BMO Financial Group

BMO Financial Group Investor Day - Personal & Commercial Banking Canada
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PRESENTATION

Viki Lazaris ***- BMO Financial Group - SVP Investor Relations***

Good afternoon, and welcome to P&C Canada's Investor Day. Presenting today are Frank Techar, President and CEO of P&C Canada and members of his leadership team. And Frank will be introducing the team. Also joining us in the room are Bill Downe, Russ Robertson and Tom Flynn.

It's great to have you join us today and over the next few hours you'll be hearing a lot more about our Personal and Commercial business in Canada. As you listen, I hope you'll appreciate the magnitude of the change that's occurred in this group, the distance we've traveled and the momentum we carry into this period of economic recovery.

Before we begin, I'd like to remind you of our forward-looking statement. At this time, I'd like to caution the audience and listeners by stating the following on behalf of those speaking today. Forward-looking statements may be made during this presentation and there are risks that actual results could differ materially from forecast projections or conclusions in the forward-looking statements. Certain material factors and assumptions were applied in drawing the conclusions or making the forecast or projections in these forward-looking statements. You may find additional information about this material, factors and assumptions and the material factors that could cause actual results to so differ in our caution regarding forward-looking statements that are set forth in the third quarter report to shareholders, as well as in the presentations today.

And, finally, just a reminder, this event is being webcast live. There will be a Q&A session after we complete all the presentations. And during the Q&A there will be a few people with roaming microphones going through the audience, and we ask you to state your name and your company name before asking your questions. Washrooms are just outside the door here, and emergency exits are here to your right and at the back of the room.

And with that, it gives me great pleasure to turn the floor over to our CEO Bill Downe.

Bill Downe ***- BMO Financial Group – President and CEO***

Okay. Thanks very much, Viki, and thanks to all of you for being here. It's nice to see such a good turnout. I know there's quite a few people on the line as well. And I think a number of you probably are in town or are here in town because of Kevin Choquette’s Investor Day, which I think most of the industry was represented at yesterday.

We're really pleased to be able to do this investor day in concert with that and to focus on the Personal and Commercial bank. Frank is going to spend most of the time focusing on the evolution over the last three years of our Personal and Commercial bank. And I hope it's visible to you the changes that we're going to talk about.

When I reflect back on previous investor days I can see a build over the period of the last 36 months. When I reflect on that first one that we did there was a certain amount of a wait-and-see attitude, I guess would be the way I would read the audience. I feel as though we've built credibility through the period doing the things we said we were going to do, and I hope that you'll find that in the content that Frank and team are going to cover today, the same coverage.

One of the things that's the most important to me with respect to the BMO Financial Group is the relationship we have with our customers and how that shows up on the front line. I was out at our Institute for Learning yesterday afternoon. Those of you who are not familiar with it, we have a learning facility here in Scarborough that has about 300-odd classroom places at any one time and residency for 125 of our employees, but it's also the Center for Distributed Learning for the Bank.

And across our system our employees get a minimum of five days of training, all of them, five days of training a year, more and more focused on the themes that are going to come out and the material that we're going to cover. And I was talking to Professor Raymond Balthazar who is a Dalhousie University professor who has been teaching at our institute for seven years, and I asked him what his observation is of the bank. He and I have not talked about this before, but I asked him what his observation of the bank has been in the last three or four years.

And he said, well, it all has to do with the customer. And I was obviously gratified that that was his reflection. But was more interesting is he said that a couple of years ago that the conversation was always about management is putting tremendous emphasis on the customer, but we're not sure how long this will last. Is this just a temporary burst of enthusiasm?

But he said it was quite comforting to him as an academic and someone who thinks about strategy and how strategy gets translated into action; that with every class that comes through, the level of reluctance or maybe even cynicism that the customer sits at the center of everything we do at the bank has basically evaporated.

For me, this is a huge gain. I think it comes through in all of the material that we're going to talk about today, and it's the reason why on the cover of the book you have in front of you it says Defining Great Customer Experience because that's at the heart of everything that we're going to do.

So thank you, again, for being here. We have a short video that we're going to show you and then we're going to plunge right into it. And I'll be here for most of the remainder of the afternoon and be available to take questions, although I suspect most of them will be directed right at the front of the room. Thanks.

(Video Plays)

Frank Techar ***- BMO Financial Group – President and CEO, P&C Canada***

Now I know we have a lot of external visitors with us today, but at this moment in time, if this was an internal audience there'd be a standing ovation. So I was kind of expecting that, but I appreciate that you're all still in your seats. Thanks, very much, Bill, and good afternoon to everyone here in Toronto and those of you participating on the webcast.

Given everyone's busy schedules I appreciate that you've taken the time to join us here today. And we know many of you participated in the Scotia Capital Conference yesterday and had an opportunity to hear Bill speak. This afternoon we're going to build on some of the comments that Bill made and talk to you specifically about BMOs largest earnings contributor, the P&C business in Canada.

Let me start just by saying that we are extremely proud of the progress that we've made in executing our strategy. And maybe more importantly, we see opportunities for growth as the market recovers and continues to normalize.

Now, more than ever, me and those who have joined me today believe that we have the ability to not only compete but also win. And before I tell you more, I want to start by introducing the members of my team who will be presenting with me today. Next to me is Maurice Hudon, our Senior Executive Vice President. In June, Maurice took on a new role with a broader mandate. He is now accountable for the development and implementation of our customer market and product strategies across our entire business.

Lynne Kilpatrick is our Senior Vice President Personal Banking. Gail Cocker is our Senior Vice President Commercial Banking, and Mike Kitchen is our Senior Vice President P&C Product Management. In addition to Maurice and his team, two other members of my team are here today as well.

Francois Hudon, our Senior Vice President Quebec Division, is responsible for our Personal and Commercial business in BMO's native market, where 2,000 employees deliver service through 145 of our branches. He's also responsible for specialized sales throughout Canada including our auto financing business. And Francois has been with the Company for eight years now after a long career with one of our competitors.

And many of you may remember Wendy Millar who is our EVP and Chief Risk Officer for our P&C businesses. Wendy has held a number of senior roles in credit management, product management and in our special account management group. We have a small table here today, so we'll bring Francois and Wendy up after Maurice's team wraps up this afternoon.

And with that, let's get started. I'd like to begin with just a few facts about our business. We are the largest business in BMO and the biggest generator of revenue and net income. Year-to-date in 2009, P&C Canada contributed approximately 47% of the Bank's net income. It's a strong franchise and we've had consistent earnings growth.

2009 year-to-date net income was $998 million, an increase of 13% over 2008. We have over 16,000 employees serving 7 million customers throughout a national footprint of more than 900 branches and more than 2,000 ABMs. We have a number of significant leadership positions that we continue to build on in each of our businesses. Our power house Commercial Banking business is number two in the marketplace, and we're shooting to be number one.

Our everyday banking products are second to none. We are the largest MasterCard issuer in Canada and our AIR MILES partnership is the best coalition loyalty program in the country. And in a global recession we have been there for customers, and have maintained our industry leading credit risk management practices. Each of our presenters today will speak in more detail about these strengths that set us apart and the profitable growth opportunities that we see ahead of us.

Now since my appointment to this role back in July of 2006, I've had the opportunity to participate in three of these investor day presentations. And our objective in these sessions has been to demonstrate to you that we have a winning strategy and we have a management team that does what it says it's going to do. In December 2006, as Bill mentioned, I talked to you about objectives that we were putting in place at that time to improve our customer experience, expand and upgrade our branch network in priority markets and drive revenue growth and customer loyalty through a robust performance management system.

In April of last year, we demonstrated to you that we had done what we set out to do. And while there was still work to do, we were pleased with the progress and were creating strong momentum across our entire business. In today's session, our objective is to demonstrate to you that we are managing our business differently from our competitors, our decisions are delivering strong results and we are well positioned to compete and win in the future.

There has been a consistent thread in all of our presentations over these past three years. We have stuck to our strategy focusing on customer experience and the productivity of our sales force and distribution network. We continue to make progress against six areas of focus that we identified would differentiate us from the competition.

We are excelling at sales leadership and performance management. And last May, Alex Dousmanis-Curtis, our SVP in the GTA, gave you a high level overview of our new performance management program. For a different perspective today, Francois will speak to our continuing progress in Quebec.

We continue to identify what customers want and need, and we're getting offers to the market faster and in a straightforward way. Lynne is going to talk more about this in a minute.

We continue to focus our distribution investments to capitalize on the highest value opportunities. As you've already seen since 2006 we've built 51 new branches and redeveloped or renovated 170 more.

Also aligned to our brand promise of providing the clarity that our customers want, we are simplifying our processes and leveraging technology to improve our customer experience, to free up frontline capacity, and to reduce operating costs. As an example, work is underway on a new state-of-the-art customer contact center in the Meadowvale-Mississauga area that will open in November of 2010.

We continue to focus on building best in class human resource capabilities and developing strong line leaders. We are hiring employees that have a predisposition for delivering great customer service and have invested in new sales training programs for our new frontline employees, and Gail and Lynne will give you examples of this in their comments.

And, you'll hear more from Wendy about our best in class credit risk management.

Now I said earlier that we're proud of the progress that we've made, and there are four measures that we use to track our progress against our strategy and determine how we compare to our competitors; growth in revenue, growth in net income after tax, our personal customer loyalty score as measured by Net Promoter Score, and our commercial customer loyalty score.

In 2008, we improved in each of these measures relative to 2006 and 2007, and we have improved even further in 2009. We have significantly narrowed the gap to exemplar on these measures, and most of our competitors are now looking up at us. As you can see from this slide, at the end of 2007 we ranked fifth on both revenue and NIAT growth. At the end of 2008 we had moved up to third place on both measures. Our year-to-date Q3'09 revenue growth ranked second relative to the other five Canadian banks as did our NIAT growth using actual credit losses.

