BMO Financial Group

BMO Financial Group U.S. Investor Day
June 26, 2012

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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 may involve, but are not limited to, comments with respect to our objectives and priorities for 2012 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. 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 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.

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We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 30 and 31 of BMO's 2011 annual MD&A, which outlines in detail certain key factors that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does 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 our shareholders 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.

In calculating the pro-forma impact of Basel III on our regulatory capital, risk-weighted assets (including Counterparty Credit Risk and Market Risk) and regulatory capital ratios, we have assumed that our interpretation of the proposed rules and proposals announced by the Basel Committee on Banking Supervision (BCBS) as of this date, and our models used to assess those requirements, are consistent with the final requirements that will be promulgated by BCBS and the Office of the Superintendent of Financial Institutions Canada (OSFI). We have also assumed that the proposed changes affecting capital deductions, risk-weighted assets, the regulatory capital treatment for non-common share capital instruments (i.e. grandfathered capital instruments) and the minimum regulatory capital ratios are adopted by OSFI as proposed by BCBS. We have also assumed that existing capital instruments that are non-Basel III compliant but are Basel II compliant can be fully included in the April 30, 2012, pro-forma calculations. The full impact of the Basel III proposals has been quantified based on our financial and risk positions at quarter end or as close to quarter end as was practical. In setting out the expectation that we will be able to refinance certain capital instruments in the future, as and when necessary to meet regulatory capital requirements, we have assumed that factors beyond our control, including the state of the economic and capital markets environment, will not impair our ability to do so.

Assumptions about the level of asset sales, expected asset sale prices, net funding cost, credit quality, risk of default and losses on default of the underlying assets of the structured investment vehicle were material factors we considered when establishing our expectations regarding the structured investment vehicle discussed in the interim MD&A, including the adequacy of first-loss protection. Key assumptions included that assets will continue to be sold with a view to reducing the size of the structured investment vehicle, under various asset price scenarios, and that the level of default and losses will be consistent with the credit quality of the underlying assets and our current expectations regarding continuing difficult market conditions.

Assumptions about the level of default and losses on default were material factors we considered when establishing our expectations regarding the future performance of the transactions into which our credit protection vehicle has entered. Among the key assumptions were that the level of default and losses on default will be consistent with historical

experience. Material factors that were taken into account when establishing our expectations regarding the future risk of credit losses in our credit protection vehicle and risk of loss to BMO included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges that BMO has entered.
In determining the impact of reductions to interchange fees in the U.S. Legislative and Regulatory Developments section of the interim MD&A, we have assumed that business volumes remain consistent with our expectations and that certain management actions are implemented that will modestly reduce the impact of the rules on our revenues.
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, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Outlook and Review section of the interim MD&A.

Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Second Quarter 2012 Report to Shareholders and Bank of Montreal's 2011 Management's Discussion and Analysis, all of which are available on our website at www.bmo.com/investorrelations.

Examples of non-GAAP amounts or measures include: productivity and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes; adjusted net income, revenues, provision for credit losses, expenses, earnings per share, ROE, productivity ratio and other adjusted measures which exclude the impact of certain items such as credit-related items on the acquired M&I performing loans, run-off structured credit activities, M&I integration costs, amortization of acquisition-related intangibles, decrease (increase) in collective allowance for credit losses and restructuring costs.

Bank of Montreal provides supplemental information on combined business segments to facilitate comparisons to peers.

Sharon Haward-Laird - Head of Investor Relations - BMO Financial Group:
Good morning everyone. I'm Sharon Haward-Laird - Head of Investor Relations - BMO Financial Group, Head of Investor Relations for BMO Financial Group. Welcome to Chicago. Thank you for joining us for BMO's U.S. Investor Day. We would like to welcome those of you joining us in person today in Chicago, as well as those of you who are joining us on the webcast.

At this time, I caution our listeners by stating the following on behalf of those speaking today. Forward-looking statements may be made during this presentation. They are subject to risks and uncertainties. Actual results could differ materially from forecasts, projections or conclusions in the forward-looking statements. Information about material factors that could cause results to differ and the material factors and assumptions underlying those forward-looking statements can be found in our annual MD&A and our second quarter report to shareholders.

Now let's turn to today's agenda. Bill Downe, BMO's CEO, will begin the presentation with some opening remarks. We will then have business group presentations led by BMO's business unit heads along with members of their U.S. management teams. We will start with Tom Milroy, CEO of BMO Capital Markets. We will then turn to our U.S. retail businesses with presentations from Gilles Ouellette, President and CEO of Private Client Group, and Mark Furlong, Head of Personal and Commercial Banking U.S. There will be a Q&A session with each of the three business groups after their presentations. To wrap up, Tom Flynn, BMO's Chief Financial Officer, will make some closing remarks.

I would also like to introduce other members of BMO's management team who are here with us today: Surjit Rajpal, our Chief Risk Officer; Jean-Michel Arès, head of Technology and Operations; Cecily Mistarz, who is heading up our integration effort; Doug Stotz, head of Marketing; and Frank Techar, Head of P&C Canada.

This event is being webcast live, so we ask those in the audience to please turn off their cell phones and to hold your questions until the Q&A sessions. During Q&A, we would ask that you speak into the microphone provided and state your name before asking your question. Finally, we want to make today as productive as possible for all of you. If you have any logistical questions or if there is anything we can help you with, please don't hesitate to speak to a member of the IR team.

Bill Downe - President and CEO - BMO Financial Group:
So let me repeat Sharon's welcome to all of you here in Chicago and on the webcast, and to just say how much we appreciate you taking the time to spend two days with us, for those of you who are here in person.

Our last investor day in the U.S. was in June of 2005, and a great deal has changed both in market dynamics and the position of our bank in this market. Each one of our three principle operating groups is in a different competitive position and each one of them is positioned for future success.

Now, there are some things that haven't changed quite as much. Of the 33 analysts and investors who attended in person in 2005, 17 are still covering BMO and I'm happy to see that 10 of you who were here in 2005 are in the room this morning.

I hope everyone found the tours of Hinsdale, Oakbrook Terrace and the Trading Room here in Chicago to be productive, and as well those of you who missed the tours because you went to the Cubs game or played Whistling Straits, I hope you have an opportunity to visit a branch before you go home.

I think it's notable that of only five members of the 25 members of management who presented in 2005 are here today. I think that reflects both promotions and reassignments within the bank, but also the consequence of acquisitions and some very active recruitment into the business. Recall in 2005, there was a recurring question in the sessions about our willingness to pursue a large in-market acquisition at a time when valuations were approaching three times book, and as well whether we'd consider vending our U.S. business into a minority interest in a much larger entity. In retrospect, the discipline we maintained has paid off.

One thing we did commit to was tripling the size of our business across a larger midwest footprint, and you might recall at the time we had 190 branches concentrated in Chicago. Today, we have about 660 branches and a number three market share across the six state area that has a GDP and population about the same size as Canada in aggregate. And in the period since 2005, the performance of the Bank of Montreal has materially strengthened. Wealth management is now a much larger proportion of BMO overall. Capital markets is now just under 25% of the total bank and is performing very well, and P&C Canada is showing good growth, both top line and net income, high customer loyalty, and a very clear, defined brand position in the Canadian market place.

When we announced the acquisition of Marshall & Ilsley in December of 2010, we provided very clear transparency around the BIII common equity ratio with 2019 rules fully implemented, and you might recall at the time the number at the end of 2010 was 7.8%. Since then, we've made a $4.1 billion acquisition and at the end of the last quarter the common equity ratio had been restored to 7.6%. And you will recall, we had contemplated the possibility of raising up to $800 million of equity and didn't do that. So the earning power of the bank itself, the ability to rebuild the capital very quickly post-acquisition is a sign of the overall strength of the organization. And I think as you listen to the discussions today about the dimensions of the three business groups that are going to talk to you about the business potential, I think you will gain an understanding of how much operating leverage there is in the business.

Today, we have a U.S. platform that provides strong opportunities for growth across all dimensions and most importantly we've delivered on what we said we were going to do, and we've done it in the way that we said we were going to do it.

The combination of the businesses looks more attractive today than it even did in December of 2010. The branch platform conversion is right on schedule. The overall integration schedule has been ahead all the way through the process. Synergies are ahead of schedule, as you'll hear, and most importantly platform capabilities have been enhanced. We have strengthened the combination in BMO Harris Bank well beyond what we originally contemplated when we approached the acquisition transaction, and you're going to hear quite a bit about that in the course of the morning.

We've rolled out the BMO Harris Bank brand. It's designed to reinforce customers' expectations around making sense of complexity and making a better choice, and having confidence. But what we haven't done is we haven't heavily promoted that brand pre-conversion of the Marshall & Ilsley branches, which will take place in late fall. And for the front-line employees and for the customers, the reinforcement of brand and brand position is going to be a critical element in future growth. It's something that I think is going to pay off very significantly, and we've seen it in Canada – just the weight of a brand focus in the market does enhance competitive position, and it enhances confidence with front-line employees.

We've done a great job around employees. The stability of the workforce has been remarkable. The way in which the teams are working together has been remarkable, and we just completed our annual employee survey bank-wide and in the U.S. in the midst of very significant conversion work, employee engagement, already at high levels, was up and commitment to the bank and the brand promise was up. So we're going into the period of post-conversion in a very strong position.

We're delighted to have the opportunity to showcase the businesses today. You're going to hear from Capital Markets, from Wealth Management, the Private Client Group, and from Personal and Commercial Banking in the U.S.; and each one of them, I think you're going to find both the quality of the management to be impressive. I certainly have a great deal of confidence in them, but the focus they have on growing the business in a quality way and the alignment between the businesses is something that I hope you'll recognize.

And in every dimension, our businesses now are aligned across a North American foundation. We're serving over 12 million customers. Our U.S.

business is integral to the long-term strategic objectives of the bank. Approximately a third of our revenues in the first half of 2012 came from the United States, and the work underway is going to continue to strengthen the profit contribution from all of the businesses that you're going to hear about.

I think it's most fitting that we have this U.S. investor day here in Chicago given the long relationship we have with this community. Our founding in Chicago dates back to 1861 when a group of Chicago grain merchants encouraged the bank to set up a permanent agency. At the time, we were a leading source of finance for Chicago's export trade, and had been described in local newspapers as one of the most reliable banking institutions in the United States.

One of our early competitors was NW Harris & Company, which was founded here in Chicago in 1882 and which as Harris Bank Corp. eventually became part of the Bank of Montreal group in 1984. Since then, we've had a consistent strategy of growing our U.S. businesses with an emphasis on the Midwest, and we've applied a disciplined approach to execution that's paid off.

The acquisition of M&I has in some sense transformed our U.S. operations by doubling the number of branches, and as I said, giving us a number three market share. Most importantly, it's given us extremely valuable infill opportunities within our footprint. It also has presented significant opportunities for growth in wealth management. It significantly increases the number of private banking locations, personal wealth accounts, and most importantly client assets. You're going to hear more about the impact on both Personal and Commercial and PCG in the presentations.

We intend to build a U.S. presence in the Midwest that's uncontested and to position ourselves to compete successfully everywhere that we do business. It means focusing on new customer relationships, deepening existing customer relationships, understanding our customers' relationship with money.

This is an attractive market based on size, wealth, the fragmentation of the market, and we think it's going to allow significantly higher growth rates going forward. In this sense, our strong market position in the U.S. Midwest is a source of competitive advantage.

As I previously have said, we have a goal of achieving $1 billion in net income from our U.S. Personal, Commercial and Wealth businesses in the medium term, and I might note that that's about a five-fold increase from 2010. In our capital markets business, we've strategically invested in our midcap-focused U.S. business and expect a contribution of approximately 20% of our total U.S. earnings in the medium term. You're going to hear from each of the businesses how they're going to execute their strategy and how they're going to grow their business.

BMO first opened for business in the United States 190 years ago. We have deep experience across multiple regions, across multiple segments, and the bank has a reputation across the United States that's consistent with the brand promise. We're very excited about the growth prospects. We're confident in the position of our businesses. We have very strong management and I have confidence in their ability to deliver against the strategies and their commitments.

I hope you're going to leave this session with a clear sense of our strategy, the strength of leadership, and confidence in our ability to grow the business. And with that, I'd like to turn it over to Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group and the members of our U.S. capital management leadership to start us off. Thanks.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
So thank you, Bill, and good morning everyone. Before we get started with the formal presentation, I wanted to make a few introductions. Joining me on the head table today are Perry Hoffmeister to my left, who is the Head of Investment and Corporate Banking U.S., and Alan Tannenbaum, who is the Head of U.S. Equities, both of whom will provide a profile of their respective businesses as part of our presentation. Perry was with Lehman Brothers for 21 years, most recently as co-Head of Investment Banking for Europe and the Middle East. Alan's done 13 years at Lehman, most recently as Head of U.S. Institutional Sales. He has spent 22 years in our industry.

Also joining us in the audience is Luke Seabrook, head of Debt Products and Financial Products; Debbie Rechter, a Managing Director in our FX group; and Lyle McCoy, Managing Director of Public Finance and Infrastructure. Together with Perry and Alan, these executives have over 100 years of experience.

Now let's move to our formal presentation. BMO Capital Markets' vision is to be the lead North American investment bank that enables our clients to achieve their ambitions. Building on the strength of our Canadian franchise, we've been investing in the U.S. business since 2009 with a focus on building out our capabilities and infrastructure in critical areas, across product sectors and geographies. With significant investment and focus in the U.S. our expectations are that U.S. business will contribute more to the overall BMO Capital Markets bottom line in the next three years while providing us with another source of growth. Perry and Alan will profile some of the investments we have made specifically in I&CB U.S. and U.S. equities. The execution of our U.S. strategy will permit us to achieve our financial objectives without introducing outsized volatility.

Our focus on becoming a lead North American investment bank is well founded. We have distinguished ourselves in the market both globally and locally. Currently, we're ranked in the top 20 global investment banks by fees for 2012, and we're rated Best Investment Bank in Canada by Global Finance for 2012, and we contributed approximately 23% of BMO Financial Group's net income[1] in 2011 [sic].

We have a proven track record which is supported by a client-led business, in turn supported by a strong balance sheet. We are a full-service investment bank with 30 locations and over 2,100 professionals focused on both issuer and investor clients with a breadth of product and service. Recent product offering expansions include re-establishing ourselves as a primary dealer and expanding our public finance business.

Our objective in the U.S. is to be a premier mid-cap investment and corporate bank supported by a full service distribution platform. Our investments in the U.S. build on the strength and knowledge of our Canadian business. We're successful in all these businesses in our Canadian franchise.

We are differentiating ourselves in several ways against the U.S. competition. We offer a highly rated, successful and trustworthy North American universal banking model. We have a broad integrated offering and top tier expertise that allows us to serve mid-cap clients with an integrated offer and industry expertise supported by our strong balance sheet. We're focused on strategic sectors where we're competitive and differentiated, which include global, North American and U.S. focuses. Perry in particular will focus on this in his section of the presentation. And in Trading Products, we offer a full service distribution platform in conjunction with being a highly rated and stable counterparty.

Since 2009, we've strategically invested, as I mentioned, in the U.S. business. In equity products, debt products, and financial products, we focused our build-out on the distribution platform, including the addition of complementary businesses that support our clients across these different lines of business. Some examples include developing a complementary and well-aligned fixed income origination and distribution platform focused on core North American government markets and targeted corporate sectors. We've built out our financial products offering capability similar to what we have in Canada by adding and expanding listed equity options, U.S. equity derivatives, and our structured note offering. In Investment and Corporate Banking and Research, we focused on investing in human capital and expanding our capabilities in the sectors where we believe we're competitive and differentiated.

We've deepened our core relationships, including aligning equity products in I&CB U.S. resources to close capability gaps such as hiring investment banking managing directors in key sectors to complement research, and vice versa. We've added banker teams in the following areas: food and consumer, technology, REIT – this is a sector which is very high generating in the midcap space in the equity capital markets. And energy in Houston, we've been in that business for over 50 years, and we're a Canadian leader. We added in oil and gas acquisition and divestiture capabilities into the Houston market and some

1 - Q2 2012 Adjusted operating group net income; Adjusted measures are non-GAAP measures. See pages 94-95 of BMO's 2011 Annual Report and pages 33-34 of BMO's Second Quarter 2012 Report to Shareholders

additional bankers, which has significantly increased both our M&A business and our financing business. We also upgraded our financial sponsor group with five additional bankers as this represents approximately 40% of the fees in the mid-cap space.

Investment across these businesses was critical as these businesses are highly interdependent. For example, equity products clients wish to invest in IPOs and secondary offerings originated by investment and corporate banking, and investment and corporate banking clients seek research and distribution capability from equity products. The team that we've assembled is very talented and we are actually very successfully competing against our competitors.

