there's some interconnectedness.

So I feel really great about that process and as an outcome I feel like we have a really integrated strategy. And by the way, and I'll touch on this again, one of the benefits we have is we have amazing resources in a large bank. You've got Kristin Milchanowski, who's our head of AI for the bank. She's actually an expert. She's actually somebody who knows the core technology and when we sit down with her and say here are the companies that we're talking to, we'd love your perspective on whose technology we should be betting on because that's embedded in some of these decisions. So we've got amazing resources we could bring to bear and as a result of that, I feel like one of the opportunity sets over the coming several years that we're going to capitalize on is the whole AI ecosystem will be an important revenue generator for us. So when you think about growth vectors for our business, to me that if you put all those pieces together, it's really a phenomenal opportunity.

To touch on the second piece, I'm going to maybe, reflect my age here for a minute. When I started in this business 35 years ago, edge for an equity investor was being higher up on the fax list, right, so whoever got the morning notes first from a fax machine had information before everybody else. Like I think about that, when you tell younger people that they don't even know what a fax machine is, right? So we've had the pleasure in our industry – it was fax machines, then it was pagers, then it was cell phones, then it was electronic trading.

You can't underestimate the huge impact machine learning has had on our business, right. So as I think about AI, machine learning was the revolution of numbers, right. If you go to any trading desk today or any of our businesses, they're all electronic, like, there's no sound. All of our systems have straight-through processing. All of the algorithms that are running our trading, that's machine learning. It's revolutionized our business. It's taken equity commissions when we started from quarters and eights down to mills, right, so think about that dramatic change because of the technology. It really was technology that changed, that whole side of the business.

AI is now bringing that same level and maybe even greater change to anything that uses words, right, so this is the next phase of development and evolution of our business, and you can't help but think it's going to have a dramatic impact on what we do. What exactly it'll be will be hard to tell. So when we think about it, to me it's in three dimensions. One, are we using these tools to better service our clients and capture market share and more efficiently and effectively engage with our customers, that's number one. Number two, are we using these tools to become better at how we process our business and reduce our costs and become more efficient. The third, which to me will be the next phase, is what are businesses we can build that are AI native that we literally don't have today, right.

So part of what I challenge our team, and don't worry, I'm not going back on what I said earlier, we have whole businesses – so when you say to somebody, let's start a business today, they start by hiring people. They start by looking at what somebody else does and say how do we do that. What if there's an opportunity for us to start businesses by saying, let's start with a team of six programmers, no people, just programmers, and see if there's a way for us to construct a business. To me, that'll be the next dimension of what we're doing. So when you ask what does that mean for us? It means that we're trying lots of new things. Hopefully, most of them work, some of them won't. We're investing without being irresponsible and we're being very mindful of how do we deploy these tools, to help grow and shape and change our business. So to me this is going to be a fascinating phase of evolution for our business.

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

And maybe we can wrap up here because we're running out of time, but I mean, the, every time I think about this and I go through these discussions with people, I say to myself, investing in a responsible manner sounds like there's a bit of a guardrails on your investing. Why? Why not pump the gas and not the brakes?

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**Alan Tannenbaum** – *Bank of Montreal – CEO and Group Head, BMO Capital Markets*

It goes back to the beginning of our conversation, right, so we've got to be disciplined. First, we have to deliver on our profitability and ROE targets. We've got to grow. You can't sacrifice your current business for this potential growth vector. So, it's about being responsible, but I – where we align very much Darko is that we're absolutely doing things to free up inside the business dollars to invest in AI.

So, where I guess I would differentiate is, we're not going to go, and I'm not going to go to Darryl and say Darryl, we need a break on our returns for the next two quarters or three quarters so I can take an extra \$100 million to \$150 million to invest in this technology and hope it works and hope it pays off for us. To me it's about being responsible, and to a large degree funding a lot of the stuff through the business which we are doing. To me that's the more responsible way for us to do it for the foreseeable future.

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

With that we're out of time. So Alan, thank you so much for a great chat.

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**Alan Tannenbaum** – *Bank of Montreal – CEO and Group Head, BMO Capital Markets*

I appreciate it. Thank you, Darko.

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