Bank of Montreal at the NBF Annual Financial Services Conference

CORPORATE PARTICIPANTS

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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 2022 and beyond, our strategies or future actions, our targets and commitments (including with respect to net zero emissions), expectations for our financial condition, capital position or share price, the regulatory environment in which we operate, the results of, or outlook for, our operations or for the Canadian, U.S. and international economies, the closing of our proposed acquisition of Bank of the West, including plans for the combined operations of BMO and Bank of the West, the financial, operational and capital impacts of the transaction, and the COVID-19 pandemic, 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" 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. The uncertainty created by the COVID-19 pandemic has heightened this risk, given the increased challenge in making assumptions, 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; the severity, duration and spread of the COVID-19 pandemic, and possibly other outbreaks of disease or illness, and its impact on local, national or international economies, as well as its heightening of certain risks that may affect our future results; information, privacy and cyber 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; benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to, or affecting, economic or trade matters; climate change and other environmental and social risk; the Canadian housing market and consumer leverage; inflationary pressures; global supply-chain disruptions; changes in monetary, fiscal, or economic policy; changes in laws, including tax legislation and interpretation, or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which we operate; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans and to complete proposed acquisitions or dispositions, including obtaining regulatory approvals; critical accounting estimates and the effects of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; the possibility that our proposed acquisition of Bank of the West does not close when expected or at all because required regulatory approvals and other conditions to closing are not received or satisfied on a timely basis or at all or are received subject to adverse conditions or requirements; the anticipated benefits from the proposed acquisition of Bank of the West, such as it creating synergies and operational efficiencies; our ability to perform effective fair value management actions and unforeseen consequences arising from such actions; changes to our credit ratings; global capital markets activities; the possible effects on our business of war or terrorist activities; natural disasters 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 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 2021 Annual Report, and the Risk Management section in BMO's First Quarter 2022 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 are set out in the Economic Developments and Outlook section of BMO's 2021 Annual Report and updated in the Economic Developments and Outlook section in BMO's First Quarter 2022 Report to Shareholders, as well as in the Allowance for Credit Losses section of BMO's 2021 Annual Report and updated in the Allowance for Credit Losses section in BMO's First Quarter 2022 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. Assumptions about Bank of the West's balance sheet, product mix and margins, and interest rate sensitivity were material factors we considered in estimating the fair value and goodwill and intangibles amounts at closing, and assumptions about our integration plan, the efficiency and duration of integration and the alignment of organizational responsibilities were material factors we considered in estimating pre-tax cost synergies. 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. Please refer to the Economic Developments and Outlook and Allowance for Credit Losses sections in BMO's First Quarter 2022 Report to Shareholders.

Non-GAAP Measures and Other Financial Measures

Results and measures in both Management's Discussion and Analysis (MD&A) and this document are presented on an IFRS basis. We use the terms IFRS and Generally Accepted Accounting Principles (GAAP) interchangeably. We use a number of financial measures to assess our performance as described herein, including measures and ratios that are presented on a non-GAAP basis. Readers are cautioned that non-GAAP amounts, measures and ratios do not have standardized meanings. 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: efficiency and leverage ratios calculated using revenue presented net of CCPB; revenue and other measures presented on a taxable equivalent basis (teb); pre-provision pre-tax income; amounts presented net of applicable taxes; results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements (i.e. constant currency basis or CCY), adjusted net income, revenues, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio, and other adjusted measures which exclude the impact of certain items such as acquisition and integration costs, amortization of acquisition-related intangible assets, impact of divestitures, restructuring costs and management of fair value changes on the purchase of Bank of the West. Bank of Montreal provides supplemental information on combined business segments to facilitate comparisons to peers.

Certain information contained in BMO's First Quarter 2022 Management's Discussion and Analysis dated March 1, 2022 for the period ended January 31, 2022 ("First Quarter 2022 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, 2022, 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, as well as the effects of changes in exchange rates on BMO's U.S. segment reported and adjusted results, can be found in the Non-GAAP and Other Financial Measures section of BMO's First Quarter 2022 MD&A. Further information regarding the composition of our non-GAAP and other financial measures is provided in the Glossary of Financial Terms section of the First Quarter 2022 MD&A. The First Quarter 2022 MD&A is available on SEDAR at www.sedar.com.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Dave is the CEO of the U.S. business and he's in charge of overall Commercial -- North American Commercial Banking for BMO. So Dave -- and I should also mention, Dave, you're the point person on Bank of the West integration. Is that right?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Well I'm the executive sponsor for our IMO. And it's in the U.S., it makes sense.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Yes. So we'll have a few questions on that. And thanks for coming to Montreal.