We think that we've executed about 70 to 80% of our long-term growth strategy. We've experienced some frustration coming from the headwinds as a result of the slower economic recovery in the U.S. and the challenges being faced by the EDC. Notwithstanding that, we are encouraged by our progress and we are seeing very positive signs that our strategy is taking hold. Some of those leading indicators include in our newly expanded U.S. listed equity options group, we've achieved our first ranking in the Greenwich Survey, coming in 15th in the U.S. market. Our newly launched U.S. converts business, which has both origination and distribution capability, is seeing account growth despite the challenging environment. The number of actively traded accounts reached a new record high of 69 in April of this year, an increase of 62% year-over-year.

Success is also translating into client recognition, where we received 17 of the 100 votes cast for BMO by Pyramis and Pimco trading for the first time. BMO FX trading moved from 17th to 9th as a North American FX market maker, and volumes in the U.S. have doubled in the real money client segment since making the investments we made, both in the U.S. and London.

In the public finance and infrastructure space, we've seen improvement as well. On the public finance side, senior managed deal size has increased multifold since we've expanded the business, and on the infrastructure side we saw just recently the first P3 capital markets transaction which was an innovative capital structure transaction valued at $663 million for the Virginia Midtown Tunnel in the U.S. and is really a key project for our team. Both Perry and Alan will expand on these points and other success indicators as they go through their sections.

We continue to refine the business to adapt to the changing regulatory environment related to Basel III, Dodd-Frank, and/or including the Volcker Rule. While we've slowed down our growth plans to reflect current market conditions, we remain profitable and focused on executing on the balance of our strategy. We're comfortable with our progress and we're very happy and confident in our future success.

So with that, I'd like to turn it over to Perry to provide you with a few more specifics about the investment and corporate banking business.

Perry Hoffmeister - Head of U.S. I&CB - BMO Financial Group:
Good morning everybody. I'm very pleased to be here with you today, and I'm looking forward to reviewing with your our I&CB U.S. strategy and telling you a little bit about our progress.

So our strategy is to bring clients the best of both worlds – the boutique model and the bulge bracket model, and that's why we put our logo right in the intersection of those circles, and the good news is, this is where clients want us to be as well. What it means is that we differentiate ourselves with clients by bringing our clients the attention and focus and expertise of the best boutiques, combined with the strength and stability of a full-service universal banking platform. We focus our efforts in the U.S. by defining our target market as the midcap segment. Mid-cap, we define as the companies valued between 200 million and 5 billion in range. We think that segment of the market is underserved, and I'm going to show you some statistics on the next page about why this is the right sector to be focused on.

We further organize ourselves along product lines, and you see some of the key expertise areas that we have. There are sub-products beneath this as well where we have expertise, including converts, preferreds, FX, and commodities. And then we also organize ourselves by industry focus, and this is where our industry expertise sets us apart. We're focused. We're not trying to be all things to all people. We're concentrated on these power alleys and we've picked these power alleys for a number of reasons, including or most importantly because they complement strength of BMO in areas of real expertise.

Over the last several years, we've invested in our capabilities in these areas really by hiring some fantastic bankers who bring a lot of experience to bear for us to share with our clients. To give you some statistics about that, today almost 60% of our managing directors in I&CB have bulge bracket investment banking experience, and the average tenure of our managing directors is 21 years in investment banking.

Here's the data that reinforces our view that the midcap space is the sector where it makes sense for us to focus. On the left, the small cap sectors, you can see not very many transactions and the average revenue per deal is also not significant enough to be profitable for a full-service investment bank to be focused. On the right-hand side of the page, the large cap stuff, that's the most competitive sector in the market. The middle is where we're focused. It's the most dynamic sector. There are about 7,000 corporates in the U.S. It's the fastest growing. It's the segment where the midcap banks have the most—the significant share. The economics are good, and as you can see, the last row there, almost 40% of fees come from the financial sponsor community, and that explains our focus on that segment and our dedicated coverage effort there.

So what is our strategy to achieve our objective of being the premier investment and corporate bank in the U.S. midcap segment? It's three things: alignment and focus, and what I mean by that is we win when we bring all of our capabilities to a client because we have so much to offer. We can't do this with every company in every industry, so we're not trying to be all things to all people; but we have a very targeted strategy. We're focused on industries where we're differentiated, where we have the industry expertise, and on companies where we are or we can be the trusted advisor.

Relationships – it's really what it's all about by bringing differentiated advice because we know the industry so well, we know their company so well, and we can support our clients with all our other products, whether it's credit or research. Whatever they need, that's when we become their trusted advisor and that's how we stand out.

And then productivity – that's really about becoming the lead, lead advisor or lead on the financing. How do you do that? Well, we sell our enhanced distribution capabilities. We don't ask companies to put us into their transaction as a favor; we do it because we convince them that we're the best at distributing their securities because we're the best at telling their story. And then business begets business – the more we demonstrate our ability to lead business, the more clients will continue to work with us or want to work with us.

So is the strategy working? We're seeing tangible signs of success both in our financials and in the size and type of deals that we're doing. Here are some of the proof points. I've selected only a handful of the 125 or so deals that we've led this year to highlight. I've picked different industries and different products, so you can see up here energy, food, consumer retail, technology, real estate, healthcare, industrials and business services all represented; and equity transactions, M&A, and bonds and loans.

Two deals I wanted to highlight for you, one in the middle row for El Paso and one in the bottom row for Samson. The reason I wanted to point those out is those are the two largest global LBOs done this year, and BMO is a book runner in financing both of those transactions.

On the right-hand side, a couple of highlights – our M&A business had a record year in 2011, and despite market volatility, we're on track for another strong year. Our equity business is a little slower than I would like this year, largely because of what's going on in the market; but to make sure we're positioned for when the market does come back, we've hired a new head of equity capital markets to continue to drive that business forward. And then our debt business is going from strength to strength, benefiting somewhat from the market as well, but a lot of the investments we've made. More on that on the next page. To leave this page, what I want to leave you with is the thought that we are winning franchise-defining business that we are very proud of.

So here is an example of one of our businesses and the progress that we've made in the investment banking market in the U.S. I picked this to show you what happens when you combine client focus, a desire and ability to lead deals, and a real ability to distribute. As you know, these days large loans and bonds are distributed in the same way they're sold to institutional investors and then they are traded. We recognized that when we started building our fixed income distribution business in late 2009, 2010, we built it to take advantage of that, to be agnostic between trading and selling loans and bonds. And that, combined with the focus we had in 2010 of bringing on high-quality coverage bankers, you can see the results; and I think the results speak for themselves, but just to highlight a couple of things.

Year-to-date, we've already lead more deals than we did in all of 2010. The graph here is the number of transactions, so we've led more deals and have led more transactions than we did in 2010. Year-to-date, we've already led as many high-yield deals as all of last year.

And on the right, I talked about volume. In terms of volume raised in transactions that we've led for clients, we have increased that number by an impressive 55% over the same period last year. And then just the last point in one of our power alleys, as you heard Tom mention, in energy which is a big focus for us, obviously, given our Canadian heritage and the fact that we've been in Houston for 50 years. I'm proud to say that in energy high-yield transactions, we rank sixth year-to-date.

So in summary, three points I wanted to leave you with. One, we have a very targeted strategy in the U.S., targeted in the midcap and in the selected industries where we believe we have a competitive advantage with companies where we are already a trusted advisor or where we believe we can become a trusted advisor. We differentiate ourselves through our universal banking model, which means we can advise, we can lend, and we can distribute. We've got the experienced bankers that clients respect and want to work with, and we have a client-focused approach which means we value and are building long-term client relationships, and we think that also sets us apart.

Then lastly, it's working. We're taking fee share as measured by Dealogic. Our revenue has grown by 25% compound annual growth rate from '08 to '11, something that we're very proud of as an investment bank, and we're doing it profitably.

And with that, I'm going to turn it over to my colleague, Alan, to discuss the Equities business in the U.S.

Alan Tannenbaum - Head of U.S. Equities - BMO Financial Group:
Thank you, Perry. Good morning everybody. Our Investor Relations team has reminded me that most of the people in the audience today live and breathe the business I'm here to discuss, so please keep all of the difficult questions for the next group of presenters.

As our important investor clients and worthy sell-side competitors, you're all intimately familiar with some of the challenges facing equity businesses globally, yet the key message I want to communicate is that BMO is growing, improving and expanding our U.S. equity platform. While many of our competitors are retrenching and restructuring, BMO is building and moving forward.

This positioning sets us apart, really resonates with our clients, and as a result we're gaining mind share and taking market share. We'll get into some of the performance metrics in a couple of minutes, but a key data point you'll be familiar with is our McLagan market share. With the first quarter of 2012 data out, we now have five quarters in a row with year-over-year market share gains, so we're investing and showing real progress.

Let me walk you through our story, and to start at the 30,000 foot level, the BMO equity business is part of a full-service investment banking offering in the U.S. For our target clients, which are the top 250 U.S. institutions, BMO delivers research, sales and trading across all major asset classes, which includes equities and equity linked, fixed income, derivatives both listed and over the counter, foreign exchange, and commodities. This range of capabilities enables us to engage with multiple portfolios, multiple portfolio managers, and a full range of analysts within the top institutional investors.

As you know, the greater the number of touch points, the greater the number of revenue sources across each client, the more relevant we become, the larger our share of the client wallet. Having all of these capabilities matters today more than ever. As our counterparties and clients are shrinking their lists and demanding more and more of their sell-side providers, the depth and breadth of our service is critical, and while there are dozens of firms that are competing for market share in equities, the number of firms that can deliver this range of capability across asset classes is far more limited and a real differentiator for BMO.

Moving down to the 10,000 foot level and focusing on our equity offering, and with most of the sell-side analysts covering BMO in attendance here, I want to make it clear that it all starts with research and research should definitely have been the first box on this slide here – I don't know who messed that one up. An impactful team of analysts that delivers high quality, value-added content is really the key to our success, and we have that team in place today. As soon as this presentation was put to our bed, we've had five of our analysts receiving 2012

Wall Street Journal StarMine Awards for excellence. We've made steady progress in the Greenwich Associates' polls, and we have two of our analysts who are recognized in the 2011 Institutional Investor poll. This year, we expect to do even better. In total, we have over 30 analysts in the U.S. covering more than 500 stocks. With a number of standout analysts, we have particular strength in our tech and consumer teams.

Partnering with research is an experienced, capable sales and trading team. Our team has deep institutional connectivity to deliver content and trade effectively and access liquidity for the most demanding clients. Through interface with our clients in trading today, we require both high touch and low touch expertise. In addition to adding to our high touch capabilities in the past couple of years, our electronic trading team headed up by Sean MacKenzie has deployed a competitive trading venue that allows our clients to access us directly or through their BMO counterparties.

Continuing on the product spectrum and again leading with impactful content, we also have a highly regarded derivative platform that is content driven and has a strong execution capability for those clients who are willing and able to express their investment decisions in the options and derivative markets.

Again, as you are familiar, the corporate access aspect of our business has become integral to our success. We capitalize on the relationships our research, banking and sales teams have developed over the years in order to create unique events to facilitate investor access to leading corporate management teams. I would highlight our recent Silicon Valley tech tour where we hit our capacity with 40 clients, spending four days in meetings with us with the likes of Peter Oppenheimer, the CFO of Apple, and senior executives from Intel, Hewlett Packard, SAP, Cisco, and others.

In addition to non-deal road shows, we host several conferences in the U.S. including last month's very successful Farm to Market conference that leverages our food and agriculture franchise that Perry touched on, which is something that flows across our capital markets businesses.

Another aspect of our offering that we see building momentum is our new issue product. Perry went through the progress we've made in banking, and that pipeline for IPOs, follow-ons and equity linked product is building. The new issue product is important as it gives us a proprietary opportunity to engage with our clients. It changes the profile of our overall brand and these are also higher margin revenue opportunities.

I want to make one last point here. We continue to effectively leverage our Canadian product, the 27 analysts, including Mr. Reucassel, and more than 350 stocks covered north of the border. As we've enhanced our U.S. product in the U.S., we've not lost sight of the strength of our Canadian platform in the U.S. We are viewed as one of the leading providers of content for the Canadian market, an important liquidity provider for our U.S. clients. Our metals and mining franchise and the conference we host in Florida in February has created a tremendous brand for us in this space. In addition to the obvious synergies between the U.S. and Canadian pieces of the business, the fact that BMO does manage them as one integrated business allows us to centrally manage risk, leverage our technology investments, and share know-how across borders.

When I joined BMO just over two years ago, my particular focus was on the build-out of our equity sales team. We have in the past two years hired 23 sales people in the U.S., 11 senior and 12 junior. The senior sales people joined us from the likes of JPMorgan, Barclays, BofA Merrill, ISI, and Piper Jaffray. In addition to several high profile hires, it's important to note that we have highly successful sales people who have been on the BMO platform for several years. I'm particularly pleased by the integration and partnership I see throughout the team.

At this point, as you can see on the slide, we have fully staffed sales team in New York, Boston, Chicago, Houston and San Francisco. The U.S. presence mirrors our capabilities and commitments to both Canada and Europe. On a global basis, we cover approximately 1,000 accounts while in the U.S., as I mentioned earlier, we have a particular focus on the top 250 institutions. So we've added sales people with demonstrated track records of success and deep relationships with the key institutional accounts. And now, let's look at some of the results.

This is our progress report. Our push into the market for U.S. equities is now in it's second full year. To go back through the steps – first, we built a strong research team. Then, we put in place the sales and distribution platform, and now we're completing the build of our trading engines to monetize this investment. The early results in the U.S. in what's been a very challenging environment have been encouraging. Ultimately, the most important metrics for our business are profitability and revenue growth, but as we go through the build phase, the key metrics are mind share and market share growth. Our clients – all of you – provide us with good feedback on mind share, and there are good industry metrics around market share.

The first metric we look at on the left here is mind share as measured by the client votes. Most of you are familiar with the votes. Either you complain about having to participate in them or, like us, you wait with baited breath to get these quarterly or semi-annual report cards. By the way, just a side note – June is a very big voting month, so please keep your BMO analyst and sales people in mind.

For those not familiar, most of the largest U.S. institutions conduct a vote of some kind to measure the impact and value of their content providers. These results range from highly detailed to simple numeric rank. We have progressed in 18 months from ranks in the 30s to the low 20s with very good upward momentum. Our objective is to consistently rank in the mid-teens for mind share.

Rank only matters if it translates into revenue. Not surprisingly, mind share does lead market share. Additionally, in a declining environment for secondary commissions that our industry has experienced recently, taking share can be particularly difficult. The market share data here reflects McLagan data, which is the leading industry source for this information. Our overall market share over the past full year increased 14% while the share gain with the target 250 clients is a more impressive 23%. As I stated at the beginning of my remarks, the first quarter trend continues to be very positive. We are growing and taking share in a competitive market.

To conclude, the opportunities and objectives for our equity business are clear. The U.S. secondary commission pool that we address is a $6 billion-plus opportunity with the derivative businesses, new issue and other businesses layered on top of that. Our objective is to capture a top 20 position in both mind share and market share in the medium term, and a position closer to 15 in the longer term. At that point, we are confident that we will be delivering significant value to you, our clients, as well as to the BMO Financial Group.

And we'll deliver on this by, one, marketing the full BMO capital markets platform. For us, this means delivering the full breadth of our capabilities to the client. Two, as you consistently hear from Bill, BMO Financial Group strives to define great customer experience. For us, this means high quality, value-added content delivered by experienced high impact sales people connected to a world-class execution capability. Finally, we must leverage our strengths and the significant investments we've already made. The people, capabilities and know-how are largely in place to deliver on these objectives. In addition, we can leverage the strength of our market-leading franchise in Canada and the strong balance sheet that Perry and Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group referred to. I'm confident that the U.S. equity team is a strong one, and we're making great progress towards our goals.

Thank you for your time and attention, and I look forward to updating you all on our progress in the future. That concludes the formal portion of our presentation, and I'm going to pass it back to Tom for the question and answer session.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Thanks, Alan, and we're happy to take any questions. I think you need to get a mic before you ask a question, and I will pass the questions, if appropriate, on to my fellow executive colleagues who are here. If it's a really tough question, we'll obviously get John Reucassel to answer it.

Are there any questions? In the back?

André Hardy:
André Hardy, RBC Capital Markets. Tom, you brought up regulation, Volcker being one of them, and I appreciate there's still uncertainty there; but as you look at your businesses and your revenue mix, how much of it do you see being impacted by Volcker, i.e. what's the worst case scenario here as you look at the implementation over the next few years?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, well we've obviously looked through all of the businesses against the lens of what we understand the direction that the regulations are finally going to take, and so obviously that's allowed us to sort the profitability of the various businesses, and to decide what are the management actions that we can take to, in many cases, get back to similar levels of profitability as we transition to it. So in terms of overall, we think there's downward pressure on the ROE in the business. We continue to believe we'll earn high-teen, 20% ROE. We have got out of already our indexed arb business. It's one that we thought, given where we saw directionally things were going, was a business that didn't make sense for us.

Some of the other businesses, we're still looking at closely, but a lot of the businesses we think with the passage of time, some of the derivatives businesses and that, will be cleared, and will actually be as good of businesses going forward as they were before. It's an awkward period of transition as we get ourselves there, but we think that the industry in Canada is actually fairly well positioned in terms of the returns they can make, even under the changed scenario. We certainly feel that for ourselves.