Between 2007 and Q3'09 our personal customer loyalty score has improved seven points and we've also narrowed the gap to exemplar by six points. We've moved from fourth place to second place. And between 2007 and Q3 '09 our commercial customer loyalty score has improved eight points, and we've narrowed the gap to exemplar by eight points and moved from fourth place to third place. We have four simple, important measures and we have shown significant progress.

Now under Bill's leadership we are transforming BMO and changing the culture of the Company. All 36,000 BMO employees around the world recognize that it all starts with the customer, and they are all aligned behind one vision and one brand promise.

Customers have told us that financial matters are complex and they want a bank that listens, offers clear choices and helps customer choose the right solutions. They want a bank that helps them make sense of their money and their investments. Across Canada, employees have a renewed sense of pride in BMO, and our Making Money Make Sense advertising campaign has been very successful at a time when customers really need our help understanding their financial situation.

Each year, we ask our employees how they think we're doing. This year, our results show that 96% of our employees understand how their role contributes to our vision to be the bank that defines great customer experience, and this is an 11% improvement in one year. You might also be interested to know that in the past two years almost two-thirds of my executive team are new to their roles. We have an engaged leadership team in place, and we have employees that understand and believe in the future direction that's been set out for our company.

We've made great progress in a short period of time. We're making the right strategic decisions and we're outperforming our competition on many fronts. The BMO Blue is once again very prominent in the marketplace. Our customers have noticed the change and they're rewarding us with more of their business. And my team and I believe that we have not yet achieved our full potential.

And with that, I'll turn the floor over to Maurice.

Maurice Hudon ***- BMO Financial Group - Senior EVP, P&C Canada***

Okay, well, thank you, Frank. As Frank mentioned, I'll be providing an update on how we're doing on the mortgage front. And frankly, this is one area where we have yet to fully deliver what we said we would when we had last met. But before we get to that, I want to tell you more about my senior executive leadership team that will be presenting to you today. These are three executives with a strong track record of success in our company.

Lynne Kilpatrick is accountable for our Personal business. Her background includes senior roles in marketing and communications within the industry and at BMO. Lynne also has line executive experience within our own contact center.

Together with her team, Lynne has been instrumental in introducing customer experience initiatives to the frontline that support the customer promise and have resulted in the important gains we are achieving in customer loyalty. Lynne has also led the development of the performance management framework you would have heard us talk about last year. And now she is launching the next phase of this work which will further improve the productivity of our distribution channels and sales force.

Gail Cocker provides the leadership to our Commercial business and she has extensive experience in all segments of commercial banking. She also has valuable line experience including having run our BC Division until a few years ago. Gail has led the initiatives and programs in commercial banking that have resulted in increased market share and gains in customer loyalty, while maintaining the high credit quality of our portfolio. Gail leads the thinking in building on and securing our leadership position in all key segments in this important market.

Mike Kitchen has recently taken on the role of head of our Product Group. Mike brought product management experience from the insurance industry in both Canada and the US when he joined BMO several years ago. He soon moved into the executive rank, leading our Personal Deposit Product Group until he moved to our Cards business. Mike ran that business for three years delivering double-digit revenue and bottom line growth during his tenure. He is now bringing strong P&L disciplines to product management, and accelerating the initiatives to improve processes, again, in support of our customer promise and our productivity goals.

So, turning now to BMO's Mortgage business. Mortgages are an important product to BMO and a core offering to our customers. The mortgage book stands at $63 billion today and that's a decline of just over 1.5% from a year ago, due to the runoff of the broker portfolio I'll be referencing in a moment. Our strategy for this product is to meet our customers' needs to buy a home by providing clear choices, and helping them choose the best mortgage solution that suits their needs.

We have a complete product suite with the benefits and options that our customers are looking for. For example, we recently added a five-year variable mortgage product to round out the offering to our customers, and have seen a healthy take up originating $1.4 billion to date. Since the product was launched in February this has made up 13% of all originations peaking at close to 18% in April, and in the last four months has been our number two selling product.

Again, on the product front, while we did introduce a 40-year amortization product in November 2006, to match competitive offerings we decided to withdraw it last summer. We were the first major mortgage player to recognize this product was not a good fit for us or for our customers.

Now, as many of you know, in January 2007 we exited the mortgage broker channel. At that time we said exiting this channel would enable us to do three things; one, grow our business profitably through our proprietary channels over time. Secondly, it would result in us having better conversations with our customers driving improved levels of our customers' share of wallet and, lastly, increase mortgage spreads.

Well, here's where we're at today. First, our business has grown. BMO originated balances are up 5.2% since early in 2007. Our strategy is to focus our growth on our own proprietary channels; that's our branch and specialist channels. And this is reflected in the level of mortgage originations we're seeing in our branches today compared to a year ago.

Since the beginning of our fiscal year, for instance, we've seen branch originations increase by about over 1% over the same period last year to about $6.5 billion and we're growing our dedicated sales force. We have recently resumed growing the number of mortgage specialists to our target level of 330 after taking a pause during the real estate slowdown we experienced in the last 18 months.

Secondly, our strategy of expanding the relationships we have with our mortgage customers is also on track. We continue to make progress in our quest to deepen relationships. We track the number of products for customers new to Bank of Montreal over a one-year period. For example, for those customers that we brought on in May 2008 we've increased our share of their wallet from 1.74 products to 2.16 products, and insurance penetration has improved from 54% to 58.5% over that period. This is another key contributor to the financial performance of this business.

Third, on increasing spreads, the spread on the BMO originated book has improved 11 basis points since we implemented our strategy. In achieving this goal, we've experienced year-over-year improved spreads of 36 basis points and 39 basis points from branch and mortgage specialists originated mortgages. Furthermore, on the entire $63 billion portfolio, the spread has improved 25 basis points since early 2007.

Finally, some comments on market share. As expected, our share performance over the past 2.5 years reflects the decisions we made to exit the mortgage broker business. I want to be clear that our long-term goal is to grow share in this important product to our customers and to our bank. We're seeing momentum in the business as originations are accelerating, as relationships are expanding and as profitability is improving. But we will remain highly focused on improving this business further through process improvements, sales force productivity gains and further expansion in order to meet our goals.

And with that, I will turn things over to Lynne.

Lynne Kilpatrick ***- BMO Financial Group - SVP Personal Banking, P&C Canada***

Thanks, Maurice, and good afternoon, everyone. As Maurice mentioned, I have overall accountability for our Personal Banking business. And as you've heard from Frank, the Personal business has been performing well over the last few years, as we execute on a strategy focused on driving growth through a vastly improved customer experience and stronger productivity from our sales and distribution network.

My team has been driving the tools, training and performance management systems for our frontline staff, as well as the offers and marketing programs that are significantly raising our profile and driving customers into our channels to give us more opportunities to acquire new customers and build share of wallet.

We continue to focus on strong offers that are consistent with our brand promises like BMO Smart Steps. In June and July, more than 100,000 BMO customers took advantage of at least one of our steps to start doing better with their hard-earned money. Our First Home Essentials kit that we launched in November continues to show strong sales, and we've added almost $400 million in mortgage balances under this program as we help customers buy their first homes with confidence.

We were the first to market with a registered disabilities savings program, and currently BMO has 75% of Canadian applications for that product. Our voice in the market has never been stronger. Hopefully, you've noticed all the BMO Blue out on the street as we really make money make sense for our customers.

Our customer loyalty scores continue to improve; this is a key input into our performance management system. All frontline staff and leaders have a considerable portion of their performance pay tied to improvements in customer loyalty. We received external validation of our progress recently from Synovate, who recognized BMO as showing the most improvement among the Big Five banks. And, we won three awards including branch service excellence.

You'll also see on this slide a number of key customer metrics that continue to improve, including number of active checking customers, which is a key measure of the health of the franchise, better customer retention, and improved product categories for customer, which is our measure of share of wallet.

Another metric that we watch and manage closely is sales force productivity. So far this year we've seen close to a 17% improvement in Personal revenue per FTE since the year began. The outcome of all of this is reflected in strong revenue growth and market share gains in both deposits and lending. I'm going to talk about both of those businesses a little bit.

First, I want to talk about our Personal Deposit business where our balances have grown to $72 billion, an increase of 14% over last year. And since the end of 2006, market share has increased by 31 basis points. The growth is coming from all parts of our deposit book; checking, high-interest saving and our term business as well.

In December, we launched the new BMO Smart Saver account and have $2 billion of deposits to date in that product. The launch of the BMO Tax Free Savings account contributed $0.5 billion in balances to deposit growth. Enhancements to our online account open process have made it possible for customers to open an account without ever visiting a branch; it makes it very easy to bank with BMO and represents an important new sales channel for us. Throughout last fall and into this spring, we kept up with a very competitive marketplace and raised $4 billion in Personal Term deposits as well.

And now, I'm going to switch to Personal Lending. This is a very important product suite for us and represents about a $29 billion book of business. It is a high-spread business. And you may remember that Frank identified this as a key growth area for us and for the Bank.

We have outperformed the competitive market in home equity financing and retail auto dealer finance where our annual growth rate over the past three years have been 30% and 17% respectively. And over this past year, during the height of the downturn those portfolios have grown by 28% and 16% respectively.

We are particularly proud of our Homeowner ReadiLine offer, which has shown a compound annual growth rate of 76% over the last three years. Our customers love this product. As they pay off their homes, their equity becomes automatically available to them to be used however they want; no need to go back in and apply for another loan. And for many customers, it's the only loan they'll ever need and they love that flexibility. It's been a great product.

So overall, we have had very strong growth in our Personal Lending business with an increase in market share of 135 basis points since 2006. But, share growth did decline this year, and I want to spend a few minutes to talk about a couple of very deliberate management decisions that we made to protect the quality of our book in this economy.

First, on our secured and unsecured lending portfolios, we increased prices on new loans and we repriced some of our existing loans. We were among the first in the market to do this and we were followed soon after by everyone else. It was a difficult decision, but we are proud of how we did this, and our customers have told us that we kept our promise of being straightforward and transparent through that change.