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Favourite city.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

I will start off with Bank of the West, that acquisition, obviously, big news. We've seen some of the U.S. acquisitions from other banks, the regulatory approval timeline getting pushed back, are you feeling the same or any different than what you were when you announced the deal?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Pretty much the same. The regulatory environment in the United States where it might have taken, Gabe, two years ago, you might have done this in six months. When we did the M&I acquisition in 2010, we got it approved and we closed within six months. Just the politics has caused some parts of DC to be a little bit more hesitant. But I think to your question, I think our plan, we said that we thought we could do it in calendar '22. We announced it December 20th, and we said we thought it would get done in calendar '22. So we still think that. Could be sooner. I don't think it will be later, but it could be sooner, I guess.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Okay. As far as the nuts and bolts of the acquisition, and this is something I hear from investors is the synergy number was pretty big as a percentage of the cost base.

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

USD $670 million. Which is about little over 35% of their overall costs.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

So is that a number, you feel, ambitious? Or is it you've got a very clear line of sight on where you're getting it from and ultra-confident in getting it.

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

It is ambitious and I am ultra-confident. And there were other numbers that were thrown out. And that's not really inconsistent with what other banks have said. It's in the 30% to 40%, certainly some at 40%, we're at 35%. Here's why I'm confident though. First of all, we've done this before. We did it - and a lot of people that were there, including myself, when we did M&I, we did that. And this is different. This is different in a lot of ways. Bank of the West, for those that don't know, 70% of the business is in California. It's been owned by BNP Paribas for probably 40-plus years. So we are taking our platforms, and their platforms are actually fairly similar, FIS provides a lot of the work on both sides, combining that together, that's a big synergy right there.

They have shared services that BNP would provide for them. We have shared services obviously, the parent provides to all the businesses. So that's a really good synergy. We're just taking it and moving it onto our platforms. Unlike when we did M&I, this is easier because we're buying a business that's used to being owned by a foreign bank. When we sit down with them, we say, well, the going-in view is we're going to go to BMO's platform, there isn't a lot of resistance. They get that, it makes sense. And this is what can take time when you have a merger of equals, you can have a pretty long debate over, well, my platform does this, my platform does this.

We don't really have that. And it's pretty clear that the BMO platforms -- the Bank of the West platforms are great, but to load it on to our platform where we've really built over the last 10 years for real scale in the U.S., we're adding another 1.8 million clients to what we have today, 2 million in the U.S. So we've got the scale to do that. So I feel really good about it. There's overhead that, obviously, part of the control functions you don't need -- there's many people in finance and accounting, risk. But we're going to be pretty smart about it. I feel very good, though, we'll hit that number. That's a long answer, but I'm very confident on that.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

And the number itself, not aside from the size, but the pace is expected to be achieved within the first year. Is that really because you're flicking off a switch on their IT side?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Yes, I think we've given ourselves a fair amount of time to do that. So we've said that the entire $670 million of cost savings would be achieved in that first year. We absolutely think we will do that. Six months into the -- let's say, we closed in December, just to pick that as the time -- within six months, we will convert all the systems. So that really creates most of the savings. There's also -- there's other things that will -- we'll spend some money over a longer period than one year just as we go through it. But the cost savings really will come in the first year.

And I think we've given ourselves plenty of time to do that. By the way, I'd just like say we're working on this every day. I mean as much as we can, we're spending time with them. The tech teams are working together, really very cooperative, to figure out how we can do this. Because it's all about getting it right from a client side. Anybody that's ever been through a conversion it's painful if you don't do it right, and if you don't think through it. So that's what we're spending the time on now, and we've got actually longer period of time than normal to do that and get ready.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

And I should have started with this question, but what are you doing now as far as integration. You can't integrate anything. But as far as preparing over the...