André Hardy:
And I have a second question. Typically when times get tougher, you often see the bulge brackets try to move down market and go after the mid-market. Are you seeing some of that happen in this current cycle, or you haven't seen it yet?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, we've seen a little bit of that. Perry likes to call it, they dabble as pressure comes on. But we compete—in the sectors where we are actually competitive and differentiated, we compete with them all the time, anyway. But what we've seen is in size of deal, we've seen them start to creep down. We continue to win our fair share. It might be more than our fair share, but we haven't seen it being an issue, but we have seen them look for business that they wouldn't normally go.

And Perry, I don't know if you want to add anything to that?

Perry Hoffmeister - Head of U.S. I&CB - BMO Financial Group:
No, I think that's the way, Tom, you answered that is exactly right. I mean, we've seen them, for instance, waive some of their fee minimums in M&A transactions

to do smaller transactions. But as Tom said, we compete against the bulge brackets in a lot of our situations. Remember, it is a competitive market out there and we've got the bulge bracket competitors and the boutique competitors, and we think we've got our value proposition just right relative to both of them.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
The other thing that I think, and this has happened over the years, is that a lot of our clients – and think about where we're focused, on the midcap – they've seen this act before where all of a sudden they are told that they are the most favored nation for some bulge bracket firm who then promptly, when the market comes back, disappears and goes somewhere else. So I would think the client—my belief is the client base is a little bit more wary of that as well.

The other thing is that they are not held in the same esteem that they were once in terms of the brand value, so all of that, I think, has positioned us very well.

Gabriel Dechaine:
Gabriel from Credit Suisse. Sorry if I missed this – I missed the trading floor tour. Did you talk at all about any corporate lending books that you purchased from Europeans? Is that something that you're actively pursuing right now, and if so, could you quantify it? And then just on the equity allocation, we get the total capital markets equity allocation. Is that kind of fully reflecting the new Basel rules now, or is there more allocation on equity going to BMO Capital Markets?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, so two questions, and I'll come back—maybe do a reversal here so my memory will work. In terms of the equity allocation, it's not fully Basel III yet. We're kind of at a halfway step on the way there, so we would expect by the time we get to next year, it will be fully Basel III. We are reflecting what we believe the fully-loaded Basel III capital will be as we price transactions and as we think about the business. So we are fully reflecting it in our pricing models, but in our actual business now, we don't have the full Basel III load.

And now you're going to make me forget your first one, so you have to—

Gabriel Dechaine:
I'll ask it again. It's just under 5 billion for total capital markets. What would be the U.S. component on that?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
I don't think we disclose that. It would be roughly half, though; but I don't have it in front of me. Tom, I don't know if--?

Tom Flynn - EVP and CFO - BMO Financial Group:
It's more like one third.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
More like a third, says the Chief Financial Officer.

Gabriel Dechaine:
I forget my own second question. Oh, the European lenders – that's right.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
So the discussion on, I call it the long ball series. We haven't yet bought a full pool or an offering. When we've looked at the offerings, there are often loans that you like but that come along with a lot of garbage, so we haven't managed to get our head over there, a size that doesn't make sense for us. What we have done is we've been able to pick off the positions that were previously held by a number of the Europeans, either by buying them directly or by extensions or refinancing, displacing them and taking either new share or a larger share for ourselves. So we've actually found that additive to the growth of our loan book, but we haven't done anything in terms of buying a large loan portfolio.

Chris Buonafede:
Hey, Chris Buonafede from Hutchin Hill Capital. In the equities business, given you've built out the infrastructure and that's completed, I assume, what are you doing to manage the expense base, given that volumes are particularly low in the cash equities business?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Alan, you want to take a stab at that?

Alan Tannenbaum - Head of U.S. Equities - BMO Financial Group:
Sure. From our perspective, there are really two components to that. The first is the non-personnel expenses, which I think like everybody in the world today, we are going through our expenses with a fine tooth comb, really trying to maximize the value we are achieving from every dollar that we're spending and making sure that whether it's travel expenses, client entertainment, our exchange costs, trading costs, that we're managing those, our data feeds as aggressively as possible, and there is clearly savings to be had there. On the personnel front, we're extremely excited about the team that we have in place. We have the luxury of not having over-built in a bubble period between 2004 and 2008. We have a team that's sized to address the opportunity that we feel great about, and a key objective for us is keeping that team together. It's too early in the year, nor would it be appropriate to discuss our year-end compensation dynamics, but we recognize that in a challenging environment, all the aspects of the team have to absorb some of that challenge. But again, as we look at our business, as long as we keep taking share and while it would be disingenuous to suggest that we are excited about the revenue picture we see today, on a relative basis we feel very good about what we are accomplishing and we feel that from a revenue perspective, we're doing well. And most importantly as we continue to take share, the team really needs to stay intact.

John Aiken:
John Aiken with Barclays. Can you try to quantify or tell us how much of the dislocation of market has helped your growth over the last five years or so, and in addition, how much is the future growth or future mind share acquisition predicated on continued dislocation of the marketplace from your competitors?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, obviously we've had some benefit from the dislocation in the marketplace because we've come through this period of time in a very strong fashion and we're viewed as a strong counterparty, we're viewed as an attractive place to be, and we're viewed as an institution that does the same things as before the run-up, during the run-up, and through the crisis as we've done before. So I think that's all put us in a pretty good state, and it's helped us build the business.

Going forward, we're not counting on market dislocation. We believe that we're positioned and we have client opportunity to go forward and to grow with the market at greater than our current market share. But as the market comes back, as we get a more stable market that has a positive outlook, we're really well positioned. I mean, I think that's one of the great things that it's a little frustrating to this point in time because when we embarked on this, we didn't expect the U.S. economy to be as tepid in its recovery as it's been, and we didn't anticipate the problems that are occurring in Europe.

John Aiken:
Any thoughts on when that more stable market is going to happen?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Good try! No. Soon, I hope.

Rob Sedran:
Rob Sedran from CIBC. Just a follow-up to Tom – I saw on your slide a mid to low teens, and I thought I heard you say mid to high teens in terms of ROE.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, so we were switching back and forth between capital markets overall and the U.S. business. In the medium term in the U.S. business, we should be low to mid teens is what I was saying. I think the overall business will continue to perform in the high teens to 20% type of range going forward, and it was really in answer to the question about the regulatory capital that I got to that number in the U.S. Once we get there, then we'll see how far we can push it from the mid-teens down, but our medium term objective is to get it to there.

Rob Sedran:

And hitting that medium term objective, does it need those better markets or are you comfortable that you can manage the business well, even in a bit of a stressed market?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Well, we're making money. We're not making enough money, and so the desire is to push it. I think we can continue to make more money in what I would call these poor market conditions, but to get what we need to get to, we need some wind under wings.

Mario Mendonca:
Mario Mendonca, Canaccord Genuity. I want to go back to that 15% or so mid-teens ROE you're referring to. If you apply that against the capital that's currently allocated to the U.S. and maybe gross it up a little bit for Basel III, you're talking about a pretty big lift in your earnings, something from, say, 75 trailing, something we're now enjoying to potentially 300 million. Is that the sort of magnitude of improvement you envision in your earnings, and over what time period?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, well I think the opportunity is there to grow the earnings from where they are to 200 to $300 million over—and I don't know because I don't know what's going to happen in the market, but over the medium term, three to five years. If things get going sooner, we should start to see that more quickly.

You know, we talk about where we are in our strategy. There's a bunch of things that we would like to do but we're not going to do until we start to see the market come back. I think those will add to the earnings capability of the business.

Mario Mendonca:
But that's the magnitude you're thinking about, something like 75 to potentially 300 million over three to five years?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
That's right.

Mario Mendonca:
Thank you.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
I mean, the 300 million would be great, but I do think that the business is under-delivering on the bottom line right now, and so we expect that we will get more over the near term regardless of market conditions, and with some decent market conditions much better. Thanks, Mario.

Sumit Malhotra:
Sumit Malhotra, Macquarie Capital Markets. Just to stay on the numbers for a second, in Bill's original comment, I just want to make sure I have this clear – he talked about $1 billion in U.S. earnings coming out of P&C banking and wealth management. And was it we want capital markets to be 20% of that billion is the aspirational goal, so in the 200 million range, was that the right way to think about it?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Jeez, I wish you could come and negotiate for me when we're talking…No, I think that the honest truth is I think we would be 20% of a total that would be a bigger number than a billion dollars. I think that—and I won't put words in Bill's mouth, but my understanding is that we think the retail business should be capable of delivering a billion dollars, and obviously Capital Markets would be incremental to that.

Sumit Malhotra:
And the second part of the question – one thing, you had it on your slide, but one thing we didn't hear too much about is corporate lending which, correct me if I'm wrong here, but if I think back for BMO, the loan book in the Capital Markets business was a good source of growth previously. We heard a lot about M&A from Perry. Has corporate lending been de-emphasized in the Capital Markets segment, or why haven't we seen that book increase as much despite the M&A you've been doing? Is it a bond market focus instead?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
So let me answer that with a little bit of a history. If you recall a couple years ago, we took a big chunk of that loan book that was truly commercial in nature and transferred it into the P&C business; so then, we were left with the remainder. We have a really focused emphasis on growing our loan book, but this is a tough market in terms of growth for loan book. I mean, we need the economy to get better so corporates start again to want to borrow and to invest in both capital and acquisitions and the like. So we're poised. We have the ability to grow that. We're focused on it. The opportunities haven't been there to date.

The other thing is that you're quite right to say that the leveraged finance market has been a preferable alternative when you look at it from an issuer perspective than the loan market has been. That always moves back and forth over time, so I think you'll see us—because we're quite consciously, strategically going after this, growing that loan book significantly going forward.

Peter Routledge:
Peter Routledge, National Bank Financial. Just a question on the back office and your risk infrastructure – are you doing it differently in this cycle? Can you talk about how you've organized the risk and control function in the United States given what we went through last decade? Do you have more people here

relative to the front office, fewer, or are you running it all out of Toronto, or do you have more control locally in New York or Chicago?

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, the answer to that generally is yes, but I wonder whether either Surjit and/or Jean Michel—maybe Surjit, you could talk in terms of the risk function, Jean Michel you can talk about in terms of the operations, back office focus?

Surjit Rajpal - EVP and Chief Risk Officer - BMO Financial Group:
Yes, the risk function has been strengthened overall in the bank after the last crisis, and that's been a continuous process. With respect to the U.S., we do have more people on the ground now with expertise in all aspects and risk types, whether it's credit risk, market risk, or operational risk. And so we are pretty comfortable with what we have going forward, unless you have something specific on which I can elaborate. I want to give you the comfort that the team on the ground and the team in Toronto is also very strong.

Peter Routledge:
(Inaudible)

Surjit Rajpal - EVP and Chief Risk Officer - BMO Financial Group:
Yes, ratio of front office to back office—

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Which would include the ops numbers. We'd have to get that for you. I certainly don't have that.

Surjit Rajpal - EVP and Chief Risk Officer - BMO Financial Group:
I don't have the ratio, but I can tell you that the number of people in the risk function have increased quite considerably, and so that ratio is a lot better than it used to be. And one of the areas that we grew a lot was in operations risk, because that was an area that was sort of somewhat not well defined and new, and on the markets side we've also beefed up quite a bit.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Jean Michel, is there anything you want to add, because I think the answer would be very similar.

Jean-Michel Arès - Group Head, T&O - BMO Financial Group:
Yes, I think the answer is similar, but I think in addition to people, I think the processes and the technology really do matter in this area, and I think that's where we've made significant investments. In wholesale product operations, we've got a very strong leadership team that we've assembled. We have presence, obviously, in Toronto but we've also augmented a number of key leaders in New York City and here in Chicago as well. And then we have specific programs to improve the end-to-end processes from the front office to the back

office, and the underlying platforms. And some of the platforms we're putting in, like Calypso for example, are going to allow us to be much more nimble to respond to regulatory requirements. So the underlying processes, technology in addition to the expertise that we have in the back office are really important, and we're investing in that.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
And maybe I can just come over with like a front office add-on to that, our people are experienced in the front office. The quality and a level of support that we get from both of those functions is way up over the last number of years, so we are really pleased with the support that we're getting.

Mario Mendonca:
So just going back to that goal—in fact, the bank achieved that goal, the 300 million-plus in 2009, and that was a special year.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
It was a special year.

Mario Mendonca:
Special for all of us! Could you talk about—like, just remind us of what was really driving that – I suspect it was largely trading – and what's really fallen off from that year.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
Yes, and we can come back, but it was a year, if you recall, where there was an expectation that rates were going lower and everyone positioned against that in terms of our obeying the interest rate curve. So we were very well positioned for that. We had a book that was of a size that we could capitalize on it, and generally there was coming into 2009, in our industry, there was all of this liquidity, all of this ability to position ourselves and make money. So I mean, it was a special year. I don't know, Luke, if you want to add anything in terms of either what was going on in either the derivative or the fixed income space?

Luke Seabrook - Head of Debt & Financial Products - BMO Financial Group:
Sure. In 2009, just the index, our business had a tremendous year for many of the institutions, and it was just—it was situational to that specific dislocation that occurred in the market, so if you were positioned to take advantage of it, you had a unique opportunity in the trading environment. That's really what drove a lot of that.

Tom Milroy - CEO, BMO Capital Markets - BMO Financial Group:
You mean, in the current environment that neither—the index arb business, we shut down because it didn't make sense to the prop business, and in terms of that commonplace interest rate curve arbitrage, just no opportunity. I mean, I

would like 2009 again, but I don't want 2008 to be preceding it. So you take the good with the bad, and that's how 2009 felt.

If there are no more questions, thank you for giving us the opportunity to talk about this business. We're really excited about it. Thanks.

Sharon Haward-Laird - Head of Investor Relations - BMO Financial Group:
And now we'll turn things over to Gilles Ouellette who will take us through the Private Client Group presentation.

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
Thank you Sharon and good morning. I'm here today with Terry Jenkins who is the Head of our US Private Bank and Barry McInerney who leads our US and Global Asset Management businesses. Terry has been with BMO for 11 years, having spent the last five and a half years here in the US and before that he ran the Canadian Private Bank and very successfully at that. Barry joined us in 2009 and prior to that Barry led the Americas Institutional Group, Russell Investments, and before that he spent 19 years with Mercer's in various senior leadership positions.

The Private Client Group, or PCG, is a global business operating in both Canada and the US as well as Europe, Asia and now more recently in the Middle East. Our business is organized into five main groups: BMO Nesbitt Burns which is our full service brokerage in Canada, BMO InvestorLine which is our direct investing business in Canada, BMO Insurance which includes both the creditor insurance of BMO and the AIG business that we purchased in 2009. The fourth group is BMO Global Assets Management which includes the institutional asset management as well as a mutual fund business and the ETF complex, and finally our Private Bank which is domiciled in Canada, the US and more recently in the Far East.

Our two core US businesses operating in the Private Banking and the Asset Management spaces, and they account for about 22% of PCG's overall revenue, and this is a number that we anticipate is going to increase over the next few years. And Terry and Barry will talk about the specifics in the next few minutes.

Before the M&I acquisition last year we had made a lot of progress in the US. In both our Private Bank and Asset Management businesses we have taken some aggressive action over the past few years to drive organic growth which included implementing more proactive and disciplined sales practices. We made changes to our go-to-market model. We upgraded the talent with a number of new additions. We streamlined the operations and the Asset Management business, we introduced and integrated solutions-based sales approach that brought the global capabilities of BMO to the US marketplace and this resulted in lower costs, higher revenues and solid momentum.

If you look at the slide, and if you look at the financials on the left-hand side, in 2011, PCG delivered in the US$427 million of revenue and $53 million of net income[1] and that compares to a loss of $4 million as recently as three years ago, so we made lots of progress. And if you look at the six-month results in 2012, the revenues are $356 million dollars and $57 million of income[1]. So in six months, we've already surpassed what we did in all of 2011.

So with M&I, our PCG US business now delivers roughly $600 million in revenue and about $100 million in net income.

On slide 39, you see that with our M&I acquisition we essentially doubled the size in the US. Our Private Bank locations have doubled, our AUM has doubled, our AUA has quadrupled. We now have three times the number of personal wealth accounts and our high net worth business now is the 12th largest in the US and our ultra-high net worth business is one of the five largest business in the US. And with this transaction we also gained an institutional trust and retirement service business that specializes in defined contribution plans and this is very complementary to our existing defined benefit plan. We also gained a mutual fund business and then a team of financial advisors.

Turning to slide 41, the opportunity in the US is huge. We have three clear priorities. The priority number one is to leverage our acquisitions. Now the last few slides we've talked about what M&I means to BMO Harris in the US but another recent acquisition that we're excited about is the CTC Consulting which was announced I guess about two months ago. This is a Portland-based independent investment consulting firm with very strong capabilities in the area of alternative investments. And this is a capability that we can use in our asset management business, we can use in our high net worth business and we can also use in our ultra-high net worth business in both the US and in Canada.