Second, we made some small selective changes to our credit strategies, and as Wendy will tell you, our best in class credit management is a foundation of our business. We consciously pulled back on promoting additional credit to our customers for personal lines of credit and loans.

Finally, we took some steps in our auto dealer finance business to ensure a profitable and high-quality portfolio. Early in the year growth slowed as we applied prudent credit practices to this sector. We selectively increased prices on new loans, and the market followed shortly thereafter. We protected key relationships and referral sources though, and our efforts have paid off with the recent market pick up. We revised our product strategy on new loans and we're seeing record sales in this portfolio now.

As a result of all of this we were able to improve margins by about 14 basis points over last year, grow balances and achieve what we believe is an appropriate balance of risk versus return. This resulted in limited customer attrition, speaking well to our ongoing competitiveness and customer focus.

So even though market share slipped by 24 basis points since the end of 2008 as we expected it would, we are growing share again and we're confident that we're well positioned to profitably grow the book as consumer appetite for borrowing picks up again. BMO has a well-earned reputation for performing well through economic downturns, and this year is no exception.

In conclusion, we have demonstrated success in our key priority areas, lending and deposits. We made deliberate management decisions to protect the quality of our lending book. We have the tools and training in place to have great customer conversations, and our presence in the marketplace has never been greater.

And I will turn things over to Gail, at this point.

Gail Cocker ***- BMO Financial Group - SVP Commercial Banking, P&C Canada***

Thanks, Lynne. Good afternoon, everyone. I am delighted to talk to you today about our Commercial Banking business in Canada and the opportunities that we see to build deeper relationships with our customers. Almost 60% of the overall employment in Canada can be attributed to small and medium-sized companies. Clearly, these companies are an important engine of growth in the Canadian economy and at BMO, we see ourselves as valued partners in helping these businesses grow and prosper.

First, let me speak to the strength of our Commercial business. Commercial Banking revenues represent over 28% of total P&C revenues and are growing at almost 10% this year. We attribute this to delivering on our strategy, anticipating changes in the market, making proactive management decisions, and living up to our brand promise with our customers.

Historically, we have enjoyed tremendous success as commercial lenders. Since September of 2006, we have been growing our market share year-over-year, and this year for the first time we passed the 20% market share mark. Despite the softening in the economy in 2009 and the resulting overall drop in demand for commercial loans, at BMO we grew our market share volume of the commercial lending business by 2.6% versus a total market growth of 1.5%

Our strong revenue performance was in part achieved through improved pricing in our lending book. We acted swiftly and decisively and adjusted rates to respond to the increased cost for debt worldwide. We also leveraged our sophisticated risk management system to proactively identify borrowers that had become an increased credit risk and responded with necessary price increases. These actions allowed us to maintain margins and profitability, hold balances and achieve what we believe is an appropriate balance of risk versus return.

We anticipate a continuation of strong lending revenue performance in 2010, as demand for loans improves with the pickup in economic activity, until then we are capitalizing on our longstanding tradition of being open for business in good times and bad.

Our continued strong portfolio risk performance, as evidenced by year-to-date losses running at approximately half of what we experienced in the recession in the early '90s, puts us in an enviable position. While many competitors have had to withdraw from lending to some industry segments or from the Canadian market entirely, our strong underwriting practices have put us in a position of strength and allowed BMO to grow market share. Our confidence in our risk management system allows us to anticipate this will continue in the year ahead.

The outlook for the business is positive because our focus goes beyond lending growth. Our strategy takes advantage of our strong lending expertise to capture a broader share of our customers' wallet. By providing a customer experience comprised of proactive advice and guidance and competitive offers beyond lending solutions, we will deepen the relationships we have with our over 300,000 customers and we have proven that we can do this.

We have posted 9% growth in deposit balances year-to-date. We recognized and responded to our customers' need for improved management of their cash flows by doubling the cash management specialist sales force in the field this year. Thus, we are able to provide more and better advice to our customers to help them manage their collection of funds and their payments; this has increased our deposit balances and generated fee revenue. And we have also met the personal needs of these business owners. Year-to-date our referrals to our personal banking partners are up 160% and referrals to our wealth management partners are up over 200%.

To bring this share of wallet strategy to light, I'll share a recent example of this strategy in action. We have a medium-sized customer in Southwestern Ontario in the technology systems business with about 60 employees. The main office is in Ontario, but they also maintain a satellite office in the US.

The customer has been in business for over 20 years, and has been a customer of BMO since 1989. The business they had with us was nominal credit lines, a small balance in their operating account and a personal account. Our relationship with this customer was good. The banker was comfortable that they knew the customer and understood their business.

During a recent meeting, as well as learning about increased credit requirements to fund the international business growth, the banker uncovered a multitude of unmet needs, ranging from managing foreign exchange exposure to employee payroll services, to international cash management solutions, to cross border opportunities for Harris Bank, and even a personal line of credit requirement.

The banker was able to expand the customer relationship from three products to eight products, plus make referrals to our Harris Bank, a financial planner and ADP, our payroll provider. As a result, the revenue earned from this relationship has more than doubled.

This share of wallet strategy is valued by our customers. As evidenced by the fact that we have made steady progress towards our long-term customer loyalty goal. The economic environment has created stress and worry for business owners, particularly with respect to their security of credit lines, and we have seen this translate into a general industry-wide decline in customer loyalty towards banks.

At BMO, however, we continue to close the gap on customer loyalty between ourselves and the exemplar, as Frank mentioned earlier. We can attribute this to the progress that we've made on delivering a consistent customer experience that meets all the financial needs of our customers not just their lending needs.

Have we done this? Well, we've been able to shift our focus from just lending to a full suite of solutions through, one, our consistent and aligned performance management systems, two, the increased capability of the sales force and, three, the customer tools and offers that we have introduced to help our customers run their business. In a nutshell, our performance management system demands a focus on improving the customer experience and meeting more than just lending needs.

We measure individual and team performance by revenue growth, customer loyalty and collaboration among BMO's business groups. This incents our sales force to deliver revenue growth and improve customer experience by providing all of the expertise BMO Financial Group has to offer to the customer. We have also greatly enhanced the training curriculum for our commercial bankers so that they are better equipped to have broader conversations with our customers to uncover needs, develop appropriate solutions and refer to specialists where required.

We have also mined customer insights to provide valuable advice to our customers, and give them the confidence they need to make decisions for their business. One example of this is our business coach podcasts, which provide a series of free audio information episodes to our small business customers. This is a biweekly podcast, which provide information on a wide range of topics including business planning, franchising, IT security, managing cash flow and much more through interviews with a number of experts.

To date, 81 episodes are available on bmo.com, and the topics come from customer requests and surveys. Close to 105,000 podcasts, both English and French have been downloaded to-date, and they are in iTunes top 100 business podcasts. Clearly, we are providing convenient service to our time-pressed customers to get the information that they need.

In summary, Commercial Banking success is built on a strong foundation of commercial lending expertise aided by our leading risk management practices. We are leveraging this success to grow revenues by having value added conversations with our customers, offering them both business and personal solutions and delivering on an enhanced customer experience as a trusted advisor that meets all their needs.

Our performance has shown that we continue to gain ground in lending market share. We are confident in our ability to capture additional revenue as supported by our performance management systems, the increased capability of our sales force and the creation of our customer focus programs and offers.

And now, I'll hand things over to Mike.

Mike Kitchen ***- BMO Financial Group - SVP P&C Product Management, P&C Canada***

Thanks, Gail, and good afternoon, everyone. As Maurice indicated, prior to taking on my new position this summer I led our Credit Card group. For the past five years, we've been delivering on a credit card strategy that focuses on meeting the day-to-day purchasing needs of Canadians.

As the business-wide strategy evolved in 2007, we determined that that credit card strategy in place was very much aligned with our new direction. You've heard from Frank before that a key strategy for P&C Canada is to pursue aggressive organic growth in the Credit Card business.

Turning to my first slide, the success of our strategy is very evident by looking at four key metrics since we adopted our strategic plan. Active account growth, a key indicator of short-term and sustainable growth has experienced the most significant turnaround, highlighting the momentum in the business and the relevancy to customers.

Balance growth during this period is driven by the success of the initiatives that I will outline in a moment, plus an evolution in our credit granting strategies. And, finally, revenue growth is now consistently in double digits, reflecting that the organic growth that we've experienced is driving substantial top line results.

The path to achieving these successful results was based on an understanding of what drives customers: to apply for a credit card, to make the credit card the one they use most often, or as we like to refer to it, top of wallet, and to continue to use that credit card.

Our research indicated that the three key elements that customers cared about were: One, the quality of reward or loyalty program; two, the cost to the consumer, a combination of annual fee and interest rate; and three, dealing with a trusted financial institution.

BMO’s priority to deliver strong organic growth was well aligned to these key elements. Let me touch briefly on each of these in relation to our strategy.

First, was to improve the breadth and competitiveness of our reward programs, through select partnerships with retailers and other companies that are aligned to the consumer purchasing behavior. We strengthened our longstanding relationship with AIR MILES. Over 60% of Canadian households collect AIR MILES, and for the past few years we focused our attention on securing top of wallet position amongst the very engaged AIR MILES collectors. In addition, we've created a new and exclusive partnership with student price card, and created an exclusive partnership with Shell Canada.

Second, we maintained an advantaged position with respect to offering customers the option of participating in loyalty rewards and a permanent low credit card interest rate, compared to most banks that make customers choose between these two key features.

And, third, we utilized the strength of BMOs distribution system to increase new business. Because a trusted advisor matters and to leverage the substantial point of competitive advantage with over 900 branches, we began a disciplined program to engage our branch staff in promoting BMO MasterCards, including establishing specific sales targets as part of our performance scorecard.

Since the start of that program in early 2004, we have grown branch sales of personal credit cards by almost 600%, from a low of 43,000 per year, to almost 300,000 last year. We improved the quantity and quality of new business, while concurrently lowering our cost of acquisition. And the success of our strategy, based on these management decisions that we've made is demonstrated by the numbers I've highlighted for you.