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

We can't integrate, but our tech teams can -- everything has to get done through legal has to look at it. Obviously, we can't share any confidential data. But we can share, and the regulators actually want you to share, the types of things, how do the systems work; are you going to be -- how is your cyber going to work? How are all the things going to work on day one? And the regulators expect that and want you to do that. So we're doing that now. Our tech teams are working very closely together. So that when legal day one comes, we won't be, "Oh, what are we going to do now." So we've thought through this. Again, it's about how we handle the customers. How do you get the data over. How do you move from Bank of the West or from BNP to BMO. So they're doing a great job, and the teams really are focused together on that.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

And then last one on the synergy stuff. But if I plug in, quick merge of the models, income statements and then plug in the synergy number, I get to about a 50% pro forma efficiency ratio, which is below where both entities are running. Is that what you're expecting?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Well, the good news is your math is very similar to ours. We put that in our deck. I think we said 51%. When we're fully synergized, so the pro forma, if we just took last year's numbers, I think at the end of '21, pro forma would be about 50%. Our overall U.S. productivity is around 54%. Our P&C U.S., this is mostly the P&C businesses acquisition, is now below 50% -- so I think the numbers that you're looking at are good, they're instructional. I think they're helpful. And I would also say, just to go back to what we did with M&I. When we bought M&I and since -- actually since even 2018, in the U.S. in our P&C business, we've taken the productivity down, I think, 800 points just since 2018. So we've really made some real good improvements. So that's all scale. It's being more efficient. It's investing. It's taking as much as we can, making it digital. So we made some good efforts there. We've also moved our ROE up Gabe, from I think, 12% to 18% or something like that, just in our P&C businesses.

And lastly, the U.S. business -- there was a time when BMO was investing in the U.S. you were getting growth in the U.S., but you weren't getting the returns. And that was the issue. You're growing in a more competitive market. Well, today, our U.S. business, and that's P&C Wealth, Capital Markets, Retail altogether is equal in terms of productivity and ROE to what we do for all of BMO. So it's no longer dilutive. It's a good growth market, and it's if not accretive, it's certainly equal. And I think with this acquisition, that will even get better. I'm not predicting the U.S. will be better. I'm just saying that, it's going to be a good story.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Well, that's the growth part. So you've got an acquisition, inorganic growth, but the question that investors and I have is how does this improve your future organic growth potential. And an obvious thing to look at is how Bank of the West has not really grown much. BMO is going to plug in their systems and accelerate its growth somehow. Like how does that work out? Is there a playbook for better sales, culture or what?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Well, we've talked about the infrastructure side and where we think we're going to get the costs out. But your question is really more on the revenue synergies. What are we going to do? How is Bank of the West, which is a good bank - and it's done well, it's a conservative bank with good culture. I do think there's a lot of opportunities to keep that growth going.

Now they've had -- I think you're referencing they had some lower loan growth in the last while. But there's a couple things in there. They got out of the indirect auto business, so they've substantially reduced it. So that took about $1 billion out. They had PPP, which John was talking about earlier. And that's obviously affected them as it has other banks. The mortgage business came down a little bit. But there's no question in my mind that bringing our playbook to what I think is a good culture there. –

I don't think I mentioned this, but part of the reason people wondered about our synergies, we're not closing any branches. So there's no synergies there. The branches are staying and it's contiguous. There's very little overlap. On the Wealth side, on the Commercial side, there's no loss of people there. In fact, we'll add more people to that. I think we can get in the West Coast, where it's -- just in California, it's twice the GDP of Canada. There is a real growth opportunity for us. We've been out there as a bank. BMO has been out there, but not with branches, not with enough people.

I think when we're out there, we get the Wealth humming, the Wealth and Commercial teams humming, the Commercial teams, which are very similar in terms of what we do and what they do. We have some things that they don't have. They have some things that we don't have. Together, whether it's Ag or their beverage business, we grow together. They have a technology business - just because of where they're located, which I think we build up. I think that's a real opportunity for us. What Bank of the West didn't have, they had a parent, a good parent, but it was probably 5% of BNP's business. When we put these two together, the United States will be 46%, 47% of the net income of BMO. We're going to invest a lot more. We're going to grow it.

And it's not that they were starved, but I think they're going to see a lot more momentum, a lot more encouragement to grow together. And I think we've got the playbook to do that. So that's where the real upside is. And as you know, we didn't really talk about the revenue synergies in our deck. But we'll bring more of that out over the next couple of months, I'm sure.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Last question on Bank of the West. Shortly after your deal, another one was announced, TD’s, and there was some disclosure on employee retention. Do you have any structures like that in place in this?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Absolutely. Maybe not exactly in the same way, but we have a big plan for retention that is ongoing. It's critical that we keep the people that are most valuable to run the business. There will be no question for those people that we want them, we need them. And we think -- actually, I know that the vast majority of them will see this as a positive. They'll see that we're not cutting jobs, we're growing jobs in the markets. They'll see that if they were a good bank as Bank of the West, they will be a better bank, we will be a better bank by putting them together. They see that. And they compete against -- the big guys out there are BofA, Wells, JPMorgan, U.S. Bank is buying a bank there, so they'll be bigger. They see us together, I think, as a very, very good alternative to some of the very large banks that are out there. And for our mid-market, mid-cap business, which is basically what we have for commercial, we're a pretty good alternative, as we've proven in other parts of the United States.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Okay. Another big topic that's come up in BMO's results, especially in 2021, was the securities gains that were boosted by private equity-related co-investments or whatever term you would use as one you want use. How big is that portfolio in the P&C bank?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