The second priority is to drive growth from the existing client base, both the high net worth and the mass affluent. We've had a lot of success in recent years in Canada migrating high net worth clients from personal and commercial into the private banking world where we provide our clients not only with banking but also investment management and trust and estate and this increases the revenue, the potential revenue from the client by a factor of four or five and we're replicating this in the US.

In the mass affluence space, we have 200,000 mass affluent clients and mass affluence we define as investable assets between $250,000 and $1 million. We have 200,000 of these clients in our joint Harris and M&I client base with no existing investment relationship. And we've had great success with our Premier Services program and Terry will speak about this and Brad Chapin in a few segments will go into greater depth.

1 - Reported 2011 Net Income $47MM; Reported six-month 2012 Net Income $49MM; Adjusted measures are non-GAAP measures.
See pages 94-95 of BMO's 2011 Annual Report and pages 33-34 of BMO's Second Quarter 2012 Report to Shareholders

And the third priority is to maximize our wider distribution capabilities. In the past few years we've had a lot of success distributing our products through our various internal channels. Now with our greatly expanded distribution channels, we can distribute Harris products through the M&I channels; we can distribute M&I products through the Harris channels. A good example of this is our defined contribution capabilities which we acquired with M&I, we can now market to our Harris commercial accounts.

So we feel very good about the progress that we've made in the last few years but we feel particularly good about the prospects for the next few years. You can tell from our priorities, our way to a substantial increase in net income is to keep doing what we've been doing very successfully in the last few years but with now a much larger client base.

And with that, I'll turn it over to Barry and Terry to talk about their businesses. Barry, over to you.

Barry McInerney - Co-CEO BMO Global Asset Management - BMO Financial Group:
Thank you, Gilles. Good morning everyone.

So BMO Global Asset Management has experienced transformational change over the last three years. This morning I would like to focus on three areas: performance, distribution and scale. I'd like to share with you our expanded investment capabilities here in the US and globally, our expanded distribution both internally and externally, and our strategy to drive further scale and profitable growth over the coming years.

The US marketplace remains very attractive to us with deep pools of assets across the retail, institutional and high net worth marketplaces. And we're focused on all three segments, delivering solutions with our strong commitment to innovation, service excellence and superior investment performance for our clients. The slide here is not showing the high net worth area and Terry will speak to that in a moment but we fully participate in the high net worth space by manufacturing an array of investment solution for our partners at the BMO Private Bank.

The retail market also is not displayed on this chart but the $10 trillion retail marketplace in the US we also fully participate in with our award winning BMO Funds mutual fund platform which was named early this year from Marshall Funds. But what is displayed here is a $25 trillion opportunity set for asset management firms in the US which is around double that globally. And you can see the defined benefit marketplace of 10 trillion, that's still is a source of significant assets for us to manage, but it's a group that's ageing and so we need to deliver both enhanced risk management capabilities, in the form of liability-driven investing solutions, as well as a broader opportunity set for return enhancement. And we do deliver on both those currently for a lot of our clients. In the DC marketplace in the US, clearly that's becoming the principal retirement vehicle going forward and again we can deliver there as well with our award winning DC platform which combines both our own in-house investment capabilities with best-in-class third-party investment products.

So we feel we're well positioned, as you see on the bottom right, well positioned to meet the three most significant trends that we see in the investment industry both here in the US and globally. First off, investors here and globally, again all three segments, retail, and surprisingly institutional, and high net worth, are moving towards multi-asset class solutions and strategies and we're keenly focused in this area.

Second of all, with respect to the US institutional markets, there is a strong trend towards investment outsourcing. If fact, it's expected that that market will double in size by 2015 to over $500 billion in assets and again we feel we are competitively positioned to compete very well in that space combining our investment capabilities, our retirement and administration capabilities as a bundled in one solution.

And finally the alternative investment space, Mackenzie and others have just released very recent research papers that indicate that the alternative investment arena has been the fastest growing segment of the investment industry globally for the last five years and expect to continue very precipitous growth. In fact it's been estimated to be at a $6 trillion level and as Gilles mentioned, BMO has now acquired CTC and CTC has a very large research team 100% dedicated to identifying best-in-class, third-party boutique alternative investment managers globally in the areas of hedge funds, private equity, infrastructure and real estate. And so we tend to begin to wrap that capability into all of our solutions for our clients going forward.

So we believe BMO Global Asset Management has the capabilities now and the distribution channels to compete effectively across the entire US asset management industry. We have a talented investment team that's located around the globe. We have an award-winning mutual fund platform now. We are the recipients of the 2011 Lipper Award recognizing the Best Small Company Family of Fixed Income Funds across America. Our BMO retirement services, our DC services as Gilles mentioned has been identified by PLANSPONSOR as the number one DC platform in America for five years in a row in terms of service excellence. We have best-in-class institutional trust and custody services with over 1,600 institutional clients representing over $70 billion in assets and safekeeping. We just have absolutely terrific internal channels and partnerships with BMO Capital Markets, the Private Bank and BMO Harris Bank and they provide us with billions of dollars of some advisory and referral asset management opportunities on a yearly basis. And finally looking at the global asset management business here in the US, we have over 2,500 institutional clients now so clearly that provides us with very strong cross-selling opportunities in meeting the industry trends that I spoke to on an earlier slide.

No presentation would be complete without a global map. We've got our global map, I'm very pleased to report. But really, in all seriousness, we put global in name, in BMO Global Asset Management and we took that decision very seriously and there's a reason for it. First of all, our investment professionals are global. They're located in 10 centers of excellence across three continents. Our clients are global. We have a wide array of clients across North America, Europe, the Middle East and Asia. In fact we just opened up our office in Abu Dhabi in the Middle East in May and our assets there for sovereign clients is already approaching $1 billion in assets under management. We're very proud of that. And so we feel that bringing this all together as one firm, global capabilities, global clients, but bringing it together in one integrated solution is a key competitive advantage and also as we continued to drive further scale and profitable growth, again leveraging our strong performance and leveraging our expanded distribution channels.

So let me spend a few minutes on our value chain: manufacturing, packaging and distribution. On the manufacturing aspect, BMO Global Asset Management has quickly emerged as a Top 100 global investment manager with assets under management in excess of $100 billion. Pension Investment just released their rankings and it's probably the definitive source of rankings of global asset managers in a variety of categories, just in the public domain obviously, and so our current ranking now is up to 85 in terms of the 85th largest global manager in the world. That was based on a dated number from last year of 90 billion; our AUM at the end of April is 110 billion so we expect to move up the rankings even further. Our rankings when you look at worldwide institutional assets is ranked—we're ranked number 87, up from 149th last year so we're really gaining some strong momentum and moving up the rankings and again we expect to continue to move up the rankings quickly this year. In just looking at the US institutional assets, we're ranked number 74. Again, much bigger and much more scale than we had 12 to 24 months ago, so that's encouraging.

When you look at our over 150 investment strategies that we currently manufacture here in the US and globally, what we'd like to highlight this morning is what we believe is a very fast growing and top quartile capability in global equities, in emerging market equities and in frontier equities and they're again managed by our two international boutiques, Pyrford International out of London and Lloyd George Management who we acquired a year or so ago out of Hong Kong, London, Mumbai and Singapore.

And in terms of performance in the US, let's take our BMO Funds, our mutual fund platform. We have 23 mutual funds on our platform, three we recently launched this year; more to come in the fall. Thirteen of those funds are rated by Morningstar; nine of those 13 are rated either four or five star and five star being the highest rating for Morningstar. If you look at our BMO Funds that have at least five-year track record, monitored by Lipper, 88% of those assets are in the first quartile, 12% in the second quartile, none currently are in the third or fourth quartile so we're very proud of that performance.

And finally award-winning, I mentioned the Lipper Awards this year, multiple Lipper Awards we won in 2011 and the PLANSPONSOR Awards for our best-in-class DC platforms.

On the packaging front, we are promoting the power of the BMO brand worldwide through our operations in North America, Europe, the Middle East and Asia, offering a global platform of solutions under the BMO brand that provides our clients with superior value across the entire risk-reward spectrum. We're also making rather significant investment in a new leading edge global portfolio accounting system which will improve our clients' experience by providing comprehensive performance reporting with web delivery. And we have a global map, we have a global website now. It will be soon launched for you to peruse through but do please look at our US website, BMOGAMUS.com and I think you'll like that. It's been entirely restructured to reflect, again, our global capabilities and our expanded US capabilities.

In terms of distribution, we again, as I mentioned, we just have fantastic distribution opportunities both within and outside the Bank and we're going to continue to take advantage of those opportunities. We're offering our clients a solutions-based approach that meets their changing needs most effectively and in terms of our external sales force we have greatly expanded that as well. We've doubled the size of our sales force focused on the external channels with the addition, obviously, of the M&I sales professionals and additional hires we've made over the last 12 months.

And so we feel we have clear direction for the US asset management business. Just to repeat and reiterate, we're going to leverage sales opportunities through our internal channels and we're going to expand our capabilities even further with higher yielding strategies. Our BMO Funds will be woven into all of our solutions going forward with our clients, again, in the retail, institutional and high net worth spaces and we're going to distribute those BMO Funds onto third-party platforms to generate further scale and reach. We're going to continue to build out our additional sales force focusing on the external channels and we're going to improve our client experience by lowering our ongoing costs through the significant investment we're making with the SimCorp portfolio accounting system.

So overall we're feeling very confident that we compete effectively in the US and through a solutions approach and through our expanded capabilities and through our strong performance.

So over to Terry now to speak to you about the Private Bank.

Terry Jenkins - EVP and Head, BMO Private Bank, U.S. - BMO Financial Group:
Thanks, Barry. Some tremendous progress. Good morning everyone and thank you all for being here. Like our global asset management business, private wealth has undergone many very positive changes over the course of the last few years. I'll spend my time with you today introducing you, number one, to our business; two, covering our approach to the markets and I'll highlight along the way what's behind the successes we're having in our business.

Turning to the first slide, this really highlights why we like the wealth business in the US. Much like Barry's slide, this is a $30 trillion business growing at 8% compound year after year. We're in key wealth markets across the US and we have a strong hold in the US Midwest. A case in point, if you look at our combined Private Bank and retail network, we have approximately 53,000 high net worth households in that network. That represents 35% of all of the high net worth households in and around the Chicago land area, so a tremendous market share and opportunity for us there.

We have competitive and unique wealth models in each segment that we compete in. As Gilles mentioned, we moved to a new model three years ago. It's really a combination of centralizing to reduce costs, and a move to a more geographic delivery that's really focused on our client experience and our sales and our sales management disciplines. Across the top of the page you can see what we bring to our clients centrally: our advice in financial planning which we spent a lot of time and energy building; our portfolio management which is our investment management business; and our trust and our banking.

What we've done, really, down the left side of the page is move to a more geographic approach where we've brought the teams together under one leader. We've combined the teams, we've combined the P&L and we've even moved to one bonus pool to really enhance how they work together and to build on that client experience and our sales efforts which are two key drivers for this part of the business. It's worked extremely well for us, in 2010, we reduced costs in our business materially and following that in 2011 we increased our sales by 20%. So you put those two together and that's contributing to significant net income growth in our businesses. And throughout the process our client retention has remained better than 95% across the board. We now have this model across our footprint.

So here's a visual of our US footprint and how it's expanding. You can see again our core strength in the Midwest, where we link closely with our personal and commercial partners and where we're located also in other key wealth markets such as Arizona and Florida where our Canadian and our Midwest clients both vacation and retire. Overall, we're well positioned across the country with 57 locations in 13 states.

It's important to note that we run our business, our wealth businesses in the US based on three key segments: the ultra-high net worth segment for us which is really investable assets of $25 million and/or a net worth of $100 million; our high net worth segment which is the area between $1 million and 25 million investable assets, and our mass affluent which is $250,000 investable to a million. So what I'll do now is I'll take you through each of those segments, how we go to market and some of the key areas we're doing.

I'll start with the ultra-high net worth. This is a space where we compete as a multi-family office under the brand Harris myCFO. We have quality and we have scale in this business as you can see from our recognition and our awards. We focus the close partnership in this business with our commercial banking colleagues and our Capital Markets colleagues as a key strategy to growth. Our referrals in the last 12 months alone are up materially and we're very pleased with the growth of these referrals. We're already a leader in this segment and we continue to build. As Gilles and Barry commented on, our CTC acquisition helps our business in this segment materially because of their capability but it's something that they both alluded to we can leverage across our entire BMO Financial Group network because of their unique capabilities.

Moving to the high net worth segment, this segment is growing for us and very profitable. It has solid productivity which when you combine it with the solid sales growth that we've talked about, it has an excellent history of net income growth. We've accomplished this by focusing on the key drivers of the business: number one, the integrated client experience that I spoke about; number two, the strong sales and sales management disciplines that give us the top line growth, and number three, the continued migration of clients from our partners in personal and commercial into this model that allows us to provide those clients with a broader array of wealth management services. And also in this business we've really focused and built it into our DNA, a really tight cost and expense control alignment that's really helped our net income growth as well. Like ultra-high net worth, this segment is also scaled and with the addition of M&I it adds significantly in all areas and gives us a lot of upside.

Our mass affluence segment, I'll talk briefly about Premier Services for our mass affluent. As Gilles said, Brad Chapin will cover this in significantly more detail in just a few minutes. This is exciting for our mass affluent wealth business as this approach is unique in its client experience and it's really the way that we will go to market in this segment in the US. The execution is really focused on the 200,000 plus mass affluent clients in the retail channel that we do not do wealth management business with. And in a nutshell, it's focused on bringing a financial advisor and a banker together to create a joint client experience for the client.

As you can see, early results are strong if you go left to right on this page. The new Premier teams, and there's more than 50 of them in place already, are closing 4.5 times more in investment management business than they were pre-pilot. New assets per financial advisor are up 47% and what's particularly rewarding is 56% of those new assets are going into recurring fee-based products and those are all key drivers of success in this segment as I'm sure you know. So more to come on Premier from Brad in just a few minutes.

So I'll close with the headlines. We've built strong wealth businesses in the US; they're scaled and they're growing and combined with our partnerships in P&C to leverage both the mass affluent and the high net worth and the accelerated growth and capabilities that M&I brings us, we have a bright future for wealth management in the US.

So thank you, and we will now turn it over to questions.

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
Okay, we'll take a few questions.

Unidentified Audience Member:
No questions I guess. Bold risky acquisitions, what's the appetite for those?

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
Oh we like bold and risky. The…

Unidentified Audience Member:
Jokes aside, into that theme I guess, outside of the US I guess is kind of what I'm sensing there's a bigger growth opportunity. Is there anything in your product suite that you're lacking now that you'd like to fill on a non-organic basis?

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
Let me just say, you know, we have an enormous opportunity here in the US, okay? And so this is job one, make sure this is well integrated and so we're nearly there. I mean we're going to be going on the same platform in the latter part of August. A lot of the synergies will be out by then, so we feel very comfortable about that. But the execution, as we've talked about, one of the reasons we feel very comfortable and both Barry and Terry said the same thing is that this is not a new program we're on. What we're going to be doing is delivering more of the same and it's all about the execution, so this is really job one. But we are looking. I mean there are opportunities. There will be opportunities, probably not in the next little while but we've been active, very active, in probably the last year we've made I think probably four different announcements. We bought a small private bank in Hong Kong and in Singapore recently. CTC is another acquisition in I think the early part of the year and I think in February we announced that we had bought 20% which is the maximum we can buy of COFCO Trust in China. So we are being active but this

opportunity here is we're making sure that we're not distracted from this. We are kind of looking around and we are looking not only internationally as you mentioned, we're also looking here in the US.

Unidentified Audience Member:
Those assets are more on the manufacturing side, is that part of your vision to expand…?

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
Yes, although in the asset management space we think we've filled most of the gaps. A couple of other small gaps that we are looking at but certainly the way things are evolving in Europe, I think the opportunity to make acquisitions are not going to close next week. I think we have years of opportunity so we want to make sure that we do the right ones but we need to drive the revenues and net incomes here with this M&I acquisition. This is an enormous opportunity, certainly the best opportunity that we've had in the last 10 years and so we'll make sure we execute well against this.

Sumit Malhotra:
Sumit Malhotra, Macquarie Capital Markets. The other part of PCG that you increased significantly in Canada a few years back is insurance. Where does that business fit into your US strategy? And frankly, since you added it, it also has increased the volatility of the earnings stream of the segment so is it a business that you want to grow outside of what you have right now?