As Frank mentioned, we are the largest MasterCard issuer in Canada and the third largest credit card issuer in Canada. We have demonstrated strong financial performance over the past few years as measured by revenue growth and balance growth, and we've weathered the economic downturn better than many of our competitors. Our credit losses year-to-date are 335 basis points, over 100 basis points lower than our competitors.

Just recently, we stepped up our efforts to ensure an even brighter future for this business. Although the three key customer purchase criteria have not changed, we were determined to align our product offering to our brand promise to bring clarity to our customers' financial decisions, and to create a tighter alignment with our Personal Deposit products.

We simplified our product line up with seven key products, each with unique features and benefits eliminating the complex “Card you Build” position. We've dramatically improved our sales tools in branch and online to help customers easily decide on the credit card product that best meets their needs. We created better connections with our deposit accounts, aligned to our goal of increasing products for customers.

And, finally, we have dramatically improved our competitive position in terms of our AIR MILES program both on credit and debit. I'll elaborate on this last point. As I mentioned earlier, AIR MILES has a significant penetration of Canadian households, and has been a key component of our success in the credit Card business for the past number of years. As we told you last year, BMO also took a unique market position with the launch of our AIR MILES debit card program, the first of its kind in Canada.

We have started some very aggressive marketing to win the credit and debit card business of the AIR MILES collector. You will see these efforts reflected in our dominated subway station presence, heavy advertising on AIR MILES website, strong visibility in all BMO branches, television advertising, and direct communication with over 2 million current and prospective customers encouraging increased card usage and deeper relationships with BMO. And we've only begun to tap the true potential of the AIR MILES program. Ultimately, we want our debit and our credit card in the wallet of every AIR MILES collector.

To close, I want to summarize with five points. One, we've built a strong foundation and succeeded on our priority of aggressive organic growth. Two, our credit card product line is a very strong and visible representation of BMO's brand promise. Three, our products are more competitive than they ever have been. Four, our debit and credit card products are aligned to encourage deeper customer relationships. And, finally, we are now well positioned for the future, poised for excellent growth in top and bottom line performance.

I would now like to ask Francois and Wendy to come up and join the table.

Francois Hudon ***- BMO Financial Group - SVP Quebec Division, P&C Canada***

Thank you for your earlier introduction, Frank, and good afternoon, everyone. I am really happy to be here, but particularly proud to be here representing P&C's Quebec Division. Today, I would like to share with you some evidence that managing for superior performance can translate into leading sales force and distribution network productivity.

As Frank mentioned earlier, BMO has identified six areas of focus that will differentiate us from our competitors. I'd like to share with you how we have set BMO in Quebec apart in the marketplace by focusing on three paths of differentiation, which allowed us to build a strong foundation for improved productivity.

These three areas of focus, which I believe are inextricably linked to each other are: excelling at sales leadership and performance management, focusing investment and allocating resources and developing strong line leaders.

Let me first start by painting a picture of BMO in "la belle province". We have a distribution network of 145 branches with a strong presence on the island of Montreal. Of the almost 5,000 people who work for BMO Financial Group in Quebec, my team consists of 2,000 dedicated employees who I'm proud to say are very committed to providing both personal and commercial customers across Quebec with a great customer experience.

The competitive landscape, as many of you know, is defined by two major local competitors who both have the ability to compete on price and collectively represent two-thirds of the market. That being said, the BMO brand has strong corporate resonance in the Quebec market and is highly respected.

Another unique aspect of the Quebec marketplace is smaller sized transactions compared with the rest of Canada. This has been the case for as long as I can remember, and has always been an ongoing reality for our division. In fact, historically, mortgage amounts in Quebec are about 25% smaller and retail term investment amounts, 10% smaller than the average in the rest of Canada.

When I look back at Quebec division's productivity before we started on our journey to differentiation we were already leading the way, showing best in class performance. However, as I mentioned earlier, smaller transaction size is not a new phenomenon. So, we have always known that to compete for resources we have to sell more of these smaller loans and deposits. And, in order to achieve our financial goals we had to capitalize on the highest value sales and distribution opportunities within our marketplace.

So with that in mind, first, we focused on allocating resources by revisiting our organizational structure. We realigned the structure of the districts in Montreal and created a new commercial district on the island under a new commercial vice president. This allowed us to align all of our employees dedicated to serving our commercial customer base under one executive, while all of our other employees within our branches were aligned under two executives dedicated to serving our personal customer base. Both of these actions drove improved performance management and increased productivity in a large urban market which has always been very good for BMO.

Next, we focused on developing strong line leaders and having the right leaders in the right place. We basically refreshed the whole leadership team. In fact, 75% of the leadership team changed between 2007 and 2009. 33 of 44 area managers and five out of six VPs either have a new role, or are new on the job. Our new more diverse executive team is a good mix of VPs promoted internally and hired externally. And this refreshed leadership team is a better fit to our marketplace. I'm confident that we have the right people doing the right things in the right places.

The third element of our journey is the implementation of a framework for improved performance management which my colleague, Alex Dousmanis-Curtis, described extensively at the last investor day. This has contributed greatly to our ability to excel in sales leadership as every employee understands, owns and expects to achieve their target. And, we are better able to track performance through aligned and easy-to-use branch and individual scorecards.

In light of the improved information this gave us, we were better able to reallocate resources both between and within districts with a focus on appointing people based on the ability to excel at one of our plank-sales leadership. The entire team is now committed to our focused approach to performance management and, indeed, we have seen increases in our productivity since 2007.

Here are some proof points of how our focus on increasing productivity is driving leading sales force and distribution network productivity in Quebec Division. This is actually my favorite slide. Revenues per employee have improved 11.6% from 2007 to 2009, slightly ahead of national numbers. Similarly, sales-per-employee have improved 19% from 2007 to 2009. We succeeded in increasing total sales and sales productivity by improving the performance of each individual, not by reducing the number of people.

This is how improved performance looks across an array of products, once again, from 2007 to 2009. New mortgage sales are up 20%. Creditor insurance sales are up 10%. MasterCard sales, our contribution to Mike's target, are up 28%. New checking customers are up 11%. And, Commercial borrowing customers' balances are up 13% in that period.

If you are wondering how all of this translates to the bottom line, it is also a good news story. Core book of business is growing at 9.7% versus 5.2% in 2007, and revenue has moved from below 3% to 11% in the most recent period.

Not content to rest on our laurels, we have yet again raised the bar for sales per employee in 2010. Our aggressive revenue plan for 2010 is well balanced between personal and commercial and we are confident about how we will finish 2009 and, therefore, how we will start 2010. I'm really proud of the results generated by the Quebec team, and I'm confident that we will continue to lead the way through our continued focus on these paths of differentiation.

And finally, not unlike productivity, in terms of customer experience we have been leaders in both retail and commercial Net Promoter Score. In the same timeframe, from 2007 to 2009, our Net Promoter Score went from 30 to 47, and from being well behind the average to four points ahead. And, we now know that we are in second place amongst the eight major financial institutions in Quebec. So, the good news is we only have one competitor to beat and we are targeting to close that gap within the next two years.

Once again, we want to lead the way within BMO and to be among the first to say “we are the bank that defines great customer experience” in our marketplaces, which as you all know is our corporate vision.

Now I'd like to turn it over to our Senior Risk Officer, Wendy Millar.

Wendy Millar *- BMO Financial Group - EVP and Chief Risk Officer, P&C Canada*

Thank you, Francois. As the risk management partner to Frank and his team over the past few years, I'm happy to tell you that the P&C portfolio continues to perform exceptionally even through the environment that we've all been operating in.

At our last investor day presentation I spoke about our best in class credit risk management practices and performance. Today, I'd like to revisit some of those themes, update you on our progress and explain why we are very confident of our position, and why we are ready to further leverage our strength as the economic recovery begins to take hold.

Whatever the environment, we haven't strayed from our strategy of putting the customer at the heart of all our practices and decision making. And we continue to be aligned with this goal in risk management. We continue to maintain top tier risk performance even through the downturn. And we have done so in a manner which supports our customers and the long-standing relationships we have. We've taken proactive management action to minimize losses while maintaining our consistent ten plus year leadership position in credit risk management.

You'll see by my first slide, my favorite, that there is no doubt that BMO’s Canadian performance remains strong relative to peers. Year-to-date our P&C Canada losses are the lowest in the industry, over 20 basis points better than our peers.

Our advantaged loan loss performance stems from the quality of our underwriting, the mix of our products and the management of the portfolio. Our portfolio continues to be made up of very high-quality assets that are well diversified by both industry and geography. Approximately three-quarters of our portfolio is retail-based, of which 85% is secured by high quality assets.

We have fared better than all of our peers through the consumer-led downturn. We expect consumer losses for P&C Canada to continue to perform better than peer given our significantly lower loan loss experience and smaller retail portfolio relative to peers. And the proof points are many.

We have number one performance in loan loss rates for personal products based on peer comparison. Our mortgage losses currently at three basis points year-to-date have been three basis points or less over the past 20 years and this is on par with our peers. Our credit card losses year-to-date are 335 basis points, more than 100 basis points better than industry average, and on a quarter-over-quarter basis this performance gap is widening.

We continue to grow a high-quality portfolio, and have maintained growth and balances even through the recession, by primarily expanding through the branch channel, and our share of wallet with good quality customers; this is not a one-time occurrence. We have consistently retained a strong ranking in relation to our peers for the past decade, with PCLs time and again lower than our peer average.

Our underwriting strategies and risk management capabilities have enabled us to manage this business effectively through both strong and weak environments. We have been successful during this downturn as a result of our proactive risk practices to manage high-risk accounts and minimize losses. As Lynne mentioned, early in the cycle very targeted adjustments were made to our consumer lending strategies to ensure risk was appropriate given the challenging environment, resulting in market share slippage for a few months earlier this year.