In the P&C bank, the portfolio in Canada is around $0.5 billion in that neighbourhood. And we've been doing that for probably 15 years. And John gave you a good explanation. Ours would be a little bit different, but we would invest -- and by the way, Capital Markets would do this as well --

but I think you were specifically talking about P&C Canada. So we would invest in various funds, similar to what John had said. We do that only really -- first of all, there would be some people that always say, well, let's invest in the fund, we'll get more business - maybe.

But the first thing we're going to do is make sure it actually makes sense. So they're smart, they know how to get a good return. And as everybody knows in this group, the alternative business, the private equity investments have been very strong. So it's got to make sense. But then we'll invest a pretty small amount and those have grown. So as we started maybe 10, 12 years ago with Fund one, now some guys are on Fund four or five. It has over time, returned very well. And then we also -- I think you asked before, that's probably half of the business. The other half is...

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Actually, If I can pause, the $500 million, that's the ?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

That's all of our investments. So some would be the private equity, some would be private equity investments, and it's probably $5 million, $10 million, maybe $15 million in the fund. And we might have $15 million if we have it in three different funds, and it goes down over time obviously, they return capital. But the other part of our business, we invest in private companies, not the private equity companies, where they'll come to us. And it might be a generational issue and they say, you know what, we need X dollars for an expansion, or to buy somebody out.

Well, maybe there's a certain amount of that, that we actually would say that works within our traditional senior loan structure. But we might put $5 million or $10 million into a sub debt piece, which we would see as -- we know this company, we're going to get a higher return on it. We'll put a little bit in there. We don't think that very often, but we absolutely do that, and we've been doing that for 10 or 15 years. So as those return, we get that back. We don't get an equity slice there, but we get very good returns there.

And then on occasion, we will invest some equity in some companies, sometimes through private equity, but it would be in the $5 million piece. So all that adds up to about $500 million in total. But in terms of the gains, every quarter, we have some gains. We hardly ever have a loss. I mean we might have a loss in one deal, but not every quarter. Last year, we had about $100 million -- a little over $100 million in gains in that portfolio, some realized, some unrealized, mostly unrealized. But that represents in terms of our P&C Canada, our NIR, that's about 5%. And that total $100 million for P&C Canada would represent maybe 20% of all of BMO's securities gains for that year. So it's important, but it's not -- we run our business really around the clients.

And if there's an opportunity for us to make a smart investment because we've got proprietary knowledge, we'll do it. But our main business, by far, is lending money and taking deposits and giving the advice. Is that helpful?

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Yes, yes. It's very, very helpful. The lending aspect of it. I know the Capital Markets business does leverage lending, that's the originate-to-distribute model. But at the Commercial bank, both in Canada and the U.S., you lend to buy it -- leveraged loans - to buy out these investment companies, right?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

No. We buy middle market companies. We finance middle market companies that private equity firms are buying.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Correct. That's what I meant. How big are those -- those are balance sheet loans, right?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Yes; it's a little different. It's different in Canada and the U.S. In Canada, it's a smaller portion. It might be $2 billion, $2.5 billion. And if that in the U.S., I think, or in Canada. In the U.S., it's about $5 billion. But they're very different in terms of how we run the business. In the U.S., we probably have 200 portfolio companies. And in 90% of those, we are the lead. We never would hold more than $25 million in any one deal. And we have cadre of investors that invest with us for the senior loan, and they've done that because we've been doing this over 10 years.

So they invest with us because they know, unlike if they put their money with any other money manager that's investing in this, we've got $25 million in every deal. This has been a very, very good business for us in the United States, and it is more of a distribution. And the loans that we're doing there are less than -- almost always less than $50 million of EBITDA. So the companies might be worth $300 million, $400 million at the max. When they get much above that, that would be a Capital Markets where they don't hold as much, and they do distribute. But we're holding in every one of those deals. So Canada would be similar, except -- they don't have the market in Canada to distribute the way we do in the U.S. So as a result, those loans to Canadian private equity firms, which are more conservative than the U.S. firms. Those we would hold a little bit more. We would be, just as John said, we would be agent in at least 2/3 of those, I think, and with good relationships with the firms, we hold those, but they're less leverage, too.