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
The operating results of the insurance company in the last two years have been very good but it's been masked by the major distortions obviously in interest rates and I've on occasion, it seems like every other quarter, I've mentioned something about the drop in interest rates and the impact it's having. With respect to insurance in the US, I mean we have not been looking actively. We need to get this turmoil to settle down a little bit. I mean for us to get back into this space knowing that every other quarter we seem to be taking a bit of a hit, now with rates as low as they are there's a limit to how much we're going to have to take going forward. But it's the space that's been interesting. One of the reasons we did this is that this is very complementary to the wealth business that we have with both the Private Bank and Nesbitt Burns in Canada, and we don't have exactly the same set of circumstances here in the US. I mean we don't have a team of 1,400 investment advisors, for example, who are now looking at the wealth business very differently than they were four or five years ago. I mean one of the big successes we've had with the AIG acquisition is that our investment advisors are now looking at their clients with a much more holistic view. When they're speaking to clients now they lead with a financial plan and out of this financial plan comes a need for investments, for banking, trust and estates and now insurance and that's where we see the huge potential and that's where we had made some great progress. So the circumstances aren't really the

same here in the US but we'll see. I mean we're happy as I said with the operating results that we've had. If the interest rates start calming down a little bit, or even better, start going up, all of this money that we've given back quarterly we're going to get back.

Sumit Malhotra:
Given what's happened with long-term rates since the end of Q2 or since the end of April, is it reasonable to expect that we're going to see that again in the third quarter?

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
I need help here. Where is IR or Legal, what can I say? Tell me to say something. But you've seen what's happened to the rates. You take from there.

Tom Flynn - EVP and CFO - BMO Financial Group:
It's Tom Flynn - EVP and CFO - BMO Financial Group. I'm just going to say basically what Gilles has said. You've seen our sensitivity through time to movements of rates. We disclose the sensitivity and you can track rates in the market.

Steve Theriault:
Steve Theriault from Bank of America Merrill Lynch. A question for Barry. Barry, you spoke to nine of the 13 of your funds being four or five star rated from Morningstar. What does that represent in terms of percentage of assets? What's the fixed equity versus fixed income? And maybe you can talk a little bit about the relative trends in terms of net flows.

Barry McInerney - Co-CEO BMO Global Asset Management - BMO Financial Group:
Sure. I might take that again in a different order but if you look at our BMO Fund platform we have, again from the Marshall Funds for M&I, it's approximately a $10 billion platform and we really have very aggressive growth expectations for that platform, again all the distribution channels that I spoke to in terms of mass affluent and the DC platform and the external channels. We've already seen a shift in the last year, a positive shift we feel in terms of a broadening out of the diversity of the asset flows and the revenue sources of that platform. So as we speak today, we have more long assets than money market assets and that's the first time in history of the Marshall Funds, now BMO Funds, that we could say that. And again, the money market funds, there obviously has been an industry trend away from that for three or four years now for obvious reasons. We're committed to those funds but clearly we like to see a stronger trend which we've seen towards the longer assets: the US Fixed Income, the US Equities and the International and Global Equities, point one. So point to the flows that have been actually nicely positive ex the money market exodus over the last 12 months and what we've done is—again, we sell them, as I say, single slices and pies. The pies are knitted into our solutions, our multi-asset class solutions principally in the

institutional space of target date funds and working with partnership with Terry and Brad in the mass affluent space with our BMO multi-asset class products and solutions.

I think what you'll see with our fund flows is what you'll see from the investor sentiment going forward. Investor sentiment in the US continues to look for a broader opportunity set. That typically translates into more equities type instruments outside of the US to get more diversification and more return enhancement opportunities. On that BMO Funds, just these 12 short months, we have Lloyd George on the platform for emerging markets; Pyrford is on the platform for international and global. We have a high-yield fund that we launched and so you'll probably start to see us launch products where the cheese is moving from the investor sentiment as we continue to globalize, we believe, the US investor platform.

I hope that answers your question.

Steve Theriault:
And so what is the split currently? Money market versus long-term.

Barry McInerney - Co-CEO BMO Global Asset Management - BMO Financial Group:
Right now it is around—well probably it's low 50s percent long and high 40s percent money markets. So it has tipped over now to over half in the long side slightly, 2 or 3% on the long side and the rest is money market.

Brad Smith:
Thanks. Brad Smith, Stonecap Securities. Gilles, I was wondering if you could talk a little bit about the US competitive pricing environment and maybe put it in perspective in terms of the current earned yields and your expectations for your return on your capital going forward? Say three to five years.

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
On the pricing side, Brad, I might just pass it on to Terry because you've had some comments on this. Why don't you speak a little bit about it?

Terry Jenkins - EVP and Head, BMO Private Bank, U.S. - BMO Financial Group:
Yes, I think we were talking a little bit about this earlier. The pricing is holding because I think the type of model we have is we've built it around advice and we've built it around planning so when you're working with a high net worth or a mass affluent client who is focused on retirement, you're focused on their full picture, you're an advisor to that client and we've found that our pricing has held up quite nicely because of those relationships with the clients. We've always tried to position ourself as a somewhat premium price in the market because of the client experience we deliver, so it's holding up nicely.

Barry McInerney - Co-CEO BMO Global Asset Management - BMO Financial Group:
I think again, same comments. The US we haven't really felt a lot of price pressures across our market segments. I think with some of us who have been around a little while where we went through that probably a decade or so ago but now has been more focused on the service, quality and performance and so as long as our performance holds up, the current pricing, the pressure point at this point in time is quite acceptable.

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
And Brad, I think you're also speaking about the return business. I mean these businesses should be able to return in excess of 20%. That's what we're targeting. In the mid-term we're looking at to get up to 15% but we think we can get beyond 20. I mean we've got a great infrastructure. Now it's just about the revenues. That's what we're targeting.

Brad Smith:
And so where are you at currently, are you at 15?

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
No, no. We're just shy of 10.

Terry Jenkins - EVP and Head, BMO Private Bank, U.S. - BMO Financial Group:
Yes, high single digits.

Gilles Ouellette - President and CEO, PCG - BMO Financial Group:
Well thank you very much.

Sharon Haward-Laird:
Welcome back everyone. We'll now turn to Mark Furlong and his management team who will take us through the US P&C business. Thank you.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Thanks Sharon. Great to be here with you this morning with our P&C US Leadership Team to review with you our strategy. We have a lot to share with you. These are the points that we'll cover. We have a clear growth strategy focused on the customer. We have a strong experienced leadership team. They have a deep understanding of all the markets we do business in and they know how we want to compete and grow and take market share. They're also very focused on completing our systems conversion later this year and branding all of our branches to BMO Harris Bank.

So the team: to my left, my immediate left is Chris McComish. Chris leads about half of our personal business and our consumer lending business. He's been with the Bank since 2009. Before that he spent 22 years with First Union and then Wachovia. Chris is on the boards of CBA and BAI, two of the more prominent US banking industry boards.

To his left, Brad Chapin. Brad has the other half of personal banking. Coincidentally, Brad joined Harris Bank in 1984 and after six years moved to M&I where he started in Milwaukee, spent 22 years, ran a variety of businesses in Green Bay, Wisconsin and then Minneapolis, Minnesota before moving back to Milwaukee.

And then finally Dave Casper. Dave has been in the BMO US organization for 33 years and after 13 years in Capital Markets, Dave assumed the responsibility to lead Commercial Banking in 2010 and as you recall it was mentioned earlier, we transferred $5.5 billion on the commercial loan portfolio and a smaller amount of deposits from Capital Markets into Commercial Banking and that really formed the big base of Commercial Banking.

Down in front is Ann Benschoter. Ann leads the Headquarters function. Ann has over 30 years in banking. She began in Chicago in 1979. The longest stretch Ann spent was 16 years with M&I. The distinct advantage of this structure is Ann has been intensely focused on products, processes and integration, whereas the line of business leaders to my left though attentive to integration matters, are primarily outwardly focused on front line relationship managers, our customers and prospecting for new business. This structure really works.

I also want to introduce Terry Bulger. Terry is the Chief Risk Officer for BMO Financial Corp which is our bank holding company in the US. He was appointed to this role in late 2009 and joined BMO in 2008. He has more than two decades in risk management.

Steve Taylor is our Chief Financial Officer. Steve recently joined us in January of this year. Steve has two decades of experience in the industry.

There are more complete bios in the handout materials. The slide here just gives you a sense of what their primary responsibilities are.

I will open it up this morning with an overview of our business, talk about the markets we compete in and the key elements of our strategy for both personal and commercial businesses and then as the business line leaders speak they'll go into more details including some discussion about the mass affluent strategy.

So, on the revenue slide, really two pieces. Net interest income: we've experienced some decline and this is really a result of planned rebalancing of the loan portfolio in line with our risk tolerances. Fee income is about 18% of total revenue for the US P&C business; a third of it are deposit service charges, about a third of it are mortgage and commercial loan fees and the other third is a variety of other fee income categories. Net income[1] of $563 million reflects only about 10 months of M&I. As I mentioned, we're adjusting the loan portfolio consistent with our risk profile. In the near term there's some impact but we're growing the businesses and the loan growth will be apparent in a few quarters. We segregated about $3.3 billion of commercial loans, 80% of which are commercial real estate, and have designated these as run-off portfolios. While undoubtedly they'll take seven to ten years to run off, the bulk of those loans will run off in the next five years. We've segmented a similar amount on the personal side or about 10% or so of that portfolio, that will also run off in the next five to seven years but really the heavier part is in the first five years or so. In both cases the decision was based on these portfolios being non-strategic and having a higher loss content.

Overall, to give you some color of the largest loan portfolios and where we expect to see growth in the next 12 months, from the C&I side we would expect high single digit growth; commercial real estate, soon we'd expect to see single digit growth; residential loans, well we sell currently 65 to 70% of loan production due to wider loan sale premiums, the portfolio is likely flat to down, at least in the near term. So let me remind you, our model is to manage the option risk. By selling the loan we effectively remove the credit risk but we retain the servicing. By retaining the servicing then we maintain the relationship. Home equity loans we'll decline slowly until we see more stabilization in house prices. And finally, as to auto loans, we expect auto will continue to grow.

From a productivity standpoint, overall in the last 12 months our productivity[1] has improved with an average of just over 59% during that period. We're slightly over that the second quarter but we will improve as we add back office synergies post-integration, consolidate some branches and maintain good cost discipline. In fact, reoccurring expenses the last three quarters are essentially flat if not for the litigation accrual that we did in the first quarter. So I think we really do have our focus on the expense side of the equation.

So I'm on slide 64. We have some great Midwest markets and as Bill mentioned really an enviable footprint in the six states of the Midwest. We strengthened our market positions with acquisitions the past five years and today we rank number three across this six-state footprint. In Chicago, we're number two in deposit market share. Milwaukee from a market space customer perspective, we're really a dominant number one. Technically we're number two because the former number two in 2003 and 2011 moved $5 billion into a second-storey branch of a building and so essentially technically moved up into their role but I

1 - Reported net income $505MM; productivity 62%; Adjusted for acquisition-related amortization of intangibles. Adjusted measures are non-GAAP measures. See pages 94-95 of BMO's 2011 Annual Report and pages 33-34 of BMO's Second Quarter 2012 Report to Shareholders

would tell you if you look at the number of branches and the size of our business, we're clearly the dominant player. We have almost 590 branches in the Midwest. After branch consolidation we'll be closer to 550. As you've probably seen in press releases recently, we'll consolidate six branches at the end of this month, 24 branches when we do our conversion in the fall and the majority of those consolidations are in the Wisconsin market.

This is simply a great data page for the markets where we have a branch presence along with in each case we have a commercial banking presence and of course we have our wealth management businesses there as well. Bill opened up the morning with a discussion of the size of the GDP in these markets and what you can see in the second line really is the GDP in each one of the markets where we do business.

The fourth line down is our high net worth households and that's also a key segment for BMO. You heard about that when Terry spoke a few minutes ago and you'll hear more about that mass affluent strategy in a few minutes. I think what's important to note that in each case the size of these markets creates sufficient opportunity for every one of our businesses to grow.

So slide 66, the combination of Harris and M&I have a significant impact beyond simply adding the two organizations together including some revenue opportunities and some cost savings. The combined organization has expanded distribution capabilities, greater concentration in retail investments services and small businesses, and new product capabilities in areas like lease financing and credit cards. Our teams are focused on completing the systems conversion on to one platform and the end to that process is in sight. Having greater scale, expanded distribution capabilities and product lines together with cost synergies in a stronger platform will lead us to better financial performance.

As an example, though it's not on the slide, in the past when a banker at M&I had a customer that had international needs, the M&I banker necessarily went to a bank like Chase or Bank America to try and help the customer and fulfill those needs. Today at BMO, with a stronger product set, we can handle all of that business inside, therefore we don't put that relationship at risk anymore and we deliver at least as good, if not in some cases a better product, to our customers.

I promise not to have too many like this but here is one more good data page, and I'm just trying to give you some perspective, and frankly in your book it might be a little bit easier to see it than on the slide. So Chicago and the suburbs of Chicago are really at the top of the slide. So on the top left is Cook County and another way to think of that is that's really the Greater City of Chicago. It's the third largest metropolitan area behind New York and Los Angeles in the United States. In that area, BMO Harris Bank passed Bank America in the city last year to become number two in deposit market share and we expect to show additional good growth in that market this year. In the suburbs we're a close number two and growing.

Illinois is home to 32 Fortune 500 companies which places it number four in the United States. Chicago alone represents 27 of those 32 companies and would rank number five in the United States. It is a very diverse customer base.

Milwaukee is in the bottom left corner. As you can see, when you remove the $11 billion of deposits I mentioned earlier from the former number two bank and we reduce about a billion dollars of funding, wholesale funding that we take out of the former M&I franchise that we allowed to run off just because of better pricing at BMO, our franchise is about double our nearest competitor both in numbers of branches and in deposit dollars. No one else is really a viable challenger in the Milwaukee market.

The Milwaukee market represents 1.6 million people and it has really changed quite a bit over the last 30 years. What was once a very automobile-dependent community is now very diversified from an employment perspective. Health and education represent 18%, manufacturing represents 14%. It has a strong medical center, in fact, if you look more broadly at the state of Wisconsin, it represents about 2% of the population yet in the biotech industry, about 10% of all studies are performed there and the reason that is is there are three very strong research centers: the University of Wisconsin in Madison has one, a city just north of Madison called Marshfield has the second one and then the medical college in Milwaukee is the third one.

Milwaukee also has a very strong water-centric community being on the Great Lakes, formed three or four years ago, it is led by two companies: A.O. Smith which if you live in the United States you would commonly see those hot water heaters and a variety of devices in your home, and another company called Badger Meter which really measures water flow in a variety of places, both commercial as well as consumer and they are both of course our BMO Harris Bank customers.

While the US has an unemployment rate of 8.2%, Milwaukee's unemployment rate is 6.8 and Madison is a very low 4.7.

Madison is in the bottom right-hand corner. We're a strong number one market share. Just a couple of years ago we were number two. Madison is the state capital so government represents about 24% of the jobs; education is about 12. Madison is an interesting community in the Midwest. It's been a hub of high technology development with companies like Epic. Epic develops software for hospitals to electronically transfer data through hospitals and through networks that they're linked to, and another company called TomoTherapy and they're a company that through laser technology identifies and eradicates cancer but what's made their technology so good is that it leaves minimal tissue damage around the area where the cancer is. And of course we bank both of those as well. Madison raises venture capital from all around the United States.

This next slide, slide 68, this slide represents the four Midwestern markets where we're a smaller but still very strong competitor. The common characteristics are that—with the exception of Kansas City—we're number four and number five in deposits with the ability to move up in these rankings over time. We will achieve growth organically as well as through fill-in acquisitions. We know the competitors very well because we see them in other markets and all of these are large markets that are performing better in terms of unemployment than the national averages.

In some cases like Minneapolis where we're the number three commercial bank behind US Bank and Wells Fargo has provided a great opportunity for us as another solution for commercial customers that aren't satisfied with the services they get. At 5.1% unemployment, Minneapolis is growing again. Minneapolis is home to 19 of the Fortune 500 companies. In each one of these markets we have a strong mix of local bankers that understand the companies that do business there and understand the markets very well.

So slide 69, this slide demonstrates that in most cases our share of deposits which is on the right side exceeds our share of branches which is on the left side, which usually means our performance and cost structure is superior to that of our competitors so it's another way of saying we're getting our fair share of business in those markets.

Our strategic approach in the far right column lays out what we plan to do to continue to build an efficient franchise. Milwaukee and Madison and suburban Chicago will most likely move around and relocate or close or consolidate branches although we are still interested in growing all throughout the Chicago market. Downtown Chicago and Indianapolis, they'll most likely grow via organic growth through de novo offices or small in-fill acquisitions. And then Minneapolis, St. Louis and Kansas City, we need further acquisitions really to augment de novo growth, to make those markets as efficient as we know we can. Of course any acquisition would have to fit our financial and cultural profile.

A short comment about the two markets that I did not go into so far, Arizona and Florida. Our Arizona business is doing well given the economy and has the scale to be a good market as economic conditions in and around Phoenix continue to improve. Our business in Florida is holding its own. Our P&C operations are working closely with our wealth management businesses to take advantage of the opportunity. Clearly we don't have the scale in Florida that we do elsewhere but our people are working hard and we will address the strategy in Florida over time. At this point it's not a distraction and really does not have a material effect on our business one way or the other.