Recently, consumer credit strategies have been adjusted for secured lending products to reflect improved confidence in the economy, and market share for the past two months is now improving. Perhaps surprisingly the business sector in Canada has not experienced as severe a downturn as in the consumer segment. Our commercial credit performance has performed well in both absolute and relative terms, with our year-to-date losses at 27 basis points, on par with last year, and half of what they were in the prior deep recession of the early '90s when losses reached 55 basis points.

Our solid commercial sector performance can be attributed to top tier underwriting standards, effective risk management capability and strong security. Our long tradition of solid underwriting practices enables us to consistently be there for our customers.

Our best in class risk performance continues to be due to a few key differentiators, which we discussed at the last investor day meeting. We've got the best on-the-street credit training program; a decentralized credit decision making model - what this means is, our regional credit teams have over $50 million in credit limit authority; we have an independent credit function which reports up through to Risk Management rather than the line of business; we have advanced modeling capabilities, utilized to optimize risk return; and effective management of high-risk accounts. I'll elaborate for a minute on this last point.

We generally recognize deteriorating commercial accounts earlier than our peers. In support of this approach, we have a specialized unit with highly-trained professionals that work closely with customers experiencing financial difficulties to ensure we return them back to health. And, we have been experiencing success with this approach as demonstrated by our repatriation rate which is typically 15% to 20% over the cycle.

Our practice has been to identify industries and customers who may be heading into financial difficulty early on, and we move them into specialized care on a proactive basis. We are seeing similar successes in our consumer collection area where highly-trained specialists, sophisticated processes and a focus on customer care are translating into successful resolution for over 96% of customers who enter collections.

Consumer collectors are focused on assisting customers through difficult times to the extent possible. And a good example of this is the success we recently experienced with one of our high ratio mortgage customers who fell in hard times. We worked with this individual and the mortgage insurer and actually increased financing to improve their premises. Why would we do this? The customer needed the funds to renovate the basement into a separate apartment. In the end, the rental income then made it possible for this customer to bring the mortgage back into good standing.

This is one of many such success stories where we have assisted our customers back to financial health, and demonstrates our commitment to our customer-focused strategy. Of course, there's always going to be some accounts that we can't bring back. And where no other options present themselves appropriate action is taken to minimize loss for the Bank.

In summary, our vision is to be the Bank that defines great customer experience, and our risk expertise, combined with our good-quality portfolio, have allowed us to remain consistent to our customers throughout this recent downturn. Our prudent lending practices and top tier results give us confidence that we are on track and well positioned to take advantage of new opportunities through the emerging recovery.

Growth momentum is already returning to both our Consumer and Commercial portfolios. In the latter, we continue to grow market share over the past year, improving our strong number two position as Gail said to over 20%. In addition, our personal loan balances have shown consistent improvement quarter-over-quarter, with a 15% increase during this past year.

And, this is not growth at any cost. We are even more focused than ever on optimizing the risk return equation, and have implemented a number of new processes and tools over the past year to focus the business on driving profitable and sustainable results.

Thank you, everyone. I'll turn this back over to Viki.

Viki Lazaris *- BMO Financial Group – SVP, Investor Relations*

Great. Thank you, Wendy. So, we'll open it now to Q&A. And again, as a reminder, we do have a couple of mics in the room. So, please use the microphone, introduce yourself. And we also have some people on the phone, and we'll look for questions from people on the phone. And we can get started. Jason?

QUESTION AND ANSWER

Jason Bilodeau *- TD Newcrest - Analyst*

Yes, okay, Jason Bilodeau from TD Newcrest. Frank, when you take a look at your business over the past year and a half, two years, and you think about the big drivers to the bottom line, the way I see it margins have been a big part of the recovery, volumes probably not where you want them to be. At some point do we have to transition? When does that happen, and what part of your book do you think starts to pick it up?

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Yes. Thanks for the question. I mean, I'll go back maybe before the last couple of quarters, Jason. Our balance sheet was growing very rapidly. I think a couple of my colleagues pointed out the fact that we've taken some management actions in a couple of our product categories to slow that growth. And we think it was the prudent thing to do, the right thing to do. We couldn't predict how the recession was going to turn out nine months ago. And if I had to do it over again I would have done the same thing.

As we start to see the economy improve we think we can increase the growth in our consumer lending book, in our commercial book, just back to the levels that we had prior to going into the recession. So, we don't think there's been any fundamental harm done to our business. We made some decisions to slow the growth for very valid reasons. And I think we can get it back growing.

So, in answer to your question, over the course of the last year, yes, spreads have definitely helped us. The expansion of our margin has helped us. As we have changed the mix in our balance sheet, as the positive growth has accelerated, it has definitely helped us over the course of the last nine months. And I point out it's helped us more than our competitors. Maybe we're doing better at managing the mix in our balance sheet and how we address pricing over that period of time.

So, I think there will be a change as we go into 2010. The balance sheet growth will increase. The benefit that we've seen from margin expansion will start to diminish. And we think we can continue to perform at the levels that you've seen as a result. So, go ahead…

Jason Bilodeau ***- TD Newcrest - Analyst***

Sorry, and more specifically, am I wrong in thinking that it's really the residential mortgage book that has to start to turn?

Frank Techar ***- BMO Financial Group - President and CEO, P&C Canada***

Well, I think we see opportunities in growing our consumer lending business faster. We've done it in the past. I think we can do it again. I think on the commercial lending side of the business we can grow that business faster. We've done it in the past. We can do it again. Gail talked a lot about expanding our focus on share of wallet in our commercial business on the back of a very solid lending practice. We think there's big opportunity for us there that hasn't been exploited historically.

And the mortgage business, as Maurice said, it's the one area if I had to cast back to the early days it's the one area we haven't made as much progress as I would have liked to, and we've got plans in place to change that. We knew we were going to lose share because of the decision around the broker channel. But we don't think there's any magic to the business. We think we need employees that can have great conversations with customers. We need more sales force in the marketplace to compete. And those are all within our control, and we think we can do that.

We think our product suite as Maurice mentioned is as good as anyone else's. We need a little more horsepower against that particular product line. So, I think there's opportunity in many of those product categories, and each one for a different reason.

Jason Bilodeau ***- TD Newcrest - Analyst***

Okay.

Mario Mendonca ***- Genuity Capital Markets - Analyst***

Mario Mendonca of Genuity Capital Markets. Question first, Lynne, on deposits, BMO has done it would appear, to be a fairly good job of lowering deposit rates a little more aggressively than their peers recently it would seem, and clearly, that would be one of the beneficial things from a margin perspective.

I guess what I'm trying to think through is there was a time period there where GIC rates were higher; they're much lower now. Other forms of funding costs are lower now. Is there room for this deposit rate? And I'm not really just referring to personal deposits. I'm talking about any kind of deposit that would sort of fall into this business. Is there room for those deposit rates to move still further now that rates really can't decline any further? Or, are we coming up against a floor here where you can't drop deposit rates anymore?

Frank Techar ***- BMO Financial Group - President and CEO, P&C Canada***

So, Mario, you're asking is there an opportunity for deposit rates to fall further?

Mario Mendonca ***- Genuity Capital Markets - Analyst***

Yes, or just funding costs in the Domestic business, in the P&C business. Is there room for rates to come down a little further, what you're paying on their deposits?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

Yes. I think maybe I'll just jump in here, Lynne, and you can pile on if you need to save me. I think like our view is we're sort of at the bottom. Our expectation is there's more pressure probably on rates going up rather than going down at this point in time.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

But even though the three months is essentially near zero and interest yields themselves are just rock bottom, you would actually expect to have to raise deposit rates in the next little while?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

Well, I'm only basing that on our expectation that the economy is going to improve as we go through 2010. And ultimately, we're going to get into a situation where rates are going to move up based on the economic growth coming back into the marketplace.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

The maturity of higher-rate GICs, GICs that were sold a year or a year and a half ago, as those mature is there any room for funding costs to come down… deposit rates?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

We're not anticipating any huge change, Mario, in that type of mix or any impact in our portfolio or our book.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

Ok, and then a question for Wendy. You referred to BMO’s smaller retail book as a reason why you'd expect the Bank to outperform on credit. And I just found that I understand that that's been the case recently, that retail PCLs have been higher, but just on the notion that commercial credit losses will likely lag retail, is there any reason to believe that in fact BMOs higher commercial exposure will cause PCLs to ramp up faster than peers simply because of this lagged effect?

Wendy Millar - ***BMO Financial Group - EVP and Chief Risk Officer, P&C Canada***

I think just looking at the economic environment in Canada and even the industry bankruptcy stats are quite revealing, in the fact that on a year-over-year basis business bankruptcies have actually fallen. So, in our own book we see gross formation, the pace of gross formation, slowing as well. So, balance sheets are strong for companies. And although there may be some upward pressure we don't expect it to spike.

If you look across our portfolio it is very well diversified, as I said, by industry and geography. We do monitor very closely portfolios where we have some concerns. Manufacturing, for instance, is one that we have for a number of years seen some deterioration because of the strength of the Canadian dollar, and it did represent 75% of our losses. But, we have over the years reduced our total exposure. We don't have a concentration. It's 10% of our commercial book.

Other sectors that we watch closely, for instance, dealership financing which is well less than 10% of our commercial portfolio; that sector actually is performing much better than what we had been forecasting with the termination of dealerships that GM announced. And it did affect 23 of our dealership customers. We immediately moved those accounts into specialized care. And we don't expect material losses at all on those accounts.

Mario Mendonca *- Genuity Capital Markets - Analyst*

Do you buy the notion that there is a lag effect here, that Commercial losses will escalate or peak much later or after retail losses do? Do you buy into that notion --?

Wendy Millar *- BMO Financial Group - EVP and Chief Risk Officer, P&C Canada*

I feel strongly that the Canadian business sector has held up very well through this downturn and will continue to hold up well. I think they saw what happened in the US and reacted early. They shed employees. And that's why unemployment has increased and why I really feel strongly this is much more of a consumer-led recession at the end of the day.

I don't know, Frank, if you want to…

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Actually, no. That's great. Thanks.