Just the loss rate though in the U.S. where I'd say it's probably a little bit riskier, has been exceptional. Very strong returns, exceptional loss rate over a 10-year period. The difference is, we've hired asset managers really to run that business in the U.S. because, we like relationship managers, but when you're running against private equity firms, you really need more of an asset manager mentality to do it right. And I think we've got the right recipe there.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

What are your clients saying, doing, they're facing a whole bunch of -- and this is Canada, U.S. I'm sure is different. Inflationary pressures, geopolitical backdrop, concerns in China experiencing or contributing to supply chain constraints. A whole I can go on, is this -- despite some of the growth numbers we're seeing, is this restricting growth at all?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

So far, it really hasn't. Obviously, the supply chain is, in a way, it's acting as some pretty good equilibrium, which I think stretches out the recovery even over a longer period of time because there just is not enough labour or raw materials, but it has not caused really in any of our sectors, anything that's significant.

Most of our clients are able to pass it on. It might take a little while. Like our food business, it takes a little bit of time. Our asset-based lending business is a big business for us. It's grown and that's where we've seen a lot of growth there. I haven't seen yet any real slowdown as a result of the war or even what's taking place. We have seen supply chain continue to stretch out, whether it's our auto dealers or truck dealers or some of the other businesses on both sides of the border, it's taken longer. We've been hearing -- I've been hearing for 18 months, so it's five or six months away, and they've been saying that for 18 months.

And they're saying it today, well, it's five or six months away. At some point, they're going to be right. And at some point, the auto manufacturers will load up the dealers again with cars. But we haven't seen that yet. We're down at least 70% in terms of our utilization in our truck and our auto floor plan business. So that's going to come back. At this point in the season, we would probably be at 75% in the normal pre-COVID. 75% of the lines being used for auto dealers and our truck dealers, which combined is probably 10% of our business. Today, it's probably 20%. So at some point, that's going to come back. Other parts of our utilization are still down, but they're slowly coming back.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Has inflation been a net positive? I know you hear about it as a risk, but if you're lending to a trucking company, you've got to buy a new truck, they cost more.

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

New trucks $10,000 or $15,000 more. Yes, I suppose it is, although they're not financing. I mean they're not -- the dealers are not financing the trucks anymore. I mean they just go out as soon as they get in.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Or do you want to expand their plant and building costs.

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Well, inflation absolutely is impacting in some ways, but it's also obviously a drag because of the inflation. The inflation is there because the supply can't meet the demand. So price is going up. So you're getting less demand. I think as we move more into equilibrium, loans will continue to grow. And our loans have grown. Our loans, despite all this, our loans in Canada were up 10%. Our loans in the U.S. were up, I think, 14% ex PPP. So we still had some pretty good growth. It's a lot of new business. And you haven't asked me about real estate, but --do you want me to answer it before you ask it?

Unidentified Audience Question

You said earlier that asset managers is a better model?

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Let me just correct you on that. In our sponsor finance business, where we lend money to financial sponsors to buy companies, –they are relationship managers, but they think more like asset managers because they do better with private equity. I can talk to you afterwards, but that's what I meant. It has nothing to do with Wealth.

Dave Casper – *CEO, BMO Harris Bank N.A. and Group Head, N.A. Commercial Banking*

Let me talk about real estate. The real estate business for us is, first of all, for BMO, we have about the same amount of overall real estate in BMO as we do in the other banks, about 9% of our total loans. But for our commercial loans, so commercial real estate, we're about 17% of our commercial and government book, and the other banks are probably close to 30%. So we're much lower, underweight in commercial real estate, both in Canada and the U.S. vis-a-vis our peers. That's not necessarily good or bad, and we love the real estate business. It's just our other C&I businesses grow at a pretty good pace, too. So you just have that as part of your thinking. So as real estate has grown and it has for the last couple of years, we participated.

But when we have 15% less of commercial book in real estate, we're not going to see that growth. I feel pretty good about where we are -. office, I feel pretty good, but it's a small part of our business. And most of our business is fully developed. We have about 15%, that's development that we're working with and some of that, maybe 25%, of that would be office, where we're building the offices. But we're in pretty good shape there, and we're keeping up with what has been huge demand. In the U.S., we don't have much office exposure. Our biggest two office exposure loans in the U.S. are in Milwaukee and Chicago, and we're the main tenant in both. I feel pretty good about those. We're Class A.

Gabriel Dechaine – *Analyst, National Bank Financial, Inc.*

Thanks. Thank you very much.