As you think about the headwinds we face, we have real strength in all aspects of serving business customers, from the entrepreneurial smaller businesses that we serve throughout our branches to the larger, more complex commercial customers that we serve in our commercial line of business. We think this is a good place to be as the US economy continues to strengthen on the back of what continues to be a business-led recovery. Our strong market position in Chicago and throughout Wisconsin means that we can compete efficiently and continue to deepen relationships while improving customer experience.

Like every other bank doing business in the United States, we too are faced with changing regulatory conditions. We will certainly have some additional changes to deal with as legislation is finalized but overall we're well prepared to respond to any regulatory reform.

We like our position, especially in the Midwest, which is what we've discussed to a great extent so far.

We have some clear goals in the United States. First is to reach $1 billion of earnings. Through a combination of increased earnings based on the current run rate in both our US retail business units, combined with achieving our targeted synergies and benefiting from improved credit quality, we feel confident this goal can be attained in the near term. Our target to get there is three years.

Clearly, the completion of the integration will allow many of our employees to focus on growth priorities and that is important to us. We'll continue to make productivity gains with the integration synergies and we'll continue to focus on the level of expenses relative to revenue growth opportunities. Our commercial banking position is strong and we expect to grow and get even stronger. In most markets we're in the top five of deposit share or very close with a very good chance to move up.   With a strong base of business we should be able to grow consistently at or above GDP. And we expect our focus on delivering great service to customers will get a positive shot in the arm with the completion of the integration. So as you can tell, we're very confident about where we stand today.

You'll hear from our leaders today about these priorities, though given their time, they're really going to focus on just the biggest ones. We have a great deal of opportunity almost anywhere you look in our business. Mass affluent, we have 240,000 households or about 20% of our customer base. These are households with $250,000 to a million dollars in investable assets. Credit card penetration, M&I has a 16% penetration; Harris sold the business a few years ago. We just started—we just relaunched credit card sales into our branches just in the fall of 2011. Our branches have done incredibly well selling it. We expect to grow this business as we have our other businesses.

We're also building capability to further penetrate the mortgage market, to bundle deposit products in a useful way for our customers and improve our sales management capabilities.

You'll hear from Dave Casper about Commercial Banking later this segment so I'll let Dave tell you about the exciting actions he has underway in his growth plans.

In each instance, we'll measure customer experience and take steps to improve it where it needs to be improved.

And finally, to leverage our scale and improve productivity, we're working closely with our counterparts in Canada to find technology, operational and product development opportunities to reduce costs.

So enough from me at this point. Let's move into the business lines and you'll hear from the team.

Chris McComish - EVP Personal & Business Banking - BMO Financial Group:
Mark, thank you and good morning everybody and I also want to thank you for being here with us today. I'm going to do three things this morning. First, discuss who we are as Personal line of business. Then I will highlight how we differentiate ourselves in the marketplace, working to grow our customer relationships, acquire new customers and take share. Third, I'm going to give you some proof points on the progress we are seeing.

As Mark highlighted, we've experienced very strong growth, significant growth over the past few years. Essentially we've doubled the business since 2009. We currently have more than 2 million customers across retail and business banking. We generate over $1.5 billion in revenue which is just over half of the P&C US total. Today we have over $26 billion of loans and $42 billion of deposits. This very deep deposit base gives us a great opportunity to cross sell into our customer base, grow our loan mortgage share while also increasing the share of wallet in our investment management business. Our customer base is shown to be strong and very loyal as our attrition is quite low. Our customers skew towards the mass affluent and this creates the share of wallet opportunities I just mentioned and a great growth opportunity for us in the future. We've built a very strong foundation and we're adding scale in key markets, segments and products that will enable us to drive more sales and improved productivity resulting in growth and improved financial performance. In addition, due to our North American scale, we are able to provide our customers with a full multi-channel experience built off the overall size and strength of BMO.

Some details on our loan portfolio. Our loan portfolio is the portion of our business we believe we have opportunities to take share. In spite of the relative softness in business and consumer lending related to the slow economic recovery, we have been able to significantly grow our pipelines and you will see more on that later.

The portfolio is broken down into four big buckets: first, mortgage, our mortgage share trails our deposit share and we are currently targeting that gap. We recently announced that we are hiring an additional 100 mortgage loan officers and mortgage loan originators across our footprint. This will take place over the coming year and we look to aggressively grow this business. And while our mortgage originations have been strong as a result of the current refinance boom, we've also made strategic decisions to sell many of these mortgages, as Mark mentioned, off of our balance sheet while maintaining the servicing to minimize interest rate risk and credit risk while maintaining our customer relationships. Others may have elected to take a different approach but we feel this is the best model for us.

Business banking also represents a significant portfolio. We define this business as companies up to $20 million in revenues. Our pipelines in this segment have grown significantly due to the product suite we offer, our approach to customer experience and the dedicated professionals and branch staff that we have in the markets.

Indirect auto is also a large business for us. We operate in 17 states. It's continued to be high performing throughout the current cycle and it's a growing part of our portfolio. We believe we have more opportunities to further build this segment.

Our home equity portfolio, while this has been a narrowing market, we are seeing improved production results due to an increased focus by our combined company.

Cards, as Mark mentioned, cards you can see that our card business makes up a small portion of our overall portfolio but I will discuss opportunities and early results there in a minute.

We also have a portion of our loan portfolio which we consider non-strategic. These loans are primarily real estate secured loans in product types and in geographies that we are no longer originating.

Overall, the key point here is we do see opportunities to grow our lending businesses and capitalize on the deposit share we have to drive customer acquisitions, deepen relationships and drive greater revenue.

This slide speaks to the major banks that we compete with in our markets. The key takeaway here is that we have a very strong distribution network, particularly in our home markets and we are able to capitalize on the strength of BMO to invest in improved capabilities and acquire share. While we don't compete with everyone highlighted in all of our markets, they do represent the core of our competition. While each has their own strategic approach, we believe we can gain share everywhere, just as we have in Chicago where, as Mark mentioned, this past year we moved into a second position in deposit share, passing Bank of America in the process. We believe our strong distribution and proactive customer experience approach is a competitive advantage for us. And while we also compete with many smaller community banks, they really don't have the deep product depth, certainly don't have the capital that we have nor the integrated solutions that we are able to provide to our customers.

This slide is a little bit repetitive so I'm not going to spend too much time other than to emphasize the fact that our leadership team has been together for over a year. While we've been operating under two brands in the marketplace, the BMO Harris brand here in Chicago primarily, and the M&I brand in the rest of the footprint, our leadership teams have been in place working together. We're anxious to get through the integration and operate externally as one organization just as we are internally.

I want to spend a few minutes on our Net Promoter Scores and driving growth through customer experience. Our focus on driving growth through customer experience defines who we are and how we approach the business both in Canada and here in the United States. Our customer experience focus is not a separate program but rather it's embedded in everything that we do. Being known as a customer experience leader will drive growth throughout our company. To build loyalty, we have built an extremely proactive approach towards customer experience. Everything we do is centered on proactively providing guidance, making things simpler for our customers and giving them the information they need to make smart decisions. There is a big difference between being proactive in the marketplace versus simply reacting to our customers' questions and inquiries because many times our customers may not have all the information or certainly may not even know the right questions to ask. Our approach builds loyalty which we then proactively measure with our Net Promoter Score process. This ongoing process for us and our Net Promoter Score performance is part of everyone's compensation and we measure NPS down to the branch level.

And I'll give you a couple of stats. For those of you that were in Hinsdale yesterday and you were in the Hinsdale Main Branch and our Oak Brook Terrace Branch, you can see that our legacy Harris scores are a 42 which compare very favorably with—certainly well ahead of the collection of large banks we compete with and we're gaining on the community banks. Hinsdale as a market has been a top performer for our company. It was number one in 2011 and it's currently ranked towards the top. Our Net Promoter Scores for Hinsdale in this quarter ended March 31 for the entire market were 53 compared with the 42 for legacy Harris overall and our brand new prototype branch in Oak Brook Terrace was a

58. So you can see very strong sales productivity, very strong financial performance translating to very strong Net Promoter Score performance and that's why this is at the core of all that we do. We're building on this measurement platform throughout the enterprise. We're introducing it into the M&I footprint today and Dave and the Commercial Bank is also very focused on it.

Now I'd like to touch for a minute on some proof points around some growth and the momentum we're seeing in the business. I mentioned earlier that in spite of the softness in consumer and business lending related to the slow economic recovery we have been able to significantly grow new business and add to our pipelines in many of our lending categories. To me, this helps answer the question: Are we getting things right?

Our mortgage business, as you can see, applications and fundings are both up significantly. In home equity, while on the slide it says we're up 18% linked quarter, that number would basically be double the production that we saw in the fall of 2011, where we stand today. And if you were to talk to the teams in our underwriting shops, they would tell you this is the busiest that they have been in five years.

Our credit card business, which we launched within the legacy Harris footprint, as Mark said, just this past fall, is a relatively small portion of our business, but there's potential for good growth, leveraging our strong cards capability, and you can see that we've basically doubled the production there in the credit card business.

We're also rolling out new and enhanced deposits and payments products, channel capabilities, to further drive loyalty built off the capability and capacity of our North American footprint.

Our teams in business banking are also showing growth, as evidenced by our business banking pipeline, up double from where it was in Q1 2012. This is a segment that you can see that we're recognized externally for our excellence.

Another tangible way that we're leveraging our North American scale was the launch of Helpful Steps®, known in Canada as SmartSteps®. This follows on our idea of build once/use many for all of our investments. We launched Helpful Steps for Parents in October of this past year. Through March, we opened up 14,000 new savings accounts in the market, 25% of which were new households to the bank, and many of those customers would be defined as "mass affluent" customers. We've also recently launched Helpful Steps for Small Business and we have similar expectations.

To summarize, we're very focused on key segments in the market, we will continue to drive better sales productivity and improve the effectiveness of our channels, and we will further leverage BMO's size, strength and product capabilities in all of our markets. All told, we have a significant opportunity to grow share, we've set high expectations for ourselves to deliver, and we're seeing progress.

Thank you. Brad

Brad Chapin - EVP Personal & Business Banking - BMO Financial Group:
Thanks, Chris. Well, I kept a count, I'm the eleventh person this morning to welcome you to Chicago and thank you for being here. So, in all sincerity, thank you for being here.

Today, I'm going to talk about the Premier Services work that we've been doing, and we're going to do this by covering four topics. We're going to talk about the clients themselves who are currently in the Bank; we're going to talk about what those clients' needs are, what they tell us; we're going to explain to you what our delivery model looks like, to take care of those clients; and we're going to talk to you about how we're measuring success and what we're seeing in the market.

So, let me give you a little bit of history first. This is an offer that we've actually been providing for our clients for the past several years. At the time of the acquisition, there were about 40 of these teams scattered throughout the regions, and during 2010 and 2011, we looked at the program, we thought it was successful, but we thought we could make it even better, so we spent some time and re-engineered our strategy, identified the success areas, looked for additional opportunities to improve, and we really looked at soup to nuts, you know, how we hired, how we trained, how we managed the process, what the products were, how we develop products, customer experience, marketing—I mean, you name it, I think we looked at it. As a result of that re-engineering of the process, what we now have as a strategy for Premier Services is the most promising strategy that we have in Personal and Wealth in the US. So, that's what we want to talk about today.

Let me start by taking you to slide 84. I think you've heard some of these numbers before, but they're worth repeating because they're really important. 20% of our clients today in retail US are in the mass affluent market. That's 240,000 clients. You recall we define "mass affluent" as those households that have between 250,000 and 1 million of investable assets. If I put a little bit of greater magnification on that, there are 36,000 of those households that actually do today keep 250,000 or more with us, and there are about 5,600 of them that are actually in Premier, but that means that there are approximately 200,000 of those mass affluent households that only do a small amount of business with us and would not consider BMO Harris to be their lead financial services provider. So, in other words, we have an opportunity to significantly enhance those relationships and our profitability with a large number of mass affluent households that already do some business with us. So, that's the first point I want to make, we have a large number of mass affluent households who use us for something, but wouldn't consider us to be their main bank.

Bear with me for a second here, I'm going to take you through a little bit of math, it's verbal—it's a little hard to do it verbally without paper, but if you do the math on those 200,000 undersold households that we've been referring to, and I want you to make two assumptions. So, first of all, assume that those households have on average $400,000 of investable assets, so the low end of the 250 to a million. The second assumption I want you to make is that we at BMO Harris only get 70% of their wallet share. So, two conservative assumptions on that 200,000 client base. If you do the math, on those assumptions, you'll find that for every 1% of those clients that we convert to full customers, we will bring in $560 million of new assets for every 1%. That's why we view this as an incredible opportunity for the organization.

So, we know a lot about these households because there have been a lot of studies that have been done on this segment. We know that advisor knowledge is the greatest single factor in determining whether or not they'll bring more assets to you, and that's why having an advisor as part of this team is critically important to us. We also know that they're looking for a dedicated point of contact, this is what they tell the researchers. And interestingly, they're less confident about the future than those households that have less than $250,000 of investable assets or than those households that have more than $1 million of investable assets. So, we have a segment here that is less confident about the future. Finally, they tell us that they feel they're underserved by financial planning that they're receiving today. So, we have 200,000 of these households that are underserved, they tell us that they're not confident about the future and they don't feel that the industry is serving them, and that's why Premier Services makes so much sense for us.

At the center of our new strategy is a strong and uncompromising partnership, that the others have talked about, between PCG and P&C. That partnership is resulting in something completely different from the market. It's a relationship team made up of a Premier banker and a financial advisor. Those two people work together and are now known as Premier Services. Now, together, that team works with our bankers and jointly identifies the Premier Services opportunities that we have in the portfolio. So, if they're working in the portfolio, they're talking to our personal bankers, our business bankers, our bank managers, they're also working through their own centers of influence and contacts in the markets, and as a team, they will identify who those households are and they'll work together to collect as much information about that household as they can. They will together schedule a joint appointment, they'll together prepare for the call, and they become the point of contact that that household was looking for.

So, while the partnership between P&C and PCG is critical to the strategy, the joint meeting is really what differentiates us in the marketplace with the customer experience, and that joint meeting is designed to build a conversation around the client's total financial needs. We talk about deposit and investment services, we talk about credit needs, credit card, we talk about insurance services and life events, and we talk about our technology capabilities to make their lives easier. Those joint meetings are designed to drive through a financial plan for that client that gives them confidence about the future.

Our value proposition is simple, we provide an integrative financial experience—there are no hand-offs here—we provide an integrative financial experience and personalized service, with the Premier Services team as the point of contact to provide value to this relationship. So, our value and our strategy, I think, are linked. They're enhanced by our households who skew mass affluent and by our capabilities.

This is a great slide. This demonstrates what happens when we take a mass affluent client and move them from the retail bank into the Premier Services organization, and what you can see is that average household balances increase by a factor of five and average brokerage penetration increases by a factor of 2.6. This doesn't happen easily. We actually work very closely with these Premier teams. They're held accountable for reaching weekly and monthly customer contact and production goals. As a team, we coach them on call preparation, on new client identification and on relationship reviews. The partnership between P&C and PCG has really enabled us to integrate the training of these teams, the coaching and the management, it's allowed us to align our incentives, our goals and our tracking, and we're now jointly developing process upgrades and new product development, to name a couple of things. So, the close partnership between P&C and PCG is one of our distinct advantages. Gilles and Mark are completely aligned with the strategy. Terry Jenkins and I are responsible for the execution. So, in other words, we have a very flat organization and we all understand the value of the goal here.

These are some results that we're going to share with you from our pilot markets. Originally, we opened this up in Phoenix and Indianapolis seven months ago, and in that seven-month time period we've seen deposit and loan sales grow by 46%, investment sales are up 4.5 times, and all other closed referrals are up 2.5 times. PCG and P&C are both benefiting from this partnership. We're actually ahead of our original targets by a nice factor, and because we're ahead, we've accelerated the roll-out in the rest of the regions. So, today, we're rolled out in every region except Chicago. We currently have about 50 of these teams in place, we expect to double that number within the next 12 months, and we expect to roll out in Chicago in early 2013. Chicago's a critical market for us. You've heard Terry talk about the amount of wealth that's in this market and we want to be sure that Chicago is completely ready to go as we roll it out.

The feedback that we're getting from our Premier Services clients is really terrific. I'd love to read these all to you, I won't, but let me give you a couple of key things. They value the partnership approach, they like the single point of contact, and they appreciate talking about and addressing all of their financial needs at once.

So, I'd like to wrap this up. As I've said, we have a strategic approach to managing our mass affluent households' financial services needs. The segment provides a significant revenue opportunity to BMO Harris Bank. It's one that we're strongly positioned to serve, given the markets that we're in and the strong reputation of trust and service that we enjoy with our clients. We've made Premier Services critically important to our success. It has huge visibility. We've flattened the organization structure, we've eliminated the silos between P&C and PCG, and we have full support from the top. Our pilot results and customer feedback, as you saw, are strong and ahead of our original projections. So, we're really excited about this strategy, we see that it's working, we're rolling it out as fast as we can, and that's why we're going to succeed here.