Viki Lazaris *- BMO Financial Group - Senior Vice President of Investor Relations*

Darko?

Darko Mihelic *- CIBC World Markets - Analyst*

Hi. It's Darko from CIBC. I have two questions actually, one I think we'll split for Frank and for Maurice, it's on mortgages, and then the second question on credit cards. But the first question with respect to mortgages -- it's kind of a long convoluted one, so I'll try and simplify it. But we've had 1.5% decline in this mortgage book, largely because of the runoff. You've had an 11 basis point increase in spread because of originating balances. And if I've got this right, you have a 25 basis point overall increase in the book.

So, it looks as though at least from first glance at these numbers that the runoff has been material improvement to your spread. So, how much more runoff do you have? And what are your goals for increasing this book? In other words, could we look for a return to 7%, 8% toward growth in this book? How much spread improvement are you looking for on the mortgage side? That would be my first question.

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Yes. Well, thanks, Darko. Maybe I can just take a crack at that. Yes, the runoff in our broker book has helped with our spread, our overall portfolio spread in the Mortgage business. I'm not going to disclose the size of that book at this moment in time, the broker portfolio.

Suffice it to say we've got a couple of years left of runoff in that portfolio. So, we will continue to see some benefit from a spread perspective. But offsetting that we know how competitive the marketplace is for new business being put on the books. So, I would expect the improvement that we've seen in spread in the Mortgage business to start to abate over the next year or so. And we're obviously going to do everything we can to ensure that's low and sweet from our perspective.

Relative to our aspirations on growth we are not growing as rapidly as we would like to in our proprietary channels. We think we ought to be able to grow as fast as any other market competitor. Maurice already mentioned that share growth is our medium to long-term expectation, and that's where we're pointed. There's no reason why we can't grow our business as rapidly as any other competitor in the marketplace once this broker business is completely run off of our balance sheet.

Darko Mihelic *- CIBC World Markets - Analyst*

Can I just follow that up a little bit, though? My question would be more along the lines of if you're expecting runoff for another two more years and you're originating new mortgages at 11 basis points or better and then third, if you're expecting rising rates I'd expect that you have a shift from variable to fixed at some point, and you get wider spread because of the prime moving up. So, I'm at a loss to understand why your margins wouldn't expand in the mortgage book more. And you're expecting it to decline actually.

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

They may. All I'm saying is we can't predict a competitive environment. We've seen recently for instance for the five-year fixed product in the marketplace. Spreads have come down pretty dramatically. They've narrowed. So, all I'm suggesting is there's a lot of moving pieces relative to this particular business. We like what's transpired from a spread perspective over the last year or so. It's really hard to predict whether that's going to continue. We know the dynamics of our book. And they will be favorable for some period of time. But we just don't know how that competitive dynamic around pricing is going to play out as the market heats up a little bit.

Darko Mihelic *- CIBC World Markets - Analyst*

Okay, fair enough. Thank you. And my last question's on credit cards. I wonder if we can touch on the view that, I mean, it looks like Royal is going to be introducing MasterCard. I wonder if you can touch on your first thoughts, your first impressions.

And also as well there seems to be when we think about these loyalty reward programs does that mean you have to up it again? And at some point CIBC seems to think or believes that it's a little too dependent upon the Aeroplan. So, at what point do you think you may actually use let's say the Royal entry as a chance to deemphasize the AIR MILES? Or, will you in fact just up it and fight back?

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Mike?

Mike Kitchen *- BMO Financial Group - SVP P&C Product Management, P&C Canada*

Sure. On the first point, on duality, Royal's move into MasterCard, I mean we've been expecting it for some time. It's not a huge concern of ours. We're supportive of that move. But we really go back to when I talked about the three reasons why customers choose their card. Those reasons have stayed the same for the past decade.

The choice of payment brand, Visa or MasterCard, doesn't even hit the top five list of why customers select a credit card. So, if anything, it may create some bidding wars between MasterCard and Visa as payment brands, but does it fundamentally alter consumer behavior? We don't think so based on what we have seen, particularly in Western Canada.

And to your second question, how do we feel in terms of our program is going to up the ante, they've gone over with an announcement of the partnership, but they have said nothing about the loyalty program that's behind it. So, until we see that it's hard to declare whether we should be worried or not.

We feel confident because we had just launched changes with our Gold AIR MILES MasterCard to move to 25% off AIR MILES flights and to improve some of the other benefits that we are actually very, very well-positioned to compete, particularly in Western Canada, which has been one of our strongholds.

Your last question I think on CIBC's view that they need to diversify, we have been looking at the exact same thing. AIR MILES has been our key product offering in terms of consumer appeal. In the last couple of years you've seen us -- and I've talked about extending some partnerships with Student Price Card and Shell Canada to focus a bit more on our cash back program because we know in this economic environment particularly more tangible rewards matter and to create some diversification.

And you'll be seeing as over the next 12 months continue to evolve our diversification strategy because we too believe that you don't want to be a one-trick pony in the reward space, but rewards are the number one reason why consumers select their card.

Darko Mihelic ***- CIBC World Markets - Analyst***

What about Visa, would you do a Visa?

Mike Kitchen ***- BMO Financial Group - SVP P&C Product Management, P&C Canada***

It's something that we'll contemplate. We've seen many examples in the U.S. which has been dual for years where banks have gone single brand and been very successful, and banks have gone dual brand and been very successful.

Again, we're going to evaluate the marketplace. We'll do some research. But our stance is it's more about focusing on those three things that matter to consumers than it is jumping from payment brand to payment brand. So, we'll just wait and see at this stage.

Sumit Malhotra ***- Macquarie Capital Markets - Analyst***

Sumit Malhotra, Macquarie Capital Markets, for Frank or Maurice. We talked about the mortgage side in a couple of questions. If we think about residential real estate as a whole, certainly the Bank has had a lot of success in growing the Personal loan book as a whole. I think home equity lines have been a big part of that.

So, Frank, if you look at the residential real estate piece in aggregate, can you talk about differential in yield for the Bank that the pick-up you've gotten on the home equity line? And certainly if you've been able to sell the HELOC product, and mortgages have been a little bit slower. It doesn't seem to be an issue of attracting customers. It's been the preference on that HELOC line.

So, can you talk about whether it's really mattered to them that much for the performance of the Bank in terms of being slower in selling mortgages?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Yes. It' a bit of a rhetorical question actually, so thank you for that. But that's exactly what we've been doing over the last couple of years. Our high-spread consumer loan products have been very well received by the marketplace. Our growth has been outstanding as Lynne talked about.

Our Mortgage business -- I hope we get to some other topics so we don't keep going down that path -- but our Mortgage business has not grown as rapidly as we would have liked. But the net trade for us has been positive. Our spreads and our revenue have been good over that period of time. We know we can't sustain that forever. And we need to get the mortgage volumes up.

I will say, though, that when you look at the growth in our home equity product and you add the mortgage product we're still not happy with the combined growth relative to the rest of the competitors in the marketplace. So, the spread trade has been positive, but the growth is still slower than we would like to see it, and we need to do a better job.

Maurice Hudon – BMO Financial Group - *Senior EVP, P&C Canada*

Frank, can I just add one quick point?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Sure.

Maurice Hudon – BMO Financial Group - *Senior EVP, P&C Canada*

I think that the mortgage product will always be relevant in particular to first-time home buyers. And I think we're going to always want to be very relevant and very competitive in that environment because needless to say that's an opportunity to establish relationships that are very important to us. So, I certainly don't see us abandoning the classic mortgage product suite to favor just the lines of credit.

Sumit Malhotra - *Macquarie Capital Markets - Analyst*

Your loss rate on mortgages is three basis points. What's your loss rate on home equity lines?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

You know that Wendy?

Wendy Millar - *BMO Financial Group - EVP and Chief Risk Officer, P&C Canada*

Its a few basis points higher.

Sumit Malhotra - *Macquarie Capital Markets - Analyst*

Thanks.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Michael.

Michael Goldberg - *Desjardins Securities - Analyst*

Michael Goldberg, Desjardins. I'm not going to leave the mortgage area.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Oh, Michael.

Michael Goldberg - *Desjardins Securities - Analyst*

Do you expect the brokerage share of mortgage originations to go up, down or sideways over time and why?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Sorry. Would you repeat that one more time?

Michael Goldberg - *Desjardins Securities - Analyst*

Sure. Do you expect the share, not your share, but just industry wide?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Share, okay.

Michael Goldberg - *Desjardins Securities - Analyst*

Do you expect the brokerage share of mortgage originations to go up, down or sideways over time and why?

Maurice Hudon – BMO Financial Group - *Senior EVP, P&C Canada*

So, first of all, the way we see it, somewhere between roughly 25%, maybe 30% of mortgage originations, depending on how you measure it, might be going through the mortgage broker market. And in our view, that's not likely to change necessarily very much over time. And I think our strategy, quite frankly, is going to be to make that up by virtue of the strategies that we've already established and put in place.

I think it's a hard thing to predict where the broker market is going. I think at a time when there were several funders for brokers to be able to access two years ago, three years ago, it was a very different dimension and dynamic than it is today. And I certainly wouldn't predict that it's going to go back to where it was in terms of a number of funders looking for product to buy. So, I doubt very much it's going to grow.

And having said all of that, we're going to keep our eye on it because if we've called that wrong and we think we need to figure something else out then we would. But at this stage that's not part of our thinking.

Michael Goldberg ***- Desjardins Securities - Analyst***

Okay. And just to I guess follow up on that, so three of the major banks have found ways to sell both internally and through brokers. Why haven't you been able to find a way to do the same thing? I know that you made the specific choice, and I understand why, but why wasn't there a way to stick with the broker channel?

Frank Techar ***- BMO Financial Group - President and CEO, P&C Canada***

Well, Michael, the way I would address that question is very simply. And I referred to it in my opening comments. One of the things we want to leave the room with is an appreciation for the fact that we are managing our business differently. We have a different brand promise. We have different objectives. We are going to make different decisions. And this is one clear one where we do not believe that it is lined up with our customer promise, our brand promise, to support that channel.

Our customers were confused about the fact that we were offering BMO-branded mortgages in the marketplace at different prices. It is not consistent with our brand promise. It is not consistent in how we want to compete and who we are.

So, the question you ask is almost irrelevant from that perspective. We could have chosen to put more time and attention in management effort into solving that particular problem. But it wasn't consistent with where we wanted to go with the business and lined up with our brand promise. And that's why we are where we are. And if others have a different way of managing their business and thinking about how they're going to market we can't control that. What we can control is what we're trying to achieve with our customers.

Michael Goldberg ***- Desjardins Securities - Analyst***

Okay. So, I will go away from that with my last question. In the US, Harris achieved number one, JD Power rank in the Midwest, and congratulations to them. Do you have similar ambitions in Canada? What would you have to do to get there, and who's been falling behind in terms of service quality?

Frank Techar ***- BMO Financial Group - President and CEO, P&C Canada***

Well, I'll make a couple of brief comments. And maybe I'll ask Lynne to jump in here. Very simply our objective is to be the leader in this marketplace as well. We are going to focus on our net promoter score measure as the primary measure for demonstrating to ourselves and to you over time that our customer loyalty is the best in the marketplace. So, the objective is to be number one. It's not to be number two or number three.

We do have these external measures. They do test and ask questions that are different from the ones we ask. My expectation would be that if we end up being number one with our own proprietary measures that we will ultimately end up being number one with JD Powers, Synovate or any other external measure.

We're not trying to specifically get there with those measures. We're focused on what's important again to our brand promise and what we're trying to do with our customers. But it's pretty hard to imagine a future where we're not number one, or we are number one with our net promoter score, and we're not number one with the external measures that we see in the marketplace.

I don't know if you want to talk a little bit about it Lynne, how and why and what we're doing and the continuation of what we're doing and what we might add going forward.

Lynne Kilpatrick – *BMO Financial Group - SVP Personal Banking, P&C Canada*

I mean, this is our strategy, and so winning JD Power will come in time as we continue to close the gap to our competition as we've been doing very steadily now for a couple of years. And we're very focused on what's happening in our branches and in our contact centers every day to improve the quality and consistency of that customer experience. We have reinvented our training programs, our tools, our management focus and our performance management systems to get the whole operation pointing in that direction.

So, we are on our way. I think Frank's point is exactly right. When NPS is where we want it to be we'll see JD Power and the other studies come along for the ride and happily brag about those when we get there. So, they're in our sights.

But our measure is our measure. NPS is what we're focused on. And all the studies are a little bit different. But I think we'll get there. We're very, very focused. We found religion around this as a business and as a strategy. And we're going to keep executing on that path. I'm not sure there's much to add beyond that, Frank.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Jim?

Jim Bantis - *Credit Suisse - Analyst*

Jim Bantis, Credit Suisse. You just used a phrase about finding religion on customer experience. And I certainly appreciate that. And you're obviously seeing big gains from that. I'm wondering if the Bank is neglecting with respect to the other pillars of retail banking in the context of the advice channel, access, in terms of branch networks, distribution. Can you talk about that because I guess that's going to be, it's great that the customers are feeling good and you got the promoter score, but ultimately we got to get volumes up. And so how do those two other factors play in terms of advice and access?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Yes, good question. Relative to the advice question, I mean I think you've heard Gail and Lynne talk about the investment that we're making in our training programs for our people because we do want to have different types of conversations with our customers. And share of wallet you've heard today is a real important part of that. We think there's still a big opportunity and will continue to be a big opportunity with our current customer base. So, that's one way that we can build the business, grow the volumes in a very specific way in support of our brand promise.

Relative to some of the other investment opportunities and the channel opportunities that we have, we've been pretty clear that we don't see ourselves building 250 or 300 branches over the next five years to try to catch some of our competitors on that one measure.

And so, we're very focused on the other channels that support advice and support our promise. The specialist sales forces, financial planners, mortgage specialists, commercial account managers, we are going to invest in those sales forces as we go through the coming years. We've invested in the past, and we're going to continue on that program. That's where we think we can get the growth as part of our future.

The other thing I'll say about the branch issue is I mentioned a couple of stats. We've opened 51 branches over the last few years, kept up with the activity in the marketplace. We've redeveloped 170. We've closed, relocated or had major re-developments in 170. We've proven to ourselves that the best returns on our investment are with those types of changes, not opening new branches.

So, we think there's an opportunity within our own network with the investment plans that we have over the next few years to continue that. And I think that part of the success we're seeing is as a result of that. We're upgrading our capabilities in markets that we already know with customers that we already know in trying to get at those opportunities.

Just the other thing on this one, Jim, is online is going to become bigger for us going forward as well. We have to improve that online capability as part of our strategy. And so, we've got plans on that front going forward.

Jim Bantis *- Credit Suisse - Analyst*

Got it. Okay. So, 900 branches seems like a reasonable number for your footprint, and particularly when you think of Royal and TD being at 1,100. And the way you've talked about in terms of distribution expansion, in terms of specialists, financial planners and other advisors, the way I can look at the improvement in terms of profitability will be the NIX ratio and ROE.

So, from a NIX perspective you're at 55%. And your peers, the ones you want to catch up to, are at 50%. And you don't disclose your ROE. And I'm wondering if you can shed some light on that because one of the biggest problems when you look at the franchise as a whole in terms of BMO is the low ROE at 12%. So, I just want to get a sense of what you can contribute in that regard.

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Yes. Relative to ROE, our ROE for this business is well in excess of 30% without being more specific on that. So, it is strong and it is growing based on the improvement in the profitability that we've had in the business.

Relative to the expense-to-revenue ratio we actually were at 54.3 in the latest quarter. And we've improved year-over-year 1.3%, so, year-to-date we're at 54.9. We think we can get that down into the low 50s. That's part of our objective as well. You've heard very specifically that our strategy is about customer experience and productivity.

And so, in order for us to be successful that number will continue to move down over time. And I think you've seen it move down over the last couple of years as a result of some of the things that we're doing.

Jim Bantis *- Credit Suisse - Analyst*

So, low 50s in a three-year environment. Sorry.

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

It'll keep going down.

Jim Bantis - ***Credit Suisse - Analyst***

Got it.

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

All right.

Viki Lazaris - ***BMO Financial Group – SVP, Investor Relations***

Great. Next question.

Andre Hardy - ***RBC Capital Markets - Analyst***

Thank you. Andre Hardy, RBC Capital Markets. First, on the commercial net promoter scores there's been a decline since the year started. And is that industry-driven or is that BMO-specific? And what is it that's driving the decline?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

Yes. Quite frankly, Andre, it's one of those things we've been a little surprised at. Gail mentioned it in her comments. It looks like it's an industry trend because the numbers for our competitors have also sagged over the last couple of quarters. I think it's the economic climate. We have not changed our focus. We're pushing very hard with our capabilities to try to move that number up, and yet we've started to see a little bit of a plateau.

And the only thing we can really point towards is our commercial customers are under stress. They're not as confident about the future. We have been into the market as Gail mentioned with respect to repricing. We've had to talk to them about funding cost changes and the global credit issues and risk migration of their individual credits.

And we just think that's having a bit of an overhang on the market in general. We know the competitors are doing exactly the same thing. And we're seeing the scores flatten out across the entire industry. So, we think it's more related to the economic environment rather than anything that we're doing or a loss of momentum or focus from our perspective.

Andre Hardy - ***RBC Capital Markets - Analyst***

And then starting on page seven, where you show your promoter scores relative to the industry. And let's take the Personal business, for example. Not all your branches would be at a 34 score. The branch that's at 40 versus the branch at 30, how much faster is it growing? How much more revenue per employee is it generating? Can you help us understand the upside potential here as you increase these scores?

Lynne Kilpatrick – *BMO Financial Group - SVP Personal Banking, P&C Canada*

Andre, to go back to Francois's slides on this because it isn't, even though we have religion, it's not an altruistic strategy. So, it is a virtuous circle and with higher loyalty, especially in the branches where we've seen big improvements. We've seen also huge improvements in the sales force, productivity, sales per person, better balances per customer, more products for customers. Those things are always going hand-in-hand across the network.

So, when we look at it on a branch-by-branch basis where we're seeing improvement, it's because the whole system's working the way it should and driving that kind of growth. And we're pretty confident in that. And I think Francois provided some great examples of that working hard for us.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

And the only other thing I would add is I'm not sure I know the answer to the question because...

Andre Hardy - *RBC Capital Markets - Analyst*

How about this…what's the Net Promoter Score in Quebec versus the average where you seem to be showing greater increases?

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Yes. Francois mentioned, I think, our NPS on the Personal side is 47. Is that right? 47 in Quebec. So, it's above the national average.

Andre Hardy - *RBC Capital Markets - Analyst*

Thank you. Now it would be great if you could compare the number on these slides in terms of growth versus the rest of the country's so we can get an idea of the upside --.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

We'll think about it for next time. Thanks.

John Reucassel – *BMO Capital Markets - Analyst*

John from BMO. Just, Gail, a question for you just on the Commercial, I just want to make sure I understand the market share gains there. Is that because some new market players have exited or is there something unique going on there? It's hard always to say, but are these sustainable gains in market share because BMO has always done historically quite well there?

Gail Cocker – *BMO Financial Group - SVP Commercial Banking, P&C Canada*

Yes. I think it's a combination of both those factors. We've definitely taken advantage of some of those competitors that have exited the market. I think it's also related to the fact that we are not in and out. So, I mentioned some of the competitors have had to withdraw from certain industry segments or really tighten up their lending practices. We typically don't do that.

So, when we say we're there for our customers in good times and bad it's because of our confidence in our risk management practices. So, that's been a long standing tradition with our customers. And I think they're rewarding us for that. Hitting the 20% market share was a pretty significant number for us and really demonstrated that we are still good at this business.