So, with that, I'm going to turn it over to Dave Casper to talk about commercial banking.

Dave Casper - EVP Commercial Banking - BMO Financial Group:
Brad made a good point. So, I want to thank all the people in cyberspace that are listening on the webcast. You have been great and, like me, I love hearing from all of our colleagues, great stories, I have great partners, but I'm dying to talk about our commercial story, which is a good one, and it's just beginning. What I'd like to do is talk about our Commercial Bank, how it's positioned for growth; we'll walk through a little bit of our loan portfolio; we'll break down our commercial segments; and we'll talk a little bit about how we compete and how we win in what you all know is a very, very competitive environment.

So, this slide is a lot like Chris'. As you look at the growth on the right-hand side, let's just level set a little bit, and we've talked about this, but let me remind everybody. In 2009, as we talked about in Tom Milroy's comments, we did really take a fresh look at how we were doing business with our commercial and our investment banking capital market clients in the US. We were looking really for the best alignment of the people and the capital to optimally serve both of these really important segments for us and to get each segment growing on the right path. In the commercial side, we hoped to capitalize, in 2009, on what we saw then on what we thought would be a business-led recovery, and we also sought to take advantage of what was a bit of a disruption in the banking market, and we have done that. By consolidating the US commercial banking business within our P&C unit, we wanted to, and we have, focused on what is an extremely important sector for the entire BMO Financial Group.

Following the acquisition of M&I, we've become the twelfth largest commercial bank, measured by commercial loans, in the US. We now represent about half of the P&C revenues and a significant portion of the US income for BMO. It's been a very significant transformation over these last three years. It's been very significant for our commercial bankers that have been energized and love the fact that we have these two businesses together. It's also been quite noticeable for our customers.

Before leaving the slide, I would just call your attention to the market shares. We have a great market share in Wisconsin in commercial banking, largely due to the great efforts over a long, long period of time by M&I bankers, and as someone that has tried to compete against those bankers, we're delighted that they're now part of this team. In Chicago, we have a very good and growing number three spot, and in Minneapolis, we have a very solid number three spot, and in each of our markets, beyond these three, we have great plans over the next few years to significantly increase that market share.

So, let's take a look at our loan book, and as you look at it—I like to think of this, really, in three chunks. The first chunk is what we call our C&I book. That's about 75%, a little under $20 billion of loans, and if you looked at this as a clock and you started at twelve and you went clockwise all the way around to nine o'clock, you would see that we have in that entire C&I portfolio about $20 billion, a very good and diverse group of clients that cover a number of geographies, as well as certain segments. The second portfolio, which is about $3 billion, is our go-forward real estate business. This is a business we intend to rebuild and grow. Currently, it's about 12% of the book. Lastly, is our run-off portfolio, which is also about $3 billion. Mark's already commented on this book, so I'll only add that as this runs off, and it will, we plan to replace it with core C&I business, as well as commercial real estate, to the extent the opportunities exist.

The last point on this slide, our credit quality is quite strong, and as you think about our diverse set of clients, I would say in the vast, vast majority of these corporate clients, regardless of size, would have a year-over-year improvement in their earnings and in their capital structure, and that's really good news, it helps our credit metrics, it reduces our loans a little bit as they pay off, but it really positions them quite well for the growth that we expect in the future. We've largely transitioned now in our books to the BMO risk practices and the clients have been largely unaffected by that.

So, this is a lot of detail on this slide, but I really focus on the segments that we're in. On the left-hand side of the business, each one of these segments is run by one of our commercial managers. And I make three points: First, in this combination of M&I and Harris on the commercial side, the real winners in this combination have been the customers of both banks. Each bank's customers now have capabilities that they did not have before. The Harris customers now have a leasing capability that we never had in the US. So, we've, in essence, been given that business, because many of our customers' lease and have long-term equipment financings, we've been giving that business to others, which we will not do in the future. We also have—as Barry has mentioned, we have a great platform now for retirement services, another business that Harris clients had to go somewhere else if they were going to buy it, and now they have the Premier product. The M&I clients now have access to greater international capabilities. They've got additional sector expertise that was not available to them in the past, they've got additional product expertise, and they have more capital, which is really the only concern that a lot of our M&I clients and the C&I had about M&I, and the day this was announced, that was wiped away. There's countless examples of relationship managers both at the Harris and M&I, now BMO Financial Group, bringing new products, new services, talking about new opportunities that neither one of these bankers could talk to their clients about before. So, great examples of how this will over time be great for our clients, and already has been.

The second point I would make speaks to our approach in this integration. All of you have seen integrations in the past. There isn't a long list of successful integrations and we were going to make sure that ours was. From, literally, a week after these businesses were put together and announced, before it was actually closed, the commercial team sat together in rooms and we built what we thought was a very cohesive and thoughtful strategy as how we were going to market as one team on day one. Each of our leaders of our specialty groups, like our food and consumer, our financial institution group, sat with the leaders of the geographic groups to figure out how they could grow the business, add to the business, augment the business that we already had over the near terms. I was in this commercial management team that gelled early. The view from this group was of sector expertise, specializing and footnoting our expertise in various sectors, coupled with a very strong local presence, which we now have, which Harris didn't have before. That will drive increased market share over time. We were fortunate on the commercial side that there really was very, very little overlap between the two groups in products or geography, and so that eliminated one of the big concerns that you have in any integration. There was no fear on this management team or the people below them that they were going to lose their jobs, because it was a great story for the commercial bank, that we were going to grow this business and there was not the overlap. The commercial team also, you should know, that leads this group is a great combination, almost a 50/50 mix of M&I and Harris. It speaks to really the strong capabilities that both sides had.

Lastly, on this point, the strategy really from day one, and particularly in Wisconsin where it was such a great market, was to make sure that we kept the bankers. That was critical. The M&I culture and how they managed their Wisconsin base was absolutely outstanding and we needed to keep the bankers. If we kept the bankers, we were going to keep the customers, and if we kept the bankers and the customers, we could then grow the business. So, we're well past point one and point two and we are on to growing the business.

The last point as you can see under Global Treasury Management, which covers all of the segments, it's a huge product for us. This is a business we're growing and we have a lot more to do there. Our penetration rates are pretty good across our customer base, but with the additional capital that we're spending and with the importance of this product and the platform that we now have together, our penetration rates can and will be better. This is, I think, as all of you know, a very sticky product, and when we lien transactions we're able to get this, and as a combined bank we are liening a lot more transactions. Selling Treasury Management is important and we make it a very important part of all of our relationship managers' compensation plans. By doing that and we're doing more of it and we've already seen some good results here.

So, pulling this all together, on page 96, our team, we think is poised for growth and market share across all of our sectors and across our geographies. We're going to continue to expand nationally. We'll leverage our footprint with our new capabilities and we will prudently, as I said before, rebuild our real estate.

So, this will be a lot of easier if we didn't have any of the people on this page, but we do, and as you can see, we have a very wide variety of competitors and most of them are all quite good—I'll say they're all quite good. When I look at this slide, I'm reminded that one of the competitors on this slide was with me in Wisconsin recently and—as if you guys don't know this—he said to me, "Dave, you should know your bank is every bank's strategic plan in Wisconsin." I laughed and I think I understood that and I think our bankers understood that, but when pressing him, he also acknowledged that that strategic plan of theirs to get all of our customers is not working very well, and it really isn't working very well for any of the banks, because we've been able to keep our employees, and when we keep our employees, we keep our customers.

So, how are we trying to compete? Part of this we talked about, but it is a combination of sector expertise, a mid-market focus, and the local access to knowledge in the Midwest. I believe we've got the right strategy. When we compete against the smaller players, they don't have the sector expertise, but they do have a local presence and they play that up, as they should and as we would, but they don't have the balance sheet strength, they don't have the ability—particularly with the companies we're spending most of our time with, companies that are growing and want to grow, they don't have the sector expertise, they don't have the balance sheet often times to grow with them to the next level, and that's where we do our best. The largest players, all of them are good and all of them have good market shares. We now stress the local knowledge because we have more feet on the ground in many more markets, but we also use our sector expertise here, and clients like both, they like having local presence, they like having people that know the sector, regardless of where they are. By putting these together and focusing on the mid-market, mid-cap size of companies, I think we do this a lot better than some of the bigger companies that have local presence or they have sector expertise, sometimes they have both, but they don't take it down to the level of the market that we are.

Lastly, we do have, particularly with some of our businesses, in corporate finance and our leasing business and our dealer finance business, we do compete against some of the non-bank specialists, but we compete well against those. A good example would be how we developed our dealer finance, our floor planning business, which two years ago we were not even in in the US. Frank's business had built a wonderful business in Canada and we brought it down into North America, capitalizing on the knowledge we had before, and we did it at a time when a lot of the captives were getting out of the business and the weaker dealers had already gotten out. So, we came in, a fresh look, and we built that up.

In every meeting that we have with our clients, and with our prospective clients, we try to stress ideas and solutions that will grow the value of the client's enterprise over time. We stress the long-term nature of our commitment to this business, the fact that we have been in commercial banking for almost 200 years, and that impresses clients and that impresses customer prospects. Whether a client is $20 million and wants to grow to $200 or 500 million, or wants to grow to $5 billion, our bankers, in conjunction with Terry's bankers on the investment banking side, are trained to put themselves in the customer's shoes and bring products to help that vision happen.

You're looking at our newly designed commercial website. This is a shameful promotion for this. This website shares industry data, has various insights from experts throughout the bank, and some great customer stories. You'll see this on our website. You'll also see—I notice a whole bunch of you have iPads and you'll see—in the Wall Street Journal version of the iPad you'll see our digital ad. So, I thank Doug for making that happen, and he also does that in our investment banking. And they are great success stories. I would encourage you to check them out, it's a good thing to do on the plane, and anybody else's other than our Investor Conference, and there really are some good stories. My favorite is the red/gold story, which tells the story of how the bank, in a tough time for the client, stayed with them, and it's—I don't want to cry, so I'll let it go. The point is, though, we're getting our story out, we're getting it out all over the place, to our customers and to our potential customers, and the strategy's working. Our commercial loans are up over 16% these are our C&I loans, over 16% on an annualized basis, and all of our markets have very good pipelines as we move into the tail end of this year.

On the right-hand side of the slide, you'll see our trademark red frame. This is the ad campaign that we really developed in 2009, as we were putting these businesses together, and as you recall, it was a difficult time for the economy, with our customers, and we were really trying to get people to recognize that there were going to be better days ahead and we were going to be there for them, and the idea was if they can envision the growth, if they could see past what happened in 2008 and into 2009, if they could see past that, we could help make it happen. The message was really intended to let our corporate relationships and prospects know that we were invested in their success. So, it wasn't about us. It was about them and growing that business over time.

So, the red frame has taken on a bit of life of its own, internally with our teams, as well. The plans our management team has put forth form the basis of this slide and really the framework of our strategy. The operating model that we discussed, the paths to growth that we outlined, and the redoubling of our efforts in Treasury Management, all came from commercial banking, the management team, which is both banks together. They developed a plan and they're now implementing it.

In one of our early planning sessions, early on, actually before the two banks got together, it was a fairly contentious meeting, as we were talking about how we could go to market, and everybody had a view—and that's the beauty of our team, everybody's got a plan, everybody's got a view, but we were trying to pull it together, and one of our M&I colleagues was great—I'm getting to the story on the red frame—she stopped everybody—there was a little bit of a fight and she held this thing up and—well, she said, "Gall darn it, if our clients can see, if we can see it, we can make this happen," and I think that has been the battle cry of what we're trying to do with the entire commercial banking group. I'm confident because our troops are confident that we can significantly grow our commercial banking business and be an increasingly, even more relevant part of the US income for BMO.

So, thank you. We are going to turn it back to Mark to take questions, I believe.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Yes, we have microphones on both sides, like earlier. I guess there are questions on like Gilles' section. Hands were going up before the microphones got there. We were clearer than they were, though, right, of course.

Rob Sedran:
Brad, I just want to take you back to the mental math—oh, sorry, it's Rob Sedran from CIBC—your mental math slide where you kind of went through—I think you said assume an average of 400,000 assets, assume about 70% of that business you get. I'm curious to know, of the 36 odd thousand that you already have, how those numbers would compare. Then, in terms of sizing the market, you gave us the asset potential. Is there a rule of thumb we can use in terms of the revenue potential from that kind of a move?

Brad Chapin - EVP Personal & Business Banking - BMO Financial Group:
Well, the reason we chose to talk about the 200,000 clients is because that's where the bulk of the incremental profit exists, because those are the people that do the least amount with us right now. However, when we convert some of the 36,000, which we have been doing, to more full relationships, we clearly increase the profitability on those relationships, and we actually track profitability within the bank by even finer segments than we shared with you today. I can tell you of the 200 and the 36, we've actually augmented about 2,500 of those relationships in this fiscal year. So, there is profit in the 36,000, but it's not nearly the amount of incremental lift we get in the 200.

I'm sorry, what was the second …

Rob Sedran:
I was curious how the—well, first, how the profile of the ones you already have compare to those average numbers that you threw out there to assume is the potential?

Brad Chapin - EVP Personal & Business Banking - BMO Financial Group:
Okay. The average Premier banking client—so those are the ones that are now in Premier, they're being handled by a Premier team, there are about 5,600 of them, as I mentioned—they have over $500,000 of investments with us. We have about six core products that we've sold on average into each of those households, about nine cross-sells, a 39% penetration in card versus the 16 that Mark had talked about in the overall portfolio. I think about 47% of them are borrowers. We've got lots of statistics on that. So, the bottom line is we are able to increase the relationship with them across the board.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
The short answer to that is that, separately, for both PCG and P&C, it's tens of millions of dollars in annual revenue, so it's a big target. So, is Brad focused on it? You bet.

Rob Sedran:
And how much of the associated costs would be variable versus fixed? Like, what's the incremental cost impact of on-boarding some of these clients? How should we think about the expense side?

Brad Chapin - EVP Personal & Business Banking - BMO Financial Group:
I can take you through some of the numbers on the salaries, although I need to look at Tom and make sure that's something I can talk about here.

Tom Flynn - EVP & CFO - BMO Financial Group:
That's fine.

Brad Chapin - EVP Personal & Business Banking - BMO Financial Group:
Okay. So, the incremental cost of a Premier banker, remember, I'm going to put a caveat around this, we're seven months into this new engineered program, so these numbers will change over time. The last 15 Premier bankers that we hired came to us at about a $60,000 base salary versus about a $40,000 base salary of a personal banker. That's actually down from where we used to be. That was part of the re-engineering. Because a big part of this—as we balanced the new dollars coming in with the expenses going out, we wanted to make sure we had that equation right, and so one of the changes that our re-engineering resulted in was to use more of our top-end personal bankers, and retrain them or give them augmented training to make them Premier bankers…as opposed to going out into the market and hiring at higher salary levels. That's, I think, an example of what you're looking for.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
The magic of this—and it's just hard work, but the magic is when we hire financial advisors, because they have customers who need expertise that can't be provided for in the P&C group, the ramp-up is very quick, because we have the customer already, so they have a comfort level with us. Instead of requiring Terry's team to go out and cold call all over the country, or all over their markets, instead, they get to use the existing customer base we have and ramp up, and they're breakeven period is cut dramatically. We don't do it for that, but why we do is because we have a customer that has unfulfilled needs and our job is to provide them the capability to fulfill those needs, and it ties right into the customer piece that Chris talked about, which is try and deliver great service to your customers. They don't go out to sell the service, they go out to explain the capabilities that we have and the capabilities sell themselves without them having to turn on the sales engine.

Male Speaker (company rep):
Brad, just one point on the Wealth Management side of that equation. Your revenues in the FA book for these assets are probably averaging about 1% and your variable costs are in around 45%, which is kind of a nice margin there. So, if you go back to Brad's math, it gives you some of the upside in this initiative.

Chris Buonafede:
Chris Buonafede, from Hutchin Hill Capital. I have a couple of questions. It seems like there's a lot of momentum on the loan side, if you take out the run-off book. You've got C&I growing. You've got CRE that's turning around and starting to grow. Auto is growing and card looks like it's a pretty big opportunity in terms of growth off of the base that it's at. How should we think about that in terms of ability to grow net interest income and defend net interest margin as we go forward, given now we're seeing a potential acceleration of loan growth?

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Yes. So, the perspective I think in the near term, what we'll see is an acceleration in the run-off portfolio. I mean, it's been running off kind of in that 20/25% range, and I would say I think that's not unreasonable to think about that for the next, I don't know, maybe 12 to 24 months. I mean, it's sort of a guess, but that's the experience we've had. So, that will wash out a little bit of the growth, but in the core portfolios, we'll continue to see pretty robust growth.

Also, I wouldn't say that what's in the run-off portfolio is necessarily higher spread. There might be small pieces of it in there. So, the pressure that you'll see on margin, I think would be more related to the current environment we're in as opposed to any remixing of assets, per se. I mean, it's just a pretty competitive environment, as Dave spoke about, on the commercial side, and you'll probably see the same on the consumer side. The pressure on the margin is more downward than upward and we won't see that lift in the margin you get until we see upwardly rising rates and the ability to reprice deposits with a lag, and the normal things you see in that environment, and, I mean, I think that just takes a little bit of time before we get there.