We're still in the market. And we believe there is more upside. We're very firmly in number two position. Market share is measured by $0 to $5 million. So, it's the real sweet spot of Commercial Lending. We aim to be number one. And we don't see why we can't be.

John Reucassel – *BMO Capital Markets - Analyst*

Okay. And just I guess being the newest group member here, just trying, I don't know if Bill is still here, but he did say something yesterday I found interesting at the conference.

I think he said it's been a loss natural market share in P&C Bank for the last ten years. And so he's doing a lot of good things now. Ten years seems like a long time to institute some of these changes. I'm just trying to…was there some cultural resistance to some of those changes before? And why? I guess I'm just trying to figure out why it took so long, just some background please.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Well, I won't dwell on the last decade. But maybe I can just talk a little bit about the last three years. I think a couple of really simple things have happened. First of all, we've all recognized that we weren't doing a very good job in serving our customers. They've been telling us that for a long time, and we haven't been listening.

And so this real focus on listening to what the heck is going on and then committing to doing something about it is a change. And it's had a huge impact and a fundamental impact on the business. So, that has been the driving force. And as I said, Bill's leadership in changing the culture of the Company and getting us all focused on the same thing is hugely powerful.

I think the other thing that's gone on is you've heard about the renewal and refresh of the leadership team in our business, and that has had a material impact. We actually have higher aspirations as a group. We set the bar higher. We want to do things better. We want to win. And that is something that has changed dramatically, not individually, but as a group. We are now much more focused on what we're trying to achieve, and we're putting more time and attention and energy into it.

Rob Sedran *- National Bank Financial - Analyst*

Rob Sedran, National Bank Financial . I'm not sure if it's a question for you or for Lynne, but I wanted to talk about pricing on personal loans a little bit. We've had over the last little while a couple of instances where the repricing, both prime versus the overnight rate and also the spread to prime, have widened.

And I'm wondering in a recovery environment, I know you mentioned in a competitive environment it's tough to predict, but how much of that do you think will be sticky in a recovery? Or, are we likely to see those spreads condense again? And you also mentioned that Bank of Montreal was one of the first movers in terms of repricing. Might it be one of the first movers in terms of repricing the other way. And what impact do you think that might have on net promoter scores?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

Yes. I think it's a really good question. My expectation would be in the future we're going to see that advantage that we've had from a pricing perspective disappear as we move forward. I think it's inevitable if credit spreads continue to shrink. If funding costs continue to shrink then in support of our brand promise with our customers we're going to be having conversations about them with respect to giving back some of those increases that we've seen in the past.

To me, it's inevitable. When it happens and what the magnitude of it is and where we are relative to the rest of the business and where the competition is I can't predict. But my view would be that we are ultimately going to end up in that place. And, quite frankly, we want to be in that place. It's exactly what we're telling our customers.

We've had a difficult environment. We've raised prices because of some very specific academic reasons. We've done a fantastic job as Lynne mentioned in being very clear, transparent and straight-forward with our customers. And they expect us to do the same thing when the market changes. And that's what my expectation would be for the business. I can't predict when that will happen.

Rob Sedran ***- National Bank Financial - Analyst***

Do you think there's any benefit to being an early mover in that process?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

Potentially, potentially.

Viki Lazaris ***- BMO Financial Group – SVP, Investor Relations***

I think there's a question right there. Yes, George?

George Trapkov – ***Acuity Investment Management***

A question for the team. Looking at the sales per full-time employee and product per customer you've done a great job in increasing that. How do you rank compared to the rest of your peers, and what do you see product per customer and the growth in sales per full-time employee going in the next couple of years?

Frank Techar - ***BMO Financial Group - President and CEO, P&C Canada***

Well, that's a lot. Let me start, and hopefully someone will help me out on this one. The products and services per customer as all of you know in the room, that share of wallet measure that we have, each company does them differently. We use product categories. Others use products, numbers of products. And so it's very difficult to measure how we're doing against the competition.

We have in our measure a maximum of seven product categories on the Personal side of the business, and we're now at 2.56 or 2.55. We've got a long ways to go to get there. But it's very difficult to put that measure against the competition and figure out where you are because we all do it very differently. So, we don't spend a lot of time trying to figure out where that is. It's just too complicated and it's an apples-to-oranges type of figure.

Relative to the productivity on the sales force perspective, Francois or Lynne, or anyone else want to jump in on that one. We don't, ahead...

Francois Hudon *- BMO Financial Group - SVP Quebec Division, P&C Canada*

It is believed that on a per-individual basis, on a per-daily basis, if you were to exceed three sales per day per individual, you're into a group of leading financial institutions. My group has got that as a target in 2010. So, we are just underneath that level now.

And so, it is doable by doing the thing that I sort of described. And it really is managing it like a retail sales operation. Retail is detail getting down into every individual, every store. And we do have groups of stores, areas, that are now exceeding that level of performance. So, we know we can do that within our own system. And so maybe that's a signal that for sure we are approaching industry-leading best in class.

George Trapkov – ***Acuity Investment Management***

So, you still have a lot of room for improvement. That's what I'm just trying to get at. You can get a lot more from your current level.

Francois Hudon *- BMO Financial Group - SVP Quebec Division, P&C Canada*

From my perspective, with 145 stores and 2,000 employees, there are always going to be potential for improvement. I mean, the range, for example, might be 2.5 to 3.5. So, bring all the 2.5's over three and your total performance improvement in terms of sales per employee is quite dramatic.

George Trapkov – ***Acuity Investment Management***

You recently, or I don't know how recently, but you hired a consultant to help you focus on the customer experience and go through all your business lines, I think it's the Boston Group or something like that, to help you reorganize your business. Are there any other areas for improvement where you can see investing more money and help your business grow?

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Yes. I'm not sure what you're referring to relative to consulting help because we've been managing our expenses pretty tightly, and the business, over the course of the last couple of years.

George Trapkov – ***Acuity Investment Management***

I just overheard that there was a consultant helping you internally.

Frank Techar *- BMO Financial Group - President and CEO, P&C Canada*

Not really, no. Relative to your question, I think for competitive reasons I'm going to perhaps maybe dodge the second part of your question which is what are we going to do and, what are we thinking about in the future.

We have some real big opportunities I believe. One of the areas we didn't talk a lot about is the process technology side of the business. And if we're focused on productivity, which we are, we think we've got some big opportunities there to improve the capacity of our sales force, reduce the operating cost of the business and move the business forward faster. And so we do have other opportunities within the context of this strategy and this promise that we've put out, to move the business forward.

Steve Theriault – *Bank of America Merrill Lynch Canada*

Steve Theriault, Bank of America Merrill Lynch. A couple of questions for Mike Kitchen, just circling back on the Credit Card from, I think in terms of market share that's one area we haven't discussed is the Credit Card business. And, Mike, I think it's been about a year since you implemented the redemption costs in terms of AIR MILES. So, I'm hoping you can talk a bit about share trends in the cards business over the last year.

So, and secondly, unless I misheard the card origination number you mentioned was 43,000 up to 300,000 card originations, I'm hoping you can put a little color around active versus inactive cards. How many of those have actually turned out to be active accounts, primary cards versus secondary cards? How much of those might be US dollar type accounts?

Mike Kitchen – BMO Financial Group *- SVP P&C Product Management - P&C Canada*

Okay. So, I just want to get clarity on your question on market share because you link market share to redemption costs. I'm not quite sure where you were coming on that point.

Steve Theriault – *Bank of America Merrill Lynch Canada*

When we talked about consumer, the one area we didn't tackle was the card front. And that's something I don't think you typically disclose. We've seen Personal lending market share, but not, other than the Nielsen Report we can occasionally get a hold of, we don't get a real good picture of what's going on in the Cards business.

Mike Kitchen – BMO Financial Group *- SVP P&C Product Management - P&C Canada*

Okay. So, I mean it is not a number we have typically disclosed. I can give you a general sense. I mean we compare ourselves both with the total market and against the, typically the other bank competitors.

And we have been trending favorably against the other bank competitors, particularly the topic of the growth in our balance. Particularly in balances we've been growing faster than the Visa banks. And I've been told during this economic slowdown we have been growing our net retail sales at either equal or just above that level for the last few years. So, I feel pretty good about the competitiveness of our product against a market that is very, very competitive.

On your second question on card originations, I talked about it when I said we have folks in the branch, we improved both the quantity and the quality of our new business. And that's one of the reasons about putting that focus back in the branch world was to make sure that we were getting high quality business.

We still utilize multiple channels, but we have very high activation rates in our branches versus maybe a more actively sold situation where you're in a mall or an airport where you weren't expecting to make a purchase decision. The advice that the branch gives, the kind of pro-bank and customer conversations that they have allows for a more engaged sale. And then we also rely pretty heavily on our online capabilities to drive what is very high levels of originations that go from origination to active quite quickly.

Steve Theriault – *Bank of America Merrill Lynch Canada*

Thanks.

Viki Lazaris - *BMO Financial Group - Senior Vice President of Investor Relations*

Any other questions? There's no questions on the line either. So, I think I can just turn things over to Frank.

Frank Techar - *BMO Financial Group - President and CEO, P&C Canada*

Okay. Thanks, everyone, for participating today. Before signing off maybe just a couple of closing comments for you to take away. I said it at least once today; one of the things that I wanted you to take away was the fact that we are managing our business differently from the competitors, and our decisions are delivering consistently strong results. And I particularly like this sentence. The majority of our competitors are looking up at us now, and our intention is to keep that going.

We're well-positioned to continue to grow on the strong positions that we hold in some of our businesses, and our intent is to grow market share. And so, we have plans in place and expectations around all of our businesses on that front.

And third, we do have a winning and differentiated strategy. And we are going to continue to execute on it and continue to demonstrate to you and to our customers, quite frankly, that we can outperform the competition.

So, with that I will close and say thank you again for joining us today. I really do appreciate it -- the time and attention that you've shown in our business. And with that, we're adjourned. Thank you very much.