Chris Buonafede:
Can we see net interest income growth given that you are getting loan growth and you are getting actually, a decent amount of C&I growth and card and auto. You've also got on the fee side, mortgages are strong, you've absorbed all of Durbin, and then when I think about the expense side, with the conversion coming, we should get some relief there. So, when I think about it, there's actually the three pieces, I think, fees are probably relatively good near term, expenses are probably flat to down, and net interest income in dollars, it seems like it might have the potential to grow and offset the spread compression you might see because of the environment.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
I feel like we're in a plan review right now and all the people that are in the plan review are critics, and right here in the front row. They're actually colleagues, but they're critics in that review. Well, I think, you know, that's a fair way to look at it. I think in the near term, we won't grow the loan portfolio a lot in the near term, the core piece is going to grow, but the run-off portfolio is going to mask a little bit of that and our job is to make sure we highlight it well enough so everybody understands what's going on. So, if you said bet the next quarter or two, which isn't our bet, then I think it could be flat. If you said bet the next four to six quarters, I think you'd get a different answer.

John Reucassel:
John Reucassel. This question is for Mark. A couple of things. First, in the past when you've talked about tuck-in acquisitions, there's been this unrealistic view

of what these smaller banks want to sell for and what people are willing to pay for it. Has that gap narrowed at all or is there still quite a big gap between, you know, when you look at target valuations?

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
You know, I am probably a little stale on that piece. What I know is we've had inbound interest, but I don't think that I can tell. Everything in the market I see you see, but I'm probably a little stale on the pricing. We've been focused, of course, on the other issue, which is put the team together and integrate well. Evidence in the market would say that there's more rationalization right now. So, for a seller, you know if you sell, you don't buy, right, and that banks, except for the state of Texas, everybody else has a little more reasonability in their expectation.

John Reucassel:
Okay. Dave did touch on this, but one of your peers or competitors in Wisconsin has been quite vocal about their ability to pick up the best M&I bankers, and it doesn't sound like that's the case, but could you talk about the competition for talent in Wisconsin and is it driving up some of the costs there, have you been losing people that you didn't want, or how does that all work?

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
I think you said, Dave, right?

Dave Casper - EVP Commercial Banking - BMO Financial Group:
On the commercial side It's two things: Number one, we have lost no one on the commercial side in the commercial management team, we have lost no one of anybody that reports to any of those commercial banking management teams, and we've lost a couple—and I mean a couple of people that I would have liked to have kept, but we didn't have the spot and we were not able to, but there is no mass exodus. We talked about this, John. You do not have to go much further than a hundred yards from this building to look at what happens when a big bank buys another bank and what you worry about, and what I worried about on the commercial side was losing the people. There's a lot of case studies where you do lose a lot of people. We haven't had that. So, as far as the competition, we made sure that our employees stayed. It wasn't just pay, but they wanted to make sure that they were still going to be able to service the clients they wanted to and do it the way they could, and the clients wanted to make sure that the bankers that dealt with them in the past and understood them the best and knew how to support them in good times and bad stayed, and because of that we've been extremely happy with our turnover. Now, does that answer your question?

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:

I'd just add, from an internal perspective, we're at normalized levels, not getting there, we've been at normalized levels. As Bill mentioned when he opened up, we did an employee survey for the whole organization, 82% participated in that. The results between the two former franchises almost identical, every category, all the way through; in fact, in areas of employee engagement, we went up in every category. That said, we have an integration that's in process, so there'll necessarily be some implications out to the branches that'll get consolidated. I am confident that you will see that peer, or some other folks in the community say they've hired all these folks. Well, there wasn't a job for everybody in identical duplicative roles. So, as Dave said, we watched this really, really tightly, both in an incredible amount of detail market by market to make sure we understand it both in Chris and Brad's business, as well as in Dave's business, and we haven't seen the prolific numbers you see in the market. That said, I hope, these are good people—I hope when we get through the consolidation of operations, they, too, find good opportunities and some will be at peers.

Peter Routledge:
Hi, Peter Routledge, National Bank Financial. It sounds like, particularly on the personal banking and the mass affluent side, you're trying to implement the M&I sales closer onto the Harris network. The first question is do I have that fair? The second question would be how did customer penetration in the M&I network, how does it or how did it differ from Harris? In M&I, we're you deeper particularly in the mass affluent, were you deeper penetrated into those customers on the M&I side as opposed to the Harris side, and just maybe talk about the differences, as well, and sales culture.

Chris McComish - EVP Personal & Business Banking - BMO Financial Group:
Actually, there's some blend of both that's going on, but in actuality, Peter, it goes back to the slide on the Net Promoter Score process and the customer experience process that we've built, that is actually the BMO and BMO Harris sales process, sales culture that's in the organization. We've certainly take in a lot of what we've learned with M&I. I touched on it. You see a customer base that looks very similar in both organizations, both skewed towards the mass affluent, fairly deep customer relationships. If you look at depository relationships with numbers of products, low attrition, and going into it with generally positive opinions of the provider, we're integrating our sales process into our customer experience work. So, the proactive outreach that we're doing on a daily/weekly/monthly basis between our employees in the branches or in the call centers or online in our customer base is consistent throughout the organization. We've had our teams together working on that. We have the same play book that we're operating under, and for the most part it's a combination of the legacy Harris and the BMO sales process, sales culture, with some influence over M&I. Things like credit card penetration, Mark touched on it, would have been greater in the legacy M&I footprint. They had a card that they were selling. We had a white-label relationship through MBNA, then BofA—talking about "we"

being the legacy Harris business. So, that's the type of product that was introduced in the fall. We went from a standing start of zero cards per month per branch and we're up to about five right now, and that would look very similar to organizations that have an equal size footprint, and that sales productivity would look very similar.

Peter Routledge:
On the mass affluent side, were you deeper penetrated into the M&I customer base than the Harris customer base?

Brad Chapin - EVP Personal & Business Banking - BMO Financial Group:
Actually, it's pretty interesting how similar the two organizations were, and I think within a percent or two, both customer bases skewed in that direction. If you look at things like, you know, share of wallet and core product sales per relationship, you'll see very similar results. So, it's ironic how closely these two organizations actually were from the mass affluent penetration.

Chris McComish - EVP Personal & Business Banking - BMO Financial Group:
I would say, though, that the Premier model was a legacy M&I model that we brought into the organization. The focus on the legacy Harris business, Terry touched on it earlier, was much more focused on the mass affluent—I'm sorry, on the affluent market. So, when we were in Hinsdale, we talked about the integrated branch work and the referrals of really affluent customers, those customers above $1 million, and the teaming that was going on there—we have an FA, financial advisor footprint in the branch network, but the teaming that was going on, it looked much more like a referral and a hand-off versus a team that's working together, that we're defining in the Premier model. So, that model was very much brought to the company from the legacy M&I organization. The team worked to perfect that, you know beginning really the summer of last year, and then rolled out, as we over the past talked about, into the market place.

Peter Routledge:
Thanks.

Charles Nabhan:
Charles Nabhan, Stifel Nicolaus. We've heard from some of your US peers over the past couple of quarters that—this question is for Dave, by the way—that they've seen a hesitation on the part of some of their middle-market customers to follow through with their capital expenditures. It seems that they have the plans in place, but there's a hesitation. That said, my question is are you hearing consistent commentary within your middle-market client base, and also what are you seeing for utilization rates across your footprint?

Dave Casper - EVP Commercial Banking - BMO Financial Group:

So, Charles, to the first question, yes, we definitely hear that. We have about 5,000 customers in the commercial market and there's certainly some hesitation. I would say two things, less than there was a year ago, more confidence, and in many cases it's actually more about investing in capital equipment as it is more people. So, I would say the pendulum is moving a little bit more to optimism and it is going to, and has already started to, take hold in some equipment financing, which, by the way, is actually pretty good for us because, as I mentioned before, we're building up our equipment finance lease business.

The story of utilization rates is also actually pretty similar across both M&I and Harris, as we look at it. They've picked up a little bit. The good news/bad news of that is we have been very successful in some segments of, you know, getting ready for the future, so we are increasing the denominator, we're bringing a lot of clients on where we're putting some commitments out, but they're not using any of it, so that's offsetting some actual uptick in some of our commercial markets, where we've gone from maybe 40/45, up a little higher than that. Each one of sectors is a little different because of how we go after market, but in our core commercial market, I'd say we've gone up a tick or two despite having put more on the denominator. Does that help?

Charles Nabhan:
Yes, very helpful. If I could ask a slightly different question, and I apologize if you touched on this, as well. I realize over the past few quarters FDIC acquisition, the flow of failures has slowed down. Are you still seeing opportunities for FDIC acquisitions and, I guess, are you even interested in that avenue?

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Yes, we have an acquisition team that looks at them. You're right, there isn't a lot out there now. They have a couple of weaker organizations in our markets that they've looked at, but, you're right, the flow is very different. And not to be confused, priority number one, a first-class execution on the integration, right, but there is a group looking at them. There just isn't as much out there now as there was a couple of years ago.

Gabriel Dechaine:
Yes, Gabriel Dechaine from Credit Suisse. Just on the earnings targets, between, you know, the P&C bank now and the Wealth, you're bumping up against 700 million of earnings. The synergy target that you're upping to 400 million, about 300 after tax, I guess, and you're already pretty much at your billion dollar target, you know, why is it a three-year target? Is it really like a situation where the core earnings are staying flat because of the environment? What am I missing in the equation? The other one is on the branch expansion. I see that you've got 24 branches that are being consolidated. Is there a gross add number

that you can throw out there in, like, Minneapolis, or wherever else? I'll stop there for now.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
That's all on your list? So, I was at a meeting and the same questions you had just the other day. Well, so all that 400 million doesn't allocated to me, although I think we're deserving of this, our business team should get all of it, but—so, earnings will be a little bit flat in the near term as we rebalance portfolios, but you're right, and the one piece you missed is credit quality, which is improving, and I think that will be one of the benefits that we'll see going forward. So, while I don't think it's quite as easy as you said, because we have that thing called taxes that we take out of some of that, and of course, we're ahead on our synergies, so some of that's kind of coming through the run rate, a piece to us and a piece to other business units.

I mean, you make it sound like it might be a year away, and that's what others would try and tell me, too. I think it's closer to three years. I mean, I'll tell you, if we get some economic boost here, that would be a real positive to us, but I think we're probably in the two- to three-year timeframe. I mean, we're only counting PCG and P&C US, and you saw the charts that Gilles had up there for his team and that we had up for our team, and then some of the synergies will roll through, some credit quality improvement, and we think we have a pretty fair shot at it. I hope we beat it. That's the goal, to beat it.

Gabriel Dechaine:
On the synergy, I mean, maybe it's getting into Tom's closing remarks...

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
You guys are ahead. We're ought to let Tom do that when we get to the end, although, are you taking questions?

Tom Flynn - EVP & CFO - BMO Financial Group:
I'll take questions, yes.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Okay, he said he'd take questions.

Gabriel Dechaine:
Right, but where is it coming from? Like, is it a pure gift to shareholders, or are you kind of just, you know, upping it because the environment has gotten that much tougher? We can save that for lunch I guess.

Tom Flynn - EVP & CFO - BMO Financial Group:
I'll address it now, though, just to deal with it while it's asked. So, we've upped the target to 400 million from the north of 300 million. I'll talk about this in my remarks, but we're currently at about 180 million. So, in Mark's defense, relative to growing earnings to the billion, a good portion of the 400 is already in the run rate, and so we'll need growth in the organic business to achieve that target. Of the 400 million, around 180 is related to lower employee costs. That's split between business costs and corporate function and back office costs, roughly equally, but the business side's a little bit higher. On what we call our technology and operations area, we've got costs that will, from a savings perspective, come in at a number that's approaching 150 million, and that's split, in very round numbers, evenly between IT, real estate and procurement. FDIC costs are significantly lower today than they would have been for the predecessor organizations, given the higher credit quality of the combined company, and that's around 35 million in total. Then, lastly, and as Mark alluded to, we do think that we'll have a pick-up in credit conditions over time, and we've currently got over 300 people in our work-out groups in the US and costs in excess of $100 million, and those costs will trail down over time as the credit portfolio improves and the work-out portfolio shrinks.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
We probably have time maybe for one more question. Oh, you had another one on branches?

Gabriel Dechaine:
Oh, yes, branches.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
How many will we add?

Gabriel Dechaine:
Yes.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Well, clearly, as many as we can successfully defend that we can get an adequate return. We do want to add them, but I think the slide up there said that it's kind of a mix when you get to the Minneapolis, St. Louis, Kansas City, that there would need to be some acquisitions in there, too. That was completely the intent. So, done over time to fit our profile. I think most of those markets—if you're saying what's the number, most of those markets could double in branch size, there's that kind of capacity, relative to competition, the top three in the market.

I think we have time for one more question, I think, and then Tom's going to come up and close it up, the final question.

Chris Buonafede:
In Wisconsin, you have the larger share, obviously, and there's two fairly sizeable banks that are in trouble. One of them was in the market share slide and I think it was in Madison. There's another one, I think it's a mutual holding company. And they're decent size banks. I'm just wondering what you think happens.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
What I think happens to those guys?

Chris Buonafede:
Yes.

Mark Furlong - President and CEO, BMO Harris Bank, N.A. - BMO Financial Group:
Well, my friend runs one of them, so I—he would shoot me if I said anything other than—I hope they survive, I hope they do well and survive. I don't think I should say anything other than that, right.

Anyway, thank you for your attention this morning.

Tom Flynn - EVP & CFO - BMO Financial Group:
My job is to wrap our US Investor Day and I'll be fairly brief in doing that, as I'm standing between where we are now and lunch. Really, what I want to communicate is the confidence, in summary, that we have in our US business and the management teams that are executing our strategy. BMO is a truly North American bank and, as you've heard today, M&I has transformed our US retail operations. It's provides an excellent contiguous footprint in a large and attractive geography and we see good opportunities to grow in a market that we know well. The combination has complementary products in a number of areas across our businesses and establishes platforms for future growth in new markets.

The slide shows examples of the benefits of the combination from a product capability and a distribution perspective. You heard about a number of these from the management teams today.

From a financial perspective, synergies are coming in earlier and higher than planned at the time of the acquisition and credit performance has also been better than planned. The transaction has been accretive in each of the last three quarters, also ahead of schedule. The platform that we have now is stronger than it was previously, given the scale resulting from the combination and the approach we took to the integration, which was based on taking the best products, people and processes from each of the predecessor organizations, and as people talked about through the day, the strength of the combined organization has energized both the management teams and the employee base.

An important driver of profitability will be synergies. Cost synergy realization is progressing well and is ahead of schedule. With the benefit of 18 months' worth of work, we now expect to generate cost savings in excess of 400 million. Focused execution has resulted in cost synergies to date of approximately 180 million or 12% of M&I's pre-transaction announcement costs. We're tracking synergies in a number of ways, from a bottoms-up perspective through detailed tracking that we do through our integration management office, and you can also look at costs by comparing the 2010 pre-transaction US retail costs of M&I and the BMO US business, and if you look at those costs, they were running at an average quarterly rate, in 2010, of about 670 million, and that number more recently has been closer to 625 million, and that annualized gives you 180 million. We're making good progress in key areas, such as business model alignment, employee savings, systems and back office combinations, procurement and real estate and branch closures. Cost savings are expected to accelerate in Q1 and then more fully in Q2 of fiscal 2013, following the systems conversion that will be completed in the fall of this year. In addition, we do expect revenue synergies to deliver some upside from this level.

I'll now end with some wrap-up comments from today's sessions.

In BMO Capital Markets, we are a focused US mid-cap investment bank, supported by a quality distribution platform. We have built out our distribution in the US, aligning capital and capabilities with client opportunity, focusing on strategic sectors. The strategy is taking hold, our capabilities have driven growth in book-run transactions, approved client votes and increased agency commission share. We are targeting, as Tom talked about, ROE in our US capital market business in the mid- to low teens.

In Private Client Group, we're leveraging our acquisitions, driving growth from existing clients and maximizing wider distribution capabilities. PCG is also working closely with P&C US to deliver an integrated retail wealth offer to leverage opportunities from our attractive customer base and larger distribution network.

In P&C US, we have a strong and experienced leadership team and operating platform. We are a leading commercial bank in the Midwest and are number three in our Midwest markets in deposit share. Our P&C US strategy is focused on delivering growth and good returns, supported by a productivity ratio target in the mid to low 50's.

Together, our US businesses and strategies position us well to deliver good performance from a revenue, income and return perspective in the US. We have attractive and leveragable platforms, clear growth strategies and we’re focused on execution.

And that concludes our presentation here today. We thank you all again very much for joining us, both in the room and on the line, and in particular we thank you for your engagement and questions. So, thank you for your time, we’ll drop the call now, and for those who are here, there’s lunch that we will be serving on, I think, the second floor, so we hope you can join us there. Thank